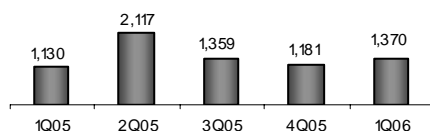


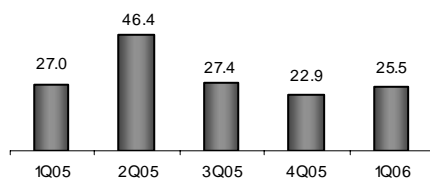
*GFNorte accumulated a Ps1,370 million net profit in the quarter.*

#### GRUPO FINANCIERO BANORTE

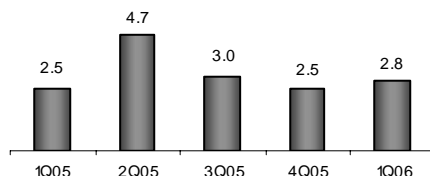
**GFNORTE's NET INCOME**  
(Millions of Pesos)



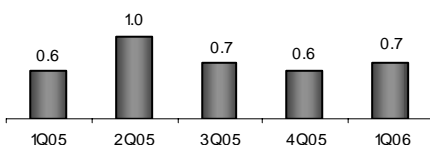
**GFNORTE % ROE**



**GFNORTE % ROA**



**GFNORTE EPS**



- GFNorte generated **net income** of Ps1,370 million in the quarter, 21% higher than the figure reported in 1Q05 with a contribution from the Banking Sector (excluding the Afore pension fund) of Ps1,134 million, equivalent to an annualized **ROE** of 26% and **ROA** of 2.8%.
- Performing loans** grew 23% in real terms vs 1Q05, with significant increases in Payroll loans, Credit Cards, Corporate loans and Mortgages, which rose 72%, 62%, 35% and 32%, respectively. The past due loan ratio showed a positive evolution from 1.9% to 1.6% from 1Q05 to 1Q06, while the reserve coverage improved from 154% to 171% in the same period.
- As part of its strategy to participate in the U.S. banking system in order to serve the Mexican population living in that country, on January 26, Grupo Financiero Banorte announced an agreement to **purchase 70% of the shares of Inter National Bank (INB)** amounting to USD 259 million. INB is based in McAllen, Texas, with 14 branches in that state and assets of USD 1.1 billion. This transaction is expected to conclude at the end of the year, once the legal processes with the authorities from both countries are finalized.

#### BANKING SECTOR

- On March 24, the rating agency **Standard & Poor's (S&P)** upgraded Banco Mercantil del Norte to **Investment Grade**, increasing its credit rating in foreign and local currency from "BB+/B" to "BBB-/A-3" with a stable outlook as a result of the consistent improvements in its banking business, financial profile, asset quality and recurrent profitability.
- Core deposits showed an important annual increase of 14% in real terms as a result of the introduction of new products like "Banorte Fácil", and improvements in existing products like "Suma" and "Mujer Banorte", ending the quarter with a balance of Ps 117.9 billion. Demand deposits represented 64% of this amount.

#### OTHER SECTORS

- The Long Term Savings Sector's net income in 1Q06** increased by 3% in real terms vs. the previous year, amounting to Ps140 million and contributing with 10% of the Group's total profits.

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**Contacts:**

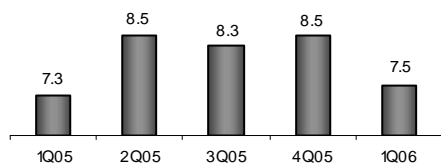
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## Highlights

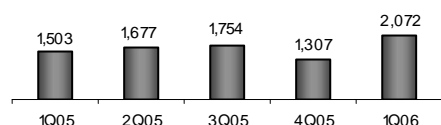
### NIM



### Net Income

GFNorte's profits in 1Q06 amounted to Ps1,370 million, 21% higher than the figure reported in 1Q05. The higher profits were mostly due to the 12% increase in the Net Interest Income and a 38% growth in Non Interest Income.

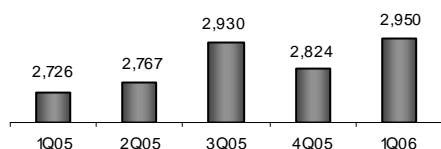
### NOT INTEREST INCOME (Millions of Pesos)



### Net Interest Margin

Net Interest Margin rose from 7.3% in 1Q05 to 7.5% in 1Q06, mainly as a result of the loan portfolio growth and a better loan mix, despite the lower market interest rates.

### NON INTEREST EXPENSE (Millions of Pesos)



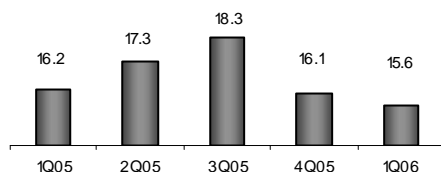
### Non Interest Income

Non Interest Income in 1Q06 was 38% higher than in 1Q05, mainly as a result of the 188% increase in Trading income and a 135% increase in revenues from the Recovery bank.

### Non Interest Expense

Non Interest Expense increased 8% in real terms with respect to 1Q05 due mainly due to expenses related to higher business volumes and increased Personnel expenses.

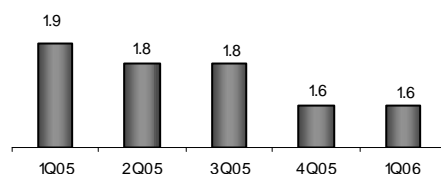
### CAPITALIZATION RATIO



### Capitalization

The capitalization ratio in 1Q06 stood at 15.6% vs. 16.2% in 1Q05. This decrease was mainly due to the impact of the new capital requirements rules for banking institutions issued by the Ministry of Finance that came into effect as of Jan/06. Nonetheless, the capitalization level continues robust as a result of the profits generated during the last 12 months and in spite of the important growth in the loan portfolio.

### PAST DUE LOAN RATIO



### Loan Portfolio

At the close of 1Q06, the performing loan portfolio, excluding the one managed by the Recovery unit, registered an outstanding balance of Ps 116 billion, an increase of 23% vs. 1Q05. This growth reflects a favorable evolution of the corporate and consumer loan portfolios, which increased 35% and 33% annually, respectively, in real terms.

### Asset Quality

The past due loan portfolio closed the quarter with a balance of Ps1.9 billion, 3% higher than the figure reported in 1Q05, in spite of an important growth in the loan portfolio during the year. This result led to a decline in the past due loan ratio to 1.6%, while the reserve coverage ended the quarter at 171%.

## Executive Summary

**Grupo Financiero Banorte** announced today its operating results for 1Q06, reporting a Net Income of Ps1.4 billion, 21% higher in real terms than that reported for 1Q05. GFNorte's Return on Equity for the year stood at 26%, while the ROA was 2.8%.

The Banking Sector's profits amounted to Ps1.1 billion in 1Q06, which contributed with 83% to the Group's total earnings. This result was 22% greater than 1Q05. Banorte continues to show an improvement in its recurring income derived from the traditional banking activities due to the growth and better mix of its loan portfolio, as well as an increase in service fees.

GFNorte's Net Interest Margin in 1Q06 rose from 7.3% to 7.5% yoy. The improvement was the result of lower funding costs and a robust loan growth as well as a better loan portfolio mix, despite the lower market interest rates. The average 28-day TIIE rate declined 138 basis points yoy.

Trading income increased 188% in real terms compared to 1Q05, benefiting from the sale of fixed income securities positions during the quarter.

Non Interest Expense grew 8% yoy in real terms due to higher business volumes which in turn increased total operating income. The efficiency ratio continues to improve, decreasing from 61% in 1Q05 to 54% in 1Q06.

Total Deposits, excluding off balance trading, stood at Ps 140 billion at the end of 1Q06, thus increasing 12% when compared to 1Q05. Demand and Time deposits grew 16% and 12%, respectively, and Money Market increased by 3% as a result of lower funding requirements due to the pre-payments received from IPAB over the last year which decreased IPAB notes balance from Ps 13 billion to Ps 166 million yoy.

The Loan Portfolio – excluding IPAB and those managed by the Recovery unit – registered a solid growth. As of 1Q06, the performing portfolio rose 23% vs. 1Q05, with an outstanding balance of Ps 116 billion. Commercial Loans grew 14% over the past 12 months, to Ps 40 billion. The Corporate Portfolio reached a balance of Ps 21 billion and the Government Portfolio stood at Ps 14 billion, both increasing 35% and 10%, respectively.

Consumer Loans continued to show solid growth during the period. These loans now represent 35% of the total performing loan portfolio. As a result of the "Ya Bajale" program and new attributes added to this product, Credit Cards were up 62% over the past twelve months, reaching a balance of Ps 7 billion. Payroll loans grew 72% in real terms with a year-end balance of Ps 4 billion, which includes a balance of Ps 691 million of Personal loans, a product that was launched during the year. Car Loans reached a balance of Ps6 billion, while Mortgage Loans continued to trend up, closing the year with a balance of Ps 24 billion, an 32% annual growth of 32%.

The Past Due Loan Portfolio declined to Ps1.9 billion, 3% higher than in 1Q05, in spite of an important growth in the loan portfolio yoy. The Past Due Loan ratio stood at 1.6%, lower than the 1.9% registered a year ago, and the reserve coverage improved to 171% from 154% reported in 1Q05.

The Long-term Saving Sector, which includes the Pension Fund Afore, the Insurance and Annuities companies, contributed with Ps140 million to the Group's profits during 1Q06, an increase of 3% compared to 1Q05.

The Auxiliary Organizations Sector contributed Ps57 million to the Group's profits in 1Q06, a figure 26% higher than in 1Q05, while the Brokerage Sector recorded profits of Ps39 million during the same period, 47% above those of 1Q05..

**Grupo Financiero Banorte**

| Subsidiaries' Earnings<br>(Millones de Pesos) | QUARTER      |              |              | % CHANGE vs |               |
|-----------------------------------------------|--------------|--------------|--------------|-------------|---------------|
|                                               | 1Q05         | 4Q05         | 1Q06         | 1Q05        | 4Q05          |
| Banco Mercantil del Norte (1)                 | 722          | 1,168        | 660          | (8%)        | (43%)         |
| Banco del Centro                              | 207          | (58)         | 473          | 129%        | N.C.          |
| <b>Banking Sector</b>                         | <b>929</b>   | <b>1,110</b> | <b>1,134</b> | <b>22%</b>  | <b>2%</b>     |
| <b>Brokerage Sector (Brokerage House)</b>     | <b>26</b>    | <b>19</b>    | <b>39</b>    | <b>47%</b>  | <b>102%</b>   |
| Afore                                         | 58           | 3            | 43           | (25%)       | 1,178%        |
| Insurance                                     | 67           | 10           | 55           | (19%)       | 463%          |
| Annuities                                     | 11           | (1)          | 41           | 293%        | N.C.          |
| <b>Long – Term Saving Sector</b>              | <b>136</b>   | <b>12</b>    | <b>140</b>   | <b>3%</b>   | <b>1,068%</b> |
| Leasing                                       | 19           | 20           | 28           | 46%         | 39%           |
| Factoring                                     | 17           | 13           | 22           | 30%         | 73%           |
| Warehousing                                   | 5            | 4            | 3            | (48%)       | (38%)         |
| Bonding                                       | 4            | 7            | 4            | 2%          | (36%)         |
| <b>Auxiliary Organization Sector</b>          | <b>45</b>    | <b>44</b>    | <b>57</b>    | <b>26%</b>  | <b>30%</b>    |
| <b>Créditos Pronegocio</b>                    | <b>(4)</b>   | <b>(8)</b>   | <b>4</b>     | <b>N.C.</b> | <b>N.C.</b>   |
| <b>G. F. Banorte [holding]</b>                | <b>(2)</b>   | <b>5</b>     | <b>(3)</b>   | <b>N.C.</b> | <b>N.C.</b>   |
| <b>Total</b>                                  | <b>1,130</b> | <b>1,181</b> | <b>1,370</b> | <b>21%</b>  | <b>16%</b>    |

1) 96.11% owned by GFNorte.

N.C. = Not Comparable

| Group's Balance Sheet Highlights<br>(Millions of Pesos) | 1Q05    | 4Q05    | 1Q06    | % CHANGE |         |
|---------------------------------------------------------|---------|---------|---------|----------|---------|
|                                                         |         |         |         | VS 1Q05  | VS 4Q05 |
| Performing loans excluding IPAB (1)                     | 95,946  | 115,679 | 117,547 | 23%      | 2%      |
| IPAB loans                                              | 12,893  | 163     | 166     | (99%)    | 2%      |
| Past Due Loans                                          | 1,829   | 1,872   | 1,882   | 3%       | 1%      |
| Total Loans                                             | 110,668 | 117,714 | 119,595 | 8%       | 2%      |
| Loan Loss Reserves                                      | 2,819   | 3,104   | 3,223   | 14%      | 4%      |
| Total Assets                                            | 178,273 | 192,431 | 201,154 | 13%      | 5%      |
| Total Deposits (3)                                      | 124,393 | 138,469 | 139,842 | 12%      | 1%      |
| Equity                                                  | 18,370  | 21,728  | 23,327  | 27%      | 7%      |
| Assets under Management (2)                             | 390,628 | 405,778 | 439,209 | 12%      | 8%      |

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.

3) The checking accounts were excluded from IPAB where cash collecting was deposited over the managed loans from Banpais and Bancen. The balances of these accounts in 4Q04, 3Q05 and 4Q05 were Ps 258 million, Ps 529 million and Ps 584 million, respectively.

| GFNorte Share Data                          | 1Q05    | 4Q05    | 1Q06    |
|---------------------------------------------|---------|---------|---------|
|                                             |         |         |         |
| Dividends per Share (2) (Pesos)             | -       | 0.31    | -       |
| Payout of Dividends                         | -       | 24%     | -       |
| Book Value per Share (1 (2)) (Pesos)        | 8.32    | 10.16   | 11.02   |
| Shares Outstanding (2) (Millions of Shares) | 2,018.3 | 2,018.1 | 2,018.3 |
| Price (Pesos)                               | 18.19   | 22.28   | 25.89   |
| P/BV (Times)                                | 2.19    | 2.19    | 2.35    |
| Market Cap (Billions)                       | 3,284   | 4,229   | 4,794   |

1) Excluding Minority holdings.

2) The shares outstanding increased from 504.6 millions to 2,018.6 millions in 4Q05. For comparison purposes the new number of shares is used in all periods.

| Group's Financial Ratios                 | QUARTER |        |        |        |        |
|------------------------------------------|---------|--------|--------|--------|--------|
|                                          | 1Q05    | 2Q05   | 3Q05   | 4Q05   | 1Q06   |
| <b>Profitability</b>                     |         |        |        |        |        |
| MIN before Repomo (1)                    | 7.3%    | 8.5%   | 8.3%   | 8.5%   | 7.5%   |
| MIN adjusted by Loan Loss Provisions (2) | 6.6%    | 7.5%   | 7.1%   | 7.6%   | 6.6%   |
| ROA (3)                                  | 2.5%    | 4.7%   | 3.0%   | 2.5%   | 2.8%   |
| ROE (4)                                  | 27.0%   | 46.4%  | 27.4%  | 22.9%  | 25.5%  |
| ROE without extraordinary                | 27.0%   | 28.4%  | 27.4%  | 22.9%  | 25.5%  |
| <b>Operation</b>                         |         |        |        |        |        |
| Efficiency Ratio (5)                     | 60.6%   | 53.4%  | 56.5%  | 57.2%  | 54.3%  |
| Operative Efficiency Ratio (6)           | 6.0%    | 6.1%   | 6.3%   | 6.0%   | 6.0%   |
| Liquidity Ratio (7)                      | 55.8%   | 58.7%  | 56.5%  | 56.9%  | 71.5%  |
| <b>Asset Quality</b>                     |         |        |        |        |        |
| % Past Due Loans w/o IPAB                | 1.9%    | 1.8%   | 1.8%   | 1.6%   | 1.6%   |
| Loan Loss Reserves to past Due Loans     | 154.1%  | 160.6% | 165.3% | 165.8% | 171.3% |

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

2) MIN= Annualized Net Interest Margin adjusted by Loan Loss Provisions / Average Earnings Assets.

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

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

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

6) Annualized Administrative and Promotion Expenses / Average Total Assets.

7) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale, Liquid Liabilities = Demand Deposits + Liquid Due to banks liabilities + short term loans from banks.

| GFNorte Income Statement<br>(Millions of Pesos)                    | QUARTER      |              |              | % CHANGE vs |             |
|--------------------------------------------------------------------|--------------|--------------|--------------|-------------|-------------|
|                                                                    | 1Q05         | 4Q05         | 1Q06         | 1Q05        | 4Q05        |
| <b>Net Interest Income after Repomo</b>                            | <b>2,961</b> | <b>3,566</b> | <b>3,293</b> | <b>11%</b>  | <b>(8%)</b> |
| - <b>Loan Loss and Loss Sharing Provisions</b>                     | <b>255</b>   | <b>336</b>   | <b>371</b>   | <b>45%</b>  | <b>10%</b>  |
| • Service                                                          | 1,154        | 1,146        | 1,204        | 4%          | 5%          |
| • Recovery                                                         | 162          | 58           | 380          | 135%        | 555%        |
| • Foreign Exchange                                                 | 57           | 91           | 117          | 104%        | 28%         |
| • Trading (Securities- Realized and unrealized gains)              | 129          | 12           | 371          | 188%        | 2,992%      |
| <b>+ Non Interest Income</b>                                       | <b>1,503</b> | <b>1,307</b> | <b>2,072</b> | <b>38%</b>  | <b>59%</b>  |
| <b>= Total Operating Income</b>                                    | <b>4,210</b> | <b>4,537</b> | <b>4,993</b> | <b>19%</b>  | <b>10%</b>  |
| - Non Interest Expense                                             | 2,726        | 2,824        | 2,950        | 8%          | 4%          |
| <b>= Net Operating Income</b>                                      | <b>1,484</b> | <b>1,712</b> | <b>2,044</b> | <b>38%</b>  | <b>19%</b>  |
| - Non Operating Income (Expense) Net                               | 38           | (3)          | (45)         | (218%)      | 1,256%      |
| <b>= Pre-Tax Income</b>                                            | <b>1,522</b> | <b>1,709</b> | <b>1,999</b> | <b>31%</b>  | <b>17%</b>  |
| - Income Tax & profit sharing                                      | 425          | 560          | 704          | 66%         | 26%         |
| <b>= Net Income before Subsidiaries</b>                            | <b>1,097</b> | <b>1,149</b> | <b>1,295</b> | <b>18%</b>  | <b>13%</b>  |
| + Undistrib. Earnings of Subsid, Extraord. Items & Minority Income | 32           | 32           | 75           | 134%        | 134%        |
| <b>=Net Income</b>                                                 | <b>1,130</b> | <b>1,181</b> | <b>1,370</b> | <b>21%</b>  | <b>16%</b>  |

## Net Interest Income

| Net Interest Income<br>(Millions of Pesos) | QUARTER      |              |              | % CHANGE vs |             |
|--------------------------------------------|--------------|--------------|--------------|-------------|-------------|
|                                            | 1Q05         | 4Q05         | 1Q06         | 1Q05        | 4Q05        |
| Interest Income                            | 7,356        | 9,309        | 8,610        | 17%         | (8%)        |
| Interest Expense                           | 4,432        | 5,855        | 5,354        | 21%         | (9%)        |
| Loan Fees                                  | 96           | 209          | 149          | 55%         | (29%)       |
| Fees Paid                                  | 25           | 34           | 39           | 56%         | 15%         |
| <b>Net Interest Income before Repomo</b>   | <b>2,995</b> | <b>3,629</b> | <b>3,365</b> | <b>12%</b>  | <b>(7%)</b> |
| Average Earning Assets                     | 164,787      | 169,917      | 179,228      | 9%          | 5%          |
| <b>NIM before REPOMO (1)</b>               | <b>7.3%</b>  | <b>8.5%</b>  | <b>7.5%</b>  |             |             |

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

During 1Q06, Net Interest Income before Repomo rose 12% yoy and the NIM increased from 7.3% to 7.5%, as a result of the following factors:

### Increase due to:

- Annual growth of 23% in the Performing Loan Portfolio, excluding IPAB and the loans managed by the Recovery unit.
- Better loan mix, especially in the consumer portfolio.
- The Ps40 million impact of currency valuation.
- Increase of 55% in Loan fees.

### Decrease due to:

- Lower interest rates. The average 28-day Cetes rates decreased from 9.03% in 1Q05 to 7.64% in 1Q06, and the TIEE from 9.41% to 8.03%, in the same period.
- The peso appreciation vs. the US dollar. The average forex rate increased from Ps11.16 per dollar in 1Q05 to Ps10.60 per dollar in 1Q06.

## Non Interest Income

| Non Interest Income<br>(Millions of Pesos) | QUARTER      |              |              | % CHANGE vs |             |
|--------------------------------------------|--------------|--------------|--------------|-------------|-------------|
|                                            | 1Q05         | 4Q05         | 1Q06         | 1Q05        | 4Q05        |
| + Fund Transfers                           | 37           | 55           | 52           | 38%         | (6%)        |
| + Account Management Fees                  | 248          | 244          | 225          | (9%)        | (8%)        |
| + Fiduciary                                | 46           | 65           | 55           | 20%         | (15%)       |
| + Credit Card                              | 252          | 315          | 319          | 26%         | 1%          |
| + Income From loan portf. acquired         | 289          | 259          | 612          | 112%        | 136%        |
| + Electronic Banking Services              | 147          | 180          | 176          | 20%         | (2%)        |
| + From IPAB (2)                            | 81           | 55           | 9            | (89%)       | (84%)       |
| + Afore                                    | 299          | 209          | 304          | 2%          | 45%         |
| + Brokerage House                          | 95           | 94           | 98           | 3%          | 4%          |
| + Other Fees (3)                           | 138          | 144          | 141          | 2%          | (2%)        |
| <b>Fees on purchased services:</b>         | <b>1,632</b> | <b>1,621</b> | <b>1,991</b> | <b>22%</b>  | <b>23%</b>  |
| + Fund Transfers                           | 3            | 3            | 4            | 51%         | 29%         |
| + Other Fees (1)                           | 125          | 163          | 162          | 30%         | (0%)        |
| + Expense From loan portf. acquired (1)    | 188          | 252          | 241          | 28%         | (5%)        |
| <b>Fees Paid :</b>                         | <b>316</b>   | <b>418</b>   | <b>407</b>   | <b>29%</b>  | <b>(3%)</b> |
| <b>=Net Fees</b>                           | <b>1,316</b> | <b>1,203</b> | <b>1,584</b> | <b>20%</b>  | <b>32%</b>  |
| + Foreign Exchange                         | 57           | 91           | 117          | 104%        | 28%         |
| + Securities- Realized gains               | 88           | 13           | 540          | 514%        | 4,054%      |
| + Securities- Unrealized gains             | 42           | (1)          | (169)        | (507%)      | N.C.        |
| <b>Trading Income</b>                      | <b>187</b>   | <b>103</b>   | <b>488</b>   | <b>161%</b> | <b>374%</b> |
| <b>= Non Interest Income</b>               | <b>1,503</b> | <b>1,307</b> | <b>2,072</b> | <b>38%</b>  | <b>59%</b>  |

1) 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.

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

3) It includes fees from letters of credit, from pension funds, warehousing services, financial advisory and for Brokerage House services, among other.

We present the following table in order to identify the different origins that integrate Non Interest Income:

| Non Interest Income<br>(Millions of Pesos)          | QUARTER      |              |              | % CHANGE vs |            |
|-----------------------------------------------------|--------------|--------------|--------------|-------------|------------|
|                                                     | 1Q05         | 4Q05         | 1Q06         | 1Q05        | 4Q05       |
| Service                                             | 1,154        | 1,146        | 1,204        | 4%          | 5%         |
| Recovery                                            | 162          | 58           | 380          | 135%        | 555%       |
| Foreign Exchange                                    | 57           | 91           | 117          | 104%        | 28%        |
| Trading (Securities- Realized and unrealized gains) | 129          | 12           | 371          | 188%        | 2,992%     |
| <b>= Non Interest Income</b>                        | <b>1,503</b> | <b>1,307</b> | <b>2,072</b> | <b>38%</b>  | <b>59%</b> |

Non Interest Income for 1Q06 rose 38% as compared to 1Q05. This variation was the result of several factors, as explained below:

#### Service fees:

Service Fees in 1Q06 grew 4% vs 1Q05, with increases in most lines, highlighting Credit Card fees with 26%, E-banking with 20% and Fund Transfers with 38%. These results were driven by higher volumes of operations. The increase in Credit Card fees was in spite of a decline in both customer and inter-bank service rates in 1Q06.

#### Recovery:

| Non Interest Income<br>(Millions of Pesos)        | QUARTER    |              |            | % CHANGE vs  |              |
|---------------------------------------------------|------------|--------------|------------|--------------|--------------|
|                                                   | 1Q05       | 4Q05         | 1Q06       | 1Q05         | 4Q05         |
| <b>SERFIN</b>                                     |            |              |            |              |              |
| Income                                            | 83         | 44           | 393        | 373%         | 793%         |
| - Expense                                         | 43         | 152          | 119        | 177%         | (22%)        |
| <b>= Net Fees from Serfin</b>                     | <b>40</b>  | <b>(108)</b> | <b>274</b> | <b>585%</b>  | <b>354%</b>  |
| <b>LOAN PORTFOLIOS ACQUIRED</b>                   |            |              |            |              |              |
| Income                                            | 205        | 215          | 219        | 7%           | 2%           |
| - Expense                                         | 145        | 100          | 122        | (16%)        | 22%          |
| <b>= Net Income from loan portfolios acquired</b> | <b>60</b>  | <b>115</b>   | <b>97</b>  | <b>62%</b>   | <b>(16%)</b> |
| <b>IPAB FEES</b>                                  |            |              |            |              |              |
| From IPAB (*)                                     | 62         | 51           | 9          | (85%)        | (82%)        |
| <b>= IPAB Fees</b>                                | <b>62</b>  | <b>51</b>    | <b>9</b>   | <b>(85%)</b> | <b>(82%)</b> |
| <b>Non Interest Income – Recovery Bank</b>        | <b>162</b> | <b>58</b>    | <b>380</b> | <b>135%</b>  | <b>555%</b>  |

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

Non Interest Income derived from portfolio Recoveries in 1Q06 rose 135% as compared to the figure in 1Q05. Net Fees from the Serfin Portfolio reported an important increase of 585% in the same period as a result of a non recurrent profit amounting to Ps267 million from the net gains derived from the sale of this portfolio, through an auction process, carried out by IPAB. These fees represented 72% of the total Non Interest Income from the Recovery Bank in 1Q06.

#### Foreign Exchange:

Foreign Exchange Income during 1Q06 increased 104% as compared to 1Q05 mainly due to higher margins derived from the higher peso-dollar volatility during the quarter and also to an impact of Ps31 million in the currency valuation entry.

#### Trading:

Trading Income in 1Q06 rose 188% vs. 1Q05 mainly due to higher trading gains realized on securities resulting from the sale of Treasury fixed income securities positions.

## Non Interest Expense

| Non Interest Expense<br>(Millions of Pesos) | QUARTER      |              |              | % CHANGE vs |           |
|---------------------------------------------|--------------|--------------|--------------|-------------|-----------|
|                                             | 1Q05         | 4Q05         | 1Q06         | 1Q05        | 4Q05      |
| Personnel Expenses                          | 1,091        | 1,083        | 1,205        | 10%         | 11%       |
| +Professional Fees                          | 147          | 160          | 204          | 39%         | 28%       |
| +Administrative and Promotion Expenses      | 781          | 930          | 797          | 4%          | (13%)     |
| +Leases, Depreciation & Amortization        | 432          | 388          | 432          | 0%          | 11%       |
| +Tax other than income tax                  | 123          | 111          | 154          | 25%         | 39%       |
| +Contributions to IPAB                      | 152          | 152          | 157          | 0%          | 3%        |
| <b>= Non Interest Expense</b>               | <b>2,726</b> | <b>2,824</b> | <b>2,950</b> | <b>8%</b>   | <b>4%</b> |

Non Interest Expense increased 8% in 1Q06 compared to 1Q05 mostly due to higher personnel expenses and to expenses related to higher volumes of operations. Personnel Expenses increased 10% mainly as a result of transferring employees from Solida Administradora de Portafolios to Banorte as of Jan/06 and to expenses related to performance incentives to the personnel. Professional fees rose 39% due to payments of legal consulting fees related to new lines of businesses, new product development projects and increased portfolio recovery expenses. Administrative and Promotion Expenses rose 4% primarily derived from higher expenses on advertising campaigns due to new product launches and to other expenses associated with a higher operating volume. Leases, Depreciations and Amortization. Taxes Other than Income Tax increased 25% due to higher investments and purchases done during the quarter. Contributions to the IPAB maintained a similar level to that of 1Q05.

## Non Operating Income (Expense) Net

| Non Operating Income<br>(Expense)<br>(Millions of Pesos) | QUARTER      |              |              | % CHANGE vs   |               |
|----------------------------------------------------------|--------------|--------------|--------------|---------------|---------------|
|                                                          | 1Q05         | 4Q05         | 1Q06         | 1Q05          | 4Q05          |
| +Other Revenues                                          | 109          | 152          | 68           | (38%)         | (55%)         |
| +Foreign Exchange                                        | -            | -            | -            | -             | -             |
| +Recoveries                                              | 36           | 45           | 85           | 136%          | 89%           |
| +Repomo-other revenues                                   | 2            | 4            | 4            | 83%           | (2%)          |
| +Warehousing                                             | 280          | 238          | 100          | (64%)         | (58%)         |
| <b>=Non Operating Income</b>                             | <b>427</b>   | <b>439</b>   | <b>257</b>   | <b>(40%)</b>  | <b>(42%)</b>  |
| -Other Expenses                                          | (76)         | (69)         | (101)        | 33%           | 46%           |
| -Foreign Exchange                                        | -            | -            | -            | -             | -             |
| -Warehousing                                             | (33)         | (137)        | (101)        | 209%          | (26%)         |
| -Repomo-other expenses                                   | (280)        | (237)        | (100)        | (64%)         | (58%)         |
| <b>=Non Operating Expense</b>                            | <b>(389)</b> | <b>(442)</b> | <b>(302)</b> | <b>(22%)</b>  | <b>(32%)</b>  |
| <b>= Non Operating Income (Expense) Net</b>              | <b>38</b>    | <b>(3)</b>   | <b>(45)</b>  | <b>(218%)</b> | <b>1,256%</b> |

Non Operating Income in 1Q06 amounted to a loss of Ps45 million, which compares to the Ps38 million profit reported in 1Q05. This variation was primarily due to the following factors:

### Other Products:

- Decrease in Other Revenues due to lower income from FIRA for granting loans to agriculture, and lower dividends received from life insurance policies, for Ps 31 million and Ps 20 million, respectively.
- Increase in Recoveries due to the cancellation of provisions for previous year's expenses for \$26 million, and to higher recoveries of contributions made to the POS project.
- Lower income from inventory commercialization operations of Banorte's Warehouse customers, which declined by 64%.

### Other Expenses

- A 209% increase in Repomo due to lower inflation vs 1Q05 (3.5% in 1Q06 vs. 3.2% in 1Q05).
- Provisioning of \$22 million and \$6 million for sundry debtors and legal contingencies, respectively.
- Lower expenses from inventory commercialization operations of Banorte's Warehouse customers, which declined by 64%.



## Taxes

Taxes and profit-sharing in 1Q06 reported a 66% increase as compared to 1Q05, mainly as a result of the depletion during 2005 of Banorte's remaining tax loss carry forwards. The effective tax and profit-sharing rate for 1Q06 was 35% vs. 28% in 1Q05.

## Loan Portfolio

| <b>PERFORMING LOAN PORTFOLIO</b><br><i>(Millions of Pesos)</i> | <b>1Q05</b>   | <b>4Q05</b>    | <b>1Q06</b>    | <b>%<br/>CHANGE<br/>VS 1Q05</b> | <b>%<br/>CHANGE<br/>VS 4Q05</b> |
|----------------------------------------------------------------|---------------|----------------|----------------|---------------------------------|---------------------------------|
| Commercial                                                     | 34,822        | 39,894         | 39,843         | 14%                             | (0%)                            |
| Consumer                                                       | 30,720        | 38,315         | 40,704         | 33%                             | 6%                              |
| Corporate                                                      | 15,584        | 20,589         | 21,109         | 35%                             | 3%                              |
| Government                                                     | 13,141        | 15,396         | 14,465         | 10%                             | (6%)                            |
| <b>Sub Total</b>                                               | <b>94,266</b> | <b>114,195</b> | <b>116,121</b> | <b>23%</b>                      | <b>2%</b>                       |
| Recovery Banking                                               | 1,680         | 1,483          | 1,426          | (15%)                           | (4%)                            |
| <b>Total</b>                                                   | <b>95,946</b> | <b>115,678</b> | <b>117,547</b> | <b>23%</b>                      | <b>2%</b>                       |

| <b>PERFORMING CONSUMER</b><br><i>(Millions of Pesos)</i> | <b>1Q05</b>   | <b>4Q05</b>   | <b>1Q06</b>   | <b>%<br/>CHANGE<br/>VS 1Q05</b> | <b>%<br/>CHANGE<br/>VS 4Q05</b> |
|----------------------------------------------------------|---------------|---------------|---------------|---------------------------------|---------------------------------|
| Mortgages                                                | 18,344        | 22,627        | 24,193        | 32%                             | 7%                              |
| Automobile                                               | 5,994         | 5,956         | 5,961         | (1%)                            | 0%                              |
| Credit Card                                              | 4,172         | 6,300         | 6,753         | 62%                             | 7%                              |
| Electronic Payroll                                       | 2,209         | 3,431         | 3,798         | 72%                             | 11%                             |
| <b>Total Consumer</b>                                    | <b>30,720</b> | <b>38,315</b> | <b>40,704</b> | <b>33%</b>                      | <b>6%</b>                       |

| <i>(Millions of Pesos)</i> | <b>1Q05</b> | <b>4Q05</b> | <b>1Q06</b> | <b>%<br/>CHANGE<br/>VS 1Q05</b> | <b>%<br/>CHANGE<br/>VS 4Q05</b> |
|----------------------------|-------------|-------------|-------------|---------------------------------|---------------------------------|
| IPAB Loans                 | 12,893      | 163         | 166         | (99%)                           | 2%                              |
| Past Due Loans             | 1,829       | 1,872       | 1,882       | 3%                              | 1%                              |

The Total Performing Loan Portfolio rose 23% in annual terms, increasing from Ps 96 billion to Ps 118 billion. Excluding the proprietary portfolio managed by the Recovery Bank, the increase was 23% and is explained as follows:

- The Commercial Portfolio grew 14% primarily as a result of new lending to SMEs.
- Total Consumer loans increased 33%, with a 32% growth in Mortgage loans due to placement of 13,450 new loans over the past 12 months. The Credit Card Portfolio showed an increase of 62% due to both promotion programs to attract new customers (including the balance transfer program called *ya bájale con Banorte*), and greater credit card usage by our clientele. Payroll loans grew 72% with 231,418 new loans extended and Car Loans remained flat, with 33,182 new car loans, and it decreased vs 4Q05 due to higher competition from credit suppliers to auto dealers. In 3Q05 Banorte started to place Personal loans, which are included in the balance of Payroll loans. Personal loans finished the quarter with a Ps 439 million balance and 14,557 loans were granted in the last 9 months.
- The Corporate Portfolio increased 35% as a result of implementing new loan placement strategies.
- The Government Portfolio was up 10%, as a consequence of the promotion efforts to place new loans particularly among state governments.
- The IPAB Portfolio declined 99% due to the pre-payments of approximately Ps13 billion received over the past 12 months. This portfolio represents less than 1% of the total loan portfolio and will be fully amortized on June 2006.
- The dollar-denominated loan portfolio was affected by the peso appreciation vs. the US dollar, which went from 11.18 pesos/dollar to 10.89 pesos/dollar from 1Q05 to 1Q06, equivalent to a 2.5% change.

In spite of the important growth in the loan portfolio, the Past Due Loan Portfolio only increased 3% with respect to 1Q05. PDL's finished the quarter with a balance of Ps 1.9 billion, equivalent to a 1.6% Past Due Loan Ratio, lower than the 1.9% reported in 1Q05.

### Past Due Loans Variations as of 1Q06

| <b>Cartera Vencida</b>         |                                              |              |
|--------------------------------|----------------------------------------------|--------------|
| <b>Balance as of Dec. 2005</b> |                                              | <b>1,851</b> |
|                                | Performing loans to Past due loans transfers | 850          |
|                                | Renewals                                     | (5)          |
|                                | Cash Collections                             | (185)        |
|                                | Discounts                                    | (4)          |
|                                | Charge Offs                                  | (282)        |
|                                | Foreclosures                                 | (1)          |
|                                | Past due loans to Performing loans transfers | (349)        |
|                                | Exchange Adjustment                          | 7            |
| <b>Balance as of Mar. 2006</b> |                                              | <b>1,882</b> |

### Classified Loans

| Millions of Pesos  |                | LOAN LOSS RESERVES |            |            |              |
|--------------------|----------------|--------------------|------------|------------|--------------|
| Category           | LOANS          | COMMERCIAL         | CONSUMER   | MORTGAGE   | TOTAL        |
| A                  | 41,488         | -                  | 73         | 79         | 152          |
| A1                 | 40,775         | 199                | -          | -          | 199          |
| A2                 | 28,571         | 269                | -          | -          | 269          |
| B                  | 4,695          | -                  | 126        | 109        | 235          |
| B1                 | 6,346          | 150                | -          | -          | 150          |
| B2                 | 376            | 23                 | -          | -          | 23           |
| B3                 | 154            | 20                 | -          | -          | 20           |
| C                  | 596            | -                  | 193        | 52         | 245          |
| C1                 | 198            | 49                 | -          | -          | 49           |
| C2                 | 125            | 49                 | -          | -          | 513          |
| D                  | 726            | 49                 | 275        | 189        | 507          |
| E                  | 509            | 256                | 35         | 216        |              |
| <b>Total</b>       | <b>124,136</b> |                    |            |            |              |
| Not Classified     | (91)           |                    |            |            |              |
| Exempted           | 1,051          | -                  | -          | -          | -            |
| <b>Total</b>       | <b>125,096</b> | <b>1,064</b>       | <b>702</b> | <b>645</b> | <b>2,411</b> |
| Reserves           |                |                    |            |            | 3,223        |
| Excess / (Deficit) |                |                    |            |            | 812          |

Notes :

- 1.- The classified loans and the reserves created are based on the March 31<sup>th</sup>, 2006 Balance Sheet.
- 2.-The loan portfolio is classified in accordance with the rules issued by Secretaría de Hacienda y Crédito Público (SHCP) and the methodology established by the CNBV and those internal methodologies approved by the CNBV. For Mortgage and Consumer loans, Banorte uses the regulation described in the Official gazette published on December 02,2005, and for Commercial loans it uses internal methodologies approved by the CNBV.
- 3.- The surplus in reserves is the result of the Institution's own conservative policies.
- 4.-Classified Leasing and Factoring loans are as of December 2005 and reserves as of March, 2006.

The quarter closed with a Ps 3.2 billion balance of Loan Loss Reserves and a surplus reserve of Ps 812 million.

| <b>Loan Loss Reserves</b>               | <b>1Q06</b>  |
|-----------------------------------------|--------------|
| <i>(Millions of Pesos)</i>              | <b>Total</b> |
| <b>PREVIOUS PERIOD END BALANCE</b>      | <b>3,104</b> |
| Provision taken in the period           | 354          |
| Recovery of penalized debts             | 171          |
| Charge offs and discounts:              |              |
| Commercial Portfolio                    | (46)         |
| Consumer Portfolio                      | (176)        |
| Mortgage Portfolio                      | (115)        |
| Foreclosed assets                       | (11)         |
|                                         | <b>(349)</b> |
| Cost of debtors support programs        | (37)         |
| Valuation and Others                    | (20)         |
| <b>LOAN LOSS RESERVES AT PERIOD END</b> | <b>3,223</b> |

Figures are presented in constant pesos set at the close of March, 2006

The balance of loan loss reserves increased by Ps 404 million from Ps 2.8 billion in 1Q05 to Ps 3.2 billion in 1Q06. This increase is equivalent to 1.9% of the growth in the balance of performing loan portfolio during the same period.

## Deposits

| <b>Deposits</b><br>(Millions of Pesos) | 1Q05           | 4Q05           | 1Q06           | %<br>CHANGE<br>VS 1Q05 | %<br>CHANGE<br>VS 4Q05 |
|----------------------------------------|----------------|----------------|----------------|------------------------|------------------------|
| Demand Deposits-w/o Interests          | 23,377         | 28,954         | 28,973         | 24%                    | 0%                     |
| Demand Deposits -with Interests (2)    | 42,133         | 47,439         | 46,709         | 11%                    | (2%)                   |
| <b>Demand Deposits (1)</b>             | <b>65,510</b>  | <b>76,393</b>  | <b>76,682</b>  | <b>16%</b>             | <b>(1%)</b>            |
| Time Deposits – Retail                 | 37,667         | 40,424         | 42,218         | 12%                    | 4%                     |
| <b>Core Deposits</b>                   | <b>103,178</b> | <b>116,817</b> | <b>117,900</b> | <b>14%</b>             | <b>1%</b>              |
| Money Market (3)                       | 21,405         | 21,762         | 22,098         | 3%                     | 2%                     |
| <b>Banking Sector's Total Deposits</b> | <b>124,583</b> | <b>138,578</b> | <b>139,998</b> | <b>12%</b>             | <b>1%</b>              |
| <b>GFNorte's Total Deposits (4)</b>    | <b>124,393</b> | <b>138,469</b> | <b>139,842</b> | <b>12%</b>             | <b>1%</b>              |
| Out- of Balance Trading                | 113,473        | 103,181        | 130,586        | 15%                    | 27%                    |
| <b>Assets Under Management</b>         | <b>238,056</b> | <b>241,759</b> | <b>270,584</b> | <b>14%</b>             | <b>12%</b>             |

(1) IPAB checking accounts where cash collecting was deposited over the managed loans from Banpais and Bancen were excluded. The balances of these accounts in 1Q05, 4Q05 and 1Q06 were Ps 405 million, Ps 591 million and Ps 648 million, respectively.

(2) Includes Debit Cards.

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

(4) Includes the eliminations between the subsidiaries (1Q05=190 million, 4Q05=109 million and 1Q06=648 million).

Total Deposits closed the quarter with a balance of Ps 140 billion, which was 12% higher than in 1Q05. Core Deposits increased by 14% and Money Market deposits by 3%. The latter was derived from lower funding requirements resulting from the more than Ps 12 billion IPAB pre-payments over the past 12 months. Demand Deposits grew 16% and Time Deposits increased 12% as a result of the promotion of new products and adding more attributes to existing products, such as: Banorte Fácil, Mujer Banorte and Paga Más. Off Balance Trading reported a 15% growth vs 1Q05. Assets under Management amounted to Ps 271 billion, which is 14% higher than the figure reported in 1Q05.

## Banking Sector Capitalization

| <b>Capitalization</b><br>(Millions of Pesos) | 1Q05          | 2Q05          | 3Q05          | 4Q05          | 1Q06          |
|----------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Tier 1 Capital                               | 14,987        | 16,641        | 18,000        | 18,349        | 19,760        |
| Tier 2 Capital                               | 4,358         | 3,915         | 3,879         | 3,884         | 3,915         |
| <b>Net Capital</b>                           | <b>19,345</b> | <b>20,556</b> | <b>21,880</b> | <b>22,233</b> | <b>23,675</b> |
| Credit risk assets                           | 92,318        | 97,962        | 98,658        | 104,883       | 107,562       |
| Net Capital/ Credit Risk Assets              | 21.0%         | 21.0%         | 22.2%         | 21.2%         | 22.0%         |
| Total risk assets (1)                        | 119,701       | 118,504       | 119,609       | 138,255       | 151,564       |
| Tier 1                                       | 12.5%         | 14.0%         | 15.0%         | 13.3%         | 13.0%         |
| Tier 2                                       | 3.6%          | 3.3%          | 3.2%          | 2.8%          | 2.6%          |
| <b>Capitalization Ratio</b>                  | <b>16.2%</b>  | <b>17.3%</b>  | <b>18.3%</b>  | <b>16.1%</b>  | <b>15.6%</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 1Q06 the capitalization ratio of the Banking Sector stood at 15.6%, considering credit and market risks, and 22.0% considering credit risk alone. The tier 1 capital ratio was 13.0%, while the tier 2 capital ratio was 2.6%. The capitalization ratio was lower than in 1Q05 as a result of the impact of the new rules for bank's capital requirements issued by the Secretaria de Hacienda y Credito Publico (SHCP), that came into effect as of Jan/06. In spite of an important growth in lending, the capitalization level remains robust as a result of the profits generated in the last 12 months.

Stockholders' Equity for the group's holding company rose from Ps17.4 billion in 1Q05 to Ps22.3 billion in 1Q06, due mainly to the following factors:

- 1) The earnings generated over the past 12 months, amounting to Ps 6.0 billion.
- 2) The Ps 645 million cash dividend paid in 4Q05.
- 3) The increase in the Non Monetary Assets Result, which amounted to Ps 498 million.

## Information by Sectors

### 1.- Banking Sector

| Income Statement & Balance Sheet<br>(Millones de Pesos) | QUARTER |         |         | % CHANGE vs |        |
|---------------------------------------------------------|---------|---------|---------|-------------|--------|
|                                                         | 1Q05    | 4Q05    | 1Q06    | 1Q05        | 4Q05   |
| <b>INCOME STATEMENT</b>                                 |         |         |         |             |        |
| Net Interest Income after Repomo                        | 2,884   | 3,437   | 3,233   | 12%         | (6%)   |
| Loan Loss and Loss Sharing Provisions                   | 251     | 317     | 369     | 47%         | 16%    |
| Non Interest Income                                     | 1,082   | 981     | 1,596   | 48%         | 63%    |
| Non Interest Expense                                    | 2,420   | 2,495   | 2,682   | 11%         | 7%     |
| Non Operating Income (Expense), Net                     | 39      | 24      | (4)     | (109%)      | (115%) |
| Pre-Tax Income                                          | 1,294   | 1,630   | 1,775   | 37%         | 9%     |
| Net Income                                              | 1,015   | 1,161   | 1,204   | 19%         | 4%     |
| <b>BALANCE SHEET</b>                                    |         |         |         |             |        |
| Performing Loan Portfolio – w/o IPAB                    | 92,139  | 111,142 | 113,878 | 24%         | 2%     |
| Deposits                                                | 124,985 | 139,169 | 140,647 | 13%         | 1%     |

| Banking Sector's Financial Ratios<br>(Millones de Pesos) | QUARTER |       |        |
|----------------------------------------------------------|---------|-------|--------|
|                                                          | 1Q05    | 4Q05  | 1Q06   |
| <b>Profitability</b>                                     |         |       |        |
| MIN (1)                                                  | 7.2%    | 8.4%  | 7.5%   |
| ROA (2)                                                  | 2.2%    | 2.6%  | 2.5%   |
| ROE (3)                                                  | 26.0%   | 25.2% | 24.2%  |
| ROE without extraordinary                                | 26.0%   | 25.2% | 24.2%  |
| <b>Operation</b>                                         |         |       |        |
| Efficiency Ratio (4)                                     | 55.9%   | 56.0% | 54.9%  |
| Operative Efficiency Ratio (5)                           | 5.8%    | 5.5%  | 5.7%   |
| Liquidity Ratio (6)                                      | 56.8%   | 58.5% | 72.4%  |
| <b>Asset Quality</b>                                     |         |       |        |
| % Past Due Loans w/o IPAB                                | 1.9%    | 1.6%  | 1.6%   |
| Loan Loss Reserves to past Due Loans                     | 154.2%  | 167.6 | 172.3% |
| <b>Growths (7)</b>                                       |         |       |        |
| Loans w/o IPAB (8)                                       | 5.8%    | 9.5%  | 2.5%   |
| Traditional Deposits                                     | (0.6%)  | 10.3% | 1.0%   |
| Total Deposits                                           | 2.4%    | 7.0%  | 1.0%   |
| <b>Capitalization</b>                                    |         |       |        |
| Net Capital/ Credit Risk Assets (9)                      | 21.0%   | 21.2% | 22.0%  |
| Total Capitalization Ratio (9)                           | 16.2%   | 16.1% | 15.6%  |

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) Annualized Administrative and Promotion Expenses / Average Total Assets.

6) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale, Liquid Liabilities = Demand Deposits + Liquid Due to banks liabilities + short term loans from banks.

7) Growth versus the previous period.

8) Does not include Fobaproa / IPAB and Loans managed by Recovery Banking.

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

Net Income in 1Q06 in the Banking Sector (including the pension fund Afore, by equity participation method) amounted to Ps 1.2 billion, which is 19% higher than in 1Q05. The Net Interest Income after Repomo, rose 12% vs. 1Q05 mostly due to the 24% growth of the performing loan portfolio and a better loan mix despite lower interest rates. Loan Loss and Loss Sharing Provisions were 47% higher than in 1Q05. Non interest Income grew 48% resulting from higher Trading and Recovery income. Non Interest Expense increased 11% vis-à-vis 1Q05 due mainly to higher Personnel expenses as a result of the transfer of the private banking executives of the Brokerage House to Banorte and also of all employees of Solida Administradora de Portafolios to Banorte as of Jan/06. Non Operating Income decreased 109% vs. 1Q05 primarily due to a higher expense on Repomo.

## Recovery Banking

### Achievements

The Banorte Recovery Banking continues being the most successful loan recovery and asset administration unit in the Mexican market, since its establishment in 1997. Over the last 4 years, it has contributed greatly albeit decreasingly to the Group's Banking Sector profits as the Traditional Banking profits have shown a greater growth. Its most outstanding achievements include: the purchase of nearly 1 out of 2 of the portfolios auctioned by the IPAB and by other banks as of today, a collection rate of 40% on average, the first securitization of mortgage loans in Mexico which received a "AAA" rating by Fitch, which means "the highest loan quality"; and being certified by the ISO 9001:2000 standard.

### Loan acquisitions in 1Q06

During 1Q06, a new loan portfolio was acquired through Banorte, amounting Ps 9.6 billion, which included commercial and mortgage loans. This portfolio comes from those Serfin loans that used to be managed by Bancen and that were auctioned on February by IPAB.

### Rating for Sólida Administradora de Portafolios

Fitch Ratings increased the rating for Sólida Administradora de Portafolios to AAFC1-(mex) in December 2004, acknowledging the highest performance and standards of the industry.

### Future Plans

Banorte intends to continue purchasing new loan portfolios from IPAB and from other banks, as well as to manage and market assets. The vision of management 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<br>(Millones de Pesos)                   | ACCUMULATED |             |
|----------------------------------------------------------------------------|-------------|-------------|
|                                                                            | 1Q05        | 1Q06        |
| Net Interest Income                                                        | 12          | (20)        |
| +REPOMO-margin                                                             | -           | -           |
| <b>=Net Interest Income After REPOMO</b>                                   | <b>12</b>   | <b>(20)</b> |
| - Loan Loss Provisions                                                     | -           | 18          |
| <b>= Net Interest Income After Provisions</b>                              | <b>12</b>   | <b>(38)</b> |
| + Fiduciary                                                                | 40          | 275         |
| + Fobaproa Fees (1)                                                        | 70          | 9           |
| + Other Fees                                                               | 143         | 193         |
| <b>Non Interest Income</b>                                                 | <b>254</b>  | <b>477</b>  |
| <b>= Total Operating Income</b>                                            | <b>266</b>  | <b>440</b>  |
| Non Interest Expense                                                       | 45          | 129         |
| <b>= Net Operating Income</b>                                              | <b>221</b>  | <b>310</b>  |
| - Other Revenues and Expenses                                              | -           | -           |
| <b>= Pre-tax Income</b>                                                    | <b>221</b>  | <b>310</b>  |
| - Income Tax & Profit Sharing, Tax on Asset, Def. Inc. Tax & Prof. Sharing | 51          | 75          |
| <b>= Net Income before Subsidiaries</b>                                    | <b>170</b>  | <b>235</b>  |
| + Undistributed Earnings of Subsidiaries                                   | 43          | 35          |
| <b>= Net Income-continuous Operation</b>                                   | <b>213</b>  | <b>270</b>  |
| + Extraordinary Items, net                                                 | -           | -           |
| - Minority Income                                                          | -           | -           |
| <b>= Total Net Income</b>                                                  | <b>213</b>  | <b>270</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<br><i>(Millions of Pesos)</i> | 1Q06          | ACCOUNTING IN THE BALANCE SHEET             | ACCOUNTING IN THE INCOME STATEMENT                                                 |
|-------------------------------------------------------|---------------|---------------------------------------------|------------------------------------------------------------------------------------|
| <b>Fobaproa-IPAB: Portfolios</b>                      |               |                                             |                                                                                    |
| Banking Sector (1)                                    | 2,735         | Out of balance trusts                       | Fees from FOBAPROA                                                                 |
| Serfin                                                | 259           | Serfin Trust                                | Fiduciary                                                                          |
| Reposessed assets                                     | 5,160         | Out of balance trusts                       | Fobaproa fees and Fiduciary                                                        |
|                                                       | <b>8,154</b>  |                                             |                                                                                    |
| <b>Loans purchased to IPAB and to Other Banks:</b>    |               |                                             |                                                                                    |
|                                                       | <b>43,097</b> | Sólida Administradora de Portafolios Bancen | Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen) |
| <b>Banking Sector Portfolio: (2)</b>                  |               |                                             |                                                                                    |
| Banking Sector                                        | 5,521         | Banorte's Portfolio                         | Net Interest Income                                                                |
| Reposessed assets                                     | 4,096         | Banorte's Reposessed assets                 | Other Revenues and Expenses                                                        |
|                                                       | <b>9,617</b>  |                                             |                                                                                    |
| <b>Total</b>                                          | <b>60,869</b> |                                             |                                                                                    |

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

(2) Includes Ps 1,899 millions of Portfolio managed by the Recovery Bank since 1997, originated from the economic crisis of 1995.

This section is intended to dimension the Recovery Banking business contribution to the Banking Sector. 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 and to other banks. Additionally, it manages a proprietary portfolio which, given its characteristics, have been transferred to be collected through the Recovery Banking.

| Recovery Bank Contribution<br><i>(Millions of Pesos)</i> | ACCUMULATED  |              |
|----------------------------------------------------------|--------------|--------------|
|                                                          | 1Q05         | 1Q06         |
| Traditional Banking Net Income                           | 917          | 1,100        |
| Recovery Bank Net Income                                 | 213          | 270          |
| GFNorte's Net Income                                     | <b>1,130</b> | <b>1,370</b> |
| <b>= % of Contribution</b>                               | <b>19%</b>   | <b>20%</b>   |

The Recovery Bank contributed with Ps372 million to the Group's 1Q06 profit; equivalent to a contribution of 20%. During 1Q06, IPAB sold Serfin´s portfolio managed by Bancen, generating a non-recurrent net income of Ps 267 million to Bancen derived from the gains for the sale of these loans.

As of 1Q06, the IPAB notes balance outstanding was Ps 166 million.

| ORIGINATION<br><i>(Millions of pesos)</i>             | BALANCE AS OF<br>1Q06 | YIELD              | MATURITY  | LOSS SHARING |
|-------------------------------------------------------|-----------------------|--------------------|-----------|--------------|
| BANORTE – Sale of Loans to Fobaproa<br>• Loss Sharing | 166                   | CETES 91 d– 135 pb | June 2006 | YES          |

## 2.- Brokerage Sector

| Brokerage Sector<br>(Millions of Pesos) | QUARTER |         |         | % CHANGE vs |      |
|-----------------------------------------|---------|---------|---------|-------------|------|
|                                         | 1Q05    | 4Q05    | 1Q06    | 1Q05        | 4Q05 |
| <b>Brokerage House</b>                  |         |         |         |             |      |
| Net Income                              | 26      | 19      | 39      | 47%         | 102% |
| Equity                                  | 570     | 556     | 570     | 0%          | 3%   |
| Assets under Management                 | 116,462 | 120,820 | 125,646 | 8%          | 4%   |
| Total Assets                            | 683     | 909     | 921     | 35%         | 1%   |
| ROE %                                   | 18.8%   | 14.0%   | 27.4%   |             |      |
| <b>Net Capital</b>                      |         |         |         |             |      |
| Tier 1                                  | 475     | 470     | 480     | 1%          | 2%   |
| Tier 2                                  | -       | -       | -       | -           | -    |
| Net Capital                             | 475     | 470     | 480     | 1%          | 2%   |

The **Brokerage Sector** (Brokerage House) registered a Net Income of Ps 39 million in 1Q06, 47% higher than 1Q05, due mainly to greater income from brokerage activities due to an increase in volumes in stock market transactions and also to gains in the mark to market valuation. The fixed income mutual funds increased their assets by Ps 6 billion vs 1Q05 and Assets under Management grew by 8% in the same period. In 1Q06. The brokerage house continued to follow a strict expense control policy and to take advantage of synergies with other companies of the group.

## 3.-Long Term Savings Sector

| Long Term Savings Sector<br>(Millions of pesos) | QUARTER |        |        | % CHANGE vs |          |
|-------------------------------------------------|---------|--------|--------|-------------|----------|
|                                                 | 1Q05    | 4Q05   | 1Q06   | 1Q05        | 4Q05     |
| <b>Afore</b>                                    |         |        |        |             |          |
| Net Income                                      | 113     | 7      | 85     | (25%)       | 1,178%   |
| Equity                                          | 1,104   | 853    | 939    | (15%)       | 10%      |
| Total Assets                                    | 1,292   | 944    | 1,084  | (16%)       | 15%      |
| Assets under Management (SIEFORE)               | 33,908  | 39,478 | 38,522 | 14%         | (2%)     |
| ROE %                                           | 43.2%   | 2.5%   | 38.1%  |             |          |
| <b>Insurance</b>                                |         |        |        |             |          |
| Net Income                                      | 132     | 19     | 107    | (19%)       | 463%     |
| Equity                                          | 904     | 1,193  | 1,300  | 44%         | 9%       |
| Total Assets                                    | 4,838   | 5,381  | 6,536  | 35%         | 21%      |
| Technical Reserves                              | 3,091   | 3,672  | 4,144  | 34%         | 13%      |
| Premiums sold                                   | 1,357   | 828    | 1,800  | 33%         | 117%     |
| ROE %                                           | 62.9%   | 6.4%   | 34.3%  |             |          |
| <b>Annuities</b>                                |         |        |        |             |          |
| Net Income                                      | 21      | (2)    | 81     | 293%        | (3,701%) |
| Equity                                          | 254     | 324    | 404    | 59%         | 25%      |
| Total Assets                                    | 6,294   | 6,865  | 7,075  | 12%         | 3%       |
| Technical Reserves                              | 6,021   | 6,524  | 6,652  | 10%         | 2%       |
| Premiums sold                                   | 213     | 230    | 168    | (21%)       | (27%)    |
| ROE %                                           | 34.0%   | (2.8%) | 89.2%  |             |          |

The **Pension Fund Afore** registered a Net Income in 1Q06 of Ps 85 million (51% Bancen), 25% lower than in 1Q05, primarily due to an increase in sales expenses derived from a higher cost per new affiliate due to tougher competition. As of 1Q06, the Pension Fund Afore had a total of 3,060,344 affiliates, reaching a share of 10.5% in certified accounts. Assets under Management by the SIEFORE (Specialized Retirement Mutual Fund) rose 14% vis-à-vis 1Q05 as a result of a higher number of affiliates and the strategy to attract new higher-income customers.

The **Insurance Company** showed a profit of Ps 107 million in 1Q06 (51% GFNorte), 19% lower than in 1Q05, mostly arising from the increase in income tax as the company used its remaining tax loss carry forwards in 2005. Premiums sold in 1Q06 amounted to Ps 1.8 billion, 33% higher than those issued in 1Q05, due to the growth in sales of policies through the branch network.

The **Annuities Company** registered a Net Income of Ps 81 million in 1Q06 (51% GFNorte), 293% higher than in 1Q05 as a result of a Ps 85 million profit obtained from fixed income securities intermediation. Premiums sold decreased 21% vs 1Q05 due

to a reduction in pensions offered by the Instituto Mexicano del Seguro Social (IMSS) to the market. The company presently ranks 2nd in the industry in terms of premiums sold.

### 3.- Auxiliary Organizations Sector

| Auxiliary Organizations Sector<br>(Millions of Pesos) | QUARTER |       |       | % CHANGE vs |       |
|-------------------------------------------------------|---------|-------|-------|-------------|-------|
|                                                       | 1Q05    | 4Q05  | 1Q06  | 1Q05        | 4Q05  |
| <b>Leasing</b>                                        |         |       |       |             |       |
| Net Income                                            | 19      | 20    | 28    | 46%         | 39%   |
| Equity                                                | 218     | 280   | 307   | 41%         | 10%   |
| Loan Portfolio                                        | 2,347   | 2,799 | 2,839 | 21%         | 1%    |
| Past Due Loans                                        | 16      | 32    | 20    | 20%         | (38%) |
| Loan Loss Reserves                                    | 24      | 42    | 40    | 69%         | (6%)  |
| Total Assets                                          | 2,377   | 2,791 | 2,840 | 20%         | 2%    |
| ROE %                                                 | 36.4%   | 29.4% | 37.6% |             |       |
| <b>Factoring</b>                                      |         |       |       |             |       |
| Net Income                                            | 17      | 13    | 22    | 30%         | 73%   |
| Equity                                                | 280     | 331   | 353   | 26%         | 7%    |
| Loan Portfolio                                        | 3,380   | 3,884 | 3,211 | (5%)        | (17%) |
| Past Due Loans                                        | 26      | 34    | 31    | 20%         | (10%) |
| Loan Loss Reserves                                    | 40      | 53    | 46    | 15%         | (12%) |
| Total Assets                                          | 3,363   | 3,863 | 3,194 | (5%)        | (17%) |
| ROE %                                                 | 25.2%   | 15.9% | 26.1% |             |       |
| <b>Warehousing</b>                                    |         |       |       |             |       |
| Net Income                                            | 5       | 4     | 3     | (48%)       | (38%) |
| Equity                                                | 99      | 106   | 108   | 8%          | 1%    |
| Inventories (*)                                       | 212     | 176   | 78    | (63%)       | (55%) |
| Total Assets                                          | 356     | 389   | 220   | (38%)       | (43%) |
| ROE %                                                 | 20.0%   | 15.5% | 9.3%  |             |       |
| <b>Bonding</b>                                        |         |       |       |             |       |
| Net Income                                            | 4       | 7     | 4     | 2%          | (36%) |
| Equity                                                | 87      | 107   | 111   | 27%         | 4%    |
| Total Assets                                          | 357     | 411   | 450   | 26%         | 10%   |
| Technical Reserves                                    | 177     | 194   | 234   | 32%         | 20%   |
| Premiums sold                                         | 93      | 64    | 93    | 1%          | 46%   |
| ROE%                                                  | 20.0%   | 26.5% | 16.0% |             |       |

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

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

The **Leasing Company** accumulated a Net Income of Ps 28 million during 1Q06, equivalent to a 46% increase over 1Q05, mostly due to a 21% growth in its loan portfolio vs 1Q05, lower loan loss provisioning and an income of Ps 2.3 million from recoveries. The past due loan ratio closed 1Q06 at 0.7%, and the reserve coverage at 200%. The company currently stands in 2nd place among the 27 Leasing companies in loans.

The **Factoring Company** obtained a Net Income of Ps 22 million in the year, 30% more than in 1Q05 derived from a Ps 4 million loan loss reserves release due to overprovisioning. The loan portfolio showed a 5% decrease as a result of important clients that stopped operating with the company, ending the quarter with a Ps 3.2 billion balance. The past due loan portfolio closed at Ps 31 million, equivalent to a past due loan portfolio of 1.0%, and with reserve coverage of 148%. The company presently leads the industry's 10 factoring companies in terms of volume of operations.

The **Warehousing Company** registered a Net Income of Ps 3 million in 1Q06, 48% lower than in 1Q05 primarily due to decreased customer inventory commercialization and fewer warehousing services as a result of less operations with important clients. The Warehousing Company currently ranks 9th among the country's 20 market participants in terms of certification volume.

The **Bonding Company** registered a Net Income of Ps 4 million in 1Q06, 2% more than in 1Q05, due to the delay in contract renewals from important clients. This was reflected in a mere 1% increase in premiums sold when compared to the previous year.



## 5.- Microcredit Sofol

| Pronegocio<br>(Millones de Pesos) | QUARTER |         |       | % CHANGE vs |        |
|-----------------------------------|---------|---------|-------|-------------|--------|
|                                   | 1Q05    | 4Q05    | 1Q06  | 1Q05        | 4Q05   |
| <b>Pronegocio</b>                 |         |         |       |             |        |
| Ner Income                        | (4)     | (8)     | 4     | (211%)      | (156%) |
| Equity                            | 48      | 54      | 59    | 23%         | 8%     |
| Loan Portfolio                    | 9       | 343     | 403   | 4,392%      | 18%    |
| Past Due Loans                    | -       | 15      | 15    | -           | (1%)   |
| Loan Loss Reserves                | -       | 6       | 8     | N.A.        | 31%    |
| Total Assets                      | 50      | 356     | 411   | 724%        | 16%    |
| ROE%                              | (34.9%) | (53.0%) | 30.6% |             |        |

**Pronegocio** reported a Ps 4 million profit in 1Q06 vs Ps 4 million loss in 1Q05 (when it started operations), due to the important loan growth that went from Ps 9 million in 1Q05 to Ps 403 million in 1Q06. Thea past due loans ended the quarter with a Ps 15 million balance, equivalent to a 3.7% ratio and a reserve coverage of 53%. As of 1Q06 it had 39 fully operative branches and presence in 21 cities.



# 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 GRUPO FINANCIERO FINANCIAL STATEMENTS
-

## ANNEX 1. Macroeconomic Environment

The international situation during the first quarter was one of greater volatility. Not only the United States is raising the reference rate but now Europe is starting a cycle of higher rates and Japan will likely follow suit toward the end of this year. This fact has brought about changes in the expectations for the maximum levels the reference rates and the long-term rate increases.

The markets are still affected by the same factors that impacted their performance during 2005: global unrest, high oil prices, high liquidity levels and growing concerns regarding the course that growth and inflation are taking. Despite this volatility, the stock markets' balance in the quarter was positive: Dow Jones went up 3.66%, Nasdaq up 6.10% and the Mexican Stock Exchange rose 8.26%.

Interest rate expectations in developing countries that point to a higher-than-expected increase while the Bank of Mexico has entered a stage of relaxed monetary policy, anticipate lower interest rate differentials, which was reflected in the peso's drop vs. the US dollar closing the quarter at 10.90 after reaching levels as low as 10.50. The shifts in the exchange rate, however, were limited by positive incoming flows: high oil prices, commercial balance surplus, good debt handling, high levels of international reserves and the inflow of remittances.

On the other hand, interest rates continued to drop most because of the favorable inflation results and the monetary policy implemented by the Bank of Mexico. Inflation closed the quarter at 3.41%. The Bank of Mexico continued its relaxed policy cycle taking the funding rate from levels as high as 9.75% last year to 7.25% at the close of this year's first quarter.

As to economic activity, there have been some pleasant surprises. A more dynamic US economy has led to greater growth of our no-oil exports. This is reflected in a more vigorous industrial production that, in the first month alone, grew at a 6.0% actual annual rate after having increased a mere 1.6% last year. The services sector in January also showed a growth rate higher than that seen last year. The result has been a higher estimated growth for the GDP to levels nearing 3.80% this year.

## ANNEX 2 .-Grupo Financiero- General Information

### GFNorte Ownership in Subsidiaries

|                               | 1Q06   |
|-------------------------------|--------|
| 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% |
| Annuities                     | 51.00% |
| Leasing                       | 99.99% |
| Factoring                     | 99.99% |
| Warehousing                   | 99.99% |
| Bonding                       | 99.99% |
| Microcredit Sofol             | 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<br>As of March 2006 |
|---------------------------------------|-----------------------------|
| Number of shares issued               | 2,018,347,548               |
| - Shares held on Treasury             | 1,091,900                   |
| <b>= Number of shares outstanding</b> | <b>2,017,255,648</b>        |

### Banorte Ratings

| International Ratings |                             |          |                                   |               |
|-----------------------|-----------------------------|----------|-----------------------------------|---------------|
| Rating Agency         | Rated Institution           | Rating   | Category                          | Date          |
| Moody's               | Banorte                     | Stable   | Outlook                           | January 2005  |
|                       |                             | D+       | Modest Financial Strength         |               |
|                       |                             | Baa1     | 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   | March 2006    |
|                       |                             | Stable   | Outlook                           |               |
|                       |                             | BBB-     | Long Term foreign issuer credit   |               |
|                       |                             | BBB-     | Long Term local currency deposits |               |
|                       |                             | A-3      | Short term foreign issuer credit  |               |
| Fitch                 | Banorte                     | A-3      | Short tem local issuer credit     | December 2005 |
|                       |                             | Positive | Outlook                           |               |
|                       |                             | BBB-     | Long Term Foreign currency        |               |
|                       | Grupo Financiero<br>Banorte | BBB-     | Long Term Local currency          |               |
|                       |                             | F3       | Short Term Local Currency         |               |
|                       |                             | F3       | Short Term Foreign Currency       |               |
|                       |                             | C/D      | Individual – Foreign Currency     |               |
| 3                     | Support Rating              |          |                                   |               |
| 4                     | Support Rating              |          |                                   |               |

## Banorte Ratings

| Domestics Ratings         |                          |             |                                           |               |
|---------------------------|--------------------------|-------------|-------------------------------------------|---------------|
| Rating Agency             | Rated Institution        | Rating      | Category                                  | Date          |
| Fitch                     | Banorte                  | F1 + (mex)  | Short term counterparty risk              | June 2005     |
|                           |                          | AA (mex)    | Long term counterparty risk               |               |
|                           |                          | F1 + (mex)  | Short term CD's and Term Deposits         |               |
|                           |                          | AA (mex)    | Long term CD's and Term Deposits          |               |
| Moody's National Scale    | Banorte                  | Aaa.mx      | Long Term Deposits                        | July 2004     |
|                           |                          | MX-1        | ShortTerm Deposits                        |               |
|                           | Arrendadora Banorte      | Aa1.mx      | Issue Rating in National Scale            | July 2004     |
|                           | Arrendadora Banorte      | Aa1.mx      | Issue Rating in National Scale            | July 2004     |
| <b>Other Subsidiaries</b> |                          |             |                                           |               |
| Fitch                     | Sólida                   | AAFC1-(mex) | Financial Asset Administrator             | December 2004 |
|                           | Operadora de Fondos      | AA+ (mex)   | Investment Financial Assets Administrator | January 2005  |
|                           | Seguros Banorte Generali | AA- (mex)   | Insurance Financial Strength              | August 2002   |

## No. of Employees & Distribution Network

| EMPLOYEES                   | 1Q05          | 4Q05          | 1Q06          |
|-----------------------------|---------------|---------------|---------------|
| Banking Sector (1)          | 12,235        | 12,683        | 12,740        |
| Other Sectors (2)           | <u>2,292</u>  | <u>2,329</u>  | <u>2,410</u>  |
| <b>Total Group</b>          | <b>14,527</b> | <b>15,012</b> | <b>15,150</b> |
| <b>DISTRIBUTION NETWORK</b> |               |               |               |
| Banking Branches            | 959           | 968           | 971           |
| ATM                         | 2,678         | 2,800         | 2,881         |

(1) Includes Sólida Administradora de Portafolios.

(2) 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                           |
| <b>LINE</b>                         |                                                   |
| Manuel Sescosse Varela              | Managing Director - Commercial                    |
| Jesús Garza Martínez                | Managing Director - Consumer                      |
| Enrique Catalán Guzmán              | Managing Director - Entrepreneurial               |
| Alejandro Valenzuela del Río        | Managing Director – Treasury & Investor Relations |
| Luis Fernando Orozco                | Managing Director – Asset Recovery                |
| Enrique Castellón Vega              | Managing Director - Long Term Savings Sector      |
| Antonio E. Ortiz Cobos              | Managing Director - Development USA               |
| <b>STAFF</b>                        |                                                   |
| Sergio García Robles Gil            | Managing Director – CFO                           |
| Joaquín López Doriga López Ostolaza | Managing Director - Corporate Affairs             |
| Alma Rosa Moreno                    | Managing Director - Administration                |
| Prudencio Frigolet Gómez            | Managing Director - Operations and Technology     |
| Aurora Cervantes Martínez           | Managing Director - Legal                         |
| Cecilia Miller Suárez               | Managing Director - Marketing                     |
| Eduardo Sastre de la Riva           | Managing Director - Institutional Relations       |
| Román Martínez Méndez               | Managing Director - Audit                         |
| Gerardo Coindreau Farias            | Managing Director - Risk Management               |

### ANNEX 3 .-Accounting Changes and Regulations

**General provisions applicable to the financial information of the regulating agencies of financial institutions subject to CNByV supervision.-** On April 27, 2005, the CNByV issued general provisions applicable to the financial information of the regulating agencies of financial groups. The purpose is to uniform the type of financial information of the financial groups that the regulating agencies make public in order to make the analysis of their solvency and economic stability easier and serve as a basis for informed saving and investment decision-making. GFNorte´s Financial Statements can be find in our website at [www.banorte.com/informacion\\_financiera](http://www.banorte.com/informacion_financiera)

**General provisions that establish the requirements that external auditors and loan institutions must meet regarding External Auditing services.-** Last April 27, 2005, the CNByV issued general provisions applicable to the requirements that external auditors should meet in the work and reports submitted to the CNByV.

**Provisions for implementation of the new Basil Capital Agreement.-** Last October 3, the CNBV (Mexico's National Banking and Securities Commission) published the agreement entered into by the financial authorities and the Mexican Association of Banks for implementation of the new Capital Agreement, which contains the standards and principles known as Basil II . The agreement establishes the principles and guidelines that enable bank capital to more precisely and sensitively reflect credit, market and operational risk.

**General provisions applicable to credit institutions.-** On December 2, 2005, the CNBV issued the Sole Banking System Circular, which includes all circulars, official communiqué-circulars, rules, general provisions and other previously issued administrative standards. The only circulars excluded from the foregoing are those that refer to support for Bank System Debtors and others mentioned specifically to that effect.

**New rules for banking institutions´ capital requirements.-** On December 28, 2005, Secretaria de Hacienda y Credito Publico (SHCP), issued new regulations for capital requirements in which new ranges and higher capital requirements are established. These new regulations came into effect as of January, 2006.

### 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 (2) |              |              | Foreign Currency (USD) (3) |            |            | Total        |              |              |
|-------------------------------|--------------------|--------------|--------------|----------------------------|------------|------------|--------------|--------------|--------------|
|                               | ug'02              | Dec'05       | Mar'06       | Aug'02                     | Dec'05     | Mar'06     | ug'02        | Dec'05       | Mar'06       |
| <b>Performing Loans</b>       |                    |              |              |                            |            |            |              |              |              |
| Commercial                    | 5                  | 2            | 2            | 5                          | -          | -          | -            | 2            | 2            |
| Consumer                      | -                  | -            | -            | -                          | -          | -          | -            | -            | -            |
| Mortgage                      | 54                 | 89           | 91           | -                          | -          | -          | 54           | 89           | 91           |
| <b>Total</b>                  | <b>59</b>          | <b>91</b>    | <b>93</b>    | <b>5</b>                   | <b>-</b>   | <b>-</b>   | <b>64</b>    | <b>91</b>    | <b>93</b>    |
| <b>Non Performing Loans</b>   |                    |              |              |                            |            |            |              |              |              |
| Commercial                    | 405                | 418          | 415          | 293                        | 148        | 151        | 698          | 566          | 566          |
| Consumer                      | 81                 | 75           | 74           | -                          | -          | -          | 81           | 75           | 74           |
| Mortgage                      | 1,112              | 588          | 557          | -                          | -          | -          | 1,112        | 588          | 557          |
| <b>Total</b>                  | <b>1,598</b>       | <b>1,081</b> | <b>1,046</b> | <b>293</b>                 | <b>148</b> | <b>151</b> | <b>1,891</b> | <b>1,229</b> | <b>1,197</b> |
| <b>TOTAL LOANS</b>            | <b>1,657</b>       | <b>1,172</b> | <b>1,139</b> | <b>298</b>                 | <b>148</b> | <b>151</b> | <b>1,955</b> | <b>1,320</b> | <b>1,290</b> |
| <b>Loan Loss Reserves (1)</b> |                    |              |              |                            |            |            |              |              |              |
| Commercial                    | 326                | 402          | 398          | 246                        | 140        | 143        | 572          | 542          | 541          |
| Consumer                      | 77                 | 74           | 74           | -                          | -          | -          | 77           | 74           | 74           |
| Mortgage                      | 669                | 536          | 511          | -                          | -          | -          | 669          | 536          | 511          |
| <b>Total</b>                  | <b>1,072</b>       | <b>1,045</b> | <b>983</b>   | <b>246</b>                 | <b>140</b> | <b>143</b> | <b>1,318</b> | <b>1,152</b> | <b>1,126</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.

Note 1.- There was a Reserve deficit of Ps 109 million as of March/06.

Note 2.- Banorte has a 99.99% stake in Sólida.

In 1Q06 the Loan portfolio showed changes due to: collections for Ps 20 million, re-structures for Ps 5 million, repossessed assets for Ps 5 millions and Ps 15 million in charge-offs and discounts. In the Loan loss provisions there were charge-offs and discounts for Ps 12 million and repossessed assets for Ps 3 millions. There were transfers from performing loans to past due loans for Ps 5 million and transfers from past due loans to performing loans for Ps 12 million.



**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'05                        | Mar'06         | Dec'05                                | Mar'06       | Dec'05         | Mar'06         |
| <b>Performing Loans</b>     |                               |                |                                       |              |                |                |
| Commercial                  | 43,505                        | 44,484         | 7,387                                 | 7,860        | 50,892         | 52,344         |
| Financial Intermediaries    | 2,849                         | 3,407          | 803                                   | 781          | 3,652          | 4,188          |
| Consumer                    | 12,891                        | 13,838         | 1                                     | -            | 12,892         | 13,838         |
| Mortgage                    | 23,664                        | 25,473         | -                                     | -            | 23,664         | 25,473         |
| Government Entities         | 14,645                        | 13,928         | 522                                   | 490          | 15,167         | 14,418         |
| Fobaproa / IPAB             | 161                           | 166            | -                                     | -            | 161            | 166            |
| <b>Performing Loans</b>     | <b>97,715</b>                 | <b>101,296</b> | <b>8,713</b>                          | <b>9,131</b> | <b>106,428</b> | <b>110,427</b> |
| <b>Non Performing Loans</b> |                               |                |                                       |              |                |                |
| Commercial                  | 865                           | 907            | 223                                   | 223          | 1,088          | 1,130          |
| Consumer                    | 472                           | 465            | -                                     | -            | 472            | 465            |
| Mortgage                    | 1,342                         | 1,290          | -                                     | -            | 1,342          | 1,290          |
| Government Entities         | -                             | -              | -                                     | -            | -              | -              |
| <b>Non Performing Loans</b> | <b>2,679</b>                  | <b>2,662</b>   | <b>223</b>                            | <b>223</b>   | <b>2,902</b>   | <b>2,885</b>   |
| <b>TOTAL LOANS</b>          | <b>100,394</b>                | <b>103,958</b> | <b>8,936</b>                          | <b>9,354</b> | <b>109,330</b> | <b>113,312</b> |
| <b>Loan Loss Reserves</b>   | <b>3,631</b>                  | <b>3,679</b>   | <b>330</b>                            | <b>398</b>   | <b>3,961</b>   | <b>4,077</b>   |
| <b>Net Loan Portfolio</b>   | <b>96,763</b>                 | <b>100,279</b> | <b>8,606</b>                          | <b>8,956</b> | <b>105,369</b> | <b>109,235</b> |
| <b>Loan Loss Reserves</b>   |                               |                |                                       |              | <b>136.5%</b>  | <b>141.3%</b>  |
| <b>% Past Due Loans</b>     |                               |                |                                       |              | <b>2.7%</b>    | <b>2.6%</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)*

|                                      | 1Q05         | 2Q05         | 3Q05         | 4Q05         | ACUM         | 1Q06         | 2Q06 | 3Q06 | 4Q06 | ACUM         |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|------|--------------|
| Income from Subsidiaries and         | 1,133        | 2,119        | 1,362        | 1,178        | 5,792        | 1,374        |      |      |      | 1,374        |
| Interest Expense                     | -            | -            | -            | -            | -            | -            |      |      |      | -            |
| Trading Income                       | -            | -            | -            | -            | -            | -            |      |      |      | -            |
| Fees & Tarifs                        | -            | -            | -            | -            | -            | -            |      |      |      | -            |
| REPOMO                               | (1)          | -            | (1)          | (1)          | (2)          | (1)          |      |      |      | (1)          |
| <b>Total Operating Income</b>        | <b>1,132</b> | <b>2,119</b> | <b>1,362</b> | <b>1,177</b> | <b>5,790</b> | <b>1,373</b> |      |      |      | <b>1,373</b> |
| Operation & Administrative expenses  | 1            | -            | -            | -            | 1            | 1            |      |      |      | 1            |
| <b>Operatina Income</b>              | <b>1,132</b> | <b>2,118</b> | <b>1,362</b> | <b>1,177</b> | <b>5,788</b> | <b>1,372</b> |      |      |      | <b>1,372</b> |
| Non Operating Income                 | -            | -            | -            | 7            | 7            | -            |      |      |      | -            |
| Non Operating Expense                | -            | -            | -            | (1)          | (1)          | (1)          |      |      |      | (1)          |
| <b>Non Operatina Income</b>          | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>6</b>     | <b>6</b>     | <b>(1)</b>   |      |      |      | <b>(1)</b>   |
| <b>Pre-tax Income</b>                | <b>1,131</b> | <b>2,118</b> | <b>1,362</b> | <b>1,183</b> | <b>5,794</b> | <b>1,371</b> |      |      |      | <b>1,371</b> |
| Income Tax & Profit Sharing          | 2            | 2            | 3            | 2            | 8            | 1            |      |      |      | 1            |
| Tax on Assets                        | -            | -            | -            | -            | -            | -            |      |      |      | -            |
| Deferred Inc. Tax and Profit sharing | -            | -            | -            | -            | -            | -            |      |      |      | -            |
|                                      | 2            | 2            | 3            | 2            | 8            | 1            |      |      |      | 1            |
| <b>Net income from Continuos</b>     | <b>1,130</b> | <b>2,117</b> | <b>1,359</b> | <b>1,181</b> | <b>5,786</b> | <b>1,370</b> |      |      |      | <b>1,370</b> |
| Extraordinary Items, net             | -            | -            | -            | -            | -            | -            |      |      |      | -            |
| <b>Total Net Income</b>              | <b>1,130</b> | <b>2,117</b> | <b>1,359</b> | <b>1,181</b> | <b>5,786</b> | <b>1,370</b> |      |      |      | <b>1,370</b> |

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

|                                         | 1Q05          | 2Q05          | 3Q05          | 4Q05          | 1Q06          | 2Q06 | 3Q06 | 4Q06 |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|------|------|------|
| Cash and due from Banks                 | 50            | 61            | 94            | 64            | 79            |      |      |      |
| Financial Instruments:                  | -             | 10            | -             | -             | -             |      |      |      |
| Sundry debtors and other assets,net     | 4             | 4             | -             | 8             | 11            |      |      |      |
| Real Estate, Furniture & Equipment, net | -             | -             | -             | -             | -             |      |      |      |
| Investments in subsidiaries             | 17,275        | 19,016        | 20,361        | 20,627        | 22,133        |      |      |      |
| Deferred taxes                          | -             | -             | -             | -             | -             |      |      |      |
| Goodwill                                | 41            | 40            | 40            | 39            | 38            |      |      |      |
| Other Assets, Deferred charges, intang  | 1             | 1             | 1             | 1             | 2             |      |      |      |
| <b>TOTAL ASSETS</b>                     | <b>17,372</b> | <b>19,133</b> | <b>20,495</b> | <b>20,738</b> | <b>22,262</b> |      |      |      |
| <b>LIABILITIES</b>                      |               |               |               |               |               |      |      |      |
| <b>Due to banks and correspondents</b>  | -             | -             | -             | -             | -             |      |      |      |
| Income Tax & Profit Sharing             | 1             | 3             | 1             | -             | -             |      |      |      |
| Other Payable accounts                  | -             | -             | -             | 1             | 1             |      |      |      |
| <b>Other payable accounts</b>           | <b>2</b>      | <b>3</b>      | <b>1</b>      | <b>1</b>      | <b>1</b>      |      |      |      |
| <b>Deferred taxes</b>                   | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>1</b>      |      |      |      |
| <b>TOTAL LIABILITIES</b>                | <b>2</b>      | <b>3</b>      | <b>1</b>      | <b>1</b>      | <b>1</b>      |      |      |      |
| <b>STOCKHOLDER 'S EQUITY</b>            |               |               |               |               |               |      |      |      |
| Paid-in Capital                         | 5,853         | 5,852         | 5,853         | 11,249        | 11,252        |      |      |      |
| Share subscription premiums             | 1,739         | 1,739         | 1,739         | 1,739         | 1,739         |      |      |      |
| Subordinated Convertible Debentures     | -             | -             | -             | -             | -             |      |      |      |
| <b>Subscribed Capital</b>               | <b>7,592</b>  | <b>7,591</b>  | <b>7,592</b>  | <b>12,988</b> | <b>12,992</b> |      |      |      |
| Capital Reserves                        | 1,573         | 1,695         | 1,716         | 1,691         | 1,709         |      |      |      |
| Retained Earnings                       | 16,799        | 16,644        | 16,644        | 10,603        | 16,390        |      |      |      |
| Surplus (Deficit) from securities       | -             | -             | -             | -             | -             |      |      |      |
| Results of foreign operations exchange  | -             | -             | -             | -             | -             |      |      |      |
| Excess (Insuf.) in capital restatement  | (5,973)       | (5,973)       | (5,971)       | (5,971)       | (5,971)       |      |      |      |
| Non Mon assets results Fixed Assets     | -             | -             | -             | -             | -             |      |      |      |
| Non Mon assets results Investm          | (3,730)       | (4,074)       | (4,091)       | (4,360)       | (4,228)       |      |      |      |
| Adjustment in the employees pension     | -             | -             | -             | -             | -             |      |      |      |
| Accumulated Deferred tax effect         | -             | -             | -             | -             | -             |      |      |      |
| Net Income                              | 1,130         | 3,246         | 4,605         | 5,786         | 1,370         |      |      |      |
| <b>Earned Capital</b>                   | <b>9,779</b>  | <b>11,539</b> | <b>12,903</b> | <b>7,750</b>  | <b>9,270</b>  |      |      |      |
| <b>Total Stockholder 's Equity</b>      | <b>17,371</b> | <b>19,130</b> | <b>20,494</b> | <b>20,737</b> | <b>22,261</b> |      |      |      |
| <b>TOTAL LIABILITIES &amp;</b>          | <b>17,372</b> | <b>19,133</b> | <b>20,495</b> | <b>20,738</b> | <b>22,262</b> |      |      |      |

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

|                                   | 1Q05         | 2Q05         | 3Q05         | 4Q05         | 1Q06         | 2Q06 | 3Q06 | 4Q06 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|------|------|------|
| Client securities held in custody | 3,846        | 3,838        | 3,814        | 3,760        | 3,716        |      |      |      |
| Other trust account items         | 115          | 115          | 114          | 112          | 1            |      |      |      |
|                                   | <b>3,961</b> | <b>3,952</b> | <b>3,928</b> | <b>3,873</b> | <b>3,717</b> |      |      |      |

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

|                                              | 1Q05         | 2Q05         | 3Q05         | 4Q05         | ACUM           | 1Q06         | 2Q06 | 3Q06 | 4Q06 | ACUM         |
|----------------------------------------------|--------------|--------------|--------------|--------------|----------------|--------------|------|------|------|--------------|
| Interest Income                              | 7,356        | 9,079        | 9,403        | 9,309        | 35,147         | 8,610        |      |      |      | 8,610        |
| Interest Expense                             | 4,432        | 5,687        | 6,092        | 5,855        | 22,065         | 5,354        |      |      |      | 5,354        |
| Loan Fees                                    | 96           | 135          | 152          | 209          | 592            | 148          |      |      |      | 148          |
| Fees Paid                                    | 25           | 27           | 35           | 34           | 122            | 39           |      |      |      | 39           |
| <b>Net Interest Income (NII)</b>             | <b>2,995</b> | <b>3,500</b> | <b>3,428</b> | <b>3,629</b> | <b>13,552</b>  | <b>3,365</b> |      |      |      | <b>3,365</b> |
| Repomo-Margin                                | (34)         | (13)         | (39)         | (63)         | (148)          | (73)         |      |      |      | (73)         |
| <b>NII after Repomo</b>                      | <b>2,961</b> | <b>3,487</b> | <b>3,389</b> | <b>3,566</b> | <b>13,404</b>  | <b>3,293</b> |      |      |      | <b>3,293</b> |
| Loan Loss Provisions                         | 221          | 364          | 481          | 316          | 1,383          | 354          |      |      |      | 354          |
| Loss Sharing Provisions                      | 34           | 36           | (10)         | 20           | 80             | 17           |      |      |      | 17           |
| <b>NII after Provisions</b>                  | <b>2,707</b> | <b>3,087</b> | <b>2,918</b> | <b>3,230</b> | <b>11,941</b>  | <b>2,922</b> |      |      |      | <b>2,922</b> |
| Fund transfers                               | 37           | 48           | 50           | 55           | 191            | 52           |      |      |      | 52           |
| Account management                           | 248          | 256          | 246          | 244          | 993            | 225          |      |      |      | 225          |
| Fiduciary                                    | 46           | 56           | 55           | 65           | 222            | 55           |      |      |      | 55           |
| Income from Loan Portfolios Acquired         | 289          | 155          | 723          | 259          | 1,425          | 612          |      |      |      | 612          |
| Electronic Banking Services                  | 147          | 161          | 162          | 180          | 650            | 176          |      |      |      | 176          |
| Credit Card                                  | 252          | 264          | 281          | 315          | 1,112          | 319          |      |      |      | 319          |
| Fees from IPAB                               | 81           | 62           | (6)          | 55           | 193            | 9            |      |      |      | 9            |
| Other fees                                   | 532          | 410          | 532          | 447          | 1,922          | 543          |      |      |      | 543          |
| <b>Fees on services,</b>                     | <b>1,632</b> | <b>1,412</b> | <b>2,042</b> | <b>1,621</b> | <b>6,708</b>   | <b>1,991</b> |      |      |      | <b>1,991</b> |
| Fund transfers                               | 3            | 2            | 2            | 3            | 10             | 4            |      |      |      | 4            |
| Other fees                                   | 125          | 127          | 136          | 163          | 551            | 162          |      |      |      | 162          |
| Expenses from Loan Portfolios Acquired       | 188          | 125          | 389          | 252          | 954            | 241          |      |      |      | 241          |
| <b>Fees paid,</b>                            | <b>316</b>   | <b>254</b>   | <b>528</b>   | <b>418</b>   | <b>1,516</b>   | <b>407</b>   |      |      |      | <b>407</b>   |
| Foreign exchange                             | 57           | 35           | 94           | 91           | 278            | 117          |      |      |      | 117          |
| Securities –Realized gains                   | 88           | 528          | 132          | 13           | 760            | 540          |      |      |      | 540          |
| Securities- Unrealized gains                 | 42           | (44)         | 15           | (1)          | 11             | (169)        |      |      |      | (169)        |
| <b>Market-related Income</b>                 | <b>187</b>   | <b>519</b>   | <b>241</b>   | <b>103</b>   | <b>1,050</b>   | <b>488</b>   |      |      |      | <b>488</b>   |
| <b>Total Non Interest Income</b>             | <b>1,503</b> | <b>1,677</b> | <b>1,754</b> | <b>1,307</b> | <b>6,241</b>   | <b>2,072</b> |      |      |      | <b>2,072</b> |
| <b>Total Operating Income</b>                | <b>4,210</b> | <b>4,764</b> | <b>4,672</b> | <b>4,537</b> | <b>18,183</b>  | <b>4,993</b> |      |      |      | <b>4,993</b> |
| Personnel                                    | 1,091        | 1,1          | 1,130        | 1,083        | 4,417          | 1,205        |      |      |      | 1,205        |
| Professional Fees                            | 147          | 196          | 157          | 160          | 660            | 204          |      |      |      | 204          |
| Administrative and Promotion Expenses        | 781          | 769          | 957          | 930          | 3,438          | 797          |      |      |      | 797          |
| Rents, depreciation and amortization         | 432          | 434          | 409          | 388          | 1,663          | 432          |      |      |      | 432          |
| Taxes, other than income tax                 | 123          | 103          | 125          | 111          | 462            | 154          |      |      |      | 154          |
| Contributions to IPAB                        | 152          | 152          | 152          | 152          | 607            | 157          |      |      |      | 157          |
| <b>Non-Interest Expense</b>                  | <b>2,726</b> | <b>2,767</b> | <b>2,930</b> | <b>2,824</b> | <b>11,247</b>  | <b>2,950</b> |      |      |      | <b>2,950</b> |
| <b>Operating Income</b>                      | <b>1,484</b> | <b>1,998</b> | <b>1,742</b> | <b>1,712</b> | <b>6,936</b>   | <b>2,044</b> |      |      |      | <b>2,044</b> |
| Other Revenues                               | 389          | 565          | 223          | 390          | 1,566          | 168          |      |      |      | 168          |
| Foreign exchange                             | -            | -            | -            | -            | -              | -            |      |      |      | -            |
| Recoveries                                   | 36           | 1,228        | 47           | 45           | 1,356          | 85           |      |      |      | 85           |
| Repomo-other revenues                        | 2            | 4            | 1            | 4            | 12             | 4            |      |      |      | 4            |
| <b>Non Operating Income</b>                  | <b>427</b>   | <b>1,797</b> | <b>271</b>   | <b>439</b>   | <b>2,934</b>   | <b>257</b>   |      |      |      | <b>257</b>   |
| Other Expense                                | (356)        | (824)        | (167)        | (305)        | (1,653)        | (200)        |      |      |      | (200)        |
| Foreign exchange                             | -            | -            | -            | -            | -              | -            |      |      |      | -            |
| Repomo-other Expenses                        | (33)         | (13)         | (45)         | (137)        | (228)          | (101)        |      |      |      | (101)        |
| <b>Non Operating Expense</b>                 | <b>(389)</b> | <b>(836)</b> | <b>(213)</b> | <b>(442)</b> | <b>(1,881)</b> | <b>(302)</b> |      |      |      | <b>(302)</b> |
| <b>Non Operating Income (Expense), net</b>   | <b>38</b>    | <b>960</b>   | <b>58</b>    | <b>(3)</b>   | <b>1,053</b>   | <b>(45)</b>  |      |      |      | <b>(45)</b>  |
| <b>Pre-tax Income</b>                        | <b>1,522</b> | <b>2,958</b> | <b>1,800</b> | <b>1,709</b> | <b>7,989</b>   | <b>1,999</b> |      |      |      | <b>1,999</b> |
| Income Tax                                   | 177          | 399          | 401          | 657          | 1,635          | 450          |      |      |      | 450          |
| Profit sharing                               | 136          | 280          | 147          | 116          | 680            | 127          |      |      |      | 127          |
| Tax on Assets                                | 9            | 8            | 8            | (26)         | 0              | -            |      |      |      | -            |
| Deferred Inc. Tax and Profit sharing         | 102          | 146          | (85)         | (187)        | (24)           | 127          |      |      |      | 127          |
| <b>Net Income before subsidiaries</b>        | <b>425</b>   | <b>834</b>   | <b>472</b>   | <b>560</b>   | <b>2,291</b>   | <b>704</b>   |      |      |      | <b>704</b>   |
| <b>Net Income before subsidiaries</b>        | <b>1,097</b> | <b>2,124</b> | <b>1,328</b> | <b>1,149</b> | <b>5,698</b>   | <b>1,295</b> |      |      |      | <b>1,295</b> |
| Subsidiaries' net income                     | 117          | 86           | 122          | 83           | 408            | 144          |      |      |      | 144          |
| <b>Net Income from continuous operations</b> | <b>1,214</b> | <b>2,210</b> | <b>1,449</b> | <b>1,232</b> | <b>6,106</b>   | <b>1,439</b> |      |      |      | <b>1,439</b> |
| Extraordinary items, net                     | -            | -            | -            | -            | -              | -            |      |      |      | -            |
| Minority Interest                            | 85           | 94           | 91           | 51           | 320            | 69           |      |      |      | 69           |
| <b>TOTAL NET INCOME</b>                      | <b>1,130</b> | <b>2,117</b> | <b>1,359</b> | <b>1,181</b> | <b>5,786</b>   | <b>1,370</b> |      |      |      | <b>1,370</b> |

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

|                                         | 1Q05           | 2Q05           | 3Q05           | 4Q05           | 1Q06           | 2Q06 | 3Q06 | 4Q06 |
|-----------------------------------------|----------------|----------------|----------------|----------------|----------------|------|------|------|
| <b>Cash and due from Banks</b>          | <b>36,468</b>  | <b>40,515</b>  | <b>36,797</b>  | <b>39,246</b>  | <b>38,830</b>  |      |      |      |
| Negotiable Instruments                  | 5,334          | 6,541          | 4,229          | 9,101          | 14,264         |      |      |      |
| Securities held for sale                | 282            | 251            | 255            | 137            | 5,186          |      |      |      |
| Securities held to maturity             | 10,287         | 12,740         | 12,620         | 12,488         | 4,420          |      |      |      |
| <b>Financial Instruments:</b>           | <b>15,903</b>  | <b>19,532</b>  | <b>17,105</b>  | <b>21,686</b>  | <b>23,870</b>  |      |      |      |
| Non-assigned securities to pay          | -              | -              | -              | -              | -              |      |      |      |
| Repurchase agreements, net              | 72             | 96             | 67             | 158            | 119            |      |      |      |
| Operations with collateral              | -              | -              | -              | -              | -              |      |      |      |
| Futures receivable, net                 | -              | -              | -              | -              | -              |      |      |      |
| Options and derivatives, net            | 38             | -              | 285            | 473            | 550            |      |      |      |
| <b>Repos &amp; Derivatives :</b>        | <b>110</b>     | <b>96</b>      | <b>352</b>     | <b>631</b>     | <b>668</b>     |      |      |      |
| Commercial                              | 50,101         | 50,453         | 52,860         | 58,539         | 58,750         |      |      |      |
| Financial Intermediaries                | 411            | 1,861          | 2,080          | 1,987          | 2,240          |      |      |      |
| Consumer                                | 12,684         | 13,588         | 14,682         | 15,694         | 16,516         |      |      |      |
| Mortgage                                | 19,909         | 21,136         | 22,308         | 24,062         | 25,576         |      |      |      |
| Government Entities                     | 18,773         | 13,360         | 13,603         | 15,396         | 14,465         |      |      |      |
| IPAB                                    | 7,261          | 7,232          | 2,606          | 163            | 166            |      |      |      |
| Fiduciary collection rights             | -              | -              | -              | -              | -              |      |      |      |
| <b>Performing Loans</b>                 | <b>108,839</b> | <b>107,630</b> | <b>108,138</b> | <b>115,842</b> | <b>117,713</b> |      |      |      |
| Commercial                              | 639            | 676            | 732            | 679            | 699            |      |      |      |
| Financial Intermediaries                | -              | -              | -              | -              | -              |      |      |      |
| Consumer                                | 340            | 375            | 383            | 417            | 430            |      |      |      |
| Mortgage                                | 841            | 785            | 793            | 776            | 753            |      |      |      |
| Government Entities                     | 9              | -              | -              | -              | -              |      |      |      |
| <b>Past Due Loans</b>                   | <b>1,829</b>   | <b>1,836</b>   | <b>1,908</b>   | <b>1,872</b>   | <b>1,882</b>   |      |      |      |
| <b>Total Loans</b>                      | <b>100,668</b> | <b>109,466</b> | <b>110,046</b> | <b>117,714</b> | <b>119,595</b> |      |      |      |
| Preventive loan loss reserves           | 2,819          | 2,948          | 3,153          | 3,104          | 3,223          |      |      |      |
| <b>Net Loan Portfolio</b>               | <b>107,849</b> | <b>106,518</b> | <b>106,893</b> | <b>114,611</b> | <b>116,372</b> |      |      |      |
| Credit Assets Portfolio                 | 1,969          | 1,836          | 3,072          | 3,271          | 3,745          |      |      |      |
| Sundry debtors and other assets, net    | 5,092          | 7,887          | 8,791          | 2,817          | 7,788          |      |      |      |
| Foreclosed assets, net                  | 428            | 423            | 510            | 452            | 356            |      |      |      |
| Real Estate, Furniture & Equipment, net | 6,043          | 5,794          | 5,673          | 5,749          | 5,660          |      |      |      |
| Investments in subsidiaries             | 2,077          | 2,148          | 2,258          | 2,253          | 2,379          |      |      |      |
| Deferred taxes                          | 685            | 327            | 405            | 408            | 253            |      |      |      |
| Deferred charges & Intangibles          | 1,649          | 1,476          | 1,146          | 1,308          | 1,232          |      |      |      |
| <b>Other Assets</b>                     | <b>17,943</b>  | <b>19,891</b>  | <b>21,853</b>  | <b>16,257</b>  | <b>21,413</b>  |      |      |      |
| <b>TOTAL ASSETS</b>                     | <b>178,273</b> | <b>186,551</b> | <b>182,999</b> | <b>192,431</b> | <b>201,154</b> |      |      |      |

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

|                                        | 1Q05           | 2Q05           | 3Q05           | 4Q05           | 1Q06           | 2Q06 | 3Q06 | 4Q06 |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|------|------|------|
| Demand Deposits                        | 65,868         | 68,739         | 66,934         | 76,939         | 76,301         |      |      |      |
| Time Deposits                          | 58,930         | 58,286         | 62,953         | 62,12          | 64,189         |      |      |      |
| Bonds                                  | -              | -              | -              | -              | -              |      |      |      |
| <b>Deposits</b>                        | <b>124,798</b> | <b>127,024</b> | <b>129,887</b> | <b>139,060</b> | <b>140,490</b> |      |      |      |
| Demand                                 | 1,306          | 2,394          | 1,282          | 2,594          | 532            |      |      |      |
| Short term                             | 8,286          | 9,392          | 4,849          | 5,603          | 4,714          |      |      |      |
| Long term                              | 11,633         | 11,832         | 11,879         | 11,603         | 11,037         |      |      |      |
| <b>Due to banks and correspondents</b> | <b>21,226</b>  | <b>23,619</b>  | <b>18,010</b>  | <b>19,800</b>  | <b>16,282</b>  |      |      |      |
| Non-assigned securities to pay         | -              | -              | -              | -              | -              |      |      |      |
| Repurchase agreements, net             | 89             | 161            | 392            | 338            | 411            |      |      |      |
| Operations with collateral             | -              | -              | -              | -              | -              |      |      |      |
| Futures receivable, net                | -              | -              | -              | -              | -              |      |      |      |
| Options and derivatives, net           | 3              | 8              | 275            | 452            | 515            |      |      |      |
| <b>Repos &amp; Derivatives:</b>        | <b>92</b>      | <b>169</b>     | <b>666</b>     | <b>789</b>     | <b>926</b>     |      |      |      |
| Income Tax & Profit Sharing            | 377            | 981            | 1,350          | 1,722          | 639            |      |      |      |
| Other Payable accounts                 | 8,586          | 9,744          | 6,637          | 4,649          | 14,804         |      |      |      |
| <b>Other payable accounts</b>          | <b>8,963</b>   | <b>10,755</b>  | <b>7,987</b>   | <b>6,371</b>   | <b>15,444</b>  |      |      |      |
| Subordinated non Convertible Debenture | 4,774          | 4,727          | 4,692          | 4,608          | 4,579          |      |      |      |
| Deferred Taxes                         | -              | -              | -              | -              | 105            |      |      |      |
| Deferred credits                       | 51             | 48             | 93             | 73             | -              |      |      |      |
| <b>TOTAL LIABILITIES</b>               | <b>159,903</b> | <b>166,342</b> | <b>161,336</b> | <b>170,702</b> | <b>177,827</b> |      |      |      |
| <b>STOCKHOLDER'S EQUITY</b>            |                |                |                |                |                |      |      |      |
| Paid-in Capital                        | 5,853          | 5,852          | 5,853          | 11,249         | 11,252         |      |      |      |
| Share subscription premiums            | 1,739          | 1,739          | 1,739          | 1,739          | 1,739          |      |      |      |
| Subordinated Convertible Debentures    | -              | -              | -              | -              | -              |      |      |      |
| <b>Subscribed Capital</b>              | <b>7,592</b>   | <b>7,591</b>   | <b>7,592</b>   | <b>12,988</b>  | <b>12,992</b>  |      |      |      |
| Capital Reserves                       | 1,573          | 1,695          | 1,716          | 1,691          | 1,709          |      |      |      |
| Retained Earnings                      | 16,779         | 16,644         | 16,644         | 10,603         | 16,390         |      |      |      |
| Surplus (Deficit) from securities      | -              | -              | -              | -              | -              |      |      |      |
| Results of foreign operations exchange | -              | -              | -              | -              | -              |      |      |      |
| Excess (Insuf.) in capital restatement | (5,973)        | (5,973)        | (5,971)        | (5,971)        | (5,971)        |      |      |      |
| Non Mon assets results Fixed Assets    | -              | -              | -              | -              | -              |      |      |      |
| Non Mon assets results Investm         | (3,730)        | (4,074)        | (4,091)        | (4,360)        | (4,228)        |      |      |      |
| Adjustment in the employees pension    | -              | -              | -              | -              | -              |      |      |      |
| Accumulated Deferred tax effect        | -              | -              | -              | -              | -              |      |      |      |
| Net Income                             | 1,130          | 3,246          | 4,605          | 5,786          | 1,370          |      |      |      |
| <b>Earned Capital</b>                  | <b>9,779</b>   | <b>11,539</b>  | <b>12,903</b>  | <b>7,750</b>   | <b>9,270</b>   |      |      |      |
| Minority Holdings                      | 999            | 1,079          | 1,169          | 991            | 1,066          |      |      |      |
| <b>Total Stockholder's Equity</b>      | <b>18,370</b>  | <b>20,209</b>  | <b>21,664</b>  | <b>21,728</b>  | <b>23,327</b>  |      |      |      |
| <b>TOTAL LIABILITIES &amp;</b>         | <b>178,273</b> | <b>186,551</b> | <b>182,999</b> | <b>192,431</b> | <b>201,154</b> |      |      |      |

**MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED**

| <i>(Millions of Pesos)</i>                  | 1Q05           | 2Q05           | 3Q05           | 4Q05           | 1Q06           | 2Q06 | 3Q06 | 4Q06 |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|------|------|------|
| <b>ON BEHALF OF THIRD PARTY</b>             |                |                |                |                |                |      |      |      |
| Customers' banks                            | 9              | 12             | 49             | 14             | 13             |      |      |      |
| Dividends receivable from customers         | -              | -              | -              | -              | -              |      |      |      |
| Interest receivable from customers          | -              | -              | -              | -              | -              |      |      |      |
| Liquidation of customer transactions        | 100            | (188)          | (236)          | (126)          | 700            |      |      |      |
| Customer loans                              | -              | -              | -              | -              | -              |      |      |      |
| Liquidation with foreign currencies of      | -              | -              | -              | -              | -              |      |      |      |
| Margin accounts in futures operations       | -              | -              | -              | -              | -              |      |      |      |
| Other current accounts                      | -              | -              | -              | -              | -              |      |      |      |
| <b>CUSTOMERS CURRENT ACCOUNT</b>            | <b>109</b>     | <b>(176)</b>   | <b>(187)</b>   | <b>(113)</b>   | <b>713</b>     |      |      |      |
| Client securities held in custody           | 116,228        | 114,998        | 117,868        | 120,305        | 125,150        |      |      |      |
| Securities and documents received in        | -              | -              | 43             | -              | -              |      |      |      |
| Client securities abroad                    | -              | -              | -              | -              | -              |      |      |      |
| <b>CLIENT SECURITIES</b>                    | <b>116,228</b> | <b>114,998</b> | <b>117,911</b> | <b>120,305</b> | <b>125,150</b> |      |      |      |
| Repurchase operations for customers         | 34,415         | 34,127         | 30,084         | 25,575         | 26,386         |      |      |      |
| Clients securities loans                    | -              | -              | 43             | -              | -              |      |      |      |
| Purchase of Futures & forward contracts     | -              | -              | -              | -              | -              |      |      |      |
| Sale of futures and forward contracts       | -              | -              | -              | -              | -              |      |      |      |
| Purchasing operations (option price)        | -              | -              | 172            | 159            | -              |      |      |      |
| Sales operations (option price)             | -              | -              | -              | -              | 113            |      |      |      |
| Purchase of derivative packages             | -              | -              | -              | -              | -              |      |      |      |
| Sale of derivative packages                 | -              | -              | -              | -              | -              |      |      |      |
| Administration trusts                       | 1,894          | 2,824          | 2,407          | 2,804          | 2,641          |      |      |      |
| <b>TRANSACTIONS ON BEHALF CLIENT</b>        | <b>33,309</b>  | <b>36,952</b>  | <b>32,707</b>  | <b>28,537</b>  | <b>29,140</b>  |      |      |      |
| <b>TOTAL ON BEHALF OF THIRD PARTY</b>       | <b>149,646</b> | <b>151,774</b> | <b>150,431</b> | <b>148,730</b> | <b>155,003</b> |      |      |      |
| Signature guarantees granted                | 62             | 61             | 61             | 27             | -              |      |      |      |
| Issuing of irrevocable letters of credit    | 2,217          | 1,936          | 1,751          | 2,196          | 2,201          |      |      |      |
| Property in trust and guardianship          | 68,814         | 67,449         | 68,637         | 68,576         | 69,934         |      |      |      |
| Assets held in custody or in administration | 76,558         | 78,811         | 82,504         | 84,331         | 88,699         |      |      |      |
| Amounts committed to operations with        | 656            | 953            | 795            | 605            | 650            |      |      |      |
| In Transit drafts                           | -              | -              | -              | -              | -              |      |      |      |
| Certificates of Deposit in circulation      | 627            | 495            | 394            | 743            | 456            |      |      |      |
| Secured Credit Cards from the company       | -              | -              | -              | -              | -              |      |      |      |
| Securities given to the company in custody  | 225            | 277            | 246            | 214            | 199            |      |      |      |
| Government securities in custody of the     | 84             | 1              | 252            | 376            | 380            |      |      |      |
| Securities given to the company on          | -              | -              | -              | -              | -              |      |      |      |
| Securities outside the country              | -              | -              | -              | -              | -              |      |      |      |
| Liquidations with foreign currencies abroad | -              | -              | -              | -              | -              |      |      |      |
| Debits to the contingency fund              | -              | -              | -              | -              | -              |      |      |      |
| Other contingent obligations                | 3,670          | 1,182          | 1,166          | 1,151          | 258            |      |      |      |
| Banking transactions on behalf of third-    | 102,811        | 113,383        | 107,877        | 91,006         | 103,978        |      |      |      |
| Investments in funds for the retirem.saving | -              | -              | -              | -              | -              |      |      |      |
| Integration of the credit portfolio         | -              | -              | -              | -              | -              |      |      |      |
| Amounts contracted in derivative            | 250,631        | 40,831         | -              | -              | -              |      |      |      |
| Other trust account items                   | -              | -              | -              | -              | -              |      |      |      |
| <b>OWN ACCOUNT OPERATIONS</b>               | <b>506,356</b> | <b>305,379</b> | <b>263,683</b> | <b>249,225</b> | <b>266,755</b> |      |      |      |
| Repurchase agreements                       |                |                |                |                |                |      |      |      |
| Securities to be received                   | 177,726        | 205,525        | 237,683        | 242,655        | 235,890        |      |      |      |
| (Less) Securities to be delivered           | (177,773)      | (205,545)      | (237,978)      | (242,920)      | (236,215)      |      |      |      |
| <b>REPURCHASE TRANSACTIONS-</b>             | <b>(47)</b>    | <b>(20)</b>    | <b>(295)</b>   | <b>(265)</b>   | <b>(325)</b>   |      |      |      |
| Securities to be received                   | 44,533         | 42,916         | 67,459         | 71,929         | 66,895         |      |      |      |
| (Less) securities to be delivered           | (44,503)       | (42,961)       | (67,488)       | (71,844)       | (66,863)       |      |      |      |
| <b>REPURCHASE TRANSACTIONS- SOLD</b>        | <b>31</b>      | <b>(45)</b>    | <b>(29)</b>    | <b>86</b>      | <b>32</b>      |      |      |      |
| <b>TOTAL ON OWN ACCOUNT</b>                 | <b>506,339</b> | <b>305,313</b> | <b>263,358</b> | <b>249,045</b> | <b>266,462</b> |      |      |      |

**GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW**  
**JANUARY 1, 2006 –MARCH 31, 2006**  
*(Millions of Pesos)*

| <b>CASH FLOW FROM OPERATING ACTIVITIES :</b>                                   |                |
|--------------------------------------------------------------------------------|----------------|
| <b>Net Income</b>                                                              | <b>1,370</b>   |
| <b>Adjustments to Reconcile Net Income to Net Cash by Operating Activities</b> |                |
| Mark to Market Valuation Results                                               | 215            |
| Provisions for loan losses                                                     | 371            |
| Depreciation and amortization                                                  | 232            |
| Defferred Taxes                                                                | 127            |
| Provisions for Obligations                                                     | (1,220)        |
| Minoritary Interest                                                            | 69             |
| Undistributed Earnings of Subsidiaries                                         | (144)          |
|                                                                                | <b>(350)</b>   |
| <b>Cash Flows From Investing Activities:</b>                                   |                |
| Banks Deposits                                                                 | 1,425          |
| Decrease (Increase) loan portfolio                                             | (2,128)        |
| Decrease (Increase) credit assets portfolio                                    | (474)          |
| Decrease (Increase) treasury operations                                        | (2,399)        |
| Decrease (Increase) financial instruments                                      | 100            |
| Loans from banks and other entities                                            | (3,519)        |
| Decrease (Increase) Deferred taxes                                             | 28             |
| Decrease (Increase) in accounts receivable and payable                         | 5,322          |
| <b>Net Resources provided by operations</b>                                    | <b>(1,645)</b> |
| <b>Financial Activities:</b>                                                   |                |
| Subordinated Debentures Issue and Interest                                     | (30)           |
| Issuance of stock                                                              | 20             |
| Cash Dividends                                                                 | -              |
| <b>Net Resources provided by Investing activities</b>                          | <b>(10)</b>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES :</b>                                   |                |
| Fixed Assets increase                                                          | (58)           |
| Proceeds from issuance of common stock                                         | 156            |
| Decrease (Increase) Deferred charges or credits                                | 24             |
| Decrease (Increase) Foreclosed assets                                          | 96             |
| <b>Net Cash provided by financing activities</b>                               | <b>218</b>     |
| <b>Decrease (increase) in cash and due from banks</b>                          | <b>(417)</b>   |
| <b>Cash and due from banks at the beginning of the year</b>                    | <b>39,247</b>  |
| <b>Cash and due from banks at the end of the year</b>                          | <b>38,830</b>  |

**GRUPO FINANCIERO BANORTE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**JANUARY 1, 2006- MARCH 31, 2006.**  
(Millions of Pesos)

|                                       | CONTRIBUTED CAPITAL               |                                   |                   |
|---------------------------------------|-----------------------------------|-----------------------------------|-------------------|
|                                       | Fixed Paid-in Capital<br>Variable | Paid-in Capital<br>Premium, Bonds | & oth. Securities |
| <b>Balance as of December 31,2005</b> | <b>3,489</b>                      | <b>7,760</b>                      | <b>1,739</b>      |
| <b>Stock Changes</b>                  |                                   |                                   |                   |
| Issuance of stock                     | -                                 | 3                                 | -                 |
| Profits Capitalization                | -                                 | -                                 | -                 |
| Provisions Created                    | -                                 | -                                 | -                 |
| Increments in Capital                 | -                                 | -                                 | -                 |
| <b>Total</b>                          | <b>-</b>                          | <b>3</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 31,2006</b>    | <b>3,489</b>                      | <b>7,763</b>                      | <b>1,739</b>      |

|                                       | EARNED CAPITAL          |                      |                                               |                                                |                              |                                | Total<br>Stockholder<br>s' Equity |
|---------------------------------------|-------------------------|----------------------|-----------------------------------------------|------------------------------------------------|------------------------------|--------------------------------|-----------------------------------|
|                                       | Capital<br>Reserve<br>s | Retained<br>earnings | Excess if<br>Insuf.<br>Capital<br>Restatement | Non Monetary<br>Assets Results<br>(Investment) | Net<br>Income<br>of the year | Minorit<br>ary<br>Intere<br>st |                                   |
| <b>Balance as of December 31,2005</b> | <b>1,692</b>            | <b>10,604</b>        | <b>(5,971)</b>                                | <b>(4,360)</b>                                 | <b>5,786</b>                 | <b>991</b>                     | <b>21,730</b>                     |
| <b>Stock Changes</b>                  |                         |                      |                                               |                                                |                              |                                |                                   |
| Issuance of stock                     | 17                      | -                    | -                                             | -                                              | -                            | -                              | 20                                |
| Profits Application                   | -                       | 5,786                | -                                             | -                                              | (5,786)                      | -                              | 0                                 |
| Provisions created                    | -                       | -                    | -                                             | -                                              | -                            | -                              | -                                 |
| Cash Dividends                        | -                       | -                    | -                                             | -                                              | -                            | -                              | -                                 |
| Increments in Capital                 | -                       | -                    | -                                             | -                                              | -                            | -                              | -                                 |
| <b>Total</b>                          | <b>17</b>               | <b>5,786</b>         | <b>-</b>                                      | <b>-</b>                                       | <b>(5,786)</b>               | <b>-</b>                       | <b>20</b>                         |
| <b>Total Income</b>                   |                         |                      |                                               |                                                |                              |                                |                                   |
| Total Income:                         | -                       | -                    | -                                             | -                                              | 1,370                        | -                              | 1,370                             |
| Net Income                            | -                       | -                    | -                                             | 132                                            | -                            | -                              | 132                               |
| Results of assets holdings            | -                       | -                    | -                                             | 132                                            | 1,370                        | -                              | 1,502                             |
| <b>Total</b>                          |                         |                      |                                               |                                                |                              |                                |                                   |
| Minority Interest                     | -                       | -                    | -                                             | -                                              | -                            | 75                             | 75                                |
| <b>Balance as of March 31,2006</b>    | <b>1,709</b>            | <b>16,390</b>        | <b>(5,971)</b>                                | <b>(4,228)</b>                                 | <b>1,370</b>                 | <b>1,066</b>                   | <b>23,327</b>                     |



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

| NET INTEREST INCOME                          | 1Q05         | 2Q05         | 3Q05         | 4Q05         | ACUM          | 1Q06         | 2Q06 | 3Q06 | 4Q06 | ACUM         | % 1Q06 VS 4Q05 |
|----------------------------------------------|--------------|--------------|--------------|--------------|---------------|--------------|------|------|------|--------------|----------------|
| Interest Income                              | 7,281        | 8,685        | 8,966        | 8,962        | 33,894        | 8,311        |      |      |      | 8,311        | -              |
| Interest Expense                             | 4,482        | 5,433        | 5,812        | 5,662        | 21,390        | 5,135        |      |      |      | 5,135        | (9%)           |
| Loan Fees                                    | 96           | 132          | 147          | 204          | 579           | 144          |      |      |      | 144          | (29%)          |
| Fees Paid                                    | 25           | 27           | 35           | 30           | 117           | 35           |      |      |      | 35           | 16%            |
| <b>Net Interest Income (NII)</b>             | <b>2,869</b> | <b>3,357</b> | <b>3,266</b> | <b>3,473</b> | <b>12,966</b> | <b>3,286</b> |      |      |      | <b>3,286</b> | <b>(5%)</b>    |
| Repomo-Margin                                | (25)         | (9)          | (26)         | (37)         | (96)          | (53)         |      |      |      | (53)         | 44%            |
| <b>NII after Repomo</b>                      | <b>2,844</b> | <b>3,349</b> | <b>3,240</b> | <b>3,437</b> | <b>12,869</b> | <b>3,233</b> |      |      |      | <b>3,233</b> | <b>(6%)</b>    |
| Loan Loss Provisions                         | 218          | 359          | 463          | 296          | 1,337         | 352          |      |      |      | 352          | 19%            |
| Loss Sharing Provisions                      | 33           | 37           | (10)         | 20           | 80            | 17           |      |      |      | 17           | (14%)          |
| <b>NII after Provisions</b>                  | <b>2,593</b> | <b>2,953</b> | <b>2,787</b> | <b>3,120</b> | <b>11,453</b> | <b>2,865</b> |      |      |      | <b>2,865</b> | <b>(8%)</b>    |
| Fund transfers                               | 37           | 48           | 50           | 55           | 191           | 52           |      |      |      | 52           | (6%)           |
| Account management                           | 248          | 256          | 246          | 244          | 993           | 225          |      |      |      | 225          | (8%)           |
| Fiduciary                                    | 46           | 56           | 55           | 65           | 222           | 55           |      |      |      | 55           | (15%)          |
| Income from Loan Portfolios Acquired         | 289          | 155          | 723          | 259          | 1,425         | 612          |      |      |      | 612          | 136%           |
| Electronic Banking Services                  | 147          | 161          | 162          | 180          | 650           | 176          |      |      |      | 176          | (2%)           |
| Credit Card                                  | 252          | 264          | 281          | 315          | 1,112         | 319          |      |      |      | 319          | 1%             |
| Fees from IPAB                               | 81           | 62           | (6)          | 55           | 193           | 9            |      |      |      | 9            | (84%)          |
| Other fees                                   | 130          | 126          | 116          | 132          | 503           | 132          |      |      |      | 132          | -              |
| <b>Fees on services,</b>                     | <b>1,230</b> | <b>1,128</b> | <b>1,625</b> | <b>1,306</b> | <b>5,288</b>  | <b>1,579</b> |      |      |      | <b>1,579</b> | <b>21%</b>     |
| Fund transfers                               | 3            | 2            | 2            | 3            | 10            | 4            |      |      |      | 4            | 29%            |
| Other fees                                   | 117          | 121          | 129          | 154          | 520           | 156          |      |      |      | 156          | 1%             |
| Expenses from Loan Portfolios Acquired       | 188          | 125          | 389          | 252          | 954           | 241          |      |      |      | 241          | (5%)           |
| <b>Fees paid,</b>                            | <b>308</b>   | <b>247</b>   | <b>521</b>   | <b>408</b>   | <b>1,484</b>  | <b>400</b>   |      |      |      | <b>400</b>   | <b>(2%)</b>    |
| Foreign exchange                             | 62           | 39           | 102          | 102          | 305           | 135          |      |      |      | 135          | 32%            |
| Securities -Realized gains                   | 53           | 494          | 91           | (16)         | 623           | 464          |      |      |      | 464          | 3,074%         |
| Securities- Unrealized gains                 | 45           | (44)         | 29           | (3)          | 28            | (182)        |      |      |      | (182)        | 6,122%         |
| <b>Market-related Income</b>                 | <b>160</b>   | <b>489</b>   | <b>223</b>   | <b>84</b>    | <b>956</b>    | <b>417</b>   |      |      |      | <b>417</b>   | <b>398%</b>    |
| <b>Total Non Interest Income</b>             | <b>1,082</b> | <b>1,369</b> | <b>1,327</b> | <b>981</b>   | <b>4,760</b>  | <b>1,596</b> |      |      |      | <b>1,596</b> | <b>63%</b>     |
| <b>Total Operating Income</b>                | <b>3,675</b> | <b>4,322</b> | <b>4,114</b> | <b>4,101</b> | <b>16,212</b> | <b>4,460</b> |      |      |      | <b>4,460</b> | <b>9%</b>      |
| Personnel                                    | 1,000        | 1,032        | 1,045        | 1,046        | 4,123         | 1,158        |      |      |      | 1,158        | 11%            |
| Professional Fees                            | 141          | 185          | 142          | 138          | 608           | 185          |      |      |      | 185          | 34%            |
| Administrative and Promotion Expenses        | 654          | 627          | 787          | 747          | 2,816         | 692          |      |      |      | 692          | (7%)           |
| Rents, depreciation and amortization         | 367          | 368          | 341          | 327          | 1,403         | 362          |      |      |      | 362          | 11%            |
| Taxes, other than income tax                 | 106          | 82           | 101          | 85           | 373           | 128          |      |      |      | 128          | 51%            |
| Contributions to IPAB                        | 152          | 152          | 152          | 152          | 607           | 157          |      |      |      | 157          | 3%             |
| <b>Non-Interest Expense</b>                  | <b>2,420</b> | <b>2,447</b> | <b>2,568</b> | <b>2,495</b> | <b>9,930</b>  | <b>2,682</b> |      |      |      | <b>2,682</b> | <b>7%</b>      |
| <b>Operating Income</b>                      | <b>1,255</b> | <b>1,876</b> | <b>1,545</b> | <b>1,606</b> | <b>6,282</b>  | <b>1,778</b> |      |      |      | <b>1,778</b> | <b>11%</b>     |
| Other Revenues                               | 111          | 60           | 89           | 188          | 449           | 61           |      |      |      | 61           | (68%)          |
| Foreign exchange                             | -            | -            | -            | -            | -             | -            |      |      |      | -            | -              |
| Recoveries                                   | 35           | 1,222        | 46           | 37           | 1,340         | 135          |      |      |      | 135          | 263%           |
| Repomo-other revenues                        | 3            | 3            | 1            | 2            | 1             | 1            |      |      |      | 1            | (23%)          |
| <b>Non Operating Income</b>                  | <b>149</b>   | <b>1,284</b> | <b>136</b>   | <b>227</b>   | <b>1,796</b>  | <b>197</b>   |      |      |      | <b>197</b>   | <b>(13%)</b>   |
| Other Expense                                | (78)         | (313)        | (35)         | (68)         | (493)         | (101)        |      |      |      | (101)        | 49%            |
| Foreign exchange                             | -            | -            | -            | -            | -             | -            |      |      |      | -            | -              |
| Repomo-other Expenses                        | (33)         | (13)         | (45)         | (135)        | (226)         | (100)        |      |      |      | (100)        | (26%)          |
| <b>Non Operating Expense</b>                 | <b>(110)</b> | <b>(325)</b> | <b>(80)</b>  | <b>(203)</b> | <b>(718)</b>  | <b>(201)</b> |      |      |      | <b>(201)</b> | <b>(1%)</b>    |
| <b>Non Operating Income (Expense), net</b>   | <b>39</b>    | <b>959</b>   | <b>56</b>    | <b>24</b>    | <b>1,078</b>  | <b>(4)</b>   |      |      |      | <b>(4)</b>   | <b>(115%)</b>  |
| <b>Pre-tax Income</b>                        | <b>1,294</b> | <b>2,835</b> | <b>1,601</b> | <b>1,630</b> | <b>7,360</b>  | <b>1,775</b> |      |      |      | <b>1,775</b> | <b>9%</b>      |
| Income Tax                                   | 100          | 366          | 302          | 669          | 1,437         | 388          |      |      |      | 388          | (42%)          |
| Profit sharing                               | 136          | 280          | 145          | 111          | 672           | 124          |      |      |      | 124          | 12%            |
| Tax on Assets                                | 9            | 8            | 8            | (26)         | -             | -            |      |      |      | -            | 100%           |
| Deferred Inc. Tax and Profit sharing         | 118          | 147          | (40)         | (226)        | (1)           | 134          |      |      |      | 134          | 159%           |
|                                              | <b>363</b>   | <b>802</b>   | <b>416</b>   | <b>528</b>   | <b>2,108</b>  | <b>646</b>   |      |      |      | <b>646</b>   | <b>22%</b>     |
| <b>Net Income before subsidiaries</b>        | <b>931</b>   | <b>2,034</b> | <b>1,186</b> | <b>1,102</b> | <b>5,252</b>  | <b>1,129</b> |      |      |      | <b>1,129</b> | <b>2%</b>      |
| Subsidiaries' net income                     | 84           | 12           | 68           | 59           | 223           | 75           |      |      |      | 75           | 28%            |
| <b>Net Income from continuous operations</b> | <b>1,016</b> | <b>2,046</b> | <b>1,253</b> | <b>1,161</b> | <b>5,475</b>  | <b>1,204</b> |      |      |      | <b>1,204</b> | <b>4%</b>      |
| Extraordinary items, net                     | -            | -            | -            | -            | -             | -            |      |      |      | -            | (100%)         |
| Minority Interest                            | -            | -            | -            | -            | -             | -            |      |      |      | -            | 373%           |
| <b>TOTAL NET INCOME</b>                      | <b>1,016</b> | <b>2,046</b> | <b>1,253</b> | <b>1,161</b> | <b>5,475</b>  | <b>1,204</b> |      |      |      | <b>1,204</b> | <b>4%</b>      |

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

N.C.= Not comparable

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

|                                         | 1Q05           | 2Q05           | 3Q05           | 4Q05           | 1Q06           | 2Q06 | 3Q06 | 4Q06 | % 1Q06<br>VS 4Q05 |
|-----------------------------------------|----------------|----------------|----------------|----------------|----------------|------|------|------|-------------------|
| <b>Cash and due from Banks</b>          | <b>36,049</b>  | <b>39,959</b>  | <b>36,107</b>  | <b>39,194</b>  | <b>38,601</b>  |      |      |      | <b>(2%)</b>       |
| Negotiable Instruments                  | 5,024          | 6,259          | 3,978          | 8,752          | 13,861         |      |      |      | 58%               |
| Securities held for sale                | 282            | 251            | 255            | 137            |                |      |      |      | 3,698%            |
| Securities held to maturity             | 10,287         | 12,740         | 12,620         | 12,448         | 4,420          |      |      |      | (64%)             |
| <b>Financial Instruments:</b>           | <b>15,592</b>  | <b>19,250</b>  | <b>16,853</b>  | <b>21,337</b>  | <b>23,467</b>  |      |      |      | <b>10%</b>        |
| Non-assigned securities to pay          | -              | -              | -              | -              | -              |      |      |      | -                 |
| Repurchase agreements, net              | 47             | 67             | 55             | 130            | 101            |      |      |      | (23%)             |
| Operations with collateral              | -              | -              | -              | -              | -              |      |      |      | -                 |
| Futures receivable, net                 | -              | -              | -              | -              | -              |      |      |      | -                 |
| Options and derivatives, net            | 38             | -              | 27             | 229            | 350            |      |      |      | 52%               |
| <b>Repos &amp; Derivatives :</b>        | <b>86</b>      | <b>67</b>      | <b>82</b>      | <b>360</b>     |                |      |      |      | <b>25%</b>        |
| Commercial                              | 45,126         | 45,217         | 47,677         | 52,335         | 53,167         |      |      |      | 2%                |
| Financial Intermediaries                | 1,628          | 3,065          | 3,481          | 3,695          | 4,188          |      |      |      | 13%               |
| Consumer                                | 12,384         | 13,588         | 14,681         | 15,693         | 16,515         |      |      |      | 5%                |
| Mortgage                                | 19,909         | 21,136         | 22,308         | 24,062         | 25,576         |      |      |      | 6%                |
| Government Entities                     | 18,724         | 13,305         | 13,555         | 15,356         | 14,431         |      |      |      | (6%)              |
| IPAB                                    | 7,261          | 7,232          | 2,606          | 163            | 166            |      |      |      | 2%                |
| Fiduciary collection rights             | -              | -              | -              | -              | -              |      |      |      | -                 |
| <b>Performing Loans</b>                 | <b>105,032</b> | <b>103,542</b> | <b>104,307</b> | <b>111,305</b> | <b>114,044</b> |      |      |      | <b>2%</b>         |
| Commercial                              | 597            | 620            | 652            | 598            | 633            |      |      |      | 6%                |
| Financial Intermediaries                | -              | -              | -              | -              | -              |      |      |      | -                 |
| Consumer                                | 340            | 375            | 383            | 417            | 430            |      |      |      | 3%                |
| Mortgage                                | 841            | 785            | 793            | 776            | 753            |      |      |      | (3%)              |
| Government Entities                     | 9              | -              | -              | -              | -              |      |      |      | -                 |
| <b>Past Due Loans</b>                   | <b>1,787</b>   | <b>1,781</b>   | <b>1,828</b>   | <b>1,791</b>   | <b>1,816</b>   |      |      |      | <b>1%</b>         |
| <b>Total Loans</b>                      | <b>106,819</b> | <b>105,323</b> | <b>106,135</b> | <b>113,096</b> | <b>115,860</b> |      |      |      | <b>2%</b>         |
| Preventive loan loss reserves           | 2,755          | 2,879          | 3,067          | 3,002          | 3,129          |      |      |      | 4%                |
| <b>Net Loan Portfolio</b>               | <b>104,064</b> | <b>102,443</b> | <b>103,068</b> | <b>110,093</b> | <b>112,731</b> |      |      |      | <b>2%</b>         |
| Credit Assets Portfolio                 | 1,969          | 1,836          | 3,072          | 3,271          | 3,745          |      |      |      | 15%               |
| Sundry debtors and other assets, net    | 4,870          | 7,742          | 8,557          | 2,440          | 7,531          |      |      |      | 209%              |
| Foreclosed assets, net                  | 428            | 422            | 509            | 452            | 352            |      |      |      | (22%)             |
| Real Estate, Furniture & Equipment, net | 5,530          | 5,100          | 5,009          | 5,101          | 4,946          |      |      |      | (3%)              |
| Investments in subsidiaries             | 1,502          | 1,495          | 1,540          | 1,287          | 1,351          |      |      |      | 5%                |
| Deferred taxes                          | 731            | 390            | 427            | 468            | 329            |      |      |      | (30%)             |
| Deferred charges & Intangibles          | 980            | 847            | 702            | 760            | 802            |      |      |      | 6%                |
| UDIS Mortgage loans reserve coverage    | -              | -              | -              | -              | -              |      |      |      | -                 |
| <b>Other Assets</b>                     | <b>15,831</b>  | <b>17,833</b>  | <b>19,818</b>  | <b>13,778</b>  | <b>19,057</b>  |      |      |      | <b>38%</b>        |
| <b>TOTAL ASSETS</b>                     | <b>171,621</b> | <b>179,552</b> | <b>175,928</b> | <b>184,762</b> | <b>194,307</b> |      |      |      | <b>5%</b>         |

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

|                                        | 1Q05           | 2Q05           | 3Q05           | 4Q05           | 1Q06           | 2Q06 | 3Q06 | 4Q06 | % 1Q06<br>VS 4Q05 |
|----------------------------------------|----------------|----------------|----------------|----------------|----------------|------|------|------|-------------------|
| Demand Deposits                        | 65,914         | 68,780         | 66,976         | 76,984         | 76,331         |      |      |      | (1%)              |
| Time Deposits                          | 59,071         | 58,357         | 63,083         | 62,185         | 64,316         |      |      |      | 3%                |
| Bonds                                  | -              | -              | -              | -              | -              |      |      |      | -                 |
| <b>Deposits</b>                        | <b>124,985</b> | <b>127,137</b> | <b>130,059</b> | <b>139,169</b> | <b>140,647</b> |      |      |      | <b>1%</b>         |
| Demand                                 | 1,306          | 2,394          | 1,282          | 2,594          | 532            |      |      |      | (80%)             |
| Short term                             | 5,619          | 6,671          | 2,749          | 2,590          | 2,748          |      |      |      | 6%                |
| Long term                              | 10,411         | 10,527         | 10,413         | 10,117         | 9,658          |      |      |      | (5%)              |
| <b>Due to banks and correspondents</b> | <b>17,336</b>  | <b>19,593</b>  | <b>14,444</b>  | <b>15,302</b>  | <b>12,938</b>  |      |      |      | <b>(15%)</b>      |
| Non-assigned securities to pay         | -              | -              | -              | -              | -              |      |      |      | -                 |
| Repurchase agreements, net             | 67             | 136            | 380            | 309            | 398            |      |      |      | 29%               |
| Operations with collateral             | -              | -              | -              | -              | -              |      |      |      | -                 |
| Futures receivable, net                | -              | -              | -              | -              | -              |      |      |      | -                 |
| Options and derivatives, net           | 2              | 8              | 6              | 201            | 315            |      |      |      | 57%               |
| <b>Repos &amp; Derivatives:</b>        | <b>70</b>      | <b>144</b>     | <b>386</b>     | <b>510</b>     | <b>713</b>     |      |      |      | <b>40%</b>        |
| Income Tax & Profit Sharing            | 278            | 884            | 1,153          | 1,684          | 561            |      |      |      | (67%)             |
| Other Payable accounts                 | 8,277          | 9,484          | 6,323          | 4,412          | 14,442         |      |      |      | 227%              |
| <b>Other payable accounts</b>          | <b>8,555</b>   | <b>10,367</b>  | <b>7,475</b>   | <b>6,095</b>   | <b>15,003</b>  |      |      |      | <b>146%</b>       |
| Subordinated non Convertible Debenture | 4,774          | 4,727          | 4,692          | 4,608          | 4,579          |      |      |      | (1%)              |
| Deferred Taxes                         | -              | -              | -              | -              | -              |      |      |      | -                 |
| Deferred credits                       | 61             | 55             | 97             | 87             | 67             |      |      |      | (22%)             |
| <b>TOTAL LIABILITIES</b>               | <b>155,780</b> | <b>162,023</b> | <b>157,153</b> | <b>165,770</b> | <b>173,946</b> |      |      |      | <b>5%</b>         |
| <b>STOCKHOLDER'S EQUITY</b>            |                |                |                |                |                |      |      |      |                   |
| Paid-in Capital                        | 6,211          | 6,211          | 6,211          | 10,056         | 10,056         |      |      |      | -                 |
| Share subscription premiums            | 1,079          | 1,079          | 1,079          | 1,079          | 1,079          |      |      |      | -                 |
| Subordinated Convertible Debentures    | -              | -              | -              | -              | -              |      |      |      | -                 |
| <b>Subscribed Capital</b>              | <b>7,290</b>   | <b>7,290</b>   | <b>7,290</b>   | <b>11,135</b>  | <b>11,135</b>  |      |      |      | -                 |
| Capital Reserves                       | 3,120          | 3,367          | 3,367          | 3,187          | 3,187          |      |      |      | -                 |
| Retained Earnings                      | 7,368          | 7,122          | 7,121          | 2,618          | 8,094          |      |      |      | 209%              |
| Surplus (Deficit) from securities      | 264            | (98)           | (91)           | (94)           | 85             |      |      |      | 190%              |
| Results of foreign operations exchange | -              | -              | -              | -              | -              |      |      |      | -                 |
| Excess (Insuf.) in capital restatement | (2,601)        | (2,601)        | (2,600)        | (2,604)        | (2,604)        |      |      |      | -                 |
| Non Mon assets results Fixed Assets    | 13             | 13             | 13             | 13             | 13             |      |      |      | -                 |
| Non Mon assets results Investm         | (325)          | (321)          | (335)          | (435)          | (450)          |      |      |      | 4%                |
| Adjustment in the employees pension    | -              | -              | -              | -              | -              |      |      |      | -                 |
| Accumulated Deferred tax effect        | (304)          | (304)          | (304)          | (304)          | (304)          |      |      |      | -                 |
| Net Income                             | 1,015          | 3,061          | 4,314          | 5,475          | 1,204          |      |      |      | (78%)             |
| <b>Earned Capital</b>                  | <b>8,550</b>   | <b>10,238</b>  | <b>11,484</b>  | <b>7,856</b>   | <b>9,225</b>   |      |      |      | <b>17%</b>        |
| Minority Holdings                      | 1              | 1              | 1              | 1              | 1              |      |      |      | (1%)              |
| <b>Total Stockholder's Equity</b>      | <b>15,841</b>  | <b>17,529</b>  | <b>18,775</b>  | <b>18,992</b>  | <b>20,361</b>  |      |      |      | <b>7%</b>         |
| <b>TOTAL LIABILITIES &amp;</b>         | <b>171,621</b> | <b>179,552</b> | <b>175,928</b> | <b>184,762</b> | <b>194,307</b> |      |      |      | <b>5%</b>         |

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

|                                           | 1Q05           | 2Q05           | 3Q05           | 4Q05           | 1Q06           | 2Q06 | 3Q06 | 4Q06 | % 1Q06<br>VS 4Q05 |
|-------------------------------------------|----------------|----------------|----------------|----------------|----------------|------|------|------|-------------------|
| Signature guarantees granted              | 62             | 61             | 61             | 27             | -              |      |      |      | (100%)            |
| Other contingent obligations              | 3,670          | 1,182          | 1,166          | 1,151          | 258            |      |      |      | (78%)             |
| Irrevocable lines of credit               | 2,217          | 1,936          | 1,751          | 2,196          | 2,201          |      |      |      | -                 |
| Assets held in trust and mandate          | 68,814         | 67,449         | 68,637         | 68,576         | 69,934         |      |      |      | 2%                |
| Assets held in custody or in              | 72,712         | 74,973         | 78,690         | 80,571         | 84,983         |      |      |      | 5%                |
| Investment banking transactions for third | 102,811        | 113,383        | 107,877        | 91,006         | 103,978        |      |      |      | 14%               |
| Engaged amounts in fobaproa operations    | 656            | 953            | 795            | 605            | 650            |      |      |      | 8%                |
| Investment of retirement saving funds     | -              | -              | -              | -              | -              |      |      |      | -                 |
| Integration of loan portfolio             | -              | -              | -              | -              | -              |      |      |      | -                 |
| Received amounts in derivative            | 250,631        | 40,831         | -              | -              | -              |      |      |      | -                 |
| Fobaproa trusts                           | -              | -              | -              | -              | -              |      |      |      | -                 |
| Securities to be received                 | 142,760        | 169,724        | 206,455        | 211,765        | 207,352        |      |      |      | (2%)              |
| (Less) payable for reversal               | (142,791)      | (169,774)      | (206,756)      | (212,007)      | (207,680)      |      |      |      | (2%)              |
| Receivables for reversal                  | 18,968         | 17,032         | 44,994         | 50,186         | 51,777         |      |      |      | 3%                |
| (Less) securities to be delivered         | (18,957)       | (17,052)       | (45,019)       | (50,123)       | (51,746)       |      |      |      | 3%                |
| Other control accounts                    | -              | -              | -              | -              | -              |      |      |      | -                 |
|                                           | <b>501,554</b> | <b>300,699</b> | <b>258,653</b> | <b>243,953</b> | <b>261,707</b> |      |      |      | <b>7%</b>         |

**Annex 6. Notes to Grupo Financiero Banorte Financial Statements**
**Financial Instruments and Valuation Effects 1Q06**
*(Millions of Pesos)*

| <b>NEGOTIABLE INSTRUMENTS</b>       | <b>BOOK VALUE</b> | <b>INTEREST</b> | <b>MARKET VALUE</b> | <b>UNREALIZED GAIN (LOSS)</b> |
|-------------------------------------|-------------------|-----------------|---------------------|-------------------------------|
| Government Securities               | 6,721             | 12              | 6,733               | -                             |
| Banking Securities                  | 3,370             | 23              | 3,392               | -                             |
| Private                             | 321               | 5               | 331                 | 5                             |
| Banks paper                         | -                 | -               | -                   | -                             |
| UMS                                 | -                 | -               | -                   | -                             |
| Commercial Paper                    | 3,754             | -               | 3,757               | 4                             |
| Shares listed in the SIC            | 10                | -               | 11                  | -                             |
| Guarantee (collateral) for futures  | 1                 | -               | 1                   | -                             |
| Mutual Funds                        | 37                | -               | 37                  | -                             |
| Swap of Coverage purposes           | -                 | 1               | 1                   | -                             |
| <b>Total</b>                        | <b>14,214</b>     | <b>41</b>       | <b>14,264</b>       | <b>9</b>                      |
| <b>SECURITIES HELD FOR SALE</b>     |                   |                 |                     |                               |
| Government Securities               | -                 | -               | -                   | -                             |
| Mexican Government Securities (UMS) | 5,395             | 69              | 5,532               | 67                            |
| Bonds public company                | 19                | -               | 27                  | 8                             |
| Eurobonds                           | -                 | -               | -                   | -                             |
| Banks paper                         | 109               | -               | 109                 | -                             |
| Structured note                     | 109               | 1               | 110                 | -                             |
| Swap of Coverage purposes           | (672)             | (361)           | (1,033)             | -                             |
| <b>Total</b>                        | <b>4,960</b>      | <b>(291)</b>    | <b>5,186</b>        | <b>75</b>                     |
| <b>SECURITIES HELD TO MATURITY</b>  |                   |                 |                     |                               |
| Special Cetes                       | 580               | 8               | 588                 | -                             |
| Trust Bonds                         | -                 | -               | -                   | -                             |
| Fiduciary Rights                    | 34                | -               | 26                  | (8)                           |
| Bonds                               | -                 | -               | -                   | -                             |
| Mexican Government Securities (UMS) | -                 | -               | -                   | -                             |
| PEMEX (dills)                       | 3,986             | 107             | 4,093               | -                             |
| Bonos Strip                         | 94                | -               | 94                  | -                             |
| Swap of Coverage purposes           | (289)             | (92)            | (381)               | -                             |
| <b>Total</b>                        | <b>4,405</b>      | <b>23</b>       | <b>4,420</b>        | <b>(8)</b>                    |
| <b>TOTAL</b>                        | <b>23,579</b>     | <b>(226)</b>    | <b>23,870</b>       | <b>76</b>                     |

### Repurchase Agreement Operations 1Q06

(Millions of Pesos)

| SALES                 | MARKET VALUE                        |                            | GLOBAL POSITION | FINANCIAL STATEMENT INDIVIDUAL COMPENSATION |                   |
|-----------------------|-------------------------------------|----------------------------|-----------------|---------------------------------------------|-------------------|
|                       | RECEIVABLES ON REPURCHASE AGREEMENT | SECURITIES TO BE DELIVERED |                 | ASSET BALANCE                               | LIABILITY BALANCE |
| Government Securities | 159,047                             | 159,371                    | (324)           | 50                                          | 374               |
| Banking Securities    | 21,723                              | 21,725                     | (2)             | 13                                          | 15                |
| Private Securities    | 55,119                              | 55,118                     | 1               | 2                                           | 1                 |
| <b>Total</b>          | <b>235,889</b>                      | <b>236,214</b>             | <b>(325)</b>    | <b>65</b>                                   | <b>390</b>        |

| PURCHASE              | MARKET VALUE              |                                  | GLOBAL POSITION | FINANCIAL STATEMENT INDIVIDUAL COMPENSATION |                   |
|-----------------------|---------------------------|----------------------------------|-----------------|---------------------------------------------|-------------------|
|                       | SECURITIES TO BE RECEIVED | PAYABLES ON REPURCHASE AGREEMENT |                 | ASSET BALANCE                               | LIABILITY BALANCE |
| Government Securities | 33,997                    | 33,964                           | (32)            | 51                                          | 19                |
| Banking Securities    | 8,244                     | 8,244                            | -               | 2                                           | 2                 |
| Private Securities    | 24,654                    | 24,654                           | -               | -                                           | 3                 |
| <b>Total</b>          | <b>66,895</b>             | <b>66,862</b>                    | <b>(32)</b>     | <b>53</b>                                   | <b>21</b>         |
|                       |                           |                                  | <b>BALANCE</b>  | <b>118</b>                                  | <b>411</b>        |

### Derivative Financial Instruments Operations 1Q06

(Millions of Pesos)

| INSTRUMENT                                      | TO RECEIVE | TO DELIVER | NET          |
|-------------------------------------------------|------------|------------|--------------|
| <b>FORWARDS</b>                                 |            |            |              |
| Over INC                                        | 14         | (14)       | -            |
| <b>FORWARD CONTRACT WITH FOREIGN CURRENCIES</b> |            |            |              |
| Market Value                                    | (76)       | 79         | 3            |
| Agreed Price                                    | 144        | (148)      | (4)          |
| <b>SWAPS</b>                                    |            |            |              |
| Interest rate                                   | 87         | (85)       | 2            |
| Valuation                                       | 399        | (356)      | 43           |
| <b>OPTIONS WITH FOREIGN CURRENCIES</b>          |            |            |              |
| <b>Actives</b>                                  |            |            |              |
| Swaptions                                       | 12         | -          | 12           |
| Rate Options                                    | 275        | 17         | 292          |
| Index Options (ipc)                             | 201        | (1)        | 200          |
| <b>Passives</b>                                 |            |            |              |
| Swaptions                                       | (17)       | (3)        | (20)         |
| Currency Options                                | -          | -          | -            |
| Rate Options                                    | (275)      | (19)       | (294)        |
| Index Oprions (ipc)                             | (209)      | 10         | (199)        |
| <b>Debt Balance</b>                             |            |            | <b>550</b>   |
| <b>Creditor Balance</b>                         |            |            | <b>(515)</b> |

### NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 1Q06

(Millions of Pesos)

| PRODUCT                       | KIND       | UNDERLYING            | CURRENCY | POSITION  |
|-------------------------------|------------|-----------------------|----------|-----------|
| Forwards of Foreign Currency  | Purchases  | Exchange Rate (Dolar) | MXN      | 74        |
| Forwards of Foreign Currency  | Sells      | Exchange Rate (Dolar) | MXN      | 141       |
|                               |            |                       |          | 215       |
| Options with Foreign Currency | Purchases  | Exchange Rate (Dolar) | MXN      | -         |
| Options with Foreign Currency | Sells      | Exchange Rate (Dolar) | MXN      | 8         |
|                               |            |                       |          | 8         |
| Rate Options                  | Purchases  | TIIE                  | MXN      | 919,500   |
| Rate Options                  | Sells      | TIIE                  | MXN      | 901,900   |
|                               |            |                       |          | 1,821,400 |
| Swaps with Rate               | USLI/IRS   | TIIE                  | MXN      | 13,320    |
| Swaps with Rate               | TIIE/IRS   | TIIE                  | MXN      | 1,550     |
|                               |            |                       |          | 14,870    |
| Swaps with Rate               | USLI/IRS   | LIBOR                 | MXN      | 545       |
| Swaps with Rate               | TIIE/IRS   | TIIE                  | MXN      | 37,626    |
|                               |            |                       |          | 38,171    |
| Swaps with Foreign Currency   | TIIE-EU/CS | TIIE                  | MXN      | 552       |
| Swaps with Foreign Currency   | TIIE-US/BS | TIIE                  | MXN      | 1,089     |
| Swaps with Foreign Currency   | TIIE-US/CS | TIIE                  | MXN      | 6,641     |
| Swaps with Foreign Currency   | MXP-US/CSF | TIIE/LIBOR            | MXN      | 2,637     |
| Swaps with Foreign Currency   | IMPL-US/CS | IMPLICITA             | MXN      | 1,104     |
|                               |            |                       |          | 12,024    |
| Forwards in MEXDER            | Compras    | TASA                  | MXN      | 139,413   |
| Forwards in MEXDER            | Venta      | TASA                  | MXN      | -         |
|                               |            |                       |          | 139,413   |

### Non-governmental Financial Instruments above by 5% of Net Capital 1Q06

(Millions of Pesos)

| INDUSTRY       | INVESTMENT INSTRUMENT | AMOUNT | % NET CAPITAL |
|----------------|-----------------------|--------|---------------|
| <b>BANORTE</b> |                       |        |               |
| BANSAN         | Term Deposits         | 1,139  | 5.9%          |
| INBURSA        | Term Deposits         | 1,011  | 5.2%          |

## Loan Portfolio

| (Million of Pesos)             | LOCAL CURRENCY(*) |                | FOREIGN CURRENCY |               | TOTAL          |                |
|--------------------------------|-------------------|----------------|------------------|---------------|----------------|----------------|
|                                | 1Q05              | 1Q06           | 1Q05             | 1Q06          | 1Q05           | 1Q06           |
| <b>Performing Loans</b>        |                   |                |                  |               |                |                |
| Commercial                     | 41,152            | 49,403         | 8,949            | 9,347         | 50,101         | 58,750         |
| Financial Intermediaries       | (196)             | 1,459          | 607              | 781           | 411            | 2,240          |
| Consumer                       | 12,382            | 16,516         | 2                | -             | 12,384         | 16,516         |
| Mortgages                      | 19,909            | 25,576         | -                | -             | 19,909         | 25,576         |
| Government Entities            | 18,158            | 13,975         | 614              | 490           | 18,772         | 14,465         |
| Fobaproa                       | 7,300             | 166            | (40)             | -             | 7,260          | 166            |
| <b>Total</b>                   | <b>98,706</b>     | <b>107,095</b> | <b>10,133</b>    | <b>10,619</b> | <b>108,837</b> | <b>117,713</b> |
| <b>Past Due Loans</b>          |                   |                |                  |               |                |                |
| Commercial                     | 569               | 625            | 70               | 74            | 639            | 699            |
| Financial Intermediaries       | -                 | -              | -                | -             | -              | -              |
| Consumer                       | 340               | 430            | -                | -             | 340            | 430            |
| Mortgages                      | 841               | 753            | -                | -             | 841            | 753            |
| Government Entities            | 9                 | -              | -                | -             | 9              | -              |
| <b>Total</b>                   | <b>1,759</b>      | <b>1,808</b>   | <b>70</b>        | <b>74</b>     | <b>1,829</b>   | <b>1,882</b>   |
| <b>Total Proprietary Loans</b> | <b>100,465</b>    | <b>108,902</b> | <b>10,203</b>    | <b>10,693</b> | <b>110,666</b> | <b>119,595</b> |

(\*) Includes valued UDIS

Note: There is no scheme for Mortgage Earnings.

## Cost and Balances of FINAPE, FOPIME, Mortgage UDIS and Mortgage FOVI loan portfolios as of 1Q06

| (Millions of Pesos) | TOTAL       |                        |
|---------------------|-------------|------------------------|
|                     | PERIOD COST | BALANCE LOAN PORTFOLIO |
| FINAPE              | 0.2         | 5.4                    |
| FOPYME              | 0.2         | 2.0                    |
| Mortgage UDIS       | 13.1        | 135.5                  |
| Mortgage FOVI       | 14.4        | 84.2                   |
|                     | <b>27.8</b> | <b>227.1</b>           |

The quarter ending with a balance of Ps 188 million pesos in debtors support programs with a cost of the period of Ps 118 million. The 99% of this portfolio are concentrated in Banorte.

## Troubled Portfolio 1Q06

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               | 1,235       |
| Total Loans                      | 119,595     |
| Troubled Portfolio / Total Loans | <b>1.0%</b> |

## Fobaproa

| <i>(Millions of Pesos)</i>         | REMAINING CONTINGENCIES |                        |
|------------------------------------|-------------------------|------------------------|
|                                    | LOSS(1)<br>SHARING      | INCENTIVE(1)<br>SCHEME |
| Gross Fobaproa notes balance       | 1,757                   | 1,757 (2)              |
| - Cash recoveries                  | 2                       | 2 (2)                  |
| Reposessed assets                  | =                       | =                      |
| <b>= Balance net of recoveries</b> | <b>1,755</b>            | <b>1,755</b>           |
| Contingency before reserves        | 1,229                   | 358                    |
| - Reserves                         | <u>1,229</u>            | <u>358</u>             |
| <b>= Remaining contingencies</b>   | <b>-</b>                | <b>-</b>               |

- 1) Includes only cash recoveries.  
2) Included in Loss Sharing program.

Banorte provisioned Ps 17.2 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 1% of Banorte's Gross FOBAPROA-IPAB notes balance.

## IPAB Notes Integration 1Q06

| <i>(Millions of Pesos)</i> | BANORTE                     |                      |              | BANCEN           | BANPAIS        |                | BANKING SECTOR |            |
|----------------------------|-----------------------------|----------------------|--------------|------------------|----------------|----------------|----------------|------------|
|                            | LOSS SHARING LOCAL CURRENCY | LOSS SHARING DOLLARS | WITHOUT RISK | INCENTIVE SCHEME | LOCAL CURRENCY | LOCAL CURRENCY | DOLLARS        | TOTAL      |
| Gross Balance              | 1,757                       | -                    | -            | 1,757 (1)        | -              | -              | -              | 1,757      |
| - Checking account balance | 2                           | -                    | -            | 2 (1)            | -              | 2              | -              | 4          |
| - Reserves                 | 1,229                       | -                    | -            | 358              | -              | -              | -              | 1,587      |
| <b>= Net Balance</b>       | <b>526</b>                  | <b>-</b>             | <b>-</b>     | <b>(358)</b>     | <b>-</b>       | <b>(2)</b>     | <b>-</b>       | <b>166</b> |
| Interest Rate              | CETES 91-1.35               | LIBOR + 5            | CETES 91     | N.A.             | N.A.           | N.A            | CPT DOL +0.17  |            |
| Maturity                   | 2005                        | 2006                 | 2006         | 2005/2006        | N.A            | N.A            | 2007           |            |
| Remaining Contingencies    | -0-                         | -0-                  | No exist     | -0-              | No exist       | No exist       | No exist       |            |

- 1) Ps 1,757 and Ps 2, Gross Balance and Checking account balance of Incentive Scheme are included in Loss Sharing.  
N.A.- Not Applicable

## ORIGINATION 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      | ORIGINATION                          |
|----------------|-----------|--------------------------------------|
| BANORTE        |           |                                      |
| LOSS SHARING   | 1995-1996 | Sale of Loans to Fobaproa            |
| WITHOUT RISK   | 1996      | Sale of Loans to Fobaproa            |
| BANPAIS        | 1996-1997 | Reorganization                       |
| SIMPLE CREDIT  | 2000      | Reorganization                       |
| BANCRECER      | 1999      | Reorganization (Securitized in 4Q04) |

## SIGNIFICANCE IN BANORTE BALANCE

|                | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005 | 1Q06 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|
| % Total Loans  | 70.9% | 64.6% | 63.5% | 58.7% | 55.5% | 55.7% | 50.8% | 12.4% | 0%   | 0%   |
| % Total Assets | 60.6% | 53.5% | 43.7% | 46.7% | 44.5% | 43.5% | 36.5% | 7.3%  | 0%   | 0%   |



## Deferred Taxes 1Q06

| <i>(Millions of Pesos)</i>                                                                   |                   |                       |              |
|----------------------------------------------------------------------------------------------|-------------------|-----------------------|--------------|
| <b>ASSETS</b>                                                                                | <b>INCOME TAX</b> | <b>PROFIT SHARING</b> | <b>NET</b>   |
| Tax loss carryforwards                                                                       | 34                | -                     | 34           |
| Non deductible provisions and accumulative income                                            | 105               | 34                    | 139          |
| Obligations FOBAPROA, Net                                                                    | 460               | -                     | 460          |
| Excess of accounting value over fiscal value on Repossessed Assets                           | 208               | 73                    | 281          |
| Diminishable profit sharing                                                                  | 159               | -                     | 159          |
| Past-due loan reserves                                                                       | 18                | -                     | 18           |
| Share dealing loss 2000,2001,2002 and 2003                                                   | -                 | -                     | -            |
| Tax on Assets to recover                                                                     | -                 | -                     | -            |
| Installation expenses                                                                        | 9                 | -                     | 9            |
| Effects of financial instrument valuation                                                    | -                 | -                     | -            |
| Taxes on Assets to recover                                                                   | 2                 | -                     | 2            |
| <b>Total Assets</b>                                                                          | <b>995</b>        | <b>106</b>            | <b>1,101</b> |
| <b>LIABILITIES</b>                                                                           |                   |                       |              |
| Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others | (158)             | -                     | (158)        |
| Loan Portfolio Acquisitions                                                                  | (334)             | (115)                 | (449)        |
| Capitalizable projects                                                                       | (78)              | (27)                  | (105)        |
| Income tax to pay on UDIS Trust funds                                                        | (28)              | -                     | (28)         |
| Expenses paid in advance                                                                     | (4)               | -                     | (4)          |
| Effects of financial instrument valuation                                                    | (2)               | (1)                   | (3)          |
| Effects of other accounts                                                                    | (19)              | (6)                   | (25)         |
| Sale Cost Revers                                                                             | (18)              | -                     | (18)         |
| Organization and Recording Expenses & Installation Expenses                                  | (34)              | -                     | (34)         |
| Unrealized capital gain from investments in siefore                                          | (25)              | -                     | (25)         |
| <b>Total Liabilities</b>                                                                     | <b>(700)</b>      | <b>(149)</b>          | <b>(849)</b> |
| <b>Assets (Liabilities) Accumulated Net</b>                                                  | <b>296</b>        | <b>(43)</b>           | <b>253</b>   |

## Long term debt as of 1Q06

| <b>TYPE OF DEBT</b>                            | <b>CURRENCY</b> | <b>DATE OF ISSUE</b> | <b>AMOUNT (Ps)</b> | <b>ORIGINAL AMOUNT (Millions Ps, Dls o UDIS)</b> | <b>TERM</b> | <b>INTEREST RATE</b> | <b>MATURITY</b> | <b>INTEREST PAYMENT</b> |
|------------------------------------------------|-----------------|----------------------|--------------------|--------------------------------------------------|-------------|----------------------|-----------------|-------------------------|
| <b>BANORTE</b>                                 |                 |                      |                    |                                                  |             |                      |                 |                         |
| CD's- Banorte U01001                           | UDIs            | 11-Ene-01            | 333                | 90                                               | 10 years    | 8.13%                | 30-Dic-10       | E/182 days              |
| Non Convertible Subordinate Bonds QBanorte 02D | Ps              | 28-Nov-02            | 1,219              | 1,136                                            | 10 years    | 8.00%                | 28-Nov-12       | E/182 days              |
| Certificados – Banorte 03004                   | Ps              | 27-Ene-03            | 100                | 100                                              | 3 years     | TIIE-0.45%           | 10-Jul-06       | E/28 days               |
| Certificados – Banorte 05006                   | Ps              | 7-Sep-05             | 55                 | 55                                               | 1 year      | TIIE-0.16%           | 6-Sep.06        | E/28 days               |
| Step-Up Subordinated Callable Notes Due 2014   | Dls             | 17-Feb-04            | 3,259              | 300                                              | 10 years    | 5.875 %              | 17-Feb-14       | E/180 days              |

### Bank and Other entities loans as of 1Q06

| <i>(Millions of Pesos)</i>                         | LOCAL CURRENCY | INTEREST RATE | TERM (DAYS) | FOREIGN CURRENCY | INTEREST RATE | TERM (DAYS) | TOTAL  |
|----------------------------------------------------|----------------|---------------|-------------|------------------|---------------|-------------|--------|
| LOANS FROM LOCAL BANKS                             | -              | -             | -           | 174              | L+6           | 454         | 174    |
| LOANS FROM FOREIGN BANK CONCERNED FROM THE COUNTRY | -              | -             | -           | 630              | L+1.2         | 1,198       | 630    |
| LOANS FROM FOREIGN BANK CONCERNED FROM CAYMAN      | -              | -             | -           | 327              | 5.73          | 397         | 327    |
| LOANS FROM DEVELOPING BANKS                        | 2,043          | 10.64%        | 795         | 681              | 9.48%         | 1,279       | 2,724  |
| LOANS FROM PUBLIC FUNDS                            | 8,771          | 7.40%         | 671         | 165              | 5.72%         | 422         | 8,936  |
| LOANS FROM BANKS                                   | 441            | 8.66%         | 10          | -                | -             | -           | 441    |
| CALL MONEY                                         | -              | -             | -           | -                | -             | -           | -      |
| LOANS FROM FIDUCIARY FUNDS                         | 3,008          | 9.83%         | 5,553       | -                | -             | -           | 3,008  |
| PROVISIONS FOR INTEREST                            | 41             | N.A           | N.A         | -                | -             | -           | 41     |
|                                                    | 14,304         |               |             | 1,977            |               |             | 16,282 |

### Trading Income 1Q06

*(Millions of Pesos)*

| VALUATION EFFECTS                              | NET          |
|------------------------------------------------|--------------|
| Negotiable Instruments                         | 2            |
| Repurchase                                     | (171)        |
| Derived instruments                            | -            |
| Futures                                        | -            |
| Securities loans                               | -            |
| Range                                          | -            |
| Inflation Adjustment                           | -            |
| <b>Total</b>                                   | <b>(169)</b> |
| RESULTS FROM BUYING AND SELLING                |              |
| Negotiable Instruments                         | 407          |
| Securities Held for Sell                       | 55           |
| Derived for coverage purposes                  | 77           |
| Inflation Adjustment                           | -            |
| <b>Total of Buying and Selling Instruments</b> | <b>539</b>   |
| FX Spot                                        | 91           |
| FX Forwards                                    | 1            |
| FX Futures                                     | -            |
| FX Futures TIIE                                | -            |
| Forwards                                       | -            |
| Trading currencies securitization              | 19           |
| Gain from metal intermediation                 | (1)          |
| Metals Valuation                               | 6            |
| <b>Total of Foreign Exchange</b>               | <b>117</b>   |
| Inflation Adjustment                           | 1            |
| <b>Total of Buying and Selling</b>             | <b>657</b>   |
| <b>TOTAL TRADING INCOME</b>                    | <b>488</b>   |

## Risk Management

### 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

The Banks of the Group separate the loan portfolio into two large groups: consumer loans and company loans.

The individual loan risk for consumer loans is identified, measured and controlled by a parametric system (scoring) that includes origination and behavior models for each of the consumer products: mortgage, car, payroll loans and credit cards.

The individual risk for company loans is identified, measures and controlled by the Target Markets, Risk Acceptance Criteria and Banorte's Internal Risk Qualification (CIR).

The Target Markets and Risk Acceptance Criteria are tools that, along with the Internal Risk Qualification, are part of GFNorte's Loan Strategy and give support to loan risk level estimation.

The Target Markets are activities selected by region and economic activity – backed by economic research and loan behavior analysis – where Banorte is interested in placing loans.

The Risk Acceptance Criteria are parameters that describe the risk identified by the industry, which makes it possible to estimate the risk involved for the bank when granting a loan to customer on the bases of their economic activity. The types of risk contemplated in the Risk Acceptance Criteria are financial risk, operation risk, market risk, company life cycle, legal, regulatory, loan experience and management quality.

Banorte's CIR aligns with the "general PROVISIONS applicable to the loan qualification method of loan institution" issued by the CNByV on December 2, 2005. Banorte's CIR was certified by the CNBV and by an international external auditor in 2001.

Banorte's CIR is applied to commercial loans equal to or greater than an amount in Mexican pesos equivalent to nine hundred thousand investment units on the qualification date.

### 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 the Banks (including 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 the Banks calculate from the migration of the debtors through different risk qualification levels. The *recovery ratio* is the percentage of total exposure that is estimated to be recovered if the debtor fails to comply. The *classification of the debtor*, based on the Merton model, associates 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, which is used to measure the following year's expected loss due to non-compliance or variations in debtors' credit quality. This unexpected loss is an indicator of the loss that could be expected in extreme scenarios and is measured as the difference between the maximum loss given the distribution of losses, at a specific reliability level that in the case of the Banking Sector is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and in the diversification of the portfolio, according to the Banks' 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.

By March 31, 2006, the Banking Sector's total portfolio was Ps 115,495 million. The expected loss represents 1.9% and the unexpected loss is 3.8% with respect to the total portfolio. The average expected loss is 1.9% during the period between January 2006 and March 2006.

### ***General rules for risk diversification in asset and liability operations applicable to loan institutions***

In December 2005, the COMMISSION issued the "General Rules for Risk Diversification in asset and liability operations applicable to loan institutions".

According to these provisions, the Banks shall make an analysis of the debtors and/or financings they have to determine the amount of their "Common Risk". Additionally, the Banks should have the necessary information and documentation to prove that a person or group of persons represents a common risk as per the cases referred to in the aforementioned Rules.

Upon granting financings to the same person or group of persons that represent a "Common Risk", the banks shall adjust to the maximum Financing limit that is the result of applying to the basic capital a factor that is associated with the Banks' capitalization level.

On the other hand, regarding public deposits, the Banking Sector shall diversify its risks, trying to make a proper integration of its liabilities in terms of the placement of the deposited funds.

In compliance with the risk diversification rules in asset and liability operations, Banco Mercantil del Norte submits the following information:

|                                                                                      |                 |
|--------------------------------------------------------------------------------------|-----------------|
| Basic capital by December 31, 2005                                                   | <u>\$14,348</u> |
| I. Financings whose individual amount represents more than 10% of the basic capital: |                 |
| Credit operations                                                                    |                 |
| – Number of financings                                                               | 2               |
| – Total amount of financings                                                         | <u>\$3,829</u>  |
| – % vs. basic capital                                                                | 27%             |
| Money Market operations                                                              |                 |
| – Number of financings                                                               | 9               |
| – Total amount of financings                                                         | <u>\$19,270</u> |
| – % vs. basic capital                                                                | 134%            |
| II. Maximum amount of financing with the 3 major                                     |                 |

|                                                                                      |                |
|--------------------------------------------------------------------------------------|----------------|
| Common Risk debtors and groups                                                       | <u>\$9,254</u> |
| Banco del Centro submits the following information:                                  |                |
| Basic capital by December 31, 2005                                                   | <u>\$3,786</u> |
| I. Financings whose individual amount represents more than 10% of the basic capital: |                |
| Credit operations                                                                    |                |
| – Number of financings                                                               | 0              |
| – Total amount of financings (i)                                                     | <u>\$0</u>     |
| – % vs. basic capital                                                                | 0%             |
| Money Market operations                                                              |                |
| – Number of financings                                                               | 2              |
| – Total amount of financings (i)                                                     | <u>\$1,477</u> |
| % vs. basic capital                                                                  | 39%            |
| II. Maximum amount of financing with the 3 major Common Risk debtors and groups      |                |
|                                                                                      | <u>\$2,789</u> |

## Market Risk

### *Value at Risk*

The exposure to market risk is determined by calculating Value at Risk (VaR). VaR, in this method, is defined as the potential loss for one day that could affect the loan portfolio valuation at a certain date. This method is used for calculating the market risk as well as for setting and controlling the internal limits.

The Banking Sector of Grupo Financiero Banorte, S.A. and the Brokerage House applies the non-parametric historical simulation method to estimate the Value at Risk (VaR), considering a two-tail 99% reliability level, using the 500 immediate historical scenarios, multiplying the result by a safety factor that insures covering the unexpected volatility in the main risk factors that affect such portfolios and which is established according to the their behavior.

This method is applied to the financial instrument portfolio in and outside the balance, including money market and treasury operations, capital, foreign exchange and derived instruments for negotiation and coverage purposes, that are exposed to variations in risk factors that can have a direct effect on their market valuation (domestic interest rates, foreign interest rates, exchange rates, among others).

The average VaR for the January – March 2006 quarter for the portfolio is Ps 283 million.

| Millions of Pesos | 1Q05   | 2Q05   | 3Q05   | 4Q05   | 1Q06   |
|-------------------|--------|--------|--------|--------|--------|
| Total VaR*        | 273    | 298    | 372    | 333    | 283    |
| Net Capital **    | 19,150 | 20,331 | 21,763 | 21,974 | 23,675 |
| VaR / Net Capital | 1.43%  | 1.47%  | 1.71%  | 1.52%  | 1.20%  |

\* Quarter Average of Banking Sector and Brokerage House

\*\*\* Net capital at the close of the corresponding quarter

\*\*\*\* Net capital of the Banking Sector is the arithmetic sum of the net capitals of Banking Sector and Brokerage House.

Moreover, the average Value at Risk per risk factor of the portfolio of instruments described for the Banking Sector and Brokerage House, during the first quarter of 2006 is shown below:

**Millions of Pesos**

| <b>Risk Factor</b>                              | <b>VaR</b> |
|-------------------------------------------------|------------|
| Domestic interest rate                          | 247        |
| Foreign interest rate                           | 184        |
| Exchange rate                                   | 167        |
| Capitals                                        | 2          |
| Prices of Bonds in Foreign Currency             | 125        |
| Total VaR of Banking Sector and Brokerage House | 283        |

The VaR for each of the risk factors shown is determined by simulating 500 historical scenarios of the variables that make up each of such factors, maintaining constant the variables that affect the other risk factors mentioned above. Similarly, the consolidated Value at Risk for the Banking Sector and Brokerage House considers the correlations of all the risk factors that affect portfolio valuation. That is why the arithmetic sum of the Value at Risk per Risk Factor does not match.

**Backtesting Analysis**

In order to validate the daily VaR calculation measurement effectiveness, as a measure of market risk, the Backtesting analysis is updated weekly. This analysis makes it possible to compare the results estimated by VaR with the actual results.

**Liquidity Risk and Balance**

In response to the Banking Sector's need to measure Liquidity Risk and to have consistent follow-up, the Banks us financial ratios, such as the Liquidity Ratios (Liquid Assets / Liquid Liabilities). Liquid Assets include availabilities, securities to negotiate and securities available for sale. Liquid Liabilities include demand deposits, demand interbanking loans and short-term interbanking loans.

For liquidity risk quantification and follow-up, the Banking Sector uses for the dollar portfolios, the criteria that the Bank of Mexico established for developing the Liquidity Coefficient, which makes it possible to evaluate the differentials between asset and liability flows in different periods of time. This promotes a healthier distribution of terms for these assets.

Moreover, to prevent the risk of concentrating terms and re-appreciation date for each of the Banks in the Banking Sector, a Gap Analysis is made to face the resources with sources of funding, detecting any concentration in advance. These analyses are made separately per currency (domestic, foreign, and udis).

Additionally a balance simulation analysis is made for each of the Banks in the Banking Sector. It is used to evaluate the future behavior of the Balance Sheet in a statistic and dynamic manner. An analysis of sensitivity to changes in domestic, foreign and actual rates is made on the base scenario. Tests are also made under extreme condition to evaluate the result of extreme changes in rates, funding and the exchange rate.

As a measure of the evaluation effectiveness of the simulation model, projections are periodically compared with actual data. These tests make it possible to evaluate the assumptions and the method used, and to make any necessary adjustments.

**Operational Risk**

In January 2003, the Bank Sector of Grupo Financiero Banorte created a formal Operational Risk Department, known as Operational Risk Management Office (ARO for its acronym in Spanish), as part of the Risk Management Office. The latter department developed a master implementation plan (2004 – 2007) pursuant to local authority requirements, and the plan was approved by the Risk Policy Committee (CPR for its acronym in Spanish). In general, the plan covers institutional management of Operational Risk, records dealing with losses and calculation of Operational Risk capital requirements.

The master plan consists of the following phases:

- a. Close coordination with Comptrollership, Internal Audit and Risk generating areas,
- b. Identification of main sources of information,
- c. Creation of database,
- d. Definition of the type of software for Operational Risk Management and for calculating Op VaR,
- e. Acquisition or development of software,
- f. Implementation of software and testing, and
- g. Development of reports through the Managerial Information System.

As the cornerstone of Operational Risk Management, and considering the II Agreement of Basel, events that imply an actual or potential economic loss are being recorded in order to have the bases to calculate the Op VaR according to the Advanced Method (AMA) recommended in Basel II.

The Operational Risk Office works together with the Internal Audit and Comptrollership Offices in order to promote and provide assistance on achieving the goals of the former two, to wit: having effective Internal Controls that establish process procedures and ensure process compliance, and ongoing Audit oversight. Moreover, the ARO works closely with the Business, Systems and Operations Departments to develop strategies that mitigate operational risk.

### **Management Model**

The banks of Grupo Financiero Banorte have well-defined objectives that are reached through different plans, programs and projects. Reaching these objectives may be affected by operating risks. Therefore it is necessary to have a methodology to manage them within the organization and the operational risk management is now a definite institution policy that has top management backing.

To carry out Operational Risk Management, it is essential to identify each of the operating risks in the processes in order to analyze them properly. Thus, the identified risks are managed in order to eliminate or mitigate them (trying to reduce their severity or frequency) and defining the corresponding tolerance levels. At present, the development of an Institutional Operational Risk Management Model is underway. The first step is to record operational risk events.

### **Record of Events**

Given the nature of Operational Risk, it is necessary to have an historical Database that contains operating events in which the institution has incurred to be able to determine the trends, frequency, impact and distribution.

To record operating loss events, an in-house system was developed. It is called the "Operating Loss Events Recording System" (SCERO). This system enables the central information supplying areas to record these events directly and on-line. The events are classified per Type of Event according to the following categories (in keeping with those proposed by Basel II):

| Types of Events                 | Description                                                                                                                                                                     |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Internal Fraud                  | Acts intended to defraud, usurp the property or avoid the regulation, law or policies of the Institution that involve at least one internal party.                              |
| External Fraud                  | Acts, by a third party, Acts intended to defraud, usurp the property or avoid the law.                                                                                          |
| Labor Relations                 | Acts that inconsistent with the laws or agreements of employment, health or safety, or that result in payment of claims for personal damage or regarding discrimination issues. |
| Practices with Clients          | Negligent or unintentional faults that hinder compliance with the professional obligations with clients, or faults derived from the nature or design of a product or service.   |
| Damage to Assets                | Loss or damage to physical assets due to natural disasters or other events.                                                                                                     |
| System Failures                 | Interruption of business activities because of information system failures.                                                                                                     |
| Execution, Delivery & Processes | Failures in processing transactions or in process management and in relationships with counterparts and suppliers.                                                              |

### ***Technological Risk***

As Technological Risk is an inherent part of Operational Risk, they are managed together. The area of Technology and Operations performs the functions established by the CNBV for Technological Risk Management issues associated with the establishment of controls, vulnerability evaluation and contingency plans.

To face Operational Risk caused by high-impact external events, the banks of Grupo Financiero Banorte are working on a project to enhance their Business Continuity Plan (BCP) and their Business Recovery Plan (BRP). The project leader is the Executive Directorship of Comptrollership because of its relationship with processes, procedures and compliance. However, other fundamental areas participate: Technology and Operations, Business, and the ARO Directorship. Despite the above, we still have the services of an outside provider, of international renown, to backup the business' critical systems, guaranteeing operation continuity in the event of contingency or disaster.

### ***Legal Risk***

As part of the Legal Risk management, a detailed record is kept on judicial, administrative and fiscal issues (in favor of or against) the Institution. This record includes the attorneys' estimation of the contingencies based on their knowledge of each case. This makes it possible to create the necessary accounting reserves to face such contingencies.

It is essential to measure the Legal Risk as part of Operational Risk in order to understand and estimate its impact. Therefore, the legal issues that result in actual operating losses are recorded in the SCERO, according to a predefined taxonomy.

Based on the statistics of the legal issues underway and the actual loss events, it is possible to identify specific legal or operating risks, which are analyzed to eliminate them or mitigate (reduce or limit future occurrence) their impact.



## Information by Segments

### GFNORTE –INCOME STATEMENT AS OF 1Q06 (Millions of Pesos)

|                                            | Holding      | Banorte      | Bancen     | okerag     | Leasing   | Factorin  | Vareho<br>sing | Pronegc<br>cio | Total        | Eliminati<br>ons | Final<br>Balance |
|--------------------------------------------|--------------|--------------|------------|------------|-----------|-----------|----------------|----------------|--------------|------------------|------------------|
| Interest Income                            | 2            | 8,132        | 842        | 612        | 107       | 79        | 1              | 43             | 9,817        | (1,058)          | 8,759            |
| Interest Expense                           | -            | 5,139        | 546        | 604        | 49        | 46        | -              | 12             | 6,397        | (1,004)          | 5,393            |
| Loan Fees                                  | -            | 144          | -          | -          | -         | -         | -              | -              | 144          | -                | 144              |
| Fees Paid                                  | -            | 35           | -          | -          | -         | -         | -              | 4              | 39           | -                | 39               |
| <b>Net Interest Income (NII)</b>           | <b>2</b>     | <b>2,993</b> | <b>296</b> | <b>8</b>   | <b>58</b> | <b>33</b> | <b>-</b>       | <b>30</b>      | <b>3,419</b> | <b>(54)</b>      | <b>3,365</b>     |
| Repomo-Margin                              | (1)          | (11)         | (49)       | (6)        | (3)       | (4)       | 2              | (1)            | (72)         | -                | (72)             |
| <b>NII after Repomo</b>                    | <b>1</b>     | <b>2,982</b> | <b>247</b> | <b>2</b>   | <b>55</b> | <b>29</b> | <b>2</b>       | <b>30</b>      | <b>3,347</b> | <b>(54)</b>      | <b>3,293</b>     |
| Loan Loss & Loss Sharing Provisions        | -            | 343          | 25         | -          | -         | -         | -              | 2              | 371          | -                | 371              |
| <b>NII after Provisions</b>                | <b>1</b>     | <b>2,639</b> | <b>222</b> | <b>2</b>   | <b>55</b> | <b>29</b> | <b>2</b>       | <b>27</b>      | <b>2,976</b> | <b>(54)</b>      | <b>2,922</b>     |
| Fees on services,                          | -            | 1,161        | 721        | 98         | 2         | 3         | 5              | -              | 1,991        | -                | 1,991            |
| Fees paid,                                 | -            | 269          | 138        | -          | -         | -         | -              | -              | 407          | -                | 407              |
| Market-related Income                      | -            | 327          | 90         | 71         | -         | -         | -              | -              | 488          | -                | 488              |
| <b>Total Non Interest Income</b>           | <b>-</b>     | <b>1,220</b> | <b>673</b> | <b>169</b> | <b>2</b>  | <b>3</b>  | <b>5</b>       | <b>-</b>       | <b>2,072</b> | <b>-</b>         | <b>2,072</b>     |
| <b>Total Operating Income</b>              | <b>1</b>     | <b>3,858</b> | <b>895</b> | <b>171</b> | <b>57</b> | <b>31</b> | <b>7</b>       | <b>27</b>      | <b>5,047</b> | <b>(54)</b>      | <b>4,993</b>     |
| <b>Non-Interest Expense</b>                | <b>1</b>     | <b>2,634</b> | <b>230</b> | <b>127</b> | <b>38</b> | <b>7</b>  | <b>4</b>       | <b>21</b>      | <b>3,063</b> | <b>(113)</b>     | <b>2,950</b>     |
| <b>Operating Income</b>                    | <b>-</b>     | <b>1,224</b> | <b>665</b> | <b>44</b>  | <b>18</b> | <b>25</b> | <b>3</b>       | <b>6</b>       | <b>1,985</b> | <b>59</b>        | <b>2,044</b>     |
| Non Operating Income                       | -            | 193          | 4          | 3          | 10        | 7         | 100            | 1              | 318          | (61)             | 257              |
| Non Operating Expense                      | 1            | 193          | 8          | -          | -         | 1         | 100            | -              | 304          | (2)              | 302              |
| <b>Non Operating Income (Expense)NET</b>   | <b>(1)</b>   | <b>-</b>     | <b>(4)</b> | <b>3</b>   | <b>9</b>  | <b>6</b>  | <b>-</b>       | <b>1</b>       | <b>14</b>    | <b>(59)</b>      | <b>(45)</b>      |
| <b>Pre-tax Income</b>                      | <b>(2)</b>   | <b>1,224</b> | <b>661</b> | <b>46</b>  | <b>28</b> | <b>31</b> | <b>4</b>       | <b>7</b>       | <b>1,999</b> | <b>-</b>         | <b>1,999</b>     |
| <b>Tax and Profit sharing</b>              | <b>1</b>     | <b>569</b>   | <b>112</b> | <b>11</b>  | <b>-</b>  | <b>8</b>  | <b>1</b>       | <b>2</b>       | <b>704</b>   | <b>-</b>         | <b>704</b>       |
| <b>Net Income before subsidiaries</b>      | <b>(2)</b>   | <b>656</b>   | <b>549</b> | <b>35</b>  | <b>28</b> | <b>22</b> | <b>3</b>       | <b>4</b>       | <b>1,295</b> | <b>-</b>         | <b>1,295</b>     |
| Subsidiaries' net income                   | 1,372        | 31           | 9          | 3          | -         | -         | -              | -              | 1,417        | (1,273)          | 144              |
| <b>Net Inc. from continuous operations</b> | <b>1,370</b> | <b>687</b>   | <b>559</b> | <b>39</b>  | <b>28</b> | <b>22</b> | <b>3</b>       | <b>4</b>       | <b>2,711</b> | <b>(1,273)</b>   | <b>1,439</b>     |
| Extraordinary items, net                   | -            | -            | -          | -          | -         | -         | -              | -              | -            | -                | -                |
| Minority Interest                          | -            | -            | (42)       | -          | -         | -         | -              | -              | (42)         | (27)             | (69)             |
| <b>TOTAL NET INCOME</b>                    | <b>1,370</b> | <b>687</b>   | <b>517</b> | <b>39</b>  | <b>28</b> | <b>22</b> | <b>3</b>       | <b>4</b>       | <b>2,669</b> | <b>(1,299)</b>   | <b>1,370</b>     |

## GNORTE - BALANCE SHEET AS OF 1Q06 (Millions of Pesos)

|                                  | Holding       | Banorte        | Bancen       | rokerag    | .easing      | Factorin     | Varehou<br>ing | Pronego<br>cio | Total          | Eliminati<br>ons | Final<br>Balance |
|----------------------------------|---------------|----------------|--------------|------------|--------------|--------------|----------------|----------------|----------------|------------------|------------------|
| <b>Cash and due from Banks</b>   | <b>79</b>     | <b>37,954</b>  | <b>2,362</b> | <b>2</b>   | <b>10</b>    | <b>3</b>     | <b>52</b>      | <b>1</b>       | <b>40,464</b>  | <b>(1,634)</b>   | <b>38,830</b>    |
| Negotiable Instruments           | -             | 15,703         | 372          | 403        | -            | -            | -              | -              | 16,478         | (2,214)          | 23,870           |
| Securities held for sale         | -             | 5,186          | -            | -          | -            | -            | -              | -              | 5,186          | -                | 5,186            |
| Securities held to maturity      | -             | 4,420          | -            | -          | -            | -            | -              | -              | 4,420          | -                | 4,420            |
| <b>Financial Instruments:</b>    | <b>-</b>      | <b>25,309</b>  | <b>372</b>   | <b>403</b> | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>26,084</b>  | <b>(2,214)</b>   | <b>23,870</b>    |
| Non-assigned securities to pay   | -             | -              | -            | -          | -            | -            | -              | -              | -              | -                | -                |
| Futures receivable, net          | -             | 100            | 1            | 18         | -            | -            | -              | -              | 119            | -                | 119              |
| Options and derivatives, net     | -             | 350            | -            | 200        | -            | -            | -              | -              | 550            | -                | 550              |
| <b>Repos &amp; Derivatives :</b> | <b>-</b>      | <b>449</b>     | <b>1</b>     | <b>218</b> | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>668</b>     | <b>-</b>         | <b>668</b>       |
| Commercial                       | -             | 52,342         | 825          | -          | 2,015        | 3,181        | -              | 388            | 58,750         | -                | 58,750           |
| Financial Intermediaries         | -             | 4,188          | -            | -          | 263          | -            | -              | -              | 4,451          | (2,211)          | 2,240            |
| Consumer                         | -             | 13,838         | 2,678        | -          | 1            | -            | -              | -              | 16,516         | -                | 16,516           |
| Mortgage                         | -             | 25,382         | 195          | -          | -            | -            | -              | -              | 25,576         | -                | 25,576           |
| Government Entities              | -             | 14,418         | 13           | -          | 34           | -            | -              | -              | 14,465         | -                | 14,465           |
| Fobaproa                         | -             | 166            | -            | -          | -            | -            | -              | -              | 166            | -                | 166              |
| <b>Performing Loans</b>          | <b>-</b>      | <b>110,334</b> | <b>3,710</b> | <b>-</b>   | <b>2,312</b> | <b>3,181</b> | <b>-</b>       | <b>388</b>     | <b>-</b>       | <b>-</b>         | <b>117,713</b>   |
| Commercial                       | -             | 564            | 69           | -          | 20           | 31           | -              | 15             | 699            | -                | 699              |
| Financial Intermediaries         | -             | -              | -            | -          | -            | -            | -              | -              | -              | -                | -                |
| Consumer                         | -             | 390            | 40           | -          | -            | -            | -              | -              | 430            | -                | 430              |
| Mortgage                         | -             | 733            | 20           | -          | -            | -            | -              | -              | 753            | -                | 753              |
| Government Entities              | -             | -              | -            | -          | -            | -            | -              | -              | -              | -                | -                |
| <b>Past Due Loans</b>            | <b>-</b>      | <b>1,688</b>   | <b>128</b>   | <b>-</b>   | <b>20</b>    | <b>31</b>    | <b>-</b>       | <b>15</b>      | <b>1,882</b>   | <b>-</b>         | <b>1,882</b>     |
| <b>Total Loans</b>               | <b>-</b>      | <b>112,022</b> | <b>3,838</b> | <b>-</b>   | <b>2,332</b> | <b>3,211</b> | <b>-</b>       | <b>403</b>     | <b>121,80</b>  | <b>(2,211)</b>   | <b>119,595</b>   |
| Preventive loan loss reserves    | -             | 2,951          | 178          | -          | 40           | 46           | 8              | 3,223          | -              | -                | 3,223            |
| <b>Net Loan Portfolio</b>        | <b>-</b>      | <b>109,071</b> | <b>3,660</b> | <b>-</b>   | <b>2,292</b> | <b>3,165</b> | <b>-</b>       | <b>395</b>     | <b>118,583</b> | <b>(2,211)</b>   | <b>116,372</b>   |
| Credit Assets Portfolio          | -             | 3,657          | 89           | -          | -            | -            | -              | -              | 3,745          | -                | 3,745            |
| Sundry debtors and other         | 11            | 7,181          | 480          | 50         | 26           | 4            | 33             | 3              | 7,788          | -                | 7,788            |
| Foreclosed assets, net           | -             | 344            | 8            | -          | 4            | -            | -              | -              | 356            | -                | 356              |
| Real Estate, Furniture &         | -             | 4,946          | 117          | 31         | 508          | 1            | 49             | 9              | 5,660          | -                | 5,660            |
| Investments in subsidiaries      | 22,133        | 856            | 496          | 47         | -            | -            | -              | -              | 23,531         | (21,152)         | 2,379            |
| Deferred taxes                   | -             | 290            | -            | -          | -            | 10           | -              | 4              | 304            | (51)             | 253              |
| Deferred charges & Intangibles   | 39            | 802            | 133          | 171        | -            | 11           | 85             | -              | 1,242          | (10)             | 1,232            |
| Total Other Assets               | 22,183        | 18,075         | 1,324        | 298        | 538          | 26           | 168            | 15             | 42,627         | (21,213)         | 21,413           |
| <b>TOTAL ASSETS</b>              | <b>22,262</b> | <b>190,858</b> | <b>7,720</b> | <b>921</b> | <b>2,840</b> | <b>3,194</b> | <b>220</b>     | <b>411</b>     | <b>228,426</b> | <b>(27,272)</b>  | <b>201,154</b>   |

**GFNORTE -BALANCE SHEET AS OF 1Q06 (Millions of Pesos)**

|                                    | Holding       | Banorte        | Bancen       | rokerag    | .easing      | Factorin     | Varehou<br>ing | Pronego<br>cio | Total          | Eliminati<br>ons | Final<br>Balance |
|------------------------------------|---------------|----------------|--------------|------------|--------------|--------------|----------------|----------------|----------------|------------------|------------------|
| Demand Deposits                    | -             | 76,795         | -            | -          | -            | -            | -              | -              | 76,795         | (494)            | 76,301           |
| Time Deposits                      | -             | 64,316         | 2,214        | -          | -            | -            | -              | -              | 66,530         | (2,341)          | 64,189           |
| Bonds                              | -             | -              | -            | -          | -            | -            | -              | -              | -              | -                | -                |
| <b>Deposits</b>                    | <b>-</b>      | <b>141,111</b> | <b>2,214</b> | <b>-</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>143,325</b> | <b>(2,835)</b>   | <b>140,490</b>   |
| Demand                             | -             | 1,508          | 49           | -          | -            | -            | -              | -              | 1,558          | (1,026)          | 532              |
| Short term                         | -             | 2,740          | 8            | -          | 909          | 2,836        | 82             | 341            | 6,916          | (2,202)          | 4,714            |
| Long term                          | -             | 9,548          | 60           | -          | 1,379        | -            | -              | -              | 11,037         | -                | 11,037           |
| <b>Due to banks &amp; corresp.</b> | <b>-</b>      | <b>13,846</b>  | <b>117</b>   | <b>-</b>   | <b>2,287</b> | <b>2,836</b> | <b>82</b>      | <b>341</b>     | <b>19,511</b>  | <b>(3,228)</b>   | <b>16,282</b>    |
| Non-assigned securities to pay     | -             | -              | -            | -          | -            | -            | -              | -              | -              | -                | -                |
| Futures receivable, net            | -             | 396            | 2            | 13         | -            | -            | -              | -              | 411            | -                | 411              |
| Options and derivatives, net       | -             | 315            | -            | 200        | -            | -            | -              | -              | 515            | -                | 515              |
| <b>Repos &amp; Derivatives:</b>    | <b>-</b>      | <b>711</b>     | <b>2</b>     | <b>213</b> | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>-</b>       | <b>926</b>     | <b>-</b>         | <b>926</b>       |
| Income Tax & Profit Sharing        | -             | 561            | 48           | 27         | -            | 4            | -              | -              | 639            | -                | 639              |
| Other Payable accounts             | 1             | 14,421         | 75           | 83         | 198          | 1            | 11             | 11             | 14,800         | 4                | 14,804           |
| <b>Other payable accounts</b>      | <b>1</b>      | <b>14,983</b>  | <b>123</b>   | <b>109</b> | <b>198</b>   | <b>5</b>     | <b>11</b>      | <b>11</b>      | <b>15,440</b>  | <b>4</b>         | <b>15,444</b>    |
| Subordinated non Convertible       | -             | 4,579          | -            | -          | -            | -            | -              | -              | 4,579          | -                | 4,579            |
| Deferred Taxes                     | -             | -              | 4            | 27         | -            | -            | 20             | -              | 51             | (51)             | -                |
| Deferred credits                   | -             | 67             | -            | -          | 48           | -            | -              | -              | 115            | (10)             | 105              |
| <b>TOTAL LIABILITIES</b>           | <b>1</b>      | <b>175,297</b> | <b>2,460</b> | <b>350</b> | <b>2,533</b> | <b>2,841</b> | <b>113</b>     | <b>352</b>     | <b>183,947</b> | <b>(6,120)</b>   | <b>177,827</b>   |
| <b>STOCKHOLDER 'S EQUITY</b>       |               |                |              |            |              |              |                |                |                |                  |                  |
| Paid-in Capital                    | 11,252        | 6,849          | 3,207        | 505        | 154          | 130          | 82             | 73             | 22,252         | (11,000)         | 11,252           |
| Share subscription premiums        | 1,739         | 1,079          | -            | -          | -            | -            | -              | -              | 2,818          | (1,079)          | 1,739            |
| Subordinated Convertible           | -             | -              | -            | -          | -            | -            | -              | -              | -              | -                | -                |
| <b>Subscribed Capital</b>          | <b>12,992</b> | <b>7,928</b>   | <b>3,207</b> | <b>505</b> | <b>154</b>   | <b>130</b>   | <b>82</b>      | <b>73</b>      | <b>25,071</b>  | <b>(12,079)</b>  | <b>12,992</b>    |
| Capital Reserves                   | 1,709         | 2,799          | 389          | 41         | 63           | 47           | 12             | -              | 5,059          | (3,350)          | 1,709            |
| Retained Earnings                  | 16,390        | 7,325          | 768          | 491        | 253          | 236          | 70             | (19)           | 25,515         | (9,125)          | 16,390           |
| Surplus (Deficit) from securities  | -             | 100            | (14)         | -          | -            | -            | -              | -              | 85             | 85               | -                |
| Results of foreign operations      | -             | -              | -            | 2          | -            | -            | -              | -              | 2              | (2)              | -                |
| Excess (Insuf.) in capital         | (5,971)       | (2,604)        | -            | (496)      | (190)        | (82)         | (3)            | -              | (9,345)        | 3,374            | (5,971)          |
| Non Mon assets results Fixed       | -             | 13             | -            | -          | -            | -            | -              | -              | 13             | (13)             | -                |
| Non Mon assets results Investm     | (4,228)       | (383)          | (67)         | (13)       | -            | -            | (56)           | -              | (4,747)        | 518              | (4,228)          |
| Adjustment in the employees        | -             | (304)          | -            | -          | -            | -            | -              | -              | (304)          | 304              | -                |
| Net Income                         | 1,370         | 687            | 517          | 39         | 28           | 22           | 3              | 4              | 2,669          | (1,299)          | (1,370)          |
| <b>Earned Capital</b>              | <b>9,270</b>  | <b>7,632</b>   | <b>1,592</b> | <b>65</b>  | <b>153</b>   | <b>223</b>   | <b>26</b>      | <b>(14)</b>    | <b>18,948</b>  | <b>(9,507)</b>   | <b>9,270</b>     |
| Minority Holdings                  | -             | 1              | 460          | -          | -            | -            | -              | -              | 461            | 605              | 1,066            |
| <b>Total Stockholder 's Equity</b> | <b>22,261</b> | <b>15,561</b>  | <b>5,260</b> | <b>570</b> | <b>307</b>   | <b>353</b>   | <b>108</b>     | <b>59</b>      | <b>44,479</b>  | <b>(20,981)</b>  | <b>23,327</b>    |
| <b>TOT. LIAB. &amp; STOCKHOLD.</b> | <b>22,262</b> | <b>190,858</b> | <b>7,720</b> | <b>921</b> | <b>2,840</b> | <b>3,194</b> | <b>220</b>     | <b>411</b>     | <b>228,426</b> | <b>(27,101)</b>  | <b>201,154</b>   |

## **Internal Control**

The companies that make up GFNorte have an Internal Control System (SCI) that complies with the guidelines established by both the Board of Directors and the regulatory authorities.

The mission of the Internal Control structure is to help ensure the proper working order of adequate internal control of its operations. Said structure is made up of several components:

- A. The Board of Directors with the support of the Risk Policy Committee and the Audit Committee.
- B. General Management and its support areas, to wit the Comprehensive Risk Management Unit (UAIR), and the Legal and Comptrollership Departments, which are in charge of ensuring that adequate control and risk levels are maintained in the Group's operations.
- C. Internal Audit, External Audit and the Statutory Accountant, as structures of additional support to watch over the proper working order of the Internal Control System and to provide reasonable certainty as to the reliability of the information generated.
- D. Documents that specify the general control criteria which must be followed to operate and register transactions; to put our human, material and technological resources to good use; to ensure proper usage, security, timeliness and reliability of information; due compliance with external and internal rules and regulations; and a Code of Conduct that regulates the conduct of all Group directors, officers and employees during the performance of their activities.
- E. Manuals of policies and procedures that regulate the operations undertaken by the institution and that establish the points of control to be observed and the parties responsible for compliance thereof.

During 1Q06, the Code of Ethics was presented to the Board of Directors. Some changes in its contents were proposed changing its name to Code of Conduct of GFNorte. Once this new Code was approved, it was communicated to all the organization with the help of Banorte's Intranet.

## **Treasury Policy**

GFNorte's Banking Sector Treasury is the central unit in charge of balancing its resource needs, monitoring and managing the regulatory levels, eliminating the rate risk of fixed-rate placement operations by using coverage and implementing arbitrage strategies.

The cash currencies and investment in securities are in Mexican pesos and U.S. dollars.

## **Internal and External Liquidity Sources**

The internal liquidity sources, in local as well as foreign currency, come from the various deposit products that the institution offers its customers, that is checking accounts and term deposits. Another source is the sales of the institution's assets.

External liquidity sources include various mechanisms to access the debt and capital markets. For instance, issuing credit titles, loans from other institution including the Central Bank and international agencies, as well as issuing subordinate debts. This concept also considers the liquidity that the bank obtains by reporting the securities the institution has that are feasible for this type of operation.

Another alternative for getting resources is by issuing capital shares.

### **Dividend Policy**

During the April 30, 2003 session, the Board of Directors approved a dividend payment policy in which it will propose to the General Ordinary Stockholders' Meeting a dividend payment consisting of at least 15% of the Partnership's net recurring profit, providing that there is no legal impediment and that market conditions and the Partnership's financial situation allow it.

### **Related parties loans**

At GFNorte, the amount of the loans performed with related individuals and companies, does not exceed the established limit of 75% of the Tier 1 capital. As of March 31, 2006 and 2005, the loans granted to related parties totaled Ps 6,035 million and Ps. 4,394 million, respectively.

### **Persons In Charge**

The undersigned represent under oath that, within the scope of our respective functions, we have drawn up the information relative to Grupo Financiero Banorte contained in this report, which, to the best of our knowledge, reasonably reflects its situation.

Ing. Luis Peña Kegel  
Chief Executive Officer of Grupo Financiero Banorte, S. A. de C. V.

Ing. Sergio García Robles Gil  
Chief Financial Officer

C.P. Román Martínez Méndez  
Managing Director Audit

Lic. Jorge Eduardo Vega Camargo  
Executive Director Comptrollership

C.P. Nora Elía Cantú Suárez  
Executive Director Accounting

### **Basis for submitting Financial Statements**

**Grupo Financiero Banorte (GFNorte)** Issues consolidated financial statements with its Subsidiaries in accordance with the General Provisions Applicable to Financial Information of the Regulating Agencies of Financial Groups Subject to Supervision by the National Banking and Securities Commission (CNByV) published in the Official Gazette of the Federation on April 27, 2005. Such provisions adhere to the "Accounting Criteria for Regulating Agencies of Financial Groups" published in the CNByV's circulars 1456 and 1489 on December 22, 1999 and October 30, 2000, respectively. The figures are expressed in pesos at the close of all the periods being reported as per Bulletin B-9 "Financial Information on Intermediate Dates" of the Mexican Institute of Public Accountants. The value of the UDI is used at the end of each period in conformity with Criterion A-2 of the CNByV's Circular 1489.

Since last 2Q05, Banorte submits its Quarterly Report with information Consolidated at the Financial Group level in order to comply with the new general provisions applicable to the financial information of the holding companies that control financial groups subject to the supervision of the CNByV, published in the Official Gazette of the Federation on April 27, 2005.

**Banking Sector (Banorte & Bancen)** Issues consolidated financial statements with trust funds in udis and its subsidiaries in conformity with the General Provisions for Financial Information of Credit Institutions in effect as published on June 30, 2003 and April 27, 2005. Such provisions adhere to the Accounting Criteria for Credit Institutions contained in circulars 1448 and 1488 of October 14, 1999 and October 30, 2000, respectively. The figures are expressed in pesos at the close of all the periods being reported as per Bulletin B-9 "Financial Information on Intermediate Dates" of the Mexican Institute of Public Accountants. The value of the UDI is used at the end of each period in conformity with Criterion A-2 of the CNByV's Circular 1488.

**Grupo Financiero Banorte (GFNorte) and Banking Sector (Banorte & Bancen)** The financial information contained in this document has been developed according to the regulations issued by the CNByV for the regulating agency and the financial entities that make up the Financial Group and to the Generally Accepted Accounting Principles (GAAP) mentioned in criterion A-2 "Application of Specific Rules" of Circulars 1488 and 1489. The regulations of the CNByV and the GAAP mentioned above differ given the specialized operations of the Credit Institutions. Moreover, there is a difference in the generally accepted accounting principles of the United States (US GAAP) and the regulations and principles established by the American authorities for this type of financial entities. In order to present the information contained herein in an international format, the classification format and the presentation of certain financial information differ from the format used for the financial information published in Mexico.

The information contained in this document is based on the non-audited financial information of each of the entities to which it refers.