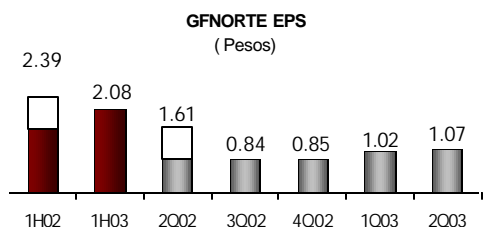
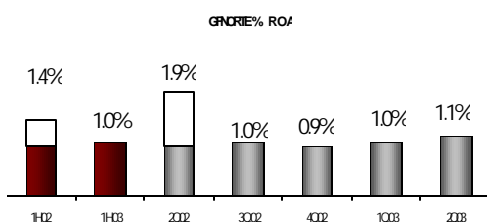
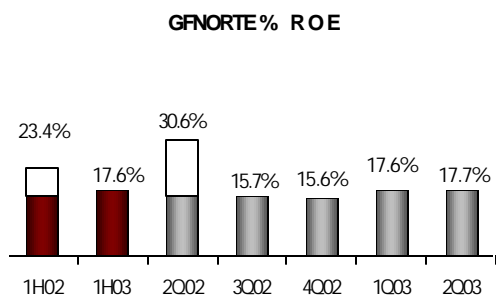
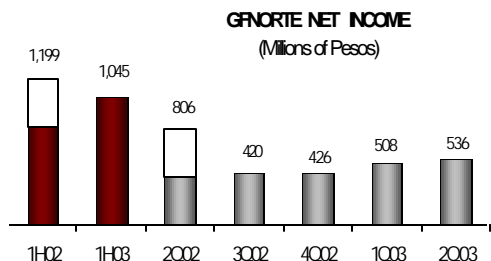


*GFNorte generates a net profit of Ps 1,045 million for the first half of the year.*



F

## GRUPO FINANCIERO BANORTE

- GFNorte's **Net Profit** of 1H03 was Ps 1,045 million, 31% higher than in 1H02 (excluding Generali's extraordinary income in 1H02), to which the Banking Sector contributed with Ps 819 million (not counting the Afore).
- GFNorte's **ROE** was 17.6% in the first half. This result was achieved despite the declining interest rates because of higher volumes of loans as well as greater Trading Income which offset for the drop in Net Interest Income.
- GFNorte **obtains a writ of relief** and unties from the lawsuit filed by Manuel Lance de la Torre's heirs who claim a percentage of the stock of Casa de Bolsa Banorte, S.A. de C.V.

## BANKING SECTOR

- Banorte's traditional banking loan portfolio shows a steady increase of 7.1% vs. 1Q03** (excluding Fobaproa / IPAB); 16.4% in the Consumer Portfolio, 7.5% in Commercial Loans, and 6.6% in Mortgage Loans.
- Banorte will grant loans** for up to Ps 4,750 million to Non Banking Financial Institutions (Sofoles) specialized in housing loans, with the backing of Sociedad Hipotecaria Federal.
- Standard & Poor's improves Banorte's perspective** to Stable from Negative and ratifies its counterparty ratings. This improvement was due to the successful integration of Bancrecer and the Bank's good results, and its loan portfolio growth.

## OTHER SECTORS

- The Long-Term Savings Sector's profits to the Group**, showed an important 72% growth vs 1H02, totaling Ps 141 million for GFNorte. This was due to better results obtained by the Pensions and Insurance companies.

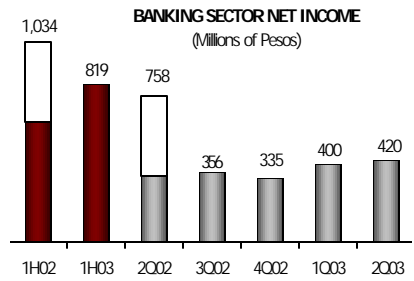
### Contacts:

Jorge Colin  
Gabriela Renovato

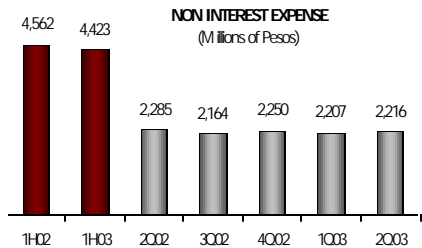
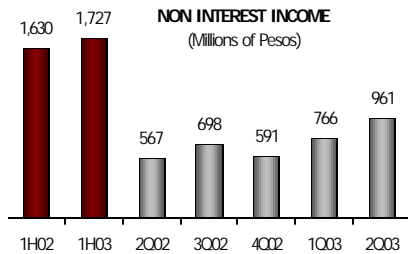
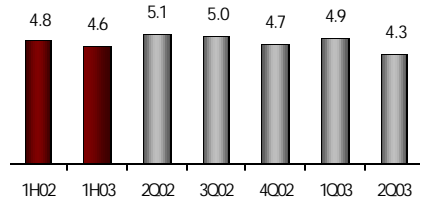
(5281) 8318 50 02  
(5281) 8318 50 65

E-mail: [investor@banorte.com](mailto:investor@banorte.com)  
[banorte.com](http://banorte.com)

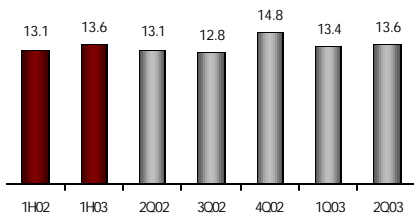
**Highlights**



% NIM



% CAPITALIZATION



**BANKING SECTOR**

**Net Profit**

The accumulated profit for the first half of the year was Ps 819 million (not including the Afore), 29.4% higher than in 1H02 (excluding General's extraordinary income in 2002), as a result of the increase in the Net Interest Income and Non Interest Income, and a reduction in the Non Interest Expense.

**Net Interest Margin**

The Net Interest Margin before Repomo dropped from 4.8% in 1H02 to 4.6% in 1H03, mainly because of the narrow differential between the 28-day Cetes rate and the 28-day TIIE, equivalent to 45 bp with respect to 1H02.

**Non Interest Income**

Higher Trading Income was one of the main factors that led to a 5.9% increase in the Non Interest Income as compared to the same period last year.

**Non Interest Expense**

The Non Interest Expense for the first half of the year fell by 3.0% vs. last year due mainly to an 8.7% reduction in Administration and Promotion Expenses and 4.8% in Personnel Expenses.

**Capitalization**

The Capitalization ratio closed 2Q03 at 13.6% vs. 13.4% in 1Q03. The profits generated in the period are responsible for this indicator's increase.

**Loan Portfolio**

At 1Q03, the Banking Sector's Loans rose by 3.7% vs. 1H02, totaling Ps 149,968 million. The traditional Banking loan portfolio grew by 41.2%.

**Asset Quality**

The Banking Sector's past-due loans rose because two corporate loans became non performing in 2Q03. The past-due loan portfolio closed the first half of the year with a balance of Ps 3,883 million, for a past-due loan rate of 2.6%. The Reserve Coverage reached 116%.

## Executive Summary

**Grupo Financiero Banorte (GFNORTE)** announced today its results for the second quarter of 2003. GFNorte and its subsidiaries showed a Net Profit of Ps 536 million in the quarter, 6% higher than in the previous quarter, and totaled Ps 1,045 million in the first half of the year, a 31% increase vs. the same period last year (excluding Generali's extraordinary income of Ps 400 million in 2Q02), equivalent to an annualized ROE of 17.6%.

**The Banking Sector** contributed Ps 420 million to the quarterly profits, 5% more than in the previous quarter; and a yearly total of Ps 819 million, 29% greater than in the first half of last year (excluding Generali's extraordinary income), equivalent to an annualized ROE of 15.9% for the first half. This sector contributed 78% of the Group's profits in 1H03. These important growths stem from an increase in the traditional banking business, specially in credit, the reactivation of the former Bancrecer branches, and from higher Trading Income and expense control.

The Net Interest Income fell with respect to 1Q03 because of substantial 248 base point drop in the average interest rate for the 28-day Cetes, which averaged 6.3% in the quarter.

The Non Interest Income rose 26% vs. the previous quarter and 6% compared to 1H02, mainly because of higher Trading Income as a result of an adequate management of the fixed income securities position in an interest rate down-trend environment.

The Non Interest Expense stayed the same as that of the previous quarter and fell by 3% vs. 1H02, given the optimization efforts that have rendered an improvement in the efficiency rate that went from 81% in 1H02 to 75% 1H03.

Total Deposits showed a 2% increase vs. that of 2Q02 and closed with a balance of Ps 197,052 million.

The Banking business continues to show a good increase its loan portfolio. The Traditional Banking loan portfolio (without Fobaproa / IPAB and Recovery Banking) grew by 7% vs. 1Q03 and 41% vs. 2Q02, and closed the quarter with a balance of Ps 61,542 million. Commercial and Corporate loans showed a growth in quarter of 8% and 3%, respectively, and 24% and 34% vs. 1H02, to close the period at Ps 18,444 million and Ps 13,554 million.

In order to compensate the lower interest rates impact with higher margin loans in the 2Q03, the most dynamic loans were Consumer loans. Electronic payroll loans closed with a balance of Ps 810 million, 26% vs. 1Q03 and 108% vs. 1H02. Similarly, Credit Cards and Car Loans showed quarterly growths of 17% and 14%, respectively, and both 71% in 1H03 vs. 1H02, to close with balances of Ps 2,153 million and Ps 4,016 million. Mortgage loans continued to rise steadily to end the quarter with a balance of Ps 11,704 million, a 7% increase for the quarter and 22% for the first half.

Regarding asset quality, the Banking business ended the quarter with a \$ 3,883 million balance, equivalent to a 2.6% past due loan ratio and a reserve coverage of 116%.

It worth mentioning the important growth in the Long Term Savings Sector, which includes the Afore, the Insurance and the Annuities companies, which accumulated a net income of Ps 141 million in the first half of the year, 72% higher than that of 1H02.

With the purpose of improving the corporate best practices of the Group, the Board of Directors of GFNorte approved a new policy to regulate the rotation of external auditors. The maximum term for services rendered by an auditing firm will be 6 years and 3 year for the firm's partner responsible for the auditing. The Group's Auditing Committee will evaluate the work made by the external auditors annually.

### **Lance Family Lawsuit.**

On Tuesday, July 8, the Third Three-Judge Civil Court of the Fourth Circuit in Monterrey, N.L. unanimously granted the writ of relief and protection from Federal Justice to Grupo Financiero Banorte, totally unlinking the Institution from the lawsuit proceedings started by Manual Lance de la Torre's heir against Afin Casa de Bolsa (now Casa de Bolsa Banorte). (see Exhibit 4).

Grupo Financiero Banorte

Grupo Financiero Banorte Earnings (Millions of Pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b>G. F. Banorte [holding]</b>	<b>(4.6)</b>	<b>7.4</b>	<b>2.9</b>	<b>(6.5)</b>	<b>10.3</b>
Banco Mercantil del Norte (1)	676.4	284.8	140.8	840.5	425.6
Banco del Centro	81.2	114.8	278.8	193.0	393.5
<b>Banking Sector</b>	<b>757.6</b>	<b>399.5</b>	<b>419.6</b>	<b>1,033.6</b>	<b>819.1</b>
<b>Brokerage Sector (Brokerage House)</b>	<b>30.7</b>	<b>6.9</b>	<b>25.3</b>	<b>54.7</b>	<b>32.2</b>
Afore	13.4	36.4	19.9	58.8	56.3
Insurance	(2.2)	22.1	26.4	28.5	48.5
Annuities	(5.5)	16.5	20.1	(5.3)	36.6
<b>Long-Term Saving Sector</b>	<b>2.8</b>	<b>75.0</b>	<b>66.3</b>	<b>82.0</b>	<b>141.4</b>
Leasing	7.4	4.7	5.8	12.7	10.5
Factoring	8.2	8.1	11.0	13.5	19.1
Warehousing	2.5	4.7	3.0	4.7	7.7
Bonding	1.3	2.1	2.4	4.0	4.5
<b>Auxiliary Organization Sector</b>	<b>19.4</b>	<b>19.6</b>	<b>22.2</b>	<b>34.9</b>	<b>41.8</b>
<b>Total</b>	<b>806.0</b>	<b>508.4</b>	<b>536.4</b>	<b>1,198.7</b>	<b>1,044.7</b>

1) 96.11% owned by GFNorte.

GFNorte Income Statement (Millions of Pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b>Net Interest Income (NII)</b>	<b>2,215.5</b>	<b>2,317.0</b>	<b>2,074.8</b>	<b>4,189.9</b>	<b>4,391.8</b>
+ REPOMO -Margin	40.5	15.0	12.4	68.6	27.4
<b>= NET Interest Income after Repomo</b>	<b>2,256.0</b>	<b>2,332.0</b>	<b>2,087.2</b>	<b>4,258.5</b>	<b>4,419.3</b>
- Loan Loss Provisions	197.7	236.4	341.1	368.4	577.5
- Loss Sharing Provisions	12.1	30.7	13.8	14.0	44.5
<b>=Net Interest Income after Provisions</b>	<b>2,046.2</b>	<b>2,065.0</b>	<b>1,732.3</b>	<b>3,876.1</b>	<b>3,797.3</b>
+ Non Interest Income	858.1	1,087.1	1,251.2	2,261.4	2,338.3
<b>= Total Operating Income</b>	<b>2,904.3</b>	<b>3,152.2</b>	<b>2,983.4</b>	<b>6,137.4</b>	<b>6,135.6</b>
- Non Interest Expense	2,561.6	2,465.7	2,474.2	5,106.1	4,939.9
<b>= Net Operating Income</b>	<b>342.7</b>	<b>686.5</b>	<b>509.2</b>	<b>1,031.3</b>	<b>1,195.7</b>
+ Non Operating Income (Expense) Net	220.7	(137.4)	59.2	58.9	(78.2)
<b>= Pre-tax Income</b>	<b>563.5</b>	<b>549.0</b>	<b>568.4</b>	<b>1,090.3</b>	<b>1,117.5</b>
- Income Tax & profit sharing	74.8	87.8	65.4	114.6	153.2
- Tax on asset	26.7	8.6	10.7	49.0	19.3
- Deferred Income Tax & profit sharing	12.3	(35.2)	(17.6)	89.1	(52.7)
<b>= Net Income before Subsidiaries</b>	<b>449.7</b>	<b>487.7</b>	<b>509.9</b>	<b>837.6</b>	<b>997.6</b>
+ Undistributed Earnings of Subsidiaries	(20.1)	67.2	50.7	35.0	117.9
<b>=Net Income-contin. Operation</b>	<b>429.6</b>	<b>555.0</b>	<b>560.6</b>	<b>872.5</b>	<b>1,115.5</b>
+ Extraordinary Items, net	416.7	-	0.7	416.7	0.7
- Minority Income	40.3	46.6	24.9	90.5	71.5
<b>=Total Net Income</b>	<b>806.0</b>	<b>508.4</b>	<b>536.4</b>	<b>1,198.7</b>	<b>1,044.7</b>

<b>Group's Balance Sheet Highlights</b>			
<i>(Millions of Pesos)</i>	2Q02	1Q03	2Q03
Performing loans excluding Fobaproa – IPAB (1)	46,074	60,080	63,726
FOBAPROA Loans	95,044	86,071	84,915
Past Due Loans	4,914	3,453	3,924
Total Loans	146,032	149,604	152,565
Loan Loss Reserves	5,721	4,374	4,527
Total Assets	182,178	196,512	204,696
Deposits	124,776	154,051	149,730
Equity	11,812	12,691	13,377
Assets under Management (2)	301,909	335,725	347,263

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.

<b>GFNorte Share Data</b>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	2Q02	1Q03	2Q03	2Q02	2Q03
Net Income per Share <i>(Pesos)</i>	1.61	1.02	1.07	2.39	2.08
Dividends per Share <i>(Pesos)</i>	-	-	-	-	-
Book Value per Share (1) <i>(Pesos)</i>	21.73	23.64	24.80	21.73	24.80
Shares Outstanding <i>(Millions of Shares)</i>	500.7	499.9	503.1	500.7	503.1
Price <i>(Pesos)</i>	22.94	24.99	29.50	22.94	29.50
P/BV <i>(Times)</i>	1.06	1.06	1.19	1.06	1.19
Market Cap <i>(Millions of Dollars)</i>	1,154	1,160	1,420	1,154	1,420

1) Excluding Minority holdings.

<b>Group's Financial Ratios</b>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b><u>Profitability</u></b>					
ROA (1)	1.9%	1.0%	1.1%	1.4%	1.0%
ROE (2)	30.6%	17.6%	17.7%	23.4%	17.6%
<b><u>Operation</u></b>					
Operative Efficiency Ratio (5)	5.6%	4.9%	4.9%	5.5%	4.9%
Efficiency Ratio (3)	80.9%	77.6%	85.6%	82.2%	81.4%
Efficiency Ratio (w/o Depreciation & contributions to IPAB) (4)	83.3%	72.4%	74.4%	79.1%	73.4%
<b><u>Assets Quality</u></b>					
Past Due Loans to Total Loans	116.4%	126.7%	115.4%	116.4%	115.4%
Loan Loss Reserves to past Due Loans	3.4%	2.3%	2.6%	3.4%	2.6%

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

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

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

4) (Non Interest Expense – Contributions to IPAB - Depreciation) / (Total Operating Income – Repomo Margin + Loan Loss Provisions -Trading Income)

5) Annualized Non Interest Expense of the quarter / Average Total Assets.

## Banking Sector

Banking Sector's Financial Ratios	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b><u>Profitability</u></b>					
NIM before Repomo (7)	5.1%	4.9%	4.3%	4.8%	4.6%
ROA (1)	1.8%	0.8%	0.9%	1.2%	0.9%
ROE (2)	34.6%	16.0%	15.9%	24.1%	15.9%
<b><u>Operation</u></b>					
Operative Efficiency Ratio (8)	5.1%	4.5%	4.5%	5.1%	4.5%
Efficiency Ratio (3)	81.3%	79.1%	87.0%	83.6%	82.9%
Efficiency Ratio (4)	84.7%	73.8%	75.5%	80.7%	74.7%
Indice de Liquidez (9)	29.1%	44.6%	40.6%	29.1%	40.6%
<b><u>Assets Quality</u></b>					
% Past Due Loans with Fobaproa	3.4%	2.3%	2.6%	3.4%	2.6%
% Past Due Loans w/o Fobaproa	9.8%	5.6%	6.0%	9.8%	6.0%
Loan Loss Reserves to past Due Loans	117.2%	127.2%	116.0%	117.2%	116.0%
<b><u>Quarter Growths</u></b>					
Loans w/o Fobaproa	3.1%	1.2%(6)	6.3%	46.8%	31.3%
Total Loans	0.4%	0.2%(6)	1.8%	70.0%	3.7%
Traditional Deposits	(8.3)%	6.0%	(2.7)%	54.0%	19.9%
Total Deposits	(5.9)%	(8.4)%	(1.2)%	48.7%	1.9%
<b><u>Capitalization</u></b>					
Net Capital/ Credit Risk Assets (5)	16.3%	17.2%	17.1%	16.3%	17.1%
Total Capitalization Ratio (5)	13.1%	13.4%	13.6%	13.1%	13.6%

- 1) Annualized earnings as a percentage of the average of quarterly assets over the period.
- 2) Annualized earnings as a percentage of the average of quarterly equity over the period.
- 3) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions - Trading Income)
- 4) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions)
- 5) The Banking Sector Ratio is included for information purposes. A ratio for each bank is presented in the capitalization section.
- 6) Excludes the sale of loans to Sólida Administradora de Portafolios for Ps 1.9 billion and the Ps 6.5 billion payment of the loans granted to a federal government financial entity at the end of 4Q02.
- 7) MIN= Annualized Net Interest Margin before REPOMO / Average Earnings Assets
- 8) Annualized Non Interest Expense of the quarter / Average Total Assets.
- 9) Liquid Assets / Liquid Liabilities

## Information by Sectors

### 1.- Banking Sector

<b>Income Statement</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b>Net Interest Income</b>	2,130.8	2,222.9	1,973.5	4,024.9	4,196.5
+ REPOMO -Margin	49.4	24.0	12.5	86.2	36.5
<b>= Net Interest Income after Repomo</b>	<b>2,180.2</b>	<b>2,246.9</b>	<b>1,986.1</b>	<b>4,111.2</b>	<b>4,233.0</b>
- Loan Loss Provisions	197.7	234.3	336.7	368.3	571.0
- Loss Sharing Provisions	12.1	30.7	13.8	14.0	44.5
<b>= Net Interest Income after Provisions</b>	<b>1,970.4</b>	<b>1,981.9</b>	<b>1,635.5</b>	<b>3,728.8</b>	<b>3,617.4</b>
+ Non Interest Income	566.8	765.9	961.1	1,630.4	1,727.0
<b>= Total Operating Income</b>	<b>2,537.2</b>	<b>2,747.8</b>	<b>2,596.7</b>	<b>5,359.2</b>	<b>5,344.5</b>
- Non Interest Expense	2,284.5	2,206.8	2,216.0	4,561.5	4,422.8
<b>= Net Operating Income</b>	<b>252.6</b>	<b>541.0</b>	<b>380.7</b>	<b>797.8</b>	<b>921.6</b>
+ Non Operating Income (Expense) Net	222.3	(128.1)	78.1	60.1	(50.0)
<b>= Pre-tax Income</b>	<b>475.0</b>	<b>412.9</b>	<b>458.8</b>	<b>857.9</b>	<b>871.6</b>
- Income Tax & profit sharing	36.7	31.2	32.8	36.7	64.0
- Tax on asset	26.7	8.6	10.7	49.0	19.3
- Deferred Income Tax & profit sharing	17.5	(23.0)	(20.5)	99.5	(43.5)
<b>= Net Income before Subsidiaries</b>	<b>394.1</b>	<b>396.0</b>	<b>435.8</b>	<b>672.7</b>	<b>831.8</b>
+ Undistributed Earnings of Subsidiaries	(12.3)	51.6	8.8	37.0	60.3
<b>= Net Income-continuous Operation</b>	<b>381.8</b>	<b>447.6</b>	<b>444.6</b>	<b>709.7</b>	<b>892.1</b>
+ Extraordinary Items, net (Generali)	416.7	-	0.7	416.7	0.7
- Minority Income	0.0	0.1	0.1	0.0	0.1
<b>=Total Net Income</b>	<b>798.5</b>	<b>447.5</b>	<b>445.2</b>	<b>1,126.4</b>	<b>892.7</b>

The Banking Sector's (at 100%) profits for 2Q03 (including the Afore by participation method), amounted Ps 445.2 million, similar to those in 1Q03. The net accumulated profit showed a total of Ps 892.7 million, 25.8% higher than last year's (excluding Generali's extraordinary income for Ps 416.7 million). The Net Interest Margin before Repomo increased by 4.3% during 2003, due to the substantial growth in the traditional loans portfolio. The Loan Loss Provisions increased 55.0% vs. 1H02, and closed with a past-due loan reserve coverage of 116.0%. Non Interest Income rose 5.9% with respect to last year due mainly to the higher Security Realized Gains. Non Interest Expense fell by 3.0% as a result of efficiency efforts and expense control, which are reflected in the lower Administration and Promotion Expenses and Personnel Expenses. Non Operating Income (Expense), Net up to 1H03, registered Ps 50.0 million negative due mainly to the drop in Other Income and Recoveries as compared to last year. The Deferred Income Tax & Profit Sharing were positive in 1H03 as they included Ps 43.5 million of anticipated amortization of profits expected in the following quarters. The Subsidiaries' Profits rose with respect to 1H02 because of the greater contributions of Sólida Administradora de Portafolios.

## Net Interest Income

Banking Sector Net Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	2002	1Q03	2Q03	2Q02	2Q03
Interest Income	5,563.8	6,488.4	5,096.6	11,303.2	11,585.0
Interest Expense	3,638.2	4,441.5	3,296.6	7,599.2	7,738.2
Loan Fees	214.8	185.6	187.8	339.1	373.4
Fees Paid	9.7	9.6	14.2	18.1	23.8
<b>Net Interest Income before Repomo</b>	<b>2,130.8</b>	<b>2,222.9</b>	<b>1,973.5</b>	<b>4,024.9</b>	<b>4,196.5</b>
Average Earning Assets	165,693	182,825	182,578	142,831	183,747
<b>MIN before REPOMO (1)</b>	<b>5.1%</b>	<b>4.9%(2)</b>	<b>4.3%</b>	<b>4.8%</b>	<b>4.6%</b>

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

(2) 1Q03's percentage varied with respect to the one reported in the previous quarterly release as quarterly balances previous quarterly, are now used to calculate the average of Productive Assets instead of monthly averages.

Net Interest Income (Millions of Pesos)	2Q02		1Q03		2Q03	
	BANORTE	BANCEN	BANORTE	BANCEN	BANORTE	BANCEN
Interest Income- loans & securities	3,623.9	1,261.5	4,579.6	1,418.6	3,853.8	1,227.0
Interest Income- repo agreement	157.9	520.0	28.2	462.6	19.3	(4.3)
Foreign exchange Valuation	-	-	-	(0.6)	-	0.7
UDI valuation	0.5	-	-	-	-	-
<b>Interest Income</b>	<b>3,782.3</b>	<b>1,781.4</b>	<b>4,607.8</b>	<b>1,880.6</b>	<b>3,873.1</b>	<b>1,223.5</b>
Interest Expenses-dep. & funding	1,905.4	8.9	2,624.6	6.1	2,140.6	5.2
Interest expenses- repo agreement	1,051.8	659.5	1,108.2	677.4	713.9	434.9
Foreign exchange Valuation	(2.7)	1.6	10.9	-	(1.4)	-
UDI valuation	12.4	1.2	13.9	0.6	3.7	(0.2)
<b>- Interest Expense</b>	<b>2,966.9</b>	<b>671.3</b>	<b>3,757.5</b>	<b>684.0</b>	<b>2,856.8</b>	<b>439.8</b>
Loan Fees	214.7	0.2	185.6	-	187.8	-
Fees paid	9.7	-	9.6	-	14.2	-
<b>= Net Interest Income</b>	<b>1,020.4</b>	<b>1,110.3</b>	<b>1,026.3</b>	<b>1,196.6</b>	<b>1,189.9</b>	<b>783.6</b>

The Net Interest Margin before Repomo during the quarter fell by 11.2% vs. 1Q03, from 4.9%(2) to 4.3%, because various factors influenced its performance as follows:

### Increased:

- A 7.1% increase in the traditional banking loan portfolio.

### Decreased:

- A drop in the market rates in the quarter vs. the previous quarter, as the average 28-day Cetes rate fell from 8.78% in 1Q03 to 6.30% in 2Q03; and the 28-day TIIE went from 9.64% to 6.79% in the same period. Besides, the gap between TIIE and Cetes rates narrowed by 37 bp.
- The peso appreciation as the exchange rate moved from 10.79 pesos/dollar at the close of 1Q03 to 10.44 pesos/dollar at the end of 2Q03.

The annual accumulated Net Interest Margin before Repomo increased by 4.3% vs. 1H02 because of the following factors that influenced its performance.

### Increased:

- A 41.2% increase in the traditional banking loan portfolio.
- Higher collections of fees of loans granted in the period.
- Increase in the exchange rate that went from 9.95 pesos/dollar in 2T02 to 10.44 pesos/dollar at the close of 1H03.
- Higher average interest rates during 1H03, as the 28-day Cete went from 6.95% to 7.54% and the TIIE rose from 8.07% to 8.21% vs. 1H02.



**Decreased:**

- The 45 bp reduction in the differential between the average 28-day Cete rate and the 28-day TIIE rate, which is the reference for a large part of the loan portfolio.

The MIN before Repomo for 1H03 fell from 4.8% in 1H02 to 4.6% in 1H03 because of the factors mentioned above.

In the following chart we show the quarterly Net Interest Margin (NIM) breakdown by type of asset. The NIM from the Loan Portfolio increases from 7.3% in 1Q03 to 8.1% in 2Q03, and the NIM's of Fobaproa / IPAB Notes and Other decrease when compared to 1Q03.

Net Interest Margin by type of asset (Millions of Pesos)	1Q03		2Q03		VAR.
	Vol.	NIM	Vol.	NIM	NIM
FOBAPROA / IPAB Notes	86,295	3.8%	85,493	2.7%	(1.1%)
Loan Portfolio	60,863	7.3%	59,474	8.1%	0.8%
Other <sup>(1)</sup>	35,668	3.3%	37,611	2.1%	(1.2%)
<b>TOTAL</b>	<b>182,825</b>	<b>4.9%</b>	<b>182,578</b>	<b>4.3%</b>	<b>(0.6%)</b>

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

**Non Interest Income**

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
+ Fund Transfers	52.2	43.0	43.2	95.2	86.2
+ Account Management Fees	174.4	147.6	163.0	335.8	310.6
+ Fiduciary	241.8	158.5	127.6	435.1	286.0
+ Credit Card	153.9	147.3	155.8	281.2	303.0
+ Income From loan portfolios acquired	64.6	50.4	34.2	175.6	84.6
+ Electronic Banking Services	33.3	63.9	56.0	123.5	119.9
+ From Fobaproa	64.0	46.9	32.8	203.4	79.7
+ Other Fees	125.3	121.3	149.3	248.9	270.5
<b>Fees on purchased services:</b>	<b>909.5</b>	<b>778.8</b>	<b>761.8</b>	<b>1,898.8</b>	<b>1,540.5</b>
+ Fund Transfers	-	-	-	-	-
+ Other Fees	187.4	170.8	159.4	359.3	330.2
+ Expense From loan portfolios acquired	41.6	40.8	28.3	107.0	69.1
<b>Fees Paid :</b>	<b>229.0</b>	<b>211.6</b>	<b>187.7</b>	<b>466.3</b>	<b>399.3</b>
<b>=Net Fees</b>	<b>680.5</b>	<b>567.2</b>	<b>574.0</b>	<b>1,432.5</b>	<b>1,141.2</b>
+ Foreign Exchange	108.5	83.0	118.9	176.6	201.9
+ Securities- Realized gains	(176.0)	119.0	305.0	75.1	424.0
+ Securities- Unrealized gains	(46.3)	(3.2)	(36.8)	(53.8)	(40.0)
<b>Trading Income</b>	<b>(113.7)</b>	<b>198.7</b>	<b>387.1</b>	<b>197.9</b>	<b>585.8</b>
<b>= Non Interest Income</b>	<b>566.8</b>	<b>765.9</b>	<b>961.1</b>	<b>1,630.4</b>	<b>1,727.0</b>

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

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
Service	467.5	467.1	491.7	954.2	958.8
Recovery	213.0	100.1	82.3	478.3	182.4
Trading	(113.7)	198.7	387.1	197.9	585.8
<b>= Non Interest Income</b>	<b>566.8</b>	<b>765.9</b>	<b>961.1</b>	<b>1,630.4</b>	<b>1,727.0</b>

The Non Interest Income for the quarter rose by 25.5% vs. 1Q03. This variation was due to the following factors:

**Service Fees:**

Service fees rose by 5.3% vs. 1Q03 because of the increased activity in several service areas, as it was the case of Account management fees that rose by 10.4% and Credit Card Fees by 5.8%.

The accumulated Service Fee Income increase by 0.5% vs 1H02 because of a 7.8% jump in Credit Card fees, although some areas showed lower income because clients have become more efficient in the use of banking services as a result of the new charges and increases in service fees established in 1H02.

**Recovery:**

<b>Non Interest Income</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	<b>2Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>2Q02</b>	<b>2Q03</b>
<b>SERFIN</b>					
Fee Income (Fiduciary)	205.1	113.3	88.0	345.1	201.3
- Fee Expense (Other Fees Paid)	<u>79.1</u>	<u>69.7</u>	<u>44.4</u>	<u>138.8</u>	<u>114.1</u>
<b>= Net Fees from Serfin</b>	<b>126.0</b>	<b>43.6</b>	<b>43.6</b>	<b>206.3</b>	<b>87.1</b>
<b>LOAN PORTFOLIOS ACQUIRED</b>					
Income	64.6	50.4	34.2	175.6	84.6
- Expense	<u>41.6</u>	<u>40.8</u>	<u>28.3</u>	<u>107.0</u>	<u>69.1</u>
<b>= Net Income from loan portfolios acquired</b>	<b>23.0</b>	<b>9.6</b>	<b>5.9</b>	<b>68.6</b>	<b>15.5</b>
<b>FOBAPROA FEES</b>					
From FOBAPROA	64.0	46.9	32.8	203.4	79.7
<b>= Fobaproa Fees</b>	<b>64.0</b>	<b>46.9</b>	<b>32.8</b>	<b>203.4</b>	<b>79.7</b>
<b>Non Interest Income – Recovery Bank</b>	<b>213.0</b>	<b>100.1</b>	<b>82.3</b>	<b>478.3</b>	<b>182.4</b>

The Non Interest Income from loan Recovery for the quarter fell by 17.8% vs. 1Q03, mainly because of a 30.1% drop in the Fobaproa Fees Collected as a result of the lower cash collecting in the quarter for the Bancen and Banpaís portfolios. The accumulated Non Interest Income from Recovery Banking fell by 61.9%.

The drop in the Fobaproa Fees is due largely to the fact that portfolio administration fees were no longer charged since the agreement expired in Dec 1'02. last June, this agreement was renegotiated and the fees are expected to increase again as of 3Q03 with a close to Ps 100 million retroactive positive effect.

**Trading:**

The quarterly Trading Income rose by 94.8% mainly due to a substantial increase in the Security Realized Gains which went from Ps 119.0 million to Ps 305.0 million, as a result of the favorable fixed income positions in the investments made by the Treasury that benefited from the interest rate performance during the quarter. The Foreign Exchange income also rose significantly by 43.3%.

The overall 1H03 Trading Income rose 196.0% vs. 1H02 given the important 464.6% increase in the Security Realized Gains and 14.3% in Foreign Exchange.

### Non Interest Expense

Non Interest Expense (Millions of Pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
Personnel Expenses	968.0	990.8	896.3	1,981.9	1,887.0
+Professional Fees	104.2	82.1	111.5	192.4	193.6
+Operation & Administration Expenses	566.1	512.9	542.1	1,156.1	1,055.0
+Rent, Depreciation & Amortization	338.9	305.3	331.2	637.8	636.5
+Tax other than income tax	140.1	138.5	157.9	265.5	296.4
+Contributions to IPAB	167.2	177.2	177.1	327.7	354.3
- Corporate Expense Recoveries	-	-	-	-	-
<b>= Non Interest Expense</b>	<b>2,284.5</b>	<b>2,206.8</b>	<b>2,216.0</b>	<b>4,561.5</b>	<b>4,422.8</b>

The quarter's Non Interest Expense remained at a similar level as that of 1Q03, although there were changes in some areas. Personnel Expenses dropped by 9.5% due to the creation of fewer provisions for bonuses and compensations, as both were leveled out according to the semester estimate. Professional Fees rose Ps 29.4 million, of which nearly half were due to project start-ups in IT Systems and the rest for audit, consulting and appraisal services, among others. Administration and Promotion Expenses rose 5.7% due mainly to Advertising Expenses (within the budget) and the reserves created for the new credit and debit cards points program. The Expenses for Leases, Depreciations and Amortizations rose by Ps 25.9 million as a result of higher amortizations of the Installation Expense, for equipment and software rental, and the amortization of operating and technology integration of Bancrecer and Banorte. Other Taxes rose by Ps 19.4 million, mostly from the VAT from a client's payment in kind.

The accumulated Non Interest Expense for the first half dropped 3.0% vs. 1H02, with reductions of 4.8% in Personnel Expenses and 8.7% in Administration and Promotion Expenses as a result of the efforts targeted to controlling and reducing Operating Expenses.

### Non Operating Income (Expense) Net

Non Operating Income (Expense) (Millions of Pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
+Other Revenues	186.2	90.2	67.7	265.0	157.9
+Foreign Exchange	-	0.0	0.0	-	0.0
+Recoveries	68.4	8.2	64.6	124.2	72.7
+Repomo-other revenues	1.2	5.0	1.2	1.8	6.1
<b>=Non Operating Income</b>	<b>255.7</b>	<b>103.3</b>	<b>133.4</b>	<b>391.0</b>	<b>236.7</b>
-Other Expenses	43.5	(148.4)	(28.9)	(208.4)	(177.3)
-Foreign Exchange	(4.8)	-	-	(6.6)	-
-Repomo-other expenses	(72.1)	(83.0)	(26.4)	(115.8)	(109.4)
<b>=Non Operating Expense</b>	<b>(33.4)</b>	<b>(231.4)</b>	<b>(55.3)</b>	<b>(330.9)</b>	<b>(286.7)</b>
<b>= Non Operating Income (Expense) Net</b>	<b>222.3</b>	<b>(128.1)</b>	<b>78.1</b>	<b>60.1</b>	<b>(50.0)</b>

The Non Operating Income (Expense) Net for the quarter amounted Ps 78.1 million, which is an improvement over the Ps 128.1 million negative in 1Q03. This variation was due to the following:

#### Non Operating Income:

A Ps 22.5 million drop in Non Operating Income, as the previous quarter showed earnings for the purchase of the Quadrum loans from IPAB for Ps 35 million, and the Banorte Brokerage House collected fees also dropped. Recoveries rose by Ps 56.4 million mainly because of the Ps 24 million recoveries in VAT and Marketing expenses charged to Seguros Banorte-Generali for a sum of Ps 30 million.

#### Non Operating Expense

Non Operating Expense dropped by Ps 119.5 million vs. 1Q03 because in the previous quarter various provisions for Ps 111 million were created. Additionally, the Repomo-Other Expenses fell by Ps 56.6 million because of the lower inflation rate in the quarter.

The accumulated result for Non Operating Income (Expense) Net for the first half went from Ps 60.1 million in 1H02 to Ps 50.0 million negative in 1H03 given the reductions of 40.4% and 41.5% in Other Income and Recoveries, respectively, even though the 14.9% drop in Other Expenses.

**Loan Portfolio**

Loan Portfolio (Millions of Pesos)	TRADITIONAL BANKING		RECOVERY BANKING		FOBAPROA		TOTAL	
	1Q03	2Q03	1Q03	2Q03	1Q03	2Q03	1Q03	2Q03
	Commercial	30,275	31,998	1,167	1,075	-	-	31,443
Corporate	17,150	18,444	1,167	1,075	-	-	18,317	19,518
Commercial	13,125	13,554	-	-	-	-	13,125	13,554
<b>Financial Entities</b>	<b>3,566</b>	<b>3,309</b>	-	-	-	-	<b>3,566</b>	<b>3,309</b>
Consumer	5,994	6,979	35	37	-	-	6,030	7,016
Credit Card	1,836	2,153	-	-	-	-	1,836	2,153
Automobile	3,518	4,016	9	10	-	-	3,527	4,027
Electronic Payroll	641	810	26	26	-	-	667	836
<b>Mortgages</b>	<b>10,979</b>	<b>11,704</b>	<b>2,518</b>	<b>2,392</b>	-	-	<b>13,497</b>	<b>14,096</b>
<b>Government Entities</b>	<b>6,654</b>	<b>7,552</b>	<b>8</b>	<b>8</b>	<b>79,470</b>	<b>78,281</b>	<b>86,132</b>	<b>85,841</b>
Government Entities	6,654	7,552	8	8	-	-	6,662	7,560
IPAB	-	-	-	-	79,470	78,281	79,470	78,281
<b>Fobaproa</b>	-	-	-	-	<b>6,601</b>	<b>6,634</b>	<b>6,601</b>	<b>6,634</b>
<b>Total</b>	<b>57,469</b>	<b>61,542</b>	<b>3,729</b>	<b>3,511</b>	<b>86,071</b>	<b>84,915</b>	<b>147,269</b>	<b>149,968</b>
Total Loans w/o Fobaproa/ IPAB							61,198	65,053
Fobraproa / IPAB loans							86,071	84,915
Past Due Loans							3,421	3,883

The Total Portfolio without Fobaproa /IPAB increased by 6.3% in the quarter, going from Ps 61,198 million to Ps 65,053 million. This growth is explained below:

- Corporate Loans rose 3.3% and Commercial Loans by 6.6% as new loans were granted during the quarter as a result of the promotional efforts aimed to service companies.
- Financial Entities Loans fell by 7.2% as there was a drop in the use of credit lines of our clients.
- Consumer Loans is still very dynamic and continues to show important increases, as reflected in the Credit Card Loans that rose 17.3% due to the promotional program to attract new clients as well as to the more widespread use of our card; Car Loans rose 14.2% as a result of the 9,900 new loans granted in the quarter; and Credinómina grew 25.3% because of 33,000 new loans granted.
- Mortgage Loans rose 4.4% given the 1,870 new loans granted.
- The IPAB Portfolio dropped by 1.5% due mainly to the fact in June Ps 740 million was prepaid out of a total of Ps 2,960 million of the pre-payment announced by the IPAB, the rest will be received in 3Q03. The pre-payments are on the Bancen and Banpaís portfolio with a return of TIIE + 0.85 bp.
- The exchange rate had a very minor effect on the loan portfolio as the decrease in the exchange rate that went from 10.79 pesos/dollar to 10.44 pesos/dollar from March 03 to June 03, was compensated with a 3.6% growth in dollar denominated loans.

Past-due Loans rose by 13.5% vs. 1Q03 and closed with a balance of Ps 3,883 million, and a past-due loan ratio of 2.6%, due mainly to two corporate loans that became non performing in the period. Steps are being taken to solve this situation in the short term.

<b>TRADITIONAL BANKING LOAN PORTFOLIO</b>					
<i>(Millions of Pesos)</i>	2Q02	1Q03	2Q03	%Quarterly Growth	%Annual Growth
Commercial	14,875	17,150	18,444	7.5%	24.0%
Corporate	10,112	13,125	13,554	3.3%	34.0%
Mortgages	9,632	10,979	11,704	6.6%	21.5%
Automobile	2,343	3,518	4,016	14.2%	71.4%
Credit Card	1,259	1,836	2,153	17.3%	71.0%
Electronic Payroll	389	641	810	26.4%	108.3%
Government Entities	3,682	6,654	7,552	13.5%	105.1%
Financial Entities	1,288	3,566	3,309	(7.2)%	156.9%
<b>Total</b>	<b>43,581</b>	<b>57,469</b>	<b>61,542</b>	<b>7.1%</b>	<b>41.2%</b>

Comparing the Traditional banking loan portfolio at the close of this first half with that of 1H02, there have been substantial increases due to new loans which represented an overall growth of 41.2%. Consumer loans showed an important growth as Electronic payroll loans increased 108.3%, Automobile loans, 71.4% and Credit Cards, 71.0% Mortgage loans continued growing at a 21.5% level. Financial and Government Entities showed increases above 100% each, increasing our penetration in these segments of the market. Finally, Commercial and Corporate loans also showed good growth of 24.0% and 34.0%, respectively. These growth are the result of the aggressive promotion Banorte made to place new loans and they also reflect a very dynamic Consumer Sector as well as high loan demand among companies.

### Classified Loans

Millions de Pesos		<b>RESERVES</b>			
<b>Category</b>	<b>LOANS</b>	<b>COMMERCIAL</b>	<b>CONSUMER</b>	<b>MORTGAGE</b>	<b>RESERVES</b>
A	51,229	268	28	50	346
B	6,212	159	90	152	402
C	2,707	532	87	196	815
D	905	36	141	463	639
E	1,610	1,461	137	-	1,598
<b>Total</b>	<b>62,664</b>	<b>2,456</b>	<b>483</b>	<b>861</b>	<b>3,800</b>
Not Classified	249				
Exempted	87,993				
<b>Total</b>	<b>150,906</b>	<b>2,456</b>	<b>483</b>	<b>861</b>	<b>3,800</b>
Reserves					<b>4,502</b>
Excess / (Deficit)					<b>702</b>

Note : Consolidated with UDIS. With June'03, per application of Report 1449,1460,1480 Y 14 of the CNByV (the National Banking and Securities Commission).  
 (\*) Includes Financial Intermediaries, Government Entities, Irrevocable Lines of Credit and Signatures Guarantees Granted.  
 Includes Ps 938 millions of Irrevocable lines of credit

### Loans Loss Reserves (LLR)

<b>Loan Loss Reserves</b>	<b>2Q03</b>		
	<b>BANORTE</b>	<b>BANCEN</b>	<b>Total</b>
<i>(Millions of Pesos)</i>			
<b>PREVIOUS PERIOD END BALANCE</b>	<b>3,908</b>	<b>442</b>	<b>4,350</b>
Provision taken in the period	272	3	275
UDI trusts transfers	51	2	53
Charge offs and discounts <sup>(*)</sup> :			
Commercial Portfolio	(21)	(1)	(23)
Foreclosed assets	(4)	-	(4)
Consumer Portfolio	(51)	-	(51)
Mortgage Portfolio	(16)	-	(16)
	<b>(92)</b>	<b>(1)</b>	<b>(93)</b>
Cost of debtors support programs	(29)	(3)	(31)
Valuation and Others	(49)	(1)	(50)
<b>LOAN LOSS RESERVES AT PERIOD END</b>	<b>4,060</b>	<b>442</b>	<b>4,502</b>

(\*) It does not include UDI trusts eliminations.

During the quarter, Ps 275 million were provisioned through the Income Statement and Ps 93 million were taken out through Charge offs and discounts related to Collections and restructuring of loans, from which Ps 23 millions came from Commercial loans, Ps 51 millions came from Consumer loans, Ps 16 millions from Mortgage loans and Ps 4 million from Foreclosed assets. The Loan Loss Reserve balance at the end of 2Q03 was Ps 4,502 million.

## Reserve Coverage

<b>Reserve Coverage</b> (Millions of Pesos)	Past Due Loans	Reserves	Reserves/Past Due Loans
<b>BANORTE</b>			
Commercial	2,157	2,157	100.0%
Financial Intermediaries	-	-	-
Consumer	331	331	100.0%
Mortgage	1,070	1,070	100.0%
Government Entities	8	8	100.0%
Surplus	-	495	-
<b>Total Banorte</b>	<b>3,565</b>	<b>4,060</b>	<b>113.9%</b>
<b>BANCEN</b>			
Commercial	169	169	100.0%
Financial Intermediaries	-	-	-
Consumer	-	-	-
Mortgage	148	148	100.0%
Government Entities	-	-	-
Surplus	-	125	-
<b>Total Bancen</b>	<b>317</b>	<b>442</b>	<b>139.4%</b>
<b>Total Banking Sector</b>	<b>3,883</b>	<b>4,502</b>	<b>116.0%</b>

The Reserve Coverage of the Banking Sector at 2Q03 was 116.0%. For Banorte the reserve coverage was 113.9% and 139.4% for Bancen. Both Banks have individual coverages of 100.0% for each type loan portfolio, with surpluses of Ps 495 million in Banorte and Ps 125 million in Bancen.

## Deposits

<b>Deposits</b> (Millions of Pesos)	2Q02	1Q03	2Q03
Demand Deposits	49,436	52,449	55,435
Time Deposits	74,166	100,307	94,177
Bonds	1,357	1,326	264
<b>Traditional Deposits</b>	<b>124,959</b>	<b>154,083</b>	<b>149,876</b>
On behalf of Third Parties Deposits (*)	68,438	45,406	47,176
<b>Total Deposits</b>	<b>193,397</b>	<b>199,489</b>	<b>197,052</b>

(\*) Accounted in Memorandum Accounts.

The quarter closed with an Total Deposit balance of Ps 197,052 million, 1.2% lower than in 1Q03. Traditional Deposits fell 2.7% vs. the previous quarter due to a 6.1% drop in Time Deposit because of greater Treasury funding through loans from Banks instead of term deposits. The Demand Deposits increased 5.7% as new clients were attracted by the expanded branch network. The annual growth of Total Deposits was 2% vs. 1H02, with increases of 12.1% in Demand Deposits and 27.0% in Time Deposits.

## Capitalization

Capitalization (Millions of Pesos)	RULES OF 2003			
	1Q03		2Q03	
	BANORTE	BANCEN	BANORTE	BANCEN
Tier 1 Capital	8,435	1,921	8,617	2,200
Tier 2 Capital	2,313	2	2,289	75
<b>Net Capital</b>	<b>10,748</b>	<b>1,923</b>	<b>10,905</b>	<b>2,275</b>
Credit risk assets	67,669	6,184	70,879	6,034
Net Capital/ Credit Risk Assets	15.9%	31.1%	15.4%	37.7%
Total risk assets (1)	77,637	17,031	81,759	15,109
Tier 1	10.9%	11.3%	10.5%	14.6%
Tier 2	3.0%	0.0%	2.8%	0.5%
<b>Total Capitalization Ratio</b>	<b>13.8%</b>	<b>11.3%</b>	<b>13.3%</b>	<b>15.1%</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 2Q03, The Banking Sector's capitalization ratio was 13.6% considering both loan and market risks. Banorte ended the quarter with a credit risk capitalization ratio of 15.4%, and 13.3% considering also market risks, with 10.5% of Tier 1 and 2.8% of Tier 2. Bancen, on the other hand, closed with a 37.7% ratio with respect to the credit risk assets, and with 15.1% including market risks. Its Tier 1 ratio was 14.6% and 0.5% for Tier 2. Bancen's capitalization ratio rose with respect to 1Q03 given its lower position in fixed income investment risk. It is worth pointing out the Bancen concentrates the Group's Banking Sector risk position. In both banks, the Net Capital increased mainly as a result of the profits during the quarter.

## US Dollar Assets and Liabilities

US Dollar Assets and Liabilities (Millions of Dollars)	1Q03		2Q03	
	BANORTE	BANCEN	BANORTE	BANCEN
<b>Assets</b>				
Cash	36.6	-	34.2	-
Deposits on Foreign Banks	432.3	25.6	281.4	25.0
Intergroup Deposits	-	-	-	-
USCP	51.5	-	77.8	-
Remittances Securitization Trust	10.4	-	11.2	-
Investment portfolio	505.6	-	591.5	-
Loan portfolio	922.6	1.2	1,020.0	1.2
Fobaproa – IPAB Notes(1)	(14.5)	-	(25.4)	-
Cross Currency Swaps	27.4	-	27.3	-
Foreign Exchange Derivatives	34.0 <sup>(2)</sup>	-	32.5	-
Other assets	46.4	1.8	30.6	1.9
<b>Total Assets</b>	<b>2,052.2</b>	<b>28.6</b>	<b>2,081.1</b>	<b>28.1</b>
<b>Liabilities</b>				
Retail Deposits	1,050.8	-	1,044.5	-
Market Issues	52.0	-	39.0	-
Loans from Banks	78.2	-	132.8	-
Intergroup Funding	-	-	-	-
Development Banks	77.7	26.9	67.5	26.4
Cross Currency Swaps	550.6	-	552.2	-
Deferred payments	-	-	-	-
Loan Loss Reserves	142.3	1.7	118.2	1.7
Subordinated Debentures	111.9 <sup>(3)</sup>	-	111.9	-
Foreign Exchange Derivatives	2.7 <sup>(2)</sup>	-	6.1	-
Other liabilities	(13.9) <sup>(2)</sup>	-	8.9	-
<b>Total Liabilities</b>	<b>2,052.2</b>	<b>28.6</b>	<b>2,081.1</b>	<b>28.1</b>

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

(2) Corrections were made on the 4Q02 report figures.

(3) Included for comparison purposes.

Figures are presented in constant pesos set at the close of June' 2003.

The combined balance of the total Banorte and Bancen assets at the close of 2Q03 was USD 2,108 million, 3.1% greater than in 1Q03 given the increases of 7.7% and 8.7% in the Investment Portfolio and the Loan Portfolio, respectively.

### Recovery Banking

<b>Recovery Banking Income Statement</b>		<b>ACCUMULATED</b>	
<i>(Millones de Pesos)</i>		<b>1H02</b>	<b>1H03</b>
Net Interest Income		8	(16)
+ REPOMO -margin		-	-
<b>= Net Interest Income After REPOMO</b>		<b>8</b>	<b>(16)</b>
- Loan Loss Provisions		26	22
<b>= Net Interest Income After Provisions</b>		<b>(18)</b>	<b>(38)</b>
+ Fiduciary		206	87
+ Fobaproa Fees (1)		204	80
+ Other Fees		139	66
Non Interest Income		<b>549</b>	<b>233</b>
<b>= Total Operating Income</b>		<b>531</b>	<b>195</b>
Non Interest Expense		307	110
<b>= Net Operating Income</b>		<b>224</b>	<b>85</b>
- Other Revenues and Expenses		-	35 (4)
<b>= Pre-tax Income</b>		<b>224</b>	<b>121</b>
- Income Tax & Profit Sharing		46	-
- Tax on Asset		-	-
- Deferred Income Tax & Profit Sharing		-	-
<b>= Net Income before Subsidiaries</b>		<b>178</b>	<b>121</b>
+ Undistributed Earnings of Subsidiaries		82	7
<b>= Net Income-continuous Operation</b>		<b>259</b>	<b>128</b>
+ Extraordinary Items, net		-	-
- Minority Income		-	-
<b>= Total Net Income</b>		<b>259</b>	<b>128</b>

(1) Net Figures.

(2) Includes Net Income From Loan Portfolios.

(3) Non Interest Expense of Sólida was netted out in the Undistributed Earnings of Subsidiaries line where Sólida's Net Income is shown.

(4) The Ps 35 millions registered in Other Revenues and Expenses, was registered in Other Fees at 1Q03.

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

<b>Assets Under Management</b> <i>(Millions of Pesos)</i>	<b>2003</b>	<b>ACCOUNTING IN THE BALANCE SHEET</b>	<b>ACCOUNTING IN THE INCOME STATEMENT</b>
<b>Fobaproa-IPAB: Portfolios</b>			
Banking Sector (1)	18,016	Out of balance trusts	Fees from FOBAPROA
Serfin	12,054	Serfin Trust	Fiduciary (3)
Reposessed assets	10,884	Out of balance trusts	Fobaproa fees and Fiduciary
	40,954		
<b>Loans purchased to IPAB(2):</b>	12,024	Sólida Administradora de Portafolios Bancen	Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen)
<b>Banking Sector Portfolio:</b>			
Banking Sector (1)	3,385	Banorte's Portfolio	Net Interest Income
Reposessed assets	1,296	Banorte's Reposessed assets	Other Revenues and Expenses
	4,681		
<b>Total</b>	<b>57,659</b>		

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

(2) Includes 9 packages.

(3) Departing 3Q01 this trust is consolidated and affects the following accounts: Interest Expenses, Fiduciary, Other Fees Paid, and Operation & Administration Expenses.

This section is intended to dimension the Recovery Banking business contribution to the Banking Sector. Recovery Banking has contributed substantially in the last years to the Banking Sector's earnings and it's future contribution will



depend on the development of this business unit as well as that of the Traditional GFNorte Banking Business.

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

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

Recovery Banking Contribution (Millions of Pesos)	ACCUMULATED	
	1H02	1H03
Traditional Banking Net Income	451	765
Recovery Bank Net Income	259	128
Banking Sector Net Income(*)	<b>710<sup>(1)</sup></b>	<b>893</b>
=% of Contribution	<b>36.5%</b>	<b>14.3%</b>

(\*) Banking Sector 100.0%

(1) Excludes Ps 416.7 millions of a extraordinary income from Generali.

The Recovery Banking contributed with Ps 128 million to the accumulated profits of the Banking Sector, equivalent to a 14.3% participation.

We stopped receiving part of the Fobaproa fees since Dec 1'02 due to the expiration of the original agreement by which Banorte charged management fees on the Bancen and Banpais loan portfolios, in addition to the success fees. Recently, this was renegotiated with IPAB in order to continue receiving this management fees for 2 more years and also to register them retroactively to Dec'02. These fees will be reflected in the 3Q03 results for close to Ps 100 million.

On the other hand, Banorte is negotiating with IPAB to extend the term of the Serfin loans collections agreement, that acquired in 1T00 for 4 years, in order to prolong the period of contribution of this portfolio to the Recovery Banking income.

## 2.- Brokerage Sector

Brokerage Sector (Millions of Pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b>Brokerage House</b>					
Net Income	30.7	6.9	25.3	54.7	32.2
Equity	308.8	336.3	359.8	308.8	359.8
Total Assets	472.1	432.4	454.0	472.1	454.0
Assets under Management	117,304.6	113,925.2	125,335.2	117,304.6	125,335.2
ROE %	41.8%	8.2%	29.1%	38.9%	18.8%

The **Brokerage Sector** (Brokerage House) showed a Ps 25.3 million profit during 1Q03 and Ps 32.2 million for the first half of the year. The income generated from money market operation was Ps 78.1 million so far this year. Note that the risk position structure allowed us to reverse the negative trend in Assets Under Management.

The stock brokerage income was Ps 14.9 million, 33% higher than in 1Q03. This was due to the fact that the local financial markets showed a very favorable development in the second quarter of 2003. In the second quarter, operations reached Ps 15,897 million with a 10.9% market share, ranking 2<sup>nd</sup> place, and Ps 28,666 million for an 11.98% market share for the year.

Mutual Funds grew by 31.8% during the second quarter and 19.6% in the first half of the year as compared to 1H02. On the other hand, the income of our subsidiary abroad Banorte Securities, LTD rose in 2Q03 to Ps 39.5 million and Ps 62.8 million in the first half; 63% higher than in the same period last year.

## 3.-Long Term Savings Sector

Long Term Savings Sector (Millions of pesos)	QUARTER			ACCUMULATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b>Afore</b>					
Net Income	26.4	71.5	38.9	115.3	110.4
Equity	1,293.2	1,102.2	1,141.2	1,293.2	1,141.2
Total Assets	1,554.5	1,290.8	1,346.5	1,554.5	1,346.5
Assets under Management (SIEFORE)	17,329	20,449	22,120	17,329	22,120
ROE %	8.2%	26.8%	13.9%	18.4%	20.2%
<b>Insurance</b>					
Net Income	(4.3)	43.3	51.8	55.9	95.1
Equity	197.7	273.1	325.1	197.7	325.1
Total Assets	1,811.9	2,239.9	2,358.5	1,811.9	2,358.5
Technical Reserves	1,457.5	1,726.2	1,740.2	1,457.5	1,740.2
Premiums sold	293.5	536.0	347.0	648.4	883.0
ROE %	(8.5)%	68.8%	69.3%	61.3%	68.9%
<b>Annuities</b>					
Net Income	(16.7)	32.4	39.4	(10.4)	71.7
Equity	118.0	160.7	200.0	118.0	200.0
Total Assets	4,400.6	4,594.0	4,675.5	4,400.6	4,675.5
Technical Reserves	4,269.8	4,424.6	4,467.6	4,269.8	4,467.6
ROE %	(52.7)%	89.6%	87.3%	(16.4)%	88.0%

The **Afore** showed a Net Quarterly Profit of Ps 38.9 million (51% from Bancen), 45.6% lower than that of 1Q03. This variation between the two quarters was due mainly to the business' cyclic nature -as employer contributions are bimonthly, two contributions are received in the first and third quarters of every year whereas as there is only one contribution in the 2nd and 4th quarters. The accumulated profit was Ps 110.4 million, 4.3% lower than in 1H03, despite the reduction in fees charged to our affiliates, because of the 27.8% growth in the Assets Managed by SIEFORE in this same period, higher than the industry, and generated the highest return for the affiliates when compared to the industry in the last 18 months with a 13.19% yield. At the close of 2Q03, there were 2,690,181 affiliates, for a 10.1% share in certified accounts. Since last January, the fees charged to our affiliates were reduced: the balance fee went from 1.0% to 0.7% and the flow fee from 1.45% to 1.40%. These reductions were made to retain competitiveness in the face of market demands.

The **Insurance Company** reached a Ps 51.8 million profit in the quarter (51% from GFNorte), 19.6% higher than in 1Q03 due principally to the substantial income from fixed income securities mark to market. The accumulated net

profit was 70.1% higher than that of 1H02 because of the 36.2% increase in the premiums issued from sales throughout the new integrated bank network during the year and a low damage claims level.

The **Annuities Company** quarterly profit was Ps 39.4 million (51% from GFNorte), 21.6% higher than that of 1Q03. This variation was due to the profit generated in its investment portfolio mark to market in the quarter and to lower expenses. The accumulated profit for 1H03 was Ps 71.7 million that compares favourably vs. the Ps 10.4 million loss in 1H02. This was due basically to the minimal growth of the Technical Reserves as the Instituto Mexicano del Seguro Social (IMSS) [Social Security] no longer sends pensions to the private pension companies. It currently ranks 5th in the industry and has a 9.3% market share in premiums sold and 5th in the number of pensions places, with a 10.6% market share.

Auxiliary Organizations Sector (Millones de pesos)	QUARTER			ACCUMULAATE	
	2Q02	1Q03	2Q03	2Q02	2Q03
<b>Leasing</b>					
Net Income	7.4	4.7	5.8	12.7	10.5
Equity	147.3	171.1	176.9	147.3	176.9
Loan Portfolio	835.3	974.8	1,069.6	835.3	1,069.6
Past Due Loans	23.2	19.1	28.3	23.2	28.3
Loan Loss Reserves	13.3	15.2	15.2	13.3	15.2
Total Assets	842.1	1,001.0	1,106.9	842.1	1,106.9
ROE %	20.5%	11.0%	13.3%	18.0%	12.2%
<b>Factoring</b>					
Net Income	8.2	8.1	11.0	13.5	19.1
Equity	155.2	179.4	190.4	155.2	190.4
Loan Portfolio	2,046.9	3,013.2	2,921.6	2,046.9	2,921.6
Past Due Loans	29.0	13.0	12.8	29.0	12.8
Loan Loss Reserves	9.0	8.5	9.5	9.0	9.5
ROE %	2,047.1	3,026.8	2,951.8	2,047.1	2,951.8
Total Assets	21.8%	18.4%	23.8%	18.2%	21.1%
<b>Warehousing</b>					
Net Income	2.5	4.7	3.0	4.7	7.7
Equity	68.6	63.0	65.6	68.6	65.6
Inventories(*)	500.7	188.1	534.8	500.7	534.8
Total Assets	561.8	282.6	590.5	561.8	590.5
ROE %	14.8%	30.7%	18.4%	14.2%	24.7%
<b>Bonding</b>					
Net Income	1.3	2.1	2.4	4.0	4.5
Equity	79.8	85.5	87.8	79.8	87.8
Total Assets	168.3	203.8	219.0	168.3	219.0
Technical Reserves	59.2	79.0	86.7	59.2	86.7
Premiums sold	22.5	24.6	30.1	40.4	54.7
ROE %	6.5%	10.1%	10.9%	10.2%	10.5%

New Accounting Principles : Warehousing, Leasing & Factoring= Circular 1490  
 (\*) Accounted in Other Assets, Deferred charges and Intangibles account.

The **Leasing Company** reported a quarterly profit of Ps 5.8 million, 23.4% greater than in 1Q03 because in the previous quarter Loan Reserves for Ps 2.5 million were created, and its loan portfolio grew by 9.7%. The accumulated Net Profit was Ps 10.5 million, 17.3% lower than in 1H02 due to greater loan provisions, lower fees collecting, and greater depreciation of leased goods. The Total portfolio grew by 28.1% vs. June 02. It currently ranks 6<sup>th</sup> among the 28 Leasing Companies.

The **Factoring Company** generated a quarterly profit of Ps 11.0 million, 35.8% greater than in 1Q03 due to an improvement in the loan mixture given the increased percentage in the Mexican pesos loan portfolio that contributes with a larger spread than the dollar portfolio. The accumulated profit was Ps 19.1 million, 41.5% higher than that of 1H02, as a result to the considerable 42.7% growth of its Loan Portfolio. The past-due loans portfolio closed with a balance of Ps 12.8 million, 55.9% lower than last year. The company at present ranks 1<sup>st</sup> among the 11 factoring companies.

The **Warehousing Company** showed a net profit of Ps 3.0 million during 2Q03, 36.2% lower than in 1Q03 due mainly to the reduction the REPOMO caused by the lower inflation rate in the period. The accumulated profit was Ps 7.7 million, 63.8% greater than that of 1H02. This profit was attained with the support of inventory commercialization

and direct domestic warehousing services that made it possible to make up for the drop in its in-bond services, which is the effect of the economic deceleration.

The **Bonding company** generated a net profit of Ps 2.4 million in the quarter, 14.3% higher than that of 1Q03, and an accumulated profit for the first half of Ps 4.5 million, 12.5% higher vs. 1H02. The reason was that during the first quarter of the year, the bonds granted to gasoline stations to operate with PEMEX increased substantially and this led to more stringent requirements for the creation of new technical reserves in the period, affecting the quarterly results. It showed a better behaviour in 1H03 with respect to 1H02 as premiums sold increased by 35.4%. Recently, an agreement was reached with the French company named "Scor Re" in order to re-bond up to 95% of Mexican companies bonding contracts. This opens an opportunity window to increase sales of this subsidiary.



## ANNEXES

---

1. MACROECONOMIC ENVIRONMENT
2. GRUPO FINANCIERO – GENERAL INFORMATION
3. ACCOUNTING CHANGES AND REGULATIONS
4. LANCE FAMILY LAWSUIT
5. FINANCIAL STATEMENTS
6. NOTES TO BANKING SECTOR FINANCIAL STATEMENTS

## ANNEX 1. Macroeconomic Environment

The second quarter of 2003 started with a great deal of nervousness worldwide given the U.S.-Iraqi war. However, its swift conclusion contributed to reverse the negative market trends, although an economic activity slow-down still prevails as a result of the conflict. In other words, the climate of uncertainty delayed investment decisions both in Mexico and the U.S.

After a 3.48% drop in the first quarter, the Mexican Stock Exchange experienced a growth of 19.29% in the second. The rise was practically vertical with only a minor fall toward the end of the quarter which was quickly overcome.

One of the most remarkable features of the April-June period was that the peso/dollar and dollar/euro parities moved in opposite directions –a striking contrast from their behavior in previous quarters. After the war, while the dollar dropped 5.61% with respect to the euro closing the quarter at 1.15 dollars per euro, the peso rose 2.55% vs. the dollar, closing on 31 June at 10.45 pesos per dollar.

Inflation started to show a strong downward trend in 2Q03, due to a still low internal demand, a moderate increase in public fees as promised by the SHCP, inter-merchant competition, decreasing salaries and a new rise in agricultural prices. All this plus less pressure on the exchange rate contributed to a reduction in the vicinity of 4% in the inflation level expectations. Therefore, the Banco de Mexico made no changes to its monetary policy.

Less uncertainty, falling international interest rates, lower inflation expectations and an unchanged monetary policy resulted in substantial drops in the interest rates in all the terms. The Cetes interest rate reached a level of 4.72% in the first auction in June.

Economic activity is what suffered most from the uncertainty of war. U.S. recovery had gathered momentum in 2002 but the invasion delayed investment and employment growth. American industrial production grew very slowly in 2Q03, restraining the industrial sector in Mexico. Consequently, although the services sector in both countries continues to grow, considerable downward revisions have been made for the 2003 GDP. The consensus among analysts is an average GDP growth of barely 2.16% for Mexico this year.

**ANNEX 2 .-Grupo Financiero- General Information**

**GFNorte Ownership in Subsidiaries**

	<b>2Q03</b>
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%

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

**Holding Company Capital Structure**

<b>Number of Shares</b>	<b>SERIE O As of June 30, 2003</b>
Number of shares issued	504,586,887
- Shares held on Treasury	1,500,000
<b>= Number of shares outstanding</b>	<b>503,086,887</b>

**Banorte Ratings**

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

## Banorte Ratings

Domestics Ratings				
Rating Agency	Rated Institution	Rating	Category	Date
Fitch	Banorte	F1 + (mex)	Short term counterparty risk	August 2002
		AA (mex)	Long term counterparty risk	
		F1 + (mex)	Short term CD's and Term Deposits	
		AA (mex)	Long term CD's and Term Deposits	
		AA (mex)	Bonds (1-00)	
		AA (mex)	Bonds (2-00)	
		AA - (mex)	Subordinated Debt (436,000 UDI'S)	
<b>Other Subsidiaries</b>				
Fitch	Sólida	Average High (mex)	Financial Asset Administrator	June 2002
	Operadora de Fondos	AA (mex)	Investment Financial Assets Administrator	August 2002
	Seguros Banorte Generali	AA (mex)	Insurance Financial Strength	August 2002

## No. of Employees & Distribution Network

EMPLOYEES	2Q02	1Q03	2Q03
Banking Sector (*)	12,522	12,861	13,009
Other Sectors	2,812	2,173	2,050
<b>Total Group</b>	<b>15,334</b>	<b>15,034</b>	<b>15,059</b>
<b>DISTRIBUTION NETWORK</b>			
Branches (**)	1,091	1,075	1,059
ATM	2,527	2,513	2,490

(\*) Includes Sólida Administradora de Portafolios.

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



### ANNEX 3 .-Accounting Changes and Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

**Interbank Eliminations in Balance lines**

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

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

**Interbank Eliminations in Income lines**

**Interest Income – Expense**

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

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

**Reserves for Integration Expenses.-**

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

**1. Reorganization**

**1.1 Restructuring Cost**

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

**1.2 Outplacement Program**

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

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

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

**2. Integration**

**2.1 Operative Integration**

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

**2.2 Re-branding**

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

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

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

**3. After Retirement obligations (medical service)**

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

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

The amounts of each concept are:

(Millions of pesos)

	Inicial Balance	June 2003 changes	June, 2003 Balance
1. Reorganization	368.1	(368.1)	0.0
2. Integration	229.2	(147.0)	82.2
3. After Retirement obligations (medical service)	80.7	(80.7)	0.0
<b>Total</b>	<b>678.0</b>	<b>(595.8)</b>	<b>82.2</b>

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

**Deferred Taxes.-**

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

(Millions of Nominal Pesos)

CONCEPT	2002		
	Temporary	Deferred	
	Differences	ISR	PTU
Loan Loss Provisions (not deducted)	Ps 3,162.8	Ps 1,107.0	Ps 23.1
Tax loss carryforwards	10.3	3.6	-
Deficit from retirement obligations	601.4	210.5	60.1
Tax on assets	-	-	-
Excess of fiscal on account value of foreclosed assets	171.1	59.9	-
<b>Total Assets</b>	<b>Ps 3,945.6</b>	<b>Ps 1,381.0</b>	<b>Ps 83.3</b>

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

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

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

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

**Goodwill. -**

As per Bulletin B8 of the Generally Accepted Accounting Principles, paragraph 22 "Acquisition and sales of subsidiaries," an Asset Goodwill was created in 2Q02 for the amount of Ps 69.6 million, which mostly consists of:

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

As of June 2003, the Goodwill adds up to Ps 54.5 million.

#### ANNEX 4 .-Lance Family Lawsuit

In 1994, a lawsuit was filed against AFIN CASA DE BOLSA, (later Casa de Bolsa Banorte), by the widow and heir of Mr. Manuel Lance de la Torre, who claim the right to AFIN stockholder equity shares that were the property of the late Mr. Lance as well as the payment of the corresponding dividends on said shares generated from 1990 to 1994.

Throughout the process, the legal teams designated by AFIN CASA DE BOLSA at the time, have worked to give documented proof of several facts, pointing out that the lawsuit is groundless as the shares bequeathed by Mr. Lance de la Torre to his wife and children were handed over and later sold, through the Mexican Stock Exchange, in June 1990. four years before the lawsuit in question was filed.

There have been attempts to involve Grupo Financiero Banorte, S.A. de C.V., which was never sued nor summoned. Therefore, it has never been heard nor defeated in a court of law. For this reason, Grupo Financiero Banorte, S.A. de C.V., in the face of the conspicuous and blatant violation of its constitutional guarantees, filed last July 5, 2003, a writ of relief, as it is clear that it cannot be forced to serve a sentence of a trial of which it was never a part of. At the time, the respective suit was admitted and the institution was granted the definite suspension of the acts being claimed.

Having used the writ of relief procedure in its various stages. the third judge of the district in civil and labor court of the city of Monterrey, Nuevo León, before whom said writ of relief was substantiated, determined to dismiss said trial on the grounds that it was belatedly filed.

On July 8th, 2003, the Third Three-Judge Civil Court of the Fourth Circuit of this city unanimously granted the writ of relief and protection from the Federal Courts to GRUPO FINANCIERO BANORTE, S.A. DE C.V. thereby leaving this financial intermediary's capital stock structure unscathed.

In its resolution, such Three-Judge Court determined that CASA DE BOLSA BANORTE and GRUPO FINANCIERO BANORTE are two separate entities and that the Brokerage House (Casa de Bolsa) is a company with a legal status, activities, patrimony, rights and obligations of its own, which are different from those of GRUPO FINANCIERO BANORTE, a Controlling Corporation made up of various independently-operating financial entities.

With the trial against AFIN CASA DE BOLSA, S. A. DE C. V., later called CASA DE BOLSA BANORTE, S. A. DE C. V, GRUPO FINANCIERO BANORTE, the intention was to use any illegal and spurious means possible to conjure up a sentence to harm GRUPO FINANCIERO BANORTE, S.A. DE C.V., despite the fact that there is no juridical relationship with the latter as it is a separate company and, therefore, a third party alien to said trial.

GRUPO FINANCIERO BANORTE, S.A. DE C.V., as an affected party whose guarantees of legal defense were violated, was finally granted a writ of relief leaving all the actions to execute the sentence decreed by the eleventh Civil Court Judge of the Federal District totally without effect. Therefore, Grupo Financiero Banorte, S.A. de C.V. is no longer in any way whatsoever linked to the aforementioned trial.

Finally, thanks to this action of Mexican justice, a state of legality has prevailed and GFNorte maintains its sound capital stock structure.

**ANNEX 5 .- Financial Statements**

**HOLDING –Income Statement** (Millions of Pesos)

	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Income from Subsidiaries and Interest Expense	398	813	426	429	2,066	501	534			1,035
Trading Income	-	-	-	-	-	-	-	-	-	-
Fees & Tariffs	-	-	-	-	-	-	-	-	-	-
REPOMO	(2)	(3)	(3)	(2)	(11)	(1)	-	-	-	(1)
<b>Total Operating Income</b>	<b>395</b>	<b>810</b>	<b>424</b>	<b>426</b>	<b>2,055</b>	<b>501</b>	<b>534</b>			<b>1,035</b>
Operation & Administrative expenses	-	1	1	1	3	1	1			1
<b>Operating Income</b>	<b>395</b>	<b>810</b>	<b>423</b>	<b>426</b>	<b>2,053</b>	<b>500</b>	<b>533</b>			<b>1,033</b>
Non Operating Income	-	1	1	4	5	12	(1)			11
Non Operating Expense	-	-	-	-	-	-	-			-
<b>Non Operating Income</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>12</b>	<b>(1)</b>			<b>(11)</b>
<b>Pre-tax Income</b>	<b>395</b>	<b>810</b>	<b>423</b>	<b>429</b>	<b>2,058</b>	<b>512</b>	<b>533</b>			<b>1,045</b>
Income Tax & Profit Sharing	3	3	3	3	13	4	(4)			-
Tax on Assets	-	-	-	-	-	-	-			-
Deferred Inc. Tax and Profit sharing	(1)	1	-	-	-	-	-			-
<b>Net income from Continuos</b>	<b>393</b>	<b>806</b>	<b>420</b>	<b>426</b>	<b>2,045</b>	<b>508</b>	<b>536</b>			<b>1,045</b>
Extraordinary Items, net	-	-	-	-	-	-	-			-
<b>Total Net Income</b>	<b>393</b>	<b>806</b>	<b>420</b>	<b>426</b>	<b>2,045</b>	<b>508</b>	<b>536</b>			<b>1,045</b>

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

ASSETS	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Cash and due from Banks	167	163	138	18	10	88		
Financial Instruments:								
Sundry debtors and other assets,net	46	52	67	63	64	138		
Real Estate, Furniture & Equipment, net	-	-	-	-	-	-		
Investments in subsidiaries	9,990	10,691	10,825	11,290	11,766	12,306		
Deferred taxes	-	-	-	-	-	-		
Goodwill	-	-	-	-	-	-		
Other Assets, Deferred charges, intang	1	1	1	-	1	1		
<b>TOTAL ASSETS</b>	<b>10,205</b>	<b>10,906</b>	<b>11,030</b>	<b>11,370</b>	<b>11,841</b>	<b>12,533</b>		
LIABILITIES								
Due to banks and correspondents	-	-	-	-	-	-		
Income Tax & Profit Sharing	9	8	11	13	3	11		
Other Payable accounts	-	1	517	-	-	-		
Other payable accounts	9	9	527	13	3	11		
Deferred taxes	16	18	23	22	20	43		
<b>TOTAL LIABILITIES</b>	<b>25</b>	<b>27</b>	<b>550</b>	<b>35</b>	<b>23</b>	<b>54</b>		
STOCKHOLDER 'S EQUITY								
Paid-in Capital	5,190	5,189	5,187	5,187	5,186	5,198		
Share subscription premiums	1,510	1,515	1,519	1,517	1,516	1,582		
Subordinated Convertible Debentures	-	-	-	-	-	-		
Subscribed Capital	<b>6,700</b>	<b>6,704</b>	<b>6,706</b>	<b>6,704</b>	<b>6,702</b>	<b>6,780</b>		
Capital Reserves	1,005	1,083	1,068	1,068	1,068	1,289		
Retained Earnings	10,223	10,143	9,627	9,627	11,671	11,491		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,312)	(5,313)	(5,312)	(5,308)	(5,307)	(5,308)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(2,828)	(2,937)	(3,228)	(2,800)	(2,825)	(2,818)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	393	1,199	1,619	2,045	508	1,045		
<b>Earned Capital</b>	<b>3,480</b>	<b>4,175</b>	<b>3,774</b>	<b>4,632</b>	<b>5,115</b>	<b>5,699</b>		
<b>Total Stockholder 's Equity</b>	<b>10,180</b>	<b>10,879</b>	<b>10,480</b>	<b>11,335</b>	<b>11,818</b>	<b>12,479</b>		
<b>TOTAL LIABILITIES &amp; STOCKHOLDER 'S</b>	<b>10,205</b>	<b>10,906</b>	<b>11,030</b>	<b>11,370</b>	<b>11,841</b>	<b>12,533</b>		

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

	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Client securities held in custody	3,088	3,621	3,578	3,512	3,472	3,463		
Other trust account items	118	116	115	113	111	111		
<b>Total</b>	<b>3,206</b>	<b>3,737</b>	<b>3,693</b>	<b>3,625</b>	<b>3,583</b>	<b>3,574</b>		

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

<b>NET INTEREST INCOME</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>ACUM</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>
Interest Income	5,844	5,661	6,042	6,444	23,991	6,623	5,237			11,860
Interest Expense	3,985	3,651	4,004	4,416	16,056	4,482	3,336			7,817
Loan Fees	124	215	161	173	673	186	188			373
Fees Paid	8	10	11	11	40	10	14			24
<b>Net Interest Income (NII)</b>	<b>1,974</b>	<b>2,216</b>	<b>2,188</b>	<b>2,191</b>	<b>8,569</b>	<b>2,317</b>	<b>2,075</b>			<b>4,392</b>
Repomo-Margin	28	40	(23)	33	78	15	12			27
<b>NII after Repomo</b>	<b>2,003</b>	<b>2,256</b>	<b>2,165</b>	<b>2,224</b>	<b>8,647</b>	<b>2,332</b>	<b>2,087</b>			<b>4,419</b>
Loan Loss Provisions	171	198	180	251	799	236	341			577
Loss Sharing Provisions	2	12	8	15	36	31	14			44
<b>NII after Provisions</b>	<b>1,830</b>	<b>2,046</b>	<b>1,977</b>	<b>1,958</b>	<b>7,812</b>	<b>2,065</b>	<b>1,732</b>			<b>3,797</b>
Fund transfers	43	52	48	46	189	43	43			86
Account management	161	174	165	150	650	148	163			311
Fiduciary	193	242	192	177	803	158	128			286
Income from Loan Portfolios Acquired	111	65	269	(44)	401	50	34			85
Electronic Banking Services	90	33	64	61	248	64	56			120
Credit Card	127	154	149	147	577	147	156			303
Fees from FOBAPROA	139	64	52	117	372	47	33			80
Other fees	449	403	504	395	1,751	423	398			821
<b>Fees on services,</b>	<b>1,315</b>	<b>1,187</b>	<b>1,442</b>	<b>1,049</b>	<b>4,993</b>	<b>1,081</b>	<b>1,010</b>			<b>2,091</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	179	193	216	282	870	179	165			344
Expenses from Loan Portfolios Acquired	65	42	156	26	289	41	28			69
<b>Fees paid,</b>	<b>245</b>	<b>234</b>	<b>371</b>	<b>308</b>	<b>1,159</b>	<b>219</b>	<b>193</b>			<b>413</b>
Foreign exchange	68	109	71	85	332	83	119			202
Securities –Realized gains	269	(154)	(65)	35	85	146	352			498
Securities- Unrealized gains	(4)	(49)	(13)	19	(47)	(3)	(36)			(40)
<b>Market-related Income</b>	<b>333</b>	<b>(94)</b>	<b>(7)</b>	<b>138</b>	<b>369</b>	<b>226</b>	<b>434</b>			<b>660</b>
<b>Total Non Interest Income</b>	<b>1,403</b>	<b>858</b>	<b>1,064</b>	<b>878</b>	<b>4,204</b>	<b>1,087</b>	<b>1,251</b>			<b>2,338</b>
<b>Total Operating Income</b>	<b>3,233</b>	<b>2,904</b>	<b>3,041</b>	<b>2,836</b>	<b>12,015</b>	<b>3,152</b>	<b>2,983</b>			<b>6,136</b>
Personnel	1,106	1,059	989	1,008	4,162	1,078	989			2,067
Professional Fees	90	105	113	106	414	83	114			197
Operation & Administrative expenses	721	709	700	734	2,864	635	661			1,297
Rents, depreciation and amortization	339	379	322	330	1,370	350	377			727
Taxes, other than income tax	129	142	157	191	619	142	156			298
Contributions to IPAB	161	167	161	173	662	177	177			354
Corporate expenses Recoveries	-	-	-	-	-	-	-			-
<b>Non-Interest Expense</b>	<b>2,544</b>	<b>2,562</b>	<b>2,442</b>	<b>2,542</b>	<b>10,091</b>	<b>2,466</b>	<b>2,474</b>			<b>4,940</b>
<b>Operating Income</b>	<b>689</b>	<b>343</b>	<b>599</b>	<b>294</b>	<b>1,924</b>	<b>686</b>	<b>509</b>			<b>1,196</b>
Other Revenues	262	485	753	601	2,101	561	346			906
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	57	69	135	92	352	9	66			75
Repomo-other revenues	1	2	2	15	21	5	1			7
<b>Non Operating Income</b>	<b>320</b>	<b>556</b>	<b>889</b>	<b>708</b>	<b>2,474</b>	<b>575</b>	<b>413</b>			<b>988</b>
Other Expense	(435)	(256)	(817)	(537)	(2,046)	(629)	(325)			(955)
Foreign exchange	(2)	(5)	-	-	(7)	-	-			-
Repomo-other Expenses	(46)	(75)	(81)	(143)	(344)	(83)	(28)			(112)
<b>Non Operating Expense</b>	<b>(482)</b>	<b>(336)</b>	<b>(899)</b>	<b>(680)</b>	<b>(2,397)</b>	<b>(712)</b>	<b>(354)</b>			<b>(1,066)</b>
<b>Non Operating Income (Expense), net</b>	<b>(162)</b>	<b>221</b>	<b>(10)</b>	<b>28</b>	<b>77</b>	<b>(137)</b>	<b>59</b>			<b>(78)</b>
<b>Pre-tax Income</b>	<b>527</b>	<b>563</b>	<b>590</b>	<b>322</b>	<b>2,002</b>	<b>549</b>	<b>568</b>			<b>1,117</b>
Income Tax	38	35	64	(6)	130	64	41			105
Profit sharing	2	40	28	32	103	24	24			48
Tax on Assets	22	27	27	37	113	9	11			19
Deferred Inc. Tax and Profit sharing	77	12	22	(104)	7	(35)	(18)			(53)
<b>Net Income before subsidiaries</b>	<b>388</b>	<b>450</b>	<b>448</b>	<b>363</b>	<b>1,648</b>	<b>488</b>	<b>510</b>			<b>998</b>
Subsidiaries' net income	55	(20)	22	102	159	67	51			118
<b>Net Income from continuous operations</b>	<b>443</b>	<b>430</b>	<b>470</b>	<b>465</b>	<b>1,808</b>	<b>555</b>	<b>561</b>			<b>1,116</b>
Extraordinary items, net	-	417	3	(2)	417	-	1			1
Minority Interest	50	40	53	36	180	47	25			71
<b>TOTAL NET INCOME</b>	<b>393</b>	<b>806</b>	<b>420</b>	<b>426</b>	<b>2,045</b>	<b>508</b>	<b>536</b>			<b>1,045</b>

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>17,761</b>	<b>18,073</b>	<b>20,189</b>	<b>23,862</b>	<b>22,343</b>	<b>25,674</b>		
Negotiable Instruments	3,882	3,348	2,412	3,027	4,026	3,946		
Securities held for sale	971	1,086	869	1,328	1,324	1,323		
Securities held to maturity	4,085	4,209	6,550	7,803	8,428	9,155		
<b>Financial Instruments:</b>	<b>8,938</b>	<b>8,643</b>	<b>9,831</b>	<b>12,158</b>	<b>13,778</b>	<b>14,424</b>		
Non-assigned securities to pay	-	-	-	-	-	1		
Repurchase agreements, net	155	146	192	76	158	44		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	27	-	-	10	14	1		
<b>Repos &amp; Derivatives :</b>	<b>181</b>	<b>146</b>	<b>192</b>	<b>86</b>	<b>172</b>	<b>45</b>		
Commercial	23,358	26,697	30,289	35,456	33,016	34,356		
Financial Intermediaries	74	61	55	6,657	2,146	2,196		
Consumer	3,388	4,037	4,622	5,233	5,945	6,744		
Mortgage	11,172	11,588	11,978	12,326	12,318	12,878		
Government Entities	42,579	89,084	85,752	86,215	86,126	85,833		
Fobaproa	58,449	9,652	10,189	6,216	6,601	6,634		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>141,021</b>	<b>141,118</b>	<b>142,885</b>	<b>152,103</b>	<b>146,151</b>	<b>148,641</b>		
Commercial	2,608	2,715	2,654	2,552	1,934	2,358		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	379	297	342	341	331	340		
Mortgage	1,925	1,900	1,914	1,947	1,180	1,218		
Government Entities	-	2	-	-	8	8		
<b>Past Due Loans</b>	<b>4,912</b>	<b>4,914</b>	<b>4,909</b>	<b>4,840</b>	<b>3,453</b>	<b>3,924</b>		
<b>Total Loans</b>	<b>145,934</b>	<b>146,032</b>	<b>147,794</b>	<b>156,943</b>	<b>149,604</b>	<b>152,565</b>		
Preventive loan loss reserves	5,655	5,721	5,803	5,689	4,374	4,527		
<b>Net Loan Portfolio</b>	<b>140,279</b>	<b>140,311</b>	<b>141,991</b>	<b>151,254</b>	<b>145,230</b>	<b>148,038</b>		
Credit Assets Portfolio	2,530	2,376	2,126	1,882	1,751	1,670		
Sundry debtors and other assets, net	1,829	1,714	1,839	2,674	2,533	3,860		
Foreclosed assets, net	1,417	1,356	1,304	1,234	1,168	1,198		
Real Estate, Furniture & Equipment, net	5,887	5,825	5,814	5,803	5,707	5,638		
Investments in subsidiaries	1,207	1,338	1,358	1,039	1,475	1,510		
Deferred taxes	609	619	632	821	874	854		
Goodwill	-	-	-	-	-	-		
Deferred charges & Intangibles	1,520	1,776	1,386	1,561	1,480	1,784		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>14,999</b>	<b>15,004</b>	<b>14,460</b>	<b>15,014</b>	<b>14,988</b>	<b>16,514</b>		
<b>TOTAL ASSETS</b>	<b>182,157</b>	<b>182,178</b>	<b>186,663</b>	<b>202,374</b>	<b>196,512</b>	<b>204,696</b>		



<b>GRUPO FINANCIERO BANORTE – CONSOLIDATED BALANCE SHEET</b>								
<i>(Millions of Pesos)</i>								
<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	51,494	49,416	49,037	53,417	52,427	55,377		
Time Deposits	83,156	74,003	83,360	90,600	100,298	94,089		
Bonds	1,409	1,357	1,370	1,313	1,326	264		
<b>Deposits</b>	<b>136,059</b>	<b>124,776</b>	<b>133,767</b>	<b>145,330</b>	<b>154,051</b>	<b>149,730</b>		
Demand	1,516	12,185	636	13,659	5,679	13,115		
Short term	14,557	15,237	23,337	13,646	4,696	8,765		
Long term	13,282	12,920	11,064	10,794	11,859	11,322		
<b>Due to banks and correspondents</b>	<b>29,355</b>	<b>40,342</b>	<b>35,036</b>	<b>38,098</b>	<b>22,233</b>	<b>33,202</b>		
Non-assigned securities to pay	-	-	-	-	-	1		
Repurchase agreements, net	70	169	246	33	50	24		
Operations with collateral	-	-	-	829	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	-	86	533	-	936	908		
<b>Repos &amp; Derivatives:</b>	<b>70</b>	<b>255</b>	<b>779</b>	<b>862</b>	<b>986</b>	<b>933</b>		
Income Tax & Profit Sharing	45	146	315	384	247	165		
Other Payable accounts	4,026	3,405	3,835	2,891	3,554	4,614		
<b>Other payable accounts</b>	<b>4,071</b>	<b>3,551</b>	<b>4,150</b>	<b>3,275</b>	<b>3,801</b>	<b>4,779</b>		
Subordinated non Convertible Debenture	1,459	1,430	1,459	2,623	2,702	2,605		
Deferred Taxes	-	-	-	-	-	-		
Deferred credits	64	13	13	23	48	70		
<b>TOTAL LIABILITIES</b>	<b>171,078</b>	<b>170,366</b>	<b>175,204</b>	<b>190,212</b>	<b>183,821</b>	<b>191,319</b>		
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	5,190	5,189	5,187	5,187	5,186	5,198		
Share subscription premiums	1,510	1,515	1,519	1,517	1,516	1,582		
Subordinated Convertible Debentures	-	-	-	-	-	-		
<b>Subscribed Capital</b>	<b>6,700</b>	<b>6,704</b>	<b>6,706</b>	<b>6,704</b>	<b>6,702</b>	<b>6,780</b>		
Capital Reserves	1,005	1,083	1,068	1,068	1,068	1,289		
Retained Earnings	10,223	10,143	9,627	9,627	11,671	11,491		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,312)	(5,313)	(5,312)	(5,308)	(5,307)	(5,308)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(2,828)	(2,937)	(3,228)	(2,800)	(2,825)	(2,818)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	393	1,199	1,619	2,045	508	1,045		
<b>Earned Capital</b>	<b>3,480</b>	<b>4,175</b>	<b>3,774</b>	<b>4,632</b>	<b>5,115</b>	<b>5,699</b>		
Minority Holdings	899	933	979	827	873	898		
<b>Total Stockholder 's Equity</b>	<b>11,079</b>	<b>11,812</b>	<b>11,459</b>	<b>12,162</b>	<b>12,691</b>	<b>13,377</b>		
<b>TOTAL LIABILITIES &amp;</b>	<b>182,157</b>	<b>182,178</b>	<b>186,663</b>	<b>202,374</b>	<b>196,512</b>	<b>204,696</b>		

**MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED**

(Millions of Pesos)	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
<b>ON BEHALF OF THIRD PARTY</b>								
Customers' banks	4	3	2	2	1	16		
Dividends receivable from customers	-	-	-	-	-	-	-	-
Interest receivable from customers	-	-	-	-	-	-	-	-
Liquidation of customer transactions	18,152	18,222	14,223	13,771	13,886	(22)		
Customer loans	-	-	-	-	-	-	-	-
Liquidation with foreign currencies of	-	-	-	-	-	-	-	-
Margin accounts in futures operations	-	-	-	-	-	-	-	-
Other current accounts	-	-	-	-	-	-	-	-
<b>CUSTOMERS CURRENT ACCOUNT</b>	<b>18,156</b>	<b>18,225</b>	<b>14,225</b>	<b>13,773</b>	<b>13,887</b>	<b>(6)</b>		
Client securities held in custody	110,171	116,016	126,609	126,892	113,728	125,151		
Securities and documents received in	-	1	-	-	1	-		
Client securities abroad	-	-	-	-	-	-		
<b>CLIENT SECURITIES</b>	<b>110,171</b>	<b>116,017</b>	<b>126,609</b>	<b>126,892</b>	<b>113,728</b>	<b>125,151</b>		
Repurchase operations for customers	26,316	26,274	24,491	25,977	22,812	25,051		
Clients securities loans	-	-	-	-	1	-		
Purchase of Futures & forward contracts	-	-	-	-	-	-		
Sale of futures and forward contracts	-	-	-	-	-	-		
Purchasing operations (option price)	48	27	73	56	48	44		
Sales operations (option price)	-	-	-	-	-	-		
Purchase of derivative packages	-	-	-	-	-	-		
Sale of derivative packages	-	-	-	-	-	-		
Administration trusts	1,111	1,102	1,284	1,537	2,302	2,454		
<b>TRANSACTIONS ON BEHALF CLIENT</b>	<b>27,476</b>	<b>27,403</b>	<b>25,847</b>	<b>27,570</b>	<b>25,163</b>	<b>27,548</b>		
<b>TOTAL ON BEHALF OF THIRD PARTY</b>	<b>155,803</b>	<b>161,644</b>	<b>166,681</b>	<b>168,235</b>	<b>152,779</b>	<b>152,693</b>		
Signature guarantees granted	15	-	-	-	-	-		
Issuing of irrevocable letters of credit	707	977	946	853	878	938		
Property in trust and guardianship	82,056	77,300	83,170	82,830	79,732	81,223		
Assets held in custody or in administration	127,857	119,962	128,871	129,392	134,924	129,365		
Amounts committed to operations with	55,164	54,379	5,843	5,832	5,763	6,140		
In Transit drafts	-	-	-	-	-	-		
Certificates of Deposit in circulation	87	87	186	471	441	565		
Secured Credit Cards from the company	-	-	-	-	-	-		
Securities given to the company in custody	89	126	145	190	99	186		
Government securities in custody of the	-	85	75	-	-	7		
Securities given to the company on	-	-	-	-	-	-		
Securities outside the country	-	-	-	-	-	-		
Liquidations with foreign currencies abroad	-	-	-	-	-	-		
Debits to the contingency fund	-	-	-	-	-	-		
Other contingent obligations	14,286	18,812	14,828	14,380	16,026	16,259		
Banking transactions on behalf of third-	113,881	147,199	156,185	74,583	47,814	48,091		
Investments in funds for the retirem.saving	2,477	2,491	2,459	1,572	224	234		
Integration of the credit portfolio	-	-	-	-	-	-		
Amounts contracted in derivative	4,262	3,219	2,634	4,841	6,316	6,585		
Other trust account items	359,616	360,548	330,471	419,205	415,162	394,754		
<b>OWN ACCOUNT OPERATIONS</b>	<b>760,498</b>	<b>785,184</b>	<b>725,812</b>	<b>734,150</b>	<b>707,379</b>	<b>684,347</b>		
Repurchase agreements								
Securities to be received	183,409	182,402	204,258	209,524	141,108	149,322		
(Less) Securities to be delivered	(183,365)	(182,546)	(204,484)	(209,487)	(140,936)	(149,321)		
<b>REPURCHASE TRANSACTIONS-</b>	<b>44</b>	<b>(144)</b>	<b>(226)</b>	<b>37</b>	<b>172</b>	<b>1</b>		
Securities to be received	121,091	133,315	140,050	143,311	76,478	80,753		
(Less) securities to be delivered	(121,051)	(133,193)	(139,878)	(143,304)	(76,542)	(80,734)		
<b>REPURCHASE TRANSACTIONS-SOLE</b>	<b>40</b>	<b>122</b>	<b>172</b>	<b>7</b>	<b>(65)</b>	<b>19</b>		
<b>TOTAL ON OWN ACCOUNT</b>	<b>760,582</b>	<b>785,162</b>	<b>725,758</b>	<b>734,193</b>	<b>707,487</b>	<b>684,367</b>		

**GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW**  
 JANUARY 1, 2003 – JUNE 30, 2003  
 (Millions of Pesos)

<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>	
<b>Net Income</b>	<b>1,045</b>
<b>Adjustments to Reconcile Net Income to Net Cash by Operating Activities</b>	
Mark to Market Valuation Results	40
Provisions for loan losses	622
Depreciation and amortization	391
Deferred Taxes	(53)
Provisions for Obligations	208
Minoritary Interest	(71)
Undistributed Earnings of Subsidiaries	118
	<b>1,254</b>
<b>Cash Flows From Investing Activities:</b>	
Banks Deposits	4,405
Decrease (Increase) loan portfolio	2,589
Decrease (Increase) credit assets portfolio	212
Decrease (Increase) treasury operations	(2,307)
Decrease (Increase) financial instruments	113
Loans from banks and other entities	(4,895)
Decrease (Increase) Deferred taxes	20
Decrease (Increase) in accounts receivable and payable	109
<b>Net Resources provided by operations</b>	<b>245</b>
<b>Financial Activities:</b>	
Subordinated Debentures Issue and Interest	(18)
Dividends Declared	-
Issuance of stock	117
<b>Net Resources provided by Investing activities</b>	<b>99</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>	
Proceeds from issuance of common stock	(494)
Decrease (Increase) Deferred charges or credits	(372)
Decrease (Increase) Foreclosed assets	36
<b>Net Cash provided by financing activities</b>	<b>(830)</b>
<b>Decrease (increase) in cash and due from banks</b>	<b>1,813</b>
<b>Cash and due from banks at the beginning of the year</b>	<b>23,861</b>
<b>Cash and due from banks at the end of the year</b>	<b>25,674</b>

**GRUPO FINANCIERO BANORTE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**JANUARY 1, 2003- JUNE 30, 2003.**  
(Millions of Pesos)

	CONTRIBUTED CAPITAL		
	Fixed Paid-in Capital	Paid-in Capital Premium	& oth. Securities
<b>Balance as of December 31,2002</b>	3,102	2,085	1,517
<b>Stock Changes</b>			
Issuance of stock	-	11	65
Profits Capitalization	-	-	-
<b>Total</b>	-	11	65
<b>Total Income</b>			
Total Income:			
Net Income	-	-	-
Results of assets holdings	-	-	-
Minority Interest	-	-	-
<b>Total</b>	-	-	-
<b>Balance as of June 30,2003</b>	3,102	2,096	1,582

	EARNED CAPITAL						Total Stockholder s' Equity
	Capital Reserve s	Retained earnings	Excess if Insuf. Capital Restatement	Non Monetary Assets Results (Investment)	Net Income of the year	Minorit ary Intere st	
<b>Balance as of December 31,2002</b>	1,068	9,627	(5,308)	(2,800)	2,045	827	12,162
<b>Stock Changes</b>							
Issuance of stock	120	(80)	-	-	-	-	117
Profits Capitalization	-	2,045	-	-	(2,045)	-	-
Provisions Created	101	(101)	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-
<b>Total</b>	221	1,864	-	-	(2,045)	-	117
<b>Total Income</b>							
Total Income:							
Net Income	-	-	-	-	1,045	-	1,045
Results of assets holdings	-	-	-	(18)	-	-	(18)
Minority Interest	-	-	-	-	-	71	71
<b>Total</b>	-	-	-	(18)	1,045	71	1,098
<b>Balance as of June 30,2003</b>	1,289	11,491	(5,308)	(2,818)	1,045	898	13,377

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

<b>NET INTEREST INCOME</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>ACUM</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>
Interest Income	5,739	5,564	5,951	6,356	23,611	6,488	5,097			11,585
Interest Expense	3,961	3,638	3,996	4,430	16,025	4,442	3,297			7,738
Loan Fees	124	215	161	173	673	186	188			373
Fees Paid	8	10	11	11	40	10	14			24
<b>Net Interest Income (NII)</b>	<b>1,894</b>	<b>2,131</b>	<b>2,105</b>	<b>2,089</b>	<b>8,219</b>	<b>2,223</b>	<b>1,974</b>			<b>4,196</b>
Repomo-Margin	37	49	(11)	42	117	24	13			37
<b>NII after Repomo</b>	<b>1,931</b>	<b>2,180</b>	<b>2,093</b>	<b>2,131</b>	<b>8,336</b>	<b>2,247</b>	<b>1,986</b>			<b>4,233</b>
Loan Loss Provisions	171	198	180	250	799	234	337			571
Loss Sharing Provisions	2	12	8	15	36	31	14			44
<b>NII after Provisions</b>	<b>1,758</b>	<b>1,970</b>	<b>1,906</b>	<b>1,866</b>	<b>7,501</b>	<b>1,982</b>	<b>1,636</b>			<b>3,617</b>
Fund transfers	43	52	48	46	189	43	43			86
Account management	161	174	165	150	650	148	163			311
Fiduciary	193	242	192	177	803	158	128			286
Income from Loan Portfolios Acquired	111	65	269	(44)	401	50	34			85
Electronic Banking Services	90	33	64	61	248	64	56			120
Credit Card	127	154	149	147	577	147	156			303
Fees from FOBAPROA	139	64	52	117	372	47	33			80
Other fees	124	125	152	129	530	121	149			271
<b>Fees on services,</b>	<b>989</b>	<b>910</b>	<b>1,090</b>	<b>782</b>	<b>3,772</b>	<b>779</b>	<b>762</b>			<b>1,541</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	172	187	208	277	844	171	159			330
Expenses from Loan Portfolios Acquired	65	42	156	26	289	41	28			69
<b>Fees paid,</b>	<b>237</b>	<b>229</b>	<b>363</b>	<b>303</b>	<b>1,132</b>	<b>212</b>	<b>188</b>			<b>399</b>
Foreign exchange	68	109	71	85	332	83	119			202
Securities -Realized gains	251	(176)	(90)	11	(4)	119	305			424
Securities- Unrealized gains	(8)	(46)	(10)	16	(47)	(3)	(37)			(40)
<b>Market-related Income</b>	<b>312</b>	<b>(114)</b>	<b>(29)</b>	<b>112</b>	<b>281</b>	<b>199</b>	<b>387</b>			<b>586</b>
<b>Total Non Interest Income</b>	<b>1,064</b>	<b>567</b>	<b>698</b>	<b>591</b>	<b>2,920</b>	<b>766</b>	<b>961</b>			<b>1,727</b>
<b>Total Operating Income</b>	<b>2,822</b>	<b>2,537</b>	<b>2,604</b>	<b>2,457</b>	<b>10,421</b>	<b>2,748</b>	<b>2,597</b>			<b>5,344</b>
Personnel	1,014	968	912	929	3,823	991	896			1,887
Professional Fees	88	104	111	102	406	82	112			194
Operation & Administrative expenses	590	566	546	583	2,286	513	542			1,055
Rents, depreciation and amortization	299	339	280	274	1,192	305	331			637
Taxes, other than income tax	125	140	153	188	606	139	158			296
Contributions to IPAB	161	167	161	173	662	177	177			354
Corporate expenses Recoveries	-	-	-	-	-	-	-			-
<b>Non-Interest Expense</b>	<b>2,277</b>	<b>2,285</b>	<b>2,164</b>	<b>2,250</b>	<b>8,975</b>	<b>2,207</b>	<b>2,216</b>			<b>4,423</b>
<b>Operating Income</b>	<b>545</b>	<b>253</b>	<b>440</b>	<b>207</b>	<b>1,445</b>	<b>541</b>	<b>381</b>			<b>922</b>
Other Revenues	79	186	80	173	519	90	68			158
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	56	68	134	91	349	8	65			73
Repomo-other revenues	1	1	1	11	14	5	1			6
<b>Non Operating Income</b>	<b>135</b>	<b>256</b>	<b>216</b>	<b>275</b>	<b>882</b>	<b>103</b>	<b>133</b>			<b>237</b>
Other Expense	(252)	44	(142)	(101)	(451)	(148)	(29)			(177)
Foreign exchange	(2)	(5)	-	-	(7)	-	-			-
Repomo-other Expenses	(44)	(72)	(81)	(141)	(338)	(83)	(26)			(109)
<b>Non Operating Expense</b>	<b>(297)</b>	<b>(33)</b>	<b>(222)</b>	<b>(242)</b>	<b>(796)</b>	<b>(231)</b>	<b>(55)</b>			<b>(287)</b>
<b>Non Operating Income (Expense), net</b>	<b>(162)</b>	<b>222</b>	<b>(7)</b>	<b>33</b>	<b>87</b>	<b>(128)</b>	<b>78</b>			<b>(50)</b>
<b>Pre-tax Income</b>	<b>383</b>	<b>475</b>	<b>434</b>	<b>240</b>	<b>1,532</b>	<b>413</b>	<b>459</b>			<b>872</b>
Income Tax	-	-	-	-	-	7	9			16
Profit sharing	-	37	28	32	97	24	24			48
Tax on Assets	22	27	27	37	113	9	11			19
Deferred Inc. Tax and Profit sharing	82	17	24	(113)	10	(23)	(21)			(43)
	<b>104</b>	<b>81</b>	<b>79</b>	<b>(45)</b>	<b>219</b>	<b>17</b>	<b>23</b>			<b>40</b>
<b>Net Income before subsidiaries</b>	<b>279</b>	<b>394</b>	<b>354</b>	<b>285</b>	<b>1,312</b>	<b>396</b>	<b>436</b>			<b>832</b>
Subsidiaries' net income	49	(12)	54	89	180	52	9			60
<b>Net Income from continuous operations</b>	<b>328</b>	<b>382</b>	<b>408</b>	<b>374</b>	<b>1,493</b>	<b>448</b>	<b>445</b>			<b>892</b>
Extraordinary items, net	-	417	3	(2)	417	-	1			1
Minority Interest	-	-	-	-	-	-	-			-
<b>TOTAL NET INCOME</b>	<b>328</b>	<b>799</b>	<b>411</b>	<b>372</b>	<b>1,909</b>	<b>448</b>	<b>445</b>			<b>893</b>

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

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>17,316</b>	<b>17,749</b>	<b>19,724</b>	<b>23,608</b>	<b>21,981</b>	<b>25,251</b>		
Negotiable Instruments	3,730	3,136	2,191	2,835	3,842	3,752		
Securities held for sale	971	1,086	869	1,328	1,324	1,323		
Securities held to maturity	4,085	4,209	6,550	7,803	8,428	9,155		
<b>Financial Instruments:</b>	<b>8,786</b>	<b>8,431</b>	<b>9,610</b>	<b>11,966</b>	<b>13,593</b>	<b>14,229</b>		
Non-assigned securities to pay	-	-	-	-	-	-		
Repurchase agreements, net	111	102	165	37	125	27		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	27	-	-	9	14	-		
<b>Repos &amp; Derivatives :</b>	<b>138</b>	<b>102</b>	<b>165</b>	<b>46</b>	<b>140</b>	<b>27</b>		
Commercial	23,002	24,183	27,801	32,686	29,532	30,747		
Financial Intermediaries	637	1,289	1,546	7,970	3,566	3,309		
Consumer	3,315	3,920	4,476	5,056	5,708	6,685		
Mortgage	11,172	11,588	11,978	12,326	12,318	12,878		
Government Entities	42,576	89,080	85,749	86,213	86,124	85,833		
Fobaproa	58,449	9,652	10,189	6,216	6,601	6,634		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>139,151</b>	<b>139,712</b>	<b>141,740</b>	<b>150,467</b>	<b>143,848</b>	<b>146,086</b>		
Commercial	2,557	2,673	2,627	2,526	1,911	2,325		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	369	287	332	332	322	331		
Mortgage	1,925	1,900	1,914	1,947	1,180	1,218		
Government Entities	-	2	-	-	8	8		
<b>Past Due Loans</b>	<b>4,851</b>	<b>4,862</b>	<b>4,873</b>	<b>4,804</b>	<b>3,421</b>	<b>3,883</b>		
<b>Total Loans</b>	<b>144,002</b>	<b>144,574</b>	<b>146,613</b>	<b>155,271</b>	<b>147,269</b>	<b>149,968</b>		
Preventive loan loss reserves	5,632	5,699	5,781	5,668	4,350	4,502		
<b>Net Loan Portfolio</b>	<b>138,370</b>	<b>138,875</b>	<b>140,832</b>	<b>149,603</b>	<b>142,919</b>	<b>145,467</b>		
Credit Assets Portfolio	2,530	2,376	2,126	1,882	1,751	1,670		
Sundry debtors and other assets, net	1,682	1,530	1,629	2,266	2,263	3,489		
Foreclosed assets, net	1,409	1,349	1,298	1,228	1,163	1,193		
Real Estate, Furniture & Equipment, net	5,634	5,554	5,516	5,432	5,348	5,267		
Investments in subsidiaries	1,098	1,098	1,153	994	1,420	1,415		
Deferred taxes	795	765	778	949	987	991		
Deferred charges & Intangibles	670	708	585	752	775	752		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>13,819</b>	<b>13,380</b>	<b>13,085</b>	<b>13,503</b>	<b>13,707</b>	<b>14,778</b>		
<b>TOTAL ASSETS</b>	<b>178,428</b>	<b>178,536</b>	<b>183,417</b>	<b>198,727</b>	<b>192,340</b>	<b>199,752</b>		

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	51,532	49,436	49,062	53,431	52,449	55,435		
Time Deposits	83,323	74,166	83,497	90,618	100,307	94,177		
Bonds	1,409	1,357	1,370	1,313	1,326	264		
<b>Deposits</b>	<b>136,264</b>	<b>124,959</b>	<b>133,930</b>	<b>145,362</b>	<b>154,083</b>	<b>149,876</b>		
Demand	1,516	12,185	636	13,659	5,679	13,115		
Short term	12,870	13,773	22,390	12,121	2,732	6,168		
Long term	12,972	12,631	10,787	10,514	11,469	10,993		
<b>Due to banks and correspondents</b>	<b>27,357</b>	<b>38,589</b>	<b>33,812</b>	<b>36,295</b>	<b>19,879</b>	<b>30,276</b>		
Non-assigned securities to pay	-	-	-	-	-	-		
Repurchase agreements, net	35	128	223	30	56	11		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	-	86	532	829	936	908		
<b>Repos &amp; Derivatives:</b>	<b>35</b>	<b>214</b>	<b>755</b>	<b>859</b>	<b>992</b>	<b>920</b>		
Income Tax & Profit Sharing	10	99	121	168	170	64		
Other Payable accounts	3,845	3,158	3,137	2,765	3,413	4,438		
<b>Other payable accounts</b>	<b>3,855</b>	<b>3,257</b>	<b>3,257</b>	<b>2,934</b>	<b>3,583</b>	<b>4,502</b>		
Subordinated non Convertible Debenture	1,459	1,430	1,459	2,623	2,702	2,605		
Deferred Taxes	-	-	-	-	-	-		
Deferred credits	75	18	16	37	59	77		
<b>TOTAL LIABILITIES</b>	<b>169,045</b>	<b>168,467</b>	<b>173,229</b>	<b>188,110</b>	<b>181,298</b>	<b>188,255</b>		
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	5,521	5,521	5,522	5,521	5,521	5,521		
Share subscription premiums	959	959	959	959	959	959		
Subordinated Convertible Debentures	-	-	-	-	-	-		
<b>Subscribed Capital</b>	<b>6,481</b>	<b>6,481</b>	<b>6,481</b>	<b>6,481</b>	<b>6,480</b>	<b>6,480</b>		
Capital Reserves	2,484	2,484	2,484	2,484	2,435	2,623		
Retained Earnings	3,314	2,700	2,295	2,295	4,204	4,016		
Surplus (Deficit) from securities	(568)	(42)	59	168	206	219		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(2,318)	(2,319)	(2,318)	(2,315)	(2,314)	(2,315)		
Non Mon assets results Fixed Assets	-	-	11	11	11	11		
Non Mon assets results Investm	(68)	(90)	(91)	(146)	(158)	(162)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	(270)	(270)	(270)	(270)	(270)	(270)		
Net Income	328	1,126	1,537	1,909	447	893		
<b>Earned Capital</b>	<b>2,902</b>	<b>3,588</b>	<b>3,706</b>	<b>4,136</b>	<b>4,561</b>	<b>5,016</b>		
Minority Holdings	-	-	-	-	-	-		
<b>Total Stockholder's Equity</b>	<b>9,383</b>	<b>10,069</b>	<b>10,188</b>	<b>10,617</b>	<b>11,042</b>	<b>11,497</b>		
<b>TOTAL LIABILITIES &amp;</b>	<b>178,428</b>	<b>178,536</b>	<b>183,417</b>	<b>198,727</b>	<b>192,340</b>	<b>199,752</b>		

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

	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	15	-	-	-	-	-		
Other contingent obligations	14,286	18,812	14,828	14,380	16,026	16,259		
Irrevocable lines of credit	707	977	946	853	878	938		
Assets held in trust and mandate	82,056	77,300	83,170	82,830	79,732	81,223		
Assets held in custody or in administration	122,915	114,301	123,271	123,606	128,441	122,984		
Investment banking transactions for third	113,881	147,199	156,185	74,583	47,814	48,091		
Engaged amounts in fobaproa operations	55,164	54,379	5,843	5,832	5,763	6,140		
Investment of retirement saving funds	2,477	2,491	2,459	1,572	224	234		
Integration of loan portfolio	-	-	-	-	-	-		
Received amounts in derivative instruments	4,262	3,219	2,634	4,841	6,316	6,585		
Fobaproa trusts	-	-	-	-	-	-		
Securities to be received	157,093	156,128	179,767	181,204	117,183	124,233		
(Less) payable for reversal	(157,056)	(156,256)	(179,990)	(181,181)	(117,058)	(124,243)		
Receivables for reversal	95,326	107,020	115,552	115,000	52,594	59,104		
(Less) securities to be delivered	(95,287)	(106,918)	(115,386)	(115,016)	(52,649)	(59,078)		
Other control accounts	347,524	348,845	318,390	405,833	399,732	380,042		
	<b>743,363</b>	<b>767,495</b>	<b>707,667</b>	<b>714,338</b>	<b>684,996</b>	<b>662,513</b>		

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

NET INTEREST INCOME	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Interest Income	5,061	4,853	5,242	5,680	20,836	5,835	4,671			10,505
Interest Expense	3,299	2,995	3,342	3,832	13,468	3,797	2,881			6,678
Loan Fees	124	215	161	173	673	186	188			373
Fees Paid	8	10	11	11	40	10	14			24
<b>Net Interest Income (NII)</b>	<b>1,877</b>	<b>2,063</b>	<b>2,049</b>	<b>2,011</b>	<b>8,000</b>	<b>2,213</b>	<b>1,964</b>			<b>4,177</b>
Repomo-Margin	26	43	(13)	44	101	24	13			36
<b>NII after Repomo</b>	<b>1,903</b>	<b>2,106</b>	<b>2,037</b>	<b>2,055</b>	<b>8,101</b>	<b>2,237</b>	<b>1,977</b>			<b>4,213</b>
Loan Loss Provisions	157	191	179	232	758	225	331			557
Loss Sharing Provisions	2	12	8	15	36	31	14			44
<b>NII after Provisions</b>	<b>1,744</b>	<b>1,903</b>	<b>1,850</b>	<b>1,808</b>	<b>7,306</b>	<b>1,981</b>	<b>1,631</b>			<b>3,612</b>
Fund transfers	43	52	48	46	189	43	43			86
Account management	161	174	165	150	650	148	163			311
Fiduciary	55	37	38	30	160	40	35			75
Income from Loan Portfolios Acquired	-	-	-	-	-	-	-			-
Electronic Banking Services	90	33	64	61	248	64	56			120
Credit Card	127	154	149	147	577	147	156			303
Fees from FOBAPROA	136	63	46	114	358	45	32			76
Other fees	124	125	152	129	530	121	149			271
<b>Fees on services,</b>	<b>737</b>	<b>638</b>	<b>661</b>	<b>676</b>	<b>2,712</b>	<b>608</b>	<b>633</b>			<b>1,241</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	113	107	112	114	446	95	111			206
Expenses from Loan Portfolios Acquired	-	-	-	-	-	-	-			-
<b>Fees paid,</b>	<b>113</b>	<b>107</b>	<b>112</b>	<b>114</b>	<b>446</b>	<b>95</b>	<b>111</b>			<b>206</b>
Foreign exchange	68	109	71	85	332	83	119			202
Securities -Realized gains	140	(11)	15	(18)	126	(11)	3			(7)
Securities- Unrealized gains	5	(35)	(7)	5	(32)	(2)	(6)			(8)
<b>Market-related Income</b>	<b>214</b>	<b>62</b>	<b>80</b>	<b>71</b>	<b>427</b>	<b>70</b>	<b>116</b>			<b>186</b>
<b>Total Non Interest Income</b>	<b>838</b>	<b>594</b>	<b>629</b>	<b>633</b>	<b>2,693</b>	<b>583</b>	<b>639</b>			<b>1,221</b>
<b>Total Operating Income</b>	<b>2,582</b>	<b>2,497</b>	<b>2,479</b>	<b>2,442</b>	<b>10,000</b>	<b>2,563</b>	<b>2,270</b>			<b>4,833</b>
Personnel	1,014	968	912	929	3,823	991	896			1,887
Professional Fees	80	98	104	95	377	75	88			163
Operation & Administrative expenses	587	574	551	589	2,302	522	545			1,068
Rents, depreciation and amortization	299	339	280	274	1,192	305	331			637
Taxes, other than income tax	121	136	150	183	590	135	152			286
Contributions to IPAB	158	165	159	171	653	176	176			351
Corporate expenses Recoveries	(16)	(27)	(22)	(24)	(89)	(26)	(17)			(43)
<b>Non-Interest Expense</b>	<b>2,242</b>	<b>2,253</b>	<b>2,134</b>	<b>2,219</b>	<b>8,848</b>	<b>2,177</b>	<b>2,171</b>			<b>4,349</b>
Operating Income	340	244	345	223	1,151	386	98			485
Other Revenues	55	157	56	152	421	90	68			158
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	55	68	134	43	299	7	64			71
Repomo-other revenues	1	1	1	11	14	5	1			6
<b>Non Operating Income</b>	<b>110</b>	<b>226</b>	<b>191</b>	<b>206</b>	<b>734</b>	<b>102</b>	<b>133</b>			<b>235</b>
Other Expense	(172)	(35)	(135)	(94)	(436)	(127)	(29)			(156)
Foreign exchange	(2)	(5)	-	-	(7)	-	-			-
Repomo-other Expenses	(18)	(43)	(57)	(110)	(229)	(63)	(22)			(85)
<b>Non Operating Expense</b>	<b>(192)</b>	<b>(83)</b>	<b>(192)</b>	<b>(205)</b>	<b>(672)</b>	<b>(190)</b>	<b>(51)</b>			<b>(240)</b>
<b>Non Operating Income (Expense), net</b>	<b>(82)</b>	<b>143</b>	<b>(1)</b>	<b>1</b>	<b>62</b>	<b>(88)</b>	<b>82</b>			<b>(5)</b>
Pre-tax Income	258	387	344	224	1,213	299	181			479
Income tax	-	-	-	-	-	7	9			16
Profit sharing	-	37	28	32	97	24	24			48
Tax on Assets	22	27	27	37	113	9	11			19
Deferred Inc. Tax and Profit sharing	70	8	11	(110)	(20)	(23)	(21)			(45)
	<b>93</b>	<b>72</b>	<b>66</b>	<b>(41)</b>	<b>189</b>	<b>16</b>	<b>22</b>			<b>38</b>
<b>Net income before subsidiaries</b>	<b>165</b>	<b>316</b>	<b>278</b>	<b>265</b>	<b>1,024</b>	<b>282</b>	<b>159</b>			<b>441</b>
Subsidiaries' net income	6	(28)	11	62	50	14	(13)			1
<b>Net Income from continuous operations</b>	<b>171</b>	<b>287</b>	<b>289</b>	<b>327</b>	<b>1,074</b>	<b>296</b>	<b>146</b>			<b>442</b>
Extraordinary items, net	-	417	3	(2)	417	-	1			1
Minority Interest	-	-	-	-	-	-	-			-
<b>TOTAL NET INCOME</b>	<b>171</b>	<b>704</b>	<b>291</b>	<b>325</b>	<b>1,491</b>	<b>296</b>	<b>147</b>			<b>443</b>

(\*) Consolidate Subsidiaries.



**BANCO MERCANTIL DEL NORTE-BALANCE SHEET (\*)**

(Millions of Pesos)

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>16,777</b>	<b>17,632</b>	<b>19,483</b>	<b>23,272</b>	<b>21,991</b>	<b>25,154</b>		
Negotiable Instruments	3,455	4,093	3,020	3,404	4,406	4,246		
Securities held for sale	971	1,086	869	1,328	1,324	1,323		
Securities held to maturity	3,759	3,882	6,221	7,485	8,100	8,841		
<b>Financial Instruments:</b>	<b>8,185</b>	<b>9,060</b>	<b>10,111</b>	<b>12,216</b>	<b>13,829</b>	<b>14,410</b>		
Non-assigned securities to pay	-	-	-	-	-	-		
Repurchase agreements, net	56	67	119	37	64	13		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	27	-	-	9	14	-		
<b>Repos &amp; Derivatives :</b>	<b>83</b>	<b>67</b>	<b>119</b>	<b>46</b>	<b>78</b>	<b>13</b>		
Commercial	22,728	23,872	27,493	32,361	29,245	30,535		
Financial Intermediaries	746	1,289	1,546	7,970	3,566	3,112		
Consumer	3,315	3,920	4,476	5,056	5,708	6,685		
Mortgage	10,863	11,291	11,689	12,041	12,052	12,618		
Government Entities	42,533	89,070	85,736	86,199	86,107	85,827		
Fobaproa	58,722	9,943	10,557	6,620	6,601	6,634		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>138,907</b>	<b>139,384</b>	<b>141,497</b>	<b>150,247</b>	<b>143,278</b>	<b>145,411</b>		
Commercial	2,360	2,478	2,451	2,354	1,735	2,157		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	369	287	332	331	322	331		
Mortgage	1,780	1,760	1,775	1,809	1,032	1,070		
Government Entities	-	2	-	-	8	8		
<b>Past Due Loans</b>	<b>4,510</b>	<b>4,527</b>	<b>4,557</b>	<b>4,495</b>	<b>3,097</b>	<b>3,565</b>		
<b>Total Loans</b>	<b>143,417</b>	<b>143,911</b>	<b>146,054</b>	<b>154,741</b>	<b>146,375</b>	<b>148,976</b>		
Preventive loan loss reserves	5,187	5,255	5,341	5,227	3,908	4,060		
<b>Net Loan Portfolio</b>	<b>138,230</b>	<b>138,656</b>	<b>140,713</b>	<b>149,515</b>	<b>142,468</b>	<b>144,916</b>		
Credit Assets Portfolio	-	-	-	-	-	-		
Sundry debtors and other assets, net	1,603	1,430	1,577	2,208	2,198	3,450		
Foreclosed assets, net	1,390	1,329	1,278	1,207	1,141	1,172		
Real Estate, Furniture & Equipment, net	5,634	5,554	5,516	5,432	5,348	5,267		
Investments in subsidiaries	436	425	440	455	845	820		
Deferred taxes	886	865	890	1,017	996	1,001		
Deferred charges & Intangibles	665	705	583	750	774	751		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>10,614</b>	<b>10,309</b>	<b>10,285</b>	<b>11,069</b>	<b>11,302</b>	<b>12,462</b>		
<b>TOTAL ASSETS</b>	<b>173,889</b>	<b>175,725</b>	<b>180,711</b>	<b>196,118</b>	<b>189,669</b>	<b>196,955</b>		

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	51,554	49,457	49,349	53,536	52,676	55,796		
Time Deposits	81,979	74,166	83,497	90,618	100,307	94,177		
Bonds	1,409	1,357	1,370	1,313	1,326	264		
<b>Deposits</b>	<b>134,941</b>	<b>124,979</b>	<b>134,217</b>	<b>145,466</b>	<b>154,309</b>	<b>150,237</b>		
Demand	986	12,185	646	13,659	5,679	13,115		
Short term	12,870	13,772	22,389	12,121	2,732	6,168		
Long term	12,674	12,308	10,465	10,205	11,160	10,704		
<b>Due to banks and correspondents</b>	<b>26,530</b>	<b>38,265</b>	<b>33,501</b>	<b>35,985</b>	<b>19,571</b>	<b>29,986</b>		
Non-assigned securities to pay	-	-	-	-	-	-		
Repurchase agreements, net	35	41	90	15	47	-		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	-	86	532	829	936	908		
<b>Repos &amp; Derivatives:</b>	<b>35</b>	<b>128</b>	<b>622</b>	<b>844</b>	<b>983</b>	<b>908</b>		
Income Tax & Profit Sharing	10	99	121	168	170	64		
Other Payable accounts	3,751	3,126	2,895	2,723	3,329	4,376		
<b>Other payable accounts</b>	<b>3,761</b>	<b>3,225</b>	<b>3,016</b>	<b>2,891</b>	<b>3,499</b>	<b>4,439</b>		
Subordinated non Convertible Debenture	1,459	1,430	1,459	2,623	2,702	2,605		
Deferred Taxes	-	-	-	-	-	-		
Deferred credits	74	18	16	37	59	77		
<b>TOTAL LIABILITIES</b>	<b>166,801</b>	<b>168,045</b>	<b>172,830</b>	<b>187,847</b>	<b>181,123</b>	<b>188,253</b>		
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	4,469	4,469	4,469	4,469	4,469	4,469		
Share subscription premiums	959	959	959	959	959	959		
Subordinated Convertible Debentures	-	-	-	-	-	-		
<b>Subscribed Capital</b>	<b>5,428</b>	<b>5,428</b>	<b>5,429</b>	<b>5,428</b>	<b>5,428</b>	<b>5,428</b>		
Capital Reserves	2,319	2,319	2,319	2,319	2,270	2,417		
Retained Earnings	2,338	1,723	1,517	1,517	3,007	2,860		
Surplus (Deficit) from securities	(554)	(28)	73	181	218	232		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(2,323)	(2,327)	(2,325)	(2,315)	(2,315)	(2,315)		
Non Mon assets results Fixed Assets	-	-	11	11	11	11		
Non Mon assets results Investm	(21)	(40)	(38)	(90)	(101)	(105)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	(270)	(270)	(270)	(270)	(270)	(270)		
Net Income	171	875	1,166	1,491	296	443		
<b>Earned Capital</b>	<b>1,659</b>	<b>2,251</b>	<b>2,452</b>	<b>2,843</b>	<b>3,117</b>	<b>3,273</b>		
Minority Holdings	-	-	-	-	-	-		
<b>Total Stockholder 's Equity</b>	<b>7,088</b>	<b>7,680</b>	<b>7,881</b>	<b>8,271</b>	<b>8,546</b>	<b>8,702</b>		
<b>TOTAL LIABILITIES &amp;</b>	<b>173,889</b>	<b>175,725</b>	<b>180,711</b>	<b>196,118</b>	<b>189,669</b>	<b>196,955</b>		

(\*) Consolidate Subsidiaries.

**MEMORANDUM ACCOUNTS OF BANORTE**

<i>(Millions of Pesos)</i>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	-	-	-	-	-	-		
Other contingent obligations	8,908	16,123	12,502	12,747	14,418	14,676		
Irrevocable lines of credit	704	977	946	853	878	938		
Assets held in trust and mandate	18,461	53,712	59,850	60,006	56,316	54,866		
Assets held in custody or in	80,775	113,055	122,258	122,871	127,714	122,259		
Investment banking transactions for	111,415	147,199	156,185	74,583	47,814	48,091		
Engaged amounts in fobaproa operations	5,839	54,091	5,475	5,429	5,763	6,140		
Investment of retirement saving funds	2,477	2,491	2,459	1,572	224	234		
Integration of loan portfolio	-	-	-	-	-	-		
Received amounts in derivative	4,262	3,219	2,634	4,841	6,316	6,585		
Fobaproa trusts	-	-	-	-	-	-		
Securities to be received	48,711	64,074	75,282	72,710	45,209	48,692		
(Less) payable for reversal	(48,674)	(64,116)	(75,372)	(72,673)	(45,145)	(48,691)		
Receivables for reversal	47,341	64,131	75,389	72,695	45,148	48,639		
(Less) securities to be delivered	(47,365)	(64,064)	(75,270)	(72,710)	(45,195)	(48,628)		
Other control accounts	134,585	305,585	275,702	363,849	358,008	338,461		
	<b>367,440</b>	<b>696,477</b>	<b>638,039</b>	<b>646,773</b>	<b>617,467</b>	<b>592,262</b>		

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

NET INTEREST INCOME	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Interest Income	1,750	1,816	2,032	2,215	7,813	1,926	1,259			3,185
Interest Expense	1,724	1,742	1,968	2,132	7,566	1,911	1,238			3,148
Loan Fees	-	-	-	-	1	-	-			-
Fees Paid	-	-	-	-	-	-	-			-
<b>Net Interest Income (NII)</b>	<b>26</b>	<b>74</b>	<b>63</b>	<b>84</b>	<b>247</b>	<b>15</b>	<b>21</b>			<b>36</b>
Repomo-Margin	6	2	(3)	(18)	(12)	(6)	(2)			(8)
<b>NII after Repomo</b>	<b>32</b>	<b>76</b>	<b>61</b>	<b>66</b>	<b>235</b>	<b>10</b>	<b>19</b>			<b>29</b>
Loan Loss Provisions	14	7	1	18	40	9	5			14
Loss Sharing Provisions	-	-	-	-	-	-	-			-
<b>NII after Provisions</b>	<b>18</b>	<b>69</b>	<b>59</b>	<b>48</b>	<b>194</b>	<b>1</b>	<b>14</b>			<b>14</b>
Fund transfers	-	-	-	-	-	-	-			-
Account management	-	-	-	-	-	-	-			-
Fiduciary	139	205	153	146	644	118	93			211
Income from Loan Portfolios Acquired	111	65	269	(44)	401	50	34			85
Electronic Banking Services	-	-	-	-	-	-	-			-
Credit Card	-	-	-	-	-	-	-			-
Fees from FOBAPROA	3	2	6	4	14	2	1			3
Other fees	230	164	253	172	818	231	159			390
<b>Fees on services,</b>	<b>482</b>	<b>435</b>	<b>682</b>	<b>278</b>	<b>1,878</b>	<b>402</b>	<b>288</b>			<b>690</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	66	85	103	168	422	83	53			136
Expenses from Loan Portfolios Acquired	65	42	156	26	289	41	28			69
<b>Fees paid,</b>	<b>132</b>	<b>127</b>	<b>259</b>	<b>194</b>	<b>711</b>	<b>123</b>	<b>82</b>			<b>205</b>
Foreign exchange	-	-	-	-	-	-	-			-
Securities-Realized gains	111	(165)	(106)	29	(130)	130	302			431
Securities-Unrealized gains	(13)	(11)	(3)	12	(16)	(1)	(31)			(32)
<b>Market-related Income</b>	<b>98</b>	<b>(176)</b>	<b>(108)</b>	<b>40</b>	<b>(146)</b>	<b>129</b>	<b>271</b>			<b>400</b>
<b>Total Non Interest Income</b>	<b>449</b>	<b>132</b>	<b>315</b>	<b>124</b>	<b>1,020</b>	<b>407</b>	<b>477</b>			<b>884</b>
<b>Total Operating Income</b>	<b>466</b>	<b>202</b>	<b>374</b>	<b>172</b>	<b>1,215</b>	<b>408</b>	<b>491</b>			<b>898</b>
Personnel	1	1	1	4	8	1	2			3
Professional Fees	9	6	8	9	33	8	24			32
Operation & Administrative expenses	114	115	107	100	437	110	98			207
Rents, depreciation and amortization	28	27	28	42	124	27	27			54
Taxes, other than income tax	5	6	4	6	21	5	3			8
Contributions to IPAB	3	3	2	2	9	2	1			3
Corporate expenses Recoveries	-	-	-	-	-	-	-			-
<b>Non-Interest Expense</b>	<b>160</b>	<b>158</b>	<b>150</b>	<b>163</b>	<b>631</b>	<b>152</b>	<b>154</b>			<b>306</b>
<b>Operating Income</b>	<b>306</b>	<b>44</b>	<b>224</b>	<b>9</b>	<b>584</b>	<b>256</b>	<b>336</b>			<b>592</b>
Other Revenues	24	29	24	21	98	-	-			-
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	1	1	1	48	50	1	-			1
Repomo-other revenues	-	-	-	-	-	-	-			-
<b>Non Operating Income</b>	<b>25</b>	<b>30</b>	<b>25</b>	<b>69</b>	<b>148</b>	<b>1</b>	<b>-</b>			<b>2</b>
Other Expense	(79)	78	(7)	(7)	(14)	(21)	-			(22)
Foreign exchange	-	-	-	-	-	-	-			-
Repomo-other Expenses	(26)	(29)	(24)	(31)	(109)	(20)	(4)			(25)
<b>Non Operating Expense</b>	<b>(105)</b>	<b>50</b>	<b>(31)</b>	<b>(37)</b>	<b>(124)</b>	<b>(42)</b>	<b>(5)</b>			<b>(46)</b>
<b>Non Operating Income (Expense), net</b>	<b>(80)</b>	<b>79</b>	<b>(6)</b>	<b>32</b>	<b>25</b>	<b>(41)</b>	<b>(4)</b>			<b>(45)</b>
<b>Pre-tax Income</b>	<b>226</b>	<b>123</b>	<b>218</b>	<b>41</b>	<b>608</b>	<b>216</b>	<b>332</b>			<b>548</b>
Income tax	26	16	54	(11)	85	47	29			76
Profit sharing	-	-	-	-	-	-	-			-
Tax on Assets	-	-	-	-	-	-	-			-
Deferred Inc. Tax and Profit sharing	12	9	13	(4)	30	(10)	-			(10)
<b>Net income before subsidiaries</b>	<b>38</b>	<b>25</b>	<b>67</b>	<b>(15)</b>	<b>115</b>	<b>37</b>	<b>29</b>			<b>66</b>
Subsidiaries' net income	12	10	10	15	47	8	15			22
<b>Net Income from continuous operations</b>	<b>201</b>	<b>108</b>	<b>161</b>	<b>71</b>	<b>540</b>	<b>186</b>	<b>318</b>			<b>504</b>
Extraordinary items, net	-	-	-	-	-	-	-			-
Minority Interest	44	13	41	24	122	35	19			54
<b>TOTAL NET INCOME</b>	<b>157</b>	<b>95</b>	<b>120</b>	<b>47</b>	<b>418</b>	<b>151</b>	<b>299</b>			<b>450</b>

(\*) Consolidate Afore

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>1,372</b>	<b>1,866</b>	<b>1,157</b>	<b>855</b>	<b>1,063</b>	<b>1,300</b>		
Negotiable Instruments	275	291	184	167	164	231		
Securities held for sale	-	-	-	-	-	-		
Securities held to maturity	326	327	329	318	328	314		
<b>Financial Instruments:</b>	<b>601</b>	<b>617</b>	<b>513</b>	<b>485</b>	<b>492</b>	<b>545</b>		
Valores no asignados por liquidar	-	-	-	-	-	-		
Repurchase agreements, net	55	35	46	-	61	15		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	-	-	-	-	-	-		
<b>Repos &amp; Derivatives :</b>	<b>55</b>	<b>35</b>	<b>46</b>	<b>-</b>	<b>61</b>	<b>15</b>		
Commercial	274	312	308	326	287	212		
Financial Intermediaries	-	-	-	-	-	197		
Consumer	-	-	-	-	-	-		
Mortgage	309	297	290	284	265	260		
Government Entities	43	10	13	14	18	6		
Fobaproa	-	-	-	-	-	-		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>626</b>	<b>619</b>	<b>611</b>	<b>624</b>	<b>570</b>	<b>675</b>		
Commercial	197	194	177	171	176	169		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	-	-	-	-	-	-		
Mortgage	-	-	139	138	147	148		
Government Entities	145	140	-	-	-	-		
<b>Past Due Loans</b>	<b>342</b>	<b>335</b>	<b>316</b>	<b>310</b>	<b>323</b>	<b>317</b>		
<b>Total Loans</b>	<b>968</b>	<b>953</b>	<b>927</b>	<b>934</b>	<b>894</b>	<b>992</b>		
Preventive loan loss reserves	445	444	439	441	442	442		
<b>Net Loan Portfolio</b>	<b>522</b>	<b>509</b>	<b>488</b>	<b>493</b>	<b>451</b>	<b>551</b>		
Credit Assets Portfolio	2,530	2,376	2,126	1,882	1,751	1,670		
Sundry debtors and other assets, net	104	153	119	319	213	185		
Foreclosed assets, net	20	20	20	21	21	21		
Real Estate, Furniture & Equipment, net	57	58	59	112	112	113		
Investments in subsidiaries	496	648	651	293	296	309		
Deferred taxes	-	-	-	-	-	-		
Deferred charges & Intangibles	511	489	464	419	395	369		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>3,718</b>	<b>3,744</b>	<b>3,437</b>	<b>3,047</b>	<b>2,787</b>	<b>2,667</b>		
<b>TOTAL ASSETS</b>	<b>6,268</b>	<b>6,771</b>	<b>5,642</b>	<b>4,879</b>	<b>4,855</b>	<b>5,077</b>		

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	273	291	368	404	-	-	-	-
Time Deposits	1,344	1,247	1,014	736	728	725	-	-
Bonds	-	-	-	-	-	-	-	-
<b>Deposits</b>	<b>1,617</b>	<b>1,538</b>	<b>1,382</b>	<b>1,140</b>	<b>728</b>	<b>725</b>	-	-
Demand	901	1,407	155	167	491	419	-	-
Short term	-	-	-	-	-	-	-	-
Long term	406	323	321	309	309	289	-	-
<b>Due to banks and correspondents</b>	<b>1,307</b>	<b>1,730</b>	<b>477</b>	<b>477</b>	<b>800</b>	<b>709</b>	-	-
Non-assigned securities to pay	-	-	-	-	-	-	-	-
Repurchase agreements, net	-	87	133	15	8	11	-	-
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	-	-	-	-	-	-	-
<b>Repos &amp; Derivatives:</b>	<b>-</b>	<b>87</b>	<b>133</b>	<b>15</b>	<b>8</b>	<b>11</b>	-	-
Income Tax & Profit Sharing	-	-	142	154	51	72	-	-
Other Payable accounts	163	156	285	65	123	98	-	-
<b>Other payable accounts</b>	<b>163</b>	<b>156</b>	<b>426</b>	<b>219</b>	<b>174</b>	<b>170</b>	-	-
Subordinated non Convertible Debenture	-	-	-	-	-	-	-	-
Deferred Taxes	262	237	244	178	108	108	-	-
Deferred credits	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>3,350</b>	<b>3,748</b>	<b>2,663</b>	<b>2,028</b>	<b>1,818</b>	<b>1,723</b>	-	-
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	1,052	1,052	1,052	1,052	1,052	1,052	-	-
Share subscription premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>1,052</b>	<b>1,052</b>	<b>1,052</b>	<b>1,052</b>	<b>1,052</b>	<b>1,052</b>	-	-
Capital Reserves	165	165	165	165	165	206	-	-
Retained Earnings	976	976	779	779	1,197	1,156	-	-
Surplus (Deficit) from securities	(14)	(14)	(14)	(13)	(13)	(13)	-	-
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	5	8	7	-	-	-	-	-
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(47)	(50)	(53)	(56)	(57)	(57)	-	-
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	157	252	371	418	151	450	-	-
<b>Earned Capital</b>	<b>1,243</b>	<b>1,337</b>	<b>1,255</b>	<b>1,294</b>	<b>1,444</b>	<b>1,743</b>	-	-
Minority Holdings	623	634	672	505	540	559	-	-
<b>Total Stockholder's Equity</b>	<b>2,918</b>	<b>3,023</b>	<b>2,979</b>	<b>2,851</b>	<b>3,036</b>	<b>3,354</b>	-	-
<b>TOTAL LIABILITIES &amp;</b>	<b>6,268</b>	<b>6,771</b>	<b>5,642</b>	<b>4,879</b>	<b>4,855</b>	<b>5,077</b>	-	-

(\*) Consolidate Afore

**MEMORANDUM ACCOUNTS OF BANCEN**

	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	-	-	-	-	-	-	-	-
Other contingent obligations	1,796	2,689	2,326	1,633	1,608	1,584	-	-
Irrevocable lines of credit	-	-	-	-	-	-	-	-
Assets held in trust and mandate	23,166	23,588	23,320	22,823	23,417	26,357	-	-
Assets held in custody or in	1,341	1,246	1,013	735	727	725	-	-
Investment banking transactions for	-	-	-	-	-	-	-	-
Engaged amounts in fobaproa operations	273	288	368	403	-	-	-	-
Investment of retirement saving funds	-	-	-	-	-	-	-	-
Integration of loan portfolio	-	-	-	-	-	-	-	-
Received amounts in derivative	-	-	-	-	-	-	-	-
Fobaproa trusts	-	-	-	-	-	-	-	-
Securities to be received	90,858	92,053	104,485	108,495	71,973	75,541	-	-
(Less) payable for reversal	(90,847)	(92,140)	(104,619)	(108,509)	(71,912)	(75,552)	-	-
Receivables for reversal	30,449	42,889	40,163	42,305	7,446	10,465	-	-
(Less) securities to be delivered	(30,405)	(42,854)	(40,116)	(42,306)	(7,454)	(10,450)	-	-
Other control accounts	43,826	43,260	42,688	41,985	41,723	41,581	-	-
	<b>70,456</b>	<b>71,019</b>	<b>69,629</b>	<b>67,566</b>	<b>67,528</b>	<b>70,251</b>	-	-

**Annex 6. Notes to Banking Sector Financial Statements**

**Financial Instruments and Valuation Effects 2003**

(Millions of Pesos)

**BANORTE**

	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN (LOSS)
<b>NEGOTIABLE INSTRUMENTS</b>			
Government Securities	1,217	1,233	16
Banking Securities	1,407	1,408	1
Private	64	66	2
Commercial Paper	812	814	2
<b>Total</b>	<b>3,500</b>	<b>3,521</b>	<b>21</b>
<b>SECURITIES HELD FOR SALE</b>			
Government Securities	-	-	-
Mexican Government Securities (UMS)	1,132	1,209	76
Bonds public company	23	23	-
Eurobonds	749	91	(657)
<b>Total</b>	<b>1,904</b>	<b>1,323</b>	<b>(581)</b>
<b>SECURITIES HELD TO MATURITY</b>			
Special Cetes	3,214	3,214	-
Trust Bonds	-	-	-
Fiduciary Rights	33	25	(8)
Bonds	247	247	-
Mexican Government Securities (UMS) (US Dollars)	4,609	4,609	-
Mexican Government Securities (UMS) (Euros)	338	338	-
US Clearing Master Trust	117	117	-
Swap Private company	147	147	-
Swap Public company	145	145	-
<b>Total</b>	<b>8,849</b>	<b>8,841</b>	<b>(8)</b>
<b>TOTAL</b>	<b>14,253</b>	<b>13,685</b>	<b>(568)</b>

**BANCEN**

	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN (LOSS)
<b>NEGOTIABLE INSTRUMENTS</b>			
Government Securities	1	1	-
Banking Securities	194	194	-
Private	-	-	-
Commercial Paper	36	36	-
<b>Total</b>	<b>230</b>	<b>231</b>	<b>-</b>
<b>SECURITIES HELD FOR SALE</b>			
Government Securities	-	-	-
Mexican Government Securities (UMS) (US Dollars)	-	-	-
Eurobonds	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SECURITIES HELD TO MATURITY</b>			
Special Cetes	314	314	-
Trust Bonds	-	-	-
Fiduciary Rights	-	-	-
Bonds	-	-	-
Mexican Government Securities (UMS)	-	-	-
US Clearing Master Trust	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>314</b>	<b>314</b>	<b>-</b>
	<b>544</b>	<b>544</b>	<b>-</b>

**BANKING SECTOR**

	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN (LOSS)
<b>NEGOTIABLE INSTRUMENTS</b>			
Government Securities	1,218	1,234	16
Banking Securities	1,601	1,602	2
Private	64	66	2
Commercial Paper	848	850	2
<b>Total</b>	<b>3,730</b>	<b>3,752</b>	<b>22</b>
<b>SECURITIES HELD FOR SALE</b>			
Government Securities	-	-	-
Mexican Government Securities (UMS)	1,132	1,209	76
Bonds public company	23	23	-
Eurobonds	749	91	(657)
<b>Total</b>	<b>1,904</b>	<b>1,323</b>	<b>(581)</b>
<b>SECURITIES HELD TO MATURITY</b>			
Special Cetes	3,527	3,527	-
Trust Bonds	-	-	-
Fiduciary Rights	33	25	(8)
Bonds	247	247	-
Mexican Government Securities (UMS) (US Dollars)	4,609	4,609	-
Mexican Government Securities (UMS) (Euros)	338	338	-
US Clearing Master Trust	117	117	-
Swap Private company	147	147	-
Swap Public company	145	145	-
<b>Total</b>	<b>9,163</b>	<b>9,155</b>	<b>(8)</b>
<b>TOTAL</b>	<b>14,797</b>	<b>14,230</b>	<b>(567)</b>

**Repurchase Agreement Operations 2003**

(Millions of Pesos)

**BANORTE**

REPURCHASE AGREEMENT DEBTORS	MARKET VALUE (1)	ASSET BALANCE
Government Securities	41,518	-
Banking Securities	7,175	1
<b>Total</b>	<b>48,692</b>	<b>2</b>
REPURCHASE AGREEMENT CREDITORS	MARKET VALUE (2)	LIABILITY BALANCE
Government Securities	41,453	(12)
Banking Securities	7,175	1
<b>Total</b>	<b>48,628</b>	<b>(11)</b>

1) RECEIVABLES ON REPURCHASE AGREEMENT  
 2) PAYABLES ON REPURCHASE AGREEMENT

**BANCEN**

REPURCHASE AGREEMENT DEBTORS	MARKET VALUE (1)	ASSET BALANCE
Government Securities	61,258	(13)
Banking Securities	14,283	2
<b>Total</b>	<b>75,541</b>	<b>(11)</b>
REPURCHASE AGREEMENT CREDITORS	MARKET VALUE (2)	LIABILITY BALANCE
Government Securities	10,446	(15)
Banking Securities	4	-
<b>Total</b>	<b>10,450</b>	<b>(15)</b>

1) RECEIVABLES ON REPURCHASE AGREEMENT  
 2) PAYABLES ON REPURCHASE AGREEMENT

**BANKING SECTOR**

REPURCHASE AGREEMENT DEBTORS	MARKET VALUE (1)	ASSET BALANCE
Government Securities	102,776	(13)
Banking Securities	21,457	3
Total	124,233	(10)
REPURCHASE AGREEMENT CREDITORS	MARKET VALUE (2)	LIABILITY BALANCE
Government Securities	51,899	(27)
Banking Securities	7,179	1
Total	59,078	(26)

1) RECEIVABLES ON REPURCHASE AGREEMENT

2) PAYABLES ON REPURCHASE AGREEMENT

**Derivate Financial Instruments 2Q03**

(Millions of Pesos)

**BANORTE**

NEGOTIABLE INSTRUMENTS FOREIGN CURRENCY FUTURES	BUY	SELL	NET
Market Value	-	-	-
Agreed Price	-	-	-
Total	-	-	-
FOREIGN CURRENCY FORWARDS			
Market Value (Nominal Amount)	352	(64)	287
Agreed Price	(358)	65	(293)
Total	(6)	-	(5)
DEBTOR BALANCE NOTE			(5)

COVERAGE INSTRUMENTS	NOTIONAL AMOUNT ASSETS	NOTIONAL AMOUNT LIABILITIES	FLOW PAYABLE	FLOW RECEIVABLE	NET FLOWS
SWAPS					
Cross Currency (Cover Financial Instruments and Loan Portfolio)	5,453	(6,217)	(150)	22	(892)
Interest Rate (Cover Financial Instruments and Loan Portfolio)	6,585	(6,585)	(33)	20	(12)
Total			(183)	42	(904)
FOREIGN CURRENCY OPTIONS			OPENING PREMIUM	VALUED PREMIUM	VALUATION
Foreign Currency Options			(1)	1	-
Total			(1)	1	-
BALANCE NOTE					(904)

**Non-governmental Financial Instruments above by 5% of Net Capital 2Q03**

(Millions of Pesos)

**BANORTE**

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL
BANCEN	Term Deposits	725	6.6%
BANCOMER	Term Deposits	1,003	9.2%



**BANCEN**

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL
BANAMEX	Term Deposits	118	5.2%

**Loan Portfolio**

(Million of Pesos)	LOCAL CURRENCY			FOREIGN CURRENCY			TOTAL		
	2Q02	1Q03	2Q03	2Q02	1Q03	2Q03	2Q02	1Q03	2Q03
<b>Performing Loans</b>									
Commercial	18,120	21,471	22,449	6,063	8,061	8,298	24,183	29,532	30,747
Financial Intermediaries	778	3,138	2,864	511	428	445	1,289	3,566	3,309
Consumer	3,916	5,701	6,679	4	7	6	3,920	5,708	6,685
Mortgages	11,588	12,318	12,878	-	-	-	11,588	12,318	12,878
Government Entities	89,072	85,377	85,112	8	747	721	89,080	86,124	85,833
Fobaproa	4,490	6,771	6,816	5,162	(170)	(182)	9,652	6,601	6,634
<b>Total</b>	<b>127,964</b>	<b>134,774</b>	<b>136,798</b>	<b>11,748</b>	<b>9,074</b>	<b>9,288</b>	<b>139,712</b>	<b>143,848</b>	<b>146,086</b>
<b>Past Due Loans</b>									
Commercial	1,421	870	1,138	1,252	1,041	1,187	2,673	1,911	2,325
Financial Intermediaries	-	-	-	-	-	-	-	-	-
Consumer	287	322	331	-	-	-	287	322	331
Mortgages	1,900	1,180	1,218	-	-	-	1,900	1,180	1,218
Government Entities	-	8	8	2	-	-	2	8	8
<b>Total</b>	<b>3,608</b>	<b>2,380</b>	<b>2,695</b>	<b>1,254</b>	<b>1,041</b>	<b>1,187</b>	<b>4,862</b>	<b>3,421</b>	<b>3,883</b>
<b>Total Proprietary Loans</b>	<b>131,572</b>	<b>137,154</b>	<b>139,494</b>	<b>13,002</b>	<b>10,115</b>	<b>10,475</b>	<b>144,574</b>	<b>147,269</b>	<b>149,968</b>
<b>% Past Due Loans</b>	<b>2.7%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>9.6%</b>	<b>10.3%</b>	<b>11.3%</b>	<b>3.4%</b>	<b>2.3%</b>	<b>2.6%</b>

(\*) Includes valued UDIS

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

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

Note: There is no scheme for Mortgage Earnings.

**Cost and Balances of FINAPE, FOPIME, Mortgage UDIS and Mortgage FOVI loan portfolios as of 2Q03**

(Millions of Pesos)	BANORTE		BANCEN		TOTAL	
	PERIOD COST	BALANCE LOAN PORTFOLIO	PERIOD COST	BALANCE LOAN PORTFOLIO	PERIOD COST	BALANCE LOAN PORTFOLIO
	FINAPE	1.1	1.8	-	3.2	1.1
FOPYME	3.2	3.2	-	0.1	3.2	3.4
Mortgage UDIS	25.9	47.1	4.3	27.6	30.2	74.7
Mortgage FOVI	31.0	33.1	-	9.7	31.0	42.8
	<b>56.2</b>	<b>85.2</b>	<b>4.4</b>	<b>40.6</b>	<b>65.5</b>	<b>125.8</b>

The quarter ending with a balance of Ps 125.8 million pesos in debtors support programs with a cost of the period of Ps 65.5 million. The 99% of this portfolio are concentrated in Banorte.

**Past Due Loans Variations as of 2Q03**

Past Due Loans		
Balance as of March 31,03		3,412
Performing loans to Past due loans transfers		2,539
Renewals		(11)
Cash Collections		(1,119)
Charge Offs		(41)

	Foreclosures	(54)
	Past due loans to Performing loans transfers	(818)
	Portfolio Sales	0
	Exchange Adjustment	(26)
<b>Balance as of June 30,03</b>		<b>3,883</b>

### Troubled Portfolio 2Q03

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

(Millions of Pesos)	TOTAL
Troubled Portfolio	2,237
Total Loans	149,968
Troubled Portfolio / Total Loans	1.5%

### Fobaproa-IPAB

(Millions of Pesos)	LOSS (1) SHARING	REMAINING CONTINGENCIES INCENTIVE (1) SCHEME
Gross Fobaproa notes balance	10,891	6,537 <sup>2)</sup>
- Cash recoveries	3,018	1,913 <sup>2)</sup>
- Repossessed assets	-	-
= Balance net of recoveries	7,873	4,624
Contingency before reserves	2,098	351
- Reserves	<u>2,098</u>	<u>351</u>
= Remaining contingencies	-	-

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

Banorte provisioned Ps 30.6 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 27.2% of Banorte's Gross FOBAPROA-IPAB notes balance.

### Fobaproa - IPAB Notes Integration 2Q03

(Millions of Pesos)	BANORTE		BANCEN		BANPAIS		BANKING SECTOR	
	LOSS SHARING LOCAL CURRENCY	LOSS SHARING DOLLARS	WITHOUT RISK	INCENTIVE SCHE	LOCAL CURRENCY	LOCAL CURRENCY	DOLLARS TOTAL	
Gross Balance	10,770	121	1,376	(1)	-	-	-	12,267
- Checking account balance	2,715	303	166	(1)	7	-	-	3,184
- Reserves	2,098	-	-	351	-	-	-	2,449
<b>= Net Balance</b>	<b>5,957</b>	<b>(182)</b>	<b>1,210</b>	<b>(351)</b>	<b>(7)</b>	-	-	<b>6,634</b>
Interest Rate	CETES 91-1.3E	LIBOR +5	CETES 91	N.A.	N.A.	-	-	-
Maturity	2005	2006	2006	2005/2006	N.A.	-	-	-
Remaining Contingencies	-0-	-0-	No exist	-0-	No exist	-	-	-

- 1) Ps 6,458y Ps 1,844 , Gross Balance and Checking account balance of Incentive Scheme are included in Loss Sharing.
  - 2) Is included in Government Entities, has a rate of TIIE 28+0.86 and it's maturity is in 2010.
  - 3) Interest rate of TIIE 28 days +0.40 and maturity in 2009, with a single capital payment at maturity.
- N.A.- Not Applicable

**ORIGIN OF THE NOTES**

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

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

**SIGNIFICANCE IN BANORTE BALANCE**

	1997	1998	1999	2000	2001	2002	2003
% Total Loans	70.9%	64.6%	63.5%	58.7%	55.5%	55.7%	56.6%
% Total Assets	60.6%	53.5%	43.7%	46.7%	44.5%	43.5%	42.5%

**Deferred Taxes 2003**

(Millions of Pesos)

ASSETS	ISR	PTU	NET
Allowance for loan losses (not deducted)	-	-	-
Tax loss carryforwards	360	-	360
Deficit from retirement obligations	209	62	271
Reserves for BN+BCR integration expenses	35	10	45
Obligations FOBAPROA, Net	667	-	667
Others	-	-	-
<b>Total Assets</b>	<b>1,271</b>	<b>72</b>	<b>1,343</b>
LIABILITIES			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	(305)	(47)	(352)
<b>Total liabilities</b>	<b>(304)</b>	<b>(47)</b>	<b>(352)</b>
<b>Assets (Liabilities) Accumulated Net</b>	<b>966</b>	<b>25</b>	<b>991</b>

**Long term debt as of 2Q03**

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	AMOUNT (Millions Ps o Dis)	ORIGINAL AMOUNT (Millions Ps, Dis o UDIS)	TERM	INTEREST RATE	MATURITY	INTEREST PAYMENT
<b>BANORTE</b>								
Bank Bonds - Banorte 2-00	Ps	27-Jul-00	250	250	3 years	16.00%	4-Sep-03	E/189 days
CD's - Banorte U01001	UDIs	11-Ene-01	90	90	10 years	8.13%	30-Dic-10	E/182 days
CD's -Banorte U01002	Ps	29-May-01	20	20	3 years	TIIIE-0.25%	25-May-04	E/28 days
Non Convertible Subordinate Bonds-Qbanorte 01U	UDIs	21-Jun-01	436	436	8 years	8.00%	21-Jun-09	E/182 days
CD's -Banorte M7001	Ps	30-Sep-97	16	16	7 years	17.65%	21-Sep-04	E/182 days
Non Convertible Subordinate Bonds -QBanorte 02D	Ps	28-Nov-02	1,136	1,136	10 years	8.00%	28-Nov-12	E/182 days
Certificados - Banorte M7001	Ps	27-Ene-03	100	100	3 years	TIIIE-0.25%	10-Jul-06	E/28 days
CD's 1999-2A	Dis	15-Jul-99	23.0	75	5 years	8.94%	15-Jul-04	Monthly
CD's Serie 1999-2B	Dis	15-Jul-99	16.7	25	7 years	9.49%	15-Jul-06	Monthly

BANCEN. does not present balance as of June 30, 2003.

### Bank and Other entities loans as of 2Q03

(Millions of Pesos)	LOCAL CURRENCY	INTEREST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	638	L+6	334	638
LOANS FROM FOREIGN BANK CONCERNED FROM THE COUNTRY	-	-	-	4	1.95	75	4
LOANS FROM FOREIGN BANK CONCERNED FROM CAYMAN	-	-	-	736	2.33	624	736
SECURITIZATION	-	-	-	415	9.17	370	415
LOANS FROM DEVELOPING BANKS	404	11.43	715	825	2.75	876	1,229
LOANS FROM PUBLIC FUNDS	4,763	5.89	672	145	2.72	535	4,908
LOANS FROM BANKS	17,817	5.14	4	-	-	-	17,817
CALL MONEY	4	4.25	1	-	-	-	4
LOANS FROM FIDUCIARY FUNDS	4,471	5.63	8,905	-	-	-	4,471
PROVISIONS FOR INTEREST	52	N.A.	N.A.	-	-	-	52
	<b>27,511</b>			<b>2,763</b>			<b>30,275</b>

### Trading Income 2Q03

(Millones de Pesos)

VALUATION EFFECTS	NET
Negotiable Instruments	15
Repurchase	(12)
Futures	-
Foreign Currency Forwards	(43)
Options	-
Inflation Adjustment	-
<b>Total</b>	<b>(40)</b>
RESULTS FROM BUYING AND SELLING	
Negotiable Instruments	434
Securities Held for Sell	(10)
Inflation Adjustment	-
<b>Total of Buying and Selling Instruments</b>	<b>424</b>
FX Spot	198
FX Forwards	2
FX Futures	-
FX Futures TIME	-
Forwards	1
<b>Total of Foreign Exchange</b>	<b>201</b>
Inflation Adjustment	-
<b>Total of Buying and Selling</b>	<b>626</b>
<b>TOTAL TRADING INCOME</b>	<b>586</b>

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

**AD1.- CAPITALIZATION RATIO**

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

Net Capital to Credit Risk Assets: 15.39

Net Capital to Assets subject to Credit and Market Risk: 13.34

**AD2.- CAPITAL INTEGRATION**

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

**Net Capital: 10,905**

<b>Tier 1 Capital</b>		<b>8,617</b>	<b>Tier 2 Capital</b>		<b>2,289</b>
Stockholders Equity		8,701	Capitalization Instruments		1,470
Subordinated debt and Capitalization Instruments		1,124	(+)General Preventive Reserves		818
Deferred for Tier 1		1,024			
(-) Investment in Subordinated debt		-			
(-) Investment in Financial Institutions		89			
(-) Investment in Non-Financial Institutions		451			
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries		-			
(-) Excess on deferred taxes		1,024			
(-) Restructuring Charges and others intangibles		668			
(-) Others Assets		-			

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

<b>Market risk weighted assets: 10,881</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Peso Nominal interest rate operations	7,252	580
Peso or UDI real interest rate operations	1,207	97
Interest rate operations in foreign currency with nominal rate	2,224	178
Position in UDIS or with a return indexed to inflation	9	1
Positions in foreign currency or indexed to the FX rate	188	15
Positions in share or index to the price of securities	-	-

<b>Credit Risk-Weighted Assets: 70,879</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	618	49
Group 2 (risk weight 1 20%)	1,094	87
Others (risk weight 50%)	1,092	87
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	60,563	4,845
Others (risk weight 112%)	-	-
Others (risk weight 115%)	7,041	563
Others (risk weight 150%)	-	-
Others	471	38

**Banco del Centro, S.A.**

**AD1.- CAPITALIZATION RATIO**

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

Net Capital to Credit Risk Assets: 37.70

Net Capital to Assets subject to Credit and Market Risk: 15.06

**AD2.- CAPITAL INTEGRATION**

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

**Net Capital: 2,275**

<b>Tier 1 Capital</b>		<b>2,200</b>	<b>Tier 2 Capital</b>		<b>75</b>
Stockholders Equity		2,795	Capitalization Instruments		-
Subordinated debt and Capitalization Instruments		-	(+)General Preventive Reserves		75
Deferred for Tier 1		-			
(-) Investment in Subordinated debt		-			
(-) Investment in Financial Institutions		595			
(-) Investment in Non-Financial Institutions		-			
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries		-			
(-) Excess on deferred taxes		-			
(-) Restructuring Charges and others intangibles		-			
(-) Others Assets		-			

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

<b>Market risk Weighted Assets: 9,075</b>		<b>Weighted Assets</b>	<b>Required Capital</b>
Peso Nominal interest rate operations		8,912	713
Peso or UDI real interest rate operations		41	3
Interest rate operations in foreign currency with nominal rate		10	1
Position in UDIS or with a return indexed to inflation		1	-
Positions in foreign currency or indexed to the FX rate		-	-
Positions in share or index to the price of securities		112	9

<b>Credit Risk-Weighted Assets: 6,034</b>		<b>Weighted Assets</b>	<b>Required Capital</b>
Group 1 (risk weight 0%)		-	-
Others (risk weight 2.5%)		-	-
Others (risk weight 10%)		50	4
Group 2 (risk weight 120%)		2,909	233
Others (risk weight 50%)		-	-
Others (risk weight 75%)		-	-
Group 3 (risk weight 100%)		3,000	240
Others (risk weight 112%)		-	-
Others (risk weight 115%)		-	-
Others (risk weight 150%)		-	-
Others		77	6

## Risk Management

### Market Risk

In January 2003, the Board of Directors approved for the Value at Risk (VaR) calculation the non-parametric historical simulation method, thereby replacing the previous parametric historical simulation method that had been applied until December 2002. This modification was approved to apply the best international practices in measuring the VaR.

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

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

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

The average Value at Risk (VaR) for the January-March 2003 quarter for the Group's (Banking and Brokerage Sectors) financial instrument portfolios, including bonds, shares, money market transactions, swaps, forwards, futures, and others derived within and out of the balance, is Ps 163 million.

The VaR for other periods are as follows:

Millions of nominal pesos	2Q02**	3Q02**	4Q02**	1Q03	2Q03
Banorte VaR *	115	107	173	161	126
Banorte's Net Capital ***	8,726	9,058	10,743	10,720	10,905
VaR / Banorte's Net Capital	1.32%	1.18%	1.61%	1.50%	1.16%
Bancen VaR *	125	133	117	153	133
Bancen's Net Capital ***	1,644	1,544	1,790	1,918	2,275
VaR / Bancen's Net Capital	7.60%	8.61%	6.53%	7.98%	5.85%
Banking Sector's VaR *	130	139	204	184	163
Banking Sector Net Capital ****	10,370	10,602	12,533	12,638	13,180
VaR / Banking Sector Net Capital	1.25%	1.31%	1.63%	1.46%	1.24%

\* Quarterly Average

\*\* The VaR figures for these periods were estimated using the parametric historical simulation method considering a 10-day term to break up the portfolios.

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

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

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

Additionally, the Value at Risk per risk factor of the instruments portfolio described for Grupo Financiero Banorte as a whole, was as follows for the second quarter of 2003:

(Millios of pesos)

RISK FACTOR	VaR
Domestic interest rate	144
Foreign interest rate	68
Exchange rate	51
Stock Exchange	3
Eurobonds Price	164
Total	163

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables that make up each one of said factors, while keeping the variables that affect the rest of the indicated risk factors

constant. The consolidated Value at Risk both for the Banking sector as well as for the Financial Group takes into consideration the correlations of all the risk factors affecting the portfolio appraisal, which is why the sum of the Value at Risk per Institution does not match.

### Loan Risk

Loan 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 loan risk management at GFNorte are:

- To develop and carry out loan 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 loan 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 loan risk management supervising all the operations and aspects related to loan risk.

### Individual Loan Risk

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

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

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

### Portfolio Loan Risk

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

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

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

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



case) given the loss distribution.

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

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

## Information by Segments

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

## Proforma Consolidated Data-2Q03

<i>(Millions of pesos)</i>	<b>BANORTE (1)</b>	<b>BANCEN (3)</b>	<b>TOTAL</b>
<b>Income Statement</b>			
Net Interest Income	1,023.9	1,193.4	2,217.3
Non Interest Income	585.6	182.9	768.4
Non Interest Expense	2,175.9	29.4	2,205.3
Other income (expense)	(87.7)	(40.4)	(128.1)
Extraordinary items, net	-	-	-
Net Income	(888.1)	1,334.7	446.6
<b>Balance Sheet</b>			
Assets	187,942	3,880	191,822
Loans	145,981	891	146,872
Deposits	153,668	-	153,668
Equity	8,523	2,490	11,012
Past Due Loans	3,089	323	3,412
Loan Loss Reserves	3,897	441	4,338
<b>Ratios</b>			
Non Interest Expense/ Total Assets	1.2%	0.8%	1.2%
% Past Due Loans	2.1%	36.2%	2.3%
Reserves / Past Due Loans	126.2%	136.8%	127.2%
% Capitalization (2)	13.8%	11.3%	13.4%

1) Includes a 96.11% participation of the Group.

2) Includes Market Risks. Using 2003 rules.

3) Excludes the AFORE.

**Inter-bank Eliminations Summary**

(Millions of Pesos)	BANORTE	BANCEN	INTERBANK ELIMINATIONS
<b>Income Statement</b>			
Net Interest Income	(1,183.6)	1,183.6	-
Non Interest Income	-	-	-
Non Interest Expense	-	-	-
Other Income (expense)	-	-	-
Extraordinary items, net	-	-	-
<b>Balance Sheet</b>			
Assets	(1,216)	(235)	(1,451)
Cash and Due from Banks	(490)	(226)	(716)
Financial Instruments	(726)	-	(726)
Loans	-	-	-
Deposits	(226)	(726)	(952)
Due to Banks	-	(490)	(490)
Equity	-	-	-
Past Due Loans	-	-	-
Loan Loss Reserves	-	-	-
Investments in Subsidiaries	-	-	-
Deferred Taxes, (Liabilities) (*)	-	(9)	(9)
Deferred Taxes, (Assets)(*)	-	(9)	(9)

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

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

Reconciliation per Segments Table

(Millions of Pesos)	BANKING SECTOR	OTHER SECTORS	WITHOUT OT. SECT.	TOTAL GROUP
<b>Income Statement</b>				
Net Interest Income	2,217.3	96.3	(2.4)	2,311.1
Non Interest Income	768.4	320.4	-	1,088.8
Non Interest Expense	2,205.3	278.4	(20.2)	2,463.6
Other Income (expense)	(128.1)	8.5	(17.8)	(137.4)
Extraordinary items, net	-	-	-	-
<b>Balance Sheet</b>				
Assets	191,822	17,827	(13,666)	195,983
Loans	146,872	3,798	(1,469)	149,201
Deposits	153,668	-	(32)	153,636
Equity	11,012	13,633	(11,989)	12,656
Past Due Loans	3,412	32	-	3,444
Loan Loss Reserves	4,338	24	-	4,362

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

**Financial Statements basis for presentation.**

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

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

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

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

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