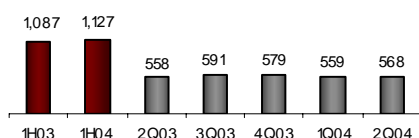
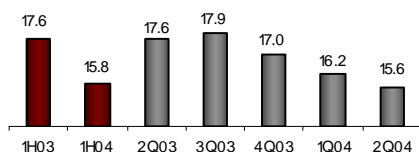


***GFNorte generates a net profit of Ps 1,127 million for the first half of the year.***

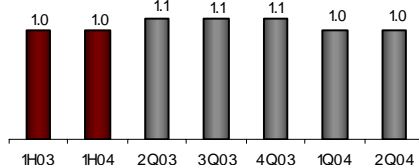
**GFNORTE's NET INCOME**  
(Millions of Pesos)



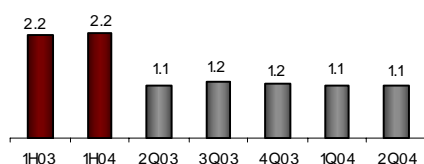
**GFNORTE % ROE**



**GFNORTE % ROA**



**GFNORTE EPS**



F

**GRUPO FINANCIERO BANORTE**

- **GFNorte's Net Profit** for 1H04 was Ps 1,127 million, 3.6% higher than in 1H03. The Banking Sector's contribution was Ps 958 million (without the Afore Pension Fund), for an annual ROE of 15.8% in the period.

**BANKING SECTOR**

- On July 22 **Standard & Poor's raised its long term rating for Banorte** in domestic and foreign currency from BB/B to BB+/B with a stable outlook. This improvement reflects Banorte's good performance and progress.
- Banorte, along with the other banks involved, **agrees with the IPAB** to swap Fobaproa notes for IPAB debentures and turns down the injunction against the Management, Existence and Legality (GEL –Spanish acronym) Audits. Banorte has no impact whatsoever on the related parties loans repurchased by the banks and sets aside Ps 137 million in loans under Ps 200 thousand.
- The **loan portfolio** grew by 5.2% during the quarter and 17.2% vs. June 2003. The most important annual growths were in consumer loans and commercial loans, at 34% and 30% respectively.
- **Banorte reduced its Past Due Loans ratio** from 4.8% to 3.6% in the quarter, due mainly to charge offs of for Ps 940 million of past due loans. The Reserve coverage rose from 127% to 131%.
- The **Net Interest Margin** rose from 4.1% to 4.3% in the quarter given the positive effect of higher interest rates and the loan portfolio growth.
- On July 5, the **backoffice integration process was completed**. Since then all the branches in the network are operating with the Altamira platform and by 4Q04 the redesigned systems that enhance their operative efficiency (new financial terminals) will be in place.
- On June 22, **Bancen purchased 317 commercial loans** from Bancomer for a total of Ps 344 million.

**Contacts:**

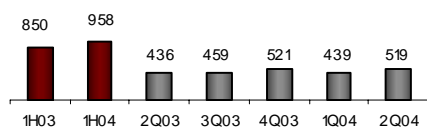
Jorge Colin  
Gabriela Renovato

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

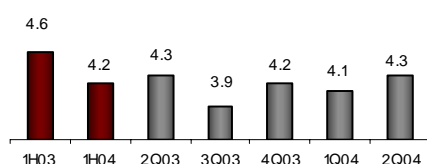
E-mail: [investor@banorte.com](mailto:investor@banorte.com)  
web page: [www.banorte.com](http://www.banorte.com)  
web cast: [www.banorte.com/ri](http://www.banorte.com/ri)

## Highlights

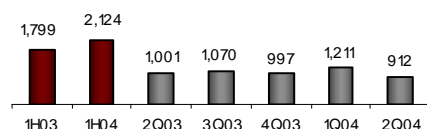
### BANKING SECTOR'S NET INCOME (Millions of Pesos)



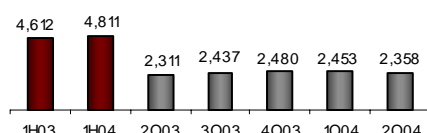
### NIM



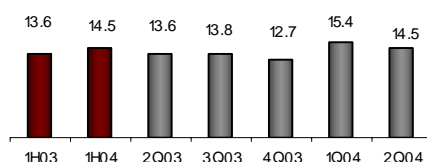
### NOT INTEREST INCOME (Millions of Pesos)



### NON INTEREST EXPENSE (Millions of Pesos)



### CAPITALIZATION RATIO



## BANKING SECTOR

### Net Profit

The accumulated profit in the first half of the year was Ps 958 million (without the Afore Pension Fund), 12.7% higher than in 1H03 given the increases in Non Interest Income and in Non Operating Income (Expense) Net.

### Net Interest Margin

The Net Interest Margin before Repomo fell from 4.6% in 1H03 to 4.2% in 1H04 as a result of the decrease in the market interest rates and the narrowing of the differential between the Cetes 28 day and the TIIE 28 day rates in that period.

### Non Interest Income

The Non Interest Income for the first half was 18.1% higher than the accumulate in the same period last year because of higher Service and Recovery Banking Fees.

### Non Interest Expense

The Non Interest Expense in 1H04 rose by 4.3% vs. last year, as there was a 7.2% increase in Administrative and Promotion Expenses and a 10.9% rise in Rents, Depreciations and Amortizations. The Expense rose because of increased advertising and business activity.

### Capitalization

The quarter closed with a Capitalization index of 14.5% vs. 15.4% in 1Q04. This indicator dropped due to the pre-payment of Ps 1,487 million in Subordinate Non-Convertible debt that accounted as Tier 2 Capital.

### Loans

At the close of 2Q04, the Loan Portfolio without Fobaproa/IPAB and recovery showed a Ps 75,183 million balance; 17.2% higher than in 1H03.

### Asset Quality

The Banking Sector showed a substantial reduction in its past due loans as a result of the charge offs for Ps 1,053 million in past due loan in 2Q04, which were fully reserved from which \$ 940 million were charged off with the purpose of cleaning up the Balance Sheet. 1H04 closed with a balance of Ps 2,831 million and a past due loan ratio of 3.6%. Loan reserves rose to 131%.

## Executive Summary

GFNorte announced its results at the close of 1H04, reporting a Net Profit of Ps 568 million during the second quarter for Ps 1,127 million accumulated in 1H04; 4% greater than last year. GFNorte's ROE in the first half of the year was close to 16%.

The Banking Sector's contribution to the profit was Ps 519 million in 2Q04, and Ps 958 million accumulated in 1H04; 13% higher than in 1H03. The Banking Sector represented 85% of the Group's profit. These results stem from improved traditional banking business, quality loan growth, enhanced non interest income and expense control. These factors allowed Banorte more than compensated for the reduction in its net interest income given the drop in interest rates with respect to 1H03.

The Net Interest Margin in 2Q04 was 4.3%, a 20 basis points increase vs. 1Q04 due to the improvement in the loan portfolio mix and the 80 bp increase in the TIIE rate.

Service fees in 1H04 rose 40% vs. 1H03 mainly in credit cards, electronic banking, and account management. Trading income fell 23% vs. 1H03 because the increase in interest rates during 2Q04 caused a negative impact on the risk positions, which Banorte's adequate and conservative risk position management, was able to buffer.

Non Interest Expense dropped 4% as compared to the previous quarter and rose 4% vs. the 1H03, a growth that was focused on generating business. The efficiency ratio for 1H04 was 77%.

Non interest demand deposits rose 11% in one year, contributing to optimizing our funding cost. Total deposits, not including third party deposits, closed the first half with a Ps 166,790 million balance; a 7% increase in one year.

Banorte continues growing its loan portfolio. By 1H04, it was 17% higher than one year ago and 5% greater than in the previous quarter, for a balance of Ps 75,183 million (excluding IPAB/Fobaproa and recovery). Commercial loans grew 31% in one year and 5% in the quarter, reaching Ps 25,100 million. Corporate loans topped Ps 14,280 million, dropping by 19% in one year although they did increase 6% in the quarter.

The most dynamic loans were the consumer loans, that for the first time represented the larger portion of the loan portfolio. These loans offer greater margins allowing to make up for the drop in interest rates. Payroll loans rose 93% in one year and 12% in the quarter, ending with a Ps 1,631 million balance. Credit cards and car loans grew 47% and 36% in one year, and 10% and 4% in the quarter, for balances of Ps 3,299 million and Ps 5,698 million, respectively. Mortgage loans continue their upward trend and closed the first half of the year with Ps 15,464 million, a 27% increase in one year, and 7% in the quarter.

Past due loans at the close of 1H04 totaled Ps 2,831 million, for a 3.6% past due loan ratio (excluding Fobaproa and IPAB) and 131% reserve coverage.

The Long Term Saving Sector, made up the Afore Pension Funds, Insurance and Annuities, generated a profit of Ps 99 million in 1H04, 33% lower than last year. The reason is greater expenses associated with the increase in the commercial activity of the Afore and Annuities company, merger expenses of Seguros Generali de México, and the Ps 32 million transfer of the business year's profit withheld as a result of this merger.

The auxiliary organization sector contributed with Ps 40 million in 1H04, 11% less in one year, while the brokerage sector showed a Ps 39 million profit, 18% higher than last year's figure.

Grupo Financiero Banorte

Grupo Financiero Banorte Earnings (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
Banco Mercantil del Norte (1)	146.9	327.0	460.6	443.2	787.6	77.7%
Banco del Centro	289.0	111.8	58.8	406.7	170.6	(58.1)%
<b>Banking Sector</b>	<b>435.9</b>	<b>438.7</b>	<b>519.4</b>	<b>849.9</b>	<b>958.2</b>	<b>12.7%</b>
<b>Brokerage Sector (Brokerage House)</b>	<b>25.9</b>	<b>29.4</b>	<b>9.4</b>	<b>32.9</b>	<b>38.8</b>	<b>18.1%</b>
Afore	20.7	38.5	10.8	58.7	49.3	(16.1)%
Insurance (2)	27.6	18.0	15.6	52.6	33.5	(36.2)%
Annuities	20.9	23.5	(6.9)	38.2	16.6	(56.5)%
<b>Long – Term Saving Sector</b>	<b>69.3</b>	<b>79.9</b>	<b>19.5</b>	<b>149.4</b>	<b>99.4</b>	<b>(33.5)%</b>
Leasing	6.4	8.5	5.4	11.7	14.0	19.7%
Factoring	11.5	4.2	7.0	19.9	11.2	(43.4)%
Warehousing	3.2	4.1	3.2	8.1	7.2	(10.8)%
Bonding	2.7	-	7.2	4.8	7.2	49.0%
<b>Auxiliary Organization Sector</b>	<b>23.8</b>	<b>16.8</b>	<b>22.9</b>	<b>44.5</b>	<b>39.6</b>	<b>(10.9)%</b>
<b>G. F. Banorte [holding]</b>	<b>3.1</b>	<b>(5.4)</b>	<b>(3.6)</b>	<b>10.8</b>	<b>(9.1)</b>	<b>(184.3)%</b>
<b>Total</b>	<b>557.9</b>	<b>559.4</b>	<b>567.5</b>	<b>1,087.4</b>	<b>1,127.0</b>	<b>3.6%</b>

1) 96.11% owned by GFNorte.

2) In 2Q04, Generali México Compañía de Seguros merged Seguros Banorte Generali changing its name to Seguros Banorte-Generali.

GFNorte Income Statement (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
<b>Net Interest Income (NII)</b>	<b>2,160.5</b>	<b>2,112.5</b>	<b>2,184.7</b>	<b>4,572.3</b>	<b>4,297.2</b>	<b>(6.0)%</b>
+ REPOMO-Margin	12.9	0.7	0.5	28.6	1.2	(95.8)%
<b>= NET Interest Income after Repomo</b>	<b>2,173.5</b>	<b>2,113.2</b>	<b>2,185.2</b>	<b>4,600.9</b>	<b>4,298.4</b>	<b>(6.6)%</b>
- Loan Loss Provisions	355.6	119.5	298.3	601.7	417.8(*)	(30.6)%
- Loss Sharing Provisions	14.4	12.0	19.1	46.4	31.1	(33.0)%
<b>= Net Interest Income after Provisions</b>	<b>1,803.5</b>	<b>1,981.7</b>	<b>1,867.8</b>	<b>3,952.8</b>	<b>3,849.5</b>	<b>(2.6)%</b>
+ Non Interest Income	1,303.0	1,650.4	1,229.6	2,435.2	2,880.0	18.3%
<b>= Total Operating Income</b>	<b>3,106.5</b>	<b>3,632.1</b>	<b>3,097.4</b>	<b>6,388.0</b>	<b>6,729.5</b>	<b>5.3%</b>
- Non Interest Expense	2,578.6	2,779.8	2,669.9	5,149.0	5,449.7	5.8%
<b>= Net Operating Income</b>	<b>527.8</b>	<b>852.3</b>	<b>427.5</b>	<b>1,239.0</b>	<b>1,279.8</b>	<b>3.3%</b>
- Non Operating Income (Expense) Net	63.5	(172.4)	245.6	(76.1)	73.2	196.2%
<b>= Pre-Tax Income</b>	<b>591.3</b>	<b>679.9</b>	<b>673.1</b>	<b>1,162.9</b>	<b>1,353.0</b>	<b>16.3%</b>
- Income Tax & profit sharing	68.2	146.7	85.5	159.8	232.2	45.3%
- Tax on asset	11.2	17.1	16.1	20.2	33.2	64.6%
- Deferred Income Tax & profit sharing	(18.5)	(10.6)	1.4	(55.2)	(9.2)	(83.3)%
<b>= Net Income before Subsidiaries</b>	<b>530.4</b>	<b>526.6</b>	<b>570.2</b>	<b>1,038.1</b>	<b>1,096.8</b>	<b>5.7%</b>
+ Undistributed Earnings of Subsidiaries	52.7	83.0	26.4	123.1	109.4	(11.1)%
<b>= Net Income-contin. Operation</b>	<b>583.2</b>	<b>609.6</b>	<b>596.6</b>	<b>1,161.2</b>	<b>1,206.2</b>	<b>3.9%</b>
+ Extraordinary Items, net	0.7	-	-	0.7	-	(100.0)%
- Minority Income	25.9	50.2	29.1	74.5	79.3	6.4%
<b>= Total Net Income</b>	<b>557.9</b>	<b>559.4</b>	<b>567.5</b>	<b>1,087.4</b>	<b>1,127.0</b>	<b>3.6%</b>

(\*) It does not include the \$ 260 million of loan loss reserves charged against Capital in 1Q04.

Group's Balance Sheet Highlights (Millions of Pesos)				VARIATION
	2Q03	1Q04	2Q04	2Q04 vs 2Q03
Performing loans excluding Fobaproa – IPAB (1)	66,453	74,849	78,565	18.2%
FOBAPROA Loans	88,541	74,519	72,077	(18.6)%
Past Due Loans	4,091	3,657	2,869	(29.9)%
Total Loans	159,085	153,025	153,511	(3.5)%
Loan Loss Reserves	4,720	4,641	3,750	(20.6)%
Total Assets	213,444	212,122	216,804	1.6%
Total Deposits	156,129	160,130	166,663	6.7%
Equity	13,948	14,876	15,500	11.1%
Assets under Management (2)	362,091	410,770	412,269	7.6%

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

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

GFNorte Share Data	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
Net Income per Share (Pesos)	1.11	1.11	1.12	2.16	2.23	3.2%
Dividends per Share (Pesos)	-	-	-	-	-	-
Book Value per Share (1) (Pesos)	25.86	27.61	28.79	25.86	28.79	11.3%
Shares Outstanding (Millions of Shares)	503.1	504.6	504.6	503.1	504.6	0.3%
Price (Pesos)	29.50	43.93	40.83	29.50	40.83	38.4%
P/BV (Times)	1.14	1.59	1.42	1.14	1.42	24.6%
Market Cap (Millions of Dollars)	1,420	1,990	1,792	1,420	1,792	26.2%

1) Excluding Minority holdings.

Group's Financial Ratios	QUARTER			ACCUMULATED	
	2Q03	1Q04	2Q04	1H03	1H04
<b>Profitability</b>					
ROA (1)	1.1%	1.0%	1.0%	1.0%	1.0%
ROE (2)	17.6%	16.2%	15.6%	17.6%	15.8%
<b>Operation</b>					
Efficiency Ratio (3)	74.5%	73.9%	78.2%	73.5%	75.9%
<b>Assets Quality</b>					
Past Due Loans to Total Loans	2.6%	2.4%	1.9%	2.6%	1.9%
Loan Loss Reserves to past Due Loans	115.4%	126.9%	130.7%	115.4%	130.7%

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

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

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

**Banking Sector**

Banking Sector's Financial Ratios	QUARTER			ACCUMULATED	
	2Q03	1Q04	2Q04	1H03	1H04
<b>Profitability</b>					
NIM before Repomo (1)	4.3%	4.1%	4.3%	4.6%	4.2%
ROA (2)	0.9%	0.9%	1.0%	0.8%	0.9%
ROE (3)	15.8%	14.9%	16.9%	15.9%	15.9%
<b>Operation</b>					
Efficiency Ratio (4)	75.6%	76.1%	78.5%	74.7%	77.3%
<b>Assets Quality</b>					
% Past Due Loans w/o Fobaproa	6.0%	4.8%	3.6%	6.0%	3.6%
Loan Loss Reserves to past Due Loans	116.0%	127.2%	130.5%	116.0%	130.5%
<b>Growths (5)</b>					
Loans w/o Fobaproa –IPAB (7)	41.2%	19.2%	17.2%	41.2%	17.2%
Traditional Deposits	6.6%	9.7%	8.4%	6.6%	8.4%
Total Deposits	19.9%	(0.3)%	6.7%	19.9%	6.7%
<b>Capitalization</b>					
Net Capital/ Credit Risk Assets (6)	17.1%	21.3%	18.5%	17.1%	18.5%
Total Capitalization Ratio (6)	13.6%	15.4%	14.5%	13.6%	14.5%

- 1) MIN= Annualized Net Interest Margin before REPOMO / Average Earnings Assets.
- 2) Annualized earnings as a percentage of the average of quarterly assets over the period.
- 3) Annualized earnings as a percentage of the average of quarterly equity over the period
- 4) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions)
- 5) Growth versus the previous period.
- 6) The Banking Sector Ratio is included for information purposes. A ratio for each bank is presented in the capitalization section.
- 7) Does not include Fobaproa / IPAB and Loans managed by Recovery Banking.

### Information by Sectors

#### 1.- Banking Sector

Income Statement <i>(Millions of Pesos)</i>	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
<b>Net Interest Income after Repomo</b>	<b>2,070.2</b>	<b>2,015.8</b>	<b>2,092.0</b>	<b>4,412.3</b>	<b>4,107.8</b>	<b>(6.9)%</b>
- Loan Loss and Loss Sharing Provisions	365.4	117.8	299.1	641.5	417.0	(35.0)%
<b>= Net Interest Income after Provisions</b>	<b>1,704.8</b>	<b>1,898.0</b>	<b>1,792.9</b>	<b>3,770.8</b>	<b>3,690.8</b>	<b>(2.1)%</b>
• Service	512.8	675.7	723.7	999.9	1,399.4	40.0%
• Recovery	84.8	125.1	125.7	187.8	250.9	33.6%
• Foreign Exchange	124.0	124.7	150.2	210.5	274.9	30.6%
• Trading (Securities- Realized and unrealized gains)	279.6	285.6	(87.3)	400.4	198.3	(50.5)%
<b>+ Non Interest Income</b>	<b>1,001.1</b>	<b>1,211.3</b>	<b>912.3</b>	<b>1,798.7</b>	<b>2,123.5</b>	<b>18.1%</b>
<b>= Total Operating Income</b>	<b>2,705.9</b>	<b>3,109.2</b>	<b>2,705.2</b>	<b>5,569.5</b>	<b>5,814.4</b>	<b>4.4%</b>
- Non Interest Expense	2,310.7	2,453.4	2,357.7	4,611.8	4,811.1	4.3%
<b>= Net Operating Income</b>	<b>395.2</b>	<b>655.8</b>	<b>347.5</b>	<b>957.7</b>	<b>1,003.2</b>	<b>4.8%</b>
- Non Operating Income (Expense) Net	81.9	(143.7)	263.8	(51.3)	120.0	333.9%
<b>= Pre-Tax Income</b>	<b>477.1</b>	<b>512.0</b>	<b>611.2</b>	<b>906.4</b>	<b>1,123.3</b>	<b>23.9%</b>
- Income Tax & profit sharing	23.9	93.8	85.2	41.4	179.0	332.4%
<b>= Net Income before Subsidiaries</b>	<b>453.2</b>	<b>418.2</b>	<b>526.1</b>	<b>865.0</b>	<b>944.3</b>	<b>9.2%</b>
+ Undistrib. Earnings of Subsid, Extraord. Items & Minority Income	9.3	72.2	22.9	61.4	95.0	54.7%
<b>= Total Net Income</b>	<b>462.5</b>	<b>490.4</b>	<b>548.9</b>	<b>926.5</b>	<b>1,039.3</b>	<b>12.2%</b>

The Banking Sector's profit (100%) for 2Q04 (including the Afore Pension Fund through the participation method), was Ps 548.9 million; 11.9% higher than in 1Q04. The net accumulate profit was Ps 1,039.3 million, 12.2% higher than that of last year. The Net Interest Income before provisions dropped by 6.9% during 2004 vs. 1H03, due mainly to the 158 bp drop in the 28-day Cetes rate, despite the considerable growth in the loan portfolio. The Loan Loss and Loss Sharing provisions dropped by 35.0% vs. 1H03 although, after adding the Ps 260 million of reserve created against Capital in 1Q04, they were 5.5% higher than in 1H03, closing with a reserve coverage of 130.5%. The Non Interest Income grew 18.1% vs. the previous year as a result of higher Service and Recovery Banking fees. The Non Interest Expense increased by 4.3% because of the greater advertising and business activity. Non Operating Income for 1H04 was Ps 120.0 million, which compares favorably with the negative Ps 51.3 million of the previous year, thanks to an increase in Recoveries vs. 1S03. The effective tax and profit sharing rate was 15.9% in 1H04, which was higher than that of the previous year of 4.6% due to a greater profit sharing in Banorte, as the profit contribution to this sector was greater than in 1H03.

## Net Interest Income

Banking Sector Net Interest Income (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
Interest Income	5,313.1	4,950.0	5,415.0	12,078.0	10,365.0	(14.2)%
Interest Expense	3,437.0	3,077.3	3,415.6	8,068.4	6,492.9	(19.5)%
Loan Fees	195.8	158.9	112.3	389.4	271.2	(30.4)%
Fees Paid	14.8	19.6	21.2	24.8	40.8	64.5%
<b>Net Interest Income before Repomo</b>	<b>2,057.2</b>	<b>2,012.1</b>	<b>2,090.4</b>	<b>4,374.2</b>	<b>4,102.5</b>	<b>(6.2)%</b>
Average Earning Assets	190,384	195,145	194,624	191,599	195,731	2.2%
<b>NIM before REPOMO (1)</b>	<b>4.3%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>4.2%</b>	

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

During the quarter, the Net Interest Income before Repomo rose 3.9% vs. the previous quarter, going the Net Interest Margin from 4.1% to 4.3%, due to several factors that influenced its performance, as explained below:

### Increase:

- The 4.4% growth of the loan portfolio without Fobaproa/IPAB in the quarter.
- An improvement in the mix of loans as the Commercial, Mortgage and Consumer loans, which have a greater margin than the rest showed a higher growth.
- An increase in the market interest rates: the 28-day Cete went from 5.56% to 6.35% in the quarter while the TIIE rose from 5.89% to 6.71%.
- The depreciation of the peso vs. the dollar, from 11.17 pesos/dollar exchange rate at the close of 1Q04 to 11.53 pesos/dollar at the close of 2Q04.

### Decrease:

- Fewer Fees collected during the period.

The accumulated Net Interest Margin before Repomo for the year dropped 6.2% vs. 1H03, going the Net Interest Marging from 4.6% to 4.2%, due to the following factors that influenced its performance, as described below:

### Increase:

- Substantial 15.0% growth of the loan portfolio without Fobaproa/IPAB.
- The depreciation in the peso-dollar exchange rate, from 10.44 pesos/dollar in 2Q03 to 11.53 pesos/dollar at the close of 2Q04.

### Decrease:

- The narrowing differential of 68 bp to 34 bp between the 28-day Cete average rate and the 28-day TIIE, as the IPAB loans and a large part of the loan portfolio is referred to the latter.
- Fewer Fees collected in the period.
- Lower Average interest rates during 1H04, as the 28-day Cete went from 7.54% to 5.96% and the TIIE from 8.22% to 6.30% vs. 1H03.

The following is an analysis of the Net Interest Margin, with a breakdown of interest-generating assets. The Margin from the Traditional Loan Portfolio was 8.0% in 1H04 vs 7.4% in 1H03, the Margin from Fobaproa / IPAB 2.4% vs 3.3% in 1H03 and a decrease in Others (which includes, for the purpose of this analysis the Deposits in Banxico, Deposits in Other Banks and Securities Portfolio).



Net Interest Income & NIM by type of asset (Millones de Pesos)	QUARTER						ACCUMULATED			
	2Q03		1Q04		2Q04		1H03		1H04	
	VOL	%	VOL	%	VOL	%	VOL	%	VOL	%
Traditional Loan Portfolio	62,014	7.9	71,079	7.9	73,148	8.2	63,569	7.4	72,449	8.0
FOBAPROA / IPAB	89,150	2.7	75,797	2.1	73,298	2.7	89,504	3.3	74,557	2.4
Other <sup>(1)</sup>	39,219	2.2	48,268	1.8	48,178	0.8	38,527	2.7	48,725	1.3
<b>TOTAL</b>	<b>190,384</b>	<b>4.3</b>	<b>195,145</b>	<b>4.1</b>	<b>194,624</b>	<b>4.3</b>	<b>191,599</b>	<b>4.6</b>	<b>195,731</b>	<b>4.2</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			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
+ Fund Transfers	45.0	55.9	46.2	89.9	102.0	13.5%
+ Account Management Fees	170.0	188.6	221.3	323.8	409.9	26.6%
+ Fiduciary (1)	41.0	43.1	48.5	88.4	91.6	3.7%
+ Credit Card	162.4	275.1	301.1	316.0	576.2	82.4%
+ Income From loan portfolios acquired (1)	125.5	172.8	146.5	293.1	319.3	8.9%
+ Electronic Banking Services	58.4	67.8	84.5	125.0	152.4	21.9%
+ From Fobaproa (3)	34.2	87.4	95.6	83.1	183.0	120.2%
+ Other Fees	155.7	151.6	124.3	282.1	275.9	(2.2)%
<b>Fees on purchased services:</b>	<b>792.1</b>	<b>1,042.4</b>	<b>1,067.9</b>	<b>1,601.4</b>	<b>2,110.3</b>	<b>31.8%</b>
+ Fund Transfers	-	-	-	-	-	-
+ Other Fees (2)	119.7	125.7	121.1	225.3	246.8	9.5%
+ Expense From loan portfolios acquired (2)	74.9	115.8	97.4	188.3	213.2	13.2%
<b>Fees Paid :</b>	<b>194.6</b>	<b>241.5</b>	<b>218.5</b>	<b>413.6</b>	<b>460.0</b>	<b>11.2%</b>
<b>=Net Fees</b>	<b>597.5</b>	<b>800.9</b>	<b>849.4</b>	<b>1,187.8</b>	<b>1,650.3</b>	<b>38.9%</b>
+ Foreign Exchange	124.0	124.7	150.2	210.5	274.9	30.6%
+ Securities- Realized gains	318.0	271.9	(129.2)	442.1	142.7	(67.7)%
+ Securities- Unrealized gains	(38.4)	13.7	41.8	(41.7)	55.6	233.2%
<b>Trading Income</b>	<b>403.6</b>	<b>410.3</b>	<b>62.9</b>	<b>610.9</b>	<b>473.2</b>	<b>(22.5)%</b>
<b>= Non Interest Income</b>	<b>1,001.1</b>	<b>1,211.3</b>	<b>912.3</b>	<b>1,798.7</b>	<b>2,123.5</b>	<b>18.1%</b>

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

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

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

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

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
Service	512.8	675.7	723.7	999.9	1,399.4	40.0%
Recovery	84.8	125.1	125.7	187.8	250.9	33.6%
Foreign Exchange	124.0	124.7	150.2	210.5	274.9	30.6%
Trading (Securities- Realized and unrealized gains)	279.6	285.6	(87.3)	400.4	198.3	(50.5)%
<b>= Non Interest Income</b>	<b>1,001.1</b>	<b>1,211.3</b>	<b>912.3</b>	<b>1,798.7</b>	<b>2,123.5</b>	<b>18.1%</b>

The Non Interest Income of the quarter fell 24.7% vs. the previous quarter, and rose 18.1% vs. 1H03. These variations were the result of several factors explained below:

### Service Fees:

Service Fees went up 7.1% vs. the previous quarter mainly because of the 9.5% increase in Fees charged on Credit

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

cards, 17.3% in Account Management; and 24.6% in Electronic Banking. The accumulate for Service Fees grew 40.0% as a result of the 82.3% increase in Credit Card and 26.6% in Account Management.

**Recovery:**

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
<b>SERFIN</b>						
Income	91.7	98.5	84.1	209.9	182.5	(13.1)%
- Expense	<u>46.3</u>	<u>50.8</u>	<u>47.5</u>	<u>119.0</u>	<u>98.3</u>	<u>(17.4)%</u>
= Net Fees from Serfin	45.4	47.7	36.5	90.8	84.2	(7.3)%
<b>LOAN PORTFOLIOS ACQUIRED</b>						
Income	33.8	74.3	62.4	83.2	136.8	64.4%
- Expense	<u>28.6</u>	<u>65.0</u>	<u>49.9</u>	<u>69.3</u>	<u>114.9</u>	<u>65.8%</u>
= Net Income from loan portfolios acquired	5.2	9.3	12.5	13.9	21.9	57.6%
<b>FOBAPROA FEES</b>						
From FOBAPROA (*)	34.2	68.1	76.7	83.1	144.8	74.2%
= Fobaproa Fees	34.2	68.1	76.7	83.1	144.8	74.2%
<b>Non Interest Income – Recovery Bank</b>	<b>84.8</b>	<b>125.1</b>	<b>125.7</b>	<b>187.8</b>	<b>250.9</b>	<b>33.6%</b>

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

The Non Interest Income of the quarter derived from loan Recoveries remained at a level similar to that of 1Q04, with a reduction in the net income from the Serfin loans and an increase in the Fees Collected from Fobaproa. The accumulated Recovery Banking income in this first half rose 33.6% vs. 1H03. The highest net contribution was from the Fees Collected from Fobaproa with a 58% of the total and it was the one that rose most in the period with a 74.2% growth.

**Trading:**

Trading Income dropped substantially in the quarter from Ps 410.3 million to Ps 62.9 million due mainly to the drop in the Security Realized Gains as a result of the higher interest rates in the quarter. The Income from Foreign Exchange were 20.5% higher than in the previous quarter given the greater volatility of the peso-dollar exchange rate. Accumulated Trading Income was 22.5% lower than in 1H03 mainly because of a 67.7% drop in Security Realized Gains. In this same period, the Foreign Exchange Income rose 30.6%.

**Non Interest Expense**

Non Interest Expense (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
Personnel Expenses	934.6	1,032.9	974.4	1,967.7	2,007.3	2.0%
+Professional Fees	116.3	114.7	117.6	201.9	232.3	15.1%
+Administrative and Promotion Expenses	565.2	597.2	581.4	1,100.0	1,178.6	7.1%
+Rent,Depreciation& Amortization	345.4	375.3	360.8	663.7	736.0	10.9%
+Tax other than income tax	164.6	153.3	141.8	309.0	295.0	(4.5)%
+Contributions to IPAB	184.7	180.1	181.8	369.5	361.9	(2.1)%
- Corporate Expense Recoveries	-	-	-	-	-	
= Non Interest Expense	<b>2,310.7</b>	<b>2,453.4</b>	<b>2,357.7</b>	<b>4,611.8</b>	<b>4,811.1</b>	<b>4.3%</b>

The Non Interest Expense in the quarter fell 3.9% vs. 1Q04, because of the following reductions: 5.7% in Personnel Expenses; 2.7% in Administration and Promotion Expenses as a result of an adjustment in the advertising expenses apportioned to other subsidiaries; and 7.5% in Other Taxes. The accumulated Non Interest Expense rose 4.3% vs. 1H03 due to the following increases: 7.1% in Administration and Promotion Expenses, 15.1% in Professional Fees, and 10.9% en Rents, Depreciations and Amortizations.

The efficiency ratio was 77.3% in 1H04, slightly increasing in 2Q04 despite the fact that Non Interest Expense decreased as compared to 1Q04, mainly due to lower Trading income. Banorte is working in improving its efficiency ratio through more business generation and expense reduction.

### Non Operating Income (Expense) Net

Non Operating Income (Expense) <i>(Millions of Pesos)</i>	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 vs 1H03
+Other Revenues	70.6	65.5	148.3	164.6	213.8	29.9%
+Foreign Exchange	-	-	-	-	-	-
+Recoveries	67.7	20.8	198.8	76.7	219.6	186.5%
+Repomo-other revenues	1.2	7.4	0.8	6.4	8.2	28.5%
<b>=Non Operating Income</b>	<b>139.5</b>	<b>93.7</b>	<b>347.9</b>	<b>247.6</b>	<b>441.6</b>	<b>78.3%</b>
-Other Expenses	(30.1)	(114.3)	(76.6)	(184.8)	(190.9)	3.3%
-Foreign Exchange	-	-	-	-	-	-
-Repomo-other expenses	(27.5)	(123.1)	(7.5)	(114.1)	(130.7)	14.5%
<b>=Non Operating Expense</b>	<b>(57.6)</b>	<b>(237.4)</b>	<b>(84.1)</b>	<b>(299.0)</b>	<b>(321.6)</b>	<b>7.6%</b>
<b>= Non Operating Income (Expense) Net</b>	<b>81.9</b>	<b>(143.7)</b>	<b>263.8</b>	<b>(51.3)</b>	<b>120.0</b>	<b>333.9%</b>

The net result of Non Operating Income (Expense) for the quarter was Ps 263.8 million vs. the negative Ps 143.7 million in 1Q04. This variation was due mainly to the following factors:

#### Non Operating Income:

- Cancellation of Ps 150 million in Bancen's Loan Reserves surplus. This operation was registered in Other Revenues. (See Annex 3)
- Recoveries: Ps 30.3 million in VAT; Ps 39.9 million in insurance policy dividends, and the cancellation of Diverse Creditors for a sum of Ps 45.7 million.

#### Non Operating Expense:

- There were no adjustments in the estimate of repossessed assets provisions as in 1Q04, in which Ps 46.3 million were charged.
- In the quarter, Ps 15.0 million in provisions were created for the sale of proprietary real estate charge-offs.
- In 2Q04, there was a Ps 115.6 million reduction in the Repomo vs. 1Q04.

The annual accumulate of Non Operating Income (Expense) was Ps 120.0 million vs. the negative Ps 51.3 million in 1H03. The variation was due mainly to a 29.9% increase in Other Revenues and 186.5% in Recoveries.

## Loan Portfolio

<b>LOAN PORTFOLIO</b>					
<i>(Millions of Pesos)</i>	2Q03	1Q04	2Q04	%Quarterly Growth	%Annual Growth
Consumer	19,481	24,391	26,092	7.0%	33.9%
Commercial	19,232	24,029	25,100	4.5%	30.5%
Corporate	17,583	13,440	14,280	6.3%	(18.8)%
Government	7,874	9,578	9,711	1.4%	23.3%
<b>Sub Total</b>	<b>64,170</b>	<b>71,438</b>	<b>75,183</b>	<b>5.2%</b>	<b>17.2%</b>
Recovery Banking	3,661	3,275	2,837	(13.4)%	(22.5)%
<b>Total</b>	<b>67,831</b>	<b>74,712</b>	<b>78,020</b>	<b>4.4%</b>	<b>15.0%</b>

<b>CONSUMER</b>					
<i>(Millions of Pesos)</i>	2Q03	1Q04	2Q04	%Quarterly Growth	%Annual Growth
Mortgages	12,204	14,426	15,464	7.2%	26.7%
Automobile	4,187	5,501	5,698	3.6%	36.1%
Credit Card	2,245	3,012	3,299	9.5%	46.9%
Electronic Payroll	845	1,452	1,631	12.3%	93.1%
<b>Total Consumer</b>	<b>19,481</b>	<b>24,391</b>	<b>26,092</b>	<b>7.0%</b>	<b>33.9%</b>

<i>(Millions of Pesos)</i>	2Q03	1Q04	2Q04	%Quarterly Growth	%Annual Growth
Fobaproa / IPAB Loans	88,541	74,519	72,077	(3.3)%	(18.6)%
Past Due Loans	4,048	3,606	2,831	(21.5)%	(30.1)%

The Total Loan Portfolio without Fobaproa / IPAB rose 4.4% during the quarter and 5.2% excluding proprietary loans managed by the Recovery bank, going from Ps 74,712 million to Ps 78,020 million. The explanation for this increase by type of loan is given below:

- Commercial Loans grew 4.5% as new loans were granted to medium and small companies during the quarter.
- Corporate Loans grew 6.3% because of the new loans granted to the automotive Sector.
- Consumer Loans are still showing important increases, as shown by the 3.6% growth in Car Loans given the 8,857 new loans granted during the quarter; Credit Card loans rose 9.5% in the quarter due both to the advertising program to attract new clients and a more widespread usage by our clients; and Credinómina (Payroll Loan) grew 12.3% as 46,533 new loans were granted. The Mortgage Loans rose 7.2% placing 2,513 new loans.
- Government Entity Loans rose 1.4% as new loans were granted during the quarter.
- The IPAB Portfolio dropped 3.3% as a total of Ps 2,450 million were pre-paid during the quarter.
- The exchange rate had a favorable effect on the dollar loans portfolio due to the increase in the peso-dollar exchange rate that went from 11.17 pesos/dollar to 11.53 pesos/dollar from 1Q04 to 2Q04.

Past Due Loans fell 21.5% vs. 1Q04 due to the Ps 940 million charge offs made in the quarter of Past Due Loans, which were 100% reserve, to end up with a Ps 2,831 million balance and a past due loan ratio of 3.6% vs. the Loan portfolio without Fobaproa/IPAB. These charge offs were intended to clean up the balance, as these loans were hard to recover.

Comparing the loan portfolio at the close of the quarter with that of 2Q03, there have been important increases due to new loan placement which overall represented 15.0%, and 17.2% excluding those loans managed by the Recovery bank. The annual growth of the Consumer loans was 33.9% and that of Commercial loans was 30.5%. These increases are the result of Banorte's promotional efforts for loan placement, and they also show that the Consumer Sector is still very dynamic and there is still a great loan demand for the medium and small companies. The Corporate

segment shows an annual 18.8% drop as some important clients made payments and given the loan placement strategy, which seeks greater profitability concentrating efforts on second tier corporates.

### Classified Loans

Millions of Pesos		RESERVES			
Category	LOANS	COMMERCIAL	CONSUMER	MORTGAGE	RESERVES
A	65,133	315	44	62	420
B	6,087	95	118	163	375
C	2,590	489	131	186	807
D	1,194	46	256	542	844
E	506	370	125	-	495
Total	<b>75,511</b>	<b>1,315</b>	<b>674</b>	<b>953</b>	<b>2,941</b>
Not Classified	(111)				
Exempted	76,151				
<b>Total</b>	<b>151,551</b>				<b>2,941</b>
Reserves					<b>3,694</b>
Excess / (Deficit)					<b>753</b>

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

The quarter closed with a balance of Ps 3,694 million in Loan Loss Reserves and Ps 753 million in surplus reserves, Ps 156 million of which were set aside for Fobaproa contingencies.

Loan Loss Reserves	2Q04
(Millions of Pesos)	Total
<b>PREVIOUS PERIOD END BALANCE</b>	4,585
Provision taken in the period	280
Recovery of penalized debts	4
Adjustment to fiduciary liabilities	36
Cancellation of reserve surplus vs. Results	(150)
Charge offs and discounts:	
Commercial Portfolio	(797)
Foreclosed assets	-
Consumer Portfolio	(204)
Mortgage Portfolio	(52)
	(1,053)
Cost of debtors support programs	(30)
Valuation and Others	22
<b>LOAN LOSS RESERVES AT PERIOD END</b>	<b>3,694</b>

During the quarter Ps 280 million were provisioned through the Income Statement and Ps 1,053 million were taken out through Charge offs and discounts associated with Loan recoveries and restructuring, from which Ps 797 million came from Commercial Loans, Ps 204 million from Consumer Loans, and Ps 52 million from Mortgage Loans. The balance for Loan Loss Reserves at the close of 2Q04 was Ps 3,694 million. A decision was made this quarter to charge off Ps 940 million of the hardly-recoverable past due loans, fully reserved, in order to clean up the Balance Sheet. Efforts to collect these charged-offs loans will continue.

## Reserve Coverage

<b>Reserve Coverage</b> (Millions of Pesos)	<b>Past Due Loans</b>	<b>Reserves</b>	<b>Reserves/Past Due Loans</b>
Comercial	1,130	1,130	100.0%
Financial Intermediaries	-	-	-
Consumer	421	421	100.0%
Mortgage	1,265	1,265	100.0%
Government Entities	15	15	100.0%
Surplus	-	863	-
<b>Total</b>	<b>2,831</b>	<b>3,694</b>	<b>130.5%</b>

The Banking Sector's Reserve coverage at the close of 2Q04 increased to 130.5% which compares favourably with the 127.2% of the 1Q04, and ended with a surplus of Ps 863 million after covering 100% of the different types of loans, due mainly to the charge offs of Ps 940 million of past due loans in 2Q04.

During 2Q04, Ps 150 million in Bancen surplus reserves were cancelled. In order to maintain the Sector's reserve coverage level, loan loss reserves for Ps 150 million were created in Banorte. Although at the Banking Sector the Loan Loss Reserves balance was not affected in the Balance Sheet, it affected its Income Statement, as the Loan Loss Provisions rose Ps 150 million in Banorte and the Non Operating Income (Expense) of Bancen went up in the same amount because this operation was registered as a revenue. (See Annex 3)

## Deposits

<b>Deposits</b> (Millions of Pesos)	<b>2Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>%Annual Growth</b>
Demand Deposits-w/o Interests	22,660	24,770	25,234	11.4%
Demand Deposits -with Interests (1)	35,142	37,398	38,743	10.3%
<b>Demand Deposits</b>	<b>57,802</b>	<b>62,168</b>	<b>63,977</b>	<b>10.7%</b>
Time Deposits - Retail	32,652	33,276	34,091	4.4%
<b>Core Deposits</b>	<b>90,453</b>	<b>95,444</b>	<b>98,068</b>	<b>8.4%</b>
Money Market (2)	65,822	64,798	68,722	4.4%
<b>Total Deposits</b>	<b>156,276</b>	<b>160,242</b>	<b>166,790</b>	<b>6.7%</b>
Out- of Balance Trading	49,201	56,971	61,333	24.7%
<b>Assets Under Management</b>	<b>205,477</b>	<b>217,214</b>	<b>228,123</b>	<b>11.0%</b>

(1) Includes Debit Cards.

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

The quarter closed with an Total Deposits balance of Ps 166,790 million; 4.1% higher than in 1Q04. Core Deposits increased by 2.8% vs. the previous quarter due to a 3.0% increase in Demand Deposits and 2.5% in Term Deposits. Annualized, Total Deposit rose 11.0% vs. 2Q03, with a 10.7% growth in Demand Deposits and 4.4% in Term Deposits. Assets under management totaled Ps 228,123 million, 11.0% higher than in 2Q03. Banorte continues with its strategy for optimizing its deposit mix.

## Capitalization

Capitalization (Millions of Pesos)	2003	1Q04	2Q04
Tier 1 Capital	11,278	12,039	12,720
Tier 2 Capital	2,465	5,716	4,549
<b>Net Capital</b>	<b>13,743</b>	<b>17,754</b>	<b>17,270</b>
Credit risk assets	80,197	83,513	93,207
Net Capital/ Credit Risk Assets	17.1%	21.3%	18.5%
Total risk assets (1)	101,005	115,163	119,050
Tier 1	11.2%	10.5%	10.7%
Tier 2	2.4%	5.0%	3.8%
<b>Capitalization Ratio</b>	<b>13.6%</b>	<b>15.4%</b>	<b>14.5%</b>

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

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

At the close of 1Q04, the Banking Sector's capitalization ratio was 14.5% considering both credit and market risks, and 18.5% considering only the credit risks. The Tier 1 capital ratio was 10.1% and 3.8% for Tier 2 capital. The Net Capital and capitalization ratio dropped vs. 1Q04 mainly because of the pre-payment of the Non Convertible Subordinate Debentures in UDIS, for a sum of Ps 1,487 million, which accounted as Tier 2 Capital. The maturity for these Debt was June 2009 at a 8.0% rate. With the issuance of the dollar denominated Subordinated notes in 1Q04 and the amortization of the UDI subordinated notes this quarter, the cost of capital has decreased.

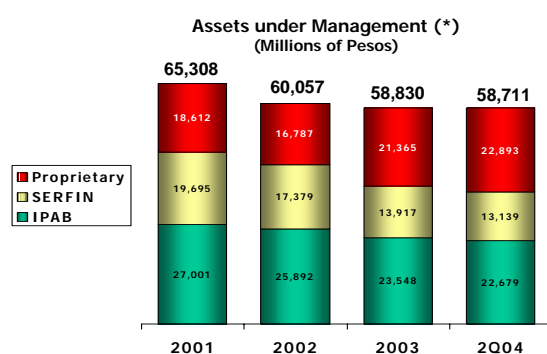
## Recovery Banking

### Achievements

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

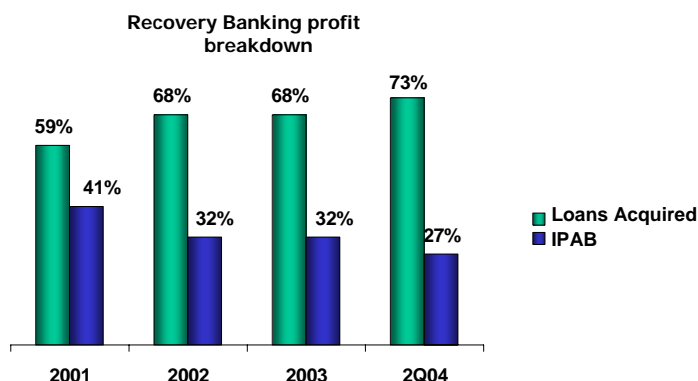
### Current Situation

At present, it manages Ps 58,711 million in assets, as shown in the following chart:



(\*) At face value

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



Note: Serfin is included in Loans Acquired.

### Loan Purchases in 2004

During 2Q04 (June 22), a Bancomer's loan portfolio was purchased for a face value of Ps 344 million, made up of 317 commercial loans. This operation was performed through Bancen.

### Future Plans

Banorte intends to continue purchasing new loan portfolios from IPAB and from other banks, as well as manage and market assets. The purpose is to extend this important business unit's life. The vision of the present administration of the recovery and asset management business is that it shall continue to contribute substantially to the Group's Banking Sector even in the long run by creating formulas to market assets that go beyond a mere loan portfolio recovery.

### Recovery Banking

<b>Recovery Banking Income Statement</b> <i>(Millones de Pesos)</i>	<b>ACCUMULATED</b>	
	<b>1H03</b>	<b>1H04</b>
Net Interest Income	(14)	36
+ REPOMO-margin	-	-
<b>= Net Interest Income After REPOMO</b>	<b>(14)</b>	<b>36</b>
- Loan Loss Provisions	61	37
<b>= Net Interest Income After Provisions</b>	<b>(75)</b>	<b>(1)</b>
+ Fiduciary	91	84
+ Fobaproa Fees (1)	83	145
+ Other Fees	70	77
Non Interest Income	<b>244</b>	<b>306</b>
<b>= Total Operating Income</b>	<b>169</b>	<b>305</b>
Non Interest Expense	113	89
= Net Operating Income	<b>56</b>	<b>217</b>
- Other Revenues and Expenses	37	-
<b>= Pre-tax Income</b>	<b>93</b>	<b>217</b>
- Income Tax & Profit Sharing	-	-
- Tax on Asset	-	-
- Deferred Income Tax & Profit Sharing	-	-
<b>= Net Income before Subsidiaries</b>	<b>93</b>	<b>217</b>
+ Undistributed Earnings of Subsidiaries	8	46
<b>= Net Income-continuous Operation</b>	<b>101</b>	<b>263</b>
+ Extraordinary Items, net	-	-
- Minority Income	-	-
<b>= Total Net Income</b>	<b>101</b>	<b>263</b>

(1) Net Figures.

(2) Includes Net Income From Loan Portfolios.

Note: Figures as of 1H03 changed with regard to those shown in the 2Q03 report due to final numbers.

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



Assets Under Management (Millions of Pesos)	2Q04	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
<b>Fobaproa-IPAB: Portfolios</b>			
Banking Sector (1)	17,124	Out of balance trusts	Fees from FOBAPROA
Serfin	10,042	Serfin Trust	Fiduciary
Reposessed assets	8,652	Out of balance trusts	Fobaproa fees and Fiduciary
	35,818		
<b>Loans purchased to IPAB and to Other Banks:</b>	16,612	Sólida Administradora de Portafolios Bancen	Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen)
<b>Banking Sector Portfolio:</b>			
Banking Sector (1)	4,798	Banorte's Portfolio	Net Interest Income
Reposessed assets	1,483	Banorte's Reposessed assets	Other Revenues and Expenses
	6,281		
<b>Total</b>	<b>58,711</b>		

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

This section is intended to dimension the Recovery Banking business contribution to the Banking Sector. Recovery Banking has contributed substantially in the last years to the Banking Sector's earnings and 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 and to other banks. 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	
	1H03	1H04
Traditional Banking Net Income	826	776
Recovery Bank Net Income	101	263
Banking Sector Net Income(*)	<b>927</b>	<b>1,039</b>
<b>= % of Contribution</b>	<b>11.0%</b>	<b>25.3%</b>

(\*) Banking Sector 100.0%

The Recovery Banking contributed with Ps 263 million to the Banking Sector's 1H04 profit; equivalent to a contribution of 25.3%

As of June, Banorte has Ps 6,800 million in Fobaproa notes derived from the sale of loans to this entity in 1995 and 1996, and Ps 65,277 million in loans to IPAB from the three banks acquired (Bancen and Banpais in 1997 and Bancrecer in 2001), with the following characteristics:

ORIGINATION (Millions of pesos)	BALANCE AS OF 2Q04	YIELD	MATURITY	LOSS SHARING
BANCEN – BANPAIS – Banks Acquired	19,053	TIIE + 85 pb	2010	NO
BANCRECER – Bank Acquired	46,224	TIIE + 40 pb	2009	NO
BANORTE – Sale of Loans to Fobaproa	6,800	CETES – 135 pb	2005/2006	YES
	<b>72,077</b>			

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

## 2.- Brokerage Sector

Brokerage Sector (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 VS 1H03
<b>Brokerage House</b>						
Net Income	25.9	29.4	9.4	32.9	38.8	18.1%
Equity	375.1	463.0	472.3	375.1	472.3	25.9%
Assets under Management	130,692	164,227	154,455	130,692	154,455	18.2%
Total Assets	473.4	602.0	604.4	473.4	604.4	27.7%
ROE %	28.6%	26.0%	7.9%	18.4%	16.4%	

The **Brokerage Sector** (Brokerage House) showed a Ps 9.4 million profit in the quarter and Ps 38.8 million in the first half of the year; 18.1% higher than the 1H03 profit. The total portfolio of clients served by the private Banking was Ps 81, 546 million, which rose 11.1% in the last twelve months.

In 2Q04, the 28-day CETE increased its rate by 79 bp while the long term issues, for instance the 10-year bond, rose 200 bp, generating increases along the curve of up to 25% as compared to the levels last March. For this reason, an income of Ps 67.3 million was generated, 18% lower than the figure of the same period last year. However, the deposits of the Money Market in the quarter increased by Ps 1,344 million, which was 4.3% higher than in 1Q04.

Income from brokerage operations was Ps 49.7 million, 91% higher than those 1H03, with a 9.4% market share (3rd in market operations). Mutual funds showed a 64% growth in their Assets and Assets under management rose 18.2% vs. 1H03. Given the Company's strict expense control policy, we have been able to keep this concept under control.

## 3.-Long Term Savings Sector

Long Term Savings Sector (Millions of pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 VS 1H03
<b>Afore</b>						
Net Income	40.6	75.4	21.2	115.1	96.6	(16.1)%
Equity	1,189.4	1,166.0	1,187.3	1,189.9	1,187.3	(0.2)%
Total Assets	1,404.0	1,315.9	1,354.0	1,404.0	1,354.0	(3.6)%
Assets under Management (SIEFORE)	23,064.5	27,090.1	27,890.0	23,064.5	27,890.0	20.9%
ROE %	13.9%	26.7%	7.1%	20.2%	16.6%	
<b>Insurance</b>						
Net Income	54.2	35.2	30.6	103.1	65.8	(36.2)%
Equity	339.0	521.7	584.7	339.0	584.7	72.5
Total Assets	2,459.3	4,142.5	3,888.0	2,459.3	3,888.0	58.1
Technical Reserves	1,814.6	2,786.8	2,612.2	1,814.6	2,612.2	44.0
Premiums sold	362.0	1,025.6	676.3 (*)	921.1	810.6	(12.0)%
ROE %	69.5%	27.9%	21.6%	71.6%	24.4%	
<b>Annuities</b>						
Net Income	41.1	46.1	(13.6)	74.8	32.5	(56.5)%
Equity	208.6	235.7	222.2	208.6	222.2	6.5%
Total Assets	4,875.3	5,128.8	5,462.4	4,875.3	5,462.4	12.0%
Technical Reserves	4,658.5	4,883.7	5,230.8	4,658.5	5,230.8	12.3%
Premiums sold	73.5	109.7	303.4	156.4	413.1	164.1%
ROE %	87.3%	86.7%	(23.2)%	88.0%	29.7%	

(\*) Including the premiums canceled because of the merger with Generali México.

The **Afore** showed a Net Profit of Ps 21.2 million in the quarter (51% for Bancen), 71.9% lower than in 1Q04. The Net Income variation with respect to last quarter was due mainly to the business' cyclic nature because the employee contributions are every two months and therefore, in the 1<sup>st</sup> and 3<sup>rd</sup> quarter of each year there are two contributions and in the 2<sup>nd</sup> and 4<sup>th</sup> quarters of each year there is only one contribution. The profit accumulated during the year was Ps 96.6 million, 16.1% lower than in 1H03 given the 0.7% to 0.6% reduction in the fee charged on balance as of January 2004. At the close of 2Q04, there were a total of 2,855,751 affiliates, and a 10.4% market share in certified accounts. Assets under Management by the SIEFORE rose 20.9% vs. 2Q03 partly as a result of the strategy to attract new higher-income affiliates.

### Merger of Seguros Banorte – Generali and Generali México (insurance companies)

On April 1, Seguro Banorte-Generali merged with Generali México, being the first the merged entity and the latter the merging entity, and changed its name to Seguros Banorte-Generali. The driver of merging both companies this way was fiscal.

When the merger was performed, the Ps 32.4 million profit of Seguros Banorte-Generali was registered directly in Retained Earnings, as per the accounting rules. Therefore it was not included in the Accumulated Profits as of 1H04. Additionally, Ps 891.3 million of Premiums Issued in 1Q04 were canceled, which in turn affected the year's accumulate for such a sum.

The merged **Insurance Company** (Aseguradora) showed a Ps 30.6 million profit (51% for GFNorte) in the quarter, 13.1% lower than in 1Q04 due mainly to the negative impact of the mark to market on its fixed income securities portfolio. The accumulate profit was Ps 65.8 million, however, when the Ps 32.4 million of the Seguros Banorte-Generali profit (before the merger) was added, the total was Ps 98.2 million, 4.8% less than in last year, due to the fact that mark to market income was lower than in 1H03 and also due to the expenses involved in the merger. The premiums issued by 1H04 were Ps 1,701.9 million (including the Ps 891.3 million canceled by the merger), 84.8% greater than those of 1H03. The Generali México merger expands the range of products and markets, and now include medical insurance and the corporate segment.

The **Annuities Company** showed a Ps 13.6 million loss in the quarter (51% for GFNorte) vs. the Ps 46.1 million profit of 1Q04. This variation is due to the loss in the investment portfolio mark to market given the increased interest rates in the quarter. The accumulate profit was Ps 32.5 million, 56.5% lower than that of 1H03 because at the end of 2003 the Social Security pension delivery was reactivated, thus substantially increasing the Technical Reserves. At present, the company ranks 2<sup>nd</sup> in the industry with an 18.7% share in premiums sold and 2<sup>nd</sup> in the number of pensions placed, with a 20.3% share.

Auxiliary Organizations Sector (Millions of Pesos)	QUARTER			ACCUMULATED		VARIATION
	2Q03	1Q04	2Q04	1H03	1H04	1H04 VS 1H03
<b>Leasing</b>						
Net Income	6.4	8.5	5.4	11.7	14.0	19.7%
Equity	184.5	193.5	199.0	184.5	199.0	7.9%
Loan Portfolio	1,115.3	1,668.5	1,765.0	1,115.3	1,765.0	58.3%
Past Due Loans	29.5	28.3	14.2	29.5	14.2	(51.9)%
Loan Loss Reserves	15.8	28.3	19.6	15.8	19.6	23.7%
Total Assets	1,154.2	1,706.1	1,771.1	1,154.2	1,771.1	53.5%
ROE %	14.2%	17.3%	10.9%	13.0%	13.9%	
<b>Factoring</b>						
Net Income	11.5	4.2	7.0	19.9	11.2	(43.4)%
Equity	198.5	218.7	225.8	198.5	225.8	13.7%
Loan Portfolio	3,046.4	3,344.7	2,931.7	3,046.4	2,931.7	(3.8)%
Past Due Loans	13.4	22.7	24.5	13.4	24.5	83.4%
Loan Loss Reserves	9.9	27.6	36.8	9.9	36.8	270.0%
ROE %	3,077.9	3,339.2	2,925.4	3,077.9	2,925.4	(5.0)%
Total Assets	23.8%	7.8%	12.4%	21.1%	10.1%	
<b>Warehousing</b>						
Net Income	3.2	4.1	3.2	8.1	7.2	(10.8)%
Equity	68.4	79.2	82.5	68.4	82.5	20.6
Inventories (*)	557.7	194.5	200.4	557.7	200.4	(64.1)%
Total Assets	615.8	300.5	324.6	615.8	324.6	(47.3)%
ROE %	18.9%	20.9%	15.3%	24.7%	18.0%	
<b>Bonding</b>						
Net Income	2.7	-	7.2	4.8	7.2	49.0%
Equity	91.6	97.8	105.0	91.6	105.0	14.7%
Total Assets	228.4	293.9	295.5	228.4	295.5	29.4%
Technical Reserves	90.4	118.2	120.2	90.4	120.2	33.0%
Premiums sold	31.5	60.5	41.7	57.1	102.1	78.8%
ROE %	12.0%	(0.2)%	27.9%	10.8%	14.1%	

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

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

The **Leasing Company** showed a profit of 5.4 million in the quarter, 36.5% lower than in 1Q04, due mainly to the important Loan Loss Reserves created of Ps 9.0 million. During the quarter, Ps 13.9 million of the past due loans were charged off, reducing the past due loan rate from 1.7% to 0.8%, closing the period with a reserve coverage of 138%. The accumulated profit for the year was Ps 14.0 million, 19.7% higher than last year's, given the 58.3% growth in its Loan Portfolio vs. 1H03. The past due loan ratio closed 2Q04 at 1.7%. It currently ranks 3<sup>rd</sup> among the 27 Leasing companies with a 10.0% market share.

The **Factoring Company** generated a quarterly profit of Ps 7.0 million, 66.7% higher than in 1Q04 because fewer loan reserves were created than in the previous quarter. The accumulated profit in the year was Ps 11.2 million, 43.4% lower than in 1H03, as more loan loss reserves were created given the beginning of a new use of the loan classification system, effective as of 2004. The loan portfolio dropped 3.8% vs. 1H03 because some important clients withdrew and past due loans closed with a balance of 24.5 million, which represents a past due loan ratio of 0.8%, and a 150% reserve coverage. The Factoring company ranks 1<sup>st</sup> in the industry among 11 factoring companies.

The **Warehousing Company** showed a net profit of 3.2 million during 2Q04, 22.0% less than in the previous quarter as there was a lower service revenue. The accumulated profit was 7.2 million, 10.8% lower than in 1H03 given the reduction in the inventory commercialization due to circumstances owing to our main clients. The company currently ranks 11<sup>th</sup> in certification volume among 23 Warehousing companies.

The **Bonding Company** generated a profit of 7.2 million, which compares favorably with the previous quarter that showed no profit. This variation is because during the first quarter of the year there was a considerable increase in the bonds issued to gas stations to operate with PEMEX. As a result, there was a need to create new technical reserves in that period, which affected the 1Q04. The accumulated profit was Ps 7.2 million, 49.0% higher than in 1H03, due basically to the 78.8% increase in the premiums issued in 2004 vs. the previous year.



# ANNEXES

---

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

## ANNEX 1. Macroeconomic Environment

The second quarter of the year was marked by a change in the perception of the United States economy dynamism. The interest rates rose while stock markets showed a mixed behavior. The Stock Exchange, on the one hand, dropped 2.24% whereas the Dow Jones and Nasdaq accumulated a profit in the quarter equivalent to 0.75% and 2.69%, respectively.

Given the strengthening economic figures in the U.S. and the change in the expectations for the monetary policy's future in that country, the interest rates started to feel the pressure. The beginning in the upward cycle in reference rates was confirmed on June 30, and the fed funds went from 1.0% to 1.25%. In addition to the international events, on a local scale the "short" was increased again on April 27. This was done outside the meetings scheduled by the Bank of Mexico and unexpectedly by the market. So the 91-day Cetes rate that averaged 6.21% in March closed June with an average 7.26%.

The rates have been responding to internal as well as external events. Among the first, a cause of concern is the deterioration in the inflation rate, which in June was at 4.37% annual, well above the Central Bank's goal -4.10% for 2004. As to the external events, while the idea that a raise in reference rates in the United States will be at a moderate rate, has gained momentum, the Bank of Mexico has pointed out that the internal monetary conditions adjust to a more restricted environment on an international scale.

Regarding the exchange rate, the peso suffered depreciation vs. the dollar during the second quarter. At the close of June, the exchange rate was 11.53 pesos/dollar vs. 11.17 pesos/dollar in March. This drop took place despite the fact that no strong unbalance was observed in the external accounts. At the same time, the international reserves are high and over USD 59,000 million, while remittances keep rising -between January and May 2004, USD 6,326 million, 25.8% more than in the same period last year. In spite of the above, the increase in U.S. interest rates strengthened the dollar with respect to several other currencies of the world.

Finally, as to economic activity, the signs are positive and there are substantial upward adjustments in the estimation of growth for this year, which according to the survey made by the Bank of Mexico among the private sector analysts, went from 3.23% in March to 3.93% in June. Growth has benefited from an important increase in external demand, as non-oil exports increased 12.1% in the first five months of the year. On the other hand, the internal market continues to grow: retail sales rose 3.5% in the first four months of 2004, while investment rose 4.7%. The economic activity is expected to maintain this dynamism in the upcoming quarters.

## ANNEX 2 .-Grupo Financiero- General Information

### GFNorte Ownership in Subsidiaries

	2004
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

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

### Banorte Ratings

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

## Banorte Ratings

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

## No. of Employees & Distribution Network

EMPLOYEES	2Q03	1Q04	2Q04
Banking Sector (1)	13,009	13,510	13,710
Other Sectors (2)	<u>2,050</u>	<u>2,617</u>	<u>2,728</u>
<b>Total Group</b>	<b>15,059</b>	<b>16,127</b>	<b>16,438</b>
DISTRIBUTION NETWORK			
Branches (3)	1,059	1,026	1,029
ATM	2,490	2,520	2,546

(1) Includes Sólida Administradora de Portafolios.

(2) It increase from 2Q03 to 2Q04 mainly due to the reinforcement of the Afore sales force.

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

## Group Officers

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

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



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

### ANNEX 3 .-Accounting Changes and Regulations

**Cancellation of Bancen Loan Loss Reserve surplus.** Last May 2004, Ps 150 million in Bancen loan reserve surplus were cancelled. This surplus was generated in various mortgage and commercial loans UDIS trusts, for which Bancen acted as the Trustee Institution, as a result of the settled loans recovery and which were not eligible for cancellation given the norms applicable to such trusts.

In October, the 421 trust "Housing, Mortgage Loan and liquidity with a 20-year mortgage guarantee" was cancelled when Bancen was paid the corresponding liability. Therefore the loan portfolio and the loan loss provisions were incorporated to the Banks financial statements.

When including these reserves to Bancen a surplus was generated under the loan classification methodology. The cancellation of these reserves generated a Ps 150 million income for the bank. This sum was registered in the Other Revenues account under the Non Operating Income line in the Income Statement.

The CNByV informed that in accordance with the GAAP criteria, agreed with this cancellation as per circular N° SJIF "A-2" 601-II-34997 dated May 17, 2004.

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

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

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

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

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

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

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

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

Millions of nominal pesos	Banorte (before consolidation)	Bancrecer	Total	Intercompany Operations <b>Debit</b>	Intercompany Operations <b>Credit</b>	Balance of the Merged entity
ASSETS	106,528	69,681	176,209		12,107	164,102

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

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	

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

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, 2004 changes	June, 2004 Balance
1. Reorganization	368.1	(368.1)	0.0
2. Integration	229.2	(191.1)	38.1
3. After Retirement obligations (medical service)	80.7	(80.7)	0.0
<b>Total</b>	<b>678.0</b>	<b>(639.9)</b>	<b>38.1</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)	2002		
	Temporary	Deferred	
CONCEPT	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>

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

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

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

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

**Goodwill.-**

As per Bulletin B-8 of the Generally Accepted Accounting Principles, paragraph 22 "Acquisition and sales of subsidiaries," an Asset Goodwill was created in 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 March 2004, the Goodwill adds up to Ps 40.9 million.

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

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

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

(Millions of Nominal Pesos)	Local Currency <sup>(2)</sup>			Foreign Currency (USD) <sup>(3)</sup>			Total		
	Aug'02	Mar'04	Jun'04	Aug'02	Mar'04	Jun'04	Aug'02	Mar'04	Jun'04
<b>Performing Loans</b>									
Commercial	5	5	4	5	-	-	10	5	4
Consumer	-	-	-	-	-	-	-	-	-
Mortgage	54	111	110	-	-	-	54	111	110
<b>Total</b>	<b>59</b>	<b>116</b>	<b>114</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>116</b>	<b>114</b>
<b>Non Performing Loans</b>									
Commercial	405	331	319	293	242	250	698	573	569
Consumer	81	77	76	-	-	-	81	77	76
Mortgage	1,112	778	746	-	-	-	1,112	778	746
<b>Total</b>	<b>1,598</b>	<b>1,186</b>	<b>1,141</b>	<b>293</b>	<b>242</b>	<b>250</b>	<b>1,891</b>	<b>1,428</b>	<b>1,391</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>1,302</b>	<b>1,255</b>	<b>298</b>	<b>242</b>	<b>250</b>	<b>1,955</b>	<b>1,544</b>	<b>1,505</b>
<b>Loan Loss Reserves (1)</b>									
Commercial	383	320	309	274	222	228	657	542	537
Consumer	80	76	75	-	-	-	80	76	75
Mortgage	840	514	492	-	-	-	840	514	492
<b>Total</b>	<b>1,303</b>	<b>910</b>	<b>876</b>	<b>274</b>	<b>222</b>	<b>228</b>	<b>1,577</b>	<b>1,132</b>	<b>1,104</b>

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

(2) Includes UDIS.

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

(\*) The Reserve surplus as of June'04 was Ps 221 million.

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

In 2004 the Loan portfolio showed changes due to allocations for Ps 5 million, restructuring for Ps 18 million, and Ps 75 million in write-offs and scale-downs. There were write-offs and scale-downs for Ps 20 million in the Loan Reserves. There were transfers from performing loans to past due loans for Ps 17 million and transfers from past due loans to performing loans for Ps 13 million.

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

(Millions of Nominal Pesos)	Local Currency <sup>(1)</sup>		Foreign Currency (USD) <sup>(2)</sup>		Total	
	Mar'04	Jun'04	Mar'04	Jun'04	Mar'04	Jun'04
<b>Performing Loans</b>						
Commercial	26,886	28,991	6	6	32,944	35,358
Financial Intermediaries	3,011	2,858	372	315	3,383	3,173
Consumer	9,517	10,218	5	5	9,522	10,223
Mortgage	15,380	16,294	-	-	15,380	16,294
Government Entities	76,591	74,261	681	702	77,272	74,963
Fobaproa / IPAB	6,936	7,010	(202)	(210)	6,734	6,800
<b>Performing Loans</b>	<b>138,321</b>	<b>139,632</b>	<b>6,914</b>	<b>7,179</b>	<b>145,235</b>	<b>146,811</b>
<b>Non Performing Loans</b>						
Commercial	1,344	940	990	608	2,334	1,548
Consumer	552	497	-	-	552	497
Mortgage	1,827	1,865	-	-	1,827	1,865
Government Entities	8	15	-	-	8	15
<b>Non Performing Loans</b>	<b>3,731</b>	<b>3,317</b>	<b>990</b>	<b>608</b>	<b>4,721</b>	<b>3,925</b>
<b>TOTAL LOANS</b>	<b>142,052</b>	<b>142,949</b>	<b>7,904</b>	<b>7,787</b>	<b>149,956</b>	<b>150,736</b>
<b>Loan Loss Reserves</b>	<b>4,112</b>	<b>3,740</b>	<b>1,160</b>	<b>780</b>	<b>5,272</b>	<b>4,520</b>
<b>Net Loan Portfolio</b>	<b>137,940</b>	<b>139,209</b>	<b>6,744</b>	<b>7,007</b>	<b>144,684</b>	<b>146,216</b>
<b>Loan Loss Reserves</b>					<b>111.67%</b>	<b>115.16%</b>
<b>% Past Due Loans</b>					<b>3.15%</b>	<b>2.60%</b>

(1) Includes UDIS.

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



### ANNEX 5 .- Financial Statements

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

	1Q03	2Q03	3Q03	4Q03	ACUM	1Q04	2Q04	3Q04	4Q04	ACUM
Income from Subsidiaries and Interest Expense	535	555	593	582	2,264	566	572			1,137
Trading Income	-	-	-	-	-	-	-	-	-	-
Fees & Tarifs	-	-	-	-	-	-	-	-	-	-
REPOMO	(1)	-	(1)	(4)	(5)	(1)	-	-	-	(1)
<b>Total Operating Income</b>	<b>534</b>	<b>555</b>	<b>592</b>	<b>579</b>	<b>2,259</b>	<b>564</b>	<b>572</b>			<b>1,136</b>
Operation & Administrative expenses	1	1	1	-	2	1	-	-	-	1
<b>Operatina Income</b>	<b>533</b>	<b>554</b>	<b>591</b>	<b>578</b>	<b>2,257</b>	<b>564</b>	<b>571</b>			<b>1,135</b>
Non Operating Income	-	-	-	1	1	-	-	-	-	-
Non Operating Expense	-	-	-	-	-	-	-	-	-	-
<b>Non Operating Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>			<b>-</b>
<b>Pre-tax Income</b>	<b>533</b>	<b>554</b>	<b>591</b>	<b>579</b>	<b>2,258</b>	<b>563</b>	<b>571</b>			<b>1,134</b>
Income Tax & Profit Sharing	4	(4)	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	4	4	-	-	7
Deferred Inc. Tax and Profit sharing	-	-	-	-	-	-	-	-	-	-
	4	(4)	-	-	-	4	4	-	-	7
<b>Net income from Continuos</b>	<b>529</b>	<b>558</b>	<b>591</b>	<b>579</b>	<b>2,258</b>	<b>559</b>	<b>568</b>			<b>1,127</b>
Extraordinary Items, net	-	-	-	-	-	-	-	-	-	-
<b>Total Net Income</b>	<b>529</b>	<b>558</b>	<b>591</b>	<b>579</b>	<b>2,258</b>	<b>559</b>	<b>568</b>			<b>1,127</b>

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

ASSETS	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
Cash and due from Banks	10	92	164	88	64	65		
Financial Instruments:								
Sundry debtors and other assets, net	67	144	4	4	4	4		
Real Estate, Furniture & Equipment, net	-	-	-	-	-	-		
Investments in subsidiaries	12,269	12,832	13,322	13,596	13,824	14,422		
Deferred taxes	-	-	-	-	-	-		
Goodwill	-	-	-	43	42	41		
Other Assets, Deferred charges, intang	1	1	-	-	1	1		
<b>TOTAL ASSETS</b>	<b>12,348</b>	<b>13,068</b>	<b>13,491</b>	<b>13,731</b>	<b>13,935</b>	<b>14,533</b>		
LIABILITIES								
Due to banks and correspondents	-	-	-	-	-	-		
Income Tax & Profit Sharing	3	12	16	21	4	7		
Other Payable accounts	-	-	-	1	-	-		
Other payable accounts	3	12	16	22	4	7		
Deferred taxes	21	45	-	-	-	-		
<b>TOTAL LIABILITIES</b>	<b>24</b>	<b>57</b>	<b>16</b>	<b>22</b>	<b>4</b>	<b>7</b>		
STOCKHOLDER 'S EQUITY								
Paid-in Capital	5,408	5,420	5,425	5,425	5,425	5,425		
Share subscription premiums	1,581	1,650	1,618	1,612	1,612	1,612		
Subordinated Convertible Debentures	-	-	-	-	-	-		
Subscribed Capital	6,989	7,069	7,043	7,037	7,037	7,037		
Capital Reserves	1,114	1,344	1,344	1,343	1,343	1,454		
Retained Earnings	12,170	11,982	11,982	11,618	13,612	13,517		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,534)	(5,533)	(5,532)	(5,535)	(5,534)	(5,535)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(2,945)	(2,938)	(3,041)	(3,012)	(3,085)	(3,075)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	529	1,087	1,679	2,258	559	1,127		
Earned Capital	5,334	5,943	6,432	6,672	6,894	7,488		
Total Stockholder 's Equity	12,323	13,012	13,475	13,709	13,931	14,526		
<b>TOTAL LIABILITIES &amp; STOCKHOLDER 'S</b>	<b>12,348</b>	<b>13,068</b>	<b>13,491</b>	<b>13,731</b>	<b>13,935</b>	<b>14,533</b>		

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

	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
Client securities held in custody	3,621	3,611	3,584	3,524	3,466	3,666		
Other trust account items	116	116	115	113	111	111		
<b>Total</b>	<b>3,737</b>	<b>3,727</b>	<b>3,699</b>	<b>3,637</b>	<b>3,577</b>	<b>3,777</b>		

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

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

<b>NET INTEREST INCOME</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>	<b>ACUM</b>
Interest Income	6,905	5,460	4,614	5,034	22,013	5,161	5,619			10,780
Interest Expense	4,676	3,481	2,754	3,036	13,947	3,188	3,525			6,713
Loan Fees	194	196	193	213	795	159	112			271
Fees Paid	10	15	15	13	54	20	21			41
<b>Net Interest Income (NII)</b>	<b>2,412</b>	<b>2,161</b>	<b>2,038</b>	<b>2,198</b>	<b>8,808</b>	<b>2,112</b>	<b>2,185</b>			<b>4,297</b>
Repomo-Margin	16	13	7	21	56	1	-			1
<b>NII after Repomo</b>	<b>2,427</b>	<b>2,173</b>	<b>2,044</b>	<b>2,219</b>	<b>8,865</b>	<b>2,113</b>	<b>2,185</b>			<b>4,298</b>
Loan Loss Provisions	246	356	169	(1)	770	119	298			418
Loss Sharing Provisions	32	14	2	6	54	12	19			31
<b>NII after Provisions</b>	<b>2,149</b>	<b>1,803</b>	<b>1,874</b>	<b>2,214</b>	<b>8,041</b>	<b>1,982</b>	<b>1,868</b>			<b>3,850</b>
Fund transfers	45	45	46	45	181	56	46			102
Account management	154	170	190	209	723	189	221			410
Fiduciary	47	41	46	47	181	43	48			92
Income from Loan Portfolios Acquired	168	125	159	268	720	173	146			319
Electronic Banking Services	67	58	61	79	265	68	85			152
Credit Card	154	162	160	190	666	275	301			576
Fees from FOBAPROA	49	34	261	142	486	87	96			183
Other fees	442	415	535	437	1,829	548	422			970
<b>Fees on services,</b>	<b>1,124</b>	<b>1,052</b>	<b>1,459</b>	<b>1,416</b>	<b>5,051</b>	<b>1,439</b>	<b>1,365</b>			<b>2,804</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	114	126	136	138	514	133	126			260
Expenses from Loan Portfolios Acquired	113	75	109	18	315	116	97			213
<b>Fees paid,</b>	<b>227</b>	<b>200</b>	<b>246</b>	<b>156</b>	<b>829</b>	<b>249</b>	<b>224</b>			<b>473</b>
Foreign exchange	87	124	104	86	401	125	150			275
Securities –Realized gains	152	366	103	-	620	321	(103)			217
Securities- Unrealized gains	(4)	(38)	59	(41)	(23)	15	41			56
<b>Market-related Income</b>	<b>235</b>	<b>452</b>	<b>266</b>	<b>45</b>	<b>998</b>	<b>460</b>	<b>88</b>			<b>549</b>
<b>Total Non Interest Income</b>	<b>1,132</b>	<b>1,303</b>	<b>1,480</b>	<b>1,304</b>	<b>5,219</b>	<b>1,650</b>	<b>1,230</b>			<b>2,880</b>
<b>Total Operating Income</b>	<b>3,282</b>	<b>3,106</b>	<b>3,354</b>	<b>3,519</b>	<b>13,261</b>	<b>3,632</b>	<b>3,097</b>			<b>6,729</b>
Personnel	1,124	1,031	1,064	1,023	4,242	1,143	1,068			2,211
Professional Fees	87	119	130	105	441	117	120			237
Administrative and Promotion Expenses	662	689	781	850	2,981	739	723			1,462
Rents, depreciation and amortization	364	393	416	431	1,604	429	416			845
Taxes, other than income tax	148	163	163	206	680	172	161			333
Contributions to IPAB	185	185	187	189	745	180	182			362
Corporate expenses Recoveries	-	-	-	-	-	-	-			-
<b>Non-Interest Expense</b>	<b>2,570</b>	<b>2,579</b>	<b>2,741</b>	<b>2,804</b>	<b>10,694</b>	<b>2,780</b>	<b>2,670</b>			<b>5,450</b>
<b>Operating Income</b>	<b>711</b>	<b>528</b>	<b>612</b>	<b>715</b>	<b>2,567</b>	<b>852</b>	<b>428</b>			<b>1,280</b>
Other Revenues	572	360	829	631	2,392	436	485			921
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	22	69	67	21	179	22	201			223
Repomo-other revenues	6	1	4	14	24	7	1			8
<b>Non Operating Income</b>	<b>600</b>	<b>430</b>	<b>900</b>	<b>666</b>	<b>2,596</b>	<b>465</b>	<b>687</b>			<b>1,152</b>
Other Expense	(653)	(337)	(761)	(621)	(2,372)	(498)	(433)			(931)
Foreign exchange	-	-	(2)	-	(2)	-	-			-
Repomo-other Expenses	(87)	(30)	(60)	(164)	(340)	(140)	(9)			(148)
<b>Non Operating Expense</b>	<b>(739)</b>	<b>(367)</b>	<b>(823)</b>	<b>(785)</b>	<b>(2,714)</b>	<b>(637)</b>	<b>(442)</b>			<b>(1,079)</b>
<b>Non Operating Income (Expense), net</b>	<b>(140)</b>	<b>63</b>	<b>77</b>	<b>(119)</b>	<b>(118)</b>	<b>(172)</b>	<b>246</b>			<b>73</b>
<b>Pre-tax Income</b>	<b>572</b>	<b>591</b>	<b>690</b>	<b>596</b>	<b>2,449</b>	<b>680</b>	<b>673</b>			<b>1,353</b>
Income Tax	67	43	71	11	191	74	32			106
Profit sharing	25	25	31	37	119	73	53			127
Tax on Assets	9	11	11	8	39	17	16			33
Deferred Inc. Tax and Profit sharing	(37)	(18)	(19)	(27)	(101)	(11)	1			(9)
	<b>64</b>	<b>61</b>	<b>94</b>	<b>30</b>	<b>248</b>	<b>153</b>	<b>103</b>			<b>256</b>
<b>Net Income before subsidiaries</b>	<b>508</b>	<b>530</b>	<b>596</b>	<b>566</b>	<b>2,200</b>	<b>527</b>	<b>570</b>			<b>1,097</b>
Subsidiaries' net income	70	53	47	34	204	83	26			109
<b>Net Income from continuous operations</b>	<b>578</b>	<b>583</b>	<b>643</b>	<b>600</b>	<b>2,405</b>	<b>610</b>	<b>597</b>			<b>1,206</b>
Extraordinary items, net	-	1	-	-	1	-	-			-
Minority Interest	49	26	52	21	147	50	29			79
<b>TOTAL NET INCOME</b>	<b>529</b>	<b>558</b>	<b>591</b>	<b>579</b>	<b>2,258</b>	<b>559</b>	<b>568</b>			<b>1,127</b>

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

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

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>23,298</b>	<b>26,771</b>	<b>30,904</b>	<b>31,290</b>	<b>30,446</b>	<b>33,591</b>		
Negotiable Instruments	4,199	4,115	4,252	9,412	5,503	5,970		
Securities held for sale	1,380	1,380	193	244	596	411		
Securities held to maturity	8,788	9,546	10,980	9,534	10,754	10,314		
<b>Financial Instruments:</b>	<b>14,367</b>	<b>15,041</b>	<b>15,425</b>	<b>19,191</b>	<b>16,853</b>	<b>16,695</b>		
Non-assigned securities to pay	-	1	64	1	7	49		
Repurchase agreements, net	165	46	169	52	140	65		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	15	1	-	3	7	24		
<b>Repos &amp; Derivatives :</b>	<b>180</b>	<b>47</b>	<b>233</b>	<b>56</b>	<b>153</b>	<b>138</b>		
Commercial	34,428	35,824	36,481	38,836	37,862	39,809		
Financial Intermediaries	2,238	2,289	2,443	2,577	2,335	2,394		
Consumer	6,199	7,032	8,009	8,813	9,532	10,224		
Mortgage	12,844	13,429	14,146	14,977	15,538	16,430		
Government Entities	89,809	89,502	87,802	79,580	77,361	74,985		
Fobaproa	6,883	6,917	6,885	6,804	6,740	6,800		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>152,402</b>	<b>154,994</b>	<b>155,766</b>	<b>151,587</b>	<b>149,368</b>	<b>150,642</b>		
Commercial	2,017	2,458	1,970	1,947	1,963	1,168		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	345	355	399	467	485	421		
Mortgage	1,230	1,270	1,200	1,204	1,202	1,264		
Government Entities	8	8	8	8	8	15		
<b>Past Due Loans</b>	<b>3,601</b>	<b>4,091</b>	<b>3,577</b>	<b>3,626</b>	<b>3,657</b>	<b>2,869</b>		
<b>Total Loans</b>	<b>156,003</b>	<b>159,085</b>	<b>159,343</b>	<b>155,213</b>	<b>153,026</b>	<b>153,511</b>		
Preventive loan loss reserves	4,561	4,720	4,536	4,393	4,641	3,750		
<b>Net Loan Portfolio</b>	<b>151,442</b>	<b>154,365</b>	<b>154,807</b>	<b>150,820</b>	<b>148,384</b>	<b>149,761</b>		
Credit Assets Portfolio	1,826	1,741	1,619	2,102	1,953	1,868		
Sundry debtors and other assets, net	2,642	4,025	4,520	2,270	3,314	3,949		
Foreclosed assets, net	1,218	1,249	1,208	1,143	1,039	1,036		
Real Estate, Furniture & Equipment, net	5,951	5,879	5,770	5,815	5,698	5,551		
Investments in subsidiaries	1,538	1,574	1,614	1,734	1,785	1,802		
Deferred taxes	912	890	983	987	984	975		
Goodwill	-	-	-	-	-	-		
Deferred charges & Intangibles	1,543	1,860	1,494	1,573	1,513	1,438		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>15,629</b>	<b>17,220</b>	<b>17,208</b>	<b>15,624</b>	<b>16,286</b>	<b>16,619</b>		
<b>TOTAL ASSETS</b>	<b>204,917</b>	<b>213,444</b>	<b>218,578</b>	<b>216,981</b>	<b>212,122</b>	<b>216,804</b>		

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

**GRUPO FINANCIERO BANORTE – CONSOLIDATED BALANCE SHEET**

(Millions of Pesos)

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	54,669	57,744	59,244	67,336	62,119	63,914		
Time Deposits	104,588	98,110	106,487	98,000	98,011	102,748		
Bonds	1,383	275	-	-	-	-		
<b>Deposits</b>	<b>160,640</b>	<b>156,129</b>	<b>165,731</b>	<b>165,336</b>	<b>160,130</b>	<b>166,663</b>		
Demand	5,921	13,675	4,128	4,822	5,954	3,412		
Short term	4,897	9,140	12,815	13,708	8,556	11,078		
Long term	12,366	11,806	11,654	11,309	11,261	10,919		
<b>Due to banks and correspondents</b>	<b>23,184</b>	<b>34,621</b>	<b>28,596</b>	<b>29,838</b>	<b>25,770</b>	<b>25,410</b>		
Non-assigned securities to pay	-	1	48	1	8	28		
Repurchase agreements, net	52	25	126	219	81	38		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	976	947	1,471	12	3	1		
<b>Repos &amp; Derivatives:</b>	<b>1,029</b>	<b>973</b>	<b>1,644</b>	<b>232</b>	<b>92</b>	<b>67</b>		
Income Tax & Profit Sharing	257	172	270	271	267	220		
Other Payable accounts	3,706	4,811	4,936	3,842	4,794	4,214		
<b>Other payable accounts</b>	<b>3,964</b>	<b>4,983</b>	<b>5,205</b>	<b>4,113</b>	<b>5,061</b>	<b>4,434</b>		
Subordinated non Convertible Debenture	2,817	2,717	2,831	2,780	6,141	4,670		
Deferred Taxes	-	-	-	-	-	-		
Deferred credits	50	73	110	66	52	60		
<b>TOTAL LIABILITIES</b>	<b>191,684</b>	<b>199,496</b>	<b>204,119</b>	<b>202,365</b>	<b>197,246</b>	<b>201,304</b>		
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	5,408	5,420	5,425	5,425	5,425	5,425		
Share subscription premiums	1,581	1,650	1,618	1,612	1,612	1,612		
Subordinated Convertible Debentures	-	-	-	-	-	-		
<b>Subscribed Capital</b>	<b>6,989</b>	<b>7,069</b>	<b>7,043</b>	<b>7,037</b>	<b>7,037</b>	<b>7,037</b>		
Capital Reserves	1,114	1,344	1,344	1,343	1,343	1,454		
Retained Earnings	12,170	11,982	11,982	11,618	13,612	13,517		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,534)	(5,533)	(5,532)	(5,535)	(5,534)	(5,535)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(2,945)	(2,938)	(3,041)	(3,012)	(3,085)	(3,075)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	529	1,087	1,679	2,258	559	1,127		
<b>Earned Capital</b>	<b>5,334</b>	<b>5,943</b>	<b>6,432</b>	<b>6,672</b>	<b>6,894</b>	<b>7,488</b>		
Minority Holdings	910	936	985	907	945	974		
<b>Total Stockholder 's Equity</b>	<b>13,233</b>	<b>13,948</b>	<b>14,459</b>	<b>14,616</b>	<b>14,876</b>	<b>15,500</b>		
<b>TOTAL LIABILITIES &amp;</b>	<b>204,917</b>	<b>213,444</b>	<b>218,578</b>	<b>216,981</b>	<b>212,122</b>	<b>216,804</b>		

**MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED**

<i>(Millions of Pesos)</i>	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
<b>ONBEHALF OF THIRD PARTY</b>								
Customers' banks	1	17	7	5	25	8		
Dividends receivable from customers	-	-	-	-	-	-		
Interest receivable from customers	-	-	-	-	-	-		
Liquidation of customer transactions	14,480	(23)	(105)	(8)	(18)	104		
Customer loans	-	-	-	-	-	-		
Liquidation with foreign currencies of	-	-	-	-	-	-		
Margin accounts in futures operations	-	-	-	-	-	-		
Other current accounts	-	-	-	-	-	-		
<b>CUSTOMERS CURRENT ACCOUNT</b>	<b>14,481</b>	<b>(7)</b>	<b>(99)</b>	<b>(3)</b>	<b>7</b>	<b>112</b>		
Client securities held in custody	118,592	130,499	137,356	149,784	164,039	154,261		
Securities and documents received in	1	-	1	-	-	-		
Client securities abroad	-	-	-	-	-	-		
<b>CLIENT SECURITIES</b>	<b>118,593</b>	<b>130,499</b>	<b>137,357</b>	<b>149,784</b>	<b>164,039</b>	<b>154,261</b>		
Repurchase operations for customers	23,788	26,121	21,476	17,628	22,399	20,243		
Clients securities loans	1	-	-	-	-	-		
Purchase of Futures & forward contracts	-	-	-	-	-	-		
Sale of futures and forward contracts	-	-	-	-	-	-		
Purchasing operations (option price)	51	45	6	9	2	2		
Sales operations (option price)	-	-	-	-	-	-		
Purchase of derivative packages	-	-	-	-	-	-		
Sale of derivative packages	-	-	-	-	-	-		
Administration trusts	2,401	2,559	2,176	2,426	2,517	2,218		
<b>TRANSACTIONS ON BEHALF CLIENT</b>	<b>26,239</b>	<b>28,726</b>	<b>23,658</b>	<b>20,063</b>	<b>24,918</b>	<b>22,463</b>		
<b>TOTAL ON BEHALF OF THIRD PARTY</b>	<b>159,313</b>	<b>159,218</b>	<b>160,916</b>	<b>169,844</b>	<b>188,964</b>	<b>176,837</b>		
Signature guarantees granted	-	-	-	33	32	61		
Issuing of irrevocable letters of credit	915	978	1,044	793	1,345	1,393		
Property in trust and guardianship	83,143	84,694	85,750	83,793	87,406	83,805		
Assets held in custody or in administration	140,695	134,894	125,157	110,926	114,300	118,910		
Amounts committed to operations with	6,010	6,043	6,689	6,861	7,410	7,693		
In Transit drafts	-	-	-	-	-	-		
Certificates of Deposit in circulation	460	589	570	696	561	625		
Secured Credit Cards from the company	-	-	-	-	-	-		
Securities given to the company in custody	103	194	253	233	249	266		
Government securities in custody of the	-	7	-	1	11	1		
Securities given to the company on	-	-	-	-	-	-		
Securities outside the country	-	-	-	-	-	-		
Liquidations with foreign currencies abroad	-	-	-	-	-	-		
Debits to the contingency fund	-	-	-	-	-	-		
Other contingent obligations	16,711	16,954	16,871	18,045	15,266	12,634		
Banking transactions on behalf of third-	49,859	50,146	50,456	55,827	52,910	62,179		
Investments in funds for the retirem.saving	233	244	252	252	-	-		
Integration of the credit portfolio	-	-	-	-	-	-		
Amounts contracted in derivative	6,586	6,866	7,784	10,604	10,373	17,229		
Other trust account items	432,918	411,624	287,301	283,506	-	-		
<b>OWN ACCOUNT OPERATIONS</b>	<b>737,634</b>	<b>713,593</b>	<b>582,128</b>	<b>571,569</b>	<b>289,863</b>	<b>304,797</b>		
Repurchase agreements								
Securities to be received	147,144	155,704	153,846	89,027	118,694	102,430		
(Less) Securities to be delivered	(146,964)	(155,702)	(153,679)	(89,221)	(118,607)	(102,407)		
<b>REPURCHASE TRANSACTIONS-</b>	<b>179</b>	<b>1</b>	<b>167</b>	<b>(194)</b>	<b>86</b>	<b>23</b>		
Securities to be received	79,749	84,204	86,298	18,905	54,204	35,242		
(Less) securities to be delivered	(79,816)	(84,184)	(86,421)	(18,878)	(54,232)	(35,238)		
<b>REPURCHASE TRANSACTIONS- SOLD</b>	<b>(67)</b>	<b>19</b>	<b>(124)</b>	<b>27</b>	<b>(28)</b>	<b>3</b>		
<b>TOTAL ON OWN ACCOUNT</b>	<b>737,746</b>	<b>713,614</b>	<b>582,171</b>	<b>571,402</b>	<b>289,921</b>	<b>304,824</b>		

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

**GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW**  
**JANUARY 1, 2004 – JUNE 30, 2004**  
*(Millions of Pesos)*

<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>	
<b>Net Income</b>	<b>1,127</b>
<b>Adjustments to Reconcile Net Income to Net Cash by Operating Activities</b>	
Mark to Market Valuation Results	(56)
Provisions for loan losses	449
Depreciation and amortization	505
Deffered Taxes	(9)
Provisions for Obligations	474
Minoritary Interest	79
Undistributed Earnings of Subsidiaries	(109)
	<b>1,332</b>
<b>Cash Flows From Investing Activities:</b>	
Banks Deposits	1,329
Decrease (Increase) loan portfolio	609
Decrease (Increase) credit assets portfolio	234
Decrease (Increase) treasury operations	2,552
Decrease (Increase) financial instruments	(247)
Loans from banks and other entities	(4,428)
Decrease (Increase) Deferred taxes	22
Decrease (Increase) in accounts receivable and payable	(1,831)
Charge off for sale of loans (CNBV circular No 601-II-34966)	(250)
Creation of provisions for non performing loans in Arrendadora Banorte, S.A. de C.V.	(11)
<b>Net Resources provided by operations</b>	<b>(2,021)</b>
<b>Financial Activities:</b>	
Subordinated Debentures Issue and Interest	1,890
Dividends Declared	-
Issuance of stock	-
Merge of Seguros Generali México, S.A. de C.V	16
<b>Net Resources provided by Investing activities</b>	<b>1,906</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>	
Fixed Assets increase	20
Proceeds from issuance of common stock	(34)
Decrease (Increase) Deferred charges or credits	(132)
Decrease (Increase) Foreclosed assets	107
Charge offs of repossessed assets of Arrendadora Banorte, S.A. de C.V.	(4)
<b>Net Cash provided by financing activities</b>	<b>(43)</b>
<b>Decrease (increase) in cash and due from banks</b>	<b>2,301</b>
<b>Cash and due from banks at the beginning of the year</b>	<b>31,290</b>
<b>Cash and due from banks at the end of the year</b>	<b>33,591</b>

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

**GRUPO FINANCIERO BANORTE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**JANUARY 1, 2004- JUNE 30, 2004.**  
(Millions of Pesos)

	CONTRIBUTED CAPITAL		
	Fixed Paid-in Capital Variable	Paid-in Capital Premium, Bonds	& oth. Securities
<b>Balance as of December 31,2002</b>	<b>3,234</b>	<b>2,191</b>	<b>1,612</b>
<b>Stock Changes</b>			
Issuance of stock	-	-	-
Profits Capitalization	-	-	-
Provisions Created	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Income</b>			
Total Income:	-	-	-
Net Income	-	-	-
Results of assets holdings	-	-	-
Minority Interest	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as of June 30,2004</b>	<b>3,234</b>	<b>2,191</b>	<b>1,612</b>

	EARNED CAPITAL						Total Stockholder s' Equity
	Capital Reserve s	Retained earnings	Excess if Insuf. Capital Restatement	Non Monetary Assets Results (Investment)	Net Income of the year	Minorit ary Interes t	
<b>Balance as of December 31,2003</b>	<b>1,343</b>	<b>11,618</b>	<b>(5,535)</b>	<b>(3,012)</b>	<b>2,258</b>	<b>907</b>	<b>14,616</b>
<b>Stock Changes</b>							
Issuance of stock	-	-	-	-	-	-	-
Profits Capitalization	-	2,258	-	-	(2,258)	-	-
Provisions Created	111	(111)	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-
<b>Total</b>	<b>111</b>	<b>2,147</b>	<b>-</b>	<b>-</b>	<b>(2,258)</b>	<b>-</b>	<b>-</b>
<b>Total Income</b>							
Total Income:							
Net Income	-	-	-	-	1,127	-	<b>1,127</b>
Results of assets holdings	-	-	-	(63)	-	-	<b>(63)</b>
Charge off for sale of loans (CNBV circular No 601- II- 34966)	-	(250)	-	-	-	-	<b>(250)</b>
Charge offs of repossessed assets and provisioning of non performing loan of Arrendadora Banorte S.A. de C.V.	-	(15)	-	-	-	-	<b>(15)</b>
Merge of Seguros Banorte Generali México, S.A. de C.V.	-	16	-	-	-	-	<b>16</b>
<b>Total</b>	<b>-</b>	<b>(248)</b>	<b>-</b>	<b>(63)</b>	<b>1,127</b>	<b>-</b>	<b>816</b>
Minority Interest	-	-	-	-	-	67	<b>67</b>
<b>Balance as of June 30,2004</b>	<b>1,454</b>	<b>13,517</b>	<b>(5,535)</b>	<b>(3,075)</b>	<b>1,127</b>	<b>974</b>	<b>15,500</b>

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

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

<b>NET INTEREST INCOME</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>	<b>ACUM</b>
Interest Income	6,765	5,313	4,415	4,801	21,294	4,950	5,415			10,365
Interest Expense	4,631	3,437	2,668	2,931	13,667	3,077	3,416			6,493
Loan Fees	194	196	193	213	795	159	112			271
Fees Paid	10	15	15	13	54	20	21			41
<b>Net Interest Income (NII)</b>	<b>2,317</b>	<b>2,057</b>	<b>1,924</b>	<b>2,069</b>	<b>8,368</b>	<b>2,012</b>	<b>2,090</b>			<b>4,102</b>
Repomo-Margin	25	13	12	28	78	4	2			5
<b>NII after Repomo</b>	<b>2,342</b>	<b>2,070</b>	<b>1,936</b>	<b>2,097</b>	<b>8,446</b>	<b>2,016</b>	<b>2,092</b>			<b>4,108</b>
Loan Loss Provisions	244	351	162	(11)	746	106	280			386
Loss Sharing Provisions	32	14	2	6	54	12	19			31
<b>NII after Provisions</b>	<b>2,066</b>	<b>1,705</b>	<b>1,773</b>	<b>2,102</b>	<b>7,646</b>	<b>1,898</b>	<b>1,793</b>			<b>3,691</b>
Fund transfers	45	45	46	45	181	56	46			102
Account management	154	170	190	209	723	189	221			410
Fiduciary	47	41	46	47	181	43	48			92
Income from Loan Portfolios Acquired	168	125	159	268	720	173	146			319
Electronic Banking Services	67	58	61	79	265	68	85			152
Credit Card	154	162	160	190	666	275	301			576
Fees from FOBAPROA	49	34	261	142	486	87	96			183
Other fees	126	156	153	156	591	152	124			276
<b>Fees on services,</b>	<b>809</b>	<b>792</b>	<b>1,077</b>	<b>1,135</b>	<b>3,813</b>	<b>1,042</b>	<b>1,068</b>			<b>2,110</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	106	120	126	133	484	126	121			247
Expenses from Loan Portfolios Acquired	113	75	109	18	315	116	97			213
<b>Fees paid,</b>	<b>219</b>	<b>195</b>	<b>235</b>	<b>150</b>	<b>799</b>	<b>241</b>	<b>219</b>			<b>460</b>
Foreign exchange	87	124	104	86	401	125	150			275
Securities -Realized gains	124	318	72	(38)	476	272	(129)			143
Securities- Unrealized gains	(3)	(38)	53	(36)	(25)	14	42			56
<b>Market-related Income</b>	<b>207</b>	<b>404</b>	<b>229</b>	<b>12</b>	<b>852</b>	<b>410</b>	<b>63</b>			<b>473</b>
<b>Total Non Interest Income</b>	<b>798</b>	<b>1,001</b>	<b>1,070</b>	<b>997</b>	<b>3,866</b>	<b>1,211</b>	<b>912</b>			<b>2,124</b>
<b>Total Operating Income</b>	<b>2,864</b>	<b>2,706</b>	<b>2,843</b>	<b>3,099</b>	<b>11,512</b>	<b>3,109</b>	<b>2,705</b>			<b>5,814</b>
Personnel	1,033	935	964	930	3,862	1,033	974			2,007
Professional Fees	86	116	127	100	429	115	118			232
Administrative and Promotion Expenses	534	566	633	688	2,421	598	581			1,179
Rents, depreciation and amortization	318	345	369	383	1,416	375	361			736
Taxes, other than income tax	144	165	156	191	656	153	142			295
Contributions to IPAB	185	185	187	189	745	180	182			362
Corporate expenses Recoveries	-	-	-	-	-	-	-			-
<b>Non-Interest Expense</b>	<b>2,301</b>	<b>2,311</b>	<b>2,437</b>	<b>2,480</b>	<b>9,529</b>	<b>2,453</b>	<b>2,358</b>			<b>4,811</b>
<b>Operating Income</b>	<b>562</b>	<b>395</b>	<b>406</b>	<b>619</b>	<b>1,983</b>	<b>656</b>	<b>347</b>			<b>1,003</b>
Other Revenues	94	71	129	123	417	65	148			214
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	9	68	67	17	160	21	199			220
Repomo-other revenues	5	1	3	11	21	7	1			8
<b>Non Operating Income</b>	<b>108</b>	<b>140</b>	<b>200</b>	<b>151</b>	<b>598</b>	<b>94</b>	<b>348</b>			<b>442</b>
Other Expense	(155)	(30)	(54)	(95)	(333)	(114)	(77)			(191)
Foreign exchange	-	-	(2)	-	(2)	-	-			-
Repomo-other Expenses	(87)	(28)	(59)	(140)	(314)	(123)	(8)			(131)
<b>Non Operating Expense</b>	<b>(241)</b>	<b>(58)</b>	<b>(115)</b>	<b>(235)</b>	<b>(649)</b>	<b>(237)</b>	<b>(84)</b>			<b>(322)</b>
<b>Non Operating Income (Expense), net</b>	<b>(133)</b>	<b>82</b>	<b>85</b>	<b>(84)</b>	<b>(51)</b>	<b>(144)</b>	<b>264</b>			<b>120</b>
<b>Pre-tax Income</b>	<b>429</b>	<b>477</b>	<b>491</b>	<b>535</b>	<b>1,932</b>	<b>512</b>	<b>611</b>			<b>1,123</b>
Income Tax	8	9	8	13	38	5	6			11
Profit sharing	25	25	30	38	118	73	53			126
Tax on Assets	9	11	11	8	39	13	12			26
Deferred Inc. Tax and Profit sharing	(24)	(22)	(21)	(29)	(96)	2	14			16
<b>18</b>	<b>24</b>	<b>28</b>	<b>30</b>	<b>99</b>	<b>94</b>	<b>85</b>				<b>179</b>
<b>Net Income before subsidiaries</b>	<b>412</b>	<b>453</b>	<b>462</b>	<b>505</b>	<b>1,833</b>	<b>418</b>	<b>526</b>			<b>944</b>
Subsidiaries' net income	52	9	50	37	149	72	23			95
<b>Net Income from continuous operations</b>	<b>464</b>	<b>462</b>	<b>513</b>	<b>543</b>	<b>1,981</b>	<b>490</b>	<b>549</b>			<b>1,039</b>
Extraordinary items, net	-	1	-	-	1	-	-			-
Minority Interest	-	-	-	-	-	-	-			-
<b>TOTAL NET INCOME</b>	<b>464</b>	<b>463</b>	<b>513</b>	<b>542</b>	<b>1,982</b>	<b>490</b>	<b>549</b>			<b>1,039</b>

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



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

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>22,922</b>	<b>26,330</b>	<b>30,289</b>	<b>30,827</b>	<b>30,000</b>	<b>33,089</b>		
Negotiable Instruments	4,006	3,912	3,997	9,176	5,240	5,699		
Securities held for sale	1,380	1,380	193	244	596	411		
Securities held to maturity	8,788	9,546	10,980	9,534	10,754	10,314		
<b>Financial Instruments:</b>	<b>14,175</b>	<b>14,837</b>	<b>15,170</b>	<b>18,955</b>	<b>16,590</b>	<b>16,424</b>		
Non-assigned securities to pay	-	-	12	1	7	49		
Repurchase agreements, net	131	29	145	31	115	52		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	15	-	-	3	7	24		
<b>Repos &amp; Derivatives :</b>	<b>146</b>	<b>29</b>	<b>157</b>	<b>35</b>	<b>128</b>	<b>125</b>		
Commercial	30,795	32,061	32,477	34,549	33,437	35,660		
Financial Intermediaries	3,718	3,450	3,772	3,409	3,024	3,173		
Consumer	5,952	6,971	8,005	8,809	9,530	10,223		
Mortgage	12,844	13,429	14,146	14,977	15,538	16,430		
Government Entities	89,808	89,501	87,802	79,580	77,357	74,981		
Fobaproa	6,883	6,917	6,885	6,804	6,740	6,800		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>150,000</b>	<b>152,329</b>	<b>153,087</b>	<b>148,128</b>	<b>145,626</b>	<b>147,266</b>		
Commercial	1,993	2,425	1,936	1,910	1,920	1,130		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	336	345	390	458	476	421		
Mortgage	1,230	1,270	1,200	1,204	1,202	1,264		
Government Entities	8	8	8	8	8	15		
<b>Past Due Loans</b>	<b>3,567</b>	<b>4,048</b>	<b>3,534</b>	<b>3,580</b>	<b>3,606</b>	<b>2,831</b>		
<b>Total Loans</b>	<b>153,568</b>	<b>156,378</b>	<b>156,621</b>	<b>151,708</b>	<b>149,232</b>	<b>150,097</b>		
Preventive loan loss reserves	4,536	4,694	4,508	4,358	4,585	3,694		
<b>Net Loan Portfolio</b>	<b>149,032</b>	<b>151,683</b>	<b>152,113</b>	<b>147,349</b>	<b>144,646</b>	<b>146,403</b>		
Credit Assets Portfolio	1,826	1,741	1,619	2,102	1,953	1,868		
Sundry debtors and other assets, net	2,360	3,638	4,276	2,024	3,059	3,718		
Foreclosed assets, net	1,212	1,244	1,204	1,139	1,039	1,036		
Real Estate, Furniture & Equipment, net	5,576	5,492	5,372	5,214	5,088	4,955		
Investments in subsidiaries	1,481	1,475	1,523	1,504	1,507	1,508		
Deferred taxes	1,029	1,034	1,076	1,084	1,065	1,043		
Deferred charges & Intangibles	809	785	726	822	809	759		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>14,293</b>	<b>15,409</b>	<b>15,796</b>	<b>13,889</b>	<b>14,519</b>	<b>14,887</b>		
<b>TOTAL ASSETS</b>	<b>200,567</b>	<b>208,288</b>	<b>213,525</b>	<b>211,056</b>	<b>205,885</b>	<b>210,927</b>		

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

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

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	54,693	57,804	59,289	67,370	62,168	63,977		
Time Deposits	104,598	98,202	106,651	98,087	98,075	102,813		
Bonds	1,383	275	-	-	-	-		
<b>Deposits</b>	<b>160,673</b>	<b>156,281</b>	<b>165,940</b>	<b>165,457</b>	<b>160,242</b>	<b>166,790</b>		
Demand	5,921	13,675	4,128	4,822	5,954	3,412		
Short term	2,849	6,432	10,623	10,839	5,437	8,517		
Long term	11,959	11,463	11,149	10,482	10,447	9,985		
<b>Due to banks and correspondents</b>	<b>20,730</b>	<b>31,569</b>	<b>25,899</b>	<b>26,142</b>	<b>21,838</b>	<b>21,914</b>		
Non-assigned securities to pay	-	-	-	1	8	28		
Repurchase agreements, net	58	12	107	201	61	29		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	976	947	1,471	12	3	-		
<b>Repos &amp; Derivatives:</b>	<b>1,034</b>	<b>959</b>	<b>1,578</b>	<b>215</b>	<b>73</b>	<b>57</b>		
Income Tax & Profit Sharing	178	66	94	135	201	135		
Other Payable accounts	3,559	4,628	4,669	3,653	4,568	3,975		
<b>Other payable accounts</b>	<b>3,736</b>	<b>4,694</b>	<b>4,763</b>	<b>3,788</b>	<b>4,769</b>	<b>4,110</b>		
Subordinated non Convertible Debenture	2,817	2,717	2,831	2,780	6,141	4,670		
Deferred Taxes	-	-	-	-	-	-		
Deferred credits	62	80	114	82	64	69		
<b>TOTAL LIABILITIES</b>	<b>189,052</b>	<b>196,300</b>	<b>201,125</b>	<b>198,463</b>	<b>193,126</b>	<b>197,609</b>		
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	5,757	5,757	5,757	5,757	5,757	5,757		
Share subscription premiums	1,000	1,000	1,000	1,000	1,000	1,000		
Subordinated Convertible Debentures	-	-	-	-	-	-		
<b>Subscribed Capital</b>	<b>6,757</b>	<b>6,757</b>	<b>6,757</b>	<b>6,757</b>	<b>6,757</b>	<b>6,757</b>		
Capital Reserves	2,539	2,735	2,735	2,735	2,735	2,930		
Retained Earnings	4,384	4,188	4,188	3,812	5,534	5,339		
Surplus (Deficit) from securities	215	229	147	132	143	171		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(2,411)	(2,409)	(2,409)	(2,414)	(2,414)	(2,414)		
Non Mon assets results Fixed Assets	12	12	12	12	12	12		
Non Mon assets results Investm	(164)	(169)	(188)	(143)	(218)	(235)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	(282)	(282)	(282)	(282)	(282)	(282)		
Net Income	464	926	1,439	1,982	490	1,039		
<b>Earned Capital</b>	<b>4,757</b>	<b>5,230</b>	<b>5,642</b>	<b>5,834</b>	<b>6,000</b>	<b>6,560</b>		
Minority Holdings	-	-	1	1	1	1		
<b>Total Stockholder's Equity</b>	<b>11,514</b>	<b>11,988</b>	<b>12,400</b>	<b>12,592</b>	<b>12,758</b>	<b>13,318</b>		
<b>TOTAL LIABILITIES &amp;</b>	<b>200,567</b>	<b>208,288</b>	<b>213,525</b>	<b>211,056</b>	<b>205,885</b>	<b>210,927</b>		

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

	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Signature guarantees granted	-	-	-	33	32	61		
Other contingent obligations	16,711	16,954	16,871	18,045	15,266	12,634		
Irrevocable lines of credit	915	978	1,044	793	1,345	1,393		
Assets held in trust and mandate	83,143	84,694	85,750	83,793	87,406	83,805		
Assets held in custody or in administration	133,935	128,240	118,647	107,402	110,834	115,244		
Investment banking transactions for third	49,859	50,146	50,456	55,827	52,910	62,179		
Engaged amounts in fobaproa operations	6,010	6,403	6,689	6,861	7,410	7,693		
Investment of retirement saving funds	233	244	252	252	-	-		
Integration of loan portfolio	-	-	-	-	-	-		
Received amounts in derivative instruments	6,586	6,866	7,784	10,604	10,373	17,229		
Fobaproa trusts	-	-	-	-	-	-		
Securities to be received	122,195	129,542	132,350	71,088	96,261	80,180		
(Less) payable for reversal	(122,064)	(129,552)	(132,205)	(71,269)	(96,193)	(80,161)		
Receivables for reversal	54,843	61,630	68,493	6,843	35,927	17,461		
(Less) securities to be delivered	(54,901)	(61,603)	(68,599)	(6,832)	(35,941)	(17,458)		
Other control accounts	416,828	396,284	274,178	273,540	-	-		
	<b>714,293</b>	<b>690,826</b>	<b>561,710</b>	<b>556,980</b>	<b>285,629</b>	<b>300,261</b>		

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

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

NET INTEREST INCOME	1Q03	2Q03	3Q03	4Q03	ACUM	1Q04	2Q04	3Q04	4Q04	ACUM
Interest Income	6,083	4,870	4,034	4,663	19,650	4,923	5,358			10,281
Interest Expense	3,960	3,004	2,332	2,799	12,095	3,075	3,378			6,453
Loan Fees	194	196	193	213	795	159	112			271
Fees Paid	10	15	15	13	54	20	21			41
<b>Net Interest Income (NII)</b>	<b>2,307</b>	<b>2,047</b>	<b>1,879</b>	<b>2,064</b>	<b>8,296</b>	<b>1,987</b>	<b>2,071</b>			<b>4,058</b>
Repomo-Margin	25	13	17	44	99	10	2			12
<b>NII after Repomo</b>	<b>2,332</b>	<b>2,060</b>	<b>1,895</b>	<b>2,108</b>	<b>8,395</b>	<b>1,997</b>	<b>2,072</b>			<b>4,069</b>
Loan Loss Provisions	235	346	158	(7)	732	104	280			384
Loss Sharing Provisions	32	14	2	6	54	12	19			31
<b>NII after Provisions</b>	<b>2,065</b>	<b>1,700</b>	<b>1,735</b>	<b>2,109</b>	<b>7,610</b>	<b>1,881</b>	<b>1,773</b>			<b>3,654</b>
Fund transfers	45	45	46	45	181	56	46			102
Account management	154	170	190	209	723	189	221			410
Fiduciary	42	36	40	41	159	38	44			81
Income from Loan Portfolios Acquired	-	-	-	-	-	-	-			-
Electronic Banking Services	67	58	61	79	265	68	85			152
Credit Card	154	162	160	190	666	275	301			576
Fees from FOBAPROA	47	33	226	130	436	73	84			157
Other fees	126	156	153	156	591	152	124			276
<b>Fees on services,</b>	<b>634</b>	<b>660</b>	<b>876</b>	<b>850</b>	<b>3,021</b>	<b>850</b>	<b>905</b>			<b>1,755</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	99	116	121	128	465	122	119			241
Expenses from Loan Portfolios Acquired	-	-	-	-	-	-	-			-
<b>Fees paid,</b>	<b>99</b>	<b>116</b>	<b>121</b>	<b>128</b>	<b>465</b>	<b>122</b>	<b>119</b>			<b>241</b>
Foreign exchange	87	124	104	86	401	125	150			275
Securities -Realized gains	(11)	3	66	(78)	(20)	203	26			229
Securities- Unrealized gains	(3)	(6)	14	(39)	(34)	6	42			48
<b>Market-related Income</b>	<b>73</b>	<b>121</b>	<b>184</b>	<b>(32)</b>	<b>346</b>	<b>334</b>	<b>218</b>			<b>552</b>
<b>Total Non Interest Income</b>	<b>608</b>	<b>666</b>	<b>939</b>	<b>690</b>	<b>2,902</b>	<b>1,062</b>	<b>1,004</b>			<b>2,066</b>
<b>Total Operating Income</b>	<b>2,673</b>	<b>2,366</b>	<b>2,674</b>	<b>2,799</b>	<b>10,512</b>	<b>2,942</b>	<b>2,777</b>			<b>5,720</b>
Personnel	1,033	935	964	930	3,862	1,033	974			2,007
Professional Fees	78	92	118	90	378	104	113			217
Administrative and Promotion Expenses	545	569	633	687	2,434	598	612			1,211
Rents, depreciation and amortization	318	345	369	383	1,416	375	361			736
Taxes, other than income tax	140	158	155	188	641	149	140			289
Contributions to IPAB	183	183	185	189	740	179	181			360
Corporate expenses Recoveries	(27)	(18)	(7)	(7)	(59)	(8)	(41)			(49)
<b>Non-Interest Expense</b>	<b>2,270</b>	<b>2,264</b>	<b>2,419</b>	<b>2,459</b>	<b>9,412</b>	<b>2,431</b>	<b>2,340</b>			<b>4,771</b>
Operating Income	402	102	255	340	1,100	512	437			949
Other Revenues	94	70	129	123	417	65	147			212
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	8	67	25	12	112	19	49			68
Repomo-other revenues	5	1	3	11	21	7	1			8
<b>Non Operating Income</b>	<b>107</b>	<b>139</b>	<b>157</b>	<b>146</b>	<b>549</b>	<b>91</b>	<b>197</b>			<b>288</b>
Other Expense	(132)	(30)	(53)	(95)	(310)	(114)	(75)			(190)
Foreign exchange	-	-	(2)	-	(2)	-	-			-
Repomo-other Expenses	(65)	(23)	(46)	(116)	(251)	(88)	(5)			(94)
<b>Non Operating Expense</b>	<b>(198)</b>	<b>(53)</b>	<b>(102)</b>	<b>(211)</b>	<b>(563)</b>	<b>(202)</b>	<b>(81)</b>			<b>(283)</b>
<b>Non Operating Income (Expense), net</b>	<b>(91)</b>	<b>86</b>	<b>56</b>	<b>(65)</b>	<b>(14)</b>	<b>(111)</b>	<b>116</b>			<b>5</b>
Pre-tax Income	311	188	311	276	1,086	401	553			954
Income tax	8	9	8	13	38	5	6			11
Profit sharing	25	25	30	38	118	73	53			126
Tax on Assets	9	11	11	8	39	13	12			26
Deferred Inc. Tax and Profit sharing	(24)	(22)	(22)	(27)	(96)	2	14			16
	17	23	28	31	99	94	85			179
<b>Net income before subsidiaries</b>	<b>294</b>	<b>165</b>	<b>283</b>	<b>244</b>	<b>987</b>	<b>307</b>	<b>468</b>			<b>775</b>
Subsidiaries' net income	14	(13)	8	24	34	34	11			45
<b>Net Income from continuous operations</b>	<b>308</b>	<b>152</b>	<b>291</b>	<b>269</b>	<b>1,020</b>	<b>340</b>	<b>479</b>			<b>820</b>
Extraordinary items, net	-	1	-	-	1	-	-			-
Minority Interest	-	-	-	-	-	-	-			-
<b>TOTAL NET INCOME</b>	<b>308</b>	<b>153</b>	<b>291</b>	<b>268</b>	<b>1,021</b>	<b>340</b>	<b>479</b>			<b>819</b>

(\*) Consolidate Subsidiaries.

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

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

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>22,931</b>	<b>26,229</b>	<b>30,528</b>	<b>31,368</b>	<b>30,057</b>	<b>33,025</b>		
Negotiable Instruments	4,594	4,427	4,124	9,009	5,251	6,046		
Securities held for sale	1,380	1,380	193	244	596	411		
Securities held to maturity	8,446	9,218	10,652	9,208	10,429	10,022		
<b>Financial Instruments:</b>	<b>14,421</b>	<b>15,026</b>	<b>14,969</b>	<b>18,461</b>	<b>16,276</b>	<b>16,478</b>		
Non-assigned securities to pay	-	-	11	1	6	46		
Repurchase agreements, net	67	13	58	27	99	52		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	15	-	-	3	7	24		
<b>Repos &amp; Derivatives :</b>	<b>82</b>	<b>13</b>	<b>69</b>	<b>31</b>	<b>111</b>	<b>122</b>		
Commercial	30,495	31,840	32,274	34,407	33,331	35,354		
Financial Intermediaries	3,718	3,245	3,441	3,409	3,024	3,173		
Consumer	5,952	6,971	8,005	8,809	9,530	10,223		
Mortgage	12,568	13,157	13,872	14,709	15,283	16,184		
Government Entities	89,789	89,495	87,793	79,568	77,342	74,963		
Fobaproa	6,883	6,917	6,886	6,805	6,740	6,800		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>149,406</b>	<b>151,625</b>	<b>152,271</b>	<b>147,706</b>	<b>145,250</b>	<b>146,698</b>		
Commercial	1,810	2,249	1,760	1,749	1,763	979		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	336	345	390	457	475	421		
Mortgage	1,077	1,116	1,054	1,055	1,050	1,119		
Government Entities	8	8	8	8	8	15		
<b>Past Due Loans</b>	<b>3,230</b>	<b>3,718</b>	<b>3,212</b>	<b>3,270</b>	<b>3,297</b>	<b>2,534</b>		
<b>Total Loans</b>	<b>152,636</b>	<b>155,343</b>	<b>155,483</b>	<b>150,976</b>	<b>148,546</b>	<b>149,232</b>		
Preventive loan loss reserves	4,075	4,234	4,049	3,914	4,144	3,416		
<b>Net Loan Portfolio</b>	<b>148,561</b>	<b>151,109</b>	<b>151,434</b>	<b>147,062</b>	<b>144,402</b>	<b>145,816</b>		
Credit Assets Portfolio	-	-	-	-	-	-		
Sundry debtors and other assets, net	2,292	3,597	4,183	1,821	2,865	3,532		
Foreclosed assets, net	1,190	1,222	1,183	1,118	1,019	1,017		
Real Estate, Furniture & Equipment, net	5,576	5,492	5,372	5,214	5,088	4,955		
Investments in subsidiaries	881	855	860	934	898	888		
Deferred taxes	1,038	1,044	1,087	1,084	1,065	1,043		
Deferred charges & Intangibles	807	784	725	822	809	759		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>11,786</b>	<b>12,994</b>	<b>13,410</b>	<b>10,994</b>	<b>11,743</b>	<b>12,194</b>		
<b>TOTAL ASSETS</b>	<b>197,781</b>	<b>205,372</b>	<b>210,410</b>	<b>207,917</b>	<b>202,590</b>	<b>207,635</b>		

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

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

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	54,929	58,180	59,523	67,400	62,188	64,063		
Time Deposits	104,598	98,202	106,651	98,087	98,075	102,813		
Bonds	1,383	275	-	-	-	-		
<b>Deposits</b>	<b>160,909</b>	<b>156,657</b>	<b>166,174</b>	<b>165,487</b>	<b>160,262</b>	<b>166,875</b>		
Demand	5,921	13,675	4,128	4,821	5,953	3,411		
Short term	2,849	6,432	10,622	10,825	5,425	8,506		
Long term	11,637	11,161	11,027	10,381	10,350	9,890		
<b>Due to banks and correspondents</b>	<b>20,408</b>	<b>31,268</b>	<b>25,776</b>	<b>26,027</b>	<b>21,728</b>	<b>21,807</b>		
Non-assigned securities to pay	-	-	-	1	6	27		
Repurchase agreements, net	49	-	44	198	61	29		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	976	947	1,471	12	3	-		
<b>Repos &amp; Derivatives:</b>	<b>1,025</b>	<b>947</b>	<b>1,515</b>	<b>211</b>	<b>71</b>	<b>56</b>		
Income Tax & Profit Sharing	178	66	94	135	201	135		
Other Payable accounts	3,471	4,563	4,642	3,633	4,542	3,953		
<b>Other payable accounts</b>	<b>3,649</b>	<b>4,629</b>	<b>4,736</b>	<b>3,768</b>	<b>4,744</b>	<b>4,088</b>		
Subordinated non Convertible Debenture	2,817	2,717	2,831	2,780	6,141	4,670		
Deferred Taxes	-	-	-	-	-	-		
Deferred credits	62	80	114	82	64	68		
<b>TOTAL LIABILITIES</b>	<b>188,870</b>	<b>196,298</b>	<b>201,146</b>	<b>198,354</b>	<b>193,010</b>	<b>197,564</b>		
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	4,660	4,660	4,660	4,660	4,660	4,660		
Share subscription premiums	1,000	1,000	1,000	1,000	1,000	1,000		
Subordinated Convertible Debentures	-	-	-	-	-	-		
<b>Subscribed Capital</b>	<b>5,660</b>	<b>5,660</b>	<b>5,660</b>	<b>5,660</b>	<b>5,660</b>	<b>5,660</b>		
Capital Reserves	2,367	2,521	2,521	2,521	2,520	2,621		
Retained Earnings	3,136	2,983	2,983	2,983	3,744	3,644		
Surplus (Deficit) from securities	228	242	160	145	156	184		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(2,413)	(2,413)	(2,413)	(2,414)	(2,414)	(2,414)		
Non Mon assets results Fixed Assets	12	12	12	12	12	12		
Non Mon assets results Investm	(105)	(110)	(129)	(84)	(157)	(174)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	(282)	(282)	(282)	(282)	(282)	(282)		
Net Income	308	461	752	1,021	340	819		
<b>Earned Capital</b>	<b>3,251</b>	<b>3,413</b>	<b>3,603</b>	<b>3,902</b>	<b>3,920</b>	<b>4,410</b>		
Minority Holdings	-	-	1	1	1	1		
<b>Total Stockholder 's Equity</b>	<b>8,911</b>	<b>9,074</b>	<b>9,264</b>	<b>9,563</b>	<b>9,580</b>	<b>10,071</b>		
<b>TOTAL LIABILITIES &amp;</b>	<b>197,781</b>	<b>205,372</b>	<b>210,410</b>	<b>207,917</b>	<b>202,590</b>	<b>207,635</b>		

(\*) Consolidate Subsidiaries.

**MEMORANDUM ACCOUNTS OF BANORTE**

<i>(Millions of Pesos)</i>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Signature guarantees granted	-	-	-	33	32	61		
Other contingent obligations	15,034	15,303	15,317	16,517	13,910	11,327		
Irrevocable lines of credit	915	978	1,044	793	1,345	1,393		
Assets held in trust and mandate	58,724	57,210	57,497	55,866	57,942	55,034		
Assets held in custody or in	133,177	127,484	118,178	107,322	110,506	114,068		
Investment banking transactions for	49,859	50,146	50,456	55,827	52,910	62,179		
Engaged amounts in fobaproa operations	6,010	6,403	6,689	6,861	7,410	7,693		
Investment of retirement saving funds	233	244	252	252	-	-		
Integration of loan portfolio	-	-	-	-	-	-		
Received amounts in derivative	6,586	6,866	7,784	10,604	10,373	17,229		
Fobaproa trusts	-	-	-	-	-	-		
Securities to be received	47,143	50,773	54,608	70,635	81,607	76,076		
(Less) payable for reversal	(47,076)	(50,772)	(54,550)	(70,813)	(81,556)	(76,057)		
Receivables for reversal	47,079	50,718	55,013	6,527	35,927	17,461		
(Less) securities to be delivered	(47,128)	(50,706)	(55,057)	(6,520)	(35,941)	(17,458)		
Other control accounts	373,321	352,926	229,528	230,162	-	-		
	<b>643,877</b>	<b>617,573</b>	<b>486,759</b>	<b>484,066</b>	<b>254,466</b>	<b>269,007</b>		

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

NET INTEREST INCOME	1Q03	2Q03	3Q03	4Q03	ACUM	1Q04	2Q04	3Q04	4Q04	ACUM
Interest Income	2,008	1,312	1,057	521	4,898	86	121			207
Interest Expense	1,993	1,290	1,001	502	4,785	55	93			148
Loan Fees	-	-	-	-	-	-	-			-
Fees Paid	-	-	-	-	-	-	-			-
<b>Net Interest Income (NII)</b>	<b>16</b>	<b>22</b>	<b>56</b>	<b>20</b>	<b>113</b>	<b>31</b>	<b>28</b>			<b>58</b>
Repomo-Margin	(6)	(2)	(9)	(34)	(51)	(17)	(1)			(18)
<b>NII after Repomo</b>	<b>10</b>	<b>20</b>	<b>46</b>	<b>(14)</b>	<b>62</b>	<b>13</b>	<b>27</b>			<b>40</b>
Loan Loss Provisions	9	5	4	(4)	14	2	-			2
Loss Sharing Provisions	-	-	-	-	-	-	-			-
<b>NII after Provisions</b>	<b>1</b>	<b>14</b>	<b>43</b>	<b>(10)</b>	<b>47</b>	<b>12</b>	<b>27</b>			<b>39</b>
Fund transfers	-	-	-	-	-	-	-			-
Account management	-	-	-	-	-	-	-			-
Fiduciary	6	5	6	6	22	5	5			10
Income from Loan Portfolios Acquired	168	125	159	268	720	173	146			319
Electronic Banking Services	-	-	-	-	-	-	-			-
Credit Card	-	-	-	-	-	-	-			-
Fees from FOBAPROA	2	1	35	11	50	14	11			26
Other fees	241	166	270	174	851	266	177			443
<b>Fees on services,</b>	<b>416</b>	<b>298</b>	<b>471</b>	<b>459</b>	<b>1,644</b>	<b>458</b>	<b>340</b>			<b>798</b>
Fund transfers	-	-	-	-	-	-	-			-
Other fees	14	9	13	9	44	10	6			16
Expenses from Loan Portfolios Acquired	113	75	109	18	315	116	97			213
<b>Fees paid,</b>	<b>127</b>	<b>84</b>	<b>122</b>	<b>27</b>	<b>360</b>	<b>126</b>	<b>104</b>			<b>229</b>
Foreign exchange	-	-	-	-	-	-	-			-
Securities -Realized gains	135	315	6	40	496	68	(155)			(87)
Securities- Unrealized gains	(1)	(32)	39	4	10	7	-			7
<b>Market-related Income</b>	<b>134</b>	<b>282</b>	<b>45</b>	<b>44</b>	<b>505</b>	<b>76</b>	<b>(155)</b>			<b>(79)</b>
<b>Total Non Interest Income</b>	<b>424</b>	<b>496</b>	<b>394</b>	<b>476</b>	<b>1,789</b>	<b>408</b>	<b>81</b>			<b>489</b>
<b>Total Operating Income</b>	<b>424</b>	<b>510</b>	<b>436</b>	<b>466</b>	<b>1,837</b>	<b>420</b>	<b>108</b>			<b>528</b>
Personnel	1	2	1	2	6	1	1			3
Professional Fees	8	25	10	11	54	11	5			17
Administrative and Promotion Expenses	114	102	117	109	441	103	108			210
Rents, depreciation and amortization	28	28	28	30	114	27	27			54
Taxes, other than income tax	5	3	6	16	30	21	19			40
Contributions to IPAB	2	1	1	1	5	1	1			2
Corporate expenses Recoveries	-	-	-	-	-	-	-			-
<b>Non-Interest Expense</b>	<b>158</b>	<b>161</b>	<b>163</b>	<b>168</b>	<b>651</b>	<b>164</b>	<b>161</b>			<b>325</b>
<b>Operating Income</b>	<b>266</b>	<b>350</b>	<b>273</b>	<b>298</b>	<b>1,186</b>	<b>256</b>	<b>(53)</b>			<b>203</b>
Other Revenues	-	-	-	-	-	-	2			2
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	1	-	42	5	49	2	150			152
Repomo-other revenues	-	-	-	-	-	-	-			-
<b>Non Operating Income</b>	<b>1</b>	<b>-</b>	<b>42</b>	<b>5</b>	<b>49</b>	<b>2</b>	<b>151</b>			<b>154</b>
Other Expense	(22)	-	-	-	(23)	-	(1)			(1)
Foreign exchange	-	-	-	-	-	-	-			-
Repomo-other Expenses	(21)	(4)	(13)	(24)	(63)	(35)	(2)			(37)
<b>Non Operating Expense</b>	<b>(44)</b>	<b>(5)</b>	<b>(13)</b>	<b>(24)</b>	<b>(86)</b>	<b>(35)</b>	<b>(3)</b>			<b>(38)</b>
<b>Non Operating Income (Expense), net</b>	<b>(42)</b>	<b>(4)</b>	<b>29</b>	<b>(20)</b>	<b>(37)</b>	<b>(33)</b>	<b>148</b>			<b>115</b>
<b>Pre-tax Income</b>	<b>224</b>	<b>345</b>	<b>302</b>	<b>278</b>	<b>1,149</b>	<b>224</b>	<b>95</b>			<b>318</b>
Income tax	49	30	52	(2)	130	54	19			73
Profit sharing	-	-	-	-	-	-	-			-
Tax on Assets	-	-	-	-	-	-	-			-
Deferred Inc. Tax and Profit sharing	(11)	-	(6)	1	(16)	(10)	(8)			(18)
	<b>38</b>	<b>30</b>	<b>46</b>	<b>-</b>	<b>114</b>	<b>43</b>	<b>11</b>			<b>54</b>
<b>Net income before subsidiaries</b>	<b>185</b>	<b>315</b>	<b>256</b>	<b>278</b>	<b>1,035</b>	<b>180</b>	<b>84</b>			<b>264</b>
Subsidiaries' net income	7	15	6	6	34	7	(4)			3
<b>Net Income from continuous operations</b>	<b>192</b>	<b>330</b>	<b>262</b>	<b>284</b>	<b>1,068</b>	<b>187</b>	<b>80</b>			<b>267</b>
Extraordinary items, net	-	-	-	-	-	-	-			-
Minority Interest	37	20	41	10	107	37	10			47
<b>TOTAL NET INCOME</b>	<b>156</b>	<b>310</b>	<b>222</b>	<b>274</b>	<b>961</b>	<b>150</b>	<b>70</b>			<b>220</b>

(\*) Consolidate Afore

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

<b>ASSETS</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
<b>Cash and due from Banks</b>	<b>1,109</b>	<b>1,355</b>	<b>920</b>	<b>768</b>	<b>778</b>	<b>960</b>		
Negotiable Instruments	171	241	342	248	317	832		
Securities held for sale	-	-	-	-	-	-		
Securities held to maturity	342	327	328	326	325	293		
<b>Financial Instruments:</b>	<b>513</b>	<b>568</b>	<b>670</b>	<b>574</b>	<b>642</b>	<b>1,124</b>		
Valores no asignados por liquidar	-	-	1	-	1	3		
Repurchase agreements, net	64	16	88	4	16	1		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	-	-	-	-	-	-		
<b>Repos &amp; Derivatives :</b>	<b>64</b>	<b>16</b>	<b>88</b>	<b>4</b>	<b>17</b>	<b>3</b>		
Commercial	299	221	203	142	106	305		
Financial Intermediaries	-	205	331	-	-	-		
Consumer	-	-	-	-	-	-		
Mortgage	277	271	273	268	255	245		
Government Entities	19	6	10	12	16	18		
Fobaproa	-	-	-	-	-	-		
Fiduciary collection rights	-	-	-	-	-	-		
<b>Performing Loans</b>	<b>595</b>	<b>704</b>	<b>817</b>	<b>422</b>	<b>376</b>	<b>569</b>		
Commercial	183	176	175	162	157	151		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	-	-	-	-	-	-		
Mortgage	154	154	146	148	152	146		
Government Entities	-	-	-	-	-	-		
<b>Past Due Loans</b>	<b>337</b>	<b>331</b>	<b>322</b>	<b>310</b>	<b>310</b>	<b>296</b>		
<b>Total Loans</b>	<b>932</b>	<b>1,035</b>	<b>1,138</b>	<b>732</b>	<b>686</b>	<b>865</b>		
Preventive loan loss reserves	461	461	459	444	441	278		
<b>Net Loan Portfolio</b>	<b>470</b>	<b>574</b>	<b>679</b>	<b>288</b>	<b>244</b>	<b>587</b>		
Credit Assets Portfolio	1,826	1,741	1,619	2,102	1,953	1,868		
Sundry debtors and other assets, net	222	193	246	320	300	297		
Foreclosed assets, net	22	22	21	21	19	20		
Real Estate, Furniture & Equipment, net	117	118	119	120	119	117		
Investments in subsidiaries	309	322	326	325	367	362		
Deferred taxes	-	-	-	-	-	-		
Deferred charges & Intangibles	411	385	359	332	307	284		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
<b>Other Assets</b>	<b>2,907</b>	<b>2,781</b>	<b>2,689</b>	<b>3,219</b>	<b>3,065</b>	<b>2,948</b>		
<b>TOTAL ASSETS</b>	<b>5,062</b>	<b>5,294</b>	<b>5,047</b>	<b>4,853</b>	<b>4,746</b>	<b>5,622</b>		

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

<b>LIABILITIES</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Demand Deposits	-	-	-	1	-	-	-	-
Time Deposits	759	756	469	81	328	1,179	-	-
Bonds	-	-	-	-	-	-	-	-
<b>Deposits</b>	<b>759</b>	<b>756</b>	<b>469</b>	<b>81</b>	<b>328</b>	<b>1,179</b>	-	-
Demand	512	437	318	870	382	317	-	-
Short term	-	-	1	13	13	11	-	-
Long term	322	302	122	101	97	95	-	-
<b>Due to banks and correspondents</b>	<b>834</b>	<b>739</b>	<b>441</b>	<b>984</b>	<b>492</b>	<b>423</b>	-	-
Non-assigned securities to pay	-	-	-	-	1	1	-	-
Repurchase agreements, net	9	12	63	3	-	-	-	-
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	-	-	-	-	-	-	-
<b>Repos &amp; Derivatives:</b>	<b>9</b>	<b>12</b>	<b>63</b>	<b>3</b>	<b>1</b>	<b>1</b>	-	-
Income Tax & Profit Sharing	53	75	131	89	34	53	-	-
Other Payable accounts	129	102	83	35	58	60	-	-
<b>Other payable accounts</b>	<b>181</b>	<b>177</b>	<b>214</b>	<b>123</b>	<b>92</b>	<b>113</b>	-	-
Subordinated non Convertible Debenture	-	-	-	-	-	-	-	-
Deferred Taxes	113	112	100	95	83	76	-	-
Deferred credits	-	-	-	1	-	1	-	-
<b>TOTAL LIABILITIES</b>	<b>1,896</b>	<b>1,797</b>	<b>1,287</b>	<b>1,289</b>	<b>997</b>	<b>1,793</b>	-	-
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	1,097	1,097	1,097	1,097	1,097	1,097	-	-
Share subscription premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>1,097</b>	<b>1,097</b>	<b>1,097</b>	<b>1,097</b>	<b>1,097</b>	<b>1,097</b>	-	-
Capital Reserves	172	215	215	215	215	309	-	-
Retained Earnings	1,248	1,205	1,205	829	1,790	1,696	-	-
Surplus (Deficit) from securities	(13)	(13)	(13)	(13)	(13)	(13)	-	-
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	2	4	4	-	-	-	-	-
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(59)	(59)	(59)	(59)	(61)	(61)	-	-
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	156	465	687	961	150	220	-	-
<b>Earned Capital</b>	<b>1,506</b>	<b>1,817</b>	<b>2,039</b>	<b>1,932</b>	<b>2,081</b>	<b>2,150</b>	-	-
Minority Holdings	563	583	624	534	571	582	-	-
<b>Total Stockholder's Equity</b>	<b>3,166</b>	<b>3,497</b>	<b>3,760</b>	<b>3,564</b>	<b>3,749</b>	<b>3,829</b>	-	-
<b>TOTAL LIABILITIES &amp;</b>	<b>5,062</b>	<b>5,294</b>	<b>5,047</b>	<b>4,853</b>	<b>4,746</b>	<b>5,622</b>	-	-

(\*) Consolidate Afore

**MEMORANDUM ACCOUNTS OF BANCEN**

	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>1Q04</b>	<b>2Q04</b>	<b>3Q04</b>	<b>4Q04</b>
Signature guarantees granted	-	-	-	-	-	-	-	-
Other contingent obligations	1,677	1,651	1,554	1,528	1,355	1,307	-	-
Irrevocable lines of credit	-	-	-	-	-	-	-	-
Assets held in trust and mandate	24,418	27,484	28,253	27,927	29,464	28,771	-	-
Assets held in custody or in	758	756	469	80	328	1,176	-	-
Investment banking transactions for	-	-	-	-	-	-	-	-
Engaged amounts in fobaproa operations	-	-	-	-	-	-	-	-
Investment of retirement saving funds	-	-	-	-	-	-	-	-
Integration of loan portfolio	-	-	-	-	-	-	-	-
Received amounts in derivative	-	-	-	-	-	-	-	-
Fobaproa trusts	-	-	-	-	-	-	-	-
Securities to be received	75,052	78,769	77,742	453	14,654	4,105	-	-
(Less) payable for reversal	(74,988)	(78,781)	(77,655)	(456)	(14,638)	(4,104)	-	-
Receivables for reversal	7,765	10,912	13,479	316	-	-	-	-
(Less) securities to be delivered	(7,773)	(10,896)	(13,542)	(312)	-	-	-	-
Other control accounts	43,508	43,358	44,651	43,378	-	-	-	-
	<b>70,417</b>	<b>73,253</b>	<b>74,951</b>	<b>72,914</b>	<b>31,163</b>	<b>31,255</b>	-	-



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

**Financial Instruments and Valuation Effects 2004**

NEGOTIABLE INSTRUMENTS	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN (LOSS)
Government Securities	3,045	3,036	(9)
Banking Securities	1,562	1,560	(3)
Private	289	289	-
Commercial Paper	814	814	-
<b>Total</b>	<b>5,711</b>	<b>5,699</b>	<b>(12)</b>
SECURITIES HELD FOR SALE			
Government Securities	-	-	-
-Mexican Government Securities (UMS)	215	215	-
Bonds public company	58	58	-
Eurobonds	827	139	(688)
Swap of Coverage purposes	-	(1)	(1)
<b>Total</b>	<b>1,100</b>	<b>411</b>	<b>(689)</b>
SECURITIES HELD TO MATURITY			
Special Cetes	3,110	3,110	-
Trust Bonds	-	-	-
Fiduciary Rights	36	27	(9)
Bonds	216	216	-
Mexican Government Securities (UMS) (US Dollars)	7,289	7,289	-
Mexican Government Securities (UMS) (Euros)	557	557	-
US Clearing Master Trust	-	-	-
Swap Private company	-	-	-
Swap Public company	1,045	1,045	-
Swap of Coverage purposes	(1,930)	(1,930)	-
<b>Total</b>	<b>10,323</b>	<b>10,314</b>	<b>(9)</b>
<b>TOTAL</b>	<b>17,314</b>	<b>16,424</b>	<b>(710)</b>

**Repurchase Agreement Operations 2004**

(Millions of Pesos)

REPURCHASE AGREEMENT DEBTORS	MARKET VALUE (1)	ASSET BALANCE
Government Securities	74,838	53
Banking Securities	5,342	-
<b>Total</b>	<b>80,180</b>	<b>52</b>
REPURCHASE AGREEMENT CREDITORS	MARKET VALUE (2)	LIABILITY BALANCE
Government Securities	17,441	30
Banking Securities	49	(1)
<b>Total</b>	<b>17,491</b>	<b>29</b>

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

**Non-governmental Financial Instruments above by 5% of Net Capital 2004**

(Millions of Pesos)

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL
SERFIN	Term Deposits	1,002	5.8%

## Loan Portfolio

(Million of Pesos)	LOCAL CURRENCY(*)			FOREIGN CURRENCY			TOTAL		
	2Q03	1Q04	2Q04	2Q03	1Q04	2Q04	2Q03	1Q04	2Q04
<b>Performing Loans</b>									
Commercial	23,409	27,242	29,293	8,653	6,196	6,367	32,061	33,437	35,660
Financial Intermediaries	2,986	2,783	2,858	464	241	315	3,450	3,024	3,173
Consumer	6,964	9,525	10,219	6	5	5	6,971	9,530	10,223
Mortgages	13,429	15,538	16,430	-	-	-	13,429	15,538	16,430
Government Entities	88,750	76,676	74,279	751	681	702	89,501	77,357	74,981
Fobaproa	7,107	6,942	7,010	(190)	(202)	(210)	6,917	6,740	6,800
<b>Total</b>	<b>142,645</b>	<b>138,705</b>	<b>140,088</b>	<b>9,685</b>	<b>6,920</b>	<b>7,178</b>	<b>152,329</b>	<b>145,626</b>	<b>147,266</b>
<b>Past Due Loans</b>									
Commercial	1,187	1,170	770	1,238	750	360	2,425	1,920	1,130
Financial Intermediaries	-	-	-	-	-	-	-	-	-
Consumer	345	475	421	-	1	-	345	476	421
Mortgages	1,270	1,202	1,264	-	-	-	1,270	1,202	1,264
Government Entities	8	8	15	-	-	-	8	8	15
<b>Total</b>	<b>2,810</b>	<b>2,855</b>	<b>2,470</b>	<b>1,238</b>	<b>751</b>	<b>360</b>	<b>4,048</b>	<b>3,606</b>	<b>2,831</b>
<b>Total Proprietary Loans</b>	<b>145,455</b>	<b>141,561</b>	<b>142,558</b>	<b>10,923</b>	<b>7,671</b>	<b>7,539</b>	<b>156,378</b>	<b>149,232</b>	<b>150,097</b>
<b>% Past Due Loans</b>	<b>1.9%</b>	<b>2.0%</b>	<b>1.7%</b>	<b>11.3%</b>	<b>9.8%</b>	<b>4.8%</b>	<b>2.6%</b>	<b>2.4%</b>	<b>1.9%</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 2Q04

(Millions of Pesos)	TOTAL	
	PERIOD COST	BALANCE LOAN PORTFOLIO
FINAPE	0.9	5.2
FOPYME	2.4	8.2
Mortgage UDIS	24.4	52.5
Mortgage FOVI	32.1	32.7
	<b>59.7</b>	<b>98.6</b>

The quarter ending with a balance of Ps 98.6 million pesos in debtors support programs with a cost of the period of Ps 59.7 million. The 99% of this portfolio are concentrated in Banorte.

## Past Due Loans Variations as of 2Q04

Past Due Loans	
<b>Balance as of March 31,03</b>	<b>3,603</b>
Performing loans to Past due loans transfers	541
Renewals	(3)
Cash Collections	(131)
Discounts	(9)
Charge Offs	(938)
Foreclosures	(23)
Past due loans to Performing loans transfers	(229)
Exchange Adjustment	317
<b>Balance as of June 30,04</b>	<b>2,831</b>

## Troubled Portfolio 2Q04

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

(Millions of Pesos)	TOTAL
Troubled Portfolio	1,700
Total Loans	150,097
Troubled Portfolio / Total Loans	1.1%

## Fobaproa

(Millions of Pesos)	LOSS(1) SHARING	REMAINING CONTINGENCIES INCENTIVE(1) SCHEME
Gross Fobaproa notes balance	11,402	6,847(2)
- Cash recoveries	3,397	2,181(2)
Reposessed assets	-	-
= Balance net of recoveries	8,005	4,666
Contingency before reserves	2,135	353
- Reserves	2,135	353
= Remaining contingencies	-	-

1) Includes only cash recoveries.

2) Included in Loss Sharing program.

Banorte provisioned Ps 19 million through the Income Statement during the quarter to keep 100% provisioned on the FOBAPROA-IPAB Loss Sharing program and Incentive Scheme. Cash recoveries in the Loss Sharing program represented 29.8% of Banorte's Gross FOBAPROA-IPAB notes balance.

## Fobaproa Notes Integration 2Q04

(Millions of Pesos)	BANORTE				BANCEN	BANPAIS		BANKING SECTOR
	LOSS SHARING LOCAL CURRENCY	LOSS SHARING DOLLARS	WITHOUT RISK	INCENTIVE SCHEME	LOCAL CURRENCY	LOCAL CURRENCY	DOLLARS	TOTAL
Gross Balance	11,265	136	1,459	∅	-	-	-	12,680
- Checking account balance	3,054	346	172	∅	-	-	-	3,572
- Reserves	2,135	-	-	353	-	-	-	2,488
= Net Balance	6,076	(210)	1,287	(353)	-	-	-	6,800
Interest Rate	CETES 91-1.35	LIBOR 6M+1		N.A.	N.A.	-	-	
Maturity	2005	2006	2006	2005/2006	N.A.	-	-	
Remaining Contingencies	-0-	-0-	No exist	-0-	No exist	-	-	

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

## ORIGIN OF THE NOTES

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

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

## SIGNIFICANCE IN BANORTE BALANCE

	1997	1998	1999	2000	2001	2002	2003	2Q04
% Total Loans	70.9%	64.6%	63.5%	58.7%	55.5%	55.7%	50.8%	48.0%
% Total Assets	60.6%	53.5%	43.7%	46.7%	44.5%	43.5%	36.5%	34.2%

## Deferred Taxes 2004

<i>(Millions of Pesos)</i>			
ASSETS	ISR	PTU	NET
Allowance for loan losses (not deducted)	-	-	-
Tax loss carryforwards	403	-	403
Deficit from retirement obligations	207	63	269
Non deductible provisions and accumulative income	66	20	85
Reserves for BN+BCR integration expenses	13	4	16
Obligations FOBAPROA, Net	683	-	683
Others	=	=	=
<b>Total Assets</b>	<b>1,371</b>	<b>86</b>	<b>1,457</b>
LIABILITIES			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	(366)	(48)	(414)
<b>Total liabilities</b>	<b>(366)</b>	<b>(48)</b>	<b>(414)</b>
<b>Assets (Liabilities) Accumulated Net</b>	<b>1,005</b>	<b>38</b>	<b>1,043</b>

## Long term debt as of 2004

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	AMOUNT (Ps)	ORIGINAL AMOUNT (Millions Ps, Dis o UDIS)	TERM	INTEREST RATE	MATURITY	INTEREST PAYMENT
<b>BANORTE</b>								
CD's- Banorte U01001	UDIs	11-Ene-01	309	90	10 years	8.13%	30-Dic-10	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	1,290	1,136	10 years	8.00%	28-Nov-12	E/182 days
Certificados – Banorte M7001	Ps	27-Ene-03	100	100	3 years	TIE-0.25%	10-Jul-06	E/28 days
Step-Up Subordinated Callable Notes Due 2014	Dis	17-Feb-04	3,458	300	10 years	5.875 %	17-Feb-14	E/180 days
CD's 1999-2A	Dis	15-Jul-99	21	75	5 years	8.94%	15-Jul-04	Monthly
CD's Serie 1999-2B	Dis	15-Jul-99	137	25	7 years	9.49%	15-Jul-06	Monthly

### Bank and Other entities loans as of 2004

<i>(Millions of Pesos)</i>	LOCAL CURRENCY	INTEREST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	431	L+6	500	431
LOANS FROM FOREIGN BANK CONCERNED FROM THE COUNTRY	-	-	-	-	-	-	-
LOANS FROM FOREIGN BANK CONCERNED FROM CAYMAN	-	-	-	342	2.18	988	352
SECURITIZATION	-	-	-	158	9.41	350	158
LOANS FROM DEVELOPING BANKS	278	11.50	715	539	6.17	691	817
LOANS FROM PUBLIC FUNDS	6,629	6.24	669	304	2.13	416	6,933
LOANS FROM BANKS	7,900	4.69	6	-	-	-	7,900
CALL MONEY	1,351	4.78	1	-	-	-	1,351
LOANS FROM FIDUCIARY FUNDS	3,947	6.07	8,464	-	-	-	3,947
PROVISIONS FOR INTEREST	26	N.A.	N.A.	-	-	-	26
	<b>20,131</b>			<b>1,784</b>			<b>21,914</b>

### Trading Income 2004

*(Millones de Pesos)*

VALUATION EFFECTS	NET
Negotiable Instruments	(6)
Repurchase	4
Futures	9
Foreign Currency Forwards	25
Options	-
Futures	3
Securities loans	-
Range	21
Inflation Adjustment	-
<b>Total</b>	<b>56</b>
<b>RESULTS FROM BUYING AND SELLING</b>	
Negotiable Instruments	125
Securities Held for Sell	15
Inflation Adjustment	-
<b>Total of Buying and Selling Instruments</b>	<b>141</b>
FX Spot	107
FX Forwards	2
FX Futures	-
FX Futures TIIE	-
Forwards	1
Trading currencies securitization	166
<b>Total of Foreign Exchange</b>	<b>275</b>
Inflation Adjustment	2
<b>Total of Buying and Selling</b>	<b>418</b>
<b>TOTAL TRADING INCOME</b>	<b>473</b>

**US Dollar Assets and Liabilities**

<b>US Dollar Assets and Liabilities</b> <i>(Millions of Dollars)</i>	<b>1Q04</b>	<b>2Q04</b>
<b>Assets</b>		
Cash	46	50
Deposits on Foreign Banks	309	484
Intergroup Deposits	-	-
USCP	29	66
Remittances Securitization Trust	8	5
Investment portfolio	788	777
Loan portfolio	795	734
Fobaproa – IPAB Notes(1)	(32)	(35)
Cross Currency Swaps	514	316
Foreign Exchange Derivatives	86	145
Fx Position	77	-
Other assets	17	35
<b>Total Assets</b>	<b>2,637</b>	<b>2,576</b>
<b>Liabilities</b>		
Retail Deposits	1,079	1,083
Market Issues	21	14
Loans from Banks	79	68
Intergroup Funding	-	-
Development Banks	78	73
Cross Currency Swaps	806	784
Deferred payments	-	-
Loan Loss Reserves	85	49
Subordinated Debentures	411	411
Foreign Exchange Derivatives	37	46
Fx Position	-	30
Other liabilities	42	19
<b>Total Liabilities</b>	<b>2,637</b>	<b>2,576</b>

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

**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: 16.32%

Net Capital to Assets subject to Credit and Market Risk: 12.95%

**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: 14,595**

<b>Tier 1 Capital</b>		<b>10,092</b>	<b>Tier 2 Capital</b>		<b>4,502</b>
Stockholders Equity		10,070	Capitalization Instruments		3,446
Subordinated debt and Capitalization Instruments		1,290	(+)General Preventive Reserves		1,056
Deferred for Tier 1		1,083			
(-) Investment in Subordinated debt		-			
(-) Investment in Financial Institutions		104			
(-) Investment in Non-Financial Institutions		522			
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries		-			
(-) Excess on deferred taxes		1,083			
(-) Restructuring Charges and others intangibles		641			
(-) Others Assets		-			

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

<b>Market risk weighted assets: 23,261</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Peso Nominal interest rate operations	18,889	1,511
Peso or UDI real interest rate operations	99	8
Interest rate operations in foreign currency with nominal rate	4,121	330
Position in UDIS or with a return indexed to inflation	-	-
Positions in foreign currency or indexed to the FX rate	151	12
Positions in share or index to the price of securities	-	-

<b>Credit Risk-Weighted Assets: 89,417</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	451	36
Group 2 (risk weight 1 20%)	2,213	177
Others (risk weight 50%)	995	80
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	75,979	6,078
Others (risk weight 112%)	-	-
Others (risk weight 115%)	9,387	751
Others (risk weight 150%)	-	-
Others	392	31

## 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: 70.59%

Net Capital to Assets subject to Credit and Market Risk: 41.98%

### 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: 2,675

Tier 1 Capital	2,628	Tier 2 Capital	47
Stockholders Equity	3,247	Capitalization Instruments	-
Subordinated debt and Capitalization Instruments	-	(+)General Preventive Reserves	47
Deferred for Tier 1	-		
(-) Investment in Subordinated debt	-		
(-) Investment in Financial Institutions	620		
(-) Investment in Non-Financial Institutions	-		
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries	-		
(-) Excess on deferred taxes	-		
(-) Restructuring Charges and others intangibles	-		
(-) Others Assets	-		

### AD3.- RISK ASSETS

Amount of weighted assets with market risk and credit risk.

Market risk Weighted Assets: 2,582	Weighted Assets	Required Capital
Peso Nominal interest rate operations	2,189	175
Peso or UDI real interest rate operations	229	18
Interest rate operations in foreign currency with nominal rate	6	-
Position in UDIS or with a return indexed to inflation	2	-
Positions in foreign currency or indexed to the FX rate	-	-
Positions in share or index to the price of securities	156	13

Credit Risk-Weighted Assets: 3,790	Weighted Assets	Required Capital
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	50	4
Group 2 (risk weight   20%)	832	67
Others (risk weight 50%)	-	-
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	2,840	227
Others (risk weight 112%)	-	-
Others (risk weight 115%)	-	-
Others (risk weight 150%)	-	-
Others	68	5



## Risk Management

### Market Risk

The Banking Sector of Grupo Financiero Banorte, S.A. has been apply the non-parametric historical simulation method to estimate the Value at Risk (VaR). This new methodology is used both to calculate the market risk as well as to set and control internal limits, considering a two-tail 99% reliability level, besides being multiplied by a safety factor that depends on the behavior of the main risk factors that affect the appraisal of the Banking Sector's (BANORTE & BANCEN) current portfolios.

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

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

The average Value at Risk (VaR) for the 2Q04 for the Banking Sector's financial instrument portfolios, including bonds, shares, money market transactions, swaps, forwards, futures, and others derived within and out of the balance, is Ps 302million.

The VaR for other periods are as follows:

Millions of nominal pesos	2Q03	3Q03	4Q03	1Q04	2Q04
Banorte VaR *	126	166	217	258	293
Banorte's Net Capital ***	10,905	11,329	11,739	15,135	14,595
VaR / Banorte's Net Capital	1.16%	1.47%	1.85%	1.70%	2.01%
Bancen VaR *	133	105	51	12	27
Bancen's Net Capital ***	2,275	2,453	2,445	2,603	2,675
VaR / Bancen's Net Capital	5.85%	4.28%	2.09%	0.46%	1.01%
Banking Sector's VaR *	163	182	242	259	302
Banking Sector Net Capital ****	13,180	13,782	14,184	17,738	17,270
VaR / Banking Sector Net Capital	1.24%	1.32%	1.71%	1.46%	1.75%

\* Quarterly Average

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

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

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

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

(Millios of pesos)

RISK FACTOR	VaR
Domestic interest rate	129
Foreign interest rate	230
Exchange rate	230
Stock Exchange	1
Eurobonds Price	229
Total	302

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables  
 Figures are presented in constant pesos set at the close of June, 2004

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

### Credit risk

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

The objectives of credit risk management at GFNorte are:

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

### Individual Credit risk

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

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

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

### Portfolio Credit risk

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

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

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

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

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

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

## 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-2Q04

<i>(Millions of pesos)</i>	BANORTE (1)	BANCEN (3)	TOTAL
<b>Income Statement</b>			
Net Interest Income	2,015.9	74.6	2,090.4
Non Interest Income	1,004.1	(91.8)	912.3
Non Interest Expense	2,340.0	17.7	2,357.7
Other income (expense)	115.8	148.0	263.8
Extraordinary items, net	-	-	-
Net Income	424.4	124.5	548.9
<b>Balance Sheet</b>			
Assets	206,139	4,788	210,927
Loans	149,232	865	150,097
Deposits	166,790	-	166,790
Equity	10,071	3,247	13,318
Past Due Loans	2,534	296	2,831
Loan Loss Reserves	3,416	278	3,694
<b>Ratios</b>			
Non Interest Expense/ Total Assets	1.1%	0.4%	1.1%
% Past Due Loans	1.7%	34.3%	1.9%
Reserves / Past Due Loans	134.8%	93.9%	130.5%
% Capitalization (2)	13.0%	42.0%	14.5%

- 1) Includes a 96.11% participation of the Group.  
 2) Includes Market Risks.Using 2003 rules.  
 3) Excludes the AFORE.

### Inter-bank Eliminations Summary

<i>(Millions of Pesos)</i>	BANORTE	BANCEN	INTERBANK ELIMINATIONS
<b>Income Statement</b>			
Net Interest Income	(54.8)	54.8	-
Non Interest Income	-	-	-
Non Interest Expense	-	-	-
Other Income (expense)	-	-	-
Extraordinary items, net	-	-	-
<b>Balance Sheet</b>			
Assets	(1,496)	(86)	(1,581)
Cash and Due from Banks	(317)	(86)	(402)
Financial Instruments	(1,179)	-	(1,179)
Loans	-	-	-
Deposits	(86)	(1,179)	(1,265)
Due to Banks	-	(317)	(317)
Equity	-	-	-
Past Due Loans	-	-	-
Loan Loss Reserves	-	-	-
Investments in Subsidiaries	-	-	-
Deferred Taxes, (Liabilities) (*)	-	-	-
Deferred Taxes, (Assets) (*)	-	-	-

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

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

### Reconciliation per Segments Table

<i>(Millions of Pesos)</i>	BANKING SECTOR	OTHER SECTORS	WITHOUT OT. SECT.	TOTAL GROUP
<b>Income Statement</b>				
Net Interest Income	2,090.4	102.90	(8.7)	2,184.7
Non Interest Income	912.3	317.3	-	1,229.60
Non Interest Expense	2,357.7	332.7	(20.5)	2,669.9
Other Income (expense)	263.8	(6.3)	(11.9)	245.6
Extraordinary items, net	-	-	-	-
<b>Balance Sheet</b>				
Assets	210,927	21,512	(15,636)	216,804
Loans	150,097	4,310	(895)	153,511
Deposits	166,790	-	(127)	166,663
Equity	13,318	16,692	(14,511)	15,500
Past Due Loans	2,831	39	-	2,869
Loan Loss Reserves	3,694	56	-	3,750

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.