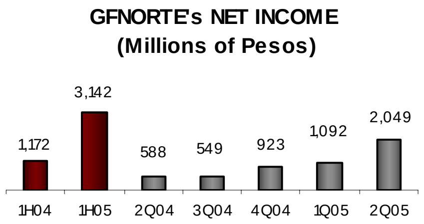
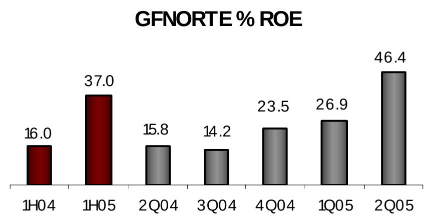
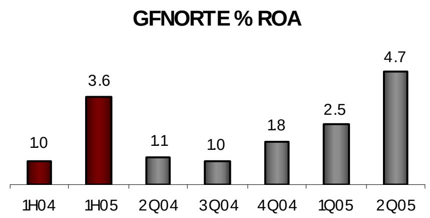
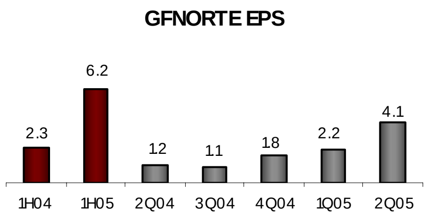
2Q05 Results

GFNorte generates a net profit of Ps 3,142 million for the first half of the year.









F

GRUPO FINANCIERO BANORTE

- GFNorte's **Net Profit** for 1H05 was Ps 3,142 million, 168% higher than in 1H04, equivalent to an annualized ROE of 37% and an ROA of 3.6%. Excluding extraordinary items, the Net Profit stood at Ps 2,346 million, 100% greater than in 1H04. The Banking Sector (without the Afore pension funds) contributed with Ps 2,791 million.
- During the quarter, the Group received Ps 1,017 million from VAT reimbursements, derived from a favorable injunction filed by GFNorte's subsidiary companies.
- On July 13 GFNorte and Telecomm – Telegraph announced an agreement to offer Banorte´s banking services in 1,554 telegraph offices throughout the country, reaching 500 municipalities without access to banking services.

BANKING SECTOR

- The final impact on Banorte of the "Management, Existence and Legality" Audits made on the Loan Portfolio sold to FOBAPROA in 1995 and 1996 was Ps 100 million, net of the associated reserves.
- Banorte launched a new Deposit product called "Enlace Global", consisting of a checking and/or debit account linked to a "cash-on-demand" investment account. This innovative product was launched on July 11. It provides the option to be charged either a fixed monthly fee or per transaction.
- On June 28, the "Empuje Alianza Pymes" Program was announced. This scheme, headed by Banorte, will offer comprehensive solutions to the needs of SMEs through more competitive interest rates and advisory services. The alliance is also sponsored by SAP, HP, Grupo Imagen, ITESM and Grupo Integra.

OTHER SECTORS

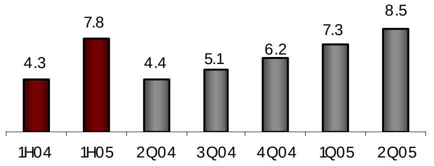
- Seguros Banorte-Generali signed the first Institutional collaboration agreement with the National Chamber of Freight Transport (CANACAR – Cámara Nacional de Autotransporte de Carga), in order to establish a long-term relationship with its affiliates, by offering access to the Institution's support, technical and service infrastructure.

Contacts:

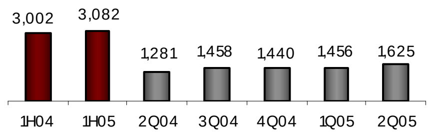
Jorge Colin	(5281) 8318 50 02	E-mail: investor@banorte.com
Gabriela Renovato	(5281) 8318 50 65	web page: www.banorte.com
		web cast: www.banorte.com/ri

Highlights

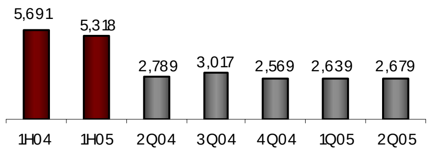
NIM



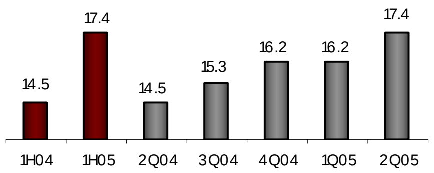
NOT INTEREST INCOME (Millions of Pesos)



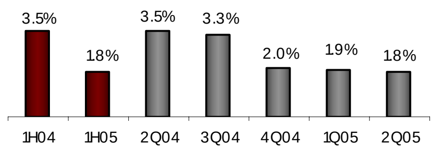
NON INTEREST EXPENSE (Millions of Pesos)



CAPITALIZATION RATIO



PAST DUE LOAN RATIO



Grupo Financiero Banorte

Net Profit

During the first half of the year, GFNorte's profit stood at Ps 3,142 million, 168% higher than in 1H04. This was the result of a 40% increase in the Net Interest Income and a 7% reduction in Non-Interest Expenses. Additionally, there was a net income of Ps 684 million from VAT returns in 2Q05.

Net Interest Margin

The accumulated Net Interest Margin rose from 4.3% in 1H04 to 7.8% in 1H05. This increase was driven by the growth in the loan portfolio, the securitization of Ps 46 billion of the IPAB loans in 4Q04, and the higher interest rate environment.

Non-Interest Income

Accumulated Non-Interest Income for 1H05 was 3% greater than that of 1H04 as a result of the 109% increase in Trading income. The first included Ps 319 in non-recurrent income from the sale of AHMSA's eurobonds.

Non-Interest Expense

The Non-Interest Expense dropped 7% vs. 1H04, mainly as a consequence of the Efficiency Program implemented in 2H04, as well as to lower taxes and IPAB contributions.

Capitalization

The capitalization ratio at the end of the second quarter stood at 17.4% vs. 14.5% in 2Q04. The increase was driven by the higher net profit generated, and the reduction in risk weighted assets. Tier 1 capital represents 81% of Net Capital, an improvement over the 74% in 2Q04.

Loan Portfolio

The performing Loan Portfolio, excluding IPAB and the loans managed by the Recovery Unit, amounted to Ps 95,642 million at the end of 2Q05; a 19% increase vs. 2Q04. Government and consumer loans grew 28% and 23%, respectively.

Asset Quality

The balance of past-due loans at the end of 2Q05 was Ps 1,778 million, decreasing 41% with respect to 2Q04 due to the charge-offs applied during 2004. The past-due loan ratio went from 3.5% to 1.8%, while the reserve coverage rose from 131% to 161%.

Executive Summary

Grupo Financiero Banorte announced today its results at the close of 2Q05, reporting an accumulated net income for the first half of the year of Ps 3,142 million, 168% higher than in 1H04 and 100% higher excluding the extraordinary items for Ps 796 million. These concepts are made up of Ps 684 million in net income from VAT recovery, Ps 215 million in net gains from selling AHMSA securities and Ps 103 million net in other expenses related with Banorte's IPAB notes. GFNorte's return on equity for the semester was 37% in 1H05, and the return on assets was 3.6%; excluding the extraordinary items, these figures were 28% and 2.7%, respectively. The net income during the quarter was Ps 2,049 million, 249% higher than that of 2Q04. Without the extraordinary items, the quarter's net profit was Ps 1,253 million, which is 113% higher than in 2Q04.

The Banking Sector contributed 89% to the group's profits that reached Ps 2,791 million in 1H05, 181% higher than in 1H04, and 101% without the extraordinary concepts. There is a sustained growth in recurring income, as well as in the benefits from the efficiency program implemented in 2H04, which have reduced the expense level.

GFNorte's net interest margin in 1H05 increased substantially from 4.3% to 7.8% vs. 1H04 as a result of the loan growth and improved mix, as well as the increase in interest rates. In this respect, the TIIE rate for 28 days for 1H05 rose 343 basis points vs. 1H04.

Trading income for GFNorte was 109% greater than in 1H04, mainly because of the sale of AHMSA's securities (eurobonds).

The non-interest expense dropped by 7% vs. 1H04, which improved the efficiency ratio from 78% in 2Q04 to 53% in 2Q05, or to 57% if the extraordinary items are not included.

Total deposits, excluding third party deposits, reported a balance of Ps 122,456 million by June, a 28% drop vs. the close of 2Q04 due to the lower funding requirements from the IPAB loan securitization and the Ps 19 billion in pre-payments made by this Institute over the last twelve months.

The loan portfolio –excluding IPAB and recovery- continues showing sustained growth. By 2Q05, performing loans increased 19% vs. 2Q04, for a balance of Ps 95,642 million. Commercial loans rose 17% in the last twelve months for a Ps 35,144 million balance. Corporate loans reached Ps 15,419 million, while Government loans reported Ps 12,938 million for a 28% annual growth.

Consumer loans maintained their growth during the period. This concept represents 34% of the total performing loans. Payroll loans rose 46% over the last year, closing with a balance of Ps 2,412 million. Credit cards and Car loans grew 51% and 1%, respectively, reaching balances of Ps 4,889 and Ps 5,850 million. On the other hand, mortgage loans continued its upward trend, closing the quarter with a Ps 18,990 million balance, showing a 23% annual growth and 7% for the quarter.

GFNorte closed 2Q05 with a past-due loan balance of Ps 1,788 million, 41% less than reported in 2Q04. The past-due loan ratio was 1.8%, with a reserve coverage of 161%, which compares favorably with the 131% in 2Q04.

The Long-term Saving sector, made up of the Afore pension fund, Insurance and Annuities, totaled profits in the Group equivalent to Ps 229 million during the first half of the year, a 122% increase vs. 1H04.

The Auxiliary Organization Sector's contribution in 1H05 was Ps 94 million, 121% higher than in 1H04, whereas the Brokerage Sector showed a Ps 42 million profit in the same period.

As of this quarter, we will submit our Quarterly Report with information at the Consolidated Financial Group level in order to adjust to the new general provisions applicable to the financial information of the holding company that control financial groups subject to the supervision of the CNByV, published in the Official Gazette of the Federation on April 27, 2005.

Grupo Financiero Banorte

Subsidiarie's Earnings	QUARTER			% CHANGE		ACCUMULATED		
(Millones de Pesos)	2Q04	1Q05	2Q05	2Q04	1Q05	1H04	1H05	% CH
Banco Mercantil del Norte (1)	481	699	1,753	265%	151%	821	2,453	199%
Banco del Centro	60	202	137	129%	(32%)	173	339	95%
Banking Sector	**541**	**901**	**1,890**	**250%**	**110%**	**994**	**2,791**	**181%**
Brokerage Sector (Brokerag House)	**10**	**25**	**16**	**68%**	**(35%)**	**41**	**42**	**3%**
Afore	11	56	21	82%	(63%)	51	76	49%
Insurance	13	62	66	420%	5%	34	128	271%
Annuities	(7)	10	14	299%	41%	17	25	42%
Long – Term Saving Sector	**17**	**128**	**101**	**502%**	**(22%)**	**103**	**229**	**122%**
Leasing	7	18	21	227%	20%	16	39	141%
Factoring	7	17	23	210%	38%	12	39	235%
Warehousing	3	5	3	(15%)	(40%)	8	8	(1%)
Bonding	7	4	4	(42%)	1%	7	8	17%
Auxiliary Organization Sector	**24**	**43**	**51**	**109%**	**18%**	**43**	**94**	**121%**
Créditos Pronegocio	**-**	**(4)**	**(8)**	**N.C.**	**N.C.**	**-**	**(12)**	**N.C.**
G. F. Banorte [holding]	**(4)**	**(2)**	**(1)**	**N.C.**	**N.C.**	**(9)**	**(3)**	**N.C.**
Total	**588**	**1,092**	**2,049**	**249%**	**88%**	**1,172**	**3,142**	**168%**

1) 96.11% owned by GFNorte.
N.C. = Not Comparable

Group's Balance Sheet Highlights *(Millions of Pesos)*	2Q04	1Q05	2Q05	% QUART, CHANGE	% ACCUM. CHANGE
Performing loans excluding Fobaproa – IPAB (1)	82,085	92,917	97,224	5%	18%
FOBAPROA Loans	75,306	12,486	7,003	(44%)	(91%)
Past Due Loans	2,998	1,771	1,778	-	(41%)
Total Loans	160,389	107,174	106,005	(1%)	(34%)
Loan Loss Reserves	3,918	2,730	2,855	5%	(27%)
Total Assets	226,517	172,645	180,654	5%	(20%)
Total Deposits	174,130	120,859	123,009	2%	(29%)
Equity	16,194	17,790	19,570	10%	21%
Assets under Management (2)	430,698	378,286	394,768	4%	(8%)

1) Excludes Fobaproa-IPAB notes and loans to IPAB that are accounted in the Loans to Government Entities line.
2) Includes Deposits, On behalf of Third Parties Deposits and Mutual Funds of the Banking Sector, Assets under management of the Brokerage Sector and those of the Afore.

GFNorte Share Data	2Q04	1Q05	2Q05	% QUART, CHANGE	% ACCUM. CHANGE
Net Income per Share *(Pesos)*	1.17	2.16	4.06	88%	249%
Dividends per Share *(Pesos)*	-	-	-	-	-
Payout of Dividends	-	-	-	-	-
Book Value per Share (1) *(Pesos)*	30.08	33.34	36.73	10%	22%
Shares Outstanding *(Millions of Shares)*	504.6	504.6	504.3	-	-
Price *(Pesos)*	40.83	72.75	70.89	(3%)	74%
P/BV *(Times)*	1.36	2.18	1.93	(11%)	42%
Market Cap *(Billions)*	1,792	3,284	3,365	3%	88%

1) Excluding Minority holdings.

Group's Financial Ratios	QUARTER					ACCUMULATED	
	2Q04	3Q04	4Q04	1Q05	2Q05	1H04	1H05
Prfitability							
MIN before Repomo (1)	4.4%	5.1%	6.2%	7.3%	8.5%	4.3%	7.8%
MIN adjusted by Loan Loss Provisions (2)	3.8%	4.4%	5.2%	6.6%	7.5%	3.9%	7.0%
ROA (3)	1.1%	1.0%	1.8%	2.5%	4.7%	1.0%	3.6%
ROE (4)	15.8%	14.2%	23.5%	26.9%	46.4%	16.0%	37.0%
ROE without extraordinaries	15.8%	14.2%	23.5%	26.9%	28.4%	16.0%	27.6%
Operation							
Efficiency Ratio (5)	78.2%	72.7%	59.2%	60.6%	53.4%	76.0%	56.7%
Operative Efficiency Ratio (6)	5.0%	5.3%	5.1%	6.0%	6.1%	5.1%	6.0%
Liquidity Ratio (7)	51.0%	48.6%	65.5%	55.8%	58.7%	51.0%	58.7%
Asset Quality							
% Past Due Loans w/o Fobaproa	3.5%	3.3%	2.0%	1.9%	1.8%	3.5%	1.8%
Loan Loss Reserves to past Due Loans	130.7%	128.1%	152.5%	154.1%	160.6%	130.7%	160.6%

1) MIN= Annualized Net Interest Margin before REPOMO / Average Earnings Assets.
2) MIN= Annualized Net Interest Margin adjusted by Loan Loss Provisions / Average Earnings Assets.
3) Annualized earnings as a percentage of the average of quarterly assets over the period.
4) Annualized earnings as a percentage of the average of quarterly equity over the period
5) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions)
6) Annualized Administrative and Promotion Expenses / Average Total Assets.
7) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale, Liquid Liabilities = Demand Deposits + Liquid Due to banks liabilities + short term loans from banks.

GFNorte Income Statement	QUARTER			% CHANGE		ACCUMULATED		
(Millions of Pesos)	2Q04	1Q05	2Q05	2Q04	1Q05	1H04	1H05	% CH
Net Interest Income after Repomo	**2,285**	**2,868**	**3,378**	**48%**	**18%**	**4,493**	**6,246**	**39%**
- Loan Loss and Loss Sharing Provisions	**331**	**247**	**388**	**17%**	**57%**	**468**	**635**	**36%**
• Service	1,062	1,108	1,042	(2%)	(6%)	2,175	2,150	(1%)
• Recovery	130	167	80	(38%)	(52%)	259	246	(5%)
• Foreign Exchange	157	60	38	(76%)	(36%)	287	98	(66%)
• Trading (Securities- Realized and unrealized gains)	(68)	122	465	780%	282%	280	587	109%
+ Non Interest Income	**1,281**	**1,456**	**1,625**	**27%**	**12%**	**3,002**	**3,082**	**3%**
= Total Operating Income	**3,235**	**4,078**	**4,615**	**43%**	**13%**	**7,026**	**8,693**	**24%**
- Non Interest Expense	2,789	2,639	2,679	(4%)	2%	5,691	5,318	(7%)
= Net Operating Income	**446**	**1,439**	**1,936**	**334%**	**35%**	**1,335**	**3,375**	**153%**
- Non Operating Income (Expense) Net	257	35	928	261%	2,520%	77	964	1,147%
= Pre-Tax Income	**703**	**1,474**	**2,865**	**308%**	**94%**	**1,412**	**4,339**	**207%**
- Income Tax & profit sharing	107	411	808	651%	96%	268	1,219	356%
= Net Income before Subsidiaries	**595**	**1,063**	**2,057**	**245%**	**94%**	**1,145**	**3,120**	**173%**
+ Undistrib. Earnings of Subsid, Extraord. Items & Minority Income	(7)	29	(8)	1%	(126%)	27	22	(19%)
=Net Income	**588**	**1,092**	**2,049**	**249%**	**88%**	**1,172**	**3,142**	**168%**

N.C. = Not Comparable

Net Interest Income

Net Interest Income (*Millions of Pesos)*	QUARTER			% CHANGE		ACCUMULATED		
	2Q04	**1Q05**	**2Q05**	**2Q04**	**1Q05**	**1H04**	**1H05**	**% CH**
Interest Income	5,868	7,124	8,793	50%	23%	11,263	15,917	41%
Interest Expense	3,679	4,292	5,508	50%	28%	7,012	9,799	40%
Loan Fees	117	93	131	12%	40%	283	224	(21%)
Fees Paid	22	24	27	20%	9%	43	51	20%
Net Interest Income before Repomo	**2,285**	**2,901**	**3,390**	**48%**	**17%**	**4,492**	**6,291**	**40%**
Average Earning Assets	207,853	159,609	159,348	(23%)	-	208,959	160,562	(23%)
NIM before REPOMO (1)	**4.4%**	**7.3%**	**8.5%**			**4.3%**	**7.8%**	

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

During 1H05, the Net Interest Margin before Repomo increased 40% vs. 1H04. The NIM went from 4.3% to 7.8%, due to various factors that influenced its performance, mainly:

Increased:

- The annual growth of 19% in the loan portfolio, excluding IPAB and Recovery.
- The increase in market interest rates, as the average 28-day Cete went from 5.96% in 1H04 to 9.34% in 1H05 and the TIIE rose from 6.30% to 9.73% in the same period.
- The accounting adjustment of the currency valuation registered in 2Q04, which resulted in an increase of Ps182 million vs. 1H04.

Decreased:

- A 21% reduction in Loan Fees in 1H05, given the fact that in 1H04 there was an inflow of Ps 57 million from corporate loan placements.
- The peso's appreciation vs. the dollar. The average exchange rate went from 11.27 pesos/dollar in 1H04 to 11.04 pesos/dollar in 1H05.

During 2Q05, the Net Interest Margin before Repomo increased 48% vs. 2Q04. The NIM went from 4.4% to 8.5%, due to the following factors:

Increased:

- The annual growth of 19% in the loan portfolio, excluding IPAB and Recovery.
- The increase in the market interest rates, as the average 28-day Cete went from 6.35% in 2Q04 to 9.66% in 2Q05 and the TIIE rose from 6.71% to 10.05% in the same period.
- The accounting adjustment of the currency valuation registered in 2Q04, which resulted in an increase of Ps 103 million vs 2Q04.

Decreased:

- The peso's appreciation vs. the dollar. The average exchange rate went from 11.45 pesos per dollar in 1H04 to 10.92 pesos per dollar in 1H05.

Non Interest Income

Non Interest Income (Millions of Pesos)	QUARTER 2Q04	1Q05	2Q05	% CHANGE 2Q04	1Q05	ACCUMULATED 1H04	1H05	% CH
+ Fund Transfers	48	36	47	(3%)	29%	107	83	(22%)
+ Account Management Fees	231	241	250	8%	4%	428	491	15%
+ Fiduciary (1)	51	45	54	7%	21%	96	99	3%
+ Credit Card	315	243	253	(20%)	4%	602	496	(18%)
+ Income From loan portf. acquired (1)	150	281	152	1%	(46%)	327	433	32%
+ Electronic Banking Services	95	142	156	64%	10%	173	298	73%
+ From Fobaproa (3)	100	79	60	(39%)	(23%)	191	139	(27%)
+ Afore	185	289	193	4%	(33%)	462	482	4%
+ Other Fees (4)	250	226	204	(18%)	(10%)	539	430	(20%)
Fees on purchased services:	**1,424**	**1,582**	**1,369**	**(4%)**	**(13%)**	**2,925**	**2,951**	**1%**
+ Fund Transfers	-	2	2	-	-	-	5	-
+ Other Fees (2)	132	121	123	(7%)	1%	271	244	(10%)
+ Expense From loan portf. acquired (2)	100	183	121	21%	(34%)	219	305	39%
Fees Paid :	**232**	**307**	**247**	**6%**	**(20%)**	**490**	**554**	**13%**
=Net Fees	**1,192**	**1,275**	**1,122**	**(6%)**	**(12%)**	**2,435**	**2,397**	**(2%)**
+ Foreign Exchange	157	60	38	(76%)	(36%)	287	98	(66%)
+ Securities- Realized gains	(109)	81	507	566%	523%	225	589	161%
+ Securities- Unrealized gains	40	40	(42)	(204%)	(205%)	55	(2)	(104%)
Trading Income	**89**	**181**	**503**	**468%**	**178%**	**567**	**684**	**21%**
= Non Interest Income	**1,281**	**1,456**	**1,625**	**27%**	**12%**	**3,002**	**3,082**	**3%**

1) The Income from the Serfin loan collecting, which used to be grouped as Trustee, in 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.
4) It includes fees from letters of credit, from pension funds, warehousing services, financial advisoty and for Brokerage House services, among other.

In order to identify the different origins that integrate the Non Interest Income, we present the following table:

Non Interest Income (Millions of Pesos)	QUARTER 2Q04	1Q05	2Q05	% CHANGE 2Q04	1Q05	ACCUMULATED 1H04	1H05	% CH
Service	1,062	1,108	1,042	(2%)	(6%)	2,175	2,150	(1%)
Recovery	130	167	80	(38%)	(52%)	259	246	(5%)
Foreign Exchange	157	60	38	(76%)	(36%)	287	98	(66%)
Trading (Securities- Realized and unrealized gains)	(68)	122	465	780%	282%	280	587	109%
= Non Interest Income	**1,281**	**1,456**	**1,625**	**27%**	**12%**	**3,002**	**3,082**	**3%**

The Non-Interest Income of 1H05 rose 3% vs. 1H04 and 27% in 2Q05 vs. 2Q04. These variations are the result of the various factors explained below:

Service Fees:

Service Fees in 1H05 remained at a similar level to that of 1H04 showing increases in Electronic Banking Services and Account Management Fees of 73% and 15%, respectively, and decreases in Fund Transfers and Credit Card of 22% and 18%, respectively. The decrease in Credit Card was due to both the reclassification of fees for the use of Banorte´s ATMs to Electronic banking, departing mid 4Q04 for an amount of Ps50 million, as well as to a clients and interbank tariffs reduction. On a quarterly basis, Service Fees fell 4% in 2Q05 vs. 2Q04, driven by a decrease of 20% in Credit Card Fees due to the same reasons aforementioned.

Recovery:

Non Interest Income (Millions of Pesos)	QUARTER 2Q04	1Q05	2Q05	% CHANGE 2Q04	1Q05	ACCUMULATED 1H04	1H05	% CH
SERFIN								
Income	88	80	84	(5%)	5%	191	164	(14%)
- Expense	50	41	37	(26%)	(10%)	103	78	(24%)
= Net Fees from Serfín	**38**	**39**	**47**	**24%**	**21%**	**88**	**86**	**(2%)**
LOAN PORTFOLIOS ACQUIRED								
Income	62	201	68	10%	(66%)	136	269	98%
- Expense	50	142	84	68%	(41%)	116	227	96%
= Net Income from loan portfolios acquired	**12**	**59**	**(16)**	**(233%)**	**(127%)**	**20**	**42**	**110%**
IPAB FEES								
From IPAB (*)	80	69	49	(39%)	(29%)	151	118	(22%)
= IPAB Fees	**80**	**69**	**49**	**(39%)**	**(29%)**	**151**	**118**	**(22%)**
Non Interest Income – Recovery Bank	**130**	**167**	**80**	**(38%)**	**(52%)**	**259**	**246**	**(5%)**

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

The accumulated Non-Interest Income derived from loan Recoveries was 5% lower vs. 1H04 due to the 22% drop in the Collected IPAB Fees. The Net Fees from the Serfin Loans dropped 2%. In the case of Acquired Loans, income rose 110% because of the corporate loan recoveries. For the quarter, Recovery Banking income fell 38% vs. 2Q04 mainly because of a drop in the Acquired Loans Net Income, as there was greater amortization in the quarter. The greatest net contribution to the quarter came from Collected Fobapoa Fees with 61% of the total.

Foreign Exchange:

The accumulated Foreign Exchange income in the year dropped 66% vs. 1H04 mainly because of the accounting adjustment in the currency valuation register that took place in 2Q04, which had a positive effect of Ps 182 million and was compensated in the Net Interest Income. Excluding this effect, Foreign Exchange Income was similar to that of 1H04. For the quarter, income in this item decreased 76% vs 2Q04 due to the same reason, with a Ps 103 million impact.

Trading:

Trading Income for 1H05 rose 109% vs. 1H04, mainly as a result of greater income from Realized Security Gains, which included Ps 319 million in non recurrent profit for the sale of AHMSA's eurobonds. On a quarterly basis, the Trading income went from a Ps 68 million loss in 2Q04 to a Ps 465 million profit in 2Q05. This variation was due mainly to the non-recurrent income for the sale of AHMSA's eurobonds mentioned above as well as to good operating results that amounted Ps 146 million when excluding this item.

Non Interest Expense

Non Interest Expense (Millions of Pesos)	QUARTER 2Q04	1Q05	2Q05	% CHANGE 2Q04	1Q05	ACCUMULATED 1H04	1H05	% CH
Personnel Expenses	1,115	1,057	1,077	(3%)	2%	2,309	2,134	(8%)
+Professional Fees	125	143	190	52%	33%	247	333	34%
+Administrative and Promotion Expenses	757	755	744	(2%)	(2%)	1,527	1,499	(2%)
+Rent,Depreciation& Amortization	434	419	421	(3%)	1%	881	840	(5%)
+Tax other than income tax	168	119	99	(41%)	(17%)	348	219	(37%)
+Contributions to IPAB	190	147	147	(23%)	-	378	294	(22%)
= Non Interest Expense	**2,789**	**2,639**	**2,679**	**(4%)**	**2%**	**5,691**	**5,318**	**(7%)**

The Non-Interest Expense for the year dropped 7% vs. 1H04, given the positive impact of the Efficiency Program implemented in 2H04, consisting of the dismissal of 2,008 employees and the closure of 83 bank branches. Personnel Expenses fell 8% as a result of the downsizing in 2H04. Professional Fees increased 34% due to annual bonus payments, legal advisory, projects for new products and external recoveries. Administration and Promotion Expenses decreased 2% because of the higher expenses in advertising campaigns used for launching new products and branding, and other expenses associated with the greater volume of operations. Rents, Depreciations and Amortizations dropped 5% as bank branches were closed during 2H04. Tax, other than income tax, fell 37% as VAT started to be credited in 3Q04, derived from the injunction filed as a consequence of the modification to the VAT law. Contributions to IPAB fell by 22% as a result of the lower funding requirements.

The Non-Interest Expense for 2Q05 was 4% lower than in 2Q04 due to the reductions in Tax other than income tax and Contributions to IPAB by 41% and 23%, respectively. On the other hand, Personnel and Administration & Promotion Expenses, and expenses for Rents, Depreciations and Amortizations dropped as a result of the Efficiency Program mentioned above.

Non Operating Income (Expense) Net

Non Operating Income (Expense)	QUARTER			% CHANGE		ACCUMULATED		
(Millions of Pesos)	2Q04	1Q05	2Q05	2Q04	1Q05	1H04	1H05	% CH
+Other Revenues	136	95	41	(70%)	(57%)	190	136	(28%)
+Foreign Exchange	-	-	-	-	-	-	-	-
+Recoveries	210	45	1,199	470%	2,575%	234	1,244	432%
+Repomo-other revenues	1	3	3	204%	(21%)	9	6	(28%)
+Warehousing	371	272	309	(17%)	14%	772	581	(25%)
=Non Operating Income	**718**	**415**	**1,552**	**116%**	**274%**	**1,205**	**1,967**	**63%**
-Other Expenses	(82)	(75)	(305)	272%	307%	(202)	(380)	88%
-Foreign Exchange	-	-	-	-	-	-	-	-
-Warehousing	(370)	(271)	(308)	(17%)	14%	(770)	(579)	(25%)
-Repomo-other expenses	(9)	(33)	(11)	27%	(65%)	(155)	(44)	(71%)
=Non Operating Expense	**(461)**	**(379)**	**(624)**	**35%**	**64%**	**(1,127)**	**(1,003)**	**(11%)**
= Non Operating Income (Expense) Net	**257**	**35**	**928**	**261%**	**2,520%**	**77**	**964**	**1,147%**

The net accumulated Result of Other Products and Expenses for 1H05 was Ps 964 million vs. Ps 77 million in 1H04. This variation was due to the following factors:

<u>Other Products:</u>

- Ps 1,017 million in Value Added Tax (VAT) returns derived from the favorable resolution of the injunction filed by the Group subsidiaries against the VAT law. This tax corresponds to the period between January 2003 and August 2004.
- Lower revenues from the warehousing clients' inventories commercialization, which decreased 25%.

<u>Other Expenses</u>

- A 71% reduction in Repomo due to lower inflation vs. 1H04 (1.6% in 1H05 vs. 3.3% in 1H04).
- A Ps 100 million write off from the GEL audits to IPAB.
- A Provision of Ps 48 million for a write off derived from prepayments from IPAB.
- Lower expenses from the warehousing clients' inventories commercialization which decreased 25%.

The net result for Other Products and Expenses for 2Q05 was 261% higher than in 2Q04. The variation is due mainly to the extraordinary income of Ps 1,017 million for the VAT returns in the quarter as well as the negative impact for Ps 100 million and Ps 48 million of the IPAB audits and prepayments from IPAB, respectively.

Taxes

Income tax and profit sharing in 1H05 was 356% higher than in 1H04 due mainly to the fact that Banorte already used of all its tax loss carry forwards. As of 2005, Banorte started to pay income tax but Bancen still has tax loss carry forwards. The effective tax rate and profits sharing was 28% in 1H05 vs 19% in 1H04. In 2Q05, income tax and profit sharing was 651% higher than that of 2Q04 for the same aforementioned reason. The extraordinary income in the quarter also impacted this growth. The effective income tax and profit sharing was 28% in 2Q05.

Loan Portfolio

PERFORMING LOAN PORTFOLIO *(Millions of Pesos)*	2Q04	1Q05	2Q05	% QUART, CHANGE	% ACCUM. CHANGE
Commercial	30,159	33,726	35,144	4%	17%
Consumer	26,156	29,749	32,141	8%	23%
Corporate	13,802	15,092	15,419	2%	12%
Goverment	10,143	12,726	12,938	2%	28%
Sub Total	**80,260**	**91,293**	**95,642**	**5%**	**19%**
Recovery Banking	1,825	1,627	1,582	(3%)	(13%)
Total	**82,085**	**92,920**	**97,224**	**5%**	**18%**

PERFORMING CONSUMER *(Millions of Pesos)*	2Q04	1Q05	2Q05	% QUART, CHANGE	% ACCUM. CHANGE
Mortgages	15,488	17,765	18,989	7%	23%
Automobile	5,767	5,804	5,851	1%	2%
Credit Card	3,245	4,040	4,889	21%	51%
Electronic Payroll	1,655	2,139	2,412	13%	46%
Total Consumer	**26,156**	**29,749**	**32,141**	**8%**	**23%**

(Millions of Pesos)	2Q04	1Q05	2Q05	% QUART, CHANGE	% ACCUM. CHANGE
IPAB Loans	75,306	12,486	7,003	(44%)	(91%)
Past Due Loans	2,998	1,771	1,778	-%	(41%)

The Total Performing Loan Portfolio without IPAB increased 18% annually, going from Ps 82,085 to Ps 97,224 million, and 19% excluding the loan portfolio managed by Recovery Banking. An explanation of the growth per loan is given below:

- Commercial Loans rose 17% given the new loans to medium and small companies.
- Mortgage Loans rose 23% as 10,113 new loans were placed in the last 12 months. Consumer Loans grew substantially as shown in the 51% increase in Credit Card Loans due to the promotion program targeted to attract new customers as well as to increased use among existing customers; Payroll Loans grew 46% as 205,848 new loans were granted and Car Loans rose 2% due to the placement of 32,782 new loans.
- Corporate Loans rose 12% as a result of new loans granted.
- Government Loans rose 28% as new loans were placed, especially in state goverments.
- IPAB Loans fell 91% due to both the securitization of Ps 46 billion of the IPAB loans in 4Q04 and the Ps19 billion in pre-payments received in the last 12 months. This loan portfolio represents a 7% of the entire loan portfolio.
- There was a favorable impact of the exchange rate on dollar loans given the apreciation of the exchange rate with respect to the dollar that went from 11.53 pesos per dollar to 10.78 pesos per dollar from 2Q04 to 2Q05.

Past-due Loans dropped 41% vs. 2Q04 due mainly to the past-due loan charge offs that were 100% covered. This was done with the intention to clear the balance and transfer it to the recovery unit. As a result, the PDL balance stood at Ps 1,778 at the end of the quarter, equivalent to a 1.8% Past-due loan ratio, down by practically half of the 3.5% registered in 2Q04.

In the quarter, the Total Loan portfolio without IPAB rose 5%. The most important growth was in Credit Card, with an increase of 21%, Mortgages grew 7%, Payroll Loans by 13% and Commercial loans by 4%. The IPAB Loans fell Ps 5,483 million due to the prepayment of the remaining IPAB balance from Bancen and Banpais, leaving only the exchanged IPAB notes at the completion of the “Management, Existence and Legality” audits in the period. The past-due loans held practically their same level as the previous quarter closing with Ps 1,778 million, equivalent to a Past-due Loan ratio of 1.8%, lower than the 1.9% in 1Q05.

Past Due Loans Variations as of 2Q05

Cartera Vencida		
Balance as of March 2005		**1,767**
	Performing loans to Past due loans transfers	784
	Renewals	(14)
	Cash Collections	(190)
	Discounts	(4)
	Charge Offs	(228)
	Foreclosures	(6)
	Past due loans to Performing loans transfers	(331)
	Exchange Adjustment	(1)
Balance as of June 2005		**1,778**

Classified Loans

Millions of Pesos

		LOAN LOSS RESERVES			
Category	**LOANS**	**COMMERCIAL**	**CONSUMER**	**MORTGAGE**	**TOTAL**
A	32,076	-	57	61	118
A1	31,850	156	-	-	156
A2	24,941	234	-	-	234
B	4,670	-	113	111	224
B1	5,410	134	-	-	134
B2	342	16	-	-	16
B3	205	26	-	-	26
C	500	-	158	46	204
C1	128	30	-	-	30
C2	115	45	-	-	45
D	682	29	250	203	482
E	581	349	27	203	579
Total	**101,500**	**1,019**	**605**	**624**	**2,248**
Not Classified	(78)				
Excempted	8,166	-	-	-	-
Total	**109,588**	**1,019**	**605**	**624**	**2,248**
Reserves					2,855
Excess / (Deficit)					607

Notes :

1.- The classified loans and the reserves created are based on the June 30[st], 2005 Balance Sheet.

2.-The loan portfolio is classified in accordance with the rules issued by Secretaria de Hacienda y Crédito Público (SHCP) and the methodology established by the CNBV and those internal methodologies approved by the CNBV. For Mortgage and Consumer loans, Banorte uses rhe regulation described in the Official gazette pubished on August 20,2004, and for Commercial loans it uses internal methodologies approved by the CNBV.

3.- The surplus in reserves is the result of the Institution's own conservative policies.

4.-Classified Leasing and Factoring loans are as of March 2005 and reserves as of June, 2005.

The quarter closed with a Ps 2,855 balance of Loan Loss Reserves and a surplus reserve balance amounting to Ps 607 million.

Loan Loss Reserves *(Millions of Pesos)*	2Q05 Total
PREVIOUS PERIOD END BALANCE	**2,730**
Provision taken in the period	353
Recovery of penalized debts	66
Charge offs and discounts:	
Commercial Portfolio	(21)
Consumer Portfolio	(141)
Mortgage Portfolio	(81)
Foreclosed assets	(9)
	(252)
Cost of debtors support programs	(30)
Valuation and Others	(12)
LOAN LOSS RESERVES AT PERIOD END	**2,855**

During the quarter, Ps 353 million were provisioned through the Income Statement and Ps 252 million were applied to charge off and discounts, of which Ps 21 million were from commercial loans, Ps 141 million were from consumer loans, Ps 81 million were from mortagage loans and Ps 9 million from foreclosed assets. The balance of loan loss provisions at the close of 2Q05 amounted to Ps 2,855 million.

Deposits

Deposits (*Millions of Pesos*)	2Q04	1Q05	2Q05	% QUART, CHANGE	% ACCUM. CHANGE
Demand Deposits-w/o Interests (1)	22,053	22,639	23,561	4%	7%
Demand Deposits -with Interests (2)	40,475	40,802	42,383	4%	5%
Demand Deposits	**62,528**	**63,441**	**65,944**	**4%**	**5%**
Time Deposits – Retail	35,615	36,477	37,277	2%	5%
Core Deposits	**98,143**	**99,918**	**103,221**	**3%**	**5%**
Money Market (3)	71,794	20,729	19,235	(7%)	(73%)
Banking Sector's Total Deposits	**169,937**	**120,647**	**122,456**	**1%**	**(28%)**
GFNorte's Total Deposits (4)	**169,810**	**120,467**	**122,347**	**2%**	**(28%)**
Out- of Balance Trading	64,075	109,888	124,176	13%	94%
Assets Under Management	**233,885**	**230,355**	**246,523**	**7%**	**5%**
Demand Deposits-w/o Interests (1)	**1.6%**	**2.3%**	**2.6%**		

(1) As of 4Q04, the checking accounts were excluded from IPAB where cash collecting was deposited over the managed loans from Banpaís and Bancen, with a retroactive effect for comparison purposes.The balances of these accounts in 2Q04.1Q05 and 2Q05 were Ps 4,320 million, Ps 392 million and Ps 662 million, respectively.
(2)Includes Debit Cards.
(3)Includes Bonds Comprises, Customers and Financial Intermediaries.
(4) Includes the eliminations between the subsidiaries.The balances of these eliminations in 2Q04.1Q05 and 2Q05 were Ps 127 million, Ps 180 million and Ps 109 million, respectively.

The quarter closed with a Total Deposits balance of Ps 122,456 million, which is 28% lower than in 2Q04 due to the lower funding requirements from the securitization of Ps 46 billion in IPAB loan from Bancrecer that went out of Banorte in 4Q04, and to Ps19 billion in pre-payments of IPAB during the last 12 months, which showed in a drop in Money Market deposits. Core Deposits rose 5% due to the 5% increase in Demand and Term Deposits. Third-party Deposits grew substantially by 94% as a result of channeling customers with Banorte's paper to third party paper after the securitization of the IPAB loans. Assets Under Management totaled Ps 246,523 million, 5% higher than in 2Q04.

Banking Sector Capitalization

Capitalization (*Millions of Pesos*)	2Q04	3Q04	4Q04	1Q05	2Q05
Tier 1 Capital	13,289	13,688	13,387	14,514	16,115
Tier 2 Capital	4,753	4,601	4,437	4,220	3,791
Net Capital	**18,042**	**18,289**	**17,822**	**18,734**	**19,906**
Credit risk assets	97,373	98,643	85,827	89,403	94,886
Net Capital/ Credit Risk Assets	18.5%	18.5%	20.8%	21.0%	21.0%
Total risk assets (1)	124,372	119,601	109,834	115,923	114,338
Tier 1	10.7%	11.4%	12.2%	12.5%	14.1%
Tier 2	3.8%	3.8%	4.0%	3.6%	3.3%
Capitalization Ratio	**14.5%**	**15.3%**	**16.2%**	**16.2%**	**17.4%**

(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 2Q05, the Banking Sector's capitalization ratio was 17.4% considering loan and market risks, and 21.0% considering only loan risks. The Tier 1 basic ratio was 14.1% and 3.3% for Tier 2 capital. The capitalization ratio increased vs. 2Q04 due mainly to the generation of profits in the last year and a reduction in the market Risks Asset. Net capital was affected by the following events: 1) the early amortization of Ps 1,487 million of Non-convertible Subordinate Debentures in 2Q04 computed as Tier2 Capital; 2) the payment of cash dividends for Ps 460 million in 4Q04; and 3) in 4Q04 Ps 531 million were charged to the Retained Earnings account, within Capital, for the creation of the initial reserves for repossessed assets, thus affecting Tier 1 Capital.

The Holding company equity increased from Ps 15,176 million in 2Q04 to Ps 18,525 million in 2Q05 due to the following factors:

1) Ps 4,614 million in profit generated in the last 12 months
2) Ps 505 million in dividend payments in 4Q04
3) Ps 732 million increase in the Non Monetary Assets Results

Information by Sectors

1.- Banking Sector

Income Statement & Balance Sheet	QUARTER			% CHANGE		ACCUMULATED		
(Millones de Pesos)	2Q04	1Q05	2Q05	2Q04	1Q05	1H04	1H05	% CH
INCOME STATEMENT								
Net Interest Income after Repomo	2,188	2,755	3,243	48%	18%	4,294	5,998	40%
Loan Loss and Loss Sharing Provisions	312	244	383	23%	57%	434	627	44%
Non Interest Income	949	1,049	1,327	40%	27%	2,212	2,376	7%
Non Interest Expense	2,463	2,343	2,369	(4%)	1%	5,027	4,713	(6%)
Non Operating Income (Expense), Net	276	37	929	237%	2,399%	126	966	665%
Pre-Tax Income	637	1,254	2,747	331%	119%	1,170	4,000	242%
Net Income	571	986	1,981	247%	101%	1,079	2,967	175%
BALANCE SHEET								
Loan Portfolio	156,822	103,447	101,993	(35%)	(1%)	156,822	101,993	(35%)
Deposits	174,262	121,039	123,118	(29%)	2%	174,262	123,118	(29%)

Banking Sector's Financial Ratios	QUARTER			ACCUMULATED	
(Millones de Pesos)	2Q04	1Q05	2Q05	1H04	1H05
Profitability					
MIN (1)	4.3%	7.2%	8.4%	4.2%	7.7%
ROA (2)	1.0%	2.2%	4.6%	0.9%	3.4%
ROE (3)	17.2%	26.1%	50.3%	16.0%	38.6%
ROE without extraordinaries	17.2%	26.1%	29.2%	16.0%	27.6%
Operation					
Eficiency Ratio (4)	78.6%	61.2%	51.7%	77.3%	56.1%
Operative Efficiency Ratio (5)	4.3%	7.2%	8.4%	4.2%	7.7%
Liquidity Ratio (6)	51.6%	56.8%	59.7%	51.6%	59.7%
Asset Quality					
% Past Due Loans w/o Fobaproa	3.6%	1.9%	1.8%	3.6%	1.8%
Loan Loss Reserves to past Due Loans	130.5%	154.2%	161.7%	130.5%	161.7%
Growths (7)					
Loans w/o Fobaproa –IPAB (8)	6.0%	2.9%	4.7%	3.7%	19.5%
Traditional Deposits	2.6%	(1.7%)	3.3%	8.0%	5.2%
Total Deposits	4.1%	(6.8%)	1.5%	6.5%	(27.9%)
Capitalization					
Net Capital/ Credit Risk Assets (9)	18.5%	21.0%	21.0%	18.5%	21.0%
Total Capitalization Ratio (9)	14.5%	16.2%	17.4%	14.5%	17.4%

1) MIN= Annualized Net Interest Margin before REPOMO / Average Earnings Assets.
2) Annualized earnings as a percentage of the average of quarterly assets over the period.
3) Annualized earnings as a percentage of the average of quarterly equity over the period
4) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions)
5) Annualized Administrative and Promotion Expenses / Average Total Assets.
6) Liquid Assets / Liquid Liabilities (Liquid Assets = Cash and due from Banks + Negotiable Instruments + Securities held for sale, Liquid Liabilities = Demand Deposits + Liquid Due to banks liabilities + short term loans from banks.
7) Growth versus the previous period.
8) Does not include Fobaproa / IPAB and Loans managed by Recovery Banking.
9) The Banking Sector Ratio is included for information purposes. A ratio for each bank is presented in the capitalization section.

The accumulated profit for the Banking Sector at the end of 2Q05 (100%, including the Afore pension fund using the participation method) totaled Ps 2,967 million, 175% higher than in 1H04 and 110% excluding the extraordinary items. The quarterly profit of Ps 1,981 million was 101% higher. The accumulated Net Interest Margin before provisions rose vs. 1H04 mainly because of the growth of the loan portfolio and the increase in interest rates. The Loan loss and Fobaproa Provisions were 44% higher than those accumulated up to 1H04. The Non-Interest Income rose 7% over last year due to higher Trading and Service Fee income. The Non-Interest Expense dropped by 6% vs. 1H04 due to lower taxes and fees paid to IPAB. Non Operating Income increased vs. 1H04 because of returned VAT for Ps 985 million.

Recovery Banking

Achievements

The Banorte Recovery Banking continues being the most successful loan recovery and asset administration unit in the Mexican market, since it was established in 1997. Over the last 4 years, it has contributed greatly albeit decreasingly to the Group's Banking Sector profits as the Traditional Banking profits have shown a greater growth. Its most outstanding achievements include: the purchase of nearly 46% of the portfolios auctioned by the IPAB and other banks as of today, over 40% in collecting on loans managed, 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 the ISO 9002 certification.

Rating for Sólida Administradora de Portafolios

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

Future Plans

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

Recovery Banking

Recovery Banking Income Statement	ACCUMULATED	
(Millones de Pesos)	1H04	1H05
Net Interest Income	38	38
+REPOMO-margin	-	-
=Net Interest Income After REPOMO	**38**	**38**
- Loan Loss Provisions	39	(12)
= Net Interest Income After Provisions	**(1)**	**50**
+ Fiduciary	88	86
+ Fobaproa Fees (1)	151	118
+ Other Fees	80	199
Non Interest Income	**319**	**403**
= Total Operating Income	**318**	**452**
Non Interest Expense	93	98
= Net Operating Income	**225**	**355**
- Other Revenues and Expenses	5	7
= Pre-tax Income	**230**	**362**
- Income Tax & Profit Sharing, Tax on Asset, Def. Inc. Tax & Prof. Sharing	-	97
= Net Income before Subsidiaries	**230**	**265**
+ Undistributed Earnings of Subsidiaries	48	72
= Net Income-continuos Operation	**278**	**337**
+ Extraordinary Items, net	-	-
- Minoritary Income	-	-
= Total Net Income	**278**	**337**

(1) Net Figures.
(2) Includes Net Income From Loan Portfolios.

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

Assets Under Management *(Millions of Pesos)*	**2Q05**	**ACCOUNTING IN THE BALANCE SHEET**	**ACCOUNTING IN THE INCOME STATEMENT**
Fobaproa-IPAB: Portfolios			
Banking Sector (1)	13,150	Out of balance trusts	Fees from FOBAPROA
Serfin	8,323	Serfin Trust	Fiduciary
Repossesed assets	7917	Out of balance trusts	Fobaproa fees and Fiduciary
	29,390		
Loans purchased to IPAB and to Other Banks:	25,477	Sólida Administradora de Portafolios Bancen	Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen)
Banking Sector Portfolio:(2)			
Banking Sector	4,465	Banorte's Portfolio	Net Interest Income
Repossesed assets	1,183	Banorte's Repossesed assets	Other Revenues and Expenses
	5,648		
Total	**60,513**		

(1) Includes the loan portfolios sold to Fobaproa by Bancen and Banpaís.
(2) Includes Ps 2,104 millions of Portfolio managed by the Recovery Bank since 1997, originated from the economic crisis of 1995.

This section is intended to dimension the Recovery Banking business contribution to the Banking Sector. The basis to calculate these figures were the assets managed by Recovery Banking which consist of: the loan portfolios ceded to Fobaproa by Bancen and Banpaís 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 Groups Contribution *(Millions of Pesos)*	**ACCUMULATED 1H04**	**1H05**
Traditional Banking Net Income	894	2,009
Recovery Bank Net Income	278	337
GFNorte's Net Income(*)	**1,172**	**2,346**(1)
= % of Contribution	**23.7%**	**14.4%**

(1) Excludes the extraordinary items.

The Recovery Banking contributed with Ps 337 million to the Group's 1H05 profit; equivalent to a contribution of 14%, a lower contribution than in 1H04 due to the important traditional operations profit growth.

During the quarter the IPAB pre-payed Ps 5,483 million of the remaining balance of the loans coming from Bancen and Banpaís leaving just the notes derived from the sale of loans of Banorte to Fobaproa for Ps 7,003 million. These notes were exchanged by IPAB notes at the end of the Management, Existence and Legality audits carried out by the authority.

ORIGINATION *(Millons of pesos)*	**BALANCE AS OF 2Q05**	**YIELD**	**MATURITY**	**LOSS SHARING**
BANORTE – Sale of Loans tol Fobaproa	7,003	CETES – 135 pb	2005/2006	YES

2.- Brokerage Sector

Brokerage Sector *(Millions of Pesos)*	QUARTER			% CHANGE		ACCUMULATED		
	2Q04	**1Q05**	**2Q05**	**2Q04**	**1Q05**	**1H04**	**1H05**	**% CH**
Brokerage House								
Net Income	10	25	16	68%	(35%)	41	42	3%
Equity	493	552	516	4%	(7%)	493	516	4%
Assets under Management	161,375	112,785	111,563	(31%)	(1%)	161,375	111,563	(31%)
Total Assets	631	662	616	(2%)	(7%)	631	616	(2%)
ROE %	8.0%	18.8%	12.4%	-	-	16.9%	15.7%	-
Net Capital								
Tier 1	391	459	425	9%	(7%)	391	425	9%
Tier 2	-	-	-	-	-	-	-	-
Net Capital	391	459	425	9%	(7%)	391	425	9%

The ***Brokerage Sector*** (brokerage house), accumulated a Ps 42 million profit in 1H05, 3% higher than in 1H04 as a result of an improvement in revenues coming from money market opperations which benefied from the strategies implemented to take advantage of an interest rates increasing environment. As strict expense control along with synergies with other subsidiaries of the Group derived in lower expenditures. Fixed Income Securities Mutual funds showed a 17% increase during the year vs 4Q04.

3.-Long Term Savings Sector

Long Term Savings Sector *(Millions of pesos)*	QUARTER			% CHANGE		ACCUMULATED		
	2Q04	**1Q05**	**2Q05**	**2Q04**	**1Q05**	**1H04**	**1H05**	**% CH**
Afore								
Net Income	22	110	40	82%	(63%)	101	150	49%
Equity	1,240	1,069	1,109	(11%)	4%	1,240	1,109	(11%)
Total Assets	1,415	1,251	1,335	(6%)	7%	1,415	1,335	(6%)
Assets under Management (SIEFORE)	29,137	32,836	34,017	17%	4%	29,137	34,017	17%
ROE %	7.2%	43.2%	14.9%	-	-	16.8%	28.7%	-
Insurance								
Net Income	25	122	129	420%	5%	68	251	271%
Equity	611	875	1,007	65%	15%	611	1,007	65%
Total Assets	4,062	4,685	5,166	27%	10%	4,062	5,166	27%
Technical Reserves	2,729	2,993	3,250	19%	9%	2,729	3,250	19%
Premiums sold	224	1,312	1,043	366%	(21%)	847	2,354	178%
ROE %	17.1%	59.9%	54.7%	-	-	24.4%	57.1%	-
Annuities								
Net Income	(14)	20	28	299%	41%	34	48	42%
Equity	232	246	274	18%	11%	232	274	18%
Total Assets	5,707	6,096	6,297	10%	3%	5,707	6,297	10%
Technical Reserves	5,465	5,831	5,998	10%	3%	5,465	5,998	10%
Premiums sold	316	205	203	(36%)	(1%)	431	408	(5%)
ROE %	(23.6%)	33.9%	43.3%	-	-	30.1%	38.7%	-

The ***Pension Funds Afore*** showed an accumulated Net Profit of Ps 150 million (51% from Bancen), 49% higher than last year's, due mainly to increased collecting on higher-income customer affiliation fees, lower expenses and higher interest income. The 2Q05 profit was 82% higher than that of 2Q04 because of increased collecting on higher-income customer affiliation fees and greater income from interests. By 2Q05, there was a total of 2,955,944 affiliates, for a market share of 10.4% in certified accounts. Assets Under Management by the SIEFORE increased 17% vs. 2Q05 given the 4% increase in the number of affiliates and the strategy to attract higher-income customers.

The ***Insurance Company*** (Aseguradora) showed an accumulated profit of Ps 251 million in the year (51% from GFNorte), 271% greater than in 1H04 as a result of the 2Q04 Seguros Generali Mexico merger and of the considerable increase in premiums issued as well as to the increase in investment returns from higher market interest rates. The profit for 2Q05 was 420% that of 2Q04. This increase was due to higher investment returns, increased premiums issued and a reduction in operation expenses. The premiums issued in 1H05 were for Ps 2,354 million, 178% greater than those of 1H04.

The ***Annuities*** (Pensiones) company showed an accumulated profit of Ps 48 million in the year (51% from GFNorte) 42% higher than last year's due to a reduction in the creation of Technical Reserves in UDIS derived from lower inflation, higher investment profits and lower operation expenses. The 2Q05 profits were Ps 28 million vs. the 2Q04 loss of Ps 14 million. This variation is the result of a reduction in the creation of Technical Reserves in UDIS, higher investment profits vs. the loss in 2Q04, and to lower operation costs. At present, the company ranks 2nd in the industry share in premiums sold.

3.- Auxiliary Organizations Sector

Auxiliary Organizations Sector *(Millions of Pesos)*	QUARTER			% CHANGE		ACCUMULATED		
	2Q04	**1Q05**	**2Q05**	**2Q04**	**1Q05**	**1H04**	**1H05**	**% CH**
Leasing								
Net Income	7	18	21	227%	20%	16	39	141%
Equity	208	211	232	12%	10%	208	232	12%
Loan Portfolio	1,844	2,273	2,442	32%	7%	1,844	2,442	32%
Past Due Loans	15	16	16	8%	1%	15	16	8%
Loan Loss Reserves	20	23	24	18%	6%	20	24	18%
Total Assets	1,850	2,302	2,448	32%	6%	1,850	2,448	32%
ROE %	12.7%	35.2%	38.5%	-	-	15.7%	36.9%	-
Factoring								
Net Income	7	17	23	210%	38%	12	39	235%
Equity	236	271	294	25%	8%	236	294	25%
Loan Portfolio	3,063	3,274	3,281	7%	-	3,063	3,281	7%
Past Due Loans	26	25	32	26%	31%	26	32	26%
Loan Loss Reserves	38	39	40	5%	3%	38	40	5%
ROE %	3,056	3,257	3,266	7%	-	3,056	3,266	7%
Total Assets	12.7%	25.2%	32.3%	-	-	10.2%	28.8%	-
Warehousing								
Net Income	3	5	3	(15%)	(40%)	9	8	17%
Equity	86	96	98	14%	2%	86	98	14%
Inventories (*)	209	205	197	(6%)	(4%)	209	197	(6%)
Total Assets	339	345	268	(21%)	(22%)	339	268	(21%)
ROE %	15.7%	19.9%	11.6%	-	-	18.3%	15.7%	
Bonding								
Net Income	7	4	4	(42%)	1%	9	8	17%
Equity	110	85	89	(19%)	5%	110	89	(19%)
Total Assets	309	346	369	20%	7%	309	369	20%
Technical Reserves	126	171	183	46%	7%	126	183	46%
Premiums sold	42	92	43	2%	(53%)	103	135	31%
	27.5%	20.4%	19.6%	-	-	13.9%	20.0%	-

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

The ***Leasing*** showed a profit of Ps 39 million in the year, 141% higher than that of 1H04, mainly because of the substantial 32% growth in the loan portfolio vs. 2Q04. The 2Q05 profit was Ps 21 million, 227% higher than in 2Q04 given the higher loan volume. The past-due loan ratio closed 2Q05 at 0.7%. Past-due loans have a reserve coverage of 150%. It currently ranks 2nd among the 27 Leasing companies with a 8.2% market share.

The ***Factoring*** company generated a Ps 39 million profit in the year so far, 235% greater than in 1H04 mainly because of the growth in the loan portfolio, larger trading margins and lower operation costs. The 2Q05 profit reached Ps 23 million, which is 210% that of 2Q04 as a result of a larger loan portfolio, larger trading margins and lower expenses. The Total Loans rose 7% vs. 2Q04, for a balance of Ps 3,281 million and the past-due loans closed at Ps 32 million, for a past-due loan ratio of 1% and a 125% loan reserve coverage. The Factoring company ranks 1st in the industry among 11 similar companies.

The ***Warehousing*** showed a net profit of Ps 8 million so far this year, a 17% increase over that of 1H05 mainly because of an increase in customer inventory commercialization. The 2Q05 profit was for Ps 3 million, similar to that of 2Q04. The company currently ranks 12th in certification volume among the 20 Warehousing companies.

The ***Bonding*** company generated a profit of Ps 8 million so far this year, a 17% increase over that of 1H05 mainly because of a 31% increase in the premiums issued vs. the same period last year. The 2Q05 profit was Ps 4 million, 42% less than that of 2Q04 due to an increase in Technical Reserves given the greater sales and changes in the premium debtors' registration policy.

5.- Microcredit Sofol

Pronegocio	QUARTER			% CHANGE		ACCUMULATED		
(Millones de Pesos)	2Q04	1Q05	2Q05	2Q04	1Q05	1H04	1H05	% CH
Pronegocio								
Net Income	-	(4)	(8)	-	14%	-	(12)	-
Equity	-	46	58	-	26%	-	58	-
Loan Portfolio	-	9	121	-	1,292%	-	121	-
Total Assets	-	48	125	-	159%	-	125	-
ROE %	-	(34.9%)	(61.6%)	-	-	-	(49.0%)	-

Pronegocio (Pro-business) reported a Ps 8 million loss in 1H05, given that fact that it started operations in 1Q05. It is in its initial stage and has to increase it operations volume to reach its break even point. At the close of 2Q05, the loan portfolio reached a balance of Ps 121 million and had 36 branches located in 20 cities.

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 international uncertainty. On the one hand, it was not clear which course the U.S. economic activity would take and, on the other hand, regarding the viability of the Euro Zone, after France rejected the EU Constitution. Additionally, oil prices were under great pressure creating doubts as to global growth and inflation.

The U.S.A. Central Bank continued its upward trend in rates taking them to 3.25%, 50bp over the close of March, although long-term interest rates dropped. The dollar gained strength over the euro in a scenario of economic weakness in the Euro Zone. Contrary to what happened when compared to the currencies of emerging countries, the dollar's position was weakened: Brazilian real and the Mexican peso underwent an important appreciation vs. the U.S. currency.

On the domestic scene, economic activity figures have been disappointing and adjustments were made lowering the growth estimate for this year and the following one. According to the monthly survey conducted by the Bank of Mexico among analysts of the private sector, the GDP growth expectation for this year dropped from 3.88% in March to 3.57% in June. For next year the drop went from 3.64% to 3.50%. The internal market is expected to maintain its dynamism, while external demand is expected to moderate its growth pace with respect to last year.

Inflation continued the downward trend it took on since the beginning of the year, going from 5.19% at the close of 2004 to 4.32% in June. Inflation expectations for this year were adjusted accordingly, according to the Bank of Mexico's survey, from 4.32% in December of 2004 to 3.79% in June.

Given the inflation scenario, the Bank of Mexico continued its restrictive monetary policy, which took the funding rate to 9.75% in June. However, the Bank of Mexico stopped increasing the level of the "short" since several meetings ago and up until the close of the second semester, its monetary policy is independent of the U.S. reference interest rates. This leads us to believe that we are at the maximum funding rate levels.

External accounts do not show signs of any strong upset. Despite the fact that the commercial balance deficit has grown with respect to the levels reached last year, the current account deficit is being financed by long-term resources. There is still an important inflow of revenue from remittances, and oil exports report high growth rates given the high oil prices. Remittances last year totaled USD 16,613 million, whereas for the first five months this year they have reached USD 7,528 million, which is equivalent to an 18.7% increase vs. the same period last year.

ANNEX 2 .-Grupo Financiero- General Information

GFNorte Ownership in Subsidiaries

	2Q05
Banco Mercantil del Norte (1)	96.11%
Banco del Centro	99.99%
Brokerage House	99.99%
Pension Funds Afore (2)	51.00%
Insurance	51.00%
Annuities	51.00%
Leasing	99.99%
Factoring	99.99%
Warehousing	99.99%
Bonding	99.99%
Microcredit Sofol	99.99%

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

Holding Company Capital Structure

Number of Shares	SERIE O As of June 2005
Number of shares issued	504,586,887
- Shares held on Treasury	250,100
= Number of shares outstanding	**504,336,787**

Banorte Ratings

International Ratings				
Rating Agency	**Rated Institution**	**Rating**	**Category**	**Date**
Moody's	Banorte	Stable	Outlook	
		D+	Modest Financial Strength	
		Baa1	Foreign long - term bank deposits	January 2005
		P-2	Foreign short- term bank deposits	
		A-3	Local long - term bank deposits	
		P-2	Local short- term bank deposits	
Standard & Poors	Banorte	Positive	Outlook	
		BB+	Long Term foreign issuer credit	
		BB+	Long Term local currency deposits	February 2005
		B	Short term foreign issuer credit	
		B	Short tem local issuer credit	
Fitch	Banorte	Stable	Outlook	
		BBB-	Long Term Foreign currency	June 2005
	Grupo Financiero Banorte	BBB-	Long Term Local currency	
		F3	Short Term Local Currency	
		F3	Short Term Foreign Currency	
		C/D	Individual – Foreign Currency	
		3	Support Rating	
		4	Support Rating	

Banorte Ratings

Domestics Ratings

Rating Agency	Rated Institution	Rating	Category	Date
Fitch	Banorte	F1 + (mex) AA (mex) F1 + (mex) AA (mex)	Short term counterparty risk Long term counterparty risk Short term CD's and Term Deposits Long term CD's and Term Deposits	June 2005
Moody's National Scale	Banorte	Aaa.mx MX-1	Long Term Deposits ShortTerm Deposits	July 2004
	Arrendadora Banorte	Aa1.mx	Issue Rating in National Scale	July 2004
	Arrendadora Banorte	Aa1.mx	Issue Rating in National Scale	July 2004
Other Subsidiaries				
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	2Q04	1Q05	2Q05
Banking Sector (1)	13,710	12,235	12,326
Other Sectors (2)	2,728	2,292	2,357
Total Group	**16,438**	**14,527**	**14,683**
DISTRIBUTION NETWORK			
Branches	1,029	959	961
ATM	2,540	2,655	2,670

(1) Includes Sólida Administradora de Portafolios.
(2) Includes banking modules and Remote Teller Windows. Excludes 1 branch located in Cayman Island.

Group Officers

NAME	CURRENT POSITION
Luis Peña Kegel	Chief Executive Officer
LINE	
Manuel Sescosse Varela	Managing Director - Commercial
Jesús Garza Martínez	Managing Director - Consumer
Enrique Catalán Guzmán	Managing Director - Entrepreneurial
Alejandro Valenzuela del Río	Managing Director – Treasury & Investor Relations
Miguel A. García Padilla Fernández	Managing Director – Asset Recovery
Enrique Castillón Vega	Managing Director - Long Term Savings Sector
Antonio E. Ortiz Cobos	Managing Director - Development USA
STAFF	
Sergio García Robles Gil	Managing Director - CFO
Juan M. Quiroga Garza	Managing Director - Corporate Affairs
Alma Rosa Moreno	Managing Director - Administration
Prudencio Frigolet Gómez	Managing Director - Operations and Technology
Aurora Cervantes Martínez	Managing Director - Legal
Cecilia Miller Suárez	Managing Director - Marketing
Eduardo Sastre de la Riva	Managing Director - Institutional Relations
Román Martínez Méndez	Managing Director - Audit
Gerardo Coindreau Farías	Managing Director - Risk Management

ANNEX 3 .-Accounting Changes and Regulations

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

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

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.

	Local Currency (2)			Foreign Currency (USD)(3)			Total		
(Millions of Nominal Pesos)	Aug'02	Mar'05	Jun'05	Aug'02	Mar'05	Jun'05	Aug'02	Mar'05	Jun'05
Performing Loans									
Commercial	5	25	22	5	-	-	10	25	22
Consumer	-	-	-	-	-	-	-	-	-
Mortgage	54	100	96	-	-	-	54	100	96
Total	**59**	**125**	**118**	**5**	**-**	**-**	**64**	**125**	**118**
Non Performing Loans									
Commercial	405	408	407	293	157	150	698	565	557
Consumer	81	75	75	-	-	-	81	75	75
Mortgage	1,112	667	634	-	-	-	1,112	667	634
Total	**1,598**	**1,150**	**1,116**	**293**	**157**	**150**	**1,891**	**1,307**	**1,266**
TOTAL LOANS	**1,657**	**1,275**	**1,234**	**298**	**157**	**150**	**1,955**	**1,432**	**1,384**
Loan Loss Reserves (1)									
Commercial	326	416	411	246	148	142	572	564	553
Consumer	77	75	75	-	-	-	77	75	75
Mortgage	669	607	582	-	-	-	669	607	582
Total	**1,072**	**1,098**	**1,068**	**246**	**148**	**142**	**1,318(4)**	**1,246**	**1,210**

(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.
(4) The original amount of Ps 1,577 million was correct as instructed by CNBV in 1Q04.
Note 1.- The Reserve surplus as of June'05 was Ps 152 million.
Note 2.- Banorte has a 99.99% stake in Sólida.

In 2Q05 the Loan portfolio showed changes due to allocations for Ps 26 million, restructuring for Ps 7 million, and foreclosed for Ps 3 millons and Ps 19 million in write-offs and scale-downs. There were write-offs and scale-downs for Ps 0.4 million and foreclosed of Ps 19 millions in the Loan Reserves. There were transfers from performing loans to past due loans for Ps 10 million and transfers from past due loans to performing loans for Ps 9 million.

BANORTE'S LOAN PORTFOLIO INCLUDING LOANS SOLD TO SÓLIDA

(Millions of Nominal Pesos)	Local Currency (1)		Foreign Currency (USD)(2)		Total	
	Mar'05	Jun'05	Mar'05	Jun'05	Mar'05	Jun'05
Performing Loans						
Commercial	35,937	35,942	7	7	42,990	43,090
Financial Intermediaries	986	2,472	587	496	1,573	2,968
Consumer	11,964	13,157	2	1	11,966	13,158
Mortgage	19,111	20,346	-	-	19,111	20,346
Goverment Entities	17,481	12,307	594	573	18,075	12,880
Fobaproa / IPAB	7,053	7,003	(38)	-	**7,015**	**7,003**
Performing Loans	**92,532**	**91,227**	**8,198**	**8,218**	100,730	99,445
Non Performing Loans						
Commercial	780	808	223	212	1,003	1,020
Consumer	404	437	-	-	414	437
Mortgage	1,466	1,379	-	-	1,466	1,379
Goverment Entities	8	-	-	-	**8**	**-**
Non Performing Loans	**2,658**	**2,624**	**223**	**212**	**2,881**	**2,836**
TOTAL LOANS	**95,190**	**93,851**	**8,421**	**8,430**	**103,611**	**102,281**
Loan Loss Reserves	**3,387**	**3,499**	**367**	**347**	**3,754**	**3,846**
Net Loan Portfolio	**91,803**	**90,352**	**8,054**	**8,083**	**99,857**	**98,435**
Loan Loss Reserves					**130.30%**	**135.61%**
% Past Due Loans					**2.78%**	**2.77%**

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

ANNEX 5 .- Financial Statements

HOLDING –Income Statement *(Millions of Pesos)*

	1Q04	2Q04	3Q04	4Q04	ACUM	1Q05	2Q05	3Q05	4Q05	ACUM
Income from Subsidiaries and	590	592	554	916	2,652	1,095	2,052			3,147
Interest Expense	-	-	-	-	-	-	-			-
Trading Income	-	-	-	-	-	-	-			-
Fees & Tarifs	-	-	-	-	-	-	-			-
REPOMO	(1)	-	(1)	(3)	(5)	-	-			-
Total Operating Income	**589**	**592**	**553**	**913**	**2,647**	**1,095**	**2,051**			**3,146**
Operation & Administrative expenses	1	1	1	1	2	1	-			1
Operating Income	**588**	**592**	**553**	**913**	**2.645**	**1.094**	**2.051**			**3.146**
Non Operating Income	-	-	-	14	15	-				-
Non Operating Expense	-	-	-	(1)	(2)					
Non Operating Income	**-**	**-**	**-**	**14**	**13**	**-**	**-**			**-**
Pre-tax Income	**588**	**592**	**552**	**926**	**2.658**	**1.094**	**2.051**			**3.145**
Income Tax & Profit Sharing	-	-	-	-	-	-	-			-
Tax on Assets	4	4	4	4	15	1	1			3
Deferred Inc. Tax and Profit sharing	-	-	-	-	-	-	-			-
	4	**4**	**4**	**4**	**15**	**2**	**2**			**3**
Net income from Continuos	**584**	**588**	**549**	**923**	**2,643**	**1,092**	**2,049**			**3,142**
Extraordinary Items, net	-	-	-	-	-	-	-			-
Total Net Income	**584**	**588**	**549**	**923**	**2,643**	**1,092**	**2,049**			**3,142**

HOLDING -BALANCE SHEET *(Millions of Pesos)*

ASSETS	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
Cash and due from Banks	**67**	**67**	**73**	**59**	**49**	**59**		
Financial Instruments:	**-**	**-**	**-**	**-**	**-**	**10**		
Sundry debtors and other assets,net	4	4	56	44	4	4		
Real Estate, Furniture & Equipment, net	-	-	-	-	**-**	**-**		
Investments in subsidiaries	14,442	15,068	15,576	15,481	**16,730**	**18,415**		
Deferred taxes	-	-	-	-	-	-		
Goodwill	44	43	42	41	40	39		
Other Assets, Deferred charges, intang	1	1	-	-	1	1		
TOTAL ASSETS	**14,559**	**15,184**	**15,747**	**15,626**	**16,824**	**18,528**		
LIABILITIES								
Due to banks and correspondents	**-**	**-**	**-**	**-**	**-**	**-**		
Income Tax & Profit Sharing	4	7	11	-	1	3		
Other Payable accounts	-	-	-	-	-	-		
Other payable accounts	**4**	**7**	**11**	**-**	**2**	**3**		
Deferred taxes	**-**	**-**	**-**	**-**	**-**	**-**		
TOTAL LIABILITIES	**4**	**7**	**11**	**-**	**2**	**3**		
STOCKHOLDER´S EQUITY								
Paid-in Capital	5,668	5,668	5,668	5,668	5,668	5,667		
Share subscription premiums	1,684	1,684	1,684	1,684	1,684	1,684		
Subordinated Convertible Debentures	-	-	-	-	-	-		
Subscribed Capital	**7,352**	**7,352**	**7,353**	**7,352**	**7,352**	**7,351**		
Capital Reserves	1.403	1,519	1,523	1,523	1,524	1,641		
Retained Earnings	14,221	14,123	14,123	13,607	16,249	16,118		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,781)	(5,777)	(5,778)	(5,782)	(5,783)	(5,762)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(3,223)	(3,213)	(3,205)	(3,717)	(3,613)	(3,945)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	584	1,172	1,720	2,643	1,092	3,142		
Earned Capital	7,203	7,824	8,384	8,273	9,470	11,174		
Total Stockholder´s Equity	584	1,172	1,720	2,643	1,092	3,142		
TOTAL LIABILITIES &	7,203	7,824	8,384	8,273	9,470	11,174		

MEMORANDUM ACCOUNTS OF HOLDING *(Millions of Pesos)*

	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
Client securities held in custody	3,621	3,831	3,779	3,697	3,725	3,716		
Other trust account items	116	116	114	112	111	111		
	3,737	**3,947**	**3,893**	**3,809**	**3,836**	**3,827**		

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

NET INTEREST INCOME	1Q04	2Q04	3Q04	4Q04	ACUM	1Q05	2Q05	3Q05	4Q05	ACUM
Interest Income	5,395	5,868	6,574	7,185	25.022	7,124	8,793			15,917
Interest Expense	3,333	3,679	3,985	4,431	15.429	4,292	5,508			9,799
Loan Fees	166	117	122	168	574	93	131			224
Fees Paid	20	22	22	24	89	24	27			51
Net Interest Income (NII)	**2,207**	**2,285**	**2,689**	**2,898**	**10,079**	**2,901**	**3,390**			**6,291**
Repomo-Margin	1	-	(46)	(95)	(139)	(33)	(12)			(45)
NII after Repomo	**2,208**	**2,285**	**2,644**	**2,804**	**9,940**	**2,868**	**3,378**			**6,246**
Loan Loss Provisions	124	311	326	350	1,112	215	353			568
Loss Sharing Provisions	13	20	33	25	90	32	35			67
NII after Provisions	**2,071**	**1,954**	**2,284**	**2,429**	**8,738**	**2,622**	**2,990**			**5,611**
Fund transfers	58	48	45	41	193	36	47			83
Account management	197	231	283	273	984	241	250			491
Fiduciary	45	51	50	47	192	45	54			99
Income from Loan Portfolios Acquired	177	150	205	159	690	281	152			433
Electronic Banking Services	78	95	109	146	427	142	156			298
Credit Card	287	315	315	269	1,186	243	253			496
Fees from FOBAPROA	91	100	146	76	413	79	60			139
Other fees	566	435	452	438	1,892	515	397			912
Fees on services,	**1,500**	**1,424**	**1,605**	**1,449**	**5,978**	**1,582**	**1,369**			**2,951**
Fund transfers	-	-	-	-	-	2	2			5
Other fees	139	132	117	124	512	121	123			244
Expenses from Loan Portfolios Acquired	119	100	142	101	462	183	121			305
Fees paid,	**258**	**232**	**259**	**225**	**974**	**307**	**247**			**554**
Foreign exchange	130	157	64	42	393	60	38			98
Securities –Realized gains	334	(109)	78	183	487	81	507			589
Securities- Unrealized gains	15	40	(30)	(8)	16	40	(42)			(2)
Market-related Income	**479**	**89**	**112**	**217**	**896**	**181**	**503**			**684**
Total Non Interest Income	**1,721**	**1,281**	**1,458**	**1,440**	**5,900**	**1,456**	**1,625**			**3,082**
Total Operating Income	**3.791**	**3.235**	**3.743**	**3.868**	**14.637**	**4.078**	**4.615**			**8.693**
Personnel	1,194	1,115	1,350	1,079	4,738	1,057	1,077			2,134
Professional Fees	122	125	135	133	516	143	190			333
Administrative and Promotion Expenses	771	757	782	681	2,990	755	744			1,499
Rents, depreciation and amortization	447	434	422	460	1,763	419	421			840
Taxes, other than income tax	180	168	131	23	503	119	99			219
Contributions to IPAB	188	190	196	192	766	147	147			294
Corporate expenses Recoveries	-	-	-	-	-	-	-			-
Non-Interest Expense	**2.902**	**2.789**	**3.017**	**2.569**	**11.277**	**2.639**	**2.679**			**5.318**
Operating Income	**889**	**446**	**726**	**1.299**	**3.360**	**1.439**	**1.936**			**3.375**
Other Revenues	455	507	464	447	1,873	367	350			717
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	23	210	29	51	314	45	1,199			1,244
Repomo-other revenues	8	1	7	13	28	3	3			6
Non Operating Income	**486**	**718**	**500**	**510**	**2.215**	**415**	**1.552**			**1.967**
Other Expense	(520)	(452)	(462)	(426)	(1,860)	(346)	(613)			(959)
Foreign exchange	-	-	-	-	-	-	-			-
Repomo-other Expenses	(146)	(9)	(94)	(142)	(391)	(33)	(11)			(44)
Non Operating Expense	**(666)**	**(461)**	**(556)**	**(568)**	**(2.251)**	**(379)**	**(624)**			**(1.003)**
Non Operating Income (Expense), net	**(180)**	**257**	**(56)**	**(57)**	**(36)**	**35**	**928**			**964**
Pre-tax Income	**709**	**703**	**670**	**1.242**	**3.325**	**1.474**	**2.865**			**4.339**
Income Tax	77	33	70	18	198	166	381			547
Profit sharing	76	56	43	67	241	132	271			403
Tax on Assets	18	17	14	14	63	14	14			28
Deferred Inc. Tax and Profit sharing	(11)	1	13	215	218	99	142			241
	160	**107**	**140**	**313**	**720**	**411**	**808**			**1.219**
Net Income before subsidiaries	**549**	**595**	**530**	**929**	**2.604**	**1.063**	**2.057**			**3.120**
Subsidiaries´ net income	87	23	73	41	224	111	83			195
Net Income from continuos operations	**636**	**618**	**603**	**971**	**2.828**	**1.174**	**2.140**			**3.315**
Extraodinary items, net	-	-	-	-	-	-	-			-
Minority Interest	52	30	55	48	185	82	91			173
TOTAL NET INCOME	**584**	**588**	**549**	**923**	**2,643**	**1,092**	**2,049**			**3,142**

Figures are presented in constant pesos set at the close of June’ 2005.

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

ASSETS	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
Cash and due from Banks	**31,809**	**35,096**	**33,585**	**39,696**	**35,317**	**39,234**		
Negotiable Instruments	5,750	6,237	6,778	10,739	5,166	6,334		
Securities held for sale	623	429	186	244	273	243		
Securities held to maturity	11,235	10,776	10,419	9,081	9,962	12,337		
Financial Instruments:	**17,608**	**17,443**	**17,382**	**20,065**	**15,401**	**18,914**		
Non-assigned securities to pay	7	51	-	-	-	-		
Repurchase agreements, net	146	68	100	51	70	93		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	7	25	6	5	37	-		
Repos & Derivatives :	**160**	**145**	**106**	**56**	**107**	**93**		
Commercial	39,557	41,593	42,959	46,807	48,519	48,858		
Financial Intermediaries	2,440	2,501	2,474	403	398	1,802		
Consumer	9,959	10,682	11,127	11,506	11,993	13,159		
Mortgage	16,233	17,166	17,944	18,679	19,281	20,468		
Goverment Entities	80,825	78,344	77,376	18,773	18,180	12,938		
Fobaproa	7,042	7,105	7,089	7,006	7,031	7,003		
Fiduciary collection rights	-	-	-	-	-	-		
Performing Loans	**156,056**	**157,391**	**158,968**	**103,173**	**105,403**	**104,227**		
Commercial	2,051	1,221	997	638	619	655		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	506	440	517	342	330	363		
Mortgage	1,256	1,321	1,364	827	814	761		
Goverment Entities	9	16	15	13	9	-		
Past Due Loans	**3,821**	**2,998**	**2,893**	**1,819**	**1,771**	**1,778**		
Total Loans	**159,877**	**160,389**	**161,861**	**104,992**	**107,175**	**106,005**		
Preventive loan loss reserves	4,849	3,918	3,706	2,775	2,730	2,855		
Net Loan Portfolio	**155,027**	**156,471**	**158,154**	**102,217**	**104,444**	**103,150**		
Credit Assets Portfolio	2,041	1,951	1,784	2,167	1,907	1,778		
Sundry debtors and other assets,net	3,462	4,125	3,628	2,883	4,931	7,638		
Foreclosed assets, net	1,085	1,083	978	368	415	409		
Real Estate, Furniture & Equipment, net	5,953	5,800	5,619	5,991	5,852	5,610		
Investments in subsidiaries	1,865	1,883	1,901	1,892	2,012	2,080		
Deferred taxes	1,028	1,019	1,002	684	663	317		
Goodwill	-	-	-	-	-	-		
Deferred charges & Intangibles	1,581	1,502	1,424	1,681	1,597	1,429		
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-		
Other Assets	**17,015**	**17,363**	**16,335**	**15,666**	**17,377**	**19,262**		
TOTAL ASSETS	**221,619**	**226,517**	**225,562**	**177,700**	**172,645**	**180,654**		

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

LIABILITIES	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
Demand Deposits	64,901	66,778	66,801	65,819	63,788	66,566		
Time Deposits	102,399	107,352	100,435	63,658	57,070	56,443		
Bonds	-	-	-	-	-	-		
Deposits	**167,299**	**174,130**	**167,237**	**129,476**	**120,859**	**123,009**		
Demand	6,220	3,565	5,552	4,653	1,265	2,319		
Short term	8,939	11,575	11,147	6,860	8,025	9,095		
Long term	11,765	11,408	11,052	11,715	11,266	11,458		
Due to banks and correspondents	**26,924**	**26,548**	**27,751**	**23,227**	**20,556**	**22,872**		
Non-assigned securities to pay	8	29	-	-	-	-		
Repurchase agreements, net	85	40	108	77	86	156		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	3	1	3	9	3	8		
Repos & Derivatives:	**96**	**70**	**111**	**86**	**89**	**164**		
Income Tax & Profit Sharing	278	230	283	291	365	950		
Other Payable accounts	5,009	4,403	8,537	3,415	8,315	9,465		
Other payable accounts	**5,288**	**4,633**	**8,820**	**3,706**	**8,680**	**10,415**		
Subordinated non Convertible Debenture	6,416	4,879	4,779	4,649	4,623	4,577		
Deferred Taxes	-	-	-	-	-	-		
Deferred credits	54	63	56	49	49	47		
TOTAL LIABILITIES	**206,077**	**210,323**	**208,753**	**161,193**	**154,855**	**161,084**		
STOCKHOLDER´S EQUITY								
Paid-in Capital	5,668	5,668	5,668	5,668	5,668	5,667		
Share subscription premiums	1,684	1,684	1,684	1,684	1,684	1,684		
Subordinated Convertible Debentures	-	-	-	-	-	-		
Subscribed Capital	**7,352**	**7,352**	**7,353**	**7,352**	**7,352**	**7,351**		
Capital Reserves	1,403	1,519	1,523	1,523	1,524	1,641		
Retained Earnings	14,221	14,123	14,123	13,607	16,249	16,118		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,781)	(5,777)	(5,778)	(5,782)	(5,783)	(5,782)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(3,223)	(3,213)	(3,205)	(3,717)	(3,613)	(3,945)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	584	1,172	1,720	2,643	1,092	3,142		
Earned Capital	**7,203**	**7,824**	**8,384**	**8,273**	**9,470**	**11,174**		
Minority Holdings	987	1,018	1,073	881	968	1,045		
Total Stockholder´s Equity	**15,542**	**16,194**	**16,809**	**16,507**	**17,790**	**19,570**		
TOTAL LIABILITIES &	**221,619**	**226,517**	**225,562**	**177,700**	**172,645**	**180,654**		

Figures are presented in constant pesos set at the close of June’ 2005.

MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED

(Millions of Pesos)	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
ONBEHALF OF THIRD PARTY								
Customers' banks	26	9	68	8	9	12		
Dividends receivable from customers	-	-	-	-	-	-		
Interest receivable from customers	-	-	-	-	-	-		
Liquidation of customer transactions	(19)	109	51	10	97	(182)		
Customer loans	-	-	-	-	-	-		
Liquidation with foreign currencies of	-	-	-	-	-	-		
Margin accounts in futures operations	-	-	-	-	-	-		
Other current accounts	-	-	-	-	-	-		
CUSTOMERS CURRENT ACCOUNT	**7**	**117**	**119**	**17**	**106**	**(170)**		
Client securities held in custody	171,383	161,172	104,914	107,663	112,559	111,363		
Securities and documents received in	-	-	5	-	-	-		
Client securities abroad	-	-	-	-	-	-		
CLIENT SECURITIES	**171,383**	**161,172**	**104,919**	**107,663**	**112,559**	**111,363**		
Repurchase operations for customers	23,401	21,150	29,596	29,540	30,424	33,049		
Clients securities loans	-	-	-	-	-	-		
Purchase of Futures & forward contracts	-	-	-	-	-	-		
Sale of futures and forward contracts	-	-	-	-	-	-		
Purchasing operations (option price)	2	2	2	-	-	-		
Sales operations (option price)	-	-	-	-	-	-		
Purchase of derivative packages	-	-	-	-	-	-		
Sale of derivative packages	-	-	-	-	-	-		
Administration trusts	2,630	2,317	1,773	1,714	1,834	2,735		
TRANSACTIONS ON BEHALF CLIENT	**26,033**	**23,470**	**31,371**	**31,254**	**32,258**	**35,783**		
TOTAL ON BEHALF OF THIRD PARTY	**197,424**	**184,759**	**136,409**	**138,935**	**144,922**	**146,976**		
Signature guarantees granted	34	64	63	61	60	59		
Issuing of irrevocable letters of credit	1,405	1,455	1,764	2,313	2,147	1,874		
Property in trust and guardianship	91,319	87,560	73,197	61,962	66,642	65,317		
Assets held in custody or in administration	119,417	124,238	115,688	77,225	74,142	76,320		
Amounts committed to operations with	7,742	8,038	4,514	422	635	923		
In Transit drafts	-	-	-	-	-	-		
Certificates of Deposit in circulation	586	653	753	649	607	479		
Secured Credit Cards from the company	-	-	-	-	-	-		
Securities given to the company in custody	260	278	156	256	218	268		
Government securities in custody of the	11	1	89	47	81	1		
Securities given to the company on	-	-	-	-	-	-		
Securities outside the country	-	-	-	-	-	-		
Liquidations with foreign currencies abroad	-	-	-	-	-	-		
Debits to the contingency fund	-	-	-	-	-	-		
Other contingent obligations	15,949	13,200	12,905	8,277	3,554	1,145		
Banking transactions on behalf of third-	55,279	64,965	64,886	81,316	99,566	109,799		
Investments in funds for the retirem.saving	-	-	-	-	-	-		
Integration of the credit portfolio	-	-	-	-	-	-		
Amounts contracted in derivative	10,838	18,001	25,591	27,308	242,720	39,540		
Other trust account items	-	-	-	-	-	-		
OWN ACCOUNT OPERATIONS	**302,840**	**318,453**	**299,606**	**259,835**	**490,372**	**295,725**		
Repurchase agreements								
Securities to be received	124,008	107,020	123,562	146,806	172,116	199,028		
(Less) Securities to be delivered	(123,917)	(106,996)	(123,642)	(146,805)	(172,162)	(199,048)		
REPURCHASE TRANSACTIONS-	**90**	**24**	**(80)**	**1**	**(46)**	**(20)**		
Securities to be received	56,631	36,820	75,701	51,440	43,128	41,559		
(Less) securities to be delivered	(56,660)	(36,817)	(75,629)	(51,467)	(43,098)	(41,603)		
REPURCHASE TRANSACTIONS- SOLD	**(29)**	**3**	**72**	**(27)**	**30**	**(44)**		
TOTAL ON OWN ACCOUNT	**302,901**	**318,481**	**299,599**	**259,809**	**490,356**	**295,662**		

GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW

JANUARY 1, 2004 –JUNE 30, 2005

(Millions of Pesos)

CASH FLOW FROM OPERATING ACTIVITIES :	
Net Income	**3,142**
Adjustments to Reconcile Net Income to Net Cash by Operating Activities	
Mark to Market Valuation Results	(8)
Provisions for loan losses	635
Depreciation and amortization	468
Defferred Taxes	241
Provisions for Obligations	852
Minoritary Interest	173
Undistribuated Earnings of Subsidiaries	(195)
	2,166
Cash Flows From Investing Activities:	
Banks Deposits	(6,463)
Decrease (Increase) loan portfolio	(1,572)
Decrease (Increase) credit assets portfolio	389
Decrease (Increase) treasury operations	1,158
Decrease (Increase) financial instruments	42
Loans from banks and other entities	(355)
Decrease (Increase) Deferred taxes	126
Decrease (Increase) in accounts receivable and payable	1,102
Net Resources provided by operations	**(5,573)**
Financial Activities:	
Subordinated Debentures Issue and Interest	(71)
Issuance of stock	**(14)**
Net Resources provided by Investing activities	**(85)**
CASH FLOW FROM FINANCING ACTIVITIES :	
Fixed Assets increase	80
Proceeds from issuance of common stock	(230)
Decrease (Increase) Deferred charges or credits	81
Decrease (Increase) Foreclosed assets	(41)
Net Cash provided by financing activities	**(110)**
Decrease (increase) in cash and due from banks	**(460)**
Cash and due from banks at the beginning of the year	**39,694**
Cash and due from banks at the end of the year	**39,234**

Figures are presented in constant pesos set at the close of June' 2005.

GRUPO FINANCIERO BANORTE
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS´ EQUITY
JANUARY 1, 2005- JUNE 30, 2005.
(Millions of Pesos)

	CONTRIBUATED CAPITAL		
	Fixed Paid-in Capital Variable	Paid-in Capital Premium, Bonds	& oth. Securities
Balance as of December 31,2004	**3,379**	**2,289**	**1,684**
Stock Changes			
Issuance of stock	-	-	-
Profits Capitalization	-	-	-
Provisions Created	-	-	-
Total	-	-	-
Total Income			
Total Income:	-	-	-
Net Income	-	-	-
Results of assets holdings	-	-	-
Minority Interest	-	-	-
Total	-	-	-
Balance as of June 30,2005	**3,379**	**2,288**	**1,684**

	EARNED CAPITAL						
	Capital Reserves	Retained earnings	Excess if Insuf. Capital Restatement	Non Monetary Assets Results (Investment)	Net Income of the year	Minoritary Interest	**Total Stockholders´ Equity**
Balance as of December 31,2004	**1,523**	**13,606**	**(5,782)**	**(3,717)**	**2,643**	**881**	**16,506**
Stock Changes							
Issuance of stock	(13)	-	-	-	-	-	**(14)**
Profits Capitalization	-	2,643	-	-	(2,643)	-	**-**
Provisions Created	131	(131)	-	-	-	-	**-**
Dividends Declared	-	-	-	-	-	-	**-**
Total	118	2,513	-	-	(2,643)	-	**(14)**
Total Income							
Total Income:	-	-	-	-	3,142	-	**3,142**
Net Income	-	-	-	-	-	-	**-**
Results of assets holdings	-	-	-	(228)	-	-	**(228)**
Total	-	-	-	(228)	3,142	-	**2,914**
Minority Interest	-	-	-	-	-	164	**164**
Balance as of June 30,2005	1,641	16,118	(5,782)	(3,945)	3,142	1,045	**19,570**

Figures are presented in constant pesos set at the close of June’ 2005.

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

NET INTEREST INCOME	**1Q04**	**2Q04**	**3Q04**	**4Q04**	**ACUM**	**1Q05**	**2Q05**	**3Q05**	**4Q05**	**ACUM**	**% 2Q05 VS 1Q05**
Interest Income	5,174	5,655	6,302	6,877	24,009	7,051	8,411			15,462	19%
Interest Expense	3,218	3,564	3,830	4,214	14,826	4,341	5,261			9,602	21%
Loan Fees	166	117	122	168	574	93	128			221	38%
Fees Paid	20	22	22	24	89	24	27			51	9%
Net Interest Income (NII)	**2,102**	**2,186**	**2,573**	**2,808**	**9,669**	**2,779**	**3,251**			**6,030**	**17%**
Repomo-Margin	4	2	(22)	(52)	(68)	(24)	(8)			(32)	(65%)
NII after Repomo	**2,106**	**2,188**	**2,551**	**2,756**	**9,601**	**2,755**	**3,243**			**5,998**	**18%**
Loan Loss Provisions	110	292	326	348	1,076	212	348			560	65%
Loss Sharing Provisions	13	20	33	25	90	32	35			67	8%
NII after Provisions	**1,983**	**1,876**	**2,192**	**2,383**	**8,434**	**2,511**	**2,860**			**5,371**	**14%**
Fund transfers	58	48	45	41	193	36	47			83	29%
Account management	197	231	283	273	984	241	250			491	4%
Fiduciary	45	51	50	47	192	45	54			99	21%
Income from Loan Portfolios Acquired	177	150	205	159	690	281	152			433	(46%)
Electronic Banking Services	78	95	109	146	427	142	156			298	10%
Credit Card	287	315	315	269	1,186	243	253			496	4%
Fees from FOBAPROA	91	100	146	76	413	79	60			139	(23%)
Other fees	152	123	72	117	465	126	122			247	(3%)
Fees on services,	**1,086**	**1,113**	**1,225**	**1,128**	**4,551**	**1,193**	**1,094**			**2,287**	**(8%)**
Fund transfers	-	-	-	-	-	2	2			5	(10%)
Other fees	131	127	108	116	482	113	117			230	3%
Expenses from Loan Portfolios Acquired	119	100	142	101	462	183	121			305	(34%)
Fees paid,	**250**	**227**	**250**	**217**	**945**	**299**	**240**			**539**	**(20%)**
Foreign exchange	130	157	64	42	393	60	38			98	(36%)
Securities –Realized gains	284	(135)	42	146	337	51	479			530	830%
Securities- Unrealized gains	13	41	(30)	(10)	14	44	(43)			1	(197%)
Market-related Income	**428**	**63**	**76**	**178**	**745**	**155**	**474**			**629**	**206%**
Total Non Interest Income	**1,263**	**949**	**1,050**	**1,089**	**4,351**	**1,049**	**1,327**			**2,376**	**27%**
Total Operating Income	**3,246**	**2,825**	**3,242**	**3,472**	**12,785**	**3,560**	**4,187**			**7,747**	**18%**
Personnel	1,079	1,018	1,255	988	4,341	968	999			1,968	3%
Professional Fees	120	123	132	125	500	137	179			316	31%
Administrative and Promotion Expenses	624	608	645	582	2,458	633	608			1,241	3%
Rents, depreciation and amortization	392	377	365	397	1,531	356	356			712	-
Taxes, other than income tax	160	148	110	9	427	102	80			182	(22%)
Contributions to IPAB	188	190	196	192	766	147	147			294	-
Corporate expenses Recoveries	-	-	-	-	-	-	-			-	-
Non-Interest Expense	**2,563**	**2,463**	**2,704**	**2,294**	**10,024**	**2,343**	**2,369**			**4,713**	**1%**
Operating Income	**683**	**361**	**538**	**1,178**	**2,761**	**1,217**	**1,818**			**3,034**	**49%**
Other Revenues	68	155	128	147	498	97	48			146	(51%)
Foreign exchange	-	-	-	-	-	-				-	-
Recoveries	22	208	29	35	294	44	1,193			1,237	2,618%
Repomo-other revenues	8	1	6	10	25	3	3			5	(7%)
Non Operating Income	**98**	**364**	**163**	**192**	**817**	**144**	**1,244**			**1,388**	**763%**
Other Expense	(119)	(80)	(110)	(106)	(415)	(75)	(303)			(378)	302%
Foreign exchange	-	-	-	-	-	-	-			-	-
Repomo-other Expenses	(129)	(8)	(95)	(143)	(375)	(32)	(12)			(44)	(62%)
Non Operating Expense	**(248)**	**(88)**	**(205)**	**(250)**	**(790)**	**(107)**	**(315)**			**(422)**	**195%**
Non Operating Income (Expense), net	**(150)**	**276**	**(42)**	**(57)**	**27**	**37**	**929**			**966**	**2,399%**
Pre-tax Income	**533**	**637**	**496**	**1,121**	**2,788**	**1,254**	**2,747**			**4,000**	**119%**
Income Tax	6	6	6	5	22	93	350			444	276%
Profit sharing	76	56	41	64	237	131	271			402	106%
Tax on Assets	14	13	10	10	48	12	12			25	(2%)
Deferred Inc. Tax and Profit sharing	2	14	26	207	250	114	143			257	25%
	98	**89**	**84**	**286**	**557**	**351**	**776**			**1,128**	**121%**
Net Income before subsidiaries	**435**	**548**	**412**	**835**	**2,231**	**903**	**1,970**			**2,873**	**118%**
Subsidiaries´ net income	73	23	23	59	177	83	11			94	(87%)
Net Income from continuos operations	**508**	**572**	**436**	**893**	**2,408**	**986**	**1,981**			**2,967**	**101%**
Extraodinary items, net	-	-	-	-	-	-	-			-	-
Minority Interest	-	-	-	-	-	-	-			-	-
TOTAL NET INCOME	**508**	**571**	**436**	**893**	**2,408**	**986**	**1,981**			**2,967**	**101%**

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

N.C.= Not comparable

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

ASSETS	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	%2Q05 VS 1Q05
Cash and due from Banks	**31,343**	**34,572**	**32,852**	**39,454**	**34,911**	**38,696**			**11%**
Negotiable Instruments	5,475	5,954	6,528	10,435	4,865	6,061			25%
Securities held for sale	623	429	186	244	273	243			(11%)
Securities held to maturity	11,235	10,776	10,419	9,081	9,962	12,337			24%
Financial Instruments:	**17,333**	**17,159**	**17,132**	**19,761**	**15,100**	**18,641**			**23%**
Non-assigned securities to pay	7	51	-	-	-	-			-
Repurchase agreements, net	120	55	79	39	46	64			40%
Operations with collateral	-	-	-	-	-	-			-
Futures receivable, net	-	-	-	-	-	-			-
Options and derivatives, net	7	25	6	5	37	-			(100%)
Repos & Derivatives :	**134**	**131**	**85**	**45**	**83**	**64**			**22%**
Commercial	34,934	37,257	38,079	42,278	43,702	43,787			-
Financial Intermediaries	3,159	3,315	3,360	1,099	1,576	2,968			88%
Consumer	9,956	10,681	11,118	11,505	11,993	13,158			10%
Mortgage	16,233	17,166	17,944	18,679	19,281	20,468			6%
Goverment Entities	80,821	78,341	77,352	18,732	18,133	12,885			(29%)
Fobaproa	7,042	7,105	7,089	7,006	7,031	7,003			-
Fiduciary collection rights	-	-	-	-	-	-			-
Performing Loans	**152,145**	**153,864**	**154,941**	**99,298**	**101,716**	**100,269**			**(1%)**
Commercial	2,006	1,180	956	599	578	601			4%
Financial Intermediaries	-	-	-	-	-	-			(100%)
Consumer	497	440	517	342	330	363			10%
Mortgage	1,256	1,321	1,364	827	814	761			(7%)
Goverment Entities	9	16	15	13	9	-			(100%)
Past Due Loans	**3,768**	**2,957**	**2,852**	**1,780**	**1,731**	**1,724**			**-**
Total Loans	**155,913**	**156,822**	**157,793**	**101,079**	**103,447**	**101,993**			**(1%)**
Preventive loan loss reserves	4,791	3,860	3,648	2,716	2,668	2,788			5%
Net Loan Portfolio	**151,122**	**152,962**	**154,144**	**98,363**	**100,779**	**99,205**			**(2%)**
Credit Assets Portfolio	2,041	1,951	1,784	2,167	1,907	1,778			(7%)
Sundry debtors and other assets,net	3,196	3,884	3,424	2,675	4,717	7,497			59%
Foreclosed assets, net	1,085	1,083	978	368	415	409			(1%)
Real Estate, Furniture & Equipment, net	5,315	5,177	5,009	5,325	5,181	4,939			(5%)
Investments in subsidiaries	1,574	1,576	1,544	1,379	1,454	1,448			-
Deferred taxes	1,112	1,090	1,058	744	708	377			(47%)
Deferred charges & Intangibles	845	793	752	1,090	949	821			(13%)
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-			-
Other Assets	**15,170**	**15,554**	**14,548**	**13,748**	**15,331**	**17,269**			**13%**
TOTAL ASSETS	**215,102**	**220,378**	**218,762**	**171,371**	**166,203**	**173,876**			**5%**

Figures are presented in constant pesos set at the close of June' 2005.

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

LIABILITIES	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	% 2Q05 VS1Q05
Demand Deposits	64,951	66,844	66,837	65,916	63,833	66,605			4%
Time Deposits	102,465	107,419	100,545	63,764	57,206	56,512			(1%)
Bonds	-	-	-	-	-	-			-
Deposits	**167,416**	**174,262**	**167,381**	**129,680**	**121,039**	**123,118**			**2%**
Demand	6,220	3,565	5,552	4,653	1,265	2,319			83%
Short term	5,681	8,898	7,963	4,034	5,442	6,460			19%
Long term	10,915	10,433	10,089	10,567	10,082	10,194			1%
Due to banks and correspondents	**22,816**	**22,896**	**23,604**	**19,253**	**16,789**	**18,973**			**13%**
Non-assigned securities to pay	8	29	-	-	-	-			-
Repurchase agreements, net	64	30	90	70	65	132			102%
Operations with collateral	-	-	-	-	-	-			-
Futures receivable, net	-	-	-	-	-	-			-
Options and derivatives, net	3	-	3	8	2	8			242%
Repos & Derivatives:	**76**	**60**	**93**	**79**	**67**	**140**			**107%**
Income Tax & Profit Sharing	210	141	197	244	269	856			218%
Other Payable accounts	4,772	4,153	8,289	3,159	8,016	9,184			15%
Other payable accounts	**4,982**	**4,294**	**8,486**	**3,403**	**8,285**	**10,040**			**21%**
Subordinated non Convertible Debenture	6,416	4,879	4,779	4,649	4,623	4,577			(1%)
Deferred Taxes	-	-	-	-	-	-			-
Deferred credits	67	72	60	62	59	53			(10%)
TOTAL LIABILITIES	**201,773**	**206,463**	**204,404**	**157,126**	**150,863**	**156,901**			**4%**
STOCKHOLDER´S EQUITY									
Paid-in Capital	6,015	6,015	6,015	6,015	6,015	6,015			-
Share subscription premiums	1,045	1,045	1,045	1,045	1,045	1,045			-
Subordinated Convertible Debentures	-	-	-	-	-	-			-
Subscribed Capital	**7,060**	**7,060**	**7,060**	**7,060**	**7,060**	**7,060**			**-**
Capital Reserves	2,858	3,061	3,061	3,022	3,022	3,261			8%
Retained Earnings	5,782	5,579	5,579	4,579	7,135	6,896			(3%)
Surplus (Deficit) from securities	149	178	235	282	256	(94)			(137%)
Results of foreign operations exchange	-	-	-	-	-	-			-
Excess (Insuf.) in capital restatement	(2,517)	(2,515)	(2,517)	(2,522)	(2,522)	(2,522)			-
Non Mon assets results Fixed Assets	12	12	12	12	12	12			-
Non Mon assets results Investm	(228)	(246)	(293)	(304)	(315)	(311)			(1%)
Adjustment in the employees pension	-	-	-	-	-	-			-
Accumulated Deferred tax effect	(295)	(295)	(295)	(295)	(295)	(295)			-
Net Income	508	1,079	1,515	2,408	986	2,967			201%
Earned Capital	**6,269**	**6,854**	**7,297**	**7,184**	**8,280**	**9,914**			**20%**
Minority Holdings	1	1	1	1	1	1			4%
Total Stockholder´s Equity	**13,330**	**13,915**	**14,359**	**14,245**	**15,341**	**16,975**			**11%**
TOTAL LIABILITIES &	**215,102**	**220,378**	**218,762**	**171,371**	**166,203**	**173,876**			**5%**

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

	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	% 2Q05 VS1Q05
Signature guarantees granted	34	64	63	61	60	59			(2%)
Other contingent obligations	15,949	13,200	12,905	8,277	3,554	1,145			(68%)
Irrevocable lines of credit	1,405	1,455	1,764	2,313	2,147	1,874			(13%)
Assets held in trust and mandate	91,319	87,560	73,197	61,962	66,642	65,317			(2%)
Assets held in custody or in administration	115,796	120,407	111,910	73,528	70,417	72,603			3%
Investment banking transactions for third	55,279	64,965	64,886	81,316	99,566	109,799			10%
Engaged amounts in fobaproa operations	7,742	8,038	4,514	422	635	923			45%
Investment of retirement saving funds	-	-	-	-	-	-			-
Integration of loan portfolio	-	-	-	-	-	-			-
Received amounts in derivative instruments	10,838	18,001	25,591	27,308	242,720	39,540			(84%)
Fobaproa trusts	-	-	-	-	-	-			-
Securities to be received	100,570	83,773	93,966	116,661	138,254	164,359			19%
(Less) payable for reversal	(100,500	(83,752)	(94,032)	(116,670)	(138,284)	(164,407)			19%
Receivables for reversal	37,536	18,244	54,228	27,325	18,369	16,494			(10%)
(Less) securities to be delivered	(37,550)	(18,240)	(54,174)	(27,347)	(18,358)	(16,513)			(10%)
Other control accounts	-	-	-	-	-	-			-
	298,417	**313,714**	**294,818**	**255,156**	**485,722**	**291,194**			**(40%)**

Figures are presented in constant pesos set at the close of June' 2005.

Annex 6. Notes to Grupo Financiero Banorte Financial Statements

Financial Instruments and Valuation Effects 2Q05

NEGOTIABLE INSTRUMENTS	BOOK VALUE	INTEREST	MARKET VALUE	UNREALIZED GAIN (LOSS)
Goverment Securities	2,885	13	2,896	(2)
Banking Securities	2,422	5	2,427	-
Private	369	2	373	1
Banks paper	-	-	-	-
UMS	-	-	-	-
Commercial Paper	625	-	630	5
Shares listed in the SIC	2	-	2	-
Guarantee (collateral) for futures	4	-	4	-
Swap of Coverage purposes	3	-	3	-
Total	**6,310**	**20**	**6,334**	**4**
SECURITIES HELD FOR SALE				
Goverment Securities	-	-	-	-
-Mexican Government Securities (UMS)	-	-	-	-
Bonds public company	19	-	20	1
Eurobonds	1	-	6	5
Structured note	216	1	217	-
Swap of Coverage purposes	-	-	-	-
-Total	**236**	**1**	**243**	**6**
SECURITIES HELD TO MATURITY				
Special Cetes	541	11	552	-
Trust Bonds	-	-	-	-
Fiduciary Rights	34	-	25	(8)
Bonds	-	-	-	-
Mexican Government Securities (UMS) (US Dollars)	7,842	249	8,092	-
Mexican Government Securities (UMS) (Euros)	867	15	882	-
US Clearing Master Trust	-	-	-	-
Swap Private company	573	29	602	-
Swap Public company	3,409	24	3,433	-
Eurobonds	149	-	149	-
Swap of Coverage purposes	(1,399)	-	(1,399)	-
Total	**12,016**	**330**	**12,337**	**(8)**
TOTAL	**18,562**	**351**	**18,914**	**1**

Repurchase Agreement Operations 2Q05

(Millions of Pesos)

SALES	MARKET VALUE			FINANCIAL STATEMENT INDIVIDUAL COMPENSATION	
	RECEIVABLES ON REPURCHASE AGREEMENT	SECURITIES TO BE DELIVERED	GLOBAL POSITION	ASSET BALANCE	LIABILITY BALANCE
Goverment Securities	138,776	138,821	(46)	63	109
Banking Securities	21,658	21,636	22	23	1
Private Securities	38,594	38,590	4	4	-
Total	199,028	199,048	(20)	90	110

PURCHASE	MARKET VALUE			FINANCIAL STATEMENT INDIVIDUAL COMPENSATION	
	SECURITIES TO BE RECEIVED	PAYABLES ON REPURCHASE AGREEMENT	GLOBAL POSITION	ASSET BALANCE	LIABILITY BALANCE
Goverment Securities	31,272	31,303	(31)	3	34
Banking Securities	8,446	8,456	(11)	-	11
Private Securities	1,842	1,843	(2)	-	2
Total	41,559	41,603	(44)	3	46
			Balance	93	156

Derivative Financial Instruments Operations 2Q05

(Millions of Pesos)

INSTRUMENT	TO RECEIVE	TO DELIVER	NET
FORWARDS			
Over INC	79	79	-
FORWARD CONTRACT WITH FOREIGN CURRENCIES			
Market Value	323	(269)	54
Agreed Price	(338)	282	(56)
SWAPS			
Interest rate	66	(65)	1
Valuation	98	(105)	(7)
OPTIONS WITH FOREIGN CURRENCIES	(1)	1	-
Debt Balance			-
Creditor Balance			(8)

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 2Q05

(Millions of Pesos)

PRODUCT	KIND	UNDERLYING	CURRENCY	POSITION
Forwards of Foreign Currency	Purchases	Exchange Rate (Dolar)	MXN	338
Forwards of Foreign Currency	Sells	Exchange Rate (Dolar)	MXN	282
				620
Options with Foreign Currency	Purchases	Exchange Rate (Dolar)	MXN	215
Options with Foreign Currency	Sells	Exchange Rate (Dolar)	MXN	225
				440
Rate Options	Purchases	TIIE	MXN	825,000
Rate Options	Sells	TIIE	MXN	825,050
				1,650,050
Swaps with Rate	USLI/IRS	LIBOR	MXN	1,326
Swaps with Rate	TIIE/IRS	TIIE	MXN	37,524
				38,850
Swaps with Foreign Currency	TIIE-EU/CS	TIIE	MXN	1,321
Swaps with Foreign Currency	TIIE-US/BS	TIIE	MXN	2,155
Swaps with Foreign Currency	TIIE-US/CS	TIIE	MXN	8,520
Swaps with Foreign Currency	TIIE-US/CS	TIIE	MXN	1,078
Swaps with Foreign Currency	IMPL-US/CS	IMPLICITA	MXN	2,184
				15,257
Forwards in MEXDER	Compras	TASA	MXN	5,600
Forwards in MEXDER	Venta	TASA	MXN	2,100
				7,700

Non-governmental Financial Instruments above by 5% of Net Capital 2Q05

(Millions of Pesos)

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL
BANSAN	Term Deposits	1,048	5.3%

Loan Portfolio

(Million of Pesos)	LOCAL CURRENCY(*)		FOREIGN CURRENCY		TOTAL	
	2Q04	2Q05	2Q04	2Q05	2Q04	2Q05
Performing Loans						
Commercial	33,952	40,210	7,641	8,648	41,593	48,858
Financial Intermediaries	2,172	1,306	330	496	2,501	1,802
Consumer	10,678	13,158	5	1	10,682	13,159
Mortgages	17,166	20,468	-	-	17,166	20,468
Goverment Entities	77,611	12,365	733	573	78,344	12,938
Fobaproa	7,324	7,003	(219)	-	7,105	7,003
Total	**148,902**	**94,510**	**8,489**	**9,717**	**157,391**	**104,227**
Past Due Loans						
Commercial	845	590	376	64	1,221	655
Financial Intermediaries	-	-	-	-	-	-
Consumer	440	363	-	-	440	363

Mortgages	1,321	761	-	-	1,321	761
Goverment Entities	16	-	-	-	16	-
Total	**2,621**	**1,714**	**376**	**64**	**2,998**	**1,778**
Total Propietary Loans	**151,524**	**96,223**	**8,865**	**9,782**	**160,389**	**106,005**

(*) 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 2Q05

(Millions of Pesos)	TOTAL	
	PERIOD COST	BALANCE LOAN PORTFOLIO
FINAPE	0.9	4.2
FOPYME	0.9	1.0
Mortgage UDIS	31.5	70.8
Mortgage FOVI	28.4	38.8
	61.7	**114.8**

The quarter ending with a balance of Ps 114.8 million pesos in debtors support programs with a cost of the period of Ps 61.7 million. The 99% of this portfolio are concentrated in Banorte.

Troubled Portfolio 2Q05

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	1,263
Total Loans	106,005
Troubled Portfolio / Total Loans	**1.2%**

Fobaproa

(Millions of Pesos)	REMAINING CONTINGENCIES	
	LOSS(1) SHARING	INCENTIVE(1) SCHEME
Gross Fobaproa notes balance	8,455	5,036 (2)
- Cash recoveries	261	260 (2)
Repossesed assets	-	-
= Balance net of recoveries	8,194	4,776
Contingency before reserves	2,184	383
- Reserves	2,184	383
= Remaining contingencies	**-**	**-**

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

Banorte provisioned Ps 35 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 3% of Banorte's Gross FOBAPROA-IPAB notes balance.

Fobaproa Notes Integration 2Q05

(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	8,455	-	1,404	(1)	-	-	-	9,859
- Checking account balance	261	-	1	(1)	-	26	-	288
- Reserves	2,184	-	-	383	-	-	-	2,567
= Net Balance	**6,010**	**-**	**1,403**	**(383)**	**-**	**(26)**	**-**	**7,003**
Interest Rate	CETES 91–1.35	LIBOR 6M+1	CETES 91	N.A.	N.A.	-	-	
Maturity	2005	2006	2006	2005/2006	N.A.	-	-	
Remaining Contingencies	-0-	-0-	No exist	-0-	No exist	-	-	

1) Ps 5,036 and Ps 260, 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	1995-1996	Sale of Loans to Fobaproa
WITHOUT RISK	1996	Sale of Loans to Fobaproa
BANPAIS	1996-1997	Reorganization
SIMPLE CREDIT	2000	Reorganization
BANCRECER	1999	Reorganization (Securitized in 4Q04)

SIGNIFICANCE IN BANORTE BALANCE

	1997	1998	1999	2000	2001	2002	2003	2004	2Q05
% Total Loans	70.9%	64.6%	63.5%	58.7%	55.5%	55.7%	50.8%	12.4%	6.6%
% Total Assets	60.6%	53.5%	43.7%	46.7%	44.5%	43.5%	36.5%	7.3%	3.9%

Deferred Taxes 2Q05

(Millions of Pesos) ASSETS	ISR	PTU	NET
Tax loss carryforwards	324	-	324
Non deductible provisions and accumulative income	90	25	115
Obligations FOBAPROA, Net	641	-	641
Excess of accunting value over fiscal value on Repossesed Assets	333	-	333
Diminishable profit sharing	68	-	68
Past-due loan reserves	11	-	11
Share dealing loss 2000,2001,2002 and 2003	22	8	30
Tax on Assets to recover	1	-	1
Total Assets	**1,490**	**32**	**1,522**
LIABILITIES			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	(205)	-	(205)
Loan Portfolio Acquisitions	(488)	(149)	(637)
Capitalizable projects	(147)	(50)	(197)
Income tax to pay on UDIS Trust funds	(18)	-	(18)
Inventory deductions	(55)	-	(55)
Expenses paid in advance	(2)	-	(2)
Treasury shares (bonds)	-	-	-
Effects of financial instrument appreciation	(4)	(2)	(6)
Organization and Recording Expenses & Installation Expenses	(67)	-	(67)
Unrealized capital gain from investments in siefore	(19)	-	(19)
Total liabilities	**(1,004)**	**(202)**	**(1,205)**
Assets (Liabilities) Accumulated Net	**485**	**(169)**	**317**

Long term debt as of 2Q05

TYPE OF DEBT BANORTE	CURRENCY	DATE OF ISSUE	AMOUNT (Ps)	ORIGINAL AMOUNT (Millons Ps, Dls o UDIS)	TERM	INTEREST RATE	MATURITY	INTEREST PAYMENT
CD's- Banorte U01001	UDIs	11-Ene-01	22	90	10 years	8.13%	30-Dic-10	E/182 days
Non Convertible Subordinate Bonds -QBanorte 02D	Ps	28-Nov-02	1,206	1,136	10 years	8.00%	28-Nov-12	E/182 days
Certificados – Banorte M7001	Ps	27-Ene-03	100	100	3 years	TIIE-0.45%	10-Jul-06	E/28 days
Step-Up Subordinated Callable Notes Due 2014	Dls	17-Feb-04	3,221	300	10 years	5.875 %	17-Feb-14	E/180 days
CD's Serie 1999-2B	Dls	15-Jul-99	70	25	7 years	9.49%	15-Jul-06	Monthly

Bank and Other entities loans as of 2Q05

(Millions of Pesos)	LOCAL CURRENCY	INTERE ST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	650			650
LOANS FROM FOREIGN BANK CONCERTED FROM THE COUNTRY	-	-	-	593			593
LOANS FROM FOREIGN BANK CONCERTED FROM CAYMAN	-	-	-	326			326
SECURITIZATION	-	-	-	70			70
LOANS FROM DEVELOPING BANKS	2,225	13.12	597	1,365	5.31	274	3,590
LOANS FROM PUBLIC FUNDS	9,023	8.29	634	316	4.04	420	9,339
LOANS FROM BANKS	4,409	19.78	18.0	-	-	-	4,409
CALL MONEY	600	9.75	1.0	-	-	-	600
LOANS FROM FIDUCIARY FUNDS	3,251	8.54%	5825	-	-	-	3.251
PROVISIONS FOR INTEREST	44	N.A	N.A	-	-	-	44
	19,552			**3,320**			**22,872**

Trading Income 2Q05

(Millions of Pesos)

VALUATION EFFECTS	NET
Negotiable Instruments	4
Repurchase	5
Derived instruments	(12)
Futures	1
Foreign Currency Forwards	-
Options	-
Futures	-
Securities loans	-
Range	-
Inflation Adjustment	-
Total	**(2)**
RESULTS FROM BUYING AND SELLING	
Negotiable Instruments	270
Securities Held for Sell	314
Derived for coverage purposes	4
Inflation Adjustment	-
Total of Buying and Selling Instruments	**588**
FX Spot	109
FX Forwards	3
FX Futures	-
FX Futures TIIE	-
Forwards	-
Trading currencies securitization	(16)
Gain from metal intermediation	1
Metals Valuation	-
Total of Foreign Exchange	**97**
Inflation Adjustment	**1**
Total of Buying and Selling	**686**
TOTAL TRADING INCOME	**684**

Risk Management

Credit risk

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

The objectives of credit risk management at GFNorte are:

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

Individual Credit risk

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

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

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

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

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

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

Banorte's CIR aligns with the "general PROVISIONS applicable to the loan qualification method of loan institution" issued by the CNByV on August 20, 2004. Banorte's CIR was certified by the CNBV and by an international external auditor in 2001.

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

Portfolio Credit risk

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

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

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

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

The results are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the credit portfolio's loss distribution average, which is used to measure the following year's expected loss due to non-compliance or variations in debtors' credit quality. This unexpected loss is an indicator of the loss that could be expected in extreme scenarios and is measured as the difference between the maximum loss given the distribution of losses, at a specific reliability level that in the case of the Banking Sector is 95%, and the expected loss.

The results obtained are used as a tool for better decision-making in granting loans and in the diversification of the portfolio, according to the Banks' global strategy. The individual risk identification tools and the portfolio credit risk methodology are periodically checked and updated to allow the application of new techniques that may support or strengthen them.

By June 30, 2005, the Banking Sector's total portfolio was Ps 94, 911 million. The expected loss represents 2.0% and the unexpected loss is 4.4% with respect to the total portfolio. The average expected loss is 2.0% during the period between April and June 2005.

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

In March 2003, the COMMISSION issued the "General Rules for Risk Diversification in asset and liability operations applicable to loan institutions". Such rules are mandatory as of the business year of 2003.

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

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

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

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

Basic capital by March 31, 2005	$11,095,300
I. Financings whose individual amount represents more than 10% of the basic capital:	
– Number of financings	2
– Total amount of financings	$3,884,870
– % vs. basic capital	35%
II. Maximum amount of financing with the 3 major Common Risk debtors and groups	$8,055,337

Banco del Centro submits the following information:

Basic capital by March 31, 2005 $3,385,400

III. Financings whose individual amount represents more than 10% of the basic capital:

- Number of financings 2
- Total amount of financings (i) $2,870,280
- % vs. basic capital 85%

IV. Maximum amount of financing with the 3 major Common Risk debtors and groups (ii) $3,122,185

(i) 71% of the financing amount is in money market operations with banks

(ii) 74% of the financing amount is in money market operations with banks

Market Risk

Value at Risk

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

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

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

The average VaR for the April-June 2005 quarter for the portfolio is Ps 298 million.

Millions of Pesos	2Q04	3Q04	4Q04	1Q05	2Q05
Total VaR*	303	371	250	273	298
Net Capital **	17,660	18,149	18,108	19,150	20,331
VaR / Net Capital	1.72%	2.04%	1.38%	1.43%	1.47%

* Quarter Average of Banking Sector and Brokerage House

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

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

Moreover, the average Value at Risk per risk factor of the portfolio of instruments described for the Banking Sector and Brokerage House, during the second quarter of 2005 is shown below:

Millions of Pesos

Risk Factor	VaR
Domestic interest rate	213
Foreign interest rate	256
Exchange rate	275
Capitals	2
Prices of Bonds in Foreign Currency	201
Total VaR of Banorte, Bancen and Brokerage House	298

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

Backtesting Analysis

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

Sensitivity and Testing Analysis under Extreme Conditions

In order to enhance the analysis and get the impact that the risk factor movements had on positions, a sensitivity-and-testing analysis under extreme conditions is made periodically. These analyses make it possible to prevent situations in which the Institution could suffer extraordinary losses in the valuation of the financial instruments in place.

Liquidity Risk and Balance

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

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

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

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

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

Operational Risk

As of January 2003, the Banking Sector of Grupo Financiero Banorte set up a formal area for Operational Risk called "Operational Risk Management Directorship" (ARO), within the General Directorship of Risk Management. This area developed a master implementation plan (2004-2007) in accordance with the local regulator's requirements, and was approved by the Risk Policy Committee (CPR). The plan contemplates, in general terminal, the institution management of Operational Risk, recording of loss events and the calculation of Value at Risk (Op VaR).

The master plan consists of the following phases:

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

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

The Director of Operational Risk is in coordination with Internal Audits and the Comptrollership to promote and assist in the two other bases, which are having effective Internal Control to establish procedures for the processes and their enforcement, and permanent supervision by Audits. There is a similar coordination with the Directorships of Business, Technology and Operations, who continually develop Operational Risk mitigating strategies.

Management Model

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

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

Record of Events

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

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

Types of Events	Description
Internal Fraud	Acts intended to defraud, usurp the property or avoid the regulation, law or policies of the Institution that involve at least one internal party.
External Fraud	Acts, by a third party, Acts intended to defraud, usurp the property or avoid the law.

Labor Relations	Acts that inconsistent with the laws or agreements of employment, health or safety, or that result in payment of claims for personal damage or regarding discrimination issues.
Practices with Clients	Negligent or unintentional faults that hinder compliance with the professional obligations with clients, or faults derived from the nature or design of a product or service.
Damage to Assets	Loss or damage to physical assets due to natural disasters or other events.
System Failures	Interruption of business activities because of information system failures.
Execution, Delivery & Processes	Failures in processing transactions or in process management and in relationships with counterparts and suppliers.

The events are also classified per Main Cause (Human Factor, Systems, Processes and External causes) and grouped per Business Lines or administrative areas.

Even though Operational Risk Management is found in all areas of the institution, the information relevant to operating loss events is currently gathered through the central areas such as: Audits, Comptrollership, Legal, Security, Technology and Operations.

Technological Risk

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

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

Legal Risk

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

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

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

Information by Segments

GFNORTE – INCOME STATEMENT AS OF 1H05 ***(Millions of Pesos)***

NET INTEREST INCOME	Holdinç	3anorte	Bancen	·okerag	₋easing	⁻actorin	Vareho sing	⁾ronegc cio	Total	Ξliminatic ns	Final Balance
Interest Income	3	15,369	226	1,557	196	164	3	10	17,528	(1,611)	15,917
Interest Expense	-	9,651	64	1,487	90	101	1	1	11,396	-	9,799
Loan Fees	-	224	-	-	-	-	-	-	224	(1,596)	224
Fees Paid	-	51	-	-	-	-	-	-	51	-	51
Net Interest Income (NII)	**3**	**5,891**	**162**	**70**	**106**	**63**	**1**	**10**	**6,306**	**(15)**	**6,291**
Repomo-Margin	-	(11)	(27)	(3)	(2)	(2)	1	-	(45)	-	(45)
NII after Repomo	**3**	**5,880**	**136**	**67**	**103**	**61**	**2**	**9**	**6,261**	**(15)**	**6,246**
Loan Loss & Loss Sharing Provisions	-	623	4	-	4	1	-	2	635	-	635
NII after Provisions	**3**	**5,257**	**132**	**67**	**99**	**59**	**2**	**7**	**5,626**	**(15)**	**5,611**
Fees on services,	-	2,080	688	164	5	5	10	-	2,952	(1)	2,951
Fees paid,	-	455	95	-	-	4	-	-	554	(1)	554
Market-related Income	-	604	25	56	-	-	-	-	684	-	684
Total Non Interest Income	**-**	**2,229**	**618**	**220**	**4**	**1**	**10**	**-**	**3,082**	**-**	**3,082**
Total Operating Income	**3**	**7.486**	**750**	**287**	**103**	**60**	**12**	**7**	**8.708**	**(15)**	**8.693**
Non-Interest Expense	**1**	**4.647**	**355**	**237**	**70**	**11**	**7**	**19**	**5.347**	**(29)**	**5.318**
Operating Income	**2**	**2.839**	**395**	**49**	**33**	**49**	**5**	**(11)**	**3.361**	**15**	**3.375**
Non Operating Income	-	1,356	32	1	7	5	582	-	1,984	(16)	1,967
Non Operating Expense	-	413	8	2	1	-	579	-	1,005	2	1,003
Non Operating Income (Expense)NET	**-**	**943**	**23**	**(1)**	**6**	**5**	**3**	**-**	**978**	**(15)**	**964**
Pre-tax Income	**2**	**3.782**	**418**	**48**	**39**	**54**	**8**	**(12)**	**4.339**	**-**	**4.339**
Tax and Profit sharing	**3**	**1.247**	**(54)**	**7**	**-**	**15**	**1**	**-**	**1.219**	**-**	**1.219**
Net Income before subsidiaries	**(2)**	**2.535**	**473**	**41**	**39**	**39**	**7**	**(12)**	**3.120**	**-**	**3.120**
Subsidiaries´net income	3.144	17	16	1	-	-	-	-	3.178	(2.984)	195
Net Inc. from continuos operations	**3.142**	**2.552**	**489**	**42**	**39**	**39**	**8**	**(12)**	**6.298**	**(2.984)**	**3.315**
Extraodinary items, net	-	-	-	-	-	-	-	-	-	-	-
Minority Interest	-	-	(73)	-	-	-	-	-	(74)	(99)	(173)
TOTAL NET INCOME	**3,142**	**2,552**	**415**	**42**	**39**	**39**	**8**	**(12)**	**6,225**	**(3,083)**	**3,142**

GFNORTE -BALANCE SHEET AS OF 1H05 *(Millions of Pesos)*

ASSETS	Holding	Banorte	Bancen	rokerage	.easing	Factorin	Warehou ing	Pronego cio	Total	Eliminati ns	Final Balance
Cash and due from Banks	**59**	**38,351**	**2,670**	**2**	**9**	**8**	**11**	**1**	**41,111**	**(1,877)**	**39,234**
Negotiable Instruments	-	6,291	274	273				-	6,838	(504)	6,334
Securities held for sale	-	243	-	-				-	243	-	243
Securities held to maturity	10	12,337	-	-				-	12,347	(10)	12,337
Financial Instruments:	**10**	**18,872**	**274**	**273**				**-**	**19,428**	**(514)**	**18,914**
Non-assigned securities to pay	-	-	-	-				-	-	-	-
Futures receivable, net	-	63	2	28				-	93	-	93
Options and derivatives, net	-	-	-	-				-	-	-	-
Repos & Derivatives :	**-**	**63**	**2**	**28**				**-**	**93**	**-**	**93**
Commercial	-	43,068	720	-	1,707			116	48,858	-	48,858
Financial Intermediaries	-	2,968	-	-	206	-	-	-	3,175	(1,373)	1,802
Consumer	-	13,158	-	-	1	-	-	-	13,159	-	13,159
Mortgage	-	20,250	217	-	-	-	-	-	20,468	-	20,468
Goverment Entities	-	12,879	5	-		-	-	-	12,938	-	12,938
Fobaproa	-	7,003	-	-				-	7,003	-	7,003
Performing Loans	**-**	**99,327**	**942**	**-**				**116**	**105,600**	**(1,373)**	**104,227**
Commercial	-	463	138	-				5	655	-	655
Financial Intermediaries	-	-	-	-				-	-	-	-
Consumer	-	363	-	-				-	363	-	363
Mortgage	-	745	16	-				-	761	-	761
Goverment Entities	-	-	-	-				-	-	-	-
Past Due Loans	**-**	**1,570**	**154**	**-**				**5**	**1,778**	**-**	**1,778**
Total Loans	**-**	**100,897**	**1,096**	**-**				**121**	**107,378**	**(1,373)**	**106,005**
Preventive loan loss reserves	-	2,636	153	-				2	2,855	-	2,855
Net Loan Portfolio	**-**	**98,261**	**944**	**-**				**119**	**104,523**	**(1,373)**	**103,150**
Credit Assets Portfolio	-	1,398	380	-	-			-	1,778	-	1,778
Sundry debtors and other	4	7,377	186	36	21	2	10	3	7,638	-	7,638
Foreclosed assets, net	-	399	10	-	-	-	-	-	409	-	409
Real Estate, Furniture &	-	4,939	120	42	459	-	49	3	5,610	-	5,610
Investments in subsidiaries	18,415	867	431	39	-	-	1	-	19,753	(17,673)	2,080
Deferred taxes	-	124	186	24		9	-	-	342	(26)	317
Deferred charges & Intangibles	40	821	200	172				-	1,436	(7)	1,429
Total Other Assets	**18,459**	**15,924**	**1,512**	**312**				**6**	**36,967**	**(17,705)**	**19,262**
TOTAL ASSETS	**18,528**	**171,470**	**5,401**	**616**				**125**	**202,122**	**(21.468)**	**180,654**

GFNORTE -BALANCE SHEET AS OF 1H05 *(Millions of Pesos)*

LIABILITIES	Holding	Banorte	Bancen	rokerag	easing	Factorin	Warehou ing	Pronego cio	Total	Eliminati ns	Final Balance
Demand Deposits	-	66,769	-	-	-	-	-	-	66,769	(204)	66,566
Time Deposits	-	56,513	504	-				-	57,016	(573)	56,443
Bonds	-	-	-	-				-	-	-	-
Deposits	**-**	**123,282**	**504**	**-**				**-**	**123,786**	**(777)**	**123,009**
Demand	-	3,944	1	-				-	3,945	(1,626)	2,319
Short term	-	6,453	8	-				61	10,457	(1,362)	9,095
Long term	-	10,129	65	-				-	11,458	-	11,458
Due to banks & corresp.	**-**	**20,526**	**74**	**-**				**61**	**25,860**	**(2,989)**	**22,872**
Non-assigned securities to pay	-	-	-	-				-	-	-	-
Futures receivable, net	-	131	-	24	-			-	156	-	156
Options and derivatives, net	-	8	-	-	-	-	-	-	8	-	8
Repos & Derivatives:	**-**	**139**	**-**	**24**		**-**	**-**	**-**	**164**	**-**	**164**
Income Tax & Profit Sharing	3	856	65	22				-	950	-	950
Other Payable accounts	-	9,172	104	54				6	9,463	2	9,465
Other payable accounts	**3**	**10,028**	**169**	**76**				**6**	**10,413**	**2**	**10,415**
Subordinated non Convertible	-	4,577	-	-				-	4,577	-	4,577
Deferred Taxes	-	-	-	-				-	26	(26)	-
Deferred credits	-	53	-	-				-	53	(7)	47
TOTAL LIABILITIES	**3**	**158,606**	**747**	**100**				**67**	**164,879**	**(3,795)**	**161,084**
STOCKHOLDER´S EQUITY											
Paid-in Capital	5,667	4,868	1,146	489				71	12,596	(6,929)	5,667
Share subscription premiums	1,684	1,045	-	-				-	2,729	(1,045)	1,684
Subordinated Convertible	-	-	-	-				-	-	-	-
Subscribed Capital	**7,351**	**5,913**	**1,146**	**489**	**149**			**71**	**15,325**	**(7,974**	**7,351**
Capital Reserves	1,641	2,884	376	40	53	39	10	-	5,044	(3,403)	1,641
Retained Earnings	16,118	4,645	2,251	432	175	170	56	(1)	23,847	(7,729)	16,118
Surplus (Deficit) from securities	-	(81)	(14)	-	-	-	-	-	(94)	94	-
Results of foreign operations	-	-	-	1	-	-	-	-	1	(1)	-
Excess (Insuf.) in capital	(5,782)	(2,522)	-	(480)		(80)	(3)	-	(9,050)	3,268	(5,782)
Non Mon assets results Fixed	-	12	-	1				-	13	(13)	-
Non Mon assets results Investm	(3,945)	(246)	(65)	(9)				-	(4,318)	372	(3,945)
Adjustment in the employees	-	(295)	-	-				-	(295)	295	-
Net Income	3,142	2,552	415	42				(12)	6,225	(3,083)	3,142
Earned Capital	**11,174**	**6,950**	**2,964**	**26**				**(12)**	**21,373**	**(10,199)**	**11,174**
Minority Holdings	-	1	544	-				-	545	500	1,045
Total Stockholder´s Equity	**18,525**	**12,865**	**4,654**	**516**				**58**	**37,243**	**(17,673)**	**19,570**
TOT. LIAB. & STOCKHOLD.	**18,528**	**171,470**	**5,401**	**616**				**125**	**202,122**	**(21,468)**	**180,654**

Internal control

The companies that make up GFNorte have an Internal Control System (SCI) according to the guidelines established by its Board of Directors and the regulating authorities.

As part of this SCI, the institution has a Code of Ethics and General Guidelines for Internal Control Issues, which have been approved by its Board of Directors.

Moreover, the functions have been defined for the Board of Directors, Audit Committee, Commissary, General Directorship, Internal Audit and Comptrollership, whose mission is to assist in the proper functioning of the internal control of its operations.

The Internal Control structure is supplemented with compliance with the guidelines contained in Circular 1506 on Reasonable Provisions for Internal Control Issues, which is intended to strengthen the internal control system established by GFNorte.

Treasury Policy

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

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

Internal and External Liquidity Sources

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

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

Another alternative for getting resources is by issuing capital shares.

Dividend Policy

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

Associated loans

At GFNorte, the amount of the loans performed with associated individuals and companies, does not exceed the established limit of 75% of the basic part of net capital.

By June 30, 2005 and 2004, the loans granted to associated parties total Ps 4,541million and Ps. 3,941 million, respectively.

Persons In Charge

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

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

Ing. Sergio García Robles Gil
Chief Financial Officer

C.P. Román Martínez Méndez
Managing Director Audit

Lic. Jorge Eduardo Vega Camargo
Executive Director Comptrollership

C.P. Nora Elia Cantú Suárez
Executive Director Accounting

Basis for submitting Financial Statements

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

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

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

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