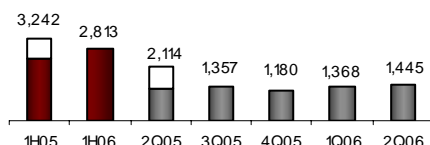
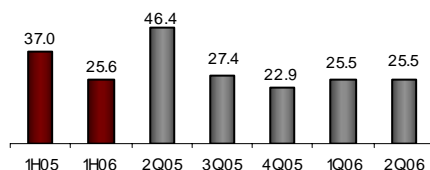


GFNorte generates a net profit of Ps 2,813 million for the first half of the year.

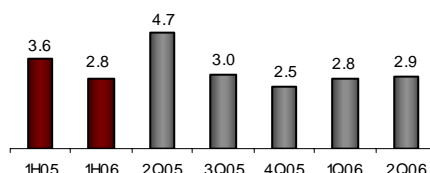
GFNORTE's NET INCOME
(Millions of Pesos)



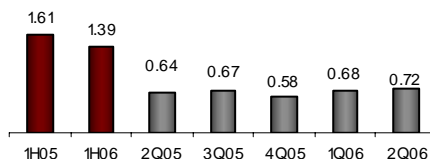
GFNORTE % ROE



GFNORTE % ROA



GFNORTE EPS



F

GRUPO FINANCIERO BANORTE

- GFNorte's **Net Income** for 1H06 reached Ps \$2,813 million, a 16% increase over the same period a year ago excluding the extraordinary items of 1H05 for Ps 820 million, equivalent to an annual ROE of 25.6% and a ROA of 2.8%. The Banking Sector's contribution to net income (without the Afore Pension Fund) was \$2,233 million.
- Performing Loans** continued to grow at a very dynamic pace with an annual increase of 25% with respect to 1H05. The main drivers of this growth were Payroll loans, Credit Cards and Mortgage loans which increased 70%, 52% and 34%, respectively. The past due loan ratio fell from 1.8% in 1H05 to 1.6% in 1H06 and the reserve coverage increased from 161% to 174%, in the same period.
- As part of its business development strategy in the U.S.A., GFNorte signed an agreement to **acquire 100% of UniTeller Holdings, Inc., a New Jersey based remittance company**, for USD 19 million. Uniteller has a network of 1,000 agents across 41 states of the USA and 4,000 payment points in 19 countries. In 2005, UniTeller processed over 1.1 million remittances totalling USD 370 million.
- GFNorte's **Core Deposits** grew 16% with respect to 1H05, driven by a 22% growth in non-interest bearing Demand Deposits. This was the result of introducing and promoting low cost deposit products which have contributed to a reduction in the cost of funding and therefore an improvement in the net interest income.

BANKING SECTOR

- During 3Q06, the final stage of the merger of Banco del Centro (Bancen) with Banco Mercantil del Norte will take place. Bancen was acquired in June 1997 and its traditional banking operation was merged with Banorte since 3Q00.

Contacts:

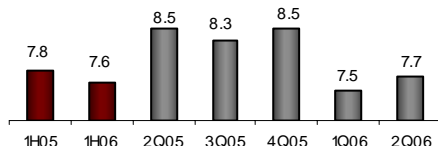
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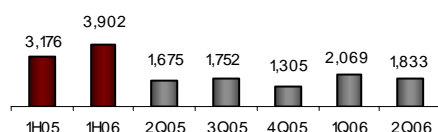
E-mail: investor@banorte.com
web page: www.banorte.com
web cast: www.banorte.com/ri

Highlights

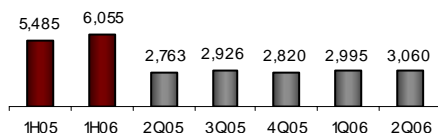
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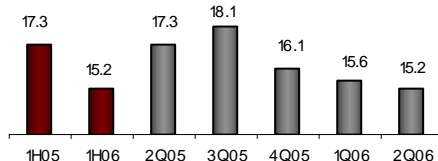
NOT INTEREST INCOME (Millions of Pesos)



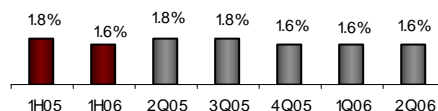
NON INTEREST EXPENSE (Millions of Pesos)



CAPITALIZATION RATIO



PAST DUE LOAN RATIO



Net Income

GFNorte's profits in 1H06 amounted to Ps 2,813 million, a 16% increase over the figure reported in 1H05, excluding the extraordinary items of 2Q05 for Ps820 million. The higher profits were mostly due to the 8% increase in Net Interest Income and a 23% growth in Non Interest Income.

Net Interest Margin

Despite a 202 basis points reduction in the average 28 days TIIE rate, the Net Interest Margin remained sturdy, declining only 20 basis points, from 7.8% in 1H05 to 7.6% in 1H06. This solid performance was mainly attributable to strong growth in the loan portfolio, a better loan mix, and a lower funding cost.

Non Interest Income

Non Interest Income in 1H06 was 23% higher than in 1H05, mainly as a result of important increases in Recovery Banking and Forex, of 124% and 129%, respectively.

Non Interest Expense

Non Interest Expense increased 10% with respect to 1H05 mainly due to expenses related to higher business volumes, increased Personnel expenses derived from the transfer of employees from Solida Administradora de Portafolios to Banorte and the branch network investment program.

Capitalization

The capitalization ratio at the end of 1H06 stood at 15.2% vs. 17.3% in 2Q05. This decrease was mainly due to the impact of the new capital requirements rules for banking institutions issued by the Ministry of Finance that came into effect in 1Q06 as well as to the important growth in risk assets, however, the bank's capitalization maintained an adequate level as a result of the profits generated during the last 12 months.

Loan Portfolio

At the close of 1H06, the performing loan portfolio, excluding the one managed by the Recovery unit, reached an outstanding balance of Ps 123 billion, an increase of 25% vs. 1H05. This growth reflects the favorable evolution of the consumer and corporate loan portfolios, which increased 34% each.

Asset Quality

PDLs finished the semester with a balance of Ps2.0 billion, which represents a past due loan ratio of 1.6%, lower than the 1.8% of 2Q05, while the reserve coverage increased from 161% to 174% in the same period.

Executive Summary

Grupo Financiero Banorte announced today its operating results for 1H06, reporting a Net Income of Ps 2.8 billion, 16% higher than the same period a year ago excluding Ps 820 millions of extraordinary items recorded in 1H05. GFNorte's Return on Equity for the year stood at 25.6%, while the ROA was 2.8%.

The Banking Sector's profits amounted to Ps 2.2 billion in 1H06, equivalent to an 8% increase over the same year-ago period excluding extraordinary items in 1H05 and representing 79% of the Group's total earnings. Banorte continues to show sustained growth in the recurring income of its traditional banking activities due to the growth and better mix of its loan portfolio, as well as an increase in service fees.

GFNorte's Net Interest Margin decreased from 7.8% in 1H05 to 7.6% in 1H06. The 202 basis points decline in the average 28-day TIIE rate yoy was mostly offset by lower funding costs and robust loan growth as well as a better loan portfolio mix.

Trading income increased 15% in real terms compared to 1H05. GFNorte was able to realize important gains in the sale of Treasury fixed income securities positions during 1H06 in spite of higher market volatility during 2Q06 and impact on long term positions of mark to market valuation of the portfolio.

Non Interest Expense grew 10% yoy in real terms due to higher Personnel Expenses derived from the transfer of employees from Solida Administradora de Portafolios to Banorte, higher business volumes which in turn increased total operating income, and also to expenses related to the branch network investment program. The efficiency ratio continues to improve, decreasing from 57% in 1H05 to 56% in 1H06.

Total Deposits, excluding off balance trading, stood at Ps 143 billion at the end of 1H06, a 13% increase when compared to 1H05. Demand and Time deposits grew 17% and 14%, respectively, while Money Market deposits decreased 1% as a result of lower funding requirements due to the pre-payments and amortizations received from IPAB over the last year which reduced the balance of IPAB notes balance from Ps 7 billion to zero at the close of 2Q06.

The Loan Portfolio – excluding those managed by the Recovery unit – registered a robust growth. As of 1H06, the performing loan portfolio grew 25% vs. 1H05, reaching an outstanding balance of Ps 123 billion. Commercial Loans grew 23% over the past 12 months, to Ps 45 billion. The Corporate Portfolio reached a balance of Ps 21 billion increasing 34% and the Government Portfolio stood at Ps 13 billion, decreasing 3%.

Consumer Loans continued to be one of the main growth drivers and now represent 36% of the total performing loan portfolio. The Credit Card portfolio grew 52% vs. 1H05, reaching a balance of Ps 8 billion at the end of 1H06 aided by the strong results of the "Ya Bajale" balance transfer program and new attributes added to this product. Payroll loans grew 70% vs. 1H05 reaching a balance of Ps 4 billion at the end of 1H06. Car Loans resumed positive growth reaching a balance of Ps 6 billion, meanwhile Mortgage Loans continued to trend up, closing 1H06 with a balance of Ps 26 billion, an annual growth of 34%.

The Past Due Loan Portfolio ended 1H06 with a balance of Ps 2.0 billion, 7% higher than in 1H05, in spite of the robust yoy loan growth. The Past Due Loan ratio stood at 1.6%, 20 basis points below the lower than the 1.8% registered in 1H05, while the reserve coverage improved to 174% from 161% reported in 1H05.

The Long-term Saving Sector, which includes the Pension Fund Afore, the Insurance and Annuities companies, contributed with Ps 377 million to the Group's profits during 1H06, an increase of 58% compared to 1H05.

The Auxiliary Organizations Sector contributed with Ps 124 million to the Group's profits in 1H06, a 26% increase vs. 1H05, while the Brokerage Sector's profit reached Ps 74 million during the same period, 72% above those of 1H05.

Grupo Financiero Banorte

Subsidiarie's Earnings (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Banco Mercantil del Norte (1)	1,809	660	801	(56%)	21%	2,530	1,460	(42%)
Banco del Centro	139	473	299	115%	(37%)	346	773	123%
Banking Sector	1,948	1,133	1,100	(44%)	(3%)	2,876	2,233	(22%)
Brokerage Sector (Brokerage House)	17	38	36	110%	(7%)	43	74	72%
Afore	21	43	0	(102%)	(101%)	79	43	(45%)
Insurance	68	54	33	(51%)	(39%)	135	87	(36%)
Annuities	15	41	205	1,282%	395%	25	247	871%
Long – Term Saving Sector	104	139	238	129%	71%	239	377	57%
Leasing	23	28	31	37%	13%	42	59	41%
Factoring	24	22	26	10%	16%	41	48	18%
Warehousing	3	2	3	8%	26%	8	6	(27%)
Bonding	4	4	7	71%	69%	9	12	36%
Auxiliary Organization Sector	53	57	67	26%	19%	98	124	26%
Créditos Pronegocio	(8)	4	5	N.A.	6%	(12)	9	N.A.
G. F. Banorte [holding]	(1)	(3)	(1)	N.A.	N.A.	(3)	(4)	N.A.
Total	2,114	1,368	1,445	(32%)	6%	3,242	2,813	(13%)

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

Group's Balance Sheet Highlights (Millions of Pesos)	2Q05	1Q06	2Q06	% QUART. CHANGE	% ACCUM. CHANGE
	Performing loans excluding IPAB (1)	100,259	117,382	124,395	24%
IPAB loans	7,222	166	-	-	-
Past Due Loans	1,833	1,879	1,968	7%	5%
Total Loans	109,314	119,427	126,364	16%	6%
Loan Loss Reserves	2,944	3,218	3,425	16%	6%
Total Assets	186,293	200,872	204,428	10%	2%
Total Deposits (3)	126,165	139,646	142,932	13%	2%
Equity	20,181	23,294	24,186	20%	4%
Assets under Management (2)	407,085	438,595	450,330	11%	3%

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

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

3) The checking accounts were excluded from IPAB where cash collecting was deposited over the managed loans from Banpals and Bancen. The balances of these accounts in 2Q05, 1Q06 and 1Q06 were Ps 682 million, Ps 647 million and Ps 1,116 million, respectively.

GFNorte Share Data	2Q05	1Q06	2Q06	1H05	1H06
Net Income per Share (2) (Pesos)	1.05	0.68	0.72	1.61	1.39
Dividends per Share (2) (Pesos)	-	-	-	-	-
Dividend Payout	-	-	-	-	-
Book Value per Share (1 (2)) (Pesos)	9.47	11.02	11.45	9.47	11.45
Shares Outstanding (2) (Millions of Shares)	2,017.3	2,017.3	2,017.8	2,017.3	2,017.8
Price (Pesos)	17.72	25.89	26.25	17.72	26.25
P/BV (Times)	1.93	2.35	2.29	1.93	2.29
Market Cap (Billions)	3,365	4,794	4,667	3,365	4,667

1) Excluding Minority holdings. 2) The shares outstanding increased from 504.6 millions to 2,018.6 millions at 4Q05.

Group's Financial Ratios	QUARTER					ACCUMULATED	
	2Q05	3Q05	4Q05	1Q06	2Q06	1H05	1H06
Profitability							
NIM before Repomo (1)	8.5%	8.3%	8.5%	7.5%	7.7%	7.8%	7.6%
NIM adjusted by Loan Loss Provisions (2)	7.5%	7.1%	7.6%	6.5%	6.7%	7.0%	6.6%
ROA (3)	4.7%	3.0%	2.5%	2.8%	2.9%	3.6%	2.8%
ROE (4)	46.4%	27.4%	22.9%	25.5%	25.5%	37.0%	25.6%
ROE without extraordinary	28.4%	27.4%	22.9%	25.5%	25.5%	27.6%	25.6%
Operation							
Efficiency Ratio (5)	53.4%	56.5%	57.2%	55.2%	57.4%	56.8%	56.3%
Operative Efficiency Ratio (6)	6.1%	6.3%	6.0%	6.1%	6.0%	6.0%	6.1%
Liquidity Ratio (7)	58.7%	56.5%	56.9%	71.5%	63.3%	58.7%	63.3%
Asset Quality							
% Past Due Loans w/o Fobaproa	1.8%	1.8%	1.6%	1.6%	1.6%	1.8%	1.6%
Loan Loss Reserves to past Due Loans	160.6%	165.3%	165.8%	171.3%	174.0%	160.6%	174.0%

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

2) NIM= 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 (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Net Interest Income after Repomo	3,483	3,288	3,517	1%	7%	6,440	6,805	6%
- Loan Loss and Loss Sharing Provisions	400	370	437	9%	18%	655	808	23%
• Service	1,064	1,202	1,222	15%	2%	2,219	2,424	9%
• Recovery	92	380	185	101%	(51%)	252	565	124%
• Foreign Exchange	35	117	95	171%	(19%)	92	212	129%
• Trading (Securities- Realized and unrealized gains)	483	370	331	(31%)	(11%)	612	701	15%
+ Non Interest Income	1,675	2,069	1,833	9%	(11%)	3,176	3,902	23%
= Total Operating Income	4,758	4,987	4,913	3%	(1%)	8,962	9,900	11%
- Non Interest Expense	2,763	2,995	3,060	11%	2%	5,485	6,055	10%
= Net Operating Income	1,995	1,992	1,853	(7%)	(7%)	3,477	3,845	11%
- Non Operating Income (Expense) Net	959	5	52	(95%)	1,045%	997	57	(94%)
= Pre-Tax Income	2,954	1,996	1,906	(35%)	(5%)	4,474	3,902	(13%)
- Income Tax & profit sharing	833	703	714	(14%)	2%	1,256	1,417	13%
= Net Income before Subsidiaries	2,121	1,293	1,192	(44%)	(8%)	3,217	2,485	(23%)
+ Undistrib. Earnings of Subsid, Extraord. Items & Minority Income	(8)	75	253	3,263%	237%	25	327	1,208%
=Net Income	2,114	1,368	1,445	(32%)	6%	3,242	2,813	(13%)

N.C. = Not Comparable

Net Interest Income

Net Interest Income (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Interest Income	9,067	8,598	8,142	(10%)	(5%)	16,413	16,739	2%
Interest Expense	5,679	5,346	4,799	(16%)	(10%)	10,104	10,145	-%
Loan Fees	135	148	192	42%	30%	231	340	47%
Fees Paid	27	39	37	36%	(5%)	52	76	46%
Net Interest Income before Repomo	3,495	3,361	3,497	-9%	4%	6,486	6,858	6%
Average Earning Assets	164,31	178,994	182,57	11%	2%	165,56	180,76	9%
	8		4			7	9	
NIM before REPOMO (1)	8.5%	7.5%	7.7%			7.8%	7.6%	

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

During 1H06, Net Interest Income before Repomo rose 6% which was reflected in a NIM of 7.6% vs. 7.8% in 1H05, as a result of the following factors:

Increase due to:

- Annual growth of 25% in the Performing Loan Portfolio, excluding IPAB and the loans managed by the Recovery unit.
- Better loan mix, especially in the consumer portfolio.
- Increase of 47% in Loan fees.

Decrease due to:

- Lower interest rates. The average 28-day Cetes rates decreased from 9.34% in 1H05 to 7.36% in 1H06, and the TIIE from 9.73% to 7.71%, in the same period.
- The peso appreciation vs. the US dollar. The average forex rate appreciated from Ps 11.04 per dollar in 1H05 to Ps 10.91 per dollar in 1H06.
- The Ps 51 million decrease in the currency valuation effect.

During 2Q06, the Net Interest Income before Repomo showed a similar level to that of 2Q05. The NIM went from 8.5% in 2Q05 to 7.7% in 2Q06, due to the following factors:

Increased:

- The annual growth of 25% in the loan portfolio, excluding IPAB and Recovery.
- Better loan mix, especially in the consumer portfolio.
- Increase of 42% in loan fees.
- The peso depreciation vs. the US dollar. The average forex rate depreciated from Ps 10.92 per dollar in 2Q05 to Ps 11.22 per dollar in 2Q06.

Decreased:

- The decrease in the market interest rates, as the average 28-day Cete went from 9.66% in 2Q05 to 7.08% in 2Q06 and the TIIE decreased from 10.05% to 7.39% in the same period.
- The Ps 92 million impact of currency valuation.

Non Interest Income

Non Interest Income (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
+ Fund Transfers	48	52	57	19%	11%	86	109	27%
+ Account Management Fees	255	230	237	(7%)	3%	503	467	(7%)
+ Fiduciary	56	55	64	14%	15%	102	119	17%
+ Income From loan portf. acquired	155	612	416	169%	(32%)	443	1,028	132%
+ Electronic Banking Services	161	170	188	17%	10%	308	358	16%
+ Credit Card	264	318	337	28%	6%	516	655	27%
+ From IPAB (2)	62	9	7	(90%)	(27%)	143	15	(89%)
+ Afore	199	303	195	(2%)	(36%)	497	498	-
+ Other Fees (3)	210	239	319	52%	33%	444	559	55%
Fees on purchased services:	1,410	1,988	1,819	29%	(9%)	3,041	3,807	25%
+ Fund Transfers	2	4	4	64%	(2%)	5	7	57%
+ Other Fees (1)	127	162	171	35%	5%	252	333	32%
+ Expense From loan portf. acquired (1)	125	240	237	91%	(1%)	313	478	53%
Fees Paid :	254	406	412	62%	1%	569	818	44%
=Net Fees	1,156	1,582	1,407	22%	(11%)	2,472	2,989	21%
+ Foreign Exchange	35	117	95	172%	(18%)	92	212	129%
+ Securities- Realized gains	527	539	177	(66%)	(67%)	614	716	17%
+ Securities- Unrealized gains	(44)	(169)	154	454%	191%	(2)	(15)	620%
Trading Income	518	487	426	(18%)	(13%)	705	913	30%
= Non Interest Income	1,675	2,069	1,833	9%	(11%)	3,176	3,902	23%

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

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

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

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

Non Interest Income (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Service	1,064	1,202	1,222	15%	2%	2,219	2,424	9%
Recovery	92	380	185	101%	(51%)	252	565	124%
Foreign Exchange	35	117	95	172%	(19%)	92	212	129%
Trading (Securities- Realized and unrealized gains)	483	370	331	(31%)	(11%)	612	701	15%
= Non Interest Income	1,675	2,069	1,833	9%	(11%)	3,176	3,902	23%

Non Interest Income for 1H06 rose 23% as compared to 1H05. This variation was the result of several factors, as explained below:

Service fees:

Service Fees in 1H06 grew 9% vs 1H05, as a result of increases in most lines. Worth highlighting are Credit Card fees with 27%, E-banking with 16% and Fund Transfers with 27%. These results were driven by higher volumes of operations. The increase in Credit Card fees was achieved in spite of a decline in both customer and inter-bank service rates in 1H06. On a quarterly basis, Service Fees increased 15% in 2Q06 vs. 2Q05, driven by increases in the same aforementioned lines.

Recovery:

Non Interest Income (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
SERFIN								
Income	87	393	-	-	-	170	393	131%
- Expense	38	119	-	-	-	81	119	47%
= Net Fees from Serfin	49	274	-	-	-	89	274	208%
LOAN PORTFOLIOS ACQUIRED								
Income	68	219	416	512%	90%	273	635	133%
- Expense	87	121	237	172%	96%	232	359	55%
= Net Fees from loan portfolios acquired	(19)	98	179	1,042%	83%	41	276	573%
IPAB FEES								
From IPAB (*)	62	9	7	(89%)	(22%)	122	15	(88%)
= IPAB Fees	62	9	7	(89%)	(22%)	122	15	(88%)
Non Interest Income – Recovery Bank	92	380	185	101%	(51%)	252	565	124%

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

Non Interest Income derived from Recovery Banking business in 1H06 rose 124% as compared to the figure in 1H05. Net Fees from the Serfin Portfolio reported an important increase of 208% in the same period as a result of a net gain amounting to Ps 267 million derived from the sale of this portfolio, through an auction process, carried out by IPAB. These fees came down to zero due to the expiration of the agreement to manage this portfolio with IPAB in 2Q06. Net Fees from loan portfolios acquired grew 573% vs 1H05 because of higher investment amortizations last year. For the quarter, Recovery Banking income increased by 101% vs. 2Q05 mainly as a result of the revenues derived from the loan portfolio acquired in 1Q06 from IPAB.

Foreign Exchange:

Foreign Exchange Income during 1H06 increased 129% as compared to 1H05 mainly due to higher margins derived from an increased volume of operations stemming from the higher peso-dollar volatility during the period and also to a positive impact of Ps 49 million in the currency valuation entry. For the quarter, this income was 172% higher than in 2Q05 as a result of more volatility and increased volumes during the period.

Trading:

Trading Income in 1H06 increased 15% vs. 1H05 due to higher tradings gains realized on securities resulting from the sale of Treasury fixed income securities and to the positive valuation of unrealized gains on securities. On a quarterly basis, the Trading income was 31% lower than in 2Q05 due to the non-recurrent income for the sale of AHMSA eurobonds in 2Q05.

Non Interest Expense

Non Interest Expense (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Personnel Expenses	1,111	1,204	1,259	13%	5%	2,200	2,462	12%
+Professional Fees	196	204	195	-	(5%)	343	399	16%
+Administrative and Promotion Expenses	769	846	916	19%	9%	1,548	1,762	14%
+Rent, Depreciation & Amortization	434	431	407	(6%)	(6%)	865	838	(3%)
+Tax other than income tax	103	154	121	18%	(22%)	225	275	22%
+Contributions to IPAB	152	157	163	7%	4%	303	319	5%
= Non Interest Expense	2,763	2,995	3,060	11%	2%	5,485	6,055	10%

Non Interest Expense increased 10% in 1H06 compared to 1H05 mostly due to higher personnel expenses, to expenses related to higher volumes of operations, and to the branch network expansion program. Personnel Expenses increased 12% vs. 1H05 mainly as a result of the transfer of employees from Solida Administradora de Portafolios to Banorte as of Jan/06, to the 3.7% salary increase in non-unionized personnel in 2Q06 and to expenses related to personnel performance incentives. Excluding the aforementioned transfer of employees Personnel Expenses increased 3.5%. Professional fees rose 16% due to payments of

legal consulting fees related to new lines of businesses, new product development and increased portfolio recovery expenses. Administrative and Promotion Expenses rose 14% as a result of higher expenses on advertising campaigns related to new product launches and to other expenses associated with a higher operating volume. Leases, Depreciations and Amortization decreased 3%. Taxes Other than Income Tax increased 22% due to higher investments and purchases done during the period which were related to the branch network investment program. Contributions to the IPAB grew by 5% with respect to 1H05 as a result of higher Deposits.

Non Interest Expense in 2Q06 was 11% higher than in 2Q05 as a result of higher Personnel and Administrative and Promotion expenses which grew 13% and 19%, respectively. The former is mainly related to the transfer of employees from Solida Administradora de Portafolios, while the latter is due to the branch network investment program and to higher business volumes.

Non Operating Income (Expense) Net

Non Operating Income (Expense) <i>(Millions of Pesos)</i>	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
+Other Revenues	53	57	63	19%	11%	161	120	(25%)
+Foreign Exchange	-	-	-	-	-	-	-	-
+Recoveries	1,226	145	132	(89%)	(9%)	1,262	277	(78%)
+Repomo-other revenues	4	4	-	-	-	6	4	(33%)
+Warehousing	511	100	82	(84%)	(18%)	791	181	(77%)
=Non Operating Income	1,794	306	276	(85%)	(10%)	2,221	582	(74%)
-Other Expenses	(313)	(100)	(148)	(53%)	48%	(389)	(248)	(36%)
-Foreign Exchange	-	-	-	-	-	-	-	-
-Warehousing	(13)	(101)	4	134%	104%	(45)	(97)	112%
-Repomo-other expenses	(509)	(100)	(81)	(84%)	(19%)	(789)	(181)	(77%)
=Non Operating Expense	(835)	(301)	(224)	(73%)	(26%)	(1,224)	(526)	(57%)
= Non Operating Income (Expense) Net	959	5	52	(95%)	1,045%	997	57	(94%)

Non Operating Income in 1H06 amounted to a profit of Ps57 million, which compares to the Ps997 million profit reported in 1H05. This variation was primarily due to the following factors:

Other Products:

- Ps 1,049 million in Value Added Tax (VAT) returns derived from the favorable resolution of an injunction filed by the Group subsidiaries against the VAT law in 2Q05.
- Decrease in Other Revenues due to lower income from FIRA for granting loans to agricultural sector, and lower dividends received from life insurance policies, for Ps 31 million and Ps 40 million, respectively.
- Increase in Recoveries due to the cancellation of provisions for previous year's expenses for Ps 26 million, recoveries of contributions made to the POS terminal project and VAT returns in 1H06.
- Lower income from inventory commercialization operations of Banorte's Warehouse customers, which declined by 77%.

Other Expenses

- A Ps 103 million write off from the GEL audits to IPAB and a provision of Ps 50 million for a write off derived from IPAB prepayments in 1H05.
- Provisioning of Ps 31 million for sundry debtors.
- A Repomo increase of Ps 52 million.
- Lower expenses from inventory commercialization operations of Banorte's Warehouse customers, which declined by 77%.

The net result for Other Products and Expenses for 2Q06 was a 94% decrease from 2Q05. The variation is due mainly to the extraordinary income from VAT returns in 2Q05 as well as the negative impact of the IPAB audits and prepayments from this Institute, respectively.

Taxes

The effective tax and profit-sharing rate for 1H06 was 36% vs. 28% in 1H05 as a result of the depletion of Banorte's and Bancen's remaining tax shields. In 2Q06 the effective tax rate was 37%.

Loan Portfolio

PERFORMING LOAN PORTFOLIO						
<i>(Millions of Pesos)</i>						
	2Q05	1Q06	2Q06	% CHANGE VS 2Q05	% CHANGE VS 1Q06	
Commercial	36,241	39,785	44,503	23%	12%	
Consumer	33,144	40,648	44,355	34%	9%	
Corporate	15,902	21,080	21,265	34%	1%	
Government	13,342	14,445	12,893	(3%)	(11%)	
Sub Total	98,628	115,958	123,016	25%	6%	
Recovery Banking	1,631	1,424	1,380	(15%)	(3%)	
Total	100,259	117,382	124,396	24%	6%	

PERFORMING CONSUMER						
<i>(Millions of Pesos)</i>						
	2Q05	1Q06	2Q06	% CHANGE VS 2Q05	% CHANGE VS 1Q06	
Mortgages	19,582	24,159	26,314	34%	9%	
Automobile	6,034	5,954	6,141	2%	3%	
Credit Card	5,042	6,744	7,672	52%	14%	
Electronic Payroll	2,487	3,793	4,228	70%	11%	
Total Consumer	33,144	40,564	44,355	34%	9%	

<i>(Millions of Pesos)</i>						
	2Q05	1Q06	2Q06	% CHANGE VS 2Q05	% CHANGE VS 1Q06	
IPAB Loans	7,222	166	-	-	-	
Past Due Loans	1,833	1,879	1,968	7%	5%	

The Total Performing Loan Portfolio rose 24% yoy, increasing from Ps 100 billion to Ps 124 billion. Excluding the proprietary portfolio managed by the Recovery Bank, the increase was 25% and is explained as follows:

- The Commercial Portfolio grew 23% primarily as a result of new lending to SMEs.
- Total Consumer loans increased 34%, fueled by a 34% growth in Mortgage loans due to placement of 14,930 new loans over the past 12 months. The Credit Card Portfolio showed an increase of 52% due to the successful implementation of promotion programs to attract new customers (including the balance transfer program called "a bájale con Banorte"), and increased credit card usage by our clientele. Payroll loans grew 70% with 235,151 new loans extended and Car Loans grew only 2%, with 34,109 new car loans being affected by higher competition from credit suppliers to auto dealers. In 3Q05 Banorte started to grant Personal loans, which are included in the balance of Payroll loans. Personal loans ended the quarter with a Ps 872 million balance and 20,144 loans were granted in the last 12 months.
- The Corporate Portfolio increased 34% as a result of implementing new loan placement strategies.
- The Government Portfolio was down 3%, as a result disintermediation from banks to direct placement of debt in the capital markets, as well as pre-payments and amortizations from important clients.
- The IPAB Portfolio ended the quarter with a zero balance due to the pre-payments and amortizations of approximately Ps7 billion received over the past 12 months.
- The dollar-denominated loan portfolio was affected by the peso appreciation vs. the US dollar at the end of the period, which went from 10.78 pesos/dollar to 11.27 pesos/dollar from 2Q05 to 2Q06.

In spite of the important growth in the loan portfolio, the Past Due Loan Portfolio only increased 7% with respect to 2Q05. PDL's finished the quarter with a balance of Ps 2.0 billion, equivalent to a 1.6% Past Due Loan Ratio, lower than the 1.8% reported in 2Q05.

During the quarter, the Performing Loan portfolio rose 6%. The most important growth was in Credit Cards, with an increase of

14%, Mortgages grew by 9%, Payroll Loans by 11% and Commercial loans by 12%. The IPAB Loans fell Ps 166 million due to the payment of the remaining IPAB balance to end the quarter with a zero balance. The past-due loan balance showed a 5% increase with respect to the previous quarter closing at Ps 1,879 million, equivalent to a Past-due Loan ratio of 1.6%.

Past Due Loans Variations as of 2Q06

Cartera Vencida		
Balance as of Mar. 2006		1,882
	Performing loans to Past due loans transfers	918
	Renewals	(5)
	Cash Collections	(222)
	Discounts	(7)
	Charge Offs	(273)
	Foreclosures	(5)
	Past due loans to Performing loans transfers	(321)
	Exchange Adjustment	2
Balance as of June 2006		1,968

Classified Loans

Category	LOANS	LOAN LOSS RESERVES			
		COMMERCIAL	CONSUMER	MORTGAGE	TOTAL
A	40,332	-	79	85	164
A1	44,796	205	-	-	205
A2	31,748	292	-	-	292
B	5,007	-	142	113	255
B1	5,898	141	-	-	141
B2	302	17	-	-	17
B3	117	16	-	-	16
C	620	-	205	49	254
C1	140	33	-	-	33
C2	125	49	-	-	49
D	866	70	352	188	610
E	555	306	39	210	555
Total	130,506				
Not Classified Exempted	(95)				
	334				
Total	130,745	1,129	817	645	2,591
Reserves					3,426
Excess / (Deficit)					835

Notes :

- 1.- The classified loans and the reserves created are based on the June 30th, 2006 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 the regulation described in the Official gazette published on December 02,2005, and for Commercial loans it uses internal methodologies approved by the CNBV.
- 3.- The surplus in reserves is the result of the Institution's own conservative policies.
- 4.-Classified Leasing and Factoring loans are as of March 2006 and reserves as of June, 2006.

The quarter closed with a Ps 3.4 billion balance of Loan Loss Reserves and a surplus reserve of Ps 835 million.

Loan Loss Reserves	2Q06
<i>(Millions of Pesos)</i>	Total
PREVIOUS PERIOD END BALANCE	3,218
Provision taken in the period	437
Recovery of penalized debts	77
Charge offs and discounts:	
Commercial Portfolio	(23)
Consumer Portfolio	(183)
Mortgage Portfolio	(80)
Foreclosed assets	(5)
	(291)
Cost of debtors support programs	(27)
Valuation and Others	13
LOAN LOSS RESERVES AT PERIOD END	3,425

The balance of loan loss reserves increased by Ps 481 million from Ps 2.9 billion in 2Q05 to Ps 3.4 billion in 2Q06. This increase is equivalent to 2.0% of the growth in the balance of the performing loan portfolio during the same period.

Deposits

Deposits (Millions of Pesos)	2Q05	1Q06	2Q06	% CHANGE VS 2Q05	% CHANGE VS 1Q06
Demand Deposits-w/o Interests	24,296	28,932	29,720	22%	3%
Demand Deposits -with Interests (2)	43,706	46,643	49,939	14%	7%
Demand Deposits (1)	68,001	75,576	79,659	17%	5%
Time Deposits – Retail	38,440	42,159	43,870	14%	4%
Core Deposits	106,442	117,735	123,530	16%	5%
Money Market (3)	19,835	22,067	19,567	(1%)	(11%)
Banking Sector's Total Deposits	126,277	139,802	143,096	13%	2%
GFNorte's Total Deposits (4)	126,165	139,646	142,932	13%	2%
Out- of Balance Trading	128,050	130,403	134,237	5%	3%
Assets Under Management	254,327	270,205	277,333	9%	3%

(1) IPAB checking accounts where cash collecting was deposited over the managed loans from Banpais and Bancen were excluded. The balances of these accounts in 2Q05, 1Q06 and 2Q06 were Ps 682 million, Ps 647 million and Ps 1,116 million, respectively.

(2) Includes Debit Cards.

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

(4) Includes the eliminations between the subsidiaries (2Q05=112 million, 1Q06=156 million and 2Q06=164 million).

Total Deposits closed the quarter with a balance of Ps 143 billion, which was 13% higher than in 2Q05. Core Deposits increased by 16% and Money Market deposits decreased by 1%. The latter was derived from lower funding requirements resulting from the more than Ps 7 billion IPAB pre-payments over the past 12 months. Demand Deposits grew 17% and Time Deposits increased 14% as a result of the promotion of new products and enhancements to existing products, such as: Banorte Fácil, Mujer Banorte and Paga Más. Off Balance Trading reported a 5% growth vs 2Q05. Assets under Management amounted to Ps 277 billion, which is 9% higher than the figure reported in 2Q05.

Banking Sector Capitalization

Capitalization (Millions of Pesos)	2Q05	3Q05	4Q05	1Q06	2Q06
Tier 1 Capital	16,618	17,976	18,323	19,733	20,359
Tier 2 Capital	3,910	3,874	3,879	3,909	4,096
Net Capital	20,527	21,851	22,203	23,642	24,455
Credit risk assets	97,826	98,526	104,738	110,079	121,188
Net Capital/ Credit Risk Assets	21.0%	22.2%	21.2%	21.5%	20.2%
Total risk assets (1)	118,338	119,450	138,064	151,122	161,177
Tier 1	14.0%	15.0%	13.3%	13.1%	12.6%
Tier 2	3.3%	3.2%	2.8%	2.6%	2.5%
Capitalization Ratio	17.3%	18.3%	16.1%	15.6%	15.2%

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

(*) The capitalization ratio of the last period reported is estimated.

At the close of 2Q06 the capitalization ratio of the Banking Sector stood at 15.2%, considering credit and market risks, and 20.2% considering credit risk alone. The tier 1 capital ratio was 12.6%, while the tier 2 capital ratio was 2.5%. The capitalization ratio was lower than in 2Q05 as a result of the impact of the new rules for bank's capital requirements issued by Mexico's Ministry of Finance, that came into effect as of Jan/06, as well as to the important growth in risk assets. The capitalization level remains adequate as a result of the profits generated during the last 12 months.

Stockholders' Equity for the group's holding company rose from Ps20.2 billion in 2Q05 to Ps24.2 billion in 2Q06, due mainly to the following factors:

- 1) Earnings generated over the past 12 months, amounting to Ps 5.4 billion.
- 2) The Ps 644 million cash dividend paid in 4Q05.
- 3) The increase in the Non Monetary Assets Result, which amounted to Ps 677 million.

Information by Sectors

1.- Banking Sector

Income Statement & Balance Sheet <i>(Millions of Pesos)</i>	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
<u>INCOME STATEMENT</u>								
Net Interest Income after Repomo	3,344	3,229	3,398	2%	5%	6,185	6,626	7%
Loan Loss and Loss Sharing Provisions	395	368	431	9%	17%	646	800	24%
Non Interest Income	1,368	1,594	1,449	6%	(9%)	2,449	3,043	24%
Non Interest Expense	2,443	2,678	2,694	10%	-	4,860	5,372	11%
Non Operating Income (Expense), Net	958	(4)	56	1,642%	(94%)	997	52	(95%)
Pre-Tax Income	2,831	1,772	1,778	(37%)	-	4,123	3,550	(14%)
Net Income	2,043	1,203	1,132	(45%)	(6%)	3,057	2,335	(24%)
<u>BALANCE SHEET</u>								
Performing Loan Portfolio – w/o IPAB	94,546	112,294	118,841	26%	6%	94,546	118,841	26%
Deposits	126,961	140,450	144,213	14%	3%	126,961	144,213	14%

Banking Sector's Financial Ratios <i>(Millions of Pesos)</i>	QUARTER			ACCUMULATED	
	2Q05	1Q06	2Q06	1H05	1H06
<u>Profitability</u>					
NIM (1)	8.4%	7.5%	7.6%	7.7%	7.6%
ROA (2)	4.6%	2.5%	2.3%	3.4%	2.4%
ROE (3)	50.3%	24.2%	22.5%	38.5%	23.4%
ROE without extraordinary	29.2%	24.2%	22.5%	27.6%	23.4%
<u>Operation</u>					
Efficiency Ratio (4)	51.8%	54.9%	55.8%	56.1%	55.3%
Operative Efficiency Ratio (5)	5.6%	5.7%	5.5%	5.5%	5.6%
Liquidity Ratio (6)	59.7%	72.4%	64.2%	59.7%	64.2%
<u>Asset Quality</u>					
% Past Due Loans w/o Fobaproa	1.8%	1.6%	1.6%	1.8%	1.6%
Loan Loss Reserves to past Due Loans	162%	172%	176%	162%	176%
<u>Growths (7)</u>					
Loans w/o Fobaproa –IPAB (8)	19.5%	24.3%	25.7%	19.5%	25.7%
Traditional Deposits	5.2%	14.3%	16.1%	5.2%	16.1%
Total Deposits	(27.9%)	12.4%	13.3%	(27.9%)	13.3%
<u>Capitalization</u>					
Net Capital/ Credit Risk Assets (9)	21.0%	21.5%	20.2%	21.0%	20.2%
Total Capitalization Ratio (9)	17.3%	15.6%	15.2%	17.3%	15.2%

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

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

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

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

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

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

7) Growth versus the previous period.

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

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

Net Income in 1H06 in the Banking Sector (including the pension fund Afore, by equity participation method) amounted to Ps2.3 billion, equivalent to an 8% increase over the same year-ago period excluding the extraordinary items in 1H05. The Net Interest Income after Repomo, rose 7% vs. 1H05 mostly due to the 26% growth of the performing loan portfolio and a better loan mix despite lower market interest rates. Loan Loss and Loss Sharing Provisions were 24% higher than in 1H05. Non interest Income grew 24% as a result of higher Recovery and Forex income. Non Interest Expense increased 11% vs. 1H05 due mainly to higher Personnel expenses resulting from the transfer of private banking executives from Brokerage House since Oct/05 to Banorte and also of all employees of Solida Administradora de Portafolios to Banorte as of Jan/06, as well as to the branch network investment program. Non Operating Income decreased 95% vs. 1H05 primarily due to the extraordinary income from the VAT refund in 1H05.

Recovery Banking

Achievements

The Banorte Recovery Banking continues being the most successful loan recovery and asset administration unit in the Mexican market, since its establishment in 1997. Over the last 5 years, it has contributed greatly albeit decreasingly to the Group's profits as the Traditional Banking have shown a greater growth. Its most outstanding achievements include: the purchase of nearly 1 out of 2 of the portfolios auctioned by the IPAB and by other banks as of today, a collection rate of 40% on average, the first securitization of mortgage loans in Mexico which received a "AAA" rating by Fitch, which means "the highest loan quality"; and being certified by the ISO 9001:2000 standard.

Asset acquisitions in 2Q06

During 2Q06, the Recovery Banking business acquired repossessed real estate from IPAB amounting Ps 2.7 billion. These are repossessed assets that come from Serfin, Bancen and Banpaís loan portfolios that used to be managed by Banorte and that were auctioned on May/06 by IPAB.

Rating for Sólida Administradora de Portafolios

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

Future Plans

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

Recovery Banking

Recovery Banking Income Statement (Million Pesos)	ACCUMULATED	
	1H05	1H06
Net Interest Income	39	(46)
+REPOMO-margin	-	-
=Net Interest Income After REPOMO	39	(46)
- Loan Loss Provisions	(12)	(17)
= Net Interest Income After Provisions	51	(63)
+ Fiduciary	89	1
+ Fobaproa Fees (1)	122	15
+ Other Fees	205	734
Non Interest Income	416	750
= Total Operating Income	467	687
Non Interest Expense	101	266
= Net Operating Income	366	420
- Other Revenues and Expenses	7	-
= Pre-tax Income	373	420
- Income Tax & Profit Sharing, Tax on Asset, Def. Inc. Tax & Prof. Sharing	100	95
= Net Income before Subsidiaries	273	326
+ Undistributed Earnings of Subsidiaries	74	66
= Net Income-continuous Operation	348	391
+ Extraordinary Items, net	-	-
- Minority Income	-	-
= Total Net Income	348	391

(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 <i>(Millions of Pesos)</i>	1H06	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
Fobaproa-IPAB: Portfolios			
Banking Sector (1)	2,744	Out of balance trusts	Fees from FOBAPROA
Serfin	266	Serfin Trust	Fiduciary
Reposessed assets	1,370	Out of balance trusts	Fobaproa fees and Fiduciary
	4,380		
Loans purchased to IPAB and to Other Banks:	42,650	Sólida Administradora de Portafolios Bancen	Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen)
Banking Sector Portfolio: (2)			
Banking Sector	5,757	Banorte's Portfolio	Net Interest Income
Reposessed assets	6,666	Banorte's Reposessed assets	Other Revenues and Expenses
	12,423		
Total	59,452		

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

(2) Includes Ps 1,778 millions of Portfolio managed by the Recovery Bank since 1997, originated from the economic crisis of 1995.

This section is intended to dimension the Recovery Banking business contribution to the Banking Sector. The basis to calculate these figures were the assets managed by Recovery Banking which consist of: the loan portfolios ceded to Fobaproa by Bancen and Banpais before being sold, the purchase of collecting rights of the Serfin Portfolio, and the portfolios bought to the IPAB and to other banks. Additionally, it manages a proprietary portfolio which, given its characteristics, have been transferred to be collected through the Recovery Banking.

Recovery Bank Contribution <i>(Millions of Pesos)</i>	ACCUMULATED	
	1H05	1H06
Traditional Banking Net Income	2,074	2,422
Recovery Bank Net Income	348	391
GFNorte's Net Income	2,422⁽¹⁾	2,813
= % of Contribution	14.4%	13.9%

(1) Excludes the extraordinary items.

The Recovery Bank contributed with Ps 391 million to the Group's 1H06 profit; equivalent to a contribution of 13.9%, a higher contribution than in 1H05 due to the Ps 267 million non-recurrent net revenue derived from the gains for the sale of Serfin's portfolio managed by Bancen in 1H06.

2.- Brokerage Sector

Brokerage Sector (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Brokerage House								
Net Income	17	38	36	110%	(7%)	43	74	72%
Equity	532	570	605	14%	6%	532	605	14%
Assets under Management	115,045	125,470	125,273	9%	-	115,045	125,273	9%
Total Assets	635	919	799	26%	(13%)	635	799	26%
ROE %	12.4%	27.4%	24.3%			15.7%	25.7%	
Net Capital								
Tier 1	425	480	515	21%	7%	425	515	7%
Tier 2	-	-	-	-	-	-	-	-
Net Capital	425	480	515	21%	7%	425	515	7%

The **Brokerage Sector** (Brokerage House) registered a Net Income of Ps 74 million in 1H06, 72% higher than 1H05, driven mainly by greater income from brokerage commissions resulting from an increase in volumes in stock market transactions, higher fees from investment banking fees related to successful public offering of State and Municipal bonds acting as the leading agent, and also to gains in mark to market valuation. Worth highlighting is the growth in fixed income mutual funds vs 2Q05 due to the promotion of some mutual funds through the bank branch network. Assets under management increased 9% in the same period taking advantage of synergies with other subsidiaries of the Group.

3.-Long Term Savings Sector

Long Term Savings Sector (Millions of pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Afore								
Net Income	42	85	(1)	(102%)	(101%)	155	84	(46%)
Equity	1,144	937	937	(18%)	-	1,144	937	(18%)
Total Assets	1,377	1,083	1,083	(21%)	-	1,377	1,083	(21%)
Assets under Management (SIEFORE)	35,078	38,468	41,552	18%	8%	35,078	41,552	18%
ROE %	14.9%	38.1%	(0.4%)			28.7%	18.6%	
Insurance								
Net Income	133	106	64	(51%)	(39%)	265	171	(36%)
Equity	1,038	1,299	1,364	31%	5%	1,038	1,364	31%
Total Assets	5,327	6,527	7,033	32%	8%	5,327	7,033	32%
Technical Reserves	3,352	4,139	4,807	43%	16%	3,352	4,807	43%
Premiums sold	1,078	1,797	1,743	62%	(3%)	2,434	3,540	45%
ROE %	54.7%	34.2%	19.4%			58.5%	26.6%	
Annuities								
Net Income	29	81	403	1,282%	395%	50	484	871%
Equity	282	403	807	186%	100%	282	807	186%
Total Assets	6,493	7,065	7,694	18%	9%	6,493	7,694	18%
Technical Reserves	6,185	6,642	6,863	11%	3%	6,185	6,863	11%
Premiums sold	210	168	258	23%	54%	423	426	1%
ROE %	43.5%	89.2%	265.6%			39%	189%	

The **Pension Fund Afore** registered a Net Income in 1H06 of Ps 84 million (51% GFNorte), 46% lower than in 1H05, primarily due to an increase in sales expenses derived from a higher new affiliate acquisition costs resulting from tougher competition. This a phenomenon that has negatively affected the industry as a whole. As of Jun/06, the fee charged on monthly contributions decreased from 1.4% to 1.27% lowering revenues of the quarter. As of 1H06, the Pension Fund Afore had a total of 3,078,554 affiliates, reaching a share of 10.5% in certified accounts. Assets under management by the SIEFORE (Specialized Retirement Mutual Fund) rose 18% vs. 2Q05 as a result of a higher number of affiliates and the strategy to attract new higher-end customers.

The **Insurance Company** showed a profit of Ps 171 million in 1H06 (51% GFNorte), 36% lower than in 1H05, mostly as a result of higher taxes due to the depletion of tax-loss carry-forwards at the end of 2005 and an increase in claims. Premiums sold in 1H06 amounted to Ps 3.5 billion, 45% higher than those issued in 1H05, due to the growth in sales of policies through the branch network.

The **Annuities Company** registered a Net Income of Ps 484 million in 1H06 (51% GFNorte), 872% higher than in 1H05 as a result of a Ps 490 million profit obtained from the sale of fixed income securities. Premiums sold maintained a similar level to that of 1H05 due to a reduction in pensions offered by the Instituto Mexicano del Seguro Social (IMSS) to the market. The company presently ranks 2nd in the industry in terms of premiums sold.

3.- Auxiliary Organizations Sector

Auxiliary Organizations Sector (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Leasing								
Net Income	23	28	31	37%	13%	42	59	41%
Equity	240	307	338	41%	10%	240	338	41%
Loan Portfolio	2,518	2,835	3,013	20%	6%	2,518	3,013	20%
Past Due Loans	17	20	19	16%	(3%)	17	19	16%
Loan Loss Reserves	25	40	42	69%	6%	25	42	69%
Total Assets	2,524	2,836	3,012	19%	6%	2,524	3,012	19%
ROE %	39.6%	37.6%	38.5%			38.0%	38.0%	
Factoring								
Net Income	24	22	26	10%	16%	41	48	18%
Equity	303	352	378	25%	7%	303	378	25%
Loan Portfolio	3,383	3,207	3,730	10%	16%	3,383	3,730	10%
Past Due Loans	33	31	29	(14%)	(6%)	33	29	(14%)
Loan Loss Reserves	42	46	41	(2%)	(12%)	42	41	(2%)
ROE %	3,368	3,190	3,713	10%	16%	3,368	3,713	10%
Total Assets	32.3%	26.0%	28.2%			28.8%	27.1%	
Warehousing								
Net Income	3	2	3	8%	26%	8	6	(27%)
Equity	101	108	110	9	3%	101	110	9%
Inventories (*)	203	78	-	-	-	203	-	-
Total Assets	276	220	143	(48%)	(35%)	276	143	(48%)
ROE %	11.6%	9.3%	11.5%			15.7%	10.4%	
Bonding								
Net Income	4	4	7	71%	69%	9	12	36%
Equity	92	111	118	29%	7%	92	118	29%
Total Assets	381	450	436	15%	(3%)	381	436	15%
Technical Reserves	188	233	238	26%	2%	188	238	26%
Premiums sold	44	93	46	5%	(50%)	137	140	2%
	19.2%	16.0%	25.6%			19.6%	20.9%	

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

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

The **Leasing Company** accumulated a Net Income of Ps 59 million during 1H06, equivalent to a 41% increase over 1H05, mostly due to a 20% growth in its loan portfolio vs 2Q05, lower loan loss provisioning, the sale of leased equipment and an income of Ps 4.9 million from recoveries. The past due loan ratio and the reserve coverage ratio reached 0.6% and 221%, respectively at the end of 1H06. The company currently stands in 2nd place among the 27 Leasing companies in loans.

The **Factoring Company** obtained a Net Income of Ps 48 million in 1H06, 18% higher than in 1H05. The loan portfolio showed a 10% increase ending 1H06 with a Ps 3.7 billion balance. The past due loan portfolio closed at Ps 29 million, equivalent to a past due loan ratio of 0.8%, with reserve coverage of 141%. The company presently leads the industry's 10 factoring companies in terms of volume of operations.

The **Warehousing Company** registered a Net Income of Ps 6 million in 1H06, 27% lower than in 1H05 primarily due to decrease in customer inventory commercialization result from a decline in operations with important clients. This has been compensated with higher warehousing services which have allowed the company to issue deposit certificates that are used as collateral for Banorte's loans, specially to the farming sector. The Warehousing Company currently ranks 9th among the country's 20 market participants in terms of certification volume.

The **Bonding Company** registered a Net Income of Ps 12 million in 1H06, 36% more than in 1H05, due mainly to the 2% increase in premiums sold when compared to the previous year, ending with a balance of Ps 140 million.

5.- Microcredit Sofol

Pronegocio (Millions of Pesos)	QUARTER			% CHANGE		ACCUMULATED		
	2Q05	1Q06	2Q06	2Q05	1Q06	1H05	1H06	% CH
Pronegocio								
Net Income	(8)	4	5	155%	6%	(12)	9	173%
Equity	60	59	63	5%	8%	60	63	5%
Loan Portfolio	125	402	475	281%	18%	125	475	281%
Past Due Loans	6	15	25	317%	67%	6	25	317%
Loan Loss Reserves	2	8	12	500%	50%	2	12	500%
Total Assets	129	410	482	273%	17%	129	482	273%
ROE %	(61.6%)	30.6%	30.0%			(49.0%)	30.3%	

Pronegocio reported a Ps 9 million profit in 1H06 vs a Ps 12 million loss in 1H05 (it started its operations at the beginning 2005). Profits in 1H06 came mainly from an outstanding 281% yoy loan growth, albeit from a small base, ending the quarter with a balance of Ps 475 million. Past due loans at the end of 1H06 stood at Ps 25 million balance, equivalent to a 5.3% PDL ratio with a reserve coverage of 48% (equivalent to 240% since Nafin guarantees 80% of the loans). As of 2Q06 it had 42 branches in 23 cities, and 25 new branches are currently in process of being opened.



ANNEXES

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

ANNEX 1 .-Grupo Financiero- General Information

GFNorte Ownership in Subsidiaries

	2006
Banco Mercantil del Norte (1)	96.11%
Banco del Centro	99.99%
Brokerage House	99.99%
Pension Funds Afore (2)	51.00%
Insurance	51.00%
Annuities	51.00%
Leasing	99.99%
Factoring	99.99%
Warehousing	99.99%
Bonding	99.99%
Microcredit Sofol	99.99%

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

Holding Company Capital Structure

Number of Shares	SERIE O As of June 2006
Number of shares issued	2,018,347,548
- Shares held on Treasury	516,100
= Number of shares outstanding	2,017,831,498

Banorte Ratings

International Ratings				
Rating Agency	Rated Institution	Rating	Category	Date
Moody's	Banorte	Stable	Outlook	January 2005
		D+	Modest Financial Strength	
		Baa1	Foreign long - term bank deposits	
		P-2	Foreign short- term bank deposits	
		A-3	Local long - term bank deposits	
Standard & Poors	Banorte	P-2	Local short- term bank deposits	March 2006
		Stable	Outlook	
		BBB-	Long Term foreign issuer credit	
		BBB-	Long Term local currency deposits	
		A-3	Short term foreign issuer credit	
Fitch	Banorte	A-3	Short tem local issuer credit	December 2005
		Positive	Outlook	
	Grupo Financiero Banorte	BBB-	Long Term Foreign currency	
		BBB-	Long Term Local currency	
		F3	Short Term Local Currency	
		F3	Short Term Foreign Currency	
		C/D	Individual – Foreign Currency	
3	Support Rating			
4	Support Rating			

Banorte Ratings

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

No. of Employees & Distribution Network

EMPLOYEES	2Q05	1Q06	2Q06
Banking Sector (1)	12,326	12,740	12,788
Other Sectors (2)	2,357	2,410	2,470
Total Group	14,683	15,150	15,258
DISTRIBUTION NETWORK			
Banking Branches	961	971	973
- To be Open			20
ATM	2,670	2,881	2,967

(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 & Equity Markets
Luis Fernando Orozco	Managing Director – Asset Recovery
Enrique Castellón Vega	Managing Director - Long Term Savings Sector
Antonio E. Ortiz Cobos	Managing Director - Development USA
STAFF	
Sergio García Robles Gil	Managing Director – CFO
Joaquín López Doriga López Ostolaza	Managing Director - Corporate Affairs
Alma Rosa Moreno	Managing Director - Administration
Prudencio Frigolet Gómez	Managing Director - Operations and Technology
Aurora Cervantes Martínez	Managing Director - Legal
Cecilia Miller Suárez	Managing Director - Marketing
Eduardo Sastre de la Riva	Managing Director - Institutional Relations
Román Martínez Méndez	Managing Director - Audit
Gerardo Coindreau Farias	Managing Director - Risk Management

ANNEX 2 .-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

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

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

ANNEX 3 .-Loan Portfolio sales to Sólida Administradora de Portafolios

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

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

(Millions of Nominal Pesos)	Local Currency (2)			Foreign Currency (USD) (3)			Total		
	Aug'02	Mar'06	Jun'06	Aug'02	Mar'06	Jun'06	Aug'02	Mar'06	Jun'06
Performing Loans									
Commercial	5	2	2	5	-	-	10	2	2
Consumer	-	-	-	-	-	-	-	-	-
Mortgage	54	91	90	-	-	-	54	91	90
Total	59	93	92	5	-	-	64	93	92
Non Performing Loans									
Commercial	405	415	411	293	151	156	698	566	567
Consumer	81	74	74	-	-	-	81	74	74
Mortgage	1,112	557	537	-	-	-	1,112	557	537
Total	1,598	1,046	1,022	293	151	156	1,891	1,197	1,178
TOTAL LOANS	1,657	1,139	1,114	298	151	156	1,955	1,290	1,270
Loan Loss Reserves (1)									
Commercial	326	398	393	246	143	148	572	541	541
Consumer	77	74	74	-	-	-	77	74	74
Mortgage	669	511	497	-	-	-	669	511	497
Total	1,072	983	964	246	143	148	1,318	1,126	1,112

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

(2) Includes UDIS.

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

Note 1.- There was a Reserve deficit of Ps 108 million as of June/06.

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

In 2006 the Loan portfolio showed changes due to: collections for Ps 21 million, re-structures for Ps 4 million, repossessed assets for Ps 3 millions and Ps 12 million in charge-offs and discounts. In the Loan loss provisions there were charge-offs and discounts for Ps 9 million and repossessed assets for Ps 2 millions. There were transfers from performing loans to past due loans for Ps 8 million and transfers from past due loans to performing loans for Ps 11 million.

BANORTE'S LOAN PORTFOLIO INCLUDING LOANS SOLD TO SÓLIDA

(Millions of Nominal Pesos)	Local Currency ⁽¹⁾		Foreign Currency (USD)⁽²⁾		Total	
	Mar'06	Jun'06	Mar'06	Jun'06	Mar'06	Jun'06
Performing Loans						
Commercial	44,484	47,173	7,860	9,243	52,344	56,416
Financial Intermediaries	3,407	3,206	781	850	4,188	4,056
Consumer	13,838	15,124	-	-	13,838	15,124
Mortgage	25,473	27,555	-	-	25,473	27,555
Government Entities	13,928	12,354	490	507	14,418	12,861
Fobaproa / IPAB	166	-	-	-	166	-
Performing Loans	101,296	105,412	9,131	10,600	110,427	110,427
Non Performing Loans						
Commercial	907	914	223	232	1,130	1,146
Consumer	465	530	-	-	465	530
Mortgage	1,290	1,265	-	-	1,290	1,265
Government Entities	-	-	-	-	-	-
Non Performing Loans	2,662	2,709	223	232	2,885	2,941
TOTAL LOANS	103,958	108,121	9,354	10,832	113,312	118,953
Loan Loss Reserves	3,679	3,822	398	411	4,077	4,233
Net Loan Portfolio	100,279	104,299	8,956	10,421	109,235	114,720
Loan Loss Reserves					141.3%	143.9%
% Past Due Loans					2.6%	2.5%

(1) Includes UDIS.

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

ANNEX 4 .- Financial Statements

HOLDING –Income Statement *(Millions of Pesos)*

	1Q05	2Q05	3Q05	4Q05	ACUM	1Q06	2Q06	3Q06	4Q06	ACUM
Income from Subsidiaries and Interest Expense	1,131	2,116	1,360	1,176	5,784	1,372	1,446			2,818
Trading Income	-	-	-	-	-	-	-	-	-	-
Fees & Tarifs	-	-	-	-	-	-	-	-	-	-
REPOMO	-	-	(1)	(1)	(2)	(1)	-	-	-	(1)
Total Operating Income	1,131	2,116	1,360	1,175	5,782	1,371	1,446			2,817
Operation & Administrative expenses	1	-	-	-	1	1	1			2
Operatina Income	1,130	2,115	1,360	1,175	5,780	1,370	1,445			2,816
Non Operating Income	-	-	-	7	7	-	-			-
Non Operating Expense	-	-	-	(1)	(1)	(1)	-			(1)
Non Operatina Income	-	-	-	6	6	(1)	-			(1)
Pre-tax Income	1,130	2,115	1,360	1,182	5,786	1,369	1,445			2,815
Income Tax & Profit Sharing	2	2	3	2	8	1	1			1
Tax on Assets	-	-	-	-	-	-	-			-
Deferred Inc. Tax and Profit sharing	-	-	-	-	-	-	-			-
	2	2	3	2	8	1	1			1
Net income from Continuos	1,128	2,114	1,357	1,180	5,778	1,368	1,445			2,813
Extraordinary Items, net	-	-	-	-	-	-	-			-
Total Net Income	1,128	2,114	1,357	1,180	5,778	1,368	1,445			2,813

HOLDING -BALANCE SHEET *(Millions of Pesos)*

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Cash and due from Banks	50	61	94	63	79	39		
Financial Instruments:	-	10	-	-	-	-		
Sundry debtors and other assets,net	4	4	-	8	11	10		
Real Estate, Furniture & Equipment, net	-	-	-	-	-	-		
Investments in subsidiaries	17,252	18,989	20,333	20,598	22,102	23,024		
Deferred taxes	-	-	-	-	-	-		
Goodwill	41	40	40	39	38	37		
Other Assets, Deferred charges, intang	1	1	1	1	2	1		
TOTAL ASSETS	17,348	19,106	20,467	20,709	22,231	23,111		
LIABILITIES								
Due to banks and correspondents	-	-	-	-	-	-		
Income Tax & Profit Sharing	1	3	1	-	-	-		
Other Payable accounts	-	-	-	1	1	1		
Other payable accounts	2	3	1	1	1	1		
Deferred taxes	-	-	-	-	-	-		
TOTAL LIABILITIES	2	3	1	1	1	1		
STOCKHOLDER 'S EQUITY								
Paid-in Capital	5,845	5,844	5,845	11,233	11,236	11,231		
Share subscription premiums	1,737	1,737	1,737	1,737	1,737	1,737		
Subordinated Convertible Debentures	-	-	-	-	-	-		
Subscribed Capital	7,581	7,581	7,581	12,970	12,973	12,968		
Capital Reserves	1,571	1,693	1,713	1,689	1,706	1,956		
Retained Earnings	16,756	16,621	16,621	10,589	16,367	16,083		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,964)	(5,964)	(5,962)	(5,962)	(5,963)	(5,963)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(3,725)	(4,069)	(4,085)	(4,354)	(4,222)	(4,746)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	1,128	3,242	4,598	5,778	1,368	2,813		
Earned Capital	9,765	11,523	12,885	7,739	9,257	10,142		
Total Stockholder 's Equity	17,347	19,103	20,466	20,709	22,230	23,110		
TOTAL LIABILITIES &	17,348	19,106	20,467	20,709	22,231	23,111		

MEMORANDUM ACCOUNTS OF HOLDING *(Millions of Pesos)*

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Client securities held in custody	3,841	3,832	3,808	3,755	3,711	3,716		
Other trust account items	115	115	114	112	-	1		
	3,956	3,947	3,922	3,867	3,712	3,717		

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

	1Q05	2Q05	3Q05	4Q05	ACUM	1Q06	2Q06	3Q06	4Q06	ACUM
Interest Income	7,346	9,067	9,390	9,296	35,098	8,598	8,142			16,739
Interest Expense	4,425	5,679	6,083	5,847	22,034	5,346	4,799			10,145
Loan Fees	96	135	151	208	591	148	192			340
Fees Paid	25	27	35	34	122	39	37			76
Net Interest Income (NII)	2,991	3,495	3,423	3,624	13,533	3,361	3,497			6,858
Repomo-Margin	(34)	(13)	(39)	(63)	(148)		19			(53)
NII after Repomo	2,957	3,483	3,384	3,561	13,385	3,288	3,517			6,805
Loan Loss Provisions	221	364	481	315	1,381	353	424			777
Loss Sharing Provisions	33	36	(10)	20	79	17	13			31
NII after Provisions	2,703	3,083	2,914	3,226	11,925	2,918	3,080			5,997
Fund transfers	37	48	50	55	190	52	57			109
Account management	247	255	245	244	991	230	237			467
Fiduciary	46	56	55	65	221	55	64			119
Income from Loan Portfolios Acquired	288	155	722	259	1,423	612	416			1,028
Electronic Banking Services	147	161	162	180	649	170	188			358
Credit Card	252	264	280	315	1,111	318	337			655
Fees from IPAB	81	62	(6)	55	192	9	7			15
Other fees	532	409	532	447	1,920	542	514			1,057
Fees on services,	1,630	1,410	2,039	1,619	6,698	1,988	1,819			3,807
Fund transfers	3	2	2	3	10	4	4			7
Other fees	125	127	136	162	550	162	171			333
Expenses from Loan Portfolios Acquired	188	125	389	252	953	240	237			478
Fees paid,	316	254	528	417	1,514	406	412			818
Foreign exchange	57	35	94	91	277	117	95			212
Securities –Realized gains	88	527	132	13	759	539	177			716
Securities- Unrealized gains	41	(44)	15	(1)	11	(169)	154			(15)
Market-related Income	186	518	241	103	1,048	487	426			913
Total Non Interest Income	1,501	1,675	1,752	1,305	6,233	2,069	1,833			3,902
Total Operating Income	4,204	4,758	4,666	4,530	18,158	4,987	4,913			9,900
Personnel	1,090	1,111	1,129	1,082	4,411	1,204	1,259			2,462
Professional Fees	147	196	157	159	659	204	195			399
Administrative and Promotion Expenses	780	769	956	929	3,433	846	916			1,762
Rents, depreciation and amortization	431	434	408	387	1,661	431	407			838
Taxes, other than income tax	123	103	125	111	461	154	121			275
Contributions to IPAB	151	152	151	152	607	157	163			319
Non-Interest Expense	2,722	2,763	2,926	2,820	11,232	2,995	3,060			6,055
Operating Income	1,482	1,995	1,739	1,710	6,926	1,992	1,853			3,845
Other Revenues	388	564	222	389	1,564	157	145			301
Foreign exchange	-	-	-	-	-	-	-			-
Recoveries	36	1,226	47	45	1,354	145	132			277
Repomo-other revenues	2	4	1	4	12	4	-			4
Non Operating Income	427	1,794	271	439	2,930	306	276			582
Other Expense	(356)	(822)	(167)	(305)	(1,650)	(200)	(229)			(429)
Foreign exchange	-	-	-	-	-	-	-			-
Repomo-other Expenses	(33)	(13)	(45)	(137)	(228)	(101)	4			(97)
Non Operating Expense	(389)	(835)	(213)	(442)	(1,878)	(301)	(224)			(526)
Non Operating Income (Expense), net	38	959	58	(3)	1,052	5	52			57
Pre-tax Income	1,520	2,954	1,797	1,707	7,978	1,996	1,906			3,902
Income Tax	177	398	400	656	1,632	450	462			912
Profit sharing	136	280	147	116	679	127	142			269
Tax on Assets	9	8	8	(26)	-	-	-			-
Deferred Inc. Tax and Profit sharing	102	146	(85)	(187)	(24)	127	109			236
Net Income before subsidiaries	424	833	471	560	2,288	703	714			1,417
Net Income before subsidiaries	1,096	2,121	1,326	1,147	5,690	1,293	1,192			2,485
Subsidiaries' net income	117	86	121	83	407	144	285			428
Net Income from continuous operations	1,213	2,207	1,447	1,230	6,097	1,437	1,477			2,913
Extraordinary items, net	-	-	-	-	-	-	-			-
Minority Interest	85	94	91	50	319	69	32			101
TOTAL NET INCOME	1,128	2,114	1,357	1,180	5,778	1,368	1,445			2,813

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

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Cash and due from Banks	36,417	40,459	36,746	39,191	38,776	39,206		
Negotiable Instruments	5,327	6,532	4,224	9,088	14,244	14,741		
Securities held for sale	281	251	255	136	5,179	1,224		
Securities held to maturity	10,273	12,722	12,603	12,431	4,414	4,421		
Financial Instruments:	15,881	19,505	17,081	21,656	23,837	20,385		
Non-assigned securities to pay	-	-	-	-	-	-		
Repurchase agreements, net	72	95	67	158	118	109		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	38	-	284	473	549	223		
Repos & Derivatives :	110	96	351	631	667	332		
Commercial	50,032	50,383	52,787	58,458	58,668	63,867		
Financial Intermediaries	411	1,858	2,077	1,985	2,237	1,933		
Consumer	12,367	13,569	14,661	15,673	16,493	18,045		
Mortgage	19,882	21,106	22,277	24,029	25,540	27,657		
Government Entities	18,747	13,341	13,584	15,375	14,444	12,893		
IPAB	7,251	7,222	2,602	163	166	-		
Fiduciary collection rights	-	-	-	-	-	-		
Performing Loans	108,688	107,481	107,988	115,682	117,548	124,395		
Commercial	638	675	731	678	698	719		
Financial Intermediaries	-	-	-	-	-	-		
Consumer	340	374	383	416	430	507		
Mortgage	840	784	791	775	752	743		
Government Entities	9	-	-	-	-	-		
Past Due Loans	1,827	1,833	1,905	1,870	1,879	1,968		
Total Loans	110,515	109,314	109,894	117,551	119,427	126,364		
Preventive loan loss reserves	2,815	2,944	3,149	3,099	3,218	3,425		
Net Loan Portfolio	107,700	106,370	106,745	114,452	116,209	122,938		
Credit Assets Portfolio	1,967	1,834	3,068	3,266	3,740	3,894		
Sundry debtors and other assets, net	5,085	7,876	8,779	2,814	7,777	7,853		
Foreclosed assets, net	428	422	509	451	356	295		
Real Estate, Furniture & Equipment, net	6,034	5,785	5,665	5,741	5,652	5,663		
Investments in subsidiaries	2,074	2,145	2,254	2,249	2,376	2,646		
Deferred taxes	684	327	404	407	253	-		
Deferred charges & Intangibles	1,647	1,474	1,144	1,306	1,230	1,215		
Other Assets	17,918	19,863	21,823	16,235	21,383	21,566		
TOTAL ASSETS	178,026	186,293	182,746	192,164	200,872	204,428		

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

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Demand Deposits	65,777	68,643	66,841	76,832	76,194	80,720		
Time Deposits	58,849	58,205	62,866	62,036	64,099	63,330		
Bonds	-	-	-	-	-	-		
Deposits	124,625	126,849	129,707	138,868	140,294	144,049		
Demand	1,304	2,391	1,280	2,591	531	1,568		
Short term	8,275	9,379	4,843	5,595	4,707	4,859		
Long term	11,617	11,816	11,863	11,587	11,021	12,809		
Due to banks and correspondents	21,196	23,586	17,986	19,773	16,260	19,236		
Non-assigned securities to pay	-	-	-	-	-	-		
Repurchase agreements, net	89	161	391	337	411	183		
Operations with collateral	-	-	-	-	-	-		
Futures receivable, net	-	-	-	-	-	-		
Options and derivatives, net	3	8	274	451	514	184		
Repos & Derivatives:	91	169	665	788	925	367		
Income Tax & Profit Sharing	376	980	1,348	1,720	638	658		
Other Payable accounts	8,574	9,760	6,628	4,462	14,784	11,060		
Other payable accounts	8,951	10,740	7,976	6,362	15,422	11,717		
Subordinated non Convertible Debenture	4,767	4,720	4,685	4,602	4,572	4,617		
Deferred Taxes	-	-	-	-	-	156		
Deferred credits	51	48	93	73	105	100		
TOTAL LIABILITIES	159,682	166,112	161,112	170,466	177,578	180,243		
STOCKHOLDER'S EQUITY								
Paid-in Capital	5,845	5,844	5,845	11,233	11,236	11,231		
Share subscription premiums	1,737	1,737	1,737	1,737	1,737	1,737		
Subordinated Convertible Debentures	-	-	-	-	-	-		
Subscribed Capital	7,581	7,581	7,581	12,970	12,973	12,968		
Capital Reserves	1,571	1,693	1,713	1,689	1,706	1,956		
Retained Earnings	16,756	16,621	16,621	10,589	16,367	16,083		
Surplus (Deficit) from securities	-	-	-	-	-	-		
Results of foreign operations exchange	-	-	-	-	-	-		
Excess (Insuf.) in capital restatement	(5,964)	(5,964)	(5,962)	(5,962)	(5,963)	(5,963)		
Non Mon assets results Fixed Assets	-	-	-	-	-	-		
Non Mon assets results Investm	(3,725)	(4,069)	(4,085)	(4,354)	(4,222)	(4,746)		
Adjustment in the employees pension	-	-	-	-	-	-		
Accumulated Deferred tax effect	-	-	-	-	-	-		
Net Income	1,128	3,242	4,598	5,778	1,368	2,813		
Earned Capital	9,765	11,523	12,885	7,739	9,257	10,142		
Minority Holdings	998	1,077	1,168	990	1,064	1,075		
Total Stockholder's Equity	18,344	20,181	21,634	21,698	23,294	24,186		
TOTAL LIABILITIES &	178,026	186,293	182,746	192,164	200,872	204,428		

MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED

<i>(Millions of Pesos)</i>	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
ON BEHALF OF THIRD PARTY								
Customers' banks	9	12	49	14	13	13		
Dividends receivable from customers	-	-	-	-	-	-		
Interest receivable from customers	-	-	-	-	-	-		
Liquidation of customer transactions	100	(188)	(236)	(126)	699	666		
Customer loans	-	-	-	-	-	-		
Liquidation with foreign currencies of	-	-	-	-	-	-		
Margin accounts in futures operations	-	-	-	-	-	-		
Other current accounts	-	-	-	-	-	-		
CUSTOMERS CURRENT ACCOUNT	109	(176)	(187)	(112)	712	679		
Client securities held in custody	116,067	114,839	117,705	120,139	124,975	124,966		
Securities and documents received in	-	-	43	-	-	-		
Client securities abroad	-	-	-	-	-	-		
CLIENT SECURITIES	116,067	114,839	117,748	120,139	124,975	124,966		
Repurchase operations for customers	31,372	34,080	30,043	25,539	26,349	33,040		
Clients securities loans	-	-	43	-	-	-		
Purchase of Futures & forward contracts	-	-	-	-	-	-		
Sale of futures and forward contracts	-	-	-	-	-	-		
Purchasing operations (option price)	-	-	172	158	113	16		
Sales operations (option price)	-	-	-	-	-	-		
Purchase of derivative packages	-	-	-	-	-	-		
Sale of derivative packages	-	-	-	-	-	-		
Administration trusts	1,891	2,820	2,404	2,800	2,638	2,551		
TRANSACTIONS ON BEHALF CLIENT	33,263	36,900	32,661	28,498	29,099	35,607		
TOTAL ON BEHALF OF THIRD PARTY	149,439	151,564	150,223	148,524	154,786	161,253		
Signature guarantees granted	62	61	61	27	-	-		
Issuing of irrevocable letters of credit	2,214	1,933	1,749	2,193	2,198	2,106		
Property in trust and guardianship	68,719	67,356	68,542	68,481	69,836	70,305		
Assets held in custody or in administration	76,452	78,702	82,389	84,215	88,575	89,006		
Amounts committed to operations with	655	952	794	604	650	1,116		
In Transit drafts	-	-	-	-	-	-		
Certificates of Deposit in circulation	626	494	394	742	455	518		
Secured Credit Cards from the company	-	-	-	-	-	-		
Securities given to the company in custody	225	277	245	214	198	251		
Government securities in custody of the	84	1	251	375	379	142		
Securities given to the company on	-	-	-	-	-	-		
Securities outside the country	-	-	-	-	-	-		
Liquidations with foreign currencies abroad	-	-	-	-	-	-		
Debits to the contingency fund	-	-	-	-	-	-		
Other contingent obligations	3,665	1,180	1,165	1,149	257	260		
Banking transactions on behalf of third-	102,669	113,226	107,728	90,880	103,833	107,351		
Investments in funds for the retirem.saving	-	-	-	-	-	-		
Integration of the credit portfolio	-	-	-	-	-	-		
Amounts contracted in derivative	250,284	40,774	-	-	-	-		
Other trust account items	-	-	-	-	-	-		
OWN ACCOUNT OPERATIONS	505,655	304,956	263,318	248,880	266,381	271,056		
Repurchase agreements								
Securities to be received	177,480	205,241	237,354	242,320	235,560	227,377		
(Less) Securities to be delivered	(177,527)	(205,261)	(237,649)	(242,584)	(235,884)	(227,426)		
REPURCHASE TRANSACTIONS-	(47)	(20)	(295)	(265)	(324)	(48)		
Securities to be received	44,472	42,856	67,366	71,830	66,801	51,154		
(Less) securities to be delivered	(44,441)	(42,901)	(67,395)	(71,744)	(66,769)	(51,180)		
REPURCHASE TRANSACTIONS- SOLD	31	(45)	(29)	86	32	(26)		
TOTAL ON OWN ACCOUNT	505,639	304,891	262,994	248,701	266,089	270,982		

GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW
 JANUARY 1, 2006 - JUNE 30, 2006
 (Millions of Pesos)

CASH FLOW FROM OPERATING ACTIVITIES :	
Net Income	2,813
Adjustments to Reconcile Net Income to Net Cash by Operating Activities	
Mark to Market Valuation Results	58
Provisions for loan losses	807
Depreciation and amortization	448
Defferred Taxes	236
Provisions for Obligations	(772)
Minoritary Interest	100
Undistributed Earnings of Subsidiaries	(428)
	449
Cash Flows From Investing Activities:	
Banks Deposits	5,175
Decrease (Increase) loan portfolio	(9,289)
Decrease (Increase) credit assets portfolio	(628)
Decrease (Increase) treasury operations	1,213
Decrease (Increase) financial instruments	(123)
Loans from banks and other entities	(538)
Decrease (Increase) Deferred taxes	328
Decrease (Increase) in accounts receivable and payable	1,087
Net Resources provided by operations	(2,775)
Financial Activities:	
Subordinated Debentures Issue and Interest	15
Issuance of stock	(20)
Cash Dividends	-
Net Resources provided by Investing activities	(5)
CASH FLOW FROM FINANCING ACTIVITIES :	
Fixed Assets increase	(207)
Proceeds from issuance of common stock	(375)
Decrease (Increase) Deferred charges or credits	(44)
Decrease (Increase) Foreclosed assets	157
Net Cash provided by financing activities	(469)
Decrease (increase) in cash and due from banks	13
Cash and due from banks at the beginning of the year	39,193
Cash and due from banks at the end of the year	39,206

GRUPO FINANCIERO BANORTE
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
JANUARY 1, 2006- JUNE 30, 2006.
(Millions of Pesos)

	CONTRIBUTED CAPITAL		
	Fixed Paid-in Capital Variable	Paid-in Capital Premium, Bonds	& oth. Securities
Balance as of December 31,2005	3,484	7,749	1,737
Stock Changes			
Issuance of stock	-	(2)	-
Profits Capitalization	-	-	-
Provisions Created	-	-	-
Increments in Capital	-	-	-
Total	-	(2)	-
Total Income			
Total Income:	-	-	-
Net Income	-	-	-
Results of assets holdings	-	-	-
Minority Interest	-	-	-
Total	-	-	-
Balance as of June 30,2006	3,484	7,747	1,737

	EARNED CAPITAL						Total Stockholders' Equity
	Capital Reserves	Retained earnings	Excess if Insuf. Capital Restatement	Non Monetary Assets Results (Investment)	Net Income of the year	Minority Interest	
Balance as of December 31,2005	1,689	10,589	(5,963)	(4,354)	5,779	989	21,699
Stock Changes							
Issuance of stock	(18)	-	-	-	-	-	(20)
Profits Application	-	5,779	-	-	(5,779)	-	-
Provisions created	285	(285)	-	-	-	-	-
Cash Dividends	-	-	-	-	-	-	-
Increments in Capital	-	-	-	-	-	-	-
Total	267	5,494	-	-	(5,779)	-	(20)
Total Income							
Total Income:							
Net Income	-	-	-	-	2,813	-	2,813
Results of assets holdings	-	-	-	(392)	-	-	(392)
Total	-	-	-	(392)	2,813	-	2,421
Minority Interest	-	-	-	-	-	86	86
Balance as of June 30,2006	1,956	16,083	(5,963)	(4,746)	2,813	1,075	24,186

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

NET INTEREST INCOME	1Q05	2Q05	3Q05	4Q05	ACUM	1Q06	2Q06	3Q06	4Q06	ACUM	% 2Q06 VS 1Q06
Interest Income	7,271	8,673	8,954	8,950	33,847	8,299	7,765			16,065	(6.4%)
Interest Expense	4,476	5,425	5,804	5,654	21,360	5,127	4,537			9,664	(11.5%)
Loan Fees	96	132	146	203	578	144	187			331	29.7%
Fees Paid	25	27	35	30	117	35	33			68	(4.3%)
Net Interest Income (NII)	2,865	3,352	3,262	3,468	12,948	3,281	3,382			6,663	3.1%
Repomo-Margin	(25)	(9)	(26)	(37)	(96)	(53)	16			(37)	130.3%
NII after Repomo	2,841	3,344	3,235	3,432	12,852	3,229	3,398			6,626	5.2%
Loan Loss Provisions	218	359	463	296	1,335	351	418			769	18.9%
Loss Sharing Provisions	33	36	(10)	20	79	17	13			31	(22.4%)
NII after Provisions	2,589	2,949	2,783	3,116	11,437	2,860	2,967			5,827	3.7%
Fund transfers	37	48	50	55	190	52	57			109	10.5%
Account management	247	255	245	244	991	230	237			467	3.0%
Fiduciary	46	56	55	65	221	55	64			119	15.0%
Income from Loan Portfolios Acquired	288	155	722	259	1,423	612	416			1,028	(32.0%)
Electronic Banking Services	147	161	162	180	649	170	188			358	10.4%
Credit Card	252	264	280	315	1,111	318	337			655	5.8%
Fees from IPAB	81	62	(6)	55	192	9	7			15	(27.0%)
Other fees	129	125	116	131	502	132	175			307	33.0%
Fees on services,	1,228	1,126	1,623	1,304	5,281	1,578	1,480			3,057	(6.2%)
Fund transfers	3	2	2	3	10	4	4			7	(2.2%)
Other fees	117	120	129	153	519	156	165			321	6.2%
Expenses from Loan Portfolios Acquired	188	125	389	252	953	240	237			478	(1.2%)
Fees paid,	307	247	520	408	1,482	400	406			806	1.6%
Foreign exchange	61	39	102	102	305	134	127			262	(5.3%)
Securities -Realized gains	53	493	91	(16)	622	463	93			555	(80.0%)
Securities- Unrealized gains	45	(44)	29	(3)	27	(181)	156			(25)	185.9%
Market-related Income	160	488	222	84	954	416	376			792	(9.7%)
Total Non Interest Income	1,081	1,368	1,325	979	4,753	1,594	1,449			3,043	(9.1%)
Total Operating Income	3,670	4,316	4,108	4,095	16,190	4,454	4,416			8,870	(0.9%)
Personnel	999	1,030	1,044	1,045	4,117	1,157	1,219			2,375	5.3%
Professional Fees	141	185	142	138	607	185	173			358	(6.8%)
Administrative and Promotion Expenses	653	627	786	746	2,811	691	709			1,400	3.3%
Rents, depreciation and amortization	367	367	341	327	1,401	361	336			697	(7.0%)
Taxes, other than income tax	105	82	100	85	373	128	95			223	(25.3%)
Contributions to IPAB	151	152	151	152	607	157	163			319	3.9%
Non-Interest Expense	2,417	2,443	2,565	2,492	9,916	2,678	2,694			5,372	0.6%
Operating Income	1,254	1,873	1,543	1,604	6,274	1,776	1,722			3,498	(3.0%)
Other Revenues	111	60	89	188	448	61	78			139	27.4%
Foreign exchange	-	-	-	-	-	-	-			-	-
Recoveries	35	1,220	46	37	1,338	135	121			256	(10.5%)
Repomo-other revenues	3	3	1	1	7	1	-			1	(102.4%)
Non Operating Income	149	1,283	135	227	1,794	197	199			396	0.7%
Other Expense	(78)	(312)	(35)	(68)	(492)	(101)	(148)			(249)	46.3%
Foreign exchange	-	-	-	-	-	-	-			-	-
Repomo-other Expenses	(33)	(13)	(45)	(135)	(225)	(100)	5			(95)	105.0%
Non Operating Expense	(110)	(325)	(80)	(203)	(717)	(201)	(143)			(344)	(28.9%)
Non Operating Income (Expense), net	39	958	56	24	1,076	(4)	56			52	1,642.1%
Pre-tax Income	1,292	2,831	1,599	1,628	7,350	1,772	1,778			3,550	0.3%
Income Tax	100	365	302	668	1,435	387	429			816	10.8%
Profit sharing	135	279	145	111	671	124	137			261	10.7%
Tax on Assets	9	8	8	(26)	-	-	-			-	-
Deferred Inc. Tax and Profit sharing	118	147	(40)	(226)	(1)	134	115			249	(13.6%)
	362	800	415	527	2,105	645	681			1,326	5.7%
Net Income before subsidiaries	930	2,031	1,184	1,101	5,245	1,128	1,097			2,224	(2.8%)
Subsidiaries' net income	84	12	68	59	222	75	36			111	(52.6%)
Net Income from continuous operations	1,014	2,043	1,252	1,159	5,468	1,203	1,132			2,335	(5.9%)
Extraordinary items, net	-	-	-	-	-	-	-			-	-
Minority Interest	-	-	-	-	-	-	-			-	-
TOTAL NET INCOME	1,014	2,043	1,252	1,159	5,468	1,203	1,132			2,335	(5.9%)

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

N.C.= Not comparable

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

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	% 2006 VS 1Q06
Cash and due from Banks	35,999	39,904	36,057	39,139	38,547	38,947			1.0%
Negotiable Instruments	5,017	6,250	3,972	8,740	13,842	14,344			3.6%
Securities held for sale	281	251	255	136	5,179	1,224			(76.4%)
Securities held to maturity	10,273	12,722	12,603	12,431	4,414	4,421			0.2%
Financial Instruments:	15,571	19,223	16,830	21,308	23,435	19,989			(14.7%)
Non-assigned securities to pay	-	-	-	-	-	-			-
Repurchase agreements, net	47	66	55	130	101	95			(6.1%)
Operations with collateral	-	-	-	-	-	-			-
Futures receivable, net	-	-	-	-	-	-			-
Options and derivatives, net	38	-	27	229	349	207			(40.8%)
Repos & Derivatives :	85	66	82	359	450	301			(33.1%)
Commercial	45,064	45,154	47,611	52,263	53,092	57,550			8.4%
Financial Intermediaries	1,625	3,061	3,476	3,690	4,183	4,104			(1.9%)
Consumer	12,367	13,569	14,661	15,671	16,492	18,044			9.4%
Mortgage	19,882	21,106	22,277	24,029	25,540	27,657			8.3%
Government Entities	18,698	13,287	13,537	15,335	14,411	12,866			(10.7%)
IPAB	7,251	7,222	2,602	163	166	-			(100.0%)
Fiduciary collection rights	-	-	-	-	-	-			-
Performing Loans	104,886	103,399	104,163	111,151	113,884	120,220			5.6%
Commercial	596	620	651	597	632	646			2.3%
Financial Intermediaries	-	-	-	-	-	-			-
Consumer	340	374	383	416	430	507			17.9%
Mortgage	840	784	791	775	752	743			(1.2%)
Government Entities	9	-	-	-	-	-			-
Past Due Loans	1,785	1,778	1,825	1,788	1,814	1,896			4.5%
Total Loans	106,671	105,177	105,988	112,939	115,698	122,116			5.5%
Preventive loan loss reserves	2,751	2,875	3,063	2,998	3,124	3,331			6.6%
Net Loan Portfolio	103,920	102,302	102,925	109,941	112,574	118,785			5.5%
Credit Assets Portfolio	1,967	1,834	3,068	3,266	3,740	3,894			4.1%
Sundry debtors and other assets, net	4,864	7,731	8,545	2,437	7,521	7,584			0.8%
Foreclosed assets, net	428	422	509	451	352	295			(16.2%)
Real Estate, Furniture & Equipment, net	5,343	5,093	5,002	5,094	4,939	4,934			(0.1%)
Investments in subsidiaries	1,500	1,493	1,538	1,285	1,350	1,369			1.4%
Deferred taxes	730	389	427	468	328	-			(100.0%)
Deferred charges & Intangibles	978	846	701	759	800	866			8.2%
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-			-
Other Assets	15,809	17,808	19,790	13,759	19,030	18,941			(0.5%)
TOTAL ASSETS	171,383	179,304	175,685	184,506	194,035	196,964			1.5%

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

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	% 2Q06 VS 1Q06
Demand Deposits	65,822	68,684	66,884	76,877	76,224	80,775			6.0%
Time Deposits	58,989	58,276	62,995	62,099	64,226	63,437			(1.2%)
Bonds	-	-	-	-	-	-			-
Deposits	124,812	126,961	129,879	138,976	140,450	144,213			2.7%
Demand	1,304	2,391	1,280	2,591	531	1,568			195.3%
Short term	5,612	6,662	2,745	2,587	2,744	2,574			(6.2%)
Long term	10,397	10,513	10,399	10,103	9,645	11,393			18.1%
Due to banks and correspondents	17,312	19,566	14,424	15,281	12,919	15,535			20.2%
Non-assigned securities to pay	-	-	-	-	-	-			-
Repurchase agreements, net	67	136	379	308	397	171			(56.9%)
Operations with collateral	-	-	-	-	-	-			-
Futures receivable, net	-	-	-	-	-	-			-
Options and derivatives, net	2	8	6	201	315	168			(46.7%)
Repos & Derivatives:	70	144	385	509	712	339			(52.4%)
Income Tax & Profit Sharing	277	883	1,151	1,681	561	559			(0.4%)
Other Payable accounts	8,265	9,470	6,314	4,406	14,421	10,641			(26.2%)
Other payable accounts	8,543	10,353	7,465	6,087	14,982	11,200			(25.2%)
Subordinated non Convertible Debenture	4,767	4,720	4,685	4,602	4,572	4,617			1.0%
Deferred Taxes	-	-	-	-	-	87			100.0%
Deferred credits	61	55	96	87	67	54			(20.6%)
TOTAL LIABILITIES	155,564	161,799	156,935	165,541	173,703	176,044			1.3%
STOCKHOLDER'S EQUITY									
Paid-in Capital	6,202	6,202	6,202	10,042	10,042	10,042			-
Share subscription premiums	1,078	1,078	1,078	1,078	1,078	1,078			-
Subordinated Convertible Debentures	-	-	-	-	-	-			-
Subscribed Capital	7,280	7,280	7,280	11,119	11,120	11,120			-
Capital Reserves	3,116	3,362	3,362	3,183	3,183	3,422			7.5%
Retained Earnings	7,358	7,112	7,112	2,614	8,082	7,487			(7.4%)
Surplus (Deficit) from securities	264	(97)	(91)	(94)	85	(91)			(206.4%)
Results of foreign operations exchange	-	-	-	-	-	-			-
Excess (Insuf.) in capital restatement	(2,598)	(2,598)	(2,597)	(2,600)	(2,601)	(2,600)			-
Non Mon assets results Fixed Assets	13	13	13	13	13	13			-
Non Mon assets results Investm	(325)	(321)	(335)	(434)	(450)	(462)			2.8%
Adjustment in the employees pension	-	-	-	-	-	-			-
Accumulated Deferred tax effect	(304)	(304)	(304)	(304)	(304)	(304)			-
Net Income	1,014	3,057	4,309	5,468	1,203	2,335			94.1%
Earned Capital	8,538	10,224	11,469	7,845	9,212	9,799			6.4%
Minority Holdings	1	1	1	1	1	1			0.2%
Total Stockholder's Equity	15,819	17,505	18,749	18,965	20,332	20,920			2.9%
TOTAL LIABILITIES &	171,383	179,304	175,685	184,506	194,035	196,964			1.5%

MEMORANDUM ACCOUNTS OF BANKING SECTOR (Millions of Pesos)

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	% 2Q06 VS 1Q06
Signature guarantees granted	62	61	61	27	-	-			-
Other contingent obligations	3,665	1,180	1,165	1,149	257	260			1.0%
Irrevocable lines of credit	2,214	1,933	1,749	2,193	2,198	2,106			(4.2%)
Assets held in trust and mandate	68,719	67,356	68,542	68,481	69,836	70,305			0.7%
Assets held in custody or in	72,611	74,870	78,581	80,460	84,864	85,290			0.5%
Investment banking transactions for third	102,669	113,226	107,728	90,880	103,833	107,351			3.4%
Engaged amounts in fobaproa operations	655	952	794	604	650	1,116			71.9%
Investment of retirement saving funds	-	-	-	-	-	-			-
Integration of loan portfolio	-	-	-	-	-	-			-
Received amounts in derivative	250,284	40,774	-	-	-	-			-
Fobaproa trusts	-	-	-	-	-	-			-
Securities to be received	142,562	169,490	206,170	211,472	207,061	193,335			(6.6%)
(Less) payable for reversal	(142,593)	(169,539)	(206,470)	(211,714)	(207,389)	(193,389)			(6.8%)
Receivables for reversal	18,942	17,009	44,932	50,117	51,704	29,404			(43.1%)
(Less) securities to be delivered	(18,930)	(17,029)	(44,957)	(50,054)	(51,673)	(29,427)			(43.1%)
Other control accounts	-	-	-	-	-	-			-
	500,860	300,283	258,295	243,615	261,341	266,353			1.9%

Annex 5. Notes to Grupo Financiero Banorte Financial Statements
Financial Instruments and Valuation Effects 2Q06
(Millions of Pesos)

NEGOTIABLE INSTRUMENTS	BOOK VALUE	INTEREST	MARKET VALUE	UNREALIZED GAIN (LOSS)
Government Securities	174	1	174	(1)
Banking Securities	9,811	9	9,818	(2)
Private	2,008	5	2,020	6
Banks paper	-	-	-	-
UMS	(224)	-	(226)	(2)
Commercial Paper	2,887	-	2,892	5
Shares listed in the SIC	2	-	2	-
Guarantee (collateral) for futures	4	-	4	-
Mutual Funds	56	-	56	-
Swap of Coverage purposes	-	-	1	1
Total	14,717	15	14,741	9
SECURITIES HELD FOR SALE				
Government Securities	-	-	-	-
Mexican Government Securities (UMS)	1,010	30	1,038	(2)
Bonds public company	19	-	29	10
Eurobonds	-	-	-	-
Banks paper	113	-	113	-
Structured note	113	-	113	-
Swap of Coverage purposes	(62)	(12)	(69)	5
Total	1,193	18	1,224	13
SECURITIES HELD TO MATURITY				
Special Cetes	597	7	605	-
Trust Bonds	-	-	-	-
Fiduciary Rights	35	-	9	(27)
Bonds	-	-	-	-
Mexican Government Securities (UMS)	-	-	-	-
PEMEX (dills)	4,143	58	4,200	-
Bonos Strip	97	-	97	-
Swap of Coverage purposes	(446)	(45)	(491)	-
Total	4,427	21	4,421	(27)
TOTAL	20,335	54	20,385	(5)

Repurchase Agreement Operations 2Q06

(Millions of Pesos)

SALES	MARKET VALUE		GLOBAL POSITION	FINANCIAL STATEMENT INDIVIDUAL COMPENSATION	
	RECEIVABLES ON REPURCHASE AGREEMENT	SECURITIES TO BE DELIVERED		ASSET BALANCE	LIABILITY BALANCE
Government Securities	164,415	164,445	(30)	88	118
Banking Securities	23,105	23,123	(18)	5	23
Private Securities	39,858	39,858	-	5	5
Total	227,377	227,426	(48)	98	146

PURCHASE	MARKET VALUE		GLOBAL POSITION	FINANCIAL STATEMENT INDIVIDUAL COMPENSATION	
	SECURITIES TO BE RECEIVED	PAYABLES ON REPURCHASE AGREEMENT		ASSET BALANCE	LIABILITY BALANCE
Government Securities	24,964	24,989	25	7	33
Banking Securities	8,417	8,419	2	-	2
Private Securities	17,773	17,771	(1)	4	2
Total	51,154	51,180	26	11	37
			Balance	109	183

Derivative Financial Instruments Operations 2Q06

(Millions of Pesos)

INSTRUMENT	TO RECEIVE	TO DELIVER	NET
FORWARDS			
Over INC	11	(11)	-
FORWARD CONTRACT WITH FOREIGN CURRENCIES			
Market Value	(75)	(197)	(272)
Agreed Price	79	190	269
SWAPS			
Interest rate	139	(137)	2
Valuation	449	(418)	30
OPTIONS WITH FOREIGN CURRENCIES			
Actives			
Swaptions	8	(4)	4
Rate Options	356	(186)	170
Index Options (ipc)	16	-	17
Passives			
Swaptions	(1)	(1)	(1)
Currency Options	(1)	-	(1)
Rate Options	(351)	188	(163)
Index Oprions (ipc)	(19)	3	(16)
Debt Balance			223
Creditor Balance			(184)

NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 2006

(Millions of Pesos)

PRODUCT	KIND	UNDERLYING	CURRENCY	POSITION
Forwards of Foreign Currency	Purchases	Exchange Rate (Dolar)	MXN	75
Forwards of Foreign Currency	Sells	Exchange Rate (Dolar)	MXN	184
				259
Options with Foreign Currency	Purchases	Exchange Rate (Dolar)	MXN	-
Options with Foreign Currency	Sells	Exchange Rate (Dolar)	MXN	58
				58
Rate Options	Purchases	TIIIE	MXN	1,877,220
Rate Options	Sells	TIIIE	MXN	1,854,970
				3,732,190
Swaps with Rate	USLI/IRS	TIIIE	MXN	15,800
Swaps with Rate	TIIIE/IRS	TIIIE	MXN	200
				16,000
Swaps with Rate	USLI/IRS	LIBOR	MXN	564
Swaps with Rate	CETE-US/CS	CETE	MXN	4,847
Swaps with Rate	TIIIE/IRS	TIIIE	MXN	52,554
				57,965
Swaps with Foreign Currency	TIIIE-EU/CS	TIIIE	MXN	552
Swaps with Foreign Currency	MXP-US/CSF	FIX/FIX	MXN	3,277
Swaps with Foreign Currency	TIIIE-US/BS	TIIIE/LIBOR	MXN	564
Swaps with Foreign Currency	TIIIE-US/CS	TIIIE	MXN	8,497
Swaps with Foreign Currency	IMPL-US/CS	IMPLICIT	MXN	-
				12,889
Forwards in MEXDER	Purchases	TIIIE	MXN	41,665
Forwards in MEXDER	Sells	TIIIE	MXN	1,275
				42,940
Forwards in MEXDER	Purchases	CETE	MXN	200
Forwards in MEXDER	Sells	CETE	MXN	600
				800
Forwards in MEXDER	Purchases	M10	MXN	50
Forwards in MEXDER	Sells	M10	MXN	-
				50

Non-governmental Financial Instruments above by 5% of Net Capital 2006

(Millions of Pesos)

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL
BANORTE			
BANSAN	Term Deposits	5,840	24%
INBURSA	Term Deposits	1,476	6%

Loan Portfolio

(Million of Pesos)	LOCAL CURRENCY(*)		FOREIGN CURRENCY		TOTAL	
	2Q05	2Q06	2Q05	2Q06	2Q05	2Q06
Performing Loans						
Commercial	41,465	52,822	8,918	11,046	50,383	63,867
Financial Intermediaries	1,347	1,083	511	850	1,858	1,933
Consumer	13,568	18,045	1	-	13,569	18,045
Mortgages	21,106	27,657	-	-	21,106	27,657
Government Entities	12,751	12,387	590	507	13,341	12,893
Fobaproa	7,222	-	-	-	7,222	-
Total	97,460	111,993	10,021	12,403	107,481	124,395
Past Due Loans						
Commercial	609	641	66	78	675	719
Financial Intermediaries	-	-	-	-	-	-
Consumer	374	507	-	-	374	507
Mortgages	784	743	-	-	784	743
Government Entities	-	-	-	-	-	-
Total	1,767	1,890	66	78	1,833	1,968
Total Proprietary Loans	99,227	113,883	10,087	12,481	109,314	126,364

(*) Includes valued UDIS

Note: There is no scheme for Mortgage Earnings.

Cost and Balances of FINAPE, FOPIME, Mortgage UDIS and Mortgage FOVI loan portfolios as of 2Q06

(Millions of Pesos)	TOTAL	
	PERIOD COST	BALANCE LOAN PORTFOLIO
FINAPE	-	6
FOPYME	-	2
Mortgage UDIS	26	70
Mortgage FOVI	29	39
	56	117

The quarter ending with a balance of Ps 117 million pesos in debtors support programs with a cost of the period of Ps 56 million. The 99% of this portfolio are concentrated in Banorte.

Troubled Portfolio 2Q06

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	1,421
Total Loans	126,364
Troubled Portfolio / Total Loans	1.1%

Deferred Taxes 2Q06

<i>(Millions of Pesos)</i>			
ASSETS	INCOME TAX	PROFIT SHARING	NET
Non deductible provisions and accumulative income	145,785	45,396	191,181
Excess of accounting value over fiscal value on Repossessed Assets	252,574	88,527	341,101
Diminishable profit sharing	75,738	-	75,738
Past-due loan reserves	14,771	-	14,771
Income and Expenses paid in advance	(670)	-	(670)
Installation expenses	9,004	-	9,004
Tax on Assets to recover	1,884	-	1,884
Inflation	2,010	-	2,010
Total Assets	501,096	133,923	635,019
LIABILITIES			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	(137,973)	-	(137,973)
Loan Portfolio Acquisitions	(305,508)	(105,347)	(410,855)
Capitalizable projects	(70,301)	(24,590)	(94,891)
Income tax to pay on UDIS Trust funds	(39,866)	-	(39,866)
Expenses paid in advance	(2,251)	-	(2,251)
Shares held on Treasury	(388)	-	(388)
Effects of financial instrument valuation	(1,983)	(708)	(2,691)
Effects of other accounts	(18,803)	(6,166)	(24,969)
Sale Cost Revers	(15,877)	-	(15,877)
Organization and Recording Expenses & Installation Expenses	(34,390)	-	(34,390)
Unrealized capital gain from investments in siefore	(26,898)	-	(26,898)
Total liabilities	(654,238)	(136,811)	(791,049)
Assets (Liabilities) Accumulated Net	(153,142)	(2,888)	(156,030)

Long term debt as of 2Q06

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	AMOUNT (Ps)	ORIGINAL AMOUNT (Millions Ps, Dis o UDIS)	TERM	INTEREST RATE	MATURITY	INTEREST PAYMENT
BANORTE								
CD's- Banorte U01001	UDIs	11-Ene-01	332	90	10 years	8.13%	30-Dic-10	E/182 days
Non Convertible Subordinate Bonds QBanorte 02D	Ps	28-Nov-02	1,261	1,136	10 years	8.00%	28-Nov-12	E/182 days
Certificados – Banorte 03004	Ps	27-Ene-03	100	100	3 years	TIIE-0.45%	10-Jul-06	E/28 days
Certificados – Banorte 05006	Ps	7-Sep-05	55	55	1 year	TIIE-0.16%	6-Sep-06	E/28 days
Step-Up Subordinated Callable Notes Due 2014	Dls	17-Feb-04	3,283	300	10 years	5.875 %	17-Feb-14	E/180 days

Bank and Other entities loans as of 2Q06

<i>(Millions of Pesos)</i>	LOCAL CURRENCY	INTEREST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	996	L+6	364	996
LOANS FROM FOREIGN BANK CONCERNED FROM THE COUNTRY	-	-	-	683	L+1.2	1,108	683
LOANS FROM FOREIGN BANK CONCERNED FROM CAYMAN	-	-	-	1,861	6.02	1,526	1,861
LOANS FROM DEVELOPING BANKS	2,258	9.83%	837	789	9.93%	1,189	3,047
LOANS FROM PUBLIC FUNDS	9,129	7.24%	663	163	6.08%	414	9,292
LOANS FROM BANKS	-	-	-	-	-	-	-
CALL MONEY	413	7%	3	-	-	-	413
LOANS FROM FIDUCIARY FUNDS	2,904	3.27%	5,462	-	-	-	2,904
PROVISIONS FOR INTEREST	39	N.A	N.A	-	-	-	39
	14,743			4,492			19,235

Trading Income 2006

(Millions of Pesos)

VALUATION EFFECTS	NET
Negotiable Instruments	2
Repurchase	(18)
Derived instruments	(2)
Futures	3
Securities loans	-
Range	-
Inflation Adjustment	-
Total	(15)
RESULTS FROM BUYING AND SELLING	
Negotiable Instruments	435
Securities Held for Sell	44
Derived for coverage purposes	236
Inflation Adjustment	-
Total of Buying and Selling Instruments	716
FX Spot	179
FX Forwards	1
FX Futures	-
FX Futures TIIE	-
Forwards	-
Trading currencies securitization	25
Gain from metal intermediation	-
Metals Valuation	7
Total of Foreign Exchange	212
Inflation Adjustment	-
Total of Buying and Selling	928
TOTAL TRADING INCOME	913

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:

- Improve the quality, diversification and composition of the loan portfolio in order to optimize the risk-performance (yield) ratio
- Provide Executive Management with reliable, timely information to assist decision making regarding loans.
- Provide the Business Areas with clear and sufficient tools to support loan placement and follow-up.
- Create economic value for shareholders by efficient loan risk management.
- Comply with the information requirements that the authorities set forth regarding loan risk management.
- Perform risk management in accordance with the best practices, implementing models, methodologies, procedures and systems based on the main advances worldwide.

Individual Credit risk

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

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

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

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

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

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

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

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

Portfolio Credit risk

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

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

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

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

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

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

By June 30, 2006, the Banking Sector's total portfolio was Ps 122,035 million. The expected loss represents 1.8% and the unexpected loss is 3.9% with respect to the total portfolio. The average expected loss is 1.9% during the period between April 2006 and June 2006.

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

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

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

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

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

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

Basic capital by March 31, 2006	<u>\$15,456</u>
I. Financings whose individual amount represents more than 10% of the basic capital:	
Credit operations	
– Number of financings	2
– Total amount of financings	<u>\$3,794</u>
– % vs. basic capital	25%
Money Market operations	
– Number of financings	8
– Total amount of financings	<u>\$18,701</u>
– % vs. basic capital	121%

II. Maximum amount of financing with the 3 major Common Risk debtors and groups	<u>\$10,533</u>
Banco del Centro submits the following information:	
Basic capital by March 31, 2006	<u>\$4,304</u>
I. Financings whose individual amount represents more than 10% of the basic capital:	
Credit operations	
– Number of financings	0
– Total amount of financings (i)	<u>\$0</u>
– % vs. basic capital	0%
Money Market operations	
– Number of financings	1
– Total amount of financings (i)	<u>\$736</u>
% vs. basic capital	17%
II. Maximum amount of financing with the 3 major Common Risk debtors and groups	<u>\$2,243</u>

Market Risk

Value at Risk

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

The Banking Sector of Grupo Financiero Banorte, S.A. and the Brokerage House applies the non-parametric historical simulation method to estimate the Value at Risk (VaR), considering a two-tail 99% reliability level, using the 500 immediate historical scenarios, multiplying the result by a safety factor that insures covering the unexpected volatility in the main risk factors that affect such portfolios and which is established according to 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 2006 quarter for the portfolio is Ps 215 million.

Millions of Pesos	2Q05	3Q05	4Q05	1Q06	2Q06
Total VaR*	298	372	333	283	215
Net Capital **	20,331	21,763	21,974	23,675	24,455
VaR / Net Capital	1.47%	1.71%	1.52%	1.20%	0.88%

* 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 2006 is shown below:

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

Millions of Pesos

Risk Factor	VaR
Domestic interest rate	196
Foreign interest rate	110
Exchange rate	115
Capitals	1
Prices of Bonds in Foreign Currency	89
Total VaR of Banking Sector and Brokerage House	215

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

Backtesting Analysis

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

Liquidity Risk and Balance

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

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

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

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

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

Operational Risk

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

The master plan consists of the following phases:

- a. Close coordination with Comptrollership, Internal Audit and Risk generating areas,

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

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

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

Management Model

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

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

Record of Events

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

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

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

Technological Risk

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

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

Legal Risk

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

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

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

Information by Segments

GFNORTE –INCOME STATEMENT AS OF 2006 (Millions of Pesos)

	Holding	Banorte	Bancan	okerag	Leasing	Factorin	Vareho sing	Pronegc cio	Total	Eliminati ons	Final Balance
Interest Income	3	15,421	1,468	1,135	221	155	2	83	18,489	(1,750)	16,739
Interest Expense	-	9,608	873	1,125	98	89	-	16	11,809	(1,664)	10,145
Loan Fees	-	331	-	-	-	-	-	10	340	-	340
Fees Paid	-	68	-	-	-	-	-	9	76	-	76
Net Interest Income (NII)	3	6,076	595	11	123	66	2	68	6,944	(86)	6,858
Repomo-Margin	(1)	(3)	(40)	(5)	(2)	(3)	2	(1)	(53)	-	(53)
NII after Repomo	2	6,073	556	5	121	63	4	68	6,891	(86)	6,805
Loan Loss & Loss Sharing Provisions	-	721	79	-	3	-	-	6	808	-	808
NII after Provisions	2	5,353	477	5	118	63	4	62	6,083	(86)	5,997
Fees on services,	-	2,457	1,099	230	5	6	11	-	3,808	(1)	3,807
Fees paid,	-	578	239	-	-	1	-	-	819	(1)	818
Market-related Income	-	661	131	121	-	-	-	-	913	-	913
Total Non Interest Income	-	2,540	991	352	4	5	11	-	3,902	-	3,902
Total Operating Income	2	7,892	1,468	357	123	68	14	62	9,986	(86)	9,900
Non-Interest Expense	2	5,286	464	266	77	13	8	49	6,166	(111)	6,055
Operating Income	-	2,606	1,004	91	46	54	6	13	3,820	25	3,845
Non Operating Income	-	380	15	3	14	13	183	2	611	(29)	582
Non Operating Expense	1	331	12	-	1	1	182	1	530	(4)	526
Non Operating Income (Expense)NET	(1)	49	3	3	13	12	2	1	81	(25)	57
Pre-tax Income	(1)	2,655	1,007	94	59	67	8	14	3,902	-	3,902
Tax and Profit sharing	2	1,203	157	29	-	19	2	5	1,417	-	1,417
Net Income before subsidiaries	(3)	1,452	850	65	59	48	6	9	2,485	-	2,485
Subsidiaries' net income	2,816	67	7	9	-	-	-	-	2,899	(2,471)	428
Net Inc. from continuous operations	2,813	1,519	857	74	59	48	6	9	5,385	(2,471)	2,913
Extraordinary items, net	-	-	-	-	-	-	-	-	-	-	-
Minority Interest	-	-	(41)	-	-	-	-	-	(41)	(59)	(101)
TOTAL NET INCOME	2,813	1,519	816	74	59	48	6	9	5,343	(2,530)	2,813

GNORTE - BALANCE SHEET AS OF 2Q06 (Millions of Pesos)

	Holding	Banorte	Bancen	rokeraga	.easing	Factorin	Wareh using	roneg cio	Total	Eliminatio	Final Balance
Cash and due from Banks	39	38,400	2,430	2	22	5	73	1	40,971	(1,765)	39,206
Negotiable Instruments	-	16,163	382	396	-	-	-	-	16,942	(2,201)	14,741
Securities held for sale	-	1,224	-	-	-	-	-	-	1,224	-	1,224
Securities held to maturity	-	4,421	-	-	-	-	-	-	4,421	-	4,421
Financial Instruments:	-	21,808	382	396	-	-	-	-	22,586	(2,201)	20,385
Non-assigned securities to pay	-	-	-	-	-	-	-	-	-	-	-
Futures receivable, net	-	95	-	14	-	-	-	-	109	-	109
Options and derivatives, net	-	207	-	17	-	-	-	-	223	-	223
Repos & Derivatives :	-	301	-	31	-	-	-	-	332	-	332
Commercial	-	56,414	1,135	-	2,166	3,701	-	451	63,867	-	63,867
Financial Intermediaries	-	4,056	48	-	273	-	-	-	4,377	(2,444)	1,933
Consumer	-	15,124	2,919	-	2	-	-	-	18,045	-	18,045
Mortgage	-	27,464	192	-	-	-	-	-	27,657	-	27,657
Government Entities	-	12,861	5	-	27	-	-	-	12,893	-	12,893
Fobaproa	-	-	-	-	-	-	-	-	-	-	-
Performing Loans	-	115,920	4,300	-	2,468	3,701	-	451	126,840	(2,444)	124,395
Commercial	-	579	67	-	19	29	-	25	719	-	719
Financial Intermediaries	-	-	-	-	-	-	-	-	-	-	-
Consumer	-	456	51	-	-	-	-	-	507	-	507
Mortgage	-	728	15	-	-	-	-	-	743	-	743
Government Entities	-	-	-	-	-	-	-	-	-	-	-
Past Due Loans	-	1,763	133	-	19	29	-	25	1,968	-	1,968
Total Loans	-	117,683	4,433	-	2,487	3,730	-	475	128,808	(2,444)	126,364
Preventive loan loss reserves	-	3,121	210	-	42	41	-	12	3,425	-	3,425
Net Loan Portfolio	-	114,562	4,224	-	2,445	3,689	-	464	125,383	(2,444)	122,938
Credit Assets Portfolio	-	3,798	97	-	-	-	-	-	3,894	-	3,984
Sundry debtors and other	10	7,577	133	97	19	1	14	3	7,853	-	7,853
Foreclosed assets, net	-	286	9	-	-	-	-	-	295	-	295
Real Estate, Furniture &	-	4,934	116	28	526	1	49	9	5,663	-	5,663
Investments in subsidiaries	23,024	874	495	51	-	-	-	-	24,445	(21,799)	2,646
Deferred taxes	-	-	-	-	-	10	-	5	15	(15)	-
Deferred charges & Intangibles	38	866	108	194	-	8	8	-	1,222	(7)	1,215
Total Other Assets	23,072	18,334	958	369	545	19	71	17	43,386	(21,820)	21,566
TOTAL ASSETS	23,111	193,404	7,994	799	3,012	3,713	143	482	232,659	(28,230)	204,428

GFNORTE -BALANCE SHEET AS OF 2Q06 (Millions of Pesos)

	Holding	Banorte	Bancen	rokerag	.easing	Factorin	Wareh	roneg	Total	Eliminatio	Final
							using	cio		s	Balance
Demand Deposits	-	81,667	-	-	-	-	-	-	81,667	(947)	80,720
Time Deposits	-	63,437	2,201	-	-	-	-	-	65,638	(2,309)	63,330
Bonds	-	-	-	-	-	-	-	-	-	-	-
Deposits	-	145,104	2,201	-	-	-	-	-	147,305	(3,256)	144,049
Demand	-	2,304	1	-	-	-	-	-	2,304	(736)	1,568
Short term	-	2,566	8	-	991	3,326	-	403	7,294	(2,436)	4,859
Long term	-	11,332	60	-	1,416	-	-	-	12,809	-	12,809
Due to banks & corresp.	-	16,202	69	-	2,407	3,326	-	403	22,408	(3,172)	19,236
Non-assigned securities to pay	-	-	-	-	-	-	-	-	-	-	-
Futures receivable, net	-	171	-	12	-	-	-	-	183	-	183
Options and derivatives, net	-	168	-	16	-	-	-	-	184	-	184
Repos & Derivatives:	-	339	-	28	-	-	-	-	367	-	367
Income Tax & Profit Sharing	-	547	65	35	-	7	1	3	658	-	658
Other Payable accounts	1	10,622	75	103	214	1	14	12	11,042	18	11,060
Other payable accounts	1	11,170	139	138	214	8	15	16	11,700	18	11,717
Subordinated non Convertible	-	4,617	-	-	-	-	-	-	4,617	-	4,617
Deferred Taxes	-	92	32	28	-	-	18	-	171	(15)	156
Deferred credits	-	53	-	-	53	-	-	-	107	(7)	100
TOTAL LIABILITIES	1	177,577	2,443	194	2,674	3,334	33	418	186,675	(6,432)	180,243
STOCKHOLDER 'S EQUITY											
Paid-in Capital	11,231	6,839	3,203	505	155	131	82	73	22,219	(10,987)	11,231
Share subscription premiums	1,737	1,078	-	-	-	-	-	-	2,815	(1,078)	1,737
Subordinated Convertible	-	-	-	-	-	-	-	-	-	-	-
Subscribed Capital	12,968	7,917	3,203	505	155	131	82	73	25,033	(12,065)	12,968
Capital Reserves	1,956	2,967	455	45	63	47	12	-	5,544	(3,588)	1,956
Retained Earnings	16,083	6,786	701	487	251	234	70	(19)	24,594	(8,511)	16,083
Surplus (Deficit) from securities	-	(77)	(14)	-	-	-	-	-	(91)	91	-
Results of foreign operations	-	-	-	5	-	-	-	-	5	(5)	-
Excess (Insuf.) in capital	(5,963)	(2,600)	-	(495)	(190)	(82)	(3)	-	(9,332)	3,370	(5,963)
Non Mon assets results Fixed	-	13	-	1	-	-	-	-	13	(13)	-
Non Mon assets results Investm	(4,746)	(395)	(67)	(16)	-	-	(56)	-	(5,281)	535	(4,746)
Adjustment in the employees	-	(304)	-	-	-	-	-	-	(304)	304	-
Net Income	2,813	1,519	816	74	59	48	6	9	5,343	(2,530)	2,813
Earned Capital	10,142	7,909	1,890	101	183	248	29	(10)	20,492	(10,349)	10,142
Minority Holdings	-	1	459	-	-	-	-	-	460	615	1,075
Total Stockholder 's Equity	23,110	15,827	5,552	605	338	378	110	63	45,984	(21,799)	24,186
TOT. LIAB. & STOCKHOLD.	23,111	193,404	7,994	799	3,012	3,713	143	482	232,659	(28,230)	204,428

Internal Control

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

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

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

Treasury Policy

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

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

Internal and External Liquidity Sources

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

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

Another alternative for getting resources is by issuing capital shares.

Dividend Policy

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

Related parties loans

At GFNorte, the amount of the loans performed with related individuals and companies, does not exceed the established limit of 75% of the Tier 1 capital. As of June 30, 2006 and 2005, the loans granted to related parties totaled Ps 6,877 million and Ps. 4,542 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.

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

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

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

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