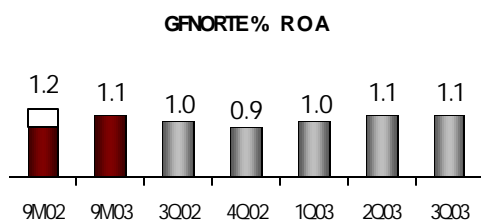
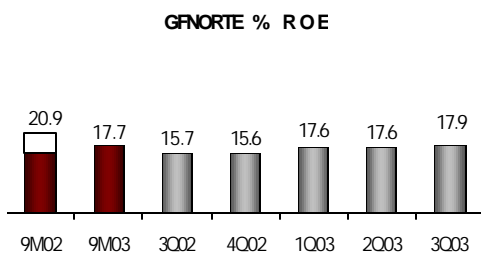
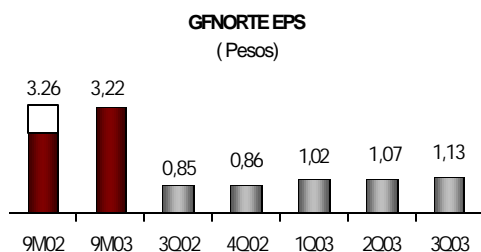
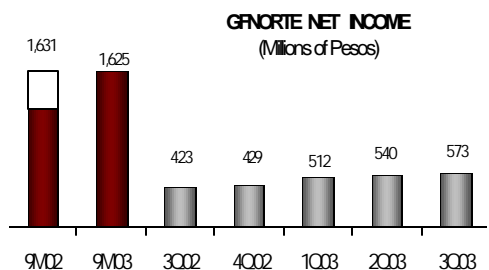


*GFNorte generates a net profit of Ps 1,625 million as of 3Q03.*



F

## GRUPO FINANCIERO BANORTE

- GFNorte's accumulated a **net profit** as of 3Q03 of Ps 1,625 million, 32% higher than in 2002 (excluding the Ps 403 million of Generali's extraordinary income in 2002), with a Banking Sector's contribution (excluding the Afore) of Ps 1,269 million.
- The Group's annualized ROE was 17.7%. This result was achieved, despite the lower interest rates as compared to the first nine months of last year, because of larger loan operations volumes as well as a higher Trading Income that compensated for the drop in the Net Interest Margin.
- On September 30, **Carlos Hank González** submitted his resignation as member of the Board of Directors and as Assistant Director General. The resignation was ratified by the GFNorte Board of Directors on October 28.
- At the GFNorte Ordinary General Assembly, held on October 16, a 70-cent **dividend** per share was decreed payable starting October 28.

## SECTOR BANCARIO

- During the quarter, three loan packages were purchased for a total of Ps 3,103 million. The packages included Commercial and Mortgage loans. These purchases were made to IPAB and BBVA Bancomer through **Sólida Administradora de Portafolios** subsidiary.
- On September 23, Sólida Administradora de Portafolios issued preferred **Bonds** with a mortgage guarantee for Ps 340 million at a 5.8 year term, and a Cetes 28-day rate + 90 pb yield. This emission obtained a AAA (mex) rating by Fitch Mexico, which is equivalent to the highest quality loan rating.
- Banorte collects **Grupo Pulsar** non performing loan for USD 50 million with a 46% discount (fully provisioned), thereby removing it from the past-due loan portfolio and improving the Bank's asset quality.

### Contacts:

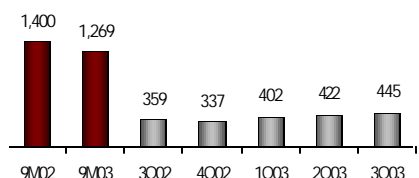
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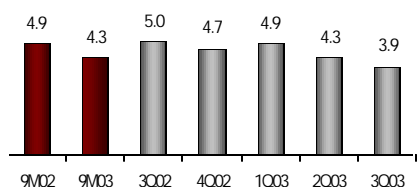
E-mail: [investor@banorte.com](mailto:investor@banorte.com)  
web page: [www.banorte.com](http://www.banorte.com)  
web cast: [www.banorte.com/ri](http://www.banorte.com/ri)

## Highlights

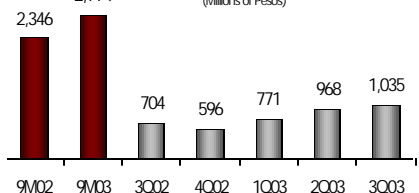
**BANKING SECTOR NET INCOME**  
(Millions of Pesos)



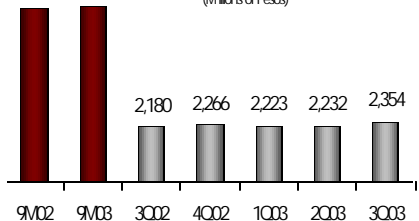
**% NIM**



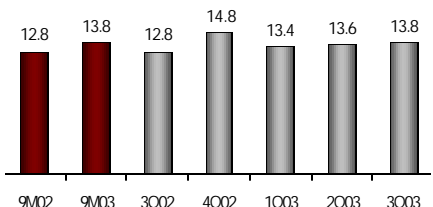
**NON INTEREST INCOME**  
(Millions of Pesos)



**NON INTEREST EXPENSE**  
(Millions of Pesos)



**% CAPITALIZATION**



## BANKING SECTOR

### Net Profit

In the first 9 months of the year, there was an accumulated profit of Ps 1,269.2 million (without including the Afore); 27.3% higher than in 2002 (excluding Generali's extraordinary income in 2002), due mainly to an increase in Non Interest Income.

### Net Interest Margin

The Net Interest Margin before Repomo fell from 4.9% in the accumulate as of 3Q02 to 4.3% in the same period of 2003, because of the drop in market interest rates and the narrowing differential between the 28-day Cetes and the 28-day TIIE rates.

### Non Interest Income

The accumulated Non Interest Income of the year was 18.2% greater than the accumulate in the same period last year mainly as a result of higher Trading Income.

### Non Interest Expense

The accumulated Non Interest Expense in the year rose 0.5% vs. last year as increases in Rents, Depreciations, and Amortizations and Taxes were compensated by reductions in Administrative and Promotion Expenses and Personnel Expenses.

### Capitalization

The quarter closed with a Capitalization rate of 13.8% vs. 13.6% in 2Q03. This indicator rose because of the profits generated during the period.

### Loan Portfolio

The Banking Sector's Total Loan Portfolio at the close of 3Q03 was Ps 151,310 million; a 2.4% increase vs. 3Q02. The Traditional Banking Loan Portfolio reached a Ps 65,226 million balance, a 32.5% over that of the previous year.

### Asset Quality

The reduction in the Banking Sector's past-due loans was mainly due to the fact that Grupo Pulsar paid the USD 50 million non performing loan during the quarter. The past-due loan balance ended up at Ps 3,414 million, for a 2.3% past-due loan ratio. Loan reserve coverage moved up to 127.6%.

## Executive Summary

**Grupo Financiero Banorte (GFNORTE)** announced its results as of 3Q03. GFNORTE and its subsidiaries showed a Net Profit of Ps 573 million during the quarter, 6% higher than that of 2Q03, and an accumulated profit of Ps 1,625 million so far this year, 32% higher than that of 3Q02, (excluding Generali's extraordinary income for Ps 403 million received in June 2002), equivalent to an annualized 17.7% ROE.

The **Banking Sector's** profit in the quarter totaled Ps 445 million, 5% higher than in 2Q03, for an accumulated result of Ps 1,269 million, 27% more than in the same period last year, excluding Generali's extraordinary income, which means a 78% contribution to the Group's profits up to 3Q03. These important annual growths were possible despite the drop in the net interest income as a result of lower interest rates, thanks to an increase in the traditional banking business, especially in loans, to the commercial reactivation of the network of Bancrecer, to better Trading Income and to income from the Recovery Banking.

The **Net Interest Margin** of the 3Q03 fell from 4.3% to 3.9% vs. 2Q03. This drop is a result of the 170 bp falling average interest rates of the 28-day Cetes. Another factor was the narrowing differential between the 28-day Cetes and TIIE rates. An increase in the traditional loan portfolio partially offset for the diminished margin.

The **Non Interest Income** rose 7% vs. the previous quarter as a result of greater service fee and Recovery Banking income, and an 18% as compared to the accumulate as of 3Q02. This performance is mainly explained by higher Trading Income derived from the proper handling of risk positions in the face of falling interest rates.

The **Non Interest Expense** rose with respect to the previous quarter due to higher advertising expenses and a salary increase raise to the non-executive personnel. On the other hand, the accumulated expense rose only 0.5% vs. that of 2002. The annual efficiency ratio improved from 80% at 3Q02 to 77% in 3Q03. The interest rates drop had a negative impact in the accumulated efficiency ratio.

Non Interest-bearing Demand Deposits grew by 24% in a quarterly basis confirming our strategy oriented to optimizing our cost of funding. On the other hand, **Total Deposits** rose 8% vs. the previous quarter and 4% with respect to the same quarter last year, closing the 3Q03 with a balance of Ps 214,645 million.

Banorte continues to strengthen the growth of its loan portfolio. By September 2003, Total Loans reached a balance over Ps 151 billion. The **Traditional Loan** (without Fobaproa / IPAB and Recovery Banking), rose 5% vs. 2Q03 and 33% vs. 3Q02, for a balance of Ps 65,229 million. Commercial and Corporate loans in the quarter showed a 6% growth and a 9% reduction, respectively; and compared with 3Q02, their growths were 16% and 5%, respectively, to end the period with balances of Ps 19,776 million and Ps 12,459 million.

In an attempt to make up for the falling interest rates with greater-margin loans, the most dynamic loans in 3Q03 were those associated with Consumer Sector. Electronic Payroll loans rose 23% vs. 2Q03 and 112% vs. 3Q02, to close with a balance over Ps 1,000 million. On the other hand, Credit Cards and Car Loans showed quarterly growths of 15% and 13%, respectively, and 58% and 71% vs. last year, to close with balances of Ps 2,499 million and Ps 4,573 million. Mortgage loans held its upward trend to close the quarter with a balance of Ps 12,469 million, a quarterly increase of 6% and 23% vs. the same period last year.

As to **asset quality**, the Banking Sector closed 3Q03 with a past-due loan balance of Ps 3,414 million, 13% less than in 2Q03, lowering the past-due loan rate to 2.3%. Past-due loan reserve coverage was 128% at the close of September 2003.

The **Long Term Savings Sector** –composed of the Afore, Pensions and Insurance companies- has shown a remarkable growth by accumulating by 3Q03 a profit of Ps 207 million for GFNorte; 67% higher than in the same period last year.

On the other hand, **the Brokerage Sector** accumulated earnings for Ps 72 million and the **Auxiliary Organization Sector** earned Ps 66 million, both with 19% growths vs the previous year.

In today's Board meeting, Alejandro Valenzuela was appointed Director General of Institutional Relations, as proposed by the Chairman. He will coordinate GFNorte's relations with shareholders, analysts, and investment banks and will also strengthen the relationships with Federal, State and Municipal governments.

It worth mentioning that Mr. Valenzuela has a good experience in the Financial sector, since 1987 in Banco de Mexico, as well as in the Finance Ministry and the International Private Banking, and will contribute to GFNorte's expansion projects.

## Grupo Financiero Banorte

Grupo Financiero Banorte Earnings (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b>G. F. Banorte [holding]</b>	<b>(3.9)</b>	<b>3.0</b>	<b>(0.5)</b>	<b>(10.4)</b>	<b>9.9</b>
Banco Mercantil del Norte (1)	282.0	141.9	270.7	1,128.8	699.3
Banco del Centro	76.9	280.3	174.6	271.4	569.9
<b>Banking Sector</b>	<b>359.0</b>	<b>422.2</b>	<b>445.3</b>	<b>1,400.2</b>	<b>1,269.2</b>
<b>Brokerage Sector (Brokerage House)</b>	<b>5.9</b>	<b>25.4</b>	<b>40.1</b>	<b>61.0</b>	<b>72.3</b>
Afore	43.5	20.0	40.8	102.7	97.6
Insurance	(0.4)	26.7	16.0	28.4	65.6
Annuities	(1.7)	20.2	7.1	(7.0)	44.0
<b>Long-Term Saving Sector</b>	<b>41.5</b>	<b>66.9</b>	<b>63.9</b>	<b>124.1</b>	<b>207.1</b>
Leasing	9.8	5.9	8.0	22.6	18.7
Factoring	7.0	11.1	8.8	20.6	28.0
Warehousing	2.8	3.1	4.3	7.6	12.1
Bonding	0.9	2.4	2.6	4.9	7.1
<b>Auxiliary Organization Sector</b>	<b>20.6</b>	<b>22.5</b>	<b>23.7</b>	<b>55.7</b>	<b>66.0</b>
<b>Total</b>	<b>423.0</b>	<b>539.9</b>	<b>572.5</b>	<b>1,630.5</b>	<b>1,624.5</b>

1) 96.11% owned by GFNorte.

GFNorte Income Statement (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b>Net Interest Income (NII)</b>	<b>2,204.1</b>	<b>2,087.8</b>	<b>1,969.2</b>	<b>6,425.0</b>	<b>6,387.7</b>
+ REPOMO -Margin	(23.2)	12.5	6.3	45.9	33.9
<b>= NET Interest Income after Repomo</b>	<b>2,180.9</b>	<b>2,100.3</b>	<b>1,975.5</b>	<b>6,470.9</b>	<b>6,421.6</b>
- Loan Loss Provisions	181.3	343.6	163.2	552.5	744.8
- Loss Sharing Provisions	7.7	13.9	1.5	21.8	46.3
<b>=Net Interest Income after Provisions</b>	<b>1,992.0</b>	<b>1,742.8</b>	<b>1,810.8</b>	<b>5,896.7</b>	<b>5,630.5</b>
+ Non Interest Income	1,072.0	1,259.9	1,430.4	3,350.1	3,785.0
<b>= Total Operating Income</b>	<b>3,064.0</b>	<b>3,002.7</b>	<b>3,241.2</b>	<b>9,246.8</b>	<b>9,415.5</b>
- Non Interest Expense	2,460.4	2,491.6	2,648.8	7,604.3	7,624.0
<b>= Net Operating Income</b>	<b>603.5</b>	<b>511.1</b>	<b>592.4</b>	<b>1,642.5</b>	<b>1,791.5</b>
+ Non Operating Income (Expense) Net	(9.6)	61.1	74.5	49.8	0.4
<b>= Pre-tax Income</b>	<b>593.9</b>	<b>572.2</b>	<b>666.9</b>	<b>1,692.2</b>	<b>1,791.9</b>
- Income Tax & profit sharing	92.6	65.8	98.4	208.0	252.8
- Tax on asset	27.7	10.8	10.7	77.0	30.2
- Deferred Income Tax & profit sharing	22.4	(17.7)	(18.8)	112.2	(72.0)
<b>= Net Income before Subsidiaries</b>	<b>451.3</b>	<b>513.3</b>	<b>576.6</b>	<b>1,295.0</b>	<b>1,580.9</b>
+ Undistributed Earnings of Subsidiaries	22.4	51.0	46.2	57.7	165.1
<b>=Net Income-contin. Operation</b>	<b>473.7</b>	<b>564.2</b>	<b>622.8</b>	<b>1,352.7</b>	<b>1,746.0</b>
+ Extraordinary Items, net	2.5	0.7	-	422.3	0.7
- Minority Income	53.2	25.1	50.3	144.4	122.3
<b>=Total Net Income</b>	<b>423.0</b>	<b>539.9</b>	<b>572.5</b>	<b>1,630.5</b>	<b>1,624.5</b>

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

<b>Group's Balance Sheet Highlights</b>			
<i>(Millions of Pesos)</i>	3Q02	2Q03	3Q03
Performing loans excluding Fobaproa – IPAB (1)	51,288	64,198	67,813
FOBAPROA Loans	92,653	85,543	82,671
Past Due Loans	4,946	3,953	3,456
Total Loans	148,887	153,694	153,940
Loan Loss Reserves	5,846	4,560	4,382
Total Assets	188,043	206,211	211,165
Deposits	134,756	150,838	160,111
Equity	11,544	13,476	13,969
Assets under Management (2)	356,862	349,833	373,513

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

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

<b>GFNorte Share Data</b>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	3Q02	2Q03	3Q03	3Q02	3Q03
Net Income per Share <i>(Pesos)</i>	0.85	1.07	1.13	3.26	3.22
Dividends per Share <i>(Pesos)</i>	1.04	-	-	1.04	-
Book Value per Share (1) <i>(Pesos)</i>	21.12	24.99	25.80	21.12	25.80
Shares Outstanding <i>(Millions of Shares)</i>	499.9	503.1	504.6	499.9	504.6
Price <i>(Pesos)</i>	22.99	29.50	33.16	22.99	33.16
P/BV <i>(Times)</i>	1.09	1.18	1.29	1.09	1.29
Market Cap <i>(Millions of Dollars)</i>	1,127	1,411	1,517	1,127	1,517

1) Excluding Minority holdings.

<b>Group's Financial Ratios</b>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b><u>Profitability</u></b>					
ROA (1)	1.0%	1.1%	1.1%	1.2%	1.1%
ROE (2)	15.7%	17.6%	17.9%	20.9%	17.7%
<b><u>Operation</u></b>					
Operative Efficiency Ratio (5)	5.3%	4.9%	5.1%	5.4%	5.0%
Efficiency Ratio (3)	74.9%	85.6%	84.3%	79.7%	82.4%
Efficiency Ratio (w/o Depreciation & contributions to IPAB) (4)	75.1%	74.4%	77.9%	77.8%	74.9%
<b><u>Assets Quality</u></b>					
Past Due Loans to Total Loans	118.2%	115.4%	126.8%	118.2%	126.8%
Loan Loss Reserves to past Due Loans	3.3%	2.6%	2.2%	3.3%	2.2%

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

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

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

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

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

## Banking Sector

Banking Sector's Financial Ratios	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b><u>Profitability</u></b>					
NIM before Repomo (6)	5.0%	4.3%	3.9%	4.9%	4.3%
ROA (1)	0.8%	0.9%	0.9%	1.1%	0.9%
ROE (2)	15.6%	15.9%	16.3%	21.3%	16.1%
<b><u>Operation</u></b>					
Operative Efficiency Ratio (7)	4.8%	4.5%	4.6%	4.9%	4.5%
Efficiency Ratio (3)	76.4%	87.0%	88.1%	81.1%	84.6%
Efficiency Ratio (4)	77.2%	75.5%	81.4%	79.5%	76.9%
Indice de Liquidez (8)	31.6%	40.6%	46.6%	31.6%	46.6%
<b><u>Assets Quality</u></b>					
% Past Due Loans with Fobaproa	3.3%	2.6%	2.3%	3.3%	2.3%
% Past Due Loans w/o Fobaproa	8.9%	6.0%	5.0%	8.9%	5.0%
Loan Loss Reserves to past Due Loans	118.6%	116.0%	127.6%	118.6%	127.6%
<b><u>Growths (9)</u></b>					
Loans w/o Fobaproa	10.3%	6.3%	4.7%	59.8%	24.7%
Total Loans	1.4%	1.8%	0.2%	71.7%	2.4%
Traditional Deposits	7.2%	(2.7)%	6.2%	73.7%	18.8%
Total Deposits	6.5%	(1.2)%	8.1%	58.0%	3.5%
<b><u>Capitalization</u></b>					
Net Capital/ Credit Risk Assets (5)	16.9%	17.1%	17.4%	16.9%	17.4%
Total Capitalization Ratio (5)	12.8%	13.6%	13.8%	12.8%	13.8%

- 1) Annualized earnings as a percentage of the average of quarterly assets over the period.
- 2) Annualized earnings as a percentage of the average of quarterly equity over the period.
- 3) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions - Trading Income)
- 4) Non Interest Expense / (Total Operating Income – Repomo Margin + Loan Loss Provisions)
- 5) The Banking Sector Ratio is included for information purposes. A ratio for each bank is presented in the capitalization section.
- 6) MIN= Annualized Net Interest Margin before REPOMO / Average Earnings Assets
- 7) Annualized Non Interest Expense of the quarter / Average Total Assets.
- 8) Liquid Assets / Liquid Liabilities
- 9) Growth versus the previous period

## Information by Sectors

### 1.- Banking Sector

Income Statement (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b>Net Interest Income</b>	<b>2,120.5</b>	<b>1,987.9</b>	<b>1,859.4</b>	<b>6,175.2</b>	<b>6,086.4</b>
+ REPOMO -Margin	(11.6)	12.6	12.0	75.3	48.7
<b>= Net Interest Income after Repomo</b>	<b>2,109.0</b>	<b>2,000.5</b>	<b>1,871.4</b>	<b>6,250.5</b>	<b>6,135.1</b>
- Loan Loss Provisions	181.2	339.2	156.9	552.2	732.0
- Loss Sharing Provisions	7.7	13.9	1.5	21.8	46.3
<b>= Net Interest Income after Provisions</b>	<b>1,920.1</b>	<b>1,647.4</b>	<b>1,713.0</b>	<b>5,676.5</b>	<b>5,356.7</b>
+ Non Interest Income	703.6	967.9	1,034.7	2,346.0	2,773.8
<b>= Total Operating Income</b>	<b>2,623.7</b>	<b>2,615.3</b>	<b>2,747.7</b>	<b>8,022.6</b>	<b>8,130.5</b>
- Non Interest Expense	2,180.2	2,232.4	2,354.4	6,775.4	6,809.9
<b>= Net Operating Income</b>	<b>443.5</b>	<b>382.9</b>	<b>393.2</b>	<b>1,247.1</b>	<b>1,320.7</b>
+ Non Operating Income (Expense) Net	(6.6)	78.8	81.6	53.9	31.5
<b>= Pre-tax Income</b>	<b>436.8</b>	<b>461.8</b>	<b>474.8</b>	<b>1,301.1</b>	<b>1,352.1</b>
- Income Tax & profit sharing	28.1	33.0	37.0	65.1	101.5
- Tax on asset	27.7	10.8	10.7	77.0	30.2
- Deferred Income Tax & profit sharing	24.0	(20.7)	(20.4)	124.2	(64.3)
<b>= Net Income before Subsidiaries</b>	<b>357.1</b>	<b>438.6</b>	<b>447.5</b>	<b>1,034.7</b>	<b>1,284.7</b>
+ Undistributed Earnings of Subsidiaries	54.3	8.7	49.8	91.6	109.9
<b>= Net Income-continuous Operation</b>	<b>411.4</b>	<b>447.4</b>	<b>497.2</b>	<b>1,126.3</b>	<b>1,394.6</b>
+ Extraordinary Items, net (Generali)	2.5	0.7	-	422.3	0.7
- Minority Income	-	0.1	0.1	-	0.2
<b>=Total Net Income</b>	<b>413.9</b>	<b>447.9</b>	<b>497.1</b>	<b>1,548.6</b>	<b>1,395.1</b>

The Banking Sector's profits (at 100%) for 3Q03 (including the Afore through the participation method), totaled Ps 497.1 million, an 11.0% increase vs. 2Q03. The accumulated Net Income was Ps 1,395.1 million, a 23.6% increase vs. last year's accumulate (excluding Generali's extraordinary income for Ps 420 million). The Net Interest Income before Repomo fell a mere 1.4% during 2003 as compared to that of 2002, despite the significant drop in the market interest rates, due to a substantial 32.5% growth in traditional loans. The accumulated Loan Loss Provisions rose by 32.6% vs. 2002, closing with a reserve coverage of 127.6%. The accumulated Non Interest Income rose 18.2% vs. last year mainly because of higher Trading Income accumulated. The accumulated Non Interest Expense rose only 0.5% vs. 2002 as the increase on Rents, Depreciations and Amortizations and Other Taxes was compensated by lower Administrative and Promotion Expenses and Personnel Expenses. The accumulated Non Operating Income for 3Q03 dropped by Ps 22.4 million vs. 2002 principally because Recoveries also dropped. The deferred Income Tax & Profit Sharing were positive as they included an in advance amortization of Ps 69.1 million for expected profits in the following quarters. The Undistributed Earnings Subsidiaries rose 20.0% vs. 2002 due to the Sólida Administradora de Portafolios' greater contributions.



## Net Interest Income

Banking Sector Net Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
Interest Income	5,995.2	5,133.4	4,265.4	17,382.0	15,935.0
Interest Expense	4,025.7	3,320.4	2,577.2	11,681.1	10,372.0
Loan Fees	162.3	189.2	186.1	504.0	562.2
Fees Paid	11.4	14.3	15.0	29.7	38.9
<b>Net Interest Income before Repomo</b>	<b>2,120.5</b>	<b>1,987.9</b>	<b>1,859.4</b>	<b>6,175.2</b>	<b>6,086.4</b>
Average Earning Assets	169,863	183,927	189,466	169,644	186,821
<b>NIM before REPOMO (1)</b>	<b>5.0%</b>	<b>4.3%</b>	<b>3.9%</b>	<b>4.9%</b>	<b>4.3%</b>

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

Net Interest Income (Millions of Pesos)	3Q02		2Q03		3Q03	
	BANORTE	BANCEN	BANORTE	BANCEN	BANORTE	BANCEN
Interest Income- loans & securities	3,842.5	1,243.9	3,882.1	1,236.1	3,242.3	849.5
Interest Income- repo agreement	135.7	773.0	19.4	(4.3)	24.4	148.7
Foreign exchange Valuation	-	-	-	-	-	-
UDI valuation	0.1	-	-	0.2	-	0.6
<b>Interest Income</b>	<b>3,978.3</b>	<b>2,016.9</b>	<b>3,901.5</b>	<b>1,231.9</b>	<b>3,266.7</b>	<b>998.7</b>
Interest Expenses-dep.& funding	2,085.4	14.4	2,156.4	5.2	1,615.8	4.5
Interest expenses- repo agreement	1,246.0	664.7	719.2	438.1	582.8	330.3
Foreign exchange Valuation	(0.2)	0.5	(1.4)	(0.7)	33.3	1.4
UDI valuation	13.5	1.3	3.7	-	9.1	-
<b>- Interest Expense</b>	<b>3,344.7</b>	<b>680.9</b>	<b>2,877.9</b>	<b>442.6</b>	<b>2,241.1</b>	<b>336.1</b>
Loan Fees	162.2	0.2	189.2	-	186.1	-
Fees paid	11.4	-	14.3	-	15.0	-
<b>= Net Interest Income</b>	<b>784.4</b>	<b>1,336.1</b>	<b>1,198.5</b>	<b>789.4</b>	<b>1,196.8</b>	<b>662.6</b>

During the quarter, the Net Interest Income before Repomo fell by 6.5% vs. the previous quarter, going the NIM from 4.3% to 3.9%, due to various factors that influenced its performance as follows:

### Increase:

- A 5.2% increase in the Traditional Banking loan portfolio in the quarter.
- The positive impact of the peso depreciation with respect to the dollar. The exchange rate at the close of 2Q03 was 10.50 pesos/dollar, whereas at the close of 3Q03 it fell to 10.92 pesos/dollar.

### Decrease:

- A drop in the market interest rates in the quarter vs. the previous quarter, as the average 28-day Cetes rate fell from 6.30% in 2Q03 to 4.60% in 3Q03; and the 28-day TIIE went from 6.79% to 5.09% in the same period.

The accumulated yearly Net Interest Income before Repomo fell by 1.4% vs. 2002, due to the following factors that influenced its performance:

### Increase:

- A substantial 32.5% increase in the traditional loan portfolio.
- An 11.6% increase in the fees collected for loans granted in the period.
- Increase in the exchange rate that went from 10.05 pesos/dollar in 3Q02 to 10.92 pesos/dollar at the close of

3Q03.

**Decrease:**

- The reduction in the differential between the average 28-day Cete rate and the 28-day TIIE rate, which went from 107 pb in 2002 to 61 pb in 2003 and being the TIIE the reference for a large part of the traditional loan portfolio and the entire IPAB portfolio.
- Lower average interest rates during the first 9 months of 2003, as the 28-day Cete rate fell from 7.00% to 6.56% and the TIIE dropped from 8.07% to 7.17% vs. 2002.

The NIM before Repomo fell from 4.9% in 2002 to 4.3% in 2003 because of the factors mentioned above.

The following is a quarterly analysis of the Net Interest Income by origin, presenting a breakdown of the assets that generate interests. This analysis shows that the Net Interest Income from the Traditional Loan Portfolio just dropped from 7.8% in 2Q03 to 7.6% in 3Q03, however the Margins from the IPAB Promissory Notes, and that of Other dropped by 50 bp and 60 bp, respectively (Other includes Deposits in Banxico, Deposits in Other Banks and Securities Portfolio). This means that, despite the drop in interest rates from 2Q03 to 3Q03, the Traditional Loan Portfolio practically maintained its net interest margin.

Net Interest Income & NIM by type of asset (Millions of Pesos)	2Q03		3Q03		VAR.
	Vol.	NIM	Vol.	NIM	NIM
FOBAPROA / IPAB Notes	86,125	2.7%	84,107	2.2%	(0.5)%
Loan Portfolio	63,592	7.8%	67,087	7.6%	(0.2)%
Other <sup>(1)</sup>	34,209	1.9%	38,272	1.3%	(0.6)%
<b>TOTAL</b>	<b>183,927</b>	<b>4.3%</b>	<b>189,466</b>	<b>3.9%</b>	<b>(0.4)%</b>

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

## Non Interest Income

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
+ Fund Transfers	48.7	43.5	44.8	144.6	131.7
+ Account Management Fees	166.0	164.2	183.5	504.3	496.3
+ Fiduciary	193.0	127.8	166.6	631.4	453.2
+ Credit Card	150.1	156.9	154.5	433.4	459.8
+ Income From loan portfolios acquired	271.4	34.4	34.0	448.3	119.2
+ Electronic Banking Services	64.2	56.4	58.9	188.6	179.6
+ From Fobaproa	52.2	33.1	251.9	257.2	332.2
+ Other Fees	152.9	150.4	147.9	403.6	420.5
<b>Fees on purchased services:</b>	<b>1,098.5</b>	<b>766.7</b>	<b>1,042.1</b>	<b>3,011.3</b>	<b>2,592.5</b>
+ Fund Transfers	-	-	-	-	-
+ Other Fees	209.0	160.3	202.0	571.0	533.8
+ Expense From loan portfolios acquired	156.7	28.5	26.5	264.5	96.1
<b>Fees Paid :</b>	<b>365.8</b>	<b>188.8</b>	<b>228.5</b>	<b>835.5</b>	<b>630.0</b>
<b>=Net Fees</b>	<b>732.7</b>	<b>577.9</b>	<b>813.6</b>	<b>2,175.8</b>	<b>1,962.5</b>
+ Foreign Exchange	71.4	119.8	100.6	249.4	304.0
+ Securities- Realized gains	(90.8)	307.2	69.7	(15.2)	496.8
+ Securities- Unrealized gains	(9.8)	(37.1)	50.8	(64.0)	10.4
<b>Trading Income</b>	<b>(29.1)</b>	<b>390.0</b>	<b>221.1</b>	<b>170.3</b>	<b>811.3</b>
<b>= Non Interest Income</b>	<b>703.6</b>	<b>967.9</b>	<b>1,034.7</b>	<b>2,346.0</b>	<b>2,773.8</b>

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

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
Service	510.8	495.1	513.2	1,471.8	1,478.4
Recovery	221.9	82.8	300.4	703.9	484.1
Trading	(29.1)	390.0	221.1	170.3	811.3
<b>= Non Interest Income</b>	<b>703.6</b>	<b>967.9</b>	<b>1,034.7</b>	<b>2,346.0</b>	<b>2,773.8</b>

The Non Interest Income for the quarter rose 6.9% vs. the previous quarter. This variation is due to several factors as explained below:

### Service Fees:

Service fees rose by 3.7% vs. 2Q03 because of the increased activity in several service areas. Account Management fees rose by 11.8% and Electronic Banking Services Fees by 4.4%.

The accumulated Service Fees Income rose by 0.5% vs. 2002 because of a 6.1% increase in Credit Card fees, although some areas showed lower income because clients have become more efficient in the use of banking services as a result of the new charges and increases in service fees established since 1H02.

### Recovery:

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b>SERFIN</b>					
Fee Income (Fiduciary)	148.1	88.6	120.6	495.8	323.4
- Fee Expense (Other Fees Paid)	<u>93.1</u>	<u>44.8</u>	<u>79.6</u>	<u>232.9</u>	<u>194.6</u>
<b>= Net Fees from Serfin</b>	<b>55.0</b>	<b>43.8</b>	<b>41.0</b>	<b>262.9</b>	<b>128.8</b>
<b>LOAN PORTFOLIOS ACQUIRED</b>					
Income	271.4	34.4	34.0	448.3	119.2
- Expense	156.7	28.5	26.5	264.5	96.1
<b>= Net Income from loan portfolios acquired</b>	<b>114.7</b>	<b>5.9</b>	<b>7.5</b>	<b>183.8</b>	<b>23.1</b>
<b>FOBAPROA FEES</b>					
From FOBAPROA	52.2	33.1	251.9	257.2	332.2
<b>= Fobaproa Fees</b>	<b>52.2</b>	<b>33.1</b>	<b>251.9</b>	<b>257.2</b>	<b>332.2</b>

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

<b>Non Interest Income – Recovery Bank</b>	<b>221.9</b>	<b>82.8</b>	<b>300.4</b>	<b>703.9</b>	<b>484.1</b>
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The Non Interest Income from the Recovery Banking for the quarter rose by 262.8% vs. 2Q03, because of the retroactive charge from Dec.'02 of Ps 118.6 million (renegotiated with the IPAB last June) for the Bancen and Banpais loan portfolio management and the greater collecting on the Bancen and Banpais loans in the quarter. The accumulated Non Interest Income from Recovery Banking fell by 31.2%, however, in 4Q03 Ps 110 million in fees will be received from IPAB derived from a modification of the original agreement to manage the Serfin Loans portfolio that now includes the retroactive effect of managing Ps 2,800 million of additional assets that include mainly private companies stock and real state fiduciary rights that were received by Bancen since February 28, 2000. Later in this report it is included a section of the Recovery Banking showing more detailed information about this business unit.

#### **Trading:**

The quarterly Trading Income fell by 43.3% due mainly to the fact that in 2Q03 there were very high Security Realized Gains as a result of the favorable position in Treasury Fixed income securities that benefited from the considerable drop in interest rates. The Securities Unrealized Gains rose substantially from Ps 37.1 million loss to an earning of Ps 50.8 million.

The accumulated Trading Income rose by 376.4% vs. 2002 given the important increase in the Security Realized Gains and also to the 21.9% increase in Foreign Exchange.

#### **Non Interest Expense**

<b>Non Interest Expense</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>	<b>3Q02</b>	<b>3Q03</b>
Personnel Expenses	918.8	902.9	931.5	2,915.4	2,832.4
+Professional Fees	112.1	112.3	123.0	305.9	318.0
+Operation & Administration Expenses	550.2	546.1	612.2	1,714.9	1,674.9
+Rent, Depreciation & Amortization	282.3	333.6	357.1	924.8	998.3
+Tax other than income tax	154.3	159.0	150.4	421.7	449.0
+Contributions to IPAB	162.5	178.4	180.2	492.7	537.1
- Corporate Expense Recoveries	-	-	-	-	-
<b>= Non Interest Expense</b>	<b>2,180.2</b>	<b>2,232.4</b>	<b>2,354.4</b>	<b>6,775.4</b>	<b>6,809.9</b>

The quarter's Non Interest Expense rose by 5.5% vs. 2Q03. Personnel Expenses increased by 3.2% to the 5% raise in non-executive personnel salaries starting July. Professional Fees rose 9.5% due to projects related to the technological integration in IT Systems. Operation & Administration Expenses rose 12.1% due mainly to higher Advertising Expenses on campaigns aimed to promote low cost deposit and consumer loan products; changing the communications links of 350 branches and the higher cost of electricity in the summer. Expenses for Rents, Depreciation and Amortization rose by 7.0% as a result of higher amortizations of the Installation Expense, for equipment and software rental, and the amortization of the operating and technology integration projects of Bancrecer to Banorte. Other Taxes dropped by 5.4% and IPAB contributions rose 1.0% due to greater deposits.

The accumulated Non Interest Expense rose only by 0.5% vs. 2002, with reductions of 2.9% in Personnel Expenses and 2.3% in Operation & Administration Expenses as a result of the efforts targeted to controlling and reducing Operating Expenses. The main expense increase was reflected in Rents, Depreciation and Amortization, as a result of higher amortizations of the Installation Expense for equipment and software rental, and the amortization of operating and technology expenses related to the integration of Bancrecer to Banorte.

**Non Operating Income (Expense) Net**

<b>Non Operating Income (Expense)</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>	<b>3Q02</b>	<b>3Q03</b>
+Other Revenues	81.1	68.2	124.9	348.0	283.9
+Foreign Exchange	-	-	-	-	-
+Recoveries	135.2	65.2	64.5	260.3	138.1
+Repomo-other revenues	1.2	1.2	3.1	3.0	9.3
<b>=Non Operating Income</b>	<b>217.5</b>	<b>134.5</b>	<b>192.5</b>	<b>611.4</b>	<b>431.2</b>
-Other Expenses	(142.7)	(29.1)	(51.7)	(352.7)	(230.3)
-Foreign Exchange	(0.2)	-	(2.1)	(6.9)	(2.1)
-Repomo-other expenses	(81.2)	(26.6)	(57.2)	(197.8)	(167.4)
<b>=Non Operating Expense</b>	<b>(224.1)</b>	<b>(55.7)</b>	<b>(111.0)</b>	<b>(557.4)</b>	<b>(399.8)</b>
<b>= Non Operating Income (Expense) Net</b>	<b>(6.6)</b>	<b>78.8</b>	<b>81.6</b>	<b>53.9</b>	<b>31.5</b>

The Non Operating Income (Expense) Net for the quarter amounted Ps 86.1 million, up 3.6% vs. 2Q03. This variation was due to the following factors:

**Non Operating Income:**

An increase of Ps 56.7 million in Other Revenues, mostly from collecting insurance policy dividends and the cancellation of sundry creditors. Recoveries held steady with respect to 2Q03.

**Non Operating Expense:**

Other Expenses rose by Ps 22.6 million as compared with 2Q03 due mainly to the creation of provisions for UDI trusts write offs. Additionally, Repomo-Other Expenses rose by Ps 30.6 million because of higher inflation in the quarter.

The accumulated Non Operating Income (Expense) net for the year went from Ps 53.9 million in 2002 to Ps 31.5 million in 2003 because of an 18.4% reduction in Other Revenues, and 46.9% in Recoveries. In the other hand Other Expenses dropped by 28.3% vs 2002.

## Loan Portfolio

Loan Portfolio (Millions of Pesos)	TRADITIONAL BANKING		RECOVERY BANKING		FOBAPROA		TOTAL	
	2Q03	3Q03	2Q03	3Q03	2Q03	3Q03	2Q03	3Q03
Commercial	32,235	32,236	1,083	1,009	-	-	33,318	33,245
Corporate	18,581	19,776	1,083	1,009	-	-	19,663	20,786
Commercial	13,654	12,459	-	-	-	-	13,654	12,459
<b>Financial Entities</b>	<b>3,333</b>	<b>3,644</b>	-	-	-	-	<b>3,333</b>	<b>3,644</b>
Consumer	7,031	8,073	37	37	-	-	7,068	8,110
Credit Card	2,169	2,499	-	-	-	-	2,169	2,499
Automobile	4,046	4,573	10	11	-	-	4,057	4,585
Electronic Payroll	816	1,001	26	26	-	-	842	1,026
<b>Mortgages</b>	<b>11,791</b>	<b>12,469</b>	<b>2,410</b>	<b>2,356</b>	-	-	<b>14,200</b>	<b>14,825</b>
<b>Government Entities</b>	<b>7,608</b>	<b>8,805</b>	<b>8</b>	<b>8</b>	<b>78,860</b>	<b>76,019</b>	<b>86,476</b>	<b>84,833</b>
Government Entities	7,608	8,805	8	8	-	-	7,616	8,813
IPAB	-	-	-	-	78,860	76,019	78,860	76,019
<b>Fobaproa</b>	-	-	-	-	<b>6,683</b>	<b>6,652</b>	<b>6,683</b>	<b>6,652</b>
<b>Total</b>	<b>61,997</b>	<b>65,229</b>	<b>3,537</b>	<b>3,410</b>	<b>85,543</b>	<b>82,671</b>	<b>151,078</b>	<b>151,310</b>
Total Loans w/o Fobaproa/ IPAB							65,534	68,639
Fobaproa / IPAB loans							85,543	82,671
Past Due Loans							3,911	3,414

The Total Loan Portfolio without Fobaproa /IPAB increased by 4.7% in the quarter, going from Ps 65,534 million to Ps 68,639 million. This growth is explained below:

- The Corporate Loans dropped by 8.8% partly because of Grupo Pulsar's payment of USD 50 million and the fact that some companies made sparse use of their credit lines, whereas Commercial Loans rose by 5.7% as new loans were granted during the quarter as part of the promotion targeted to medium and small companies.
- The Financial Entities Loans dropped 9.3% because of new loans granted in the quarter.
- Consumer Loans are still very dynamic and continue showing important increases, as reflected in the Credit Card Loans that rose 14.7% vs 2Q03 due to the promotional program to attract new clients as well as to the more widespread use of our card; Car Loans rose 13.0%, as a result of the 10,729 new loans granted in the quarter; and Electronic Payroll loans grew 21.9% because of the 34,988 new loans granted.
- Mortgage Loans rose 4.4% given the 2,085 new loans granted in the period.
- The Government Entities portfolio increased by 15.7% as new loans were granted to the Federal Government.
- The IPAB Portfolio dropped by 3.6% due mainly to the pre-payment of Ps 2,220 million that along with the Ps 740 million paid in 2Q03 totaled Ps 2,960 million as of 3Q03. These pre-payments are part of the Bancen and Banpais portfolio and have a yield of TIEE + 0.85 pb. We are expecting another pre-payment for Ps 2,950 million next November.
- The exchange rate positive effect on the loan portfolio was Ps 411 million as the increase in the exchange rate that went from 10.50 pesos/dollar to 10.92 pesos/dollar from 2Q03 to 3Q03.

Past-due Loans fell by 12.7% vs. 2Q03 and closed with a balance of Ps 3,414 million, and a past-due loan ratio of 2.3%, due to Grupo Pulsar payment of a non performing USD 50 million loan.

<b>TRADITIONAL BANKING LOAN PORTFOLIO</b>					
<i>(Millions of Pesos)</i>	3Q02	2Q03	3Q03	%Quarterly Growth	%Annual Growth
Commercial	16,986	18,580	19,776	6.4	16.4
Corporate	11,836	13,654	12,459	(8.8)	5.3
Mortgages	10,139	11,791	12,469	5.8	23.0
Automobile	2,671	4,046	4,573	13.0	71.2
Credit Card	1,579	2,169	2,499	15.2	58.2
Electronic Payroll	471	816	1,001	22.7	112.4
Government Entities	3,995	7,608	8,805	15.7	120.4
Financial Entities	1,557	3,333	3,644	9.3	134.0
<b>Total</b>	<b>49,234</b>	<b>61,997</b>	<b>65,229</b>	<b>5.2</b>	<b>32.5</b>

Comparing the Traditional banking loan portfolio at the close of 3Q03 with that of 3Q02, there have been substantial increases due to new loan granting which represented an overall growth of 32.5%. Consumer loans showed an important growth as Electronic payroll loans increased 112.4%, Automobile loans, 71.2% and Credit Cards, 58.2% Mortgage loans continued growing at a 23.0% level. Financial and Government Entities showed increases above 100% each. Finally, Commercial and Corporate loans also showed good growths of 16.4% and 5.3%, respectively. These growths are the result of the aggressive promotion Banorte made to place new loans and they also reflect a very dynamic Consumer Sector as well as high loan demand among companies.

### Classified Loans

Millions de Pesos		RESERVES			
Category	LOANS	COMMERCIAL	CONSUMER	MORTGAGE	RESERVES
A	54,573	282	33	52	367
B	5,834	159	98	163	419
C	2,430	457	112	162	730
D	1,011	45	162	504	711
E	1,307	1,127	166	-	1,293
<b>Total</b>	<b>65,154</b>	<b>2,069</b>	<b>570</b>	<b>881</b>	<b>3,521</b>
Not Classified	169				
Exempted	86,996				
<b>Total</b>	<b>152,319</b>	<b>2,069</b>	<b>570</b>	<b>881</b>	<b>3,521</b>
Reserves					<b>4,355</b>
Excess / (Deficit)					<b>835</b>

Note : Consolidated with UDIS. With September03, per application of Report 1449,1460,1480 Y 14 of the CNBV (the National Banking and Securities Commission).  
 (\*) Includes Financial Intermediaries, Government Entities, Irrevocable Lines of Credit and Signatures Guarantees Granted.  
 Includes Ps 1,009 millions of Irrevocable lines of credit

### Loans Loss Reserves (LLR)

<b>Loan Loss Reserves</b> <i>(Millions of Pesos)</i>	3Q03		
	BANORTE	BANCEN	Total
<b>PREVIOUS PERIOD END BALANCE</b>	<b>4,090</b>	<b>445</b>	<b>4,535</b>
Provision taken in the period	133	3	136
UDI trusts transfers	19	1	20
Charge offs and discounts <sup>(*)</sup> :			
Commercial Portfolio	(285)	-	(285)
Foreclosed assets	-	-	-
Consumer Portfolio	(41)	-	(41)
Mortgage Portfolio	(21)	(1)	(22)
	<b>(347)</b>	<b>(1)</b>	<b>(348)</b>
Cost of debtors support programs	(29)	(4)	(33)
Valuation and Others	46	-	46
<b>LOAN LOSS RESERVES AT PERIOD END</b>	<b>3,912</b>	<b>443</b>	<b>4,355</b>

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

During the quarter, Ps 136 million were provisioned through the Income Statement and Ps 348 million were taken out through Charge offs and discounts related to Collections and restructuring of loans, from which Ps 285 millions came from Commercial loans, Ps 41 millions came from Consumer loans, and Ps 22 millions from Mortgage loans. The Loan Loss Reserve balance at the end of 3Q03 was Ps 4,355 million.

## Reserve Coverage

<b>Reserve Coverage</b> (Millions of Pesos)	<b>Past Due Loans</b>	<b>Reserves</b>	<b>Reserves/Past Due Loans</b>
<b>BANORTE</b>			
Comercial	1,701	1,701	100.0%
Financial Intermediaries	-	-	-
Consumer	377	377	100.0%
Mortgage	1,018	1,018	100.0%
Government Entities	8	8	100.0%
Surplus	-	808	-
<b>Total Banorte</b>	<b>3,103</b>	<b>3,912</b>	<b>126.1%</b>
<b>BANCEN</b>			
Comercial	169	169	100.0%
Financial Intermediaries	-	-	-
Consumer	-	-	-
Mortgage	141	141	100.0%
Government Entities	-	-	-
Surplus	-	133	-
<b>Total Bancen</b>	<b>311</b>	<b>443</b>	<b>142.4%</b>
<b>Total Banking Sector</b>	<b>3,414</b>	<b>4,355</b>	<b>127.6%</b>

The Reserve Coverage of the Banking Sector at 3Q03 was 127.6%. For Banorte the reserve coverage was 126.1% and 142.4% for Bancen. Both Banks have individual coverages of 100.0% for each type loan portfolio, with surpluses of Ps 808 million in Banorte and Ps 133 million in Bancen.

## Deposits

<b>Deposits</b> (Millions of Pesos)	<b>3Q02</b>	<b>2Q03</b>	<b>3Q03</b>
Demand Deposits	49,425	55,845	57,279
Time Deposits	84,115	94,874	103,034
Bonds	1,381	266	-
<b>Traditional Deposits</b>	<b>134,920</b>	<b>150,985</b>	<b>160,313</b>
On behalf of Third Parties Deposits (*)	72,545	47,525	54,332
<b>Total Deposits</b>	<b>207,465</b>	<b>198,510</b>	<b>214,645</b>

(\*) Accounted in Memorandum Accounts.

The quarter closed with an Total Deposits balance of Ps 214,645 million, 8.1% higher than that of 2Q03. Tradition Deposits rose by 6.2% vs. the previous quarter due to new deposits generated by the promotion and advertising campaigns for low-cost deposit products. The Demand Deposits increased by 2.6% and the Term Deposit by 8.6%. Bank Bonds balance expired during the quarter. Annually, Total Deposits rose by 3.5% vs. 3Q02, with increases of 15.9% in Demand Deposits and 22.5% in Term Deposits. Our Strategy is to strive for the optimization of Banorte's mix of deposits.



## Capitalization

<b>Capitalization</b> (Millions of Pesos)	<b>2Q03</b>	<b>3Q03</b>
Tier 1 Capital	10,896	11,355
Tier 2 Capital	2,382	2,427
<b>Net Capital</b>	<b>13,278</b>	<b>13,782</b>
Credit risk assets	77,482	79,428
Net Capital/ Credit Risk Assets	17.1%	17.4%
Total risk assets (1)	97,585	99,832
Tier 1	11.2%	11.4%
Tier 2	2.4%	2.4%
<b>Total Capitalization Ratio</b>	<b>13.6%</b>	<b>13.8%</b>

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

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

At the close of 3Q03, The Banking Sector's capitalization ratio was 13.8% considering both credit and market risks and 17.4% considering only credit risk. The Tier 1 was 11.4% and 2.4% for Tier 2. The Net Capital increased mainly as a result of the profits generated during the quarter.

## US Dollar Assets and Liabilities

<b>US Dollar Assets and Liabilities</b> (Millions of Dollars)	<b>2Q03</b>	<b>3Q03</b>
<b>Assets</b>		
Cash	34	41
Deposits on Foreign Banks	305	295
Intergroup Deposits	-	-
USCP	78	96
Remittances Securitization Trust	11	15
Investment portfolio	592	641
Loan portfolio	1,021	979
Fobaproa – IPAB Notes(1)	(25)	(28)
Cross Currency Swaps	27	-
Foreign Exchange Derivatives	33	73
Other assets	33	17
<b>Total Assets</b>	<b>2,108</b>	<b>2,130</b>
<b>Liabilities</b>		
Retail Deposits	1,045	993
Market Issues	39	34
Loans from Banks	133	93
Intergroup Funding	-	-
Development Banks	93	83
Cross Currency Swaps	552	686
Deferred payments	-	-
Loan Loss Reserves	120	99
Subordinated Debentures	112	112
Foreign Exchange Derivatives	6	5
Other liabilities	9	25
<b>Total Liabilities</b>	<b>2,108</b>	<b>2,130</b>

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

The balance of US dollar assets closed 3Q03 at USD 2,130 million, 1.0% higher than in 2Q03. The USCP Investment, the Investment Portfolio and the Foreign Exchange Derivatives grew by 23%, 8% and 121%, respectively, while Foreign Bank Deposits and the Loan Portfolio fell by 3% and 4%, respectively.

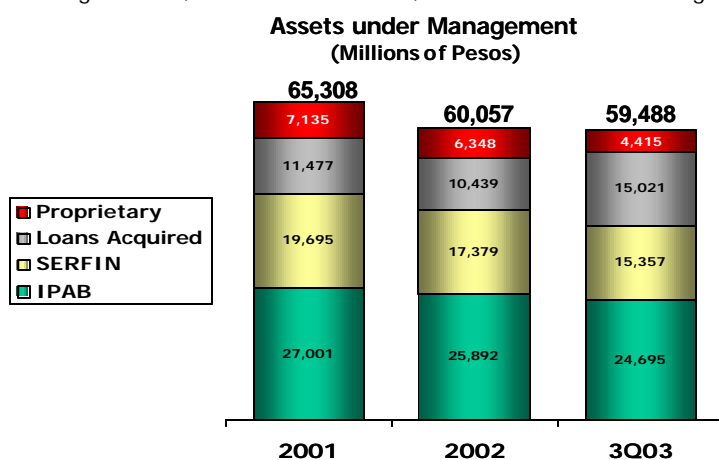
## Recovery Banking

### Achievements

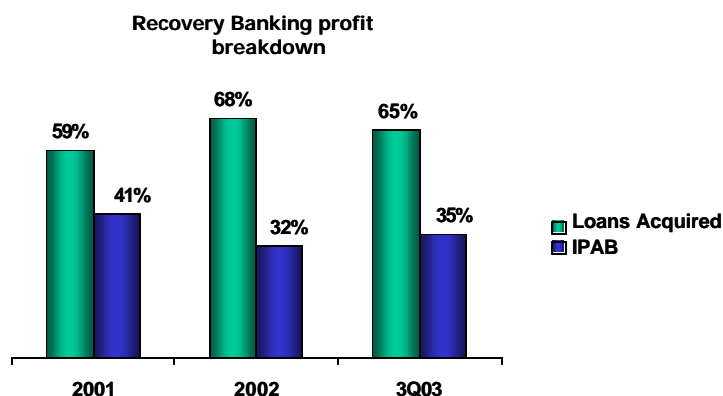
The Banorte Recovery Banking has been the most important loan recovery and asset administration unit in the Mexican market since it was established in 1997. For the last 3 years, it has contributed with over 30% of the Group's Banking Sector profits. Its most outstanding achievements include: the purchase of nearly 42% of the portfolios auctioned by the IPAB as of today, an average collecting rate of over 40%, and having performed the first securitization of mortgage loans in Mexico which received a "AAA" rating by Fitch, which means "the highest loan quality" and represents the highest rating given by Fitch Mexico in the scale of domestic ratings.

### Current Situation

At present, it manages Ps 59,488 million in assets, as shown in the following chart:



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



Note: Serfin is included in Loans Acquired.

### Loan Purchases in 3Q03

In 3Q03, Sólida Administradora de Portafolios purchased from the IPAB 2 new loans for a total value of Ps 1,914 million, at a price of 5.47 cents per peso, including commercial loans. It also purchased a mortgage loan portfolio for a total value of Ps 1,189 million from BBVA Bancomer, at a price of 17.3 cents per peso.

### Future Plans

Banorte intends to continue purchasing new loan portfolios, as well as manage and market assets. The purpose is to extend this important business unit's life. There is current information about IPAB and private loan portfolios that will

be set up for bids between 4Q03 and 3Q04 for over Ps 27,184 million. This business unit will take part in the bidding only for the more attractive ones that fit into the defined strategy.

The vision of the present administration of the recovery and asset management business is that it shall continue to contribute substantially to the Group's Banking Sector even in the long run by creating formulas to market assets that go beyond a mere loan portfolio recovery.

### Recovery Banking

Recovery Banking Income Statement	ACCUMULATED	
(Millones de Pesos)	3Q02	3Q03
Net Interest Income	(5)	(8)
+ REPOMO -margin	-	-
<b>= Net Interest Income After REPOMO</b>	<b>(5)</b>	<b>(8)</b>
- Loan Loss Provisions	7	66
<b>= Net Interest Income After Provisions</b>	<b>(12)</b>	<b>(74)</b>
+ Fiduciary	263	129
+ Fobaproa Fees (1)	257	332
+ Other Fees	223	40
Non Interest Income	<b>743</b>	<b>501</b>
<b>= Total Operating Income</b>	<b>731</b>	<b>427</b>
Non Interest Expense	218	158
= Net Operating Income	<b>513</b>	<b>269</b>
- Other Revenues and Expenses	-	35
<b>= Pre-tax Income</b>	<b>513</b>	<b>304</b>
- Income Tax & Profit Sharing	47	-
- Tax on Asset	-	-
- Deferred Income Tax & Profit Sharing	-	-
<b>= Net Income before Subsidiaries</b>	<b>466</b>	<b>304</b>
+ Undistributed Earnings of Subsidiaries	(26)	17
<b>= Net Income-continuous Operation</b>	<b>440</b>	<b>322</b>
+ Extraordinary Items, net	-	-
- Minority Income	-	-
<b>= Total Net Income</b>	<b>440</b>	<b>322</b>

(1) Net Figures.

(2) Includes Net Income From Loan Portfolios.

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

Assets Under Management (Millions of Pesos)	3Q03	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
<b>Fobaproa-IPAB: Portfolios</b>			
Banking Sector (1)	17,836	Out of balance trusts	Fees from FOBAPROA
Serfin	11,355	Serfin Trust	Fiduciary
Reposessed assets	10,882	Out of balance trusts	Fobaproa fees and Fiduciary
	40,073		
<b>Loans purchased to IPAB:</b>	14,748	Sólida Administradora de Portafolios Bancen	Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen)
<b>Banking Sector Portfolio:</b>			
Banking Sector (1)	3,318	Banorte's Portfolio	Net Interest Income
Reposessed assets	1,350	Banorte's Reposessed assets	Other Revenues and Expenses
	4,668		
<b>Total</b>	<b>59,488</b>		

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

This section is intended to dimension the Recovery Banking business contribution to the Banking Sector. Recovery Banking has contributed substantially in the last years to the Banking Sector's earnings and it's future contribution will depend on the development of this business unit as well as that of the Traditional GFNorte Banking Business.

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

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

Recovery Banking Contribution (Millions of Pesos)	ACCUMULATED	
	3Q02	3Q03
Traditional Banking Net Income	689	1,073
Recovery Bank Net Income	440	322
Banking Sector Net Income(*)	<b>1,129 (1)</b>	<b>1,395</b>
<b>=% of Contribution</b>	<b>39.0%</b>	<b>23.1%</b>

(\*) Banking Sector 100.0%

(1) Excludes Ps 420 millions of a extraordinary income from Generali.

The Recovery Banking contributed with Ps 322 million to the accumulated profits of the Banking Sector as of 3Q03, equivalent to a 23.1% participation.

We received Ps 118.6 millions of Fobaproa fees for the management fees on the Bancen and Banpais loan portfolios since Dec 1'02 until June 2003, as in June the agreement was renegotiated with IPAB in order to extend it until December 31<sup>st</sup>, 2004.

On the other hand, Banorte is negotiating with IPAB to extend the term of the Serfin loans collections agreement, that acquired in 1T00 for 4 years, in order to prolong the period of contribution of this portfolio to the Recovery Banking income, for 2 more years. We expect to receive Ps 110 million from IPAB for retroactive fees from February 28, 2000 to September, 2003 derived from the administration of Ps 2,800 in assets that were received since the beginning but were not included in the original agreement. These assets include mainly private companies stock and real state fiduciary rights.

## 2.- Brokerage Sector

Brokerage Sector (Millions of Pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b>Brokerage House</b>					
Net Income	5.9	25.4	40.1	61.0	72.3
Equity	315.5	362.4	399.2	315.5	399.2
Total Assets	456.9	457.3	549.7	456.9	549.7
Assets under Management	129,130.6	126,262.7	132,840.7	129,130.6	132,840.7
ROE %	7.5%	28.9%	42.1%	27.9%	26.9%

The **Brokerage Sector** (Brokerage House) showed a Ps 40.1 million profit during 3Q03, 57.9% higher than in 2Q03 and accumulated Ps 72.3 million in the year, 18.5% higher than the accumulated for 2002.

The income generated from money market operation was Ps 132.9 million so far this year. It is important to point out that despite the low interest rate during the quarter and as a result of the strategies taken throughout the year, income was 41% higher than in the previous quarter.

The Institution's stock brokerage income was Ps 15.8 million, 6% higher than in 2Q03. This was due to the fact that the international environment has remained positive as the local financial markets showed a very favorable development. In the third quarter, operations volume was Ps 16,093 million with a 11.6% market share, ranking 2<sup>nd</sup> place. The yearly operations volume was Ps 44,759 million for an 11.84% market share, also ranking 2<sup>nd</sup> place in operations.

The Assets under Management increased 5.2% in the quarter and 2.9% vs. 2002, closing the period with a Ps 132,841 million balance.

## 3.-Long Term Savings Sector

Long Term Savings Sector (Millions of pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b>Afore</b>					
Net Income	85.3	39.2	80.1	201.4	191.3
Equity	1,382.5	1,149.6	1,229.7	1,382.5	1,229.7
Total Assets	1,701.2	1,356.5	1,496.3	1,701.2	1,496.3
Assets under Management (SIEFORE)	18,638.2	22,283.7	23,653.0	18,638.2	23,653.0
ROE %	25.4%	13.9%	26.9%	20.8%	22.5%
<b>Insurance</b>					
Net Income	(0.7)	52.3	31.3	55.7	128.5
Equity	200.0	327.5	360.2	200.0	360.2
Total Assets	1,921.6	2,376.0	2,513.5	1,921.6	2,513.5
Technical Reserves	1,541.3	1,753.1	1,859.9	1,541.3	1,859.9
Premiums sold	314.5	314.5	434.3	969.6	1,323.8
ROE %	(1.4)%	69.5%	36.4%	39.5%	57.4%
<b>Annuities</b>					
Net Income	(3.3)	39.6	13.9	(13.8)	86.2
Equity	115.6	201.5	215.4	115.6	215.4
Total Assets	4,493.6	4,710.1	4,769.1	4,493.6	4,769.1
Technical Reserves	4,367.3	4,500.7	4,544.4	4,367.3	4,544.4
ROE %	(11.3)%	87.3%	26.8%	14.8%	64.9%

The **Afore** showed a Net quarterly Profit of Ps 80.1 million (51% for Bancen), 104.3% greater than that of 2Q03. This variation between the two quarters was due mainly to the business' cyclic nature -as employer contributions are bimonthly, two contributions are received in the first and third quarters of every year whereas as there is only one contribution in the 2nd and 4th quarters. The accumulated profit was Ps 191.3 million, 5.0% lower than in 2002, due to the reduction in fees charged to our affiliates. The Assets Managed by SIEFORE grew by 26.9% vs. 3Q02. At the close of 3Q03, there were 2,738,938 affiliates, for a 10.1% market share in certified accounts. Since last January, the fees charged to our affiliates were reduced: the balance fee went from 1.0% to 0.7% and the flow fee from 1.45% to 1.40%. These reductions were made to retain competitiveness in the face of market demands.

The **Insurance Company** reached a Ps 31.3 million profit in the quarter (51% for GFNorte), 40.2% lower than in 2Q03 due principally to lower income from fixed income securities mark to market and also to a reduction in financial

products due to a lower level of interest rates. The accumulated net profit was 130.7% higher than that of 2002 because of the substantial increase in the premiums issued from sales throughout the new integrated bank network during the year and to low damage claims, especially in automobiles.

The **Annuities Company's** quarterly profit was Ps 13.9 million (51% for GFNorte), 64.9% lower than that of 2Q03. This variation is due to a lower income from fixed income securities mark to market and also to a reduction in financial products due to a lower level of interest rates. The accumulated profit was Ps 86.2 million, which compares favourably with the Ps 13.8 million loss in 2002. This was due basically to the minimal growth of the Technical Reserves as the Instituto Mexicano del Seguro Social (IMSS) [Social Security] no longer sends pensions to the private pension companies. It currently ranks 6th in the industry and has a 9.6% market share in sold premiums and 5th in the number of pension placements, with a 10.8% market share.

Auxiliary Organizations Sector (Millones de pesos)	QUARTER			ACCUMULATE	
	3Q02	2Q03	3Q03	3Q02	3Q03
<b>Leasing</b>					
Net Income	9.8	5.9	8.0	22.6	18.7
Equity	158.2	178.2	186.4	158.2	186.4
Loan Portfolio	866.3	1,077.5	1,241.1	866.3	1,241.1
Past Due Loans	23.2	28.5	28.9	23.2	28.9
Loan Loss Reserves	13.1	15.3	15.5	13.1	15.5
Total Assets	875.6	1,115.1	1,308.8	875.6	1,308.8
ROE %	25.7%	13.5%	17.5%	20.7%	14.2%
<b>Factoring</b>					
Net Income	7.0	11.1	8.8	20.6	28.0
Equity	163.4	191.8	200.6	163.4	200.6
Loan Portfolio	2,042.6	2,943.2	3,019.7	2,042.6	3,019.7
Past Due Loans	13.1	12.9	12.9	13.1	12.9
Loan Loss Reserves	8.9	9.6	11.8	8.9	11.8
ROE %	2,040.7	2,973.6	3,017.1	2,040.7	3,017.1
Total Assets	17.6%	23.8%	18.0%	18.0%	20.1%
<b>Warehousing</b>					
Net Income	2.8	3.1	4.3	7.6	12.1
Equity	72.0	66.1	68.5	72.0	68.5
Inventories(*)	257.5	538.8	267.7	257.5	267.7
Total Assets	327.7	594.9	322.5	327.7	322.5
ROE %	16.0%	18.9%	25.7%	14.8%	25.0%
<b>Bonding</b>					
Net Income	0.9	2.4	2.6	4.9	7.1
Equity	81.3	88.5	91.1	81.3	91.1
Total Assets	179.5	220.6	229.9	179.5	229.9
Technical Reserves	65.1	87.3	90.4	65.1	90.4
Premiums sold	26.3	30.3	24.9	67.1	80.0
ROE %	4.3%	10.9%	11.6%	8.2%	10.9%

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

The **Leasing Company** reported a quarterly profit of Ps 8.0 million, 35.6% greater than in 2Q03 due to the substantial 15.2% increase in its loan portfolio. The accumulated Net Profit was Ps 18.7 million, 17.3% lower than in 2002 due to greater loan provisions, lower fees collecting, and greater depreciation of leased goods. The Total portfolio grew by 43.3% vs. September 02. It currently ranks 5<sup>th</sup> among the 28 Leasing Companies.

The **Factoring Company** generated a quarterly profit of Ps 8.8 million, 20.7% lower than in 2Q03 due basically to the creation of new loan reserves for Ps 2.4 million. The accumulated Net Income was Ps 28.0 million, 35.9% higher than of 2002, as a result to the considerable 47.8% growth of its Loan Portfolio and also to an improvement in its increased participation of the Mexican peso loans that contribute with a larger spread than dollar loans. The past-due loans portfolio closed with a balance of Ps 12.9 million, 1.5% lower than last year. The company at present ranks 1<sup>st</sup> among the 11 factoring companies.

**Warehousing** showed a Net Income of Ps 4.3 million during 3Q03, 38.7% greater than in 2Q03 due to greater

warehouse occupancy and a large volume of inventory commercialization services with respect to the previous quarter. The accumulated profit was Ps 12.1 million, 59.2% greater than that of 2002. This profit was attained with the support of inventory commercialization and direct domestic warehousing services that made it possible to make up for the drop in its in-bond services, which resent the effect of the economic deceleration.

The **Bonding Company** generated a quarterly Net Income of Ps 2.6 million, 8.3% higher than in the previous quarter and an accumulated a Net Income of Ps 7.1 million, an increase of 44.9% vs 2002, mainly due to a 19.2% increase in Premiums sold.



## ANNEXES

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



## ANNEX 1. Macroeconomic Environment

The economy indicators showed mixed results in the third quarter of the year. On the one hand, the Stock Exchange made substantial earnings in the period, interest rates held steady and reached record lows, the inflation rate and the inflation expectations continued their downward trend, and there was fiscal discipline and an adequate management of the public deficit. On the other hand however, the variables associated with economic activity showed a lower-than-expected performance.

From July to September, the Mexican Stock Exchange continued on a considerable upward trend. After having grown 19.3% in the second quarter of the year, it rose 10.9% in the third. So the Stock Exchange has experienced a 27.7% growth in the first nine months of the year.

In the same period, volatility characterized the exchange rate. The quarter started at a 10.44 pesos/dollar and on September 30 it was up to 11.00 pesos/dollar. After the war the exchange rate had an important setback, and it has been adjusting to levels of stability little by little. There was once again a relationship between the dollar/euro and peso/dollar parity. In addition to the speculative transactions, the exchange rate is a reflection of the concerns over weak growth of the economy.

Both the inflation rate and the inflation expectations held to their downward trend. Inflation in September was 4.0% and the expectations for the year's closing are 3.7%, which is still within the target inflation range set by Banxico 3% +/- 1pp). The Banco de México maintained its monetary policy in the third quarter.

A positive outlook on Mexico's country risk, low international interest rates, dropping inflation expectations and a stable monetary policy resulted in substantial decreases in the interest rates for all terms. The Cetes 28-day interest rate was under 5% practically throughout the entire quarter. This rate reached an all-time low of 4.14% on July 30 and closed the last auction of the quarter at 4.47%.

The U.S. industrial production's slow recovery has led to a very poor performance of Mexican exports. Manufacturing exports in July and August fell 5% vs. the same period in 2002. There was a 2.9% drop in August alone. Growth expectations this year fell from 2% early in the quarter to 1.6% at the period's close, because of the slow recovery of industrial production; a situation that has exposed the need for the structural reforms.

**ANNEX 2 .-Grupo Financiero- General Information**
**GFNorte Ownership in Subsidiaries**

	<b>3Q03</b>
Banco Mercantil del Norte (1)	96.11%
Banco del Centro	99.99%
Brokerage House	99.99%
Pension Funds Afore (2)	51.00%
Insurance	51.00%
Annuities	51.00%
Leasing	99.99%
Factoring	99.99%
Warehousing	99.99%
Bonding	99.99%

(1) As a result of merging Banpais in February, 2000.

(2) Subsidiary of Banco del Centro.

**Holding Company Capital Structure**

<b>Number of Shares</b>	<b>SERIE O As of September 30, 2003</b>
Number of shares issued	504,586,887
- Shares held on Treasury	0
<b>= Number of shares outstanding</b>	<b>504,586,887</b>

**Banorte Ratings**

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

## Banorte Ratings

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

## No. of Employees & Distribution Network

EMPLOYEES	3Q02	2Q03	3Q03
Banking Sector (*)	12,928	13,009	13,315
Other Sectors	<u>2,086</u>	<u>2,050</u>	<u>2,280</u>
<b>Total Group</b>	<b>15,014</b>	<b>15,059</b>	<b>15,595</b>
DISTRIBUTION NETWORK			
Branches (**)	1,069	1,059	1,056
ATM	2,497	2,490	2,494

(\*) Includes Sólida Administradora de Portafolios.

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

## Group Officers

NAME	CURRENT POSITION
Othón Ruiz Montemayor	Chief Executive Officer
Juan Manuel Quiroga Garza	Corporate General Director GFNorte
A. Eduardo Sastre de la Riva	Director General of Communications
Gloria Cecilia Miller Suárez	Director General of Marketing
Rafael del Castillo Torre de Mer	Director General of Government Banking
Ricardo Acevedo de Garay	Director General of Fixed Income Operations
Gerardo Soto Pérez	Director General of Human Resources
Gerardo Coindreau Fariás	Director General of Integral Risk Management
Jorge Eduardo Vega Camargo	Dir. General of Controllershship and Special Project
Sergio García Robles Gil	Director General of Planning and Control
Aurora Cervantes Martínez	Director General of the Legal Department
Alejandro Ramos Larios	Director General of Technology and Operations
Enrique Castellón Vega	Dir. General of the Long Term Savings Sector
Federico A. Valenzuela Ochoa	Director General of Administrations and Finance
Manuel Fernando Sescosse Varela	Director General of Banking
Antonio Emilio Ortiz Cobos	Dir. General of Corp. Bank. and Intern. Business
Enrique Catalán Guzmán	Director General of Entrepreneurial Banking
Alejandro Valenzuela del Río	Director General of Institutional Relations

### ANNEX 3 .-Accounting Changes and Regulations

**New rules for disclosing financial information of banks.-** Last June 30, 2003 the CNByV issued new general rules to disclose the financial information of banks in order to standardize the way this information is presented to the general public. New, more detailed information of Banorte and Bancen can be found in our web site: [banorte.com/información financiera](http://banorte.com/información%20financiera) (only in Spanish version).

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

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

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

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

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

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

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

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

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

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

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

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

**Interbank Eliminations in Balance lines**

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

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

**Interbank Eliminations in Income lines****Interest Income – Expense**

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

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

**Reserves for Integration Expenses.-**

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

**1. Reorganization****1.1 Restructuring Cost**

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

**1.2 Outplacement Program**

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

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

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

## 2. Integration

### 2.1 Operative Integration

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

### 2.2 Re-branding

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

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

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

## 3. After Retirement obligations (medical service)

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

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

The amounts of each concept are:

(Millions of pesos)

	Initial Balance	June 2003 changes	September, 2003 Balance
1. Reorganization	368.1	(368.1)	0.0
2. Integration	229.2	(168.6)	60.7
3. After Retirement obligations (medical service)	80.7	(80.7)	0.0
<b>Total</b>	<b>678.0</b>	<b>(617.4)</b>	<b>60.7</b>

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

## Deferred Taxes.-

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

(Millions of Nominal Pesos)

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

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

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

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

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

#### **Goodwill. -**

As per Bulletin B-8 of the Generally Accepted Accounting Principles, paragraph 22 "Acquisition and sales of subsidiaries," an Asset Goodwill was created in 2002 for the amount of Ps 69.6 million, which mostly consists of:

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

As of September 2003, the Goodwill adds up to Ps 51.1 million.

**ANNEXO .-Loan Portfolio sales to Sólida Administradora de Portafolios**

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

(Millions of Nominal Pesos)	Local Currency <sup>(2)</sup>			Foreign Currency (USD) <sup>(3)</sup>			Total		
	Aug'02	Jun'03	Sep'03	Aug'02	Jun'03	Sep'03	Aug'02	Jun'03	Sep'03
<b>Performing Loans</b>									
Commercial	5	5	7	5	5	5	10	10	12
Consumer	-	-	-	-	-	-	-	-	-
Mortgage	54	81	95	-	-	-	54	81	95
<b>Total</b>	<b>59</b>	<b>86</b>	<b>102</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>64</b>	<b>91</b>	<b>107</b>
<b>Non Performing Loans</b>									
Commercial	405	340	349	293	256	241	698	596	590
Consumer	81	78	77	-	-	-	81	78	77
Mortgage	1,112	949	867	-	-	-	1,112	949	867
<b>Total</b>	<b>1,598</b>	<b>1,367</b>	<b>1,293</b>	<b>293</b>	<b>256</b>	<b>241</b>	<b>1,891</b>	<b>1,623</b>	<b>1,534</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>1,453</b>	<b>1,395</b>	<b>298</b>	<b>261</b>	<b>246</b>	<b>1,955</b>	<b>1,714</b>	<b>1,641</b>
<b>Loan Loss Reserves (1)</b>									
Commercial	383	329	339	274	252	224	657	581	563
Consumer	80	77	77	-	-	-	80	77	77
Mortgage	840	622	568	-	-	-	840	622	568
<b>Total</b>	<b>1,303</b>	<b>1,028</b>	<b>984</b>	<b>274</b>	<b>252</b>	<b>224</b>	<b>1,577</b>	<b>1,280</b>	<b>1,208</b>

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

(2) Includes UDIS.

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

(\*) The Reserve surplus as of Sep'03 was Ps 186 million.

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

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

(Millions of Nominal Pesos)	Local Currency <sup>(1)</sup>		Foreign Currency (USD) <sup>(2)</sup>		Total	
	Jun'03	Sep'03	Jun'03	Sep'03	Jun'03	Sep'03
<b>Performing Loans</b>						
Commercial	22,243	22,669	8,302	8,523	30,545	31,192
Financial Intermediaries	2,667	2,551	445	773	3,112	3,324
Consumer	6,679	7,728	6	5	6,685	7,733
Mortgage	12,699	13,497	-	-	12,699	13,497
Government Entities	85,106	84,100	721	715	85,827	84,815
Fobaproa / IPAB	6,816	6,847	(182)	(195)	6,634	6,652
<b>Performing Loans</b>	<b>136,210</b>	<b>137,392</b>	<b>9,292</b>	<b>9,821</b>	<b>145,502</b>	<b>147,213</b>
<b>Non Performing Loans</b>						
Commercial	1,322	1,291	1,432	1,000	2,754	2,291
Consumer	408	454	-	-	408	454
Mortgage	2,018	1,885	-	-	2,018	1,885
Government Entities	8	8	-	-	8	8
<b>Non Performing Loans</b>	<b>3,756</b>	<b>3,638</b>	<b>1,432</b>	<b>1,000</b>	<b>5,188</b>	<b>4,638</b>
<b>TOTAL LOANS</b>	<b>139,966</b>	<b>141,030</b>	<b>10,724</b>	<b>10,821</b>	<b>150,690</b>	<b>151,851</b>
<b>Loan Loss Reserves</b>	<b>3,854</b>	<b>3,819</b>	<b>1,486</b>	<b>1,301</b>	<b>5,340</b>	<b>5,120</b>
<b>Net Loan Portfolio</b>	<b>136,112</b>	<b>137,211</b>	<b>9,238</b>	<b>9,520</b>	<b>145,350</b>	<b>146,731</b>
<b>Loan Loss Reserves</b>					<b>102.93%</b>	<b>110.39%</b>
<b>% Past Due Loans</b>					<b>3.44%</b>	<b>3.05%</b>

(1) Includes UDIS.

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



**ANNEX 5 .- Financial Statements**
**HOLDING – Income Statement** (Millions of Pesos)

	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Income from Subsidiaries and Interest Expense	400	819	430	432	2,081	505	537	574		1,616
Trading Income	-	-	-	-	-	-	-	-	-	-
Fees & Tarifs	-	-	-	-	-	-	-	-	-	-
REPOMO	(2)	(3)	(3)	(2)	(11)	(1)	-	(1)		(2)
<b>Total Operating Income</b>	<b>398</b>	<b>816</b>	<b>427</b>	<b>429</b>	<b>2,070</b>	<b>504</b>	<b>537</b>	<b>573</b>		<b>1,615</b>
Operation & Administrative expenses	-	1	1	1	3	1	1	1		2
<b>Operating Income</b>	<b>398</b>	<b>816</b>	<b>426</b>	<b>429</b>	<b>2,068</b>	<b>504</b>	<b>537</b>	<b>572</b>		<b>1,613</b>
Non Operating Income	-	1	1	4	5	12	(1)	-		12
Non Operating Expense	-	-	-	-	-	-	-	-		-
<b>Non Operating Income</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>12</b>	<b>(1)</b>	<b>-</b>		<b>11</b>
<b>Pre-tax Income</b>	<b>398</b>	<b>816</b>	<b>426</b>	<b>433</b>	<b>2,073</b>	<b>516</b>	<b>536</b>	<b>573</b>		<b>1,624</b>
Income Tax & Profit Sharing	3	3	3	3	13	4	(4)	-		-
Tax on Assets	-	-	-	-	-	-	-	-		-
Deferred Inc. Tax and Profit sharing	(1)	1	-	-	-	-	-	-		-
<b>Net income from Continuos</b>	<b>396</b>	<b>812</b>	<b>423</b>	<b>429</b>	<b>2,060</b>	<b>512</b>	<b>540</b>	<b>573</b>		<b>1,624</b>
Extraordinary Items, net	-	-	-	-	-	-	-	-		-
<b>Total Net Income</b>	<b>396</b>	<b>812</b>	<b>423</b>	<b>429</b>	<b>2,060</b>	<b>512</b>	<b>540</b>	<b>573</b>		<b>1,624</b>

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

ASSETS	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Cash and due from Banks	168	164	139	18	10	89	158	
Financial Instruments:	-	-	-	-	-	-	-	-
Sundry debtors and other assets,net	46	52	67	63	65	139	4	
Real Estate, Furniture & Equipment, net	-	-	-	-	-	-	-	-
Investments in subsidiaries	10,064	10,770	10,905	11,373	11,853	12,397	12,870	
Deferred taxes	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-
Other Assets, Deferred charges, intang	1	1	1	-	1	1	-	
<b>TOTAL ASSETS</b>	<b>10,280</b>	<b>10,987</b>	<b>11,112</b>	<b>11,454</b>	<b>11,929</b>	<b>12,626</b>	<b>13,033</b>	
LIABILITIES								
Due to banks and correspondents	-	-	-	-	-	-	-	-
Income Tax & Profit Sharing	9	8	11	13	3	12	15	
Other Payable accounts	-	1	520	-	-	-	-	-
Other payable accounts	9	9	531	13	3	12	15	
Deferred taxes	16	18	23	22	20	43	-	
<b>TOTAL LIABILITIES</b>	<b>25</b>	<b>27</b>	<b>555</b>	<b>35</b>	<b>24</b>	<b>55</b>	<b>15</b>	
STOCKHOLDER 'S EQUITY								
Paid-in Capital	5,228	5,228	5,225	5,225	5,225	5,236	5,241	
Share subscription premiums	1,521	1,526	1,530	1,528	1,527	1,594	1,563	
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	<b>6,749</b>	<b>6,754</b>	<b>6,755</b>	<b>6,753</b>	<b>6,752</b>	<b>6,830</b>	<b>6,804</b>	
Capital Reserves	1,013	1,091	1,076	1,076	1,076	1,299	1,298	
Retained Earnings	10,298	10,218	9,699	9,698	11,757	11,576	11,576	
Surplus (Deficit) from securities	-	-	-	-	-	-	-	-
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	(5,352)	(5,353)	(5,351)	(5,347)	(5,347)	(5,346)	(5,347)	
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(2,849)	(2,958)	(3,252)	(2,821)	(2,845)	(2,839)	(2,938)	
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	396	1,208	1,631	2,060	512	1,052	1,624	
Earned Capital	3,506	4,206	3,802	4,666	5,153	5,741	6,214	
Total Stockholder 's Equity	10,255	10,960	10,557	11,419	11,905	12,571	13,018	
<b>TOTAL LIABILITIES &amp; STOCKHOLDER 'S</b>	<b>10,280</b>	<b>10,987</b>	<b>11,112</b>	<b>11,454</b>	<b>11,929</b>	<b>12,626</b>	<b>13,033</b>	

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

	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Client securities held in custody	3,111	3,648	3,604	3,538	3,498	3,488	3,463	
Other trust account items	119	117	116	113	112	112	111	
<b>Total</b>	<b>3,230</b>	<b>3,765</b>	<b>3,720</b>	<b>3,652</b>	<b>3,610</b>	<b>3,600</b>	<b>3,574</b>	

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

<b>NET INTEREST INCOME</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>ACUM</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>
Interest Income	5,887	5,703	6,087	6,492	24,169	6,671	5,276	4,458		16,405
Interest Expense	4,015	3,678	4,034	4,449	16,175	4,518	3,363	2,660		10,541
Loan Fees	125	216	162	174	678	187	189	186		562
Fees Paid	8	10	11	11	40	10	14	15		39
<b>Net Interest Income (NII)</b>	<b>1,989</b>	<b>2,232</b>	<b>2,204</b>	<b>2,207</b>	<b>8,632</b>	<b>2,331</b>	<b>2,088</b>	<b>1,969</b>		<b>6,388</b>
Repomo-Margin	28	41	(23)	33	79	15	13	6		34
<b>NII after Repomo</b>	<b>2,017</b>	<b>2,273</b>	<b>2,181</b>	<b>2,240</b>	<b>8,711</b>	<b>2,346</b>	<b>2,100</b>	<b>1,976</b>		<b>6,422</b>
Loan Loss Provisions	172	199	181	253	805	238	344	163		745
Loss Sharing Provisions	2	12	8	15	37	31	14	2		46
<b>NII after Provisions</b>	<b>1,843</b>	<b>2,061</b>	<b>1,992</b>	<b>1,973</b>	<b>7,869</b>	<b>2,077</b>	<b>1,743</b>	<b>1,811</b>		<b>5,630</b>
Fund transfers	43	53	49	46	191	43	43	45		132
Account management	163	176	166	151	655	149	164	183		496
Fiduciary	195	244	193	178	809	159	128	167		453
Income from Loan Portfolios Acquired	112	65	271	(44)	404	51	34	34		119
Electronic Banking Services	91	34	64	62	250	64	56	59		180
Credit Card	128	155	150	148	581	148	157	154		460
Fees from FOBAPROA	140	65	52	118	375	47	33	252		332
Other fees	453	406	508	398	1,764	426	401	517		1,344
<b>Fees on services,</b>	<b>1,325</b>	<b>1,196</b>	<b>1,453</b>	<b>1,056</b>	<b>5,030</b>	<b>1,088</b>	<b>1,017</b>	<b>1,411</b>		<b>3,516</b>
Fund transfers	-	-	-	-	-	-	-	-		-
Other fees	181	194	217	284	877	179	166	212		557
Expenses from Loan Portfolios Acquired	66	42	157	26	291	41	29	26		96
<b>Fees paid,</b>	<b>247</b>	<b>236</b>	<b>374</b>	<b>311</b>	<b>1,168</b>	<b>220</b>	<b>194</b>	<b>239</b>		<b>653</b>
Foreign exchange	69	109	71	85	335	84	120	101		304
Securities –Realized gains	271	(155)	(66)	35	85	147	354	100		601
Securities- Unrealized gains	(4)	(50)	(13)	19	(48)	(3)	(37)	57		17
<b>Market-related Income</b>	<b>335</b>	<b>(95)</b>	<b>(7)</b>	<b>139</b>	<b>372</b>	<b>227</b>	<b>437</b>	<b>258</b>		<b>922</b>
<b>Total Non Interest Income</b>	<b>1,414</b>	<b>864</b>	<b>1,072</b>	<b>885</b>	<b>4,235</b>	<b>1,095</b>	<b>1,260</b>	<b>1,430</b>		<b>3,785</b>
<b>Total Operating Income</b>	<b>3,257</b>	<b>2,926</b>	<b>3,064</b>	<b>2,857</b>	<b>12,104</b>	<b>3,172</b>	<b>3,003</b>	<b>3,241</b>		<b>9,416</b>
Personnel	1,114	1,067	996	1,016	4,193	1,086	996	1,028		3,111
Professional Fees	91	106	114	106	417	84	115	126		324
Operation & Administrative expenses	726	715	705	740	2,885	639	665	755		2,059
Rents, depreciation and amortization	341	381	325	333	1,380	352	380	403		1,135
Taxes, other than income tax	129	143	158	192	623	143	157	157		458
Contributions to IPAB	162	168	163	174	667	179	178	180		537
Corporate expenses Recoveries	-	-	-	-	-	-	-	-		-
<b>Non-Interest Expense</b>	<b>2,563</b>	<b>2,581</b>	<b>2,460</b>	<b>2,561</b>	<b>10,166</b>	<b>2,484</b>	<b>2,492</b>	<b>2,649</b>		<b>7,624</b>
<b>Operating Income</b>	<b>694</b>	<b>345</b>	<b>604</b>	<b>296</b>	<b>1,939</b>	<b>688</b>	<b>511</b>	<b>592</b>		<b>1,791</b>
Other Revenues	264	489	758	606	2,117	565	347	801		1,713
Foreign exchange	-	-	-	-	-	-	-	-		-
Recoveries	57	70	136	92	355	9	67	65		141
Repomo-other revenues	1	2	2	15	21	5	1	4		10
<b>Non Operating Income</b>	<b>323</b>	<b>560</b>	<b>896</b>	<b>713</b>	<b>2,493</b>	<b>579</b>	<b>415</b>	<b>869</b>		<b>1,864</b>
Other Expense	(438)	(258)	(824)	(541)	(2,061)	(631)	(326)	(735)		(1,691)
Foreign exchange	(2)	(5)	-	-	(7)	-	-	(2)		(2)
Repomo-other Expenses	(46)	(76)	(82)	(144)	(347)	(84)	(29)	(58)		(170)
<b>Non Operating Expense</b>	<b>(486)</b>	<b>(338)</b>	<b>(906)</b>	<b>(685)</b>	<b>(2,415)</b>	<b>(714)</b>	<b>(354)</b>	<b>(795)</b>		<b>(1,864)</b>
<b>Non Operating Income (Expense), net</b>	<b>(163)</b>	<b>222</b>	<b>(10)</b>	<b>28</b>	<b>78</b>	<b>(135)</b>	<b>61</b>	<b>74</b>		<b>-</b>
<b>Pre-tax Income</b>	<b>531</b>	<b>568</b>	<b>594</b>	<b>324</b>	<b>2,017</b>	<b>553</b>	<b>572</b>	<b>667</b>		<b>1,792</b>
Income Tax	38	35	64	(6)	131	64	41	68		174
Profit sharing	2	40	29	32	103	24	24	30		79
Tax on Assets	22	27	28	37	114	9	11	11		30
Deferred Inc. Tax and Profit sharing	77	12	22	(105)	7	(35)	(18)	(19)		(72)
<b>Net Income before subsidiaries</b>	<b>391</b>	<b>453</b>	<b>451</b>	<b>366</b>	<b>1,661</b>	<b>491</b>	<b>513</b>	<b>577</b>		<b>1,581</b>
Subsidiaries' net income	55	(20)	22	103	160	68	51	46		165
<b>Net Income from continuous operations</b>	<b>446</b>	<b>433</b>	<b>474</b>	<b>468</b>	<b>1,821</b>	<b>559</b>	<b>564</b>	<b>623</b>		<b>1,746</b>
Extraordinary items, net	-	420	3	(2)	420	-	1	-		1
Minority Interest	51	41	53	37	181	47	25	50		122
<b>TOTAL NET INCOME</b>	<b>396</b>	<b>812</b>	<b>423</b>	<b>429</b>	<b>2,060</b>	<b>512</b>	<b>540</b>	<b>573</b>		<b>1,624</b>

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

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>17,892</b>	<b>18,207</b>	<b>20,338</b>	<b>24,038</b>	<b>22,508</b>	<b>25,864</b>	<b>29,856</b>	
Negotiable Instruments	3,910	3,373	2,430	3,049	4,056	3,976	4,108	
Securities held for sale	978	1,094	876	1,338	1,334	1,333	187	
Securities held to maturity	4,115	4,240	6,598	7,861	8,490	9,222	10,608	
<b>Financial Instruments:</b>	<b>9,004</b>	<b>8,707</b>	<b>9,904</b>	<b>12,248</b>	<b>13,880</b>	<b>14,531</b>	<b>14,902</b>	
Non-assigned securities to pay	-	-	-	-	-	1	62	
Repurchase agreements, net	156	147	194	77	159	44	164	
Operations with collateral	-	-	-	-	-	-	-	
Futures receivable, net	-	-	-	-	-	-	-	
Options and derivatives, net	27	-	-	10	15	1	-	
<b>Repos &amp; Derivatives :</b>	<b>183</b>	<b>148</b>	<b>194</b>	<b>87</b>	<b>174</b>	<b>46</b>	<b>225</b>	
Commercial	25,546	26,894	30,513	35,718	33,260	34,610	35,243	
Financial Intermediaries	75	61	55	6,707	2,162	2,212	2,360	
Consumer	3,413	4,067	4,656	5,271	5,989	6,794	7,737	
Mortgage	11,255	11,674	12,067	12,417	12,409	12,974	13,666	
Government Entities	42,894	89,743	86,386	86,853	86,761	86,469	84,825	
Fobaproa	58,881	9,723	10,264	6,262	6,650	6,683	6,652	
Fiduciary collection rights	-	-	-	-	-	-	-	
<b>Performing Loans</b>	<b>142,064</b>	<b>142,162</b>	<b>143,941</b>	<b>153,228</b>	<b>147,230</b>	<b>149,741</b>	<b>150,484</b>	
Commercial	2,627	2,735	2,674	2,571	1,948	2,375	1,903	
Financial Intermediaries	-	-	-	-	-	-	-	
Consumer	382	299	344	343	334	343	386	
Mortgage	1,939	1,914	1,928	1,961	1,189	1,227	1,159	
Government Entities	-	2	-	-	8	8	8	
<b>Past Due Loans</b>	<b>4,949</b>	<b>4,950</b>	<b>4,946</b>	<b>4,876</b>	<b>3,478</b>	<b>3,953</b>	<b>3,456</b>	
<b>Total Loans</b>	<b>147,013</b>	<b>147,112</b>	<b>148,887</b>	<b>158,104</b>	<b>150,708</b>	<b>153,694</b>	<b>153,940</b>	
Preventive loan loss reserves	5,697	5,764	5,846	5,731	4,406	4,560	4,382	
<b>Net Loan Portfolio</b>	<b>141,316</b>	<b>141,349</b>	<b>143,041</b>	<b>152,373</b>	<b>146,302</b>	<b>149,134</b>	<b>149,557</b>	
Credit Assets Portfolio	2,549	2,394	2,141	1,896	1,764	1,682	1,564	
Sundry debtors and other assets, net	1,842	1,726	1,853	2,694	2,552	3,889	4,367	
Foreclosed assets, net	1,428	1,366	1,314	1,243	1,177	1,207	1,167	
Real Estate, Furniture & Equipment, net	5,931	5,868	5,857	5,846	5,749	5,680	5,574	
Investments in subsidiaries	1,216	1,348	1,368	1,046	1,486	1,521	1,559	
Deferred taxes	613	623	637	827	881	860	950	
Goodwill	-	-	-	-	-	-	-	
Deferred charges & Intangibles	1,532	1,789	1,397	1,573	1,491	1,797	1,444	
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	
<b>Other Assets</b>	<b>15,109</b>	<b>15,115</b>	<b>14,566</b>	<b>15,125</b>	<b>15,099</b>	<b>16,636</b>	<b>16,625</b>	
<b>TOTAL ASSETS</b>	<b>183,504</b>	<b>183,525</b>	<b>188,043</b>	<b>203,870</b>	<b>197,962</b>	<b>206,211</b>	<b>211,165</b>	

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	51,875	49,782	49,399	53,812	52,813	55,787	57,235	
Time Deposits	83,771	74,550	83,976	91,270	101,038	94,785	102,876	
Bonds	1,419	1,367	1,381	1,323	1,336	266	-	
<b>Deposits</b>	<b>137,065</b>	<b>125,698</b>	<b>134,756</b>	<b>146,405</b>	<b>155,188</b>	<b>150,838</b>	<b>160,111</b>	
Demand	1,527	12,275	640	13,760	5,720	13,212	3,988	
Short term	14,665	15,350	23,509	13,746	4,731	8,830	12,380	
Long term	13,380	13,015	11,145	10,874	11,946	11,406	11,259	
<b>Due to banks and correspondents</b>	<b>29,572</b>	<b>40,640</b>	<b>35,295</b>	<b>38,380</b>	<b>22,397</b>	<b>33,448</b>	<b>27,626</b>	
Non-assigned securities to pay	-	-	-	-	-	1	46	
Repurchase agreements, net	71	170	248	33	51	24	122	
Operations with collateral	-	-	-	835	-	-	-	
Futures receivable, net	-	-	-	-	-	-	-	
Options and derivatives, net	-	87	537	-	943	915	1,421	
<b>Repos &amp; Derivatives:</b>	<b>71</b>	<b>257</b>	<b>785</b>	<b>868</b>	<b>994</b>	<b>940</b>	<b>1,589</b>	
Income Tax & Profit Sharing	46	147	318	387	249	166	260	
Other Payable accounts	4,056	3,430	3,863	2,913	3,580	4,648	4,768	
<b>Other payable accounts</b>	<b>4,102</b>	<b>3,578</b>	<b>4,181</b>	<b>3,300</b>	<b>3,829</b>	<b>4,814</b>	<b>5,029</b>	
Subordinated non Convertible Debenture	1,469	1,440	1,470	2,642	2,721	2,625	2,735	
Deferred Taxes	-	-	-	-	-	-	-	
Deferred credits	64	13	13	23	49	70	106	
<b>TOTAL LIABILITIES</b>	<b>172,343</b>	<b>171,626</b>	<b>176,499</b>	<b>191,618</b>	<b>185,178</b>	<b>192,735</b>	<b>197,196</b>	
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	5,228	5,228	5,225	5,225	5,225	5,236	5,241	
Share subscription premiums	1,521	1,526	1,530	1,528	1,527	1,594	1,563	
Subordinated Convertible Debentures	-	-	-	-	-	-	-	
<b>Subscribed Capital</b>	<b>6,749</b>	<b>6,754</b>	<b>6,755</b>	<b>6,753</b>	<b>6,752</b>	<b>6,830</b>	<b>6,804</b>	
Capital Reserves	1,013	1,091	1,076	1,076	1,076	1,299	1,298	
Retained Earnings	10,298	10,218	9,699	9,698	11,757	11,576	11,576	
Surplus (Deficit) from securities	-	-	-	-	-	-	-	
Results of foreign operations exchange	-	-	-	-	-	-	-	
Excess (Insuf.) in capital restatement	(5,352)	(5,353)	(5,351)	(5,347)	(5,347)	(5,346)	(5,347)	
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	
Non Mon assets results Investm	(2,849)	(2,958)	(3,252)	(2,821)	(2,845)	(2,839)	(2,938)	
Adjustment in the employees pension	-	-	-	-	-	-	-	
Accumulated Deferred tax effect	-	-	-	-	-	-	-	
Net Income	396	1,208	1,631	2,060	512	1,052	1,624	
<b>Earned Capital</b>	<b>3,506</b>	<b>4,206</b>	<b>3,802</b>	<b>4,666</b>	<b>5,153</b>	<b>5,741</b>	<b>6,214</b>	
Minority Holdings	906	940	986	833	879	905	951	
<b>Total Stockholder 's Equity</b>	<b>11,161</b>	<b>11,899</b>	<b>11,544</b>	<b>12,252</b>	<b>12,784</b>	<b>13,476</b>	<b>13,969</b>	
<b>TOTAL LIABILITIES &amp;</b>	<b>183,504</b>	<b>183,525</b>	<b>188,043</b>	<b>203,870</b>	<b>197,962</b>	<b>206,211</b>	<b>211,165</b>	

## MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED

(Millions of Pesos)	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
<b>ON BEHALF OF THIRD PARTY</b>								
Customers' banks	4	3	2	2	1	16	6	
Dividends receivable from customers	-	-	-	-	-	-	-	-
Interest receivable from customers	-	-	-	-	-	-	-	-
Liquidation of customer transactions	18,286	18,356	14,328	13,873	13,989	(22)	(102)	
Customer loans	-	-	-	-	-	-	-	-
Liquidation with foreign currencies of	-	-	-	-	-	-	-	-
Margin accounts in futures operations	-	-	-	-	-	-	-	-
Other current accounts	-	-	-	-	-	-	-	-
<b>CUSTOMERS CURRENT ACCOUNT</b>	<b>18,290</b>	<b>18,359</b>	<b>14,331</b>	<b>13,875</b>	<b>13,990</b>	<b>(7)</b>	<b>(96)</b>	
Client securities held in custody	110,986	116,873	127,545	127,830	114,567	126,077	132,698	
Securities and documents received in	-	1	-	-	1	-	1	
Client securities abroad	-	-	-	-	-	-	-	
<b>CLIENT SECURITIES</b>	<b>110,986</b>	<b>116,875</b>	<b>127,545</b>	<b>127,830</b>	<b>114,568</b>	<b>126,077</b>	<b>132,699</b>	
Repurchase operations for customers	26,511	26,469	24,672	26,169	22,980	25,236	20,748	
Clients securities loans	-	-	-	-	1	-	-	
Purchase of Futures & forward contracts	-	-	-	-	-	-	-	
Sale of futures and forward contracts	-	-	-	-	-	-	-	
Purchasing operations (option price)	48	27	73	56	49	44	6	
Sales operations (option price)	-	-	-	-	-	-	-	
Purchase of derivative packages	-	-	-	-	-	-	-	
Sale of derivative packages	-	-	-	-	-	-	-	
Administration trusts	1,119	1,110	1,293	1,548	2,319	2,472	2,102	
<b>TRANSACTIONS ON BEHALF CLIENT</b>	<b>27,679</b>	<b>27,606</b>	<b>26,038</b>	<b>27,774</b>	<b>25,349</b>	<b>27,752</b>	<b>22,856</b>	
<b>TOTAL ON BEHALF OF THIRD PARTY</b>	<b>156,955</b>	<b>162,840</b>	<b>167,914</b>	<b>169,479</b>	<b>153,906</b>	<b>153,823</b>	<b>155,459</b>	
Signature guarantees granted	15	-	-	-	-	-	-	
Issuing of irrevocable letters of credit	712	984	953	859	884	945	1,009	
Property in trust and guardianship	82,662	77,871	83,785	83,442	80,321	81,824	82,842	
Assets held in custody or in administration	128,803	120,849	129,824	130,349	135,920	130,323	120,913	
Amounts committed to operations with	55,572	54,781	5,886	5,875	5,806	6,186	6,463	
In Transit drafts	-	-	-	-	-	-	-	
Certificates of Deposit in circulation	88	88	187	474	444	569	550	
Secured Credit Cards from the company	-	-	-	-	-	-	-	
Securities given to the company in custody	90	127	146	191	100	187	244	
Government securities in custody of the	-	86	75	-	-	7	-	
Securities given to the company on	-	-	-	-	-	-	-	
Securities outside the country	-	-	-	-	-	-	-	
Liquidations with foreign currencies abroad	-	-	-	-	-	-	-	
Debits to the contingency fund	-	-	-	-	-	-	-	
Other contingent obligations	14,392	18,951	14,938	14,487	16,144	16,380	16,299	
Banking transactions on behalf of third-	114,723	148,287	157,340	75,135	48,167	48,447	48,745	
Investments in funds for the retirem.saving	2,495	2,509	2,477	1,583	225	236	244	
Integration of the credit portfolio	-	-	-	-	-	-	-	
Amounts contracted in derivative	4,294	3,243	2,653	4,877	6,363	6,634	7,520	
Other trust account items	362,275	363,214	332,914	422,305	418,226	397,675	277,558	
<b>OWN ACCOUNT OPERATIONS</b>	<b>766,121</b>	<b>790,990</b>	<b>731,179</b>	<b>739,578</b>	<b>712,600</b>	<b>689,411</b>	<b>562,387</b>	
Repurchase agreements								
Securities to be received	184,765	183,751	205,768	211,073	142,150	150,427	148,629	
(Less) Securities to be delivered	(184,721)	(183,896)	(205,996)	(211,036)	(141,976)	(150,426)	(148,468)	
<b>REPURCHASE TRANSACTIONS-</b>	<b>45</b>	<b>(145)</b>	<b>(228)</b>	<b>37</b>	<b>173</b>	<b>1</b>	<b>161</b>	
Securities to be received	121,986	134,301	141,085	144,370	77,042	81,350	83,371	
(Less) securities to be delivered	(121,946)	(134,178)	(140,912)	(144,364)	(77,107)	(81,332)	(83,490)	
<b>REPURCHASE TRANSACTIONS- SOLD</b>	<b>40</b>	<b>123</b>	<b>173</b>	<b>7</b>	<b>(65)</b>	<b>19</b>	<b>(119)</b>	
<b>TOTAL ON OWN ACCOUNT</b>	<b>766,206</b>	<b>790,968</b>	<b>731,124</b>	<b>739,622</b>	<b>712,708</b>	<b>689,431</b>	<b>562,429</b>	

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

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

<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>	
<b>Net Income</b>	<b>1,625</b>
<b>Adjustments to Reconcile Net Income to Net Cash by Operating Activities</b>	
Mark to Market Valuation Results	(4)
Provisions for loan losses	791
Depreciation and amortization	617
Deferred Taxes	(72)
Provisions for Obligations	169
Minoritary Interest	(12)
Undistributed Earnings of Subsidiaries	165
	<b>1,495</b>
<b>Cash Flows From Investing Activities:</b>	
Banks Deposits	13,712
Decrease (Increase) loan portfolio	2,018
Decrease (Increase) credit assets portfolio	331
Decrease (Increase) treasury operations	(2,651)
Decrease (Increase) financial instruments	582
Loans from banks and other entities	(10,752)
Decrease (Increase) Deferred taxes	(51)
Decrease (Increase) in accounts receivable and payable	(63)
<b>Net Resources provided by operations</b>	<b>3,127</b>
<b>Financial Activities:</b>	
Subordinated Debentures Issue and Interest	93
Dividends Declared	-
Issuance of stock	92
<b>Net Resources provided by Investing activities</b>	<b>185</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>	
Proceeds from issuance of common stock	(579)
Decrease (Increase) Deferred charges or credits	(108)
Decrease (Increase) Foreclosed assets	76
<b>Net Cash provided by financing activities</b>	<b>(611)</b>
<b>Decrease (increase) in cash and due from banks</b>	<b>5,819</b>
<b>Cash and due from banks at the beginning of the year</b>	<b>24,037</b>
<b>Cash and due from banks at the end of the year</b>	<b>29,856</b>

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

	CONTRIBUTED CAPITAL		
	Fixed Paid-in Capital	Paid-in Capital Premium	& oth. Securities
<b>Balance as of December 31,2002</b>	<b>3,125</b>	<b>2,100</b>	<b>1,528</b>
<b>Stock Changes</b>			
Issuance of stock	-	16	35
Profits Capitalization	-	-	-
<b>Total</b>	<b>-</b>	<b>16</b>	<b>35</b>
<b>Total Income</b>			
Total Income:			
Net Income	-	-	-
Results of assets holdings	-	-	-
Minority Interest	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as of September 30,2003</b>	<b>3,125</b>	<b>2,116</b>	<b>1,563</b>

	EARNED CAPITAL						Total Stockholder s' Equity
	Capital Reserve s	Retained earnings	Excess if Insuf. Capital Restatement	Non Monetary Assets Results (Investment)	Net Income of the year	Minorit ary Intere st	
<b>Balance as of December 31,2002</b>	<b>1,076</b>	<b>9,698</b>	<b>(5,347)</b>	<b>(2,821)</b>	<b>2,060</b>	<b>833</b>	<b>12,252</b>
<b>Stock Changes</b>							
Issuance of stock	121	(80)	-	-	-	-	<b>92</b>
Profits Capitalization	-	2,060	-	-	(2,060)	-	-
Provisions Created	101	(101)	-	-	-	-	-
Dividends Declared	-	-	-	-	-	-	-
<b>Total</b>	<b>222</b>	<b>1,878</b>	<b>-</b>	<b>-</b>	<b>(2,060)</b>	<b>-</b>	<b>92</b>
<b>Total Income</b>							
Total Income:							
Net Income	-	-	-	-	1,625	-	<b>1,625</b>
Results of assets holdings	-	-	-	(117)	-	-	<b>(117)</b>
Minority Interest	-	-	-	-	-	118	<b>118</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(117)</b>	<b>1,625</b>	<b>118</b>	<b>1,626</b>
<b>Balance as of September 30,2003</b>	<b>1,298</b>	<b>11,576</b>	<b>(5,347)</b>	<b>(2,938)</b>	<b>1,625</b>	<b>951</b>	<b>13,969</b>

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

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

<b>NET INTEREST INCOME</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>ACUM</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>
Interest Income	5,782	5,605	5,995	6,403	23,785	6,536	5,133	4,265		15,935
Interest Expense	3,990	3,665	4,026	4,463	16,144	4,474	3,320	2,577		10,372
Loan Fees	125	216	162	174	678	187	189	186		562
Fees Paid	8	10	11	11	40	10	14	15		39
<b>Net Interest Income (NII)</b>	<b>1,908</b>	<b>2,147</b>	<b>2,121</b>	<b>2,105</b>	<b>8,280</b>	<b>2,239</b>	<b>1,988</b>	<b>1,859</b>		<b>6,086</b>
Repomo-Margin	37	50	(12)	42	117	24	13	12		49
<b>NII after Repomo</b>	<b>1,945</b>	<b>2,196</b>	<b>2,109</b>	<b>2,147</b>	<b>8,397</b>	<b>2,263</b>	<b>2,000</b>	<b>1,871</b>		<b>6,135</b>
Loan Loss Provisions	172	199	181	252	805	236	339	157		732
Loss Sharing Provisions	2	12	8	15	37	31	14	2		46
<b>NII after Provisions</b>	<b>1,771</b>	<b>1,985</b>	<b>1,920</b>	<b>1,880</b>	<b>7,556</b>	<b>1,996</b>	<b>1,647</b>	<b>1,713</b>		<b>5,357</b>
Fund transfers	43	53	49	46	191	43	43	45		132
Account management	163	176	166	151	655	149	164	183		496
Fiduciary	195	244	193	178	809	159	128	167		453
Income from Loan Portfolios Acquired	112	65	271	(44)	404	51	34	34		119
Electronic Banking Services	91	34	64	62	250	64	56	59		180
Credit Card	128	155	150	148	581	148	157	154		460
Fees from FOBAPROA	140	65	52	118	375	47	33	252		332
Other fees	124	126	153	130	534	122	150	148		420
<b>Fees on services,</b>	<b>997</b>	<b>916</b>	<b>1,098</b>	<b>788</b>	<b>3,799</b>	<b>784</b>	<b>767</b>	<b>1,042</b>		<b>2,593</b>
Fund transfers	-	-	-	-	-	-	-	-		-
Other fees	173	189	209	279	850	172	160	202		534
Expenses from Loan Portfolios Acquired	66	42	157	26	291	41	29	26		96
<b>Fees paid,</b>	<b>239</b>	<b>231</b>	<b>366</b>	<b>305</b>	<b>1,141</b>	<b>213</b>	<b>189</b>	<b>229</b>		<b>630</b>
Foreign exchange	69	109	71	85	335	84	120	101		304
Securities -Realized gains	253	(177)	(91)	11	(4)	120	307	70		497
Securities- Unrealized gains	(8)	(47)	(10)	16	(48)	(3)	(37)	51		10
<b>Market-related Income</b>	<b>314</b>	<b>(115)</b>	<b>(29)</b>	<b>113</b>	<b>283</b>	<b>200</b>	<b>390</b>	<b>221</b>		<b>811</b>
<b>Total Non Interest Income</b>	<b>1,072</b>	<b>571</b>	<b>704</b>	<b>596</b>	<b>2,942</b>	<b>771</b>	<b>968</b>	<b>1,035</b>		<b>2,774</b>
<b>Total Operating Income</b>	<b>2,843</b>	<b>2,556</b>	<b>2,624</b>	<b>2,475</b>	<b>10,498</b>	<b>2,768</b>	<b>2,615</b>	<b>2,748</b>		<b>8,131</b>
Personnel	1,021	975	919	936	3,851	998	903	931		2,832
Professional Fees	89	105	112	103	409	83	112	123		318
Operation & Administrative expenses	595	571	551	588	2,303	516	546	612		1,675
Rents, depreciation and amortization	301	341	282	276	1,201	308	334	357		998
Taxes, other than income tax	126	141	154	189	611	140	159	150		449
Contributions to IPAB	162	168	163	174	667	179	178	180		537
Corporate expenses Recoveries	-	-	-	-	-	-	-	-		-
<b>Non-Interest Expense</b>	<b>2,294</b>	<b>2,301</b>	<b>2,180</b>	<b>2,266</b>	<b>9,042</b>	<b>2,223</b>	<b>2,232</b>	<b>2,354</b>		<b>6,810</b>
<b>Operating Income</b>	<b>549</b>	<b>255</b>	<b>443</b>	<b>209</b>	<b>1,456</b>	<b>544</b>	<b>383</b>	<b>393</b>		<b>1,321</b>
Other Revenues	79	188	81	175	523	91	68	125		284
Foreign exchange	-	-	-	-	-	-	-	-		-
Recoveries	56	69	135	92	352	8	65	65		138
Repomo-other revenues	1	1	1	11	14	5	1	3		9
<b>Non Operating Income</b>	<b>136</b>	<b>258</b>	<b>217</b>	<b>277</b>	<b>889</b>	<b>104</b>	<b>135</b>	<b>193</b>		<b>431</b>
Other Expense	(254)	44	(143)	(101)	(454)	(150)	(29)	(52)		(230)
Foreign exchange	(2)	(5)	-	-	(7)	-	-	(2)		(2)
Repomo-other Expenses	(44)	(73)	(81)	(142)	(340)	(84)	(27)	(57)		(167)
<b>Non Operating Expense</b>	<b>(300)</b>	<b>(34)</b>	<b>(224)</b>	<b>(244)</b>	<b>(801)</b>	<b>(233)</b>	<b>(56)</b>	<b>(111)</b>		<b>(400)</b>
<b>Non Operating Income (Expense), net</b>	<b>(163)</b>	<b>224</b>	<b>(7)</b>	<b>33</b>	<b>87</b>	<b>(129)</b>	<b>79</b>	<b>82</b>		<b>31</b>
<b>Pre-tax Income</b>	<b>386</b>	<b>478</b>	<b>437</b>	<b>242</b>	<b>1,543</b>	<b>416</b>	<b>462</b>	<b>475</b>		<b>1,352</b>
Income Tax	-	-	-	-	-	7	9	8		24
Profit sharing	-	37	28	32	97	24	24	29		78
Tax on Assets	22	27	28	37	114	9	11	11		30
Deferred Inc. Tax and Profit sharing	83	18	24	(114)	10	(23)	(21)	(20)		(64)
	<b>105</b>	<b>81</b>	<b>80</b>	<b>(45)</b>	<b>221</b>	<b>17</b>	<b>23</b>	<b>27</b>		<b>67</b>
<b>Net Income before subsidiaries</b>	<b>281</b>	<b>397</b>	<b>357</b>	<b>287</b>	<b>1,322</b>	<b>399</b>	<b>439</b>	<b>447</b>		<b>1,285</b>
Subsidiaries' net income	50	(12)	54	90	181	51	9	50		110
<b>Net Income from continuous operations</b>	<b>330</b>	<b>385</b>	<b>411</b>	<b>377</b>	<b>1,504</b>	<b>450</b>	<b>447</b>	<b>497</b>		<b>1,395</b>
Extraordinary items, net	-	420	3	(2)	420	-	1	-		1
Minority Interest	-	-	-	-	-	-	-	-		-
<b>TOTAL NET INCOME</b>	<b>330</b>	<b>804</b>	<b>414</b>	<b>375</b>	<b>1,923</b>	<b>450</b>	<b>448</b>	<b>497</b>		<b>1,395</b>

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



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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>17,444</b>	<b>17,880</b>	<b>19,870</b>	<b>23,783</b>	<b>22,144</b>	<b>25,437</b>	<b>29,262</b>	
Negotiable Instruments	3,758	3,159	2,207	2,856	3,870	3,779	3,861	
Securities held for sale	978	1,094	876	1,338	1,334	1,333	187	
Securities held to maturity	4,115	4,240	6,598	7,861	8,490	9,222	10,608	
<b>Financial Instruments:</b>	<b>8,851</b>	<b>8,493</b>	<b>9,681</b>	<b>12,054</b>	<b>13,694</b>	<b>14,335</b>	<b>14,655</b>	
Non-assigned securities to pay	-	-	-	-	-	-	11	
Repurchase agreements, net	112	102	166	37	126	28	141	
Operations with collateral	-	-	-	-	-	-	-	
Futures receivable, net	-	-	-	-	-	-	-	
Options and derivatives, net	27	-	-	9	14	-	-	
<b>Repos &amp; Derivatives :</b>	<b>139</b>	<b>102</b>	<b>166</b>	<b>47</b>	<b>141</b>	<b>28</b>	<b>152</b>	
Commercial	23,172	24,362	28,007	32,928	29,750	30,975	31,375	
Financial Intermediaries	642	1,298	1,557	8,029	3,592	3,333	3,644	
Consumer	3,339	3,949	4,509	5,093	5,750	6,734	7,734	
Mortgage	11,255	11,674	12,067	12,417	12,409	12,974	13,666	
Government Entities	42,890	89,739	86,383	86,851	86,760	86,468	84,825	
Fobaproa	58,881	9,723	10,264	6,262	6,650	6,683	6,652	
Fiduciary collection rights	-	-	-	-	-	-	-	
<b>Performing Loans</b>	<b>140,180</b>	<b>140,745</b>	<b>142,788</b>	<b>151,579</b>	<b>144,910</b>	<b>147,167</b>	<b>147,896</b>	
Commercial	2,576	2,693	2,647	2,544	1,925	2,343	1,870	
Financial Intermediaries	-	-	-	-	-	-	-	
Consumer	372	289	335	334	325	334	377	
Mortgage	1,939	1,914	1,928	1,961	1,189	1,227	1,159	
Government Entities	-	2	-	-	8	8	8	
<b>Past Due Loans</b>	<b>4,887</b>	<b>4,898</b>	<b>4,909</b>	<b>4,840</b>	<b>3,446</b>	<b>3,911</b>	<b>3,414</b>	
<b>Total Loans</b>	<b>145,067</b>	<b>145,643</b>	<b>147,697</b>	<b>156,419</b>	<b>148,356</b>	<b>151,078</b>	<b>151,310</b>	
Preventive loan loss reserves	5,674	5,741	5,823	5,710	4,382	4,535	4,355	
<b>Net Loan Portfolio</b>	<b>139,393</b>	<b>139,902</b>	<b>141,874</b>	<b>150,710</b>	<b>143,974</b>	<b>146,543</b>	<b>146,955</b>	
Credit Assets Portfolio	2,549	2,394	2,141	1,896	1,764	1,682	1,564	
Sundry debtors and other assets, net	1,695	1,541	1,641	2,283	2,280	3,515	4,131	
Foreclosed assets, net	1,420	1,359	1,307	1,237	1,171	1,202	1,163	
Real Estate, Furniture & Equipment, net	5,676	5,595	5,557	5,472	5,387	5,306	5,190	
Investments in subsidiaries	1,106	1,106	1,162	1,001	1,431	1,425	1,471	
Deferred taxes	801	771	783	956	994	999	1,040	
Deferred charges & Intangibles	675	713	590	758	781	758	701	
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	
<b>Other Assets</b>	<b>13,921</b>	<b>13,479</b>	<b>13,182</b>	<b>13,603</b>	<b>13,808</b>	<b>14,887</b>	<b>15,260</b>	
<b>TOTAL ASSETS</b>	<b>179,748</b>	<b>179,856</b>	<b>184,773</b>	<b>200,196</b>	<b>193,760</b>	<b>201,230</b>	<b>206,284</b>	

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	51,914	49,802	49,425	53,827	52,837	55,845	57,279	
Time Deposits	83,939	74,714	84,115	91,288	101,048	94,874	103,034	
Bonds	1,419	1,367	1,381	1,323	1,336	266	-	
<b>Deposits</b>	<b>137,272</b>	<b>125,883</b>	<b>134,920</b>	<b>146,437</b>	<b>155,220</b>	<b>150,985</b>	<b>160,313</b>	
Demand	1,527	12,275	640	13,760	5,720	13,212	3,988	
Short term	12,965	13,874	22,555	12,211	2,752	6,214	10,262	
Long term	13,067	12,725	10,866	10,592	11,553	11,074	10,771	
<b>Due to banks and correspondents</b>	<b>27,560</b>	<b>38,874</b>	<b>34,062</b>	<b>36,563</b>	<b>20,026</b>	<b>30,500</b>	<b>25,021</b>	
Non-assigned securities to pay	-	-	-	-	-	-	-	
Repurchase agreements, net	35	129	225	30	56	11	103	
Operations with collateral	-	-	-	-	-	-	-	
Futures receivable, net	-	-	-	-	-	-	-	
Options and derivatives, net	-	87	536	835	943	915	1,421	
<b>Repos &amp; Derivatives:</b>	<b>35</b>	<b>216</b>	<b>761</b>	<b>865</b>	<b>999</b>	<b>927</b>	<b>1,524</b>	
Income Tax & Profit Sharing	11	100	122	169	172	64	91	
Other Payable accounts	3,873	3,182	3,160	2,786	3,438	4,471	4,511	
<b>Other payable accounts</b>	<b>3,884</b>	<b>3,282</b>	<b>3,281</b>	<b>2,955</b>	<b>3,610</b>	<b>4,535</b>	<b>4,602</b>	
Subordinated non Convertible Debenture	1,469	1,440	1,470	2,642	2,721	2,625	2,735	
Deferred Taxes	-	-	-	-	-	-	-	
Deferred credits	75	18	16	38	60	77	110	
<b>TOTAL LIABILITIES</b>	<b>170,295</b>	<b>169,713</b>	<b>174,510</b>	<b>189,500</b>	<b>182,636</b>	<b>189,648</b>	<b>194,305</b>	
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	5,562	5,562	5,562	5,562	5,562	5,562	5,562	
Share subscription premiums	966	966	966	966	966	966	966	
Subordinated Convertible Debentures	-	-	-	-	-	-	-	
<b>Subscribed Capital</b>	<b>6,529</b>	<b>6,529</b>	<b>6,529</b>	<b>6,529</b>	<b>6,528</b>	<b>6,528</b>	<b>6,528</b>	
Capital Reserves	2,502	2,502	2,502	2,502	2,453	2,643	2,643	
Retained Earnings	3,339	2,719	2,312	2,312	4,235	4,046	4,046	
Surplus (Deficit) from securities	(572)	(42)	59	169	207	221	142	
Results of foreign operations exchange	-	-	-	-	-	-	-	
Excess (Insuf.) in capital restatement	(2,335)	(2,336)	(2,335)	(2,332)	(2,331)	(2,331)	(2,332)	
Non Mon assets results Fixed Assets	-	-	11	11	11	11	11	
Non Mon assets results Investm	(68)	(91)	(92)	(147)	(159)	(163)	(182)	
Adjustment in the employees pension	-	-	-	-	-	-	-	
Accumulated Deferred tax effect	(272)	(272)	(272)	(272)	(272)	(272)	(272)	
Net Income	330	1,135	1,549	1,923	450	898	1,395	
<b>Earned Capital</b>	<b>2,924</b>	<b>3,615</b>	<b>3,734</b>	<b>4,167</b>	<b>4,595</b>	<b>5,053</b>	<b>5,451</b>	
Minority Holdings	-	-	-	-	-	-	1	
<b>Total Stockholder's Equity</b>	<b>9,453</b>	<b>10,143</b>	<b>10,263</b>	<b>10,696</b>	<b>11,124</b>	<b>11,582</b>	<b>11,979</b>	
<b>TOTAL LIABILITIES &amp;</b>	<b>179,748</b>	<b>179,856</b>	<b>184,773</b>	<b>200,196</b>	<b>193,760</b>	<b>201,230</b>	<b>206,284</b>	

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

	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	15	-	-	-	-	-	-	-
Other contingent obligations	14,932	18,951	14,938	14,487	16,144	16,380	16,299	
Irrevocable lines of credit	712	984	953	859	884	945	1,009	
Assets held in trust and mandate	82,662	77,871	83,785	83,442	80,321	81,824	82,842	
Assets held in custody or in administration	123,824	115,146	124,182	124,520	129,389	123,894	114,623	
Investment banking transactions for third	114,723	148,287	157,340	75,135	48,167	48,447	48,745	
Engaged amounts in fobaproa operations	55,572	54,781	5,886	5,875	5,806	6,186	6,463	
Investment of retirement saving funds	2,495	2,509	2,477	1,583	225	236	244	
Integration of loan portfolio	-	-	-	-	-	-	-	
Received amounts in derivative instruments	4,294	3,243	2,653	4,877	6,363	6,634	7,520	
Fobaproa trusts	-	-	-	-	-	-	-	
Securities to be received	158,254	157,282	181,097	182,544	118,048	125,152	127,862	
(Less) payable for reversal	(158,217)	(157,411)	(181,321)	(182,521)	(117,921)	(125,162)	(127,721)	
Receivables for reversal	96,031	107,811	116,406	115,850	52,982	59,541	66,170	
(Less) securities to be delivered	(95,992)	(107,709)	(116,240)	(115,866)	(53,038)	(59,515)	(66,273)	
Other control accounts	350,094	351,424	320,744	408,834	402,682	382,855	264,881	
	<b>748,859</b>	<b>773,170</b>	<b>712,900</b>	<b>719,620</b>	<b>690,051</b>	<b>667,416</b>	<b>542,662</b>	

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

NET INTEREST INCOME	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Interest Income	5,098	4,889	5,280	5,722	20,990	5,877	4,705	3,898		14,480
Interest Expense	3,324	3,017	3,367	3,861	13,568	3,825	2,902	2,253		8,981
Loan Fees	125	216	162	174	678	187	189	186		562
Fees Paid	8	10	11	11	40	10	14	15		39
<b>Net Interest Income (NII)</b>	<b>1,891</b>	<b>2,079</b>	<b>2,064</b>	<b>2,026</b>	<b>8,059</b>	<b>2,229</b>	<b>1,978</b>	<b>1,815</b>		<b>6,023</b>
Repomo-Margin	27	43	(13)	45	102	24	13	16		53
<b>NII after Repomo</b>	<b>1,917</b>	<b>2,122</b>	<b>2,052</b>	<b>2,070</b>	<b>8,161</b>	<b>2,253</b>	<b>1,991</b>	<b>1,831</b>		<b>6,075</b>
Loan Loss Provisions	158	192	180	234	764	227	334	153		714
Loss Sharing Provisions	2	12	8	15	37	31	14	2		46
<b>NII after Provisions</b>	<b>1,757</b>	<b>1,917</b>	<b>1,864</b>	<b>1,821</b>	<b>7,360</b>	<b>1,995</b>	<b>1,643</b>	<b>1,677</b>		<b>5,315</b>
Fund transfers	43	53	49	46	191	43	43	45		132
Account management	163	176	166	151	655	149	164	183		496
Fiduciary	55	37	38	31	161	40	35	39		114
Income from Loan Portfolios Acquired	-	-	-	-	-	-	-	-		-
Electronic Banking Services	91	34	64	62	250	64	56	59		180
Credit Card	128	155	150	148	581	148	157	154		460
Fees from FOBAPROA	137	63	46	114	361	45	32	218		295
Other fees	124	126	153	130	534	122	150	148		420
<b>Fees on services,</b>	<b>742</b>	<b>643</b>	<b>666</b>	<b>681</b>	<b>2,733</b>	<b>612</b>	<b>638</b>	<b>846</b>		<b>2,097</b>
Fund transfers	-	-	-	-	-	-	-	-		-
Other fees	113	108	113	115	449	96	112	117		325
Expenses from Loan Portfolios Acquired	-	-	-	-	-	-	-	-		-
<b>Fees paid,</b>	<b>113</b>	<b>108</b>	<b>113</b>	<b>115</b>	<b>449</b>	<b>96</b>	<b>112</b>	<b>117</b>		<b>325</b>
Foreign exchange	69	109	71	85	335	84	120	101		304
Securities -Realized gains	141	(11)	16	(18)	127	(11)	3	64		56
Securities- Unrealized gains	5	(35)	(7)	5	(32)	(2)	(6)	13		5
<b>Market-related Income</b>	<b>215</b>	<b>63</b>	<b>80</b>	<b>72</b>	<b>430</b>	<b>71</b>	<b>117</b>	<b>178</b>		<b>365</b>
<b>Total Non Interest Income</b>	<b>844</b>	<b>598</b>	<b>633</b>	<b>638</b>	<b>2,713</b>	<b>587</b>	<b>643</b>	<b>907</b>		<b>2,137</b>
<b>Total Operating Income</b>	<b>2,601</b>	<b>2,515</b>	<b>2,497</b>	<b>2,460</b>	<b>10,074</b>	<b>2,582</b>	<b>2,286</b>	<b>2,584</b>		<b>7,452</b>
Personnel	1,021	975	919	936	3,851	998	903	931		2,832
Professional Fees	81	99	105	95	380	75	89	114		279
Operation & Administrative expenses	591	579	556	594	2,318	526	550	612		1,688
Rents, depreciation and amortization	301	341	282	276	1,201	308	334	357		998
Taxes, other than income tax	122	137	151	185	595	136	153	149		438
Contributions to IPAB	159	166	160	173	658	177	177	179		533
Corporate expenses Recoveries	(16)	(27)	(22)	(24)	(89)	(26)	(18)	(7)		(50)
<b>Non-Interest Expense</b>	<b>2,259</b>	<b>2,269</b>	<b>2,150</b>	<b>2,235</b>	<b>8,914</b>	<b>2,193</b>	<b>2,187</b>	<b>2,337</b>		<b>6,717</b>
Operating Income	342	246	347	224	1,160	389	99	247		735
Other Revenues	55	159	57	153	424	91	68	125		284
Foreign exchange	-	-	-	-	-	-	-	-		-
Recoveries	55	68	135	43	301	7	65	24		96
Repomo-other revenues	1	1	1	11	14	5	1	3		9
<b>Non Operating Income</b>	<b>111</b>	<b>228</b>	<b>193</b>	<b>208</b>	<b>739</b>	<b>103</b>	<b>134</b>	<b>152</b>		<b>389</b>
Other Expense	(174)	(35)	(136)	(95)	(440)	(128)	(29)	(52)		(208)
Foreign exchange	(2)	(5)	-	-	(7)	-	-	(2)		(2)
Repomo-other Expenses	(18)	(44)	(57)	(111)	(230)	(63)	(22)	(44)		(130)
<b>Non Operating Expense</b>	<b>(194)</b>	<b>(84)</b>	<b>(193)</b>	<b>(206)</b>	<b>(677)</b>	<b>(191)</b>	<b>(51)</b>	<b>(98)</b>		<b>(340)</b>
<b>Non Operating Income (Expense), net</b>	<b>(83)</b>	<b>144</b>	<b>(1)</b>	<b>1</b>	<b>62</b>	<b>(88)</b>	<b>83</b>	<b>53</b>		<b>48</b>
Pre-tax Income	260	390	347	226	1,222	301	182	300		783
Income tax	-	-	-	-	-	7	9	8		24
Profit sharing	-	37	28	32	97	24	24	29		78
Tax on Assets	22	27	28	37	114	9	11	11		30
Deferred Inc. Tax and Profit sharing	71	8	11	(111)	(21)	(24)	(22)	(21)		(66)
	<b>93</b>	<b>72</b>	<b>67</b>	<b>(42)</b>	<b>191</b>	<b>17</b>	<b>22</b>	<b>27</b>		<b>66</b>
<b>Net income before subsidiaries</b>	<b>166</b>	<b>318</b>	<b>280</b>	<b>267</b>	<b>1,032</b>	<b>284</b>	<b>160</b>	<b>274</b>		<b>718</b>
Subsidiaries' net income	6	(29)	11	63	51	14	(13)	8		9
<b>Net Income from continuous operations</b>	<b>172</b>	<b>289</b>	<b>291</b>	<b>330</b>	<b>1,082</b>	<b>298</b>	<b>147</b>	<b>282</b>		<b>727</b>
Extraordinary items, net	-	420	3	(2)	420	-	1	-		1
Minority Interest	-	-	-	-	-	-	-	-		-
<b>TOTAL NET INCOME</b>	<b>172</b>	<b>709</b>	<b>293</b>	<b>327</b>	<b>1,502</b>	<b>298</b>	<b>148</b>	<b>282</b>		<b>728</b>

(\*) Consolidate Subsidiaries.

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>16,901</b>	<b>17,762</b>	<b>19,627</b>	<b>23,444</b>	<b>22,153</b>	<b>25,340</b>	<b>29,492</b>	
Negotiable Instruments	3,480	4,123	3,042	3,429	4,438	4,277	3,984	
Securities held for sale	978	1,094	876	1,338	1,334	1,333	187	
Securities held to maturity	3,787	3,911	6,267	7,540	8,160	8,906	10,291	
<b>Financial Instruments:</b>	<b>8,246</b>	<b>9,127</b>	<b>10,185</b>	<b>12,307</b>	<b>13,931</b>	<b>14,516</b>	<b>14,461</b>	
Non-assigned securities to pay	-	-	-	-	-	-	11	
Repurchase agreements, net	57	67	120	37	65	13	56	
Operations with collateral	-	-	-	-	-	-	-	
Futures receivable, net	-	-	-	-	-	-	-	
Options and derivatives, net	27	-	-	9	14	-	-	
<b>Repos &amp; Derivatives :</b>	<b>83</b>	<b>67</b>	<b>120</b>	<b>47</b>	<b>79</b>	<b>13</b>	<b>67</b>	
Commercial	22,896	24,048	27,697	32,600	29,460	30,761	31,180	
Financial Intermediaries	751	1,298	1,557	8,029	3,592	3,135	3,324	
Consumer	3,339	3,949	4,509	5,093	5,750	6,734	7,734	
Mortgage	10,943	11,374	11,775	12,130	12,141	12,712	13,402	
Government Entities	42,847	89,729	86,370	86,837	86,742	86,462	84,816	
Fobaproa	59,156	10,016	10,635	6,669	6,650	6,683	6,652	
Fiduciary collection rights	-	-	-	-	-	-	-	
<b>Performing Loans</b>	<b>139,934</b>	<b>140,415</b>	<b>142,543</b>	<b>151,358</b>	<b>144,335</b>	<b>146,487</b>	<b>147,107</b>	
Commercial	2,378	2,497	2,469	2,372	1,748	2,172	1,701	
Financial Intermediaries	-	-	-	-	-	-	-	
Consumer	372	289	334	334	324	333	377	
Mortgage	1,793	1,773	1,788	1,823	1,040	1,078	1,018	
Government Entities	-	2	-	-	8	8	8	
<b>Past Due Loans</b>	<b>4,543</b>	<b>4,560</b>	<b>4,591</b>	<b>4,528</b>	<b>3,120</b>	<b>3,592</b>	<b>3,103</b>	
<b>Total Loans</b>	<b>144,477</b>	<b>144,975</b>	<b>147,134</b>	<b>155,886</b>	<b>147,456</b>	<b>150,079</b>	<b>150,210</b>	
Preventive loan loss reserves	5,225	5,294	5,381	5,265	3,936	4,090	3,912	
<b>Net Loan Portfolio</b>	<b>139,252</b>	<b>139,682</b>	<b>141,753</b>	<b>150,620</b>	<b>143,519</b>	<b>145,989</b>	<b>146,299</b>	
Credit Assets Portfolio	-	-	-	-	-	-	-	
Sundry debtors and other assets, net	1,615	1,441	1,589	2,224	2,214	3,475	4,041	
Foreclosed assets, net	1,400	1,339	1,288	1,216	1,150	1,181	1,143	
Real Estate, Furniture & Equipment, net	5,676	5,595	5,557	5,472	5,387	5,306	5,190	
Investments in subsidiaries	440	428	444	458	851	826	830	
Deferred taxes	892	872	897	1,024	1,003	1,009	1,051	
Deferred charges & Intangibles	669	710	587	756	780	757	700	
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	
<b>Other Assets</b>	<b>10,692</b>	<b>10,385</b>	<b>10,362</b>	<b>11,151</b>	<b>11,386</b>	<b>12,554</b>	<b>12,955</b>	
<b>TOTAL ASSETS</b>	<b>175,175</b>	<b>177,024</b>	<b>182,047</b>	<b>197,568</b>	<b>191,068</b>	<b>198,412</b>	<b>203,274</b>	

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

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	51,935	49,823	49,714	53,932	53,065	56,209	57,504	
Time Deposits	82,585	74,714	84,115	91,288	101,048	94,874	103,034	
Bonds	1,419	1,367	1,381	1,323	1,336	266	-	
<b>Deposits</b>	<b>135,939</b>	<b>125,903</b>	<b>135,209</b>	<b>146,542</b>	<b>155,448</b>	<b>151,348</b>	<b>160,539</b>	
Demand	993	12,275	651	13,760	5,720	13,212	3,988	
Short term	12,965	13,874	22,555	12,211	2,752	6,214	10,261	
Long term	12,768	12,399	10,543	10,280	11,242	10,783	10,653	
<b>Due to banks and correspondents</b>	<b>26,726</b>	<b>35,548</b>	<b>33,748</b>	<b>36,251</b>	<b>19,715</b>	<b>30,208</b>	<b>24,902</b>	
Non-assigned securities to pay	-	-	-	-	-	-	-	
Repurchase agreements, net	35	42	90	15	48	-	43	
Operations with collateral	-	-	-	-	-	-	-	
Futures receivable, net	-	-	-	-	-	-	-	
Options and derivatives, net	-	87	536	835	943	915	1,421	
<b>Repos &amp; Derivatives:</b>	<b>35</b>	<b>129</b>	<b>626</b>	<b>851</b>	<b>991</b>	<b>915</b>	<b>1,464</b>	
Income Tax & Profit Sharing	11	100	122	169	172	64	91	
Other Payable accounts	3,779	3,149	2,917	2,743	3,353	4,408	4,484	
<b>Other payable accounts</b>	<b>3,789</b>	<b>3,249</b>	<b>3,038</b>	<b>2,912</b>	<b>3,525</b>	<b>4,472</b>	<b>4,575</b>	
Subordinated non Convertible Debenture	1,469	1,440	1,470	2,642	2,721	2,625	2,735	
Deferred Taxes	-	-	-	-	-	-	-	
Deferred credits	75	18	16	37	59	77	110	
<b>TOTAL LIABILITIES</b>	<b>168,034</b>	<b>169,288</b>	<b>174,108</b>	<b>189,236</b>	<b>182,460</b>	<b>189,646</b>	<b>194,325</b>	
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	4,502	4,502	4,502	4,502	4,502	4,502	4,502	
Share subscription premiums	966	966	966	966	966	966	966	
Subordinated Convertible Debentures	-	-	-	-	-	-	-	
<b>Subscribed Capital</b>	<b>5,469</b>	<b>5,468</b>	<b>5,469</b>	<b>5,468</b>	<b>5,468</b>	<b>5,468</b>	<b>5,468</b>	
Capital Reserves	2,336	2,336	2,336	2,336	2,287	2,435	2,435	
Retained Earnings	2,355	1,736	1,528	1,528	3,029	2,882	2,881	
Surplus (Deficit) from securities	(558)	(28)	73	182	220	234	155	
Results of foreign operations exchange	-	-	-	-	-	-	-	
Excess (Insuf.) in capital restatement	(2,340)	(2,344)	(2,342)	(2,332)	(2,332)	(2,332)	(2,332)	
Non Mon assets results Fixed Assets	-	-	11	11	11	11	11	
Non Mon assets results Investm	(21)	(40)	(39)	(91)	(102)	(106)	(125)	
Adjustment in the employees pension	-	-	-	-	-	-	-	
Accumulated Deferred tax effect	(272)	(272)	(272)	(272)	(272)	(272)	(272)	
Net Income	172	881	1,174	1,502	298	446	728	
<b>Earned Capital</b>	<b>1,672</b>	<b>2,268</b>	<b>2,470</b>	<b>2,864</b>	<b>3,140</b>	<b>3,298</b>	<b>3,481</b>	
Minority Holdings	-	-	-	-	-	-	1	
<b>Total Stockholder's Equity</b>	<b>7,141</b>	<b>7,737</b>	<b>7,939</b>	<b>8,333</b>	<b>8,609</b>	<b>8,766</b>	<b>8,950</b>	
<b>TOTAL LIABILITIES &amp;</b>	<b>175,175</b>	<b>177,024</b>	<b>182,047</b>	<b>197,568</b>	<b>191,068</b>	<b>198,412</b>	<b>203,274</b>	

(\*) Consolidate Subsidiaries.

**MEMORANDUM ACCOUNTS OF BANORTE**

<i>(Millions of Pesos)</i>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	-	-	-	-	-	-	-	-
Other contingent obligations	8,974	16,243	12,595	12,841	14,524	14,784	14,798	
Irrevocable lines of credit	709	984	953	859	884	945	1,009	
Assets held in trust and mandate	18,598	54,109	60,292	60,450	56,731	55,272	55,547	
Assets held in custody or in	81,372	113,891	123,162	123,779	128,657	123,164	114,170	
Investment banking transactions for	112,238	148,287	157,340	75,135	48,167	48,447	48,745	
Engaged amounts in fobaproa operations	5,882	54,491	5,515	5,469	5,806	6,186	6,463	
Investment of retirement saving funds	2,495	2,509	2,477	1,583	225	236	244	
Integration of loan portfolio	-	-	-	-	-	-	-	
Received amounts in derivative	4,294	3,243	2,653	4,877	6,363	6,634	7,520	
Fobaproa trusts	-	-	-	-	-	-	-	
Securities to be received	49,072	64,548	75,839	73,247	45,543	49,053	52,756	
(Less) payable for reversal	(49,034)	(64,590)	(75,929)	(73,210)	(45,478)	(49,051)	(52,700)	
Receivables for reversal	47,691	64,605	75,946	73,232	45,481	48,999	53,148	
(Less) securities to be delivered	(47,715)	(64,538)	(75,827)	(73,248)	(45,529)	(48,988)	(53,190)	
Other control accounts	135,581	307,845	277,740	366,539	360,651	340,966	221,744	
	<b>370,157</b>	<b>701,627</b>	<b>642,757</b>	<b>651,555</b>	<b>622,024</b>	<b>596,644</b>	<b>470,252</b>	

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

NET INTEREST INCOME	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Interest Income	1,763	1,829	2,047	2,232	7,870	1,940	1,267	1,021		4,229
Interest Expense	1,737	1,755	1,983	2,147	7,622	1,925	1,246	967		4,138
Loan Fees	-	-	-	-	1	-	-	-		-
Fees Paid	-	-	-	-	-	-	-	-		-
<b>Net Interest Income (NII)</b>	<b>26</b>	<b>75</b>	<b>64</b>	<b>85</b>	<b>249</b>	<b>15</b>	<b>21</b>	<b>54</b>		<b>90</b>
Repomo-Margin	6	2	(3)	(18)	(12)	(6)	(2)	(9)		(17)
<b>NII after Repomo</b>	<b>32</b>	<b>77</b>	<b>61</b>	<b>67</b>	<b>236</b>	<b>10</b>	<b>19</b>	<b>45</b>		<b>74</b>
Loan Loss Provisions	14	7	1	18	41	9	5	4		18
Loss Sharing Provisions	-	-	-	-	-	-	-	-		-
<b>NII after Provisions</b>	<b>18</b>	<b>70</b>	<b>60</b>	<b>48</b>	<b>196</b>	<b>1</b>	<b>14</b>	<b>41</b>		<b>56</b>
Fund transfers	-	-	-	-	-	-	-	-		-
Account management	-	-	-	-	-	-	-	-		-
Fiduciary	140	207	155	147	648	118	93	128		339
Income from Loan Portfolios Acquired	112	65	271	(44)	404	51	34	34		119
Electronic Banking Services	-	-	-	-	-	-	-	-		-
Credit Card	-	-	-	-	-	-	-	-		-
Fees from FOBAPROA	3	2	6	4	15	2	1	34		37
Other fees	231	165	255	173	824	233	160	261		654
<b>Fees on services,</b>	<b>486</b>	<b>439</b>	<b>687</b>	<b>280</b>	<b>1,891</b>	<b>404</b>	<b>289</b>	<b>457</b>		<b>1,150</b>
Fund transfers	-	-	-	-	-	-	-	-		-
Other fees	67	86	104	169	426	83	54	93		229
Expenses from Loan Portfolios Acquired	66	42	157	26	291	41	29	26		96
<b>Fees paid,</b>	<b>133</b>	<b>128</b>	<b>261</b>	<b>195</b>	<b>716</b>	<b>124</b>	<b>82</b>	<b>119</b>		<b>325</b>
Foreign exchange	-	-	-	-	-	-	-	-		-
Securities -Realized gains	112	(166)	(106)	29	(131)	130	304	6		440
Securities- Unrealized gains	(13)	(11)	(3)	12	(16)	(1)	(31)	38		6
<b>Market-related Income</b>	<b>99</b>	<b>(177)</b>	<b>(109)</b>	<b>41</b>	<b>(147)</b>	<b>130</b>	<b>273</b>	<b>43</b>		<b>446</b>
<b>Total Non Interest Income</b>	<b>452</b>	<b>133</b>	<b>317</b>	<b>125</b>	<b>1,028</b>	<b>410</b>	<b>480</b>	<b>381</b>		<b>1,271</b>
<b>Total Operating Income</b>	<b>470</b>	<b>203</b>	<b>377</b>	<b>173</b>	<b>1,224</b>	<b>410</b>	<b>494</b>	<b>422</b>		<b>1,326</b>
Personnel	1	1	1	4	8	1	2	1		5
Professional Fees	9	6	8	9	33	8	24	10		42
Operation & Administrative expenses	115	116	108	101	440	110	98	113		322
Rents, depreciation and amortization	28	28	28	42	125	27	27	27		81
Taxes, other than income tax	5	6	4	6	21	5	3	6		13
Contributions to IPAB	3	3	2	2	9	2	1	1		4
Corporate expenses Recoveries	-	-	-	-	-	-	-	-		-
<b>Non-Interest Expense</b>	<b>161</b>	<b>159</b>	<b>152</b>	<b>164</b>	<b>636</b>	<b>153</b>	<b>155</b>	<b>158</b>		<b>466</b>
<b>Operating Income</b>	<b>309</b>	<b>44</b>	<b>226</b>	<b>9</b>	<b>588</b>	<b>258</b>	<b>338</b>	<b>264</b>		<b>860</b>
Other Revenues	24	29	24	21	98	-	-	-		-
Foreign exchange	-	-	-	-	-	-	-	-		-
Recoveries	1	1	1	48	51	1	-	41		42
Repomo-other revenues	-	-	-	-	-	-	-	-		-
<b>Non Operating Income</b>	<b>25</b>	<b>30</b>	<b>25</b>	<b>69</b>	<b>149</b>	<b>1</b>	<b>-</b>	<b>41</b>		<b>43</b>
Other Expense	(80)	79	(7)	(7)	(15)	(22)	-	-		(22)
Foreign exchange	-	-	-	-	-	-	-	-		-
Repomo-other Expenses	(26)	(29)	(24)	(31)	(110)	(20)	(4)	(13)		(37)
<b>Non Operating Expense</b>	<b>(106)</b>	<b>50</b>	<b>(31)</b>	<b>(38)</b>	<b>(124)</b>	<b>(42)</b>	<b>(5)</b>	<b>(13)</b>		<b>(60)</b>
<b>Non Operating Income (Expense), net</b>	<b>(81)</b>	<b>80</b>	<b>(6)</b>	<b>32</b>	<b>25</b>	<b>(41)</b>	<b>(4)</b>	<b>28</b>		<b>(17)</b>
<b>Pre-tax Income</b>	<b>228</b>	<b>124</b>	<b>220</b>	<b>41</b>	<b>613</b>	<b>217</b>	<b>334</b>	<b>292</b>		<b>843</b>
Income tax	26	16	55	(11)	86	47	29	50		127
Profit sharing	-	-	-	-	-	-	-	-		-
Tax on Assets	-	-	-	-	-	-	-	-		-
Deferred Inc. Tax and Profit sharing	12	9	13	(4)	30	(10)	-	(6)		(16)
<b>Net income before subsidiaries</b>	<b>38</b>	<b>25</b>	<b>68</b>	<b>(15)</b>	<b>116</b>	<b>37</b>	<b>29</b>	<b>44</b>		<b>110</b>
Subsidiaries net income	12	10	10	15	48	7	15	6		28
<b>Net Income from continuous operations</b>	<b>202</b>	<b>108</b>	<b>162</b>	<b>71</b>	<b>544</b>	<b>187</b>	<b>320</b>	<b>255</b>		<b>761</b>
Extraordinary items, net	-	-	-	-	-	-	-	-		-
Minority Interest	44	13	42	24	123	35	19	39		94
<b>TOTAL NET INCOME</b>	<b>158</b>	<b>95</b>	<b>120</b>	<b>47</b>	<b>421</b>	<b>152</b>	<b>300</b>	<b>215</b>		<b>668</b>

(\*) Consolidate Afore

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>1,382</b>	<b>1,879</b>	<b>1,166</b>	<b>861</b>	<b>1,071</b>	<b>1,309</b>	<b>889</b>	
Negotiable Instruments	277	293	186	168	165	233	330	
Securities held for sale	-	-	-	-	-	-	-	
Securities held to maturity	328	329	331	321	330	316	317	
<b>Financial Instruments:</b>	<b>605</b>	<b>622</b>	<b>517</b>	<b>489</b>	<b>495</b>	<b>549</b>	<b>647</b>	
Valores no asignados por liquidar	-	-	-	-	-	-	1	
Repurchase agreements, net	55	35	47	-	62	15	85	
Operations with collateral	-	-	-	-	-	-	-	
Futures receivable, net	-	-	-	-	-	-	-	
Options and derivatives, net	-	-	-	-	-	-	-	
<b>Repos &amp; Derivatives :</b>	<b>55</b>	<b>35</b>	<b>47</b>	<b>-</b>	<b>62</b>	<b>15</b>	<b>85</b>	
Commercial	276	314	310	328	289	214	196	
Financial Intermediaries	-	-	-	-	-	198	320	
Consumer	-	-	-	-	-	-	-	
Mortgage	311	299	292	286	267	262	264	
Government Entities	43	10	14	14	18	6	9	
Fobaproa	-	-	-	-	-	-	-	
Fiduciary collection rights	-	-	-	-	-	-	-	
<b>Performing Loans</b>	<b>630</b>	<b>623</b>	<b>616</b>	<b>629</b>	<b>574</b>	<b>680</b>	<b>789</b>	
Commercial	198	196	178	173	177	170	169	
Financial Intermediaries	-	-	-	-	-	-	-	
Consumer	-	-	-	-	-	-	-	
Mortgage	146	141	140	139	149	149	141	
Government Entities	-	-	-	-	-	-	-	
<b>Past Due Loans</b>	<b>345</b>	<b>337</b>	<b>318</b>	<b>312</b>	<b>326</b>	<b>320</b>	<b>311</b>	
<b>Total Loans</b>	<b>975</b>	<b>960</b>	<b>934</b>	<b>940</b>	<b>900</b>	<b>1,000</b>	<b>1,100</b>	
Preventive loan loss reserves	449	447	443	444	446	445	443	
<b>Net Loan Portfolio</b>	<b>526</b>	<b>513</b>	<b>491</b>	<b>496</b>	<b>455</b>	<b>555</b>	<b>656</b>	
Credit Assets Portfolio	2,549	2,394	2,141	1,896	1,764	1,682	1,564	
Sundry debtors and other assets, net	105	154	120	322	214	187	237	
Foreclosed assets, net	20	20	20	21	22	21	20	
Real Estate, Furniture & Equipment, net	58	59	59	113	113	114	115	
Investments in subsidiaries	499	653	656	295	298	311	315	
Deferred taxes	-	-	-	-	-	-	-	
Deferred charges & Intangibles	515	492	467	422	397	372	347	
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	
<b>Other Assets</b>	<b>3,745</b>	<b>3,772</b>	<b>3,463</b>	<b>3,069</b>	<b>2,808</b>	<b>2,687</b>	<b>2,598</b>	
<b>TOTAL ASSETS</b>	<b>6,314</b>	<b>6,821</b>	<b>5,684</b>	<b>4,915</b>	<b>4,890</b>	<b>5,115</b>	<b>4,876</b>	

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	275	293	371	407	-	-	-	-
Time Deposits	1,354	1,257	1,021	741	733	731	453	-
Bonds	-	-	-	-	-	-	-	-
<b>Deposits</b>	<b>1,629</b>	<b>1,550</b>	<b>1,392</b>	<b>1,148</b>	<b>733</b>	<b>731</b>	<b>453</b>	-
Demand	907	1,417	156	169	495	422	307	-
Short term	-	-	-	-	-	-	1	-
Long term	409	326	324	312	311	291	118	-
<b>Due to banks and correspondents</b>	<b>1,317</b>	<b>1,743</b>	<b>480</b>	<b>481</b>	<b>806</b>	<b>714</b>	<b>426</b>	-
Non-assigned securities to pay	-	-	-	-	-	-	-	-
Repurchase agreements, net	-	88	134	15	8	11	61	-
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	-	-	-	-	-	-	-
<b>Repos &amp; Derivatives:</b>	<b>-</b>	<b>88</b>	<b>134</b>	<b>15</b>	<b>8</b>	<b>12</b>	<b>61</b>	-
Income Tax & Profit Sharing	-	-	143	155	51	72	126	-
Other Payable accounts	164	157	287	65	124	99	80	-
<b>Other payable accounts</b>	<b>164</b>	<b>157</b>	<b>429</b>	<b>220</b>	<b>175</b>	<b>171</b>	<b>207</b>	-
Subordinated non Convertible Debenture	-	-	-	-	-	-	-	-
Deferred Taxes	264	239	246	179	109	108	97	-
Deferred credits	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>3,374</b>	<b>3,776</b>	<b>2,682</b>	<b>2,043</b>	<b>1,832</b>	<b>1,736</b>	<b>1,244</b>	-
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	1,060	1,060	1,060	1,060	1,060	1,060	1,060	-
Share subscription premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	-
Capital Reserves	166	166	166	166	166	208	208	-
Retained Earnings	984	984	785	784	1,206	1,164	1,164	-
Surplus (Deficit) from securities	(14)	(14)	(14)	(13)	(13)	(13)	(13)	-
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	5	8	7	-	1	1	-	-
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(48)	(51)	(54)	(56)	(57)	(57)	(57)	-
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	158	254	374	421	152	452	668	-
<b>Earned Capital</b>	<b>1,252</b>	<b>1,347</b>	<b>1,264</b>	<b>1,303</b>	<b>1,455</b>	<b>1,755</b>	<b>1,970</b>	-
Minority Holdings	628	638	677	509	544	563	603	-
<b>Total Stockholder's Equity</b>	<b>2,940</b>	<b>3,045</b>	<b>3,001</b>	<b>2,872</b>	<b>3,059</b>	<b>3,379</b>	<b>3,632</b>	-
<b>TOTAL LIABILITIES &amp;</b>	<b>6,314</b>	<b>6,821</b>	<b>5,684</b>	<b>4,915</b>	<b>4,890</b>	<b>5,115</b>	<b>4,876</b>	-

(\*) Consolidate Afore

**MEMORANDUM ACCOUNTS OF BANCEN**

	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	-	-	-	-	-	-	-	-
Other contingent obligations	1,809	2,709	2,343	1,646	1,620	1,595	1,501	-
Irrevocable lines of credit	-	-	-	-	-	-	-	-
Assets held in trust and mandate	23,337	23,763	23,492	22,992	23,590	26,552	27,295	-
Assets held in custody or in	1,351	1,256	1,021	741	732	730	453	-
Investment banking transactions for	-	-	-	-	-	-	-	-
Engaged amounts in fobaproa operations	275	290	371	406	-	-	-	-
Investment of retirement saving funds	-	-	-	-	-	-	-	-
Integration of loan portfolio	-	-	-	-	-	-	-	-
Received amounts in derivative	-	-	-	-	-	-	-	-
Fobaproa trusts	-	-	-	-	-	-	-	-
Securities to be received	91,529	92,734	105,258	109,297	72,505	76,100	75,106	-
(Less) payable for reversal	(91,519)	(92,822)	(105,392)	(109,311)	(72,443)	(76,111)	(75,021)	-
Receivables for reversal	30,674	43,206	40,460	42,618	7,501	10,542	13,022	-
(Less) securities to be delivered	(30,630)	(43,171)	(40,143)	(42,619)	(7,509)	(10,527)	(13,083)	-
Other control accounts	44,150	43,579	43,004	42,295	42,031	41,889	43,136	-
	<b>70,977</b>	<b>71,544</b>	<b>70,143</b>	<b>68,065</b>	<b>68,027</b>	<b>70,771</b>	<b>72,409</b>	-



## Annex 6. Notes to Banking Sector Financial Statements

### Financial Instruments and Valuation Effects 3Q03

NEGOTIABLE INSTRUMENTS	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN (LOSS)
Government Securities	1,605	1,616	11
Banking Securities	1,089	1,089	-
Private	61	63	2
Commercial Paper	1,098	1,092	(6)
<b>Total</b>	<b>3,854</b>	<b>3,861</b>	<b>7</b>
SECURITIES HELD FOR SALE			
Government Securities	-	-	-
Mexican Government Securities (UMS)	86	90	4
Bonds public company	-	-	-
Eurobonds	790	96	(693)
<b>Total</b>	<b>876</b>	<b>187</b>	<b>(690)</b>
SECURITIES HELD TO MATURITY			
Special Cetes	3,528	3,528	-
Trust Bonds	-	-	-
Fiduciary Rights	34	26	(9)
Bonds	234	234	-
Mexican Government Securities (UMS) (US Dollars)	5,583	5,583	-
Mexican Government Securities (UMS) (Euros)	368	368	-
US Clearing Master Trust	170	170	-
Swap Private company	145	145	-
Swap Public company	555	555	-
<b>Total</b>	<b>10,616</b>	<b>10,608</b>	<b>(9)</b>
<b>TOTAL</b>	<b>15,346</b>	<b>14,655</b>	<b>(692)</b>

### Repurchase Agreement Operations 3Q03

(Millions of Pesos)

REPURCHASE AGREEMENT DEBTORS	MARKET VALUE (1)	ASSET BALANCE
Government Securities	111,237	139
Banking Securities	16,625	2
<b>Total</b>	<b>127,862</b>	<b>141</b>
REPURCHASE AGREEMENT CREDITORS	MARKET VALUE (2)	LIABILITY BALANCE
Government Securities	58,709	102
Banking Securities	7,564	1
<b>Total</b>	<b>66,273</b>	<b>103</b>

1) RECEIVABLES ON REPURCHASE AGREEMENT

2) PAYABLES ON REPURCHASE AGREEMENT

### Non-governmental Financial Instruments above by 5% of Net Capital 3Q03

(Millions of Pesos)

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL

The Banking Sector has no investments in government securities over 5% of the net capital in this quarter.

## Loan Portfolio

(Million of Pesos)	LOCAL CURRENCY			FOREIGN CURRENCY			TOTAL		
	3Q02	2Q03	3Q03	3Q02	2Q03	3Q03	3Q02	2Q03	3Q03
<b>Performing Loans</b>									
Commercial	20,787	22,615	22,857	7,219	8,360	8,518	28,007	30,975	31,375
Financial Intermediaries	830	2,885	2,871	727	448	773	1,557	3,333	3,644
Consumer	4,501	6,728	7,728	8	6	5	4,509	6,734	7,734
Mortgages	12,067	12,974	13,666	-	-	-	12,067	12,974	13,666
Government Entities	85,929	85,742	84,110	454	726	715	86,383	86,468	84,825
Fobaproa	5,047	6,866	6,847	5,217	(184)	(195)	10,264	6,683	6,652
<b>Total</b>	<b>129,161</b>	<b>137,811</b>	<b>138,079</b>	<b>13,626</b>	<b>9,356</b>	<b>9,817</b>	<b>142,788</b>	<b>147,167</b>	<b>147,896</b>
<b>Past Due Loans</b>									
Commercial	1,382	1,147	1,098	1,265	1,196	772	2,647	2,343	1,870
Financial Intermediaries	-	-	-	-	-	-	-	-	-
Consumer	334	333	377	-	-	-	335	334	377
Mortgages	1,928	1,227	1,159	-	-	-	1,928	1,227	1,159
Government Entities	-	8	8	-	-	-	-	8	8
<b>Total</b>	<b>3,644</b>	<b>2,715</b>	<b>2,642</b>	<b>1,265</b>	<b>1,196</b>	<b>772</b>	<b>4,909</b>	<b>3,911</b>	<b>3,414</b>
<b>Total Proprietary Loans</b>	<b>132,806</b>	<b>140,526</b>	<b>140,721</b>	<b>14,891</b>	<b>10,552</b>	<b>10,589</b>	<b>147,697</b>	<b>151,078</b>	<b>151,310</b>
<b>% Past Due Loans</b>	<b>2.7%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>8.5%</b>	<b>11.3%</b>	<b>7.3%</b>	<b>3.3%</b>	<b>2.6%</b>	<b>2.3%</b>

(\*) Includes valued UDIS

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

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

Note: There is no scheme for Mortgage Earnings.

## Cost and Balances of FINAPE, FOPIME, Mortgage UDIS and Mortgage FOVI loan portfolios as of 3Q03

(Millions of Pesos)	TOTAL	
	PERIOD COST	BALANCE LOAN PORTFOLIO
FINAPE	1.9	6.2
FOPYME	4.6	4.8
Mortgage UDIS	38.4	97.8
Mortgage FOVI	46.5	59.3
	<b>91.4</b>	<b>168.0</b>

The quarter ending with a balance of Ps 168.0 million pesos in debtors support programs with a cost of the period of Ps 91.4 million. The 99% of this portfolio are concentrated in Banorte.

## Past Due Loans Variations as of 3Q03

Past Due Loans		
<b>Balance as of June 31,03</b>		<b>3,883</b>
Performing loans to Past due loans transfers		789
Renewals		(17)
Cash Collections		(850)
Charge Offs		(4)
Foreclosures		(1)
Past due loans to Performing loans transfers		(459)
Portfolio Sales		75
Exchange Adjustment		<b>3,414</b>
<b>Balance as of September 30,03</b>		

### Troubled Portfolio 3Q03

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

(Millions of Pesos)	TOTAL
Troubled Portfolio	2,004
Total Loans	151,310
Troubled Portfolio / Total Loans	<b>1.3%</b>

### Fobaproa-IPAB

(Millions of Pesos)	REMAINING CONTINGENCIES LOSS(1) SHARING	INCENTIVE(1) SCHEME
Gross Fobaproa notes balance	11,004	6,607 <sup>2)</sup>
- Cash recoveries	3,124	1,993 <sup>2)</sup>
- Repossessed assets	=	=
= Balance net of recoveries	7,880	4,614
Contingency before reserves	2,101	350
- Reserves	<u>2,101</u>	<u>350</u>
= Remaining contingencies	-	-

1) Includes only cash recoveries.

2) Included in Loss Sharing program.

Banorte provisioned Ps 2 million through the Income Statement during the quarter to keep 100% provisioned on the FOBAPROA-IPAB Loss Sharing program and Incentive Scheme. Cash recoveries in the Loss Sharing program represented 29% of Banorte's Gross FOBAPROA-IPAB notes balance.

### Fobaproa - IPAB Notes Integration 3Q03

(Millions of Pesos)	BANORTE			BANCEN	BANPAIS		BANKING SECTOR	TOTAL
	LOSS SHARING LOCAL CURRENCY	LOSS SHARING DOLLARS	WITHOUT RISK	INCENTIVE SCHE	LOCAL CURRENCY	LOCAL CURRENCY	DOLLARS	
Gross Balance	10,876	128	1,394	(1)	-	-	-	12,398
- Checking account balance	2,801	323	171	(1)	215	-	-	3,295
- Reserves	2,101	-	-	350	-	-	-	2,451
<b>= Net Balance</b>	<b>5,974</b>	<b>(195)</b>	<b>1,229</b>	<b>(350)</b>	<b>(215)</b>	-	-	<b>6,652</b>
Interest Rate	CETES 91-1.3%	LIBOR +5	CETES 91	N.A.	N.A.	-	-	
Maturity	2005	2006	2006	2005/2006	N.A.	-	-	
Remaining Contingencies	-0-	-0-	No exist	-0-	No exist	-	-	

1) Ps 6,607y Ps 1,993, Gross Balance and Checking account balance of Incentive Scheme are included in Loss Sharing.  
N.A.- Not Applicable

### ORIGIN OF THE NOTES

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

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

### SIGNIFICANCE IN BANORTE BALANCE

	1997	1998	1999	2000	2001	2002	3Q03
% Total Loans	70.9%	64.6%	63.5%	58.7%	55.5%	55.7%	54.6%
% Total Assets	60.6%	53.5%	43.7%	46.7%	44.5%	43.5%	40.1%

### Deferred Taxes 3Q03

<i>(Millions of Pesos)</i>			
ASSETS	ISR	PTU	NET
Allowance for loan losses (not deducted)			
Tax loss carryforwards	419	-	419
Deficit from retirement obligations	209	61	271
Reserves for BN+BCR integration expenses	26	8	34
Obligations FOBAPROA, Net	671	-	671
Others	-	-	-
<b>Total Assets</b>	<b>1,325</b>	<b>69</b>	<b>1,395</b>
LIABILITIES			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	(303)	(51)	(355)
<b>Total liabilities</b>	<b>(303)</b>	<b>(51)</b>	<b>(355)</b>
<b>Assets (Liabilities) Accumulated Net</b>	<b>1,022</b>	<b>18</b>	<b>1,040</b>

### Long term debt as of 3Q03

TYPE OF DEBT	CURRENCY	DATE OF ISSUE	AMOUNT (Millions Ps o DIs)	ORIGINAL AMOUNT (Millions Ps, DIs o UDIS)	TERM	INTEREST RATE	MATURITY	INTEREST PAYMENT
<b>BANORTE</b>								
CD's - Banorte U01001	UDIs	11-Ene-01	90	90	10 years	8.13%	30-Dic-10	E/182 days
CD's - Banorte U01002	Ps	29-May-01	20	20	3 years	TIIIE-0.25%	25-May-04	E/28 days
Non Convertible Subordinate Bonds-Qbanorte 01U	UDIs	21-Jun-01	436	436	8 years	8.00%	21-Jun-09	E/182 days
CD's - Banorte M7001	Ps	30-Sep-97	16	16	7 years	17.65%	21-Sep-04	E/182 days
Non Convertible Subordinate Bonds -QBanorte 02D	Ps	28-Nov-02	1,136	1,136	10 years	8.00%	28-Nov-12	E/182 days
Certificados - Banorte M7001	Ps	27-Ene-03	100	100	3 years	TIIIE-0.25%	10-Jul-06	E/28 days
CD's 1999-2A	DIs	15-Jul-99	17.9	75	5 years	8.94%	15-Jul-04	Monthly
CD's Serie 1999-2B	DIs	15-Jul-99	15.6	25	7 years	9.49%	15-Jul-06	Monthly

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

**Bank and Other entities loans as of 3Q03**

<i>(Millions of Pesos)</i>	LOCAL CURRENCY	INTEREST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	666	L+6	547	666
LOANS FROM FOREIGN BANK CONCERNED FROM THE COUNTRY	-	-	-	3	1.42	72	3
LOANS FROM FOREIGN BANK CONCERNED FROM CAYMAN	-	-	-	336	2.12	1249	336
SECURITIZATION	-	-	-	369	9.20	335	369
LOANS FROM DEVELOPING BANKS	358	13.74	691	717	3.57	730	1,075
LOANS FROM PUBLIC FUNDS	5,114	5.15	663	197	2.57	542	5,311
LOANS FROM BANKS	11,650	4.54	9	-	-	-	11,650
CALL MONEY	1,373	4.29	1	-	-	-	1,373
LOANS FROM FIDUCIARY FUNDS	4,195	5.73	8,861	-	-	-	4,195
PROVISIONS FOR INTEREST	42	N.A.	N.A.	-	-	-	42
	<b>22,732</b>			<b>2,288</b>			<b>25,020</b>

**Trading Income 3Q03**
*(Millones de Pesos)*

VALUATION EFFECTS	NET
Negotiable Instruments	9
Repurchase	(7)
Futures	-
Foreign Currency Forwards	(5)
Options	-
Securities loans	3
Range	11
Inflation Adjustment	-
<b>Total</b>	<b>11</b>
RESULTS FROM BUYING AND SELLING	
Negotiable Instruments	550
Securities Held for Sell	(56)
Inflation Adjustment	-
<b>Total of Buying and Selling Instruments</b>	<b>494</b>
FX Spot	299
FX Forwards	-
FX Futures	-
FX Futures TIIE	-
Forwards	2
<b>Total of Foreign Exchange</b>	<b>302</b>
Inflation Adjustment	5
<b>Total of Buying and Selling</b>	<b>801</b>
<b>TOTAL TRADING INCOME</b>	<b>811</b>

**Banco Mercantil del Norte, S.A.****AD1.- CAPITALIZATION RATIO**

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

Net Capital to Credit Risk Assets: 15.24

Net Capital to Assets subject to Credit and Market Risk: 13.12

**AD2.- CAPITAL INTEGRATION**

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

**Net Capital: 11,329**

<b>Tier 1 Capital</b>		<b>8,966</b>	<b>Tier 2 Capital</b>		<b>2,363</b>
Stockholders Equity		8,949	Capitalization Instruments		1,500
Subordinated debt and Capitalization Instruments		1,169	(+)General Preventive Reserves		863
Deferred for Tier 1		1,087			
(-) Investment in Subordinated debt		-			
(-) Investment in Financial Institutions		85			
(-) Investment in Non-Financial Institutions		466			
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries		-			
(-) Excess on deferred taxes		1,087			
(-) Restructuring Charges and others intangibles		602			
(-) Others Assets		-			

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

<b>Market risk weighted assets: 12,037</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Peso Nominal interest rate operations	8,678	694
Peso or UDI real interest rate operations	1,211	97
Interest rate operations in foreign currency with nominal rate	1,921	154
Position in UDIS or with a return indexed to inflation	7	1
Positions in foreign currency or indexed to the FX rate	219	18
Positions in share or index to the price of securities	-	-

<b>Credit Risk-Weighted Assets: 74,316</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	591	47
Group 2 (risk weight 120%)	917	73
Others (risk weight 50%)	1,058	85
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	64,418	5,153
Others (risk weight 112%)	-	-
Others (risk weight 115%)	6,893	551
Others (risk weight 150%)	-	-
Others	439	35

**Banco del Centro, S.A.**
**AD1.- CAPITALIZATION RATIO**

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

Net Capital to Credit Risk Assets: 47.99

Net Capital to Assets subject to Credit and Market Risk: 18.2

**AD2.- CAPITAL INTEGRATION**

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

**Net Capital: 2,453**

<b>Tier 1 Capital</b>		<b>2,389</b>	<b>Tier 2 Capital</b>		<b>64</b>
Stockholders Equity		3,030	Capitalization Instruments		-
Subordinated debt and Capitalization Instruments		-	(+)General Preventive Reserves		64
Deferred for Tier 1		-			
(-) Investment in Subordinated debt		-			
(-) Investment in Financial Institutions		641			
(-) Investment in Non-Financial Institutions		-			
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries		-			
(-) Excess on deferred taxes		-			
(-) Restructuring Charges and others intangibles		-			
(-) Others Assets		-			

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

<b>Market risk Weighted Assets: 8,368</b>		<b>Weighted Assets</b>	<b>Required Capital</b>
Peso Nominal interest rate operations		8,121	650
Peso or UDI real interest rate operations		125	10
Interest rate operations in foreign currency with nominal rate		6	1
Position in UDIS or with a return indexed to inflation		1	-
Positions in foreign currency or indexed to the FX rate		-	-
Positions in share or index to the price of securities		115	9

<b>Credit Risk-Weighted Assets: 5,112</b>		<b>Weighted Assets</b>	<b>Required Capital</b>
Group 1 (risk weight 0%)		-	-
Others (risk weight 2.5%)		-	-
Others (risk weight 10%)		54	4
Group 2 (risk weight 120%)		2,420	194
Others (risk weight 50%)		-	-
Others (risk weight 75%)		-	-
Group 3 (risk weight 100%)		2,587	207
Others (risk weight 112%)		-	-
Others (risk weight 115%)		-	-
Others (risk weight 150%)		-	-
Others		52	4

## Risk Management

### Market Risk

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

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

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

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

The average Value at Risk (VaR) for the January-March 2003 quarter for the Group's (Banking and Brokerage Sectors) financial instrument portfolios, including bonds, shares, money market transactions, swaps, forwards, futures, and others derived within and out of the balance, is Ps 182 million.

The VaR for other periods are as follows:

Millions of nominal pesos	3Q02**	4Q02**	1Q03	2Q03	3Q03
Banorte VaR *	107	173	161	126	166
Banorte's Net Capital ***	9,058	10,743	10,720	10,905	11,329
VaR / Banorte's Net Capital	1.18%	1.61%	1.50%	1.16%	1.47%
Bancén VaR *	133	117	153	133	105
Bancén's Net Capital ***	1,544	1,790	1,918	2,275	2,453
VaR / Bancén's Net Capital	8.61%	6.54%	7.98%	5.85%	4.28%
Banking Sector's VaR *	139	204	184	163	182
Banking Sector Net Capital ****	10,602	12,533	12,638	13,180	13,782
VaR / Banking Sector Net Capital	1.31%	1.63%	1.46%	1.24%	1.32%

\* Quarterly Average

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

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

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

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

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

(Millions of pesos)

RISK FACTOR	VaR
Domestic interest rate	128
Foreign interest rate	107
Exchange rate	83
Stock Exchange	1
Eurobonds Price	185
Total	182



The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables that make up each one of said factors, while keeping the variables that affect the rest of the indicated risk factors constant. The consolidated Value at Risk both for the Banking sector as well as for the Financial Group takes into consideration the correlations of all the risk factors affecting the portfolio appraisal, which is why the sum of the Value at Risk per Institution does not match.

### Loan Risk

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

The objectives of loan risk management at GFNorte are:

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

### Individual Loan Risk

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

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

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

### Portfolio Loan Risk

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

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

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

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

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

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

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

### Information by Segments

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

### Proforma Consolidated Data-3Q03

<i>(Millions of pesos)</i>	<b>BANORTE (1)</b>	<b>BANCEN (3)</b>	<b>TOTAL</b>
<b>Income Statement</b>			
Net Interest Income	1,196.8	662.6	1,859.4
Non Interest Income	906.9	127.8	1,034.7
Non Interest Expense	2,336.6	17.9	2,354.4
Other income (expense)	53.5	28.1	81.6
Extraordinary items, net	-	-	-
Net Income	(337.0)	834.1	497.1
<b>Balance Sheet</b>			
Assets	202,514	3,770	206,284
Loans	150,210	1,100	151,310
Deposits	160,313	-	160,313
Equity	8,950	3,030	11,979
Past Due Loans	3,103	311	3,414
Loan Loss Reserves	3,912	443	4,355
<b>Ratios</b>			
Non Interest Expense/ Total Assets	1.2%	0.5%	1.1%
% Past Due Loans	2.1%	28.3%	2.3%
Reserves / Past Due Loans	126.0%	142.7%	127.6%
% Capitalization (2)	13.1%	18.2%	13.8%

1) Includes a 96.11% participation of the Group.

2) Includes Market Risks. Using 2003 rules.

3) Excludes the AFORE.

### Inter-bank Eliminations Summary

(Millions of Pesos)	BANORTE	BANCEN	INTERBANK ELIMINATIONS
<b>Income Statement</b>			
Net Interest Income	(618.7)	618.7	-
Non Interest Income	-	-	-
Non Interest Expense	-	-	-
Other Income (expense)	-	-	-
Extraordinary items, net	-	-	-
<b>Balance Sheet</b>			
Assets	(760)	(236)	(997)
Cash and Due from Banks	(307)	(226)	(533)
Financial Instruments	(453)	-	(453)
Loans	-	-	-
Deposits	(226)	(453)	(679)
Due to Banks	-	(307)	(307)
Equity	-	-	-
Past Due Loans	-	-	-
Loan Loss Reserves	-	-	-
Investments in Subsidiaries	-	-	-
Deferred Taxes, (Liabilities) (*)	-	(11)	(11)
Deferred Taxes, (Assets)(*)	-	(11)	(11)

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

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

### Reconciliation per Segments Table

(Millions of Pesos)	BANKING SECTOR	OTHER SECTORS	WITHOUT OT. SECT.	TOTAL GROUP
<b>Income Statement</b>				
Net Interest Income	1,859.4	120.7	(10.8)	1,969.2
Non Interest Income	1,034.7	395.7	-	1,430.4
Non Interest Expense	2,354.4	309.7	(15.3)	2,648.8
Other Income (expense)	81.6	(2.6)	(4.5)	74.5
Extraordinary items, net	-	-	-	-
<b>Balance Sheet</b>				
Assets	206,284	19,728	(14,847)	211,165
Loans	151,310	4,057	(1,427)	153,940
Deposits	160,313	-	(202)	160,111
Equity	11,979	15,102	(13,113)	13,969
Past Due Loans	3,414	42	-	3,456
Loan Loss Reserves	4,355	27	-	4,382

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

**Financial Statements basis for presentation.**

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

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

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

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

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