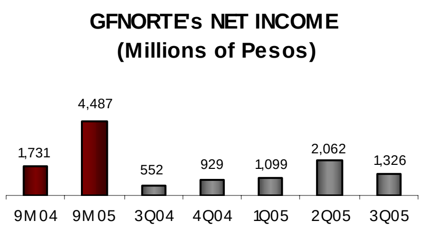
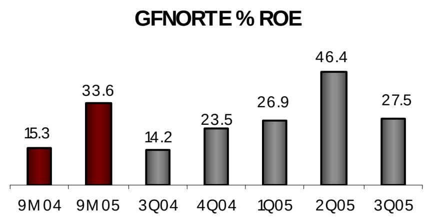
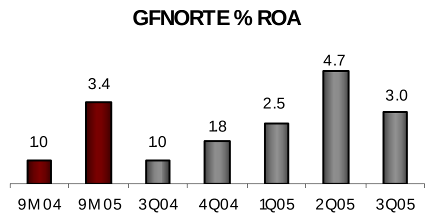
# GRUPO FINANCIERO BANORTE

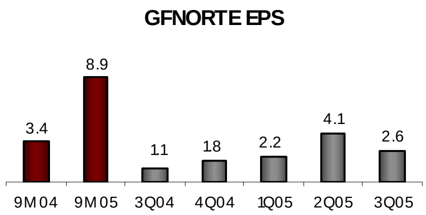
# 3Q05 Results

## *GFNorte accumulated a net profit of Ps 4.5 billion as of 3Q05.*

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### GRUPO FINANCIERO BANORTE

- **Cumulative net earnings** in 3Q05 for GFNorte amounted to Ps4.5 billion, 159% higher than the figure reported in 3Q04. The banking sector (excluding the Afore) contributed Ps3.941 billion, which is equivalent to an annual ROE of 34% and ROA of 3.4%. Without the extraordinary items from 2Q05 as well as the impact of the one off charges to the Group's net earnings in 3Q04, the increase was of 90%, for a total of Ps 3.7 billion.

- During the GFNorte General Shareholders' Meeting on October 6, it was decided to pay a **cash dividend of Ps1.25 per share**, which is equivalent to a payout of 24% and a yield of 1.4%. It was paid on October 20. The meeting also agreed to capitalize earnings from previous fiscal years amounting to Ps5.298 billion and to issue 1,513,760,661 new shares that will be distributed among shareholders at a ratio of three new shares per existing share as soon as the corresponding formalities and paperwork is done.

### BANKING SECTOR

- On September 6, *The Banker* magazine gave **BANORTE** the "**Best Bank of the Year in Mexico**" award in recognition for its performance over the past year, underscoring its higher earnings and loan portfolio, lower past due loan portfolio and the substantial improvement in its efficiency ratio.

- The **performing loan portfolio** grew 22% in real terms vis-à-vis 3Q04. Credit card, payroll and mortgage portfolios rose 58%, 54% and 24%, respectively. The past due loan ratio stood at 1.8% and its reserve coverage was 165%.

- On August 23, Banorte announced a rate cut for its **mortgage product** from 12.40% to 8.9%, via a mechanism that awards borrowers who make timely installments with scheduled rate discounts. Through this reduction, Banorte is presently the best option available in the market.

### OTHER SECTORS

- **Earnings in the long term savings sector** rose 62% in real terms vs. the previous year, closing the quarter with Ps371 million, contributing 10% to the group's earnings (excluding the extraordinary items).


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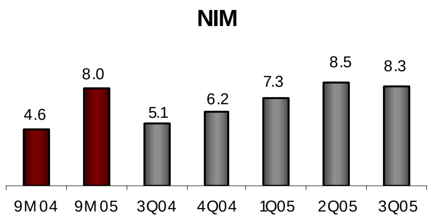
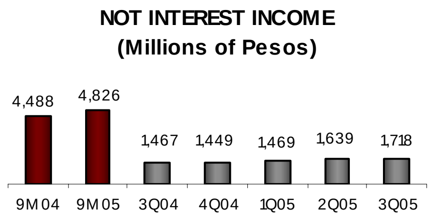
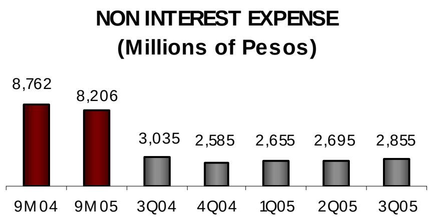
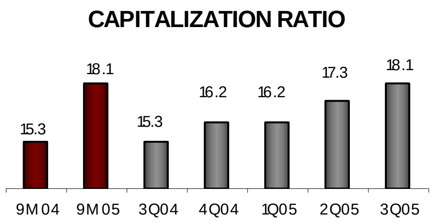
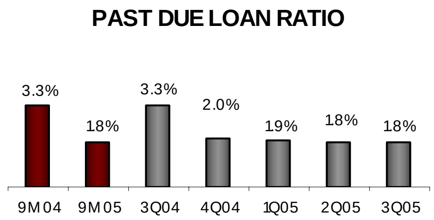
## Highlights




**Net Earnings**
GFNorte accumulated earnings of Ps$4.5 billion, 159% higher than the figure reported in 9M04, and Ps3.7 billion excluding the extraordinary revenues from 2Q05, mostly due to the 34% increase in the net interest margin and a 6% decline in non interest expenses.

**Net Interest Margin**
The net interest margin in cumulative terms rose from 4.6% in 9M04 to 8% in 9M05, mainly as a result of loan portfolio growth, a better loan mix, the securitization of the IPAB portfolio's Ps46 billion balance in 4Q04 and higher interest rates.

**Non Interest Income**
Accumulated non interest income in 9M05 was 8% higher than in 9M04, mainly in view of the 125% increase in trading income and the 24% increase in recovery bank revenues. The former included a non-recurring revenue of Ps321 million on the sale of the AHMSA Eurobonds in 2Q05.

**Non Interest Expenses**
Non interest expenses declined 6% with respect to 9M04. The positive impact of the efficiency program undertaken in 2H04 was reflected in lower Personnel Expenses, strict expense control, as well as to lower contributions to the IPAB.

**Capitalization**
The capitalization ratio attained in 3Q05 was 18.1% vs. 15.3% in 3Q04. The increase was mainly the result of the net earnings generated over the past 12 months. Tier 1 capital represents 82% of net capital, an improvement over the 75% reached in 3Q04.

**Loan Portfolio**
At the close of 3Q05, the performing loan portfolio, excluding the one managed by the Recovery unit, amounted to a an outstanding balance of Ps101 billion, representing an increase of 22% vs. 3Q04, and reflecting greater growth in the government and consumer loans portfolios, with annual growths of 31% and 25%, respectively, in real terms.

**Asset Quality**
The quarter closed with a past due loan portfolio balance of Ps1,859 million, which is 36% lower than the figure reported in 3Q04, derived from the loans written-off during 2004. This was reflected in a decline in the past due loan ratio, from 3.3% to 1.8%. The loan loss reserve coverage strengthened from 128% to 165% in the same period.

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

## Executive Summary

**Grupo Financiero Banorte** announced today its operating results for 3Q05, reporting cumulative Net Earnings of Ps4.5 billion. This figure is 159% higher than that reported for 9M04, and 90% higher when excluding the extraordinary items. Return on Equity for GFNorte for the nine-month period stood at 34%, while Return on Assets was 3.4%. Excluding the one offs, these ratios stood at 28% and 2.8%, respectively. Net Earnings during the quarter amounted to Ps1.3 billion, 140% higher than the figure reported in 3Q04 and 75% higher on a recurring basis.

The Banking Sector contributed 88% of the group's earnings attaining Ps3.9 billion for the 9M05 figure, 185% higher than 9M04 and 99% higher once the extraordinary items are excluded. Banorte continues to observe an improved recurring income, as well as lower expenses obtained from the Efficiency Program undertaken in the second half of 2004.

GFNorte's Net Interest Margin in 9M05 rose from 4.6% to 8% yoy. The improvement was the result of a robust loan growth as well as a better loan portfolio mix, lower funding costs and higher interest rates. In the latter regard, the 28-day TIIE rate rose 309 basis points yoy.

Trading income in GFNorte reported an increase of 125% as compared to 9M04, benefiting both from lower interest rates as well as from the sale of AHMSA securities (eurobonds) in 2Q05.

Non Interest Expense decreased 6% yoy. The Efficiency Ratio declined from 73% in 3Q04 to 57% in 3Q05.

Total Deposits, excluding out of balance trading, stood at Ps126.1 billion at month end September, thus declining 23% when compared to the close of 3Q04. The foregoing was the result of lower funding requirements due to both the securitization of IPAB loans in 4Q04 and the pre-payments received from that IPAB over the last year and which amounted to Ps24 billion. The IPAB balance decreased from Ps 74.8 billion to Ps 2.5 billion yoy.

The Loan Portfolio – excluding IPAB and those managed by the Recovery unit – registered solid growth. To 3Q05, the performing portfolio rose 22% vs. 3Q04, to stand at an outstanding balance of Ps101.4 billion. Commercial Loans were up 14% over the past 12 months, to stand at Ps36.2 billion. The Corporate Portfolio reached Ps17.3 billion, and the Government Portfolio stood at Ps13.3 billion.

Consumer Loans continued to show a strong growth during the period. They represent 34% of the overall performing loans portfolio. Credit Cards were up 58% over the past twelve months, attaining a balance of Ps5.6 billion. Payroll and Car Loans grew 54% and 1%, respectively, in real terms. The former stands at Ps2.9 and the latter at Ps5.8 billion, respectively. Housing Loans continued to trend up, closing the quarter at a balance of Ps20.3 billion, which represents an annual growth of 24%.

The Past Due Loan Portfolio declined to Ps1.9 billion, which is 36% lower than the figure registered at the close of 3Q04. The Past Due Loan Portfolio stood at 1.8%, with a reserve coverage of 165% which compares favorably to the 128% reported in 3Q04.

The Long-term Saving Sector, made up of the Pension Fund Afore, insurance and annuities, registered cumulative net earnings in the group of Ps371 million during 9M05, an increase of 62% when compared to 9M04.

The Auxiliary Organizations Sector contributed Ps136 million to the group's earnings in 9M05, a figure that is 69% higher than that reported in 9M04. The Brokerage Sector recorded earnings of Ps55 million during the same period.

In acordance with Banorte's philosophy to support the mexican population, the bank announced today its emergency plan to help Banorte's clients affected by Wilma and Stan hurricanes. This program will benefit 12,000 customers with a Ps 1.9 billion in consumer loans through condoning payments in mortgage and microcredit (Pronegocio) loans for 3 months, as well as payment deferment in consumer loans for the same period. Banorte will also speed-up the insurance policy claim payments and will offer loans for re-building damaged constructions.

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

## Grupo Financiero Banorte

| Subsidiarie's Earnings | QUARTER | | | % CHANGE vs | | ACCUMULATED | | |
|---|---|---|---|---|---|---|---|---|
| *(Millones de Pesos)* | 3Q04 | 2Q05 | 3Q05 | 3Q04 | 2Q05 | 9M04 | 9M05 | % CH |
| Banco Mercantil del Norte (1) | 287 | 1,765 | 888 | 210% | (50%) | 1,113 | 3,357 | 202% |
| Banco del Centro | 95 | 137 | 244 | 158% | 78% | 269 | 584 | 117% |
| **Banking Sector** | **382** | **1,902** | **1,133** | **197%** | **(40%)*** | **1,382** | **3,941** | **185%** |
| **Brokerage Sector (Brokerag House)** | **13** | **17** | **13** | **(1%)** | **(25%)** | **53** | **55** | **2%** |
| Afore | 45 | 21 | 55 | 21% | 164% | 97 | 132 | 36% |
| Insurance | 73 | 66 | 64 | (13%) | (3%) | 108 | 193 | 79% |
| Annuities | 7 | 14 | 22 | 197% | 50% | 25 | 46 | 88% |
| **Long – Term Saving Sector** | **125** | **101** | **140** | **12%** | **39%** | **229** | **371** | **62%** |
| Leasing | 13 | 22 | 18 | 44% | (17%) | 29 | 58 | 100% |
| Factoring | 18 | 23 | 14 | (22%) | (40%) | 29 | 53 | 82% |
| Warehousing | 4 | 3 | 1 | (62%) | (48%) | 11 | 9 | (21%) |
| Bonding | 4 | 4 | 8 | 114% | 80% | 11 | 16 | 48% |
| **Auxiliary Organization Sector** | **37** | **52** | **41** | **9%** | **(21%)** | **81** | **136** | **69%** |
| **Créditos Pronegocio** | **-** | **(8)** | **2** | **N.C.** | **122%** | **-** | **(10)** | **N.C.** |
| **G. F. Banorte [holding]** | **(5)** | **(1)** | **(2)** | **N.C.** | **N.C.** | **(14)** | **(5)** | **N.C.** |
| **Total** | **552** | **2,062** | **1,326** | **140%** | **(36%)** | **1,731** | **4,487** | **159%** |

1) 96.11% owned by GFNorte.
N.C. = Not Comparable
(*) Without the extraordinary items in 2Q05, change was (2%).

| Group's Balance Sheet Highlights *(Millions of Pesos)* | 3Q04 | 2Q05 | 3Q05 | % QUART, CHANGE | % ACCUM. CHANGE |
|---|---|---|---|---|---|
| Performing loans excluding Fobaproa – IPAB (1) | 85,117 | 97,836 | 102,841 | 5% | 21% |
| FOBAPROA Loans | 74,844 | 7,048 | 2,539 | (64%) | (97%) |
| Past Due Loans | 2,911 | 1,789 | 1,859 | 4% | (36%) |
| Total Loans | 162,872 | 106,673 | 107,240 | 1% | (34%) |
| Loan Loss Reserves | 3,730 | 2,873 | 3,073 | 7% | (18%) |
| Total Assets | 226,971 | 181,792 | 178,333 | (2%) | (21%) |
| Total Deposits | 168,281 | 123,784 | 126,575 | 2% | (25%) |
| Equity | 16,914 | 19,693 | 21,111 | 7% | 25% |
| Assets under Management (2) | 378,291 | 397,255 | 401,106 | 1% | 6% |

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

| GFNorte Share Data | 3Q04 | 2Q05 | 3Q05 | % QUART, CHANGE | % ACCUM. CHANGE |
|---|---|---|---|---|---|
| Net Income per Share *(Pesos)* | 1.09 | 4.09 | 2.63 | (36%) | 140% |
| Dividends per Share *(Pesos)* | - | - | - | - | - |
| Payout of Dividends | - | - | - | - | - |
| Book Value per Share (1) *(Pesos)* | 31.38 | 36.96 | 39.58 | 7% | 26% |
| Shares Outstanding *(Millions of Shares)* | 504.6 | 504.3 | 504.6 | - | - |
| Price *(Pesos)* | 53.78 | 70.89 | 96.15 | 36% | 79% |
| P/BV *(Times)* | 1.71 | 1.92 | 2.43 | 27% | 42% |
| Market Cap *(Billions)* | 1,517 | 3,365 | 4,505 | 34% | 197% |

1) Excluding Minority holdings.

| Group's Financial Ratios | QUARTER | | | | | ACCUMULATED | |
|---|---|---|---|---|---|---|---|
| | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 9M04 | 9M05 |
| **Prfitability** | | | | | | | |
| MIN before Repomo (1) | 5.1% | 6.2% | 7.3% | 8.5% | 8.3% | 4.6% | 8.0% |
| MIN adjusted by Loan Loss Provisions (2) | 4.4% | 5.2% | 6.6% | 7.5% | 7.1% | 4.0% | 7.0% |
| ROA (3) | 1.0% | 1.8% | 2.5% | 4.7% | 3.0% | 1.0% | 3.4% |
| ROE (4) | 14.2% | 23.5% | 26.9% | 46.4% | 27.5% | 15.3% | 33.6% |
| ROE without extraordinaries | - | - | - | 28.4% | - | - | 27.6% |
| **Operation** | | | | | | | |
| Efficiency Ratio (5) | 73% | 59% | 61% | 53% | 57% | 75% | 57% |
| Operative Efficiency Ratio (6) | 5.3% | 5.1% | 6.0% | 6.1% | 6.3% | 5.2% | 6.1% |
| Liquidity Ratio (7) | 48.6% | 65.5% | 55.8% | 58.7% | 56.5% | 48.6% | 56.5% |
| **Asset Quality** | | | | | | | |
| % Past Due Loans w/o Fobaproa | 3.3% | 2.0% | 1.9% | 1.8% | 1.8% | 3.3% | 1.8% |
| Loan Loss Reserves to past Due Loans | 128% | 153% | 154% | 161% | 165% | 128% | 165% |

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

| GFNorte Income Statement *(Millions of Pesos)* | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| **Net Interest Income after Repomo** | **2,660** | **3,395** | **3,295** | **24%** | **(3%)** | **7,181** | **9,572** | **33%** |
| **- Loan Loss and Loss Sharing Provisions** | **361** | **390** | **459** | **27%** | **18%** | **833** | **1,098** | **32%** |
| • Service | 1,163 | 1,049 | 1,168 | - | 11% | 3,353 | 3,325 | (1%) |
| • Recovery | 191 | 80 | 308 | 61% | 285% | 452 | 562 | 24% |
| • Foreign Exchange | 64 | 38 | 99 | 55% | 160% | 353 | 198 | (44%) |
| • Trading (Securities- Realized and unrealized gains) | 49 | 472 | 143 | 192% | (70%) | 330 | 741 | 125% |
| **+ Non Interest Income** | **1,467** | **1,639** | **1,718** | **17%** | **5%** | **4,488** | **4,826** | **8%** |
| **= Total Operating Income** | **3,766** | **4,644** | **4,554** | **21%** | **(2%)** | **10,836** | **13,300** | **23%** |
| - Non Interest Expense | 3,035 | 2,695 | 2,855 | (6%) | 6% | 8,762 | 8,206 | (6%) |
| **= Net Operating Income** | **731** | **1,948** | **1,698** | **132%** | **(13%)** | **2,074** | **5,094** | **146%** |
| - Non Operating Income (Expense) Net | (56) | 935 | 56 | 200% | (94%) | 22 | 1,026 | 4,583% |
| **= Pre-Tax Income** | **675** | **2,883** | **1,754** | **160%** | **(39%)** | **2,096** | **6,120** | **192%** |
| - Income Tax & profit sharing | 141 | 813 | 460 | 226% | (43%) | 410 | 1,687 | 311% |
| **= Net Income before Subsidiaries** | **534** | **2,070** | **1,294** | **143%** | **(37%)** | **1,685** | **4,434** | **163%** |
| + Undistrib. Earnings of Subsid, Extraord. Items & Minority Income | 18 | (8) | 32 | 78% | 500% | 46 | 54 | 17% |
| **=Net Income** | **552** | **2,062** | **1,326** | **140%** | **(36%)** | **1,731** | **4,487** | **159%** |

N.C. = Not Comparable

## Net Interest Income

| Net Interest Income (Millions of Pesos) | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| Interest Income | 6,615 | 8,848 | 9,164 | 39% | 4% | 17,949 | 25,180 | 40% |
| Interest Expense | 4,010 | 5,546 | 5,945 | 48% | 7% | 11,066 | 15,813 | 43% |
| Loan Fees | 123 | 132 | 148 | 20% | 12% | 408 | 373 | (9%) |
| Fees Paid | 22 | 27 | 34 | 51% | 26% | 65 | 85 | 30% |
| **Net Interest Income before Repomo** | **2,706** | **3,407** | **3,333** | **23%** | **(2%)** | **7,225** | **9,656** | **34%** |
| Average Earning Assets | 211,370 | 160,351 | 160,871 | (24%) | - | 210,537 | 160,740 | (24%) |
| **NIM before REPOMO (1)** | **5.1%** | **8.5%** | **8.3%** | | | **4.6%** | **8.0%** | |

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

During 9M05, the Net Interest Income before Repomo rose 34% yoy and the NIM increased from 4.6% to 8%, as a result of the following factors:

**Increased due to:**

- Annual growth of 22% in the Performing Loan Portfolio, excluding IPAB and the loans managed by the Recovery unit.
- Higher interest rates. The average 28-day Cetes rates increased from 6.33% in 9M04 to 9.39% in 9M05, and the TIIE from 6.69% to 9.78%, in the same period.
- The book adjustment of the currency valuation entry in 2Q04, led to an increase of Ps195 million vs. 9M04 that was compensated on the Foreign Exchange line.
- Better loan mix, especially in the consumer portfolio.

**Decreased due to:**

- A 9% reduction in Loan Fees in 9M05 given that Ps57 million derived from important corporate loan placements that were included in 9M04. Excluding this effect, growth was 6%.
- The peso appreciation vs. the US dollar. The forex rate decreased from Ps11.31 per dollar in 9M04 to Ps10.94 per dollar in 9M05.

The Net Interest Income before Repomo in 3Q05 rose 23% as compared to 3Q04, and the NIM rose from 5.1% to 8.3% due to the following factors:

**Increased due to:**

- Annual growth of 22% in the performing loan portfolio, excluding IPAB and the loans managed by the Recovery unit.
- Higher interest rates. The average 28-day Cetes rose from 7.09% in 3Q04 to 9.49% in 3Q05, and the TIIE from 7.46% to 9.89% in the same period.
- Better loan mix, especially in the consumer portfolio.

**Decreased due to:**

- The peso appreciation vs. the US dollar. The forex rate decreased from Ps11.39 per dollar in 3Q04 to Ps10.73 per dollar in 3Q05.
- A Ps36 million decrease vis-à-vis 3T04, in currency valuation.

## Non Interest Income

| Non Interest Income *(Millions of Pesos)* | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| + Fund Transfers | 46 | 47 | 49 | 7% | 4% | 153 | 132 | (14%) |
| + Account Management Fees | 285 | 252 | 242 | (15%) | (4%) | 715 | 736 | 3% |
| + Fiduciary (1) | 50 | 54 | 53 | 7% | (2%) | 146 | 153 | 4% |
| + Credit Card | 317 | 255 | 271 | (15%) | 6% | 923 | 770 | (17%) |
| + Income From loan portf. acquired (1) | 206 | 152 | 705 | 242% | 363% | 535 | 1,139 | 113% |
| + Electronic Banking Services | 109 | 157 | 158 | 44% | 1% | 283 | 458 | 62% |
| + From IPAB (3) | 147 | 61 | (6) | (104%) | (110%) | 340 | 134 | (61%) |
| + Afore | 302 | 194 | 313 | 4% | 61% | 768 | 798 | 4% |
| + Brokerage House | 70 | 73 | 84 | 20% | 15% | 317 | 249 | (22%) |
| + Other Fees (4) | 83 | 132 | 122 | 47% | (8%) | 378 | 389 | 3% |
| **Fees on purchased services:** | **1,615** | **1,377** | **1,990** | **23%** | **44%** | **4,558** | **4,959** | **9%** |
| + Fund Transfers | - | 2 | 2 | 100% | 11% | - | 7 | 100% |
| + Other Fees (2) | 117 | 124 | 133 | 13% | 7% | 390 | 379 | (3%) |
| + Expense From loan portf. acquired (2) | 143 | 122 | 380 | 166% | 211% | 363 | 686 | 89% |
| **Fees Paid :** | **260** | **248** | **515** | **98%** | **108%** | **754** | **1,072** | **42%** |
| **=Net Fees** | **1,355** | **1,129** | **1,475** | **9%** | **31%** | **3,804** | **3,887** | **2%** |
| + Foreign Exchange | 64 | 38 | 99 | 55% | 160% | 353 | 198 | (44%) |
| + Securities- Realized gains | 79 | 514 | 129 | 64% | (75%) | 305 | 729 | 139% |
| + Securities- Unrealized gains | (30) | (42) | 14 | 147% | 134% | 25 | 12 | (50%) |
| **Trading Income** | **113** | **510** | **243** | **116%** | **(52%)** | **684** | **939** | **37%** |
| **= Non Interest Income** | **1,467** | **1,639** | **1,718** | **17%** | **5%** | **4,488** | **4,826** | **8%** |

1) The Income from the Serfin loan collecting, which used to be grouped as Trustee, in now included in the Acquired Loans Income concept.
2) The investment amortization on the purchase of the Serfin portfolio, which used to be grouped under Other Paid Fees, is now included in Acquired Loans Expenditures.
3) Includes Fees received by Recovery Banking and by the Bank.
4) It includes fees from letters of credit, from pension funds, warehousing services, financial advisoty and for Brokerage House services, among other.

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

| Non Interest Income *(Millions of Pesos)* | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| Service | 1,163 | 1,049 | 1,168 | - | 11% | 3,353 | 3,325 | (1%) |
| Recovery | 191 | 80 | 308 | 61% | 285% | 452 | 562 | 24% |
| Foreign Exchange | 64 | 38 | 99 | 55% | 160% | 353 | 198 | (44%) |
| Trading (Securities- Realized and unrealized gains) | 49 | 472 | 143 | 192% | (70%) | 330 | 741 | 125% |
| **= Non Interest Income** | **1,467** | **1,639** | **1,718** | **17%** | **5%** | **4,488** | **4,826** | **8%** |

Non Interest Income for 9M05 rose 8% as compared to 9M04 and was up 17% in 3Q05 compared to 3Q04. These variations were the result of several factors, as explained below:

**Service fees:**

Accumulated Service Fees in 9M05 remained flat vs 9M04, with increases in E-banking and Account Management Fees of 62% and 3%, respectively, and declines in Fund Transfers and Credit Card Fees of 14% and 17%, respectively. The lower Credit Card fee was due to both a re-classification of fees charged from Banorte’s ATMs usage to E-banking as of mid 4Q04 (amounting to Ps50 million), and to a decline in both customer and inter-bank service rates in 9M05. During 3Q05, Service Fees also remained similar to those reported in 3Q04, with increases in most lines, except in Account Management Fees due to lower fees and Credit Cards due to the aforementioned re-classification.

## Recovery:

| Non Interest Income *(Millions of Pesos)* | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| **SERFIN** | | | | | | | | |
| Income | 108 | 85 | 53 | (51%) | (38%) | 300 | 218 | (27%) |
| - Expense | 74 | 38 | 23 | (69%) | (39%) | 177 | 102 | (42%) |
| **= Net Fees from Serfín** | **34** | **47** | **30** | **(12%)** | **(36%)** | **123** | **116** | **(6%)** |
| **LOAN PORTFOLIOS ACQUIRED** | | | | | | | | |
| Income | 98 | 67 | 652 | 565% | 873% | 235 | 921 | 292% |
| - Expense | 69 | 84 | 357 | 417% | 325% | 186 | 584 | 214% |
| **= Net Income from loan portfolios acquired** | **29** | **(17)** | **295** | **917%** | **(1,835%)** | **49** | **337** | **588%** |
| **IPAB FEES** | | | | | | | | |
| From IPAB (*) | 128 | 50 | (17) | (113%) | (134%) | 280 | 109 | (61%) |
| **= IPAB Fees** | **128** | **50** | **(17)** | **(113%)** | **(134%)** | **280** | **109** | **(61%)** |
| **Non Interest Income – Recovery Bank** | **191** | **80** | **308** | **61%** | **285%** | **452** | **562** | **24%** |

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

Non Interest Income derived from portfolio Recoveries in 9M05 rose 24% as compared to the figure in 9M04 thanks to important loan recoveries in 3Q05 (of the loan portfolios acquired). Net Fees from the Serfín Portfolio reported a reduction of 6% in the same period. In the case of Acquired Portfolios, income rose 588% due to significant corporate loan Recoveries in 3Q05. During the quarter, Recovery Bank income rose 61% vs. 3Q04, mostly derived from important corporate loan Recoveries which were registered under the Net Income from Acquired Portfolios line that represented 96% of the total.

## Foreign Exchange:

Accumulated Foreign Exchange Income during the year declined 44% as compared to 9M04 mainly due to book adjustments in the currency valuation entry, which reflected a reduction of Ps190 million for this concept, and that was compensated on the Net Interest Income line. Excluding this impact, foreign exchange income rose 21% vs 9M04. In quarterly terms, foreign exchange reflected an increase of 55% vis-à-vis 3Q04 given that operations derived from synthetic funding decreased substantially, where surplus dollars were used to fund peso-denominated transactions that registered a fx loss in exchange for obtaining a higher benefit from a lower cost of funding, which is reflected in the Net Interest Margin.

## Trading:

Trading Income in 9M05 rose 125% vs. 9M04 mainly due to higher gains realized on securities, which included Ps321 million of non recurring earnings from the AHMSA eurobond sale. Excluding this effect, the increase was 27%. For the quarter, trading income rose 192% vs. 3Q04, registering an income of Ps143 million.

## Non Interest Expense

| **Non Interest Expense** *(Millions of Pesos)* | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| Personnel Expenses | 1,358 | 1,084 | 1,102 | (19%) | 2% | 3,682 | 3,249 | (12%) |
| +Professional Fees | 136 | 191 | 153 | 12% | (20%) | 385 | 488 | 27% |
| +Administrative and Promotion Expenses | 787 | 749 | 933 | 19% | 25% | 2,324 | 2,441 | 5% |
| +Leases,Depreciation& Amortization | 425 | 424 | 399 | (6%) | (6%) | 1,311 | 1,244 | (5%) |
| +Tax other than income tax | 132 | 100 | 122 | (8%) | 22% | 483 | 342 | (29%) |
| +Contributions to IPAB | 198 | 148 | 148 | (25%) | - | 578 | 443 | (23%) |
| **= Non Interest Expense** | **3,035** | **2,695** | **2,855** | **(6%)** | **6%** | **8,762** | **8,206** | **(6%)** |

Non Interest Expense, in 9M05, declined 6% as compared to 9M04 mostly due to the positive impact of the Efficiency Program implemented in 2H04. Personnel Expenses declined 12% as a result of the headcount reductions undertaken in the second half of 2004. Fees Paid rose 27% due to payment of performance bonuses, legal consulting, new product projects and increased portfolio recovery expenses. Administrative and Promotion Expenses rose 5% primarily derived from higher advertising campaign expenses due to new product launches and to other expenses associated with a higher operating volume. Leases, Depreciations and Amortization declined 5% mostly as a result of the closure of 83 branch offices in 2H04 and also to the full amortization of some projects at the end of last year. Taxes Other than Income Tax declined 29%, primarily because of higher VAT credits as of 3Q04 derived from the favorable ruling in the injunction filed against the amendments made to the VAT law. Contributions to the IPAB declined 23% due to lower funding requirements after the 4Q04 securitization of IPAB portfolio.

Non Interest Expense in 3Q05 was 6% lower than the figure reported in 3Q04, due to the expenses incurred in the Efficiency Program implemented in 3Q04, and to lower contributions to the IPAB and Other Taxes, at 25% and 8%, respectively. Personnel Expenses and Lease, Depreciation and Amortization Expenses declined by 19% and 6%, respectively, derived from the benefits of the Efficiency Program and the close of branches undertaken in the second half of 2004. Administrative and Promotion Expenses rose 19% due to higher expenses in new product advertising campaigns and also to expenses related to higher volumes of operations.

## Non Operating Income (Expense) Net

| **Non Operating Income (Expense)** *(Millions of Pesos)* | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| +Other Revenues | 112 | 41 | 78 | (30%) | 90% | 303 | 215 | (29%) |
| +Foreign Exchange | - | - | - | - | - | - | - | - |
| +Recoveries | 30 | 1,207 | 56 | 90% | (95%) | 265 | 1,308 | 394% |
| +Repomo-other revenues | 7 | 3 | 1 | (82%) | (53%) | 16 | 8 | (53%) |
| +Warehousing | 355 | 499 | 129 | (64%) | (74%) | 1,132 | 901 | (20%) |
| **=Non Operating Income** | **503** | **1,750** | **264** | **(48%)** | **(85%)** | **1,715** | **2,431** | **42%** |
| -Other Expenses | (112) | (307) | (36) | (68%) | (38%) | (316) | (418) | 33% |
| -Foreign Exchange | - | - | - | - | - | - | - | - |
| -Warehousing | (95) | (11) | (44) | (53%) | 287% | (251) | (89) | (64%) |
| -Repomo-other expenses | (353) | (497) | (128) | (64%) | (74%) | (1,127) | (898) | (20%) |
| **=Non Operating Expense** | **(559)** | **(815)** | **(208)** | **(63%)** | **(74%)** | **(1,693)** | **(1,405)** | **(17%)** |
| **= Non Operating Income (Expense) Net** | **(56)** | **935** | **56** | **200%** | **(94%)** | **22** | **1,026** | **4,583%** |

Non Operating Income in 9M05 amounted to Ps1.026 billion, which compares to the Ps22 million reported in 9M04. The variation was primarily due to the following factors:

**<u>Other Products:</u>**

- Income of Ps1.0 billion arising from a Value Added Tax (VAT) refund in 2Q05, which resulted from the favorable ruling in the injunction filed by the Group subsidiaries against amendments made to the VAT law.
- Lower income from inventory commercialization operations of Banorte's Warehouse customers, which declined by 20%.

**Other Expenses**

- A 64% reduction in Repomo due to lower inflation vs 9M04 (1.7% in 9M05 vs. 3.4% in 9M04).
- Losses due to IPAB GEL ( Gestión, Existencia y Legalidad) audits, amounting to Ps104 million.
- Provisions for write-offs amounting to Ps48 million due to IPAB pre-payments.
- Lower expenses from inventory commercialization operations of Banorte's Warehouse customers, which declined by 20%.

The net result of Non Operating Income in 3Q05 amounted to Ps56 million, which compares favorably to the Ps56 million loss registered in 3Q04. The variation was primarily the result of the Ps51 million reduction in Repomo - other Expenses and of lower amounts of Sundry Creditors cancelled.

### Taxes

Taxes and Profit-sharing in 9M05 reported a 311% increase as compared to 9M04, mainly due to the fact that Banorte has already used all it's tax loss carry forwards and also to the extraordinary income in 2Q05, that generated higher taxes. As of 2005, Banorte is generating income tax while Bancen still has tax loss carry forwards. The effective tax and Profit-sharing rate for 9M05 was 28% vs. 20% in 9M04. In 3Q05, taxes and Profit-sharing were 226% higher than in 3Q04, arising from a higher net income in the quarter.

### Loan Portfolio

| PERFORMING LOAN PORTFOLIO *(Millions of Pesos)* | 3Q04 | 2Q05 | 3Q05 | % QUART, CHANGE | % ACCUM. CHANGE |
|---|---|---|---|---|---|
| Commercial | 31,683 | 35,365 | 36,207 | 2% | 14% |
| Consumer | 27,622 | 32,343 | 34,599 | 7% | 25% |
| Corporate | 13,911 | 15,516 | 17,290 | 11% | 24% |
| Goverment | 10,148 | 13,019 | 13,257 | 2% | 31% |
| **Sub Total** | **83,364** | **96,243** | **101,353** | **5%** | **22%** |
| Recovery Banking | 1,751 | 1,592 | 1,490 | (6%) | (15%) |
| **Total** | **85,115** | **97,835** | **102,843** | **5%** | **21%** |

| PERFORMING CONSUMER *(Millions of Pesos)* | 3Q04 | 2Q05 | 3Q05 | % QUART, CHANGE | % ACCUM. CHANGE |
|---|---|---|---|---|---|
| Mortgages | 16,441 | 19,109 | 20,298 | 6% | 24% |
| Automobile | 5,753 | 5,888 | 5,805 | (1%) | 1% |
| Credit Card | 3,547 | 4,920 | 5,605 | 14% | 58% |
| Electronic Payroll | 1,882 | 2,427 | 2,890 | 19% | 54% |
| **Total Consumer** | **27,622** | **32,343** | **34,599** | **7%** | **25%** |

| *(Millions of Pesos)* | 3Q04 | 2Q05 | 3Q05 | % QUART, CHANGE | % ACCUM. CHANGE |
|---|---|---|---|---|---|
| IPAB Loans | 74,844 | 7,048 | 2,539 | (64%) | (97%) |
| Past Due Loans | 2,911 | 1,789 | 1,859 | 4% | (36%) |

The Total Performing Loan Portfolio rose 21% in annual terms, increasing from Ps85.1 billion to Ps102.8 billion. Excluding the proprietary portfolio managed by the Recovery Bank, the increase was 22%. The increase is explained as follows:

- The Commercial Portfolio grew 14% primarily as a result of new lending to SMEs.
- Mortgage loans rose 24% due to placement of 10,530 new loans over the past 12 months. The Consumer Portfolio reported substantial growth, reflected in the Credit Card Portfolio with an increase of 58% due to both promotion programs to attract new customers (including the balance transfer program called *ya bájale con Banorte*), and greater credit card usage by our clientele. Payroll loans grew 54% with 217, 265 new loans extended and Car Loans rose 1%, with 32,169 new car loans.
- The Corporate Portfolio increased 24% as a result of implementing new loan placement strategies.

- The Government Portfolio was up 31%, arising from promotion efforts to place new loans particularly among state governments.

- The IPAB Portfolio declined 97% due to both the $46 billion IPAB portfolio securitization in 4Q04, and to the $24 billion in pre-payments received over the past 12 months. This portfolio only represents 2% of the total loan portfolio and is anticipated to be completely pre-paid by the end of December 2005.

- There was a favorable foreign exchange impact on the dollar-denominated loan portfolio arising from the peso appreciation vs. the US dollar, which went from 11.39 pesos/dollar to 10.79 pesos/dollar from 3Q04 to 3Q05.

The Past Due Loan Portfolio declined 36% as compared to 3Q04 primarily due to the write-offs (100% reserved) undertaken in 2004. The portfolio closed the quarter with a balance of Ps1.9 billion, equivalent to a Past Due Loan Portfolio Ratio of 1.8%, almost half the 3.3% reported in 3Q04.

During the quarter, the Total Loan Portfolio without IPAB and the loans managed by the Recovery unit, rose 5%, with growths in: Credit Cards with 14%, Mortgages with 6%, Payroll Loans with 19%, and Commercial Loans with 2%. The IPAB Portfolio declined Ps4.5 billion due to the pre-payments received during the quarter. The past due loans rose 4% vs 2Q05, closing the quarter at Ps1.9 billion, equivalent to a Past Due Loan Ratio of 1.8% similar to that of 2Q05.

## Past Due Loans Variations as of 3Q05

| Cartera Vencida | | |
|---|---|---|
| **Balance as of June 2005** | | **1,778** |
| | Performing loans to Past due loans transfers | 786 |
| | Renewals | (2) |
| | Cash Collections | (159) |
| | Discounts | (3) |
| | Charge Offs | (227) |
| | Foreclosures | (4) |
| | Past due loans to Performing loans transfers | (314) |
| | Exchange Adjustment | 3 |
| **Balance as of September 2005** | | **1,859** |

## Classified Loans

Millions of Pesos

| Category | LOANS | LOAN LOSS RESERVES COMMERCIAL | CONSUMER | MORTGAGE | TOTAL |
|---|---|---|---|---|---|
| A | 34,009 | 1 | 62 | 64 | 127 |
| A1 | 34,982 | 171 | - | - | 171 |
| A2 | 25,754 | 244 | - | - | 244 |
| B | 4,831 | - | 130 | 113 | 243 |
| B1 | 5,020 | 123 | - | - | 123 |
| B2 | 645 | 38 | - | - | 38 |
| B3 | 238 | 29 | - | - | 29 |
| C | 547 | - | 165 | 57 | 222 |
| C1 | 114 | 26 | - | - | 26 |
| C2 | 100 | 40 | - | - | 40 |
| D | 715 | 40 | 274 | 191 | 505 |
| E | 594 | 361 | 25 | 206 | 592 |
| **Total** | **107,549** | **1,073** | **656** | **631** | **2,360** |
| Not Classified | (64) | | | | |
| Excempted | 3,683 | - | - | - | - |
| **Total** | **111,168** | **1,073** | **656** | **631** | **2,360** |
| Reserves | | | | | **3,073** |
| Excess / (Deficit) | | | | | **713** |

Notes :

1.- The classified loans and the reserves created are based on the September 30th, 2005 Balance Sheet.

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

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

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

The quarter closed with a Ps 3.1 billion balance of Loan Loss Reserves and a surplus reserve of Ps 713 million.

| **Loan Loss Reserves** *(Millions of Pesos)* | **3Q05 Total** |
|---|---|
| **PREVIOUS PERIOD END BALANCE** | **2,873** |
| Provision taken in the period | 459 |
| Recovery of penalized debts | 41 |
| Charge offs and discounts: | |
| Commercial Portfolio | (7) |
| Consumer Portfolio | (168) |
| Mortgage Portfolio | (66) |
| Foreclosed assets | (16) |
| | **(257)** |
| Cost of debtors support programs | (29) |
| Valuation and Others | (14) |
| **LOAN LOSS RESERVES AT PERIOD END** | **3,073** |

During the quarter, Ps$459 million of loan loss provisions were created through the Income Statement, and Ps257 million were applied to Charge-offs and discounts, of which Ps7 million corresponded to Commercial Loans, Ps168 million to Consumer loans, Ps66 million to Mortgage Loans and Ps16 million to Repossessed Assets. The balance of Loan Loss Provisions to 3Q05 amounted to Ps3.1 billion.

### Deposits

| **Deposits** *(Millions of Pesos)* | **3Q04** | **2Q05** | **3Q05** | **% QUART, CHANGE** | **% ACCUM. CHANGE** |
|---|---|---|---|---|---|
| Demand Deposits-w/o Interests (1) | 22,367 | 23,709 | 23,803 | - | 6% |
| Demand Deposits -with Interests (2) | 40,014 | 42,650 | 40,945 | (4%) | 2% |
| **Demand Deposits** | **62,381** | **66,359** | **64,747** | **(2%)** | **4%** |
| Time Deposits – Retail | 37,493 | 37,512 | 38,498 | 3% | 3% |
| **Core Deposits** | **99,874** | **103,872** | **103,245** | **(1%)** | **3%** |
| Money Market (3) | 63,677 | 19,356 | 22,976 | 19% | (64%) |
| **Banking Sector's Total Deposits** | **163,551** | **123,228** | **126,221** | **2%** | **(23%)** |
| **GFNorte's Total Deposits (4)** | **163,410** | **123,118** | **126,054** | **2%** | **(23%)** |
| | | | | | |
| Out- of Balance Trading | 71,758 | 124,958 | 120,920 | (3%) | 69% |
| **Assets Under Management** | **235,310** | **248,186** | **247,141** | **-** | **5%** |
| Demand Deposits-w/o Interests (1) | 1.9% | 2.6% | 2.8% | | |

(1) As of 4Q04, the checking accounts were excluded from IPAB where cash collecting was deposited over the managed loans from Banpaís and Bancen, with a retroactive effect for comparison purposes.The balances of these accounts in 3Q04.2Q05 and 3Q05 were Ps 4,871 million, Ps 666 million and Ps 521 million, respectively.
(2)Includes Debit Cards.
(3)Includes Bonds Comprises, Customers and Financial Intermediaries.
(4) Includes the eliminations between the subsidiaries.The balances of these eliminations in 3Q04.2Q05 and 3Q05 were Ps 141 million, Ps 110 million and Ps 167 million, respectively.

Total Deposits closed the quarter at a balance of Ps126.1 billion, which was 23% lower than in 3Q04 due to lower funding requirements fueled by the $46 billion IPAB loans securitization in 4Q04, and to Ps24 billion in pre-payments made by IPAB over the past 12 months. This was reflected in lower Money Market deposits. Core Deposits rose 3% due to the 4% growth in Demand Deposits and 2% growth in Time Deposits. Out of Balance Trading reported significant growth of 69%, arising from having channeled customers from Money Market toward out of balance Trading after the IPAB portfolio securitization in 4Q04. Assets under Management amounted to Ps247.1 billion, which is 5% higher than the figure reported in 3Q04.

**Banking Sector Capitalization**

| **Capitalization** *(Millions of Pesos)* | **3Q04** | **4Q04** | **1Q05** | **2Q05** | **3Q05** |
|---|---|---|---|---|---|
| Tier 1 Capital | 13,775 | 13,470 | 14,605 | 16,216 | 17,541 |
| Tier 2 Capital | 4,630 | 4,465 | 4,247 | 3,815 | 3,780 |
| **Net Capital** | **18,404** | **17,934** | **18,852** | **20,032** | **21,322** |
| Credit risk assets | 99,265 | 86,363 | 89,965 | 95,464 | 96,142 |
| Net Capital/ Credit Risk Assets | 18.5% | 20.8% | 21.0% | 21.0% | 22.2% |
| Total risk assets (1) | 120,355 | 110,520 | 116,651 | 115,481 | 117,603 |
| Tier 1 | 11.4% | 12.2% | 12.5% | 14.0% | 14.9% |
| Tier 2 | 3.8% | 4.0% | 3.6% | 3.3% | 3.2% |
| **Capitalization Ratio** | **15.3%** | **16.2%** | **16.2%** | **17.3%** | **18.1%** |

(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 3Q05 the capitalization ratio of the Bank Sector stood at 18.1%, considering credit and market risks, and 22.2% considering credit risk alone. The tier 1 capital ratio was 14.9%, while the tier 2 capital ratio was 3.2%. The capitalization ratio rose as compared to 3Q04 primarily due to the earnings generated over the past year. Net capital was also impacted by the cash dividend payment amounting to Ps467 million and the Ps539 million charge to the Retained Earnings' account due to the creation of initial reserves for repossessed goods, both of which were reported in 4Q04.

Stockholders' Equity for the group's holding company rose from Ps15.8 billion in 3Q04 to Ps20.0 billion in 3Q05, primarily due to the following factors:

1) The earnings generated over the past 12 months, amounting to Ps5.4 billion.
2) The Ps512 million cash dividend paid in 4Q04.
3) The increase in the Non Monetary Assets Result, which amounted to Ps762 million.

## Information by Sectors

### 1.- Banking Sector

| Income Statement & Balance Sheet (Millones de Pesos) | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | | | |
| Net Interest Income after Repomo | 2,567 | 3,263 | 3,158 | 23% | (3%) | 6,888 | 9,193 | 33% |
| Loan Loss and Loss Sharing Provisions | (361) | (385) | (442) | 22% | 15% | (799) | (1,073) | 34% |
| Non Interest Income | 1,057 | 1,335 | 1,294 | 22% | (3%) | 3,283 | 3,684 | 12% |
| Non Interest Expense | 2,721 | 2,384 | 2,503 | (8%) | 5% | 7,779 | 7,245 | (7%) |
| Non Operating Income (Expense), Net | (42) | 935 | 54 | 228% | (94%) | 85 | 1,026 | 1,111% |
| Pre-Tax Income | 499 | 2,764 | 1,561 | 213% | (44%) | 1,677 | 5,586 | 233% |
| Net Income | 438 | 1,994 | 1,223 | 179% | (39%) | 1,524 | 4,208 | 176% |
| **BALANCE SHEET** | | | | | | | | |
| Loan Portfolio | 158,779 | 102,636 | 103,428 | (35%) | 1% | 158,779 | 103,428 | (35%) |
| Deposits | 168,427 | 123,893 | 126,743 | (25%) | 2% | 168,427 | 126,743 | (25%) |

| Banking Sector's Financial Ratios (Millones de Pesos) | QUARTER 3Q04 | 2Q05 | 3Q05 | ACCUMULATED 9M04 | 9M05 |
|---|---|---|---|---|---|
| **Profitability** | | | | | |
| MIN (1) | 5.0% | 8.4% | 8.2% | 4.5% | 7.9% |
| ROA (2) | 0.7% | 4.6% | 2.7% | 0.9% | 3.2% |
| ROE (3) | 11.6% | 50.3% | 27.3% | 14.5% | 34.6% |
| ROE without extraordinaries | - | 29.2% | - | - | 27.5% |
| **Operation** | | | | | |
| Eficiency Ratio (4) | 74.6% | 51.8% | 55.9% | 76.4% | 56.0% |
| Operative Efficiency Ratio (5) | 4.9% | 5.6% | 5.8% | 4.7% | 5.6% |
| Liquidity Ratio (6) | 49.2% | 59.7% | 56.8% | 49.2% | 56.8% |
| **Asset Quality** | | | | | |
| % Past Due Loans w/o Fobaproa | 3.4% | 1.8% | 1.8% | 3.4% | 1.8% |
| Loan Loss Reserves to past Due Loans | 127.9% | 161.7% | 167.8% | 127.9% | 167.8% |
| **Growths (7)** | | | | | |
| Loans w/o Fobaproa –IPAB (8) | 15.2% | 19.5% | 23.1% | 15.2% | 23.1% |
| Traditional Deposits | 7.1% | 5.2% | 3.4% | 7.1% | 3.4% |
| Total Deposits | (4.1%) | (27.9%) | (22.8%) | (4.1%) | (22.8%) |
| **Capitalization** | | | | | |
| Net Capital/ Credit Risk Assets (9) | 18.5% | 21.0% | 22.2% | 18.5% | 22.2% |
| Total Capitalization Ratio (9) | 15.3% | 17.4% | 18.1% | 15.3% | 18.1% |

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

Accumulated Net Income in 9M05 in the Banking Sector (including the pension fund Afore, by equity participation method) amounted to Ps4.2 billion, which is 176% higher than in 9M04, and 99% higher excluding the extraordinary entries from 2Q05 and 3Q04. Net earnings in the quarter were 179% higher, amounting to Ps1.2 billion. The Net Interest Income after Repomo, rose 33% vs. 9M04 mostly due to the 23% growth of the performing loan portfolio and higher interest rates. Loan Loss and Loss Sharing Provisions were 20% higher than in 9M04. Non interest Income grew 12% resulting from higher Trading and Service income. Non Interest Expense declined 7% vis-à-vis 9M04 due to lower Personnel Expenses, Taxes (VAT) and Contributions to IPAB. Non Operating Income rose significantly vs. 9M04 primarily due to the Ps991 million VAT refund in 2Q05.

## Recovery Banking

### Achievements

The Banorte Recovery Banking continues being the most successful loan recovery and asset administration unit in the Mexican market, since it was established in 1997. Over the last 4 years, it has contributed greatly albeit decreasingly to the Group's Banking Sector profits as the Traditional Banking profits have shown a greater growth. Its most outstanding achievements include: the purchase of nearly 1 out of 2 of the portfolios auctioned by the IPAB and by other banks as of today, over 40% in collecting on loans managed, and having performed the first securitization of mortgage loans in Mexico which received a "AAA" rating by Fitch, which means "the highest loan quality"; and having received the ISO 9001:2000 certification.

### Loans and Real estate purchases in 3Q05

During 3Q05, new loan portfolios were acquired through Banorte and Bancen amounting Ps 11.6 billion which included commercial and mortgage loans. Moreover, Ps 1.2 billion in real estate were also acquired by Sólida Administradora de Portafolios.

### Rating for Sólida Administradora de Portafolios

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

### Future Plans

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

### Recovery Banking

| **Recovery Banking Income Statement** | **ACCUMULATED** | |
|---|---|---|
| *(Millones de Pesos)* | **9M04** | **9M05** |
| Net Interest Income | 40 | 52 |
| +REPOMO-margin | - | - |
| **=Net Interest Income After REPOMO** | **40** | **52** |
| - Loan Loss Provisions | 66 | 3 |
| **= Net Interest Income After Provisions** | **(26)** | **50** |
| + Fiduciary | 123 | 116 |
| + Fobaproa Fees (1) | 280 | 109 |
| + Other Fees | 167 | 595 |
| **Non Interest Income** | **570** | **820** |
| **= Total Operating Income** | **544** | **870** |
| Non Interest Expense | 135 | 152 |
| **= Net Operating Income** | **409** | **718** |
| - Other Revenues and Expenses | - | 14 |
| **= Pre-tax Income** | **409** | **732** |
| - Income Tax & Profit Sharing, Tax on Asset, Def. Inc. Tax & Prof. Sharing | - | 160 |
| **= Net Income before Subsidiaries** | **409** | **572** |
| + Undistributed Earnings of Subsidiaries | 81 | 79 |
| **= Net Income-continuos Operation** | **490** | **651** |
| + Extraordinary Items, net | - | - |
| - Minoritary Income | - | - |
| **= Total Net Income** | **490** | **651** |

(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)* | **3Q05** | **ACCOUNTING IN THE BALANCE SHEET** | **ACCOUNTING IN THE INCOME STATEMENT** |
|---|---|---|---|
| **Fobaproa-IPAB: Portfolios** | | | |
| Banking Sector (1) | 1,738 | Out of balance trusts | Fees from FOBAPROA |
| Serfin | 8,040 | Serfin Trust | Fiduciary |
| Repossessed assets | 6,430 | Out of balance trusts | Fobaproa fees and Fiduciary |
| | **16,208** | | |
| **Loans purchased to IPAB and to Other Banks:** | **40,021** | Sólida Administradora de Portafolios Bancen | Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen) |
| **Banking Sector Portfolio:(2)** | | | |
| Banking Sector | 3,484 | Banorte's Portfolio | Net Interest Income |
| Repossessed assets | 3,861 | Banorte's Repossesed assets | Other Revenues and Expenses |
| | 7,345 | | |
| **Total** | **63,574** | | |

(1) Includes the loan portfolios sold to Fobaproa by Bancen and Banpaís.
(2) Includes Ps 2,003 millions of Portfolio managed by the Recovery Bank since 1997, originated from the economic crisis of 1995.

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

| **Recovery Groups Contribution** *(Millions of Pesos)* | **ACCUMULATED** **9M04** | **9M05** |
|---|---|---|
| Traditional Banking Net Income | 1,241 | 3,035 |
| Recovery Bank Net Income | 490 | 651 |
| GFNorte's Net Income(*) | **1,731** | **3,686(1)** |
| **= % of Contribution** | **28%** | **21%** |

(1) Excludes the extraordinary items.

The Recovery Banking contributed with Ps 651 million to the Group's 9M05 profit; equivalent to a contribution of 21%, a lower contribution than in 9M04 due to the important traditional operations profit growth.

During 3Q05 the IPAB pre-payed Ps 4.6 billion the notes derived from the sale of loans of Banorte to Fobaproa. These notes were exchanged by IPAB notes at the end of the Management, Existence and Legality audits carried out by the authority. As of 3Q05, the IPAB notes balance outstanding was Ps 2.5 billion.

| **ORIGINATION** *(Millons of pesos)* | **BALANCE AS OF 305** | **YIELD** | **MATURITY** | **LOSS SHARING** |
|---|---|---|---|---|
| BANORTE – Sale of Loans to Fobaproa | | | | |
| • Loss Sharing | 1,114 | CETES 91 d– 135 pb | 2005/2006 | YES |
| • No risk | 1,425 | CETES 91 d | 2006 | NO |
| | 2,539 | | | |

## 2.- Brokerage Sector

| Brokerage Sector (Millions of Pesos) | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| **Brokerage House** | | | | | | | | |
| Net Income | 13 | 17 | 13 | (1%) | (25%) | 53 | 55 | 2% |
| Equity | 508 | 519 | 524 | 3% | 1% | 508 | 524 | 3% |
| Assets under Management | 105,746 | 112,266 | 115,270 | 9% | 3% | 105,746 | 115,270 | 9% |
| Total Assets | 636 | 620 | 882 | 39% | 42% | 636 | 882 | 39% |
| ROE % | 10.0% | 12.4% | 9.6% | - | - | 14.6% | 13.7% | - |
| **Net Capital** | | | | | | | | |
| Tier 1 | 418 | 428 | 441 | 6% | 3% | 418 | 441 | 6% |
| Tier 2 | - | - | - | - | - | - | - | - |
| Net Capital | 418 | 428 | 441 | 6% | 3% | 418 | 441 | 6% |

The ***Brokerage Sector*** (Brokerage House) accumulated earnings in 9M05 of Ps55 million, 2% higher that in 9M04, due mainly to lower operating expenses. The debt mutual funds increased their assets by 30% vs 4Q04 and in 3Q05 earnings from money market were greater by 29% vs 3Q04 due to the right strategies followed in terms of risk taking. Assets under Management grew by 9% vs 3Q04. In 3Q05, earnings amounted to Ps13 million, which was close to the figure reported in 3Q04. The brokerage house continued to follow a strict expense control policy, which together with making the most of synergies with other group companies, made it possible to reduce expenditures by 6% vs. 3Q04. Fixed income mutual funds reported a 30% increase as compared to year-end 2004.

## 3.-Long Term Savings Sector

| Long Term Savings Sector (Millions of pesos) | QUARTER 3Q04 | 2Q05 | 3Q05 | % CHANGE vs 3Q04 | 2Q05 | ACCUMULATED 9M04 | 9M05 | % CH |
|---|---|---|---|---|---|---|---|---|
| **Afore** | | | | | | | | |
| Net Income | 88 | 41 | 107 | 21% | 164% | 190 | 258 | 36% |
| Equity | 1,337 | 1,116 | 1,224 | (8%) | 10% | 1,337 | 1,224 | (8%) |
| Total Assets | 1,506 | 1,343 | 1,509 | - | 12% | 1,506 | 1,509 | - |
| Assets under Management (SIEFORE) | 30,559 | 34,231 | 36,032 | 18% | 5% | 30,559 | 36,032 | 18% |
| ROE % | 27.3% | 14.9% | 36.7% | - | - | 20.4% | 31.4% | - |
| **Insurance** | | | | | | | | |
| Net Income | 143 | 129 | 125 | (13%) | (3%) | 211 | 378 | 79% |
| Equity | 757 | 1,013 | 1,136 | 50% | 12% | 757 | 1,136 | 50% |
| Total Assets | 4,280 | 5,199 | 5,500 | 29% | 6% | 4,280 | 5,500 | 29% |
| Technical Reserves | 2,714 | 3,271 | 3,570 | 32% | 9% | 2,714 | 3,570 | 32% |
| Premiums sold | 718 | 1,047 | 862 | 20% | (18%) | 2,249 | 3,227 | 43% |
| ROE % | 83.3% | 54.6% | 46.5% | - | - | 46.2% | 53.2% | - |
| **Annuities** | | | | | | | | |
| Net Income | 14 | 28 | 43 | 197% | 50% | 48 | 91 | 88% |
| Equity | 248 | 275 | 317 | 28% | 15% | 248 | 317 | 28% |
| Total Assets | 5,797 | 6,336 | 6,536 | 13% | 3% | 5,797 | 6,536 | 13% |
| Technical Reserves | 5,536 | 6,035 | 6,189 | 12% | 3% | 5,536 | 6,189 | 12% |
| Premiums sold | 165 | 204 | 190 | 15% | (7%) | 801 | 600 | (25%) |
| ROE % | 23.8% | 43.3% | 57.5% | - | - | 27.8% | 45.5% | |

The ***Pension Fund Afore*** registered an accumulated Net Income of Ps258 million (51% Bancen), 36% higher than in 9M04, primarily due to higher fee collection from new affiliates, to the affiliation of higher-income customers and to higher interest revenues. Net Income in 3Q05 registered a 21% increase as compared to 3Q04 due to the same reasons aforementioned. As of 3Q05, the Pension Fund Afore had a total of 2,997,877 affiliates, reaching a share of 10.4% in certified accounts. Assets under Management by the SIEFORE (Specialized Retirement Mutual Fund) rose 18% vis-à-vis 3Q04 as a result of a higher number of affiliates and the strategy to attract new higher-income customers.

The ***Insurance Company*** showed an accumulated profit of Ps378 million during the year (51% GFNorte), 79% higher than in 9M04, mostly arising from the 43% increase in premiums issued and from increased investment yields derived from higher interest rates. Net Income for 3Q05 was 13% lower than in 3Q04 due to increased claims, which were offset in part by higher interest revenues and lower operating expenses. Premiums sold to 9M05 amounted to Ps3.2 billion, 43% higher than those issued in 9M04.

The ***Annuities Company*** accumulated a Net Income of Ps91 million during the year (51% GFNorte), a 88% higher than in 9M04 as a result of a reduction in UDI-denominated Technical Reserves created due to lower inflation, to greater investment earnings and to lower operating expenses. Net Income in 3Q05 amounted to Ps43 million, 197% higher than in 3Q04. The variation is explained for the same reasons aforementioned. The company presently ranks 2nd in the industry in terms of premiums sold.

### 3.- Auxiliary Organizations Sector

| **Auxiliary Organizations Sector** *(Millions of Pesos)* | QUARTER | | | % CHANGE vs | | ACCUMULATED | | |
|---|---|---|---|---|---|---|---|---|
| | 3Q04 | 2Q05 | 3Q05 | 3Q04 | 2Q05 | 9M04 | 9M05 | % CH |
| **Leasing** | | | | | | | | |
| Net Income | 13 | 22 | 18 | 44% | (17%) | 29 | 58 | 100% |
| Equity | 180 | 234 | 252 | 40% | 8% | 180 | 252 | 40% |
| Loan Portfolio | 1,944 | 2,457 | 2,566 | 32% | 4% | 1,944 | 2,566 | 32% |
| Past Due Loans | 14 | 16 | 29 | 103% | 81% | 14 | 29 | 103% |
| Loan Loss Reserves | 20 | 24 | 33 | 63% | 36% | 20 | 33 | 63% |
| Total Assets | 1,959 | 2,463 | 2,557 | 31% | 4% | 1,959 | 2,557 | 31% |
| ROE % | 25.8% | 38.8% | 29.7% | | | 19.1% | 34.5% | |
| **Factoring** | | | | | | | | |
| Net Income | 18 | 23 | 14 | (22%) | (40%) | 29 | 53 | 82% |
| Equity | 244 | 296 | 310 | 27% | 5% | 244 | 310 | 27% |
| Loan Portfolio | 3,580 | 3,301 | 3,033 | (15%) | (8%) | 3,580 | 3,033 | (15%) |
| Past Due Loans | 27 | 33 | 41 | 50% | 25% | 27 | 41 | 50% |
| Loan Loss Reserves | 38 | 41 | 47 | 23% | 15% | 38 | 47 | 23% |
| Total Assets | 3,565 | 3,286 | 3,008 | (16%) | (8%) | 3,565 | 3,008 | (16%) |
| ROE % | 29.1% | 32.3% | 18.1% | | | 16.7% | 25.1% | |
| **Warehousing** | | | | | | | | |
| Net Income | 4 | 3 | 1 | (62%) | (48%) | 11 | 9 | (21%) |
| Equity | 90 | 99 | 100 | 12% | 1 | 90 | 100 | 12% |
| Inventories (*) | 205 | 198 | 43 | (79%) | (78%) | 205 | 43 | (79%) |
| Total Assets | 334 | 269 | 138 | (59%) | (49%) | 334 | 138 | (59%) |
| ROE % | 17.4% | 11.6% | 5.9% | | | 18.0% | 12.4% | |
| **Bonding** | | | | | | | | |
| Net Income | 4 | 4 | 8 | 114% | 80% | 11 | 16 | 48% |
| Equity | 114 | 89 | 97 | (15%) | 8% | 114 | 97 | (15%) |
| Total Assets | 310 | 372 | 368 | 19% | (1%) | 310 | 368 | 19% |
| Technical Reserves | 135 | 184 | 188 | 39% | 2% | 135 | 188 | 39% |
| Premiums sold | 39 | 44 | 50 | 28% | 14% | 143 | 185 | 29% |
| ROE% | 12.8% | 19.5% | 32.9% | | | 13.5% | 24.4% | |

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

The ***Leasing Company*** accumulated a Net Income of Ps58 million during the year, equivalent to a 100% increase over 9M04, mostly due to a significant 103% growth in its loan portfolio vs 3Q04. Net Income in 3Q05 amounted to Ps18 million, 44% higher than in 3Q04, also due to a higher lending volume. The past due loan ratio closed 3Q05 at 1.1%, and the reserve coverage at 114%. The company currently stands in 2nd place among the 27 Leasing Companies in the market, with a market share of 12%.

The ***Factoring Company*** accumulated a Net Income of Ps53 million in the year, 82% more than to 9M04 derived from greater margins and lower operating expenses. Net Income in 3Q05 stood at Ps14 million, which represents a 22% decline vs. the figure for 3Q04 due to an increase in the creation of loan loss reserves. The Loan Portfolio decreased by 15% as compared to 3Q04, due to lower usage of credit lines by several important customers, closing with a balance outstanding of Ps3.0 billion. The past due loan portfolio closed at Ps41 million, equivalent to a past due loan portfolio of 1.4%, and with reserve coverage of 115%. The company presently leads the industry's 11 factoring companies.

The ***Warehousing Company*** accumulated a Net Income of Ps9 million in 9M05, 21% lower than in to 9M04 primarily due to decreased customer inventory commercialization and fewer warehousing services rendered. In 3Q05, the company reported earnings of Ps1 million, 62% less that in 3Q04 due to the same reasons aforementioned. The Warehousing Company currently ranks 16th among the country's market participants in terms of certification volume.

The ***Bonding Company*** registered an accumulated Net Income of Ps16 million in the year, 48% more than in 9M04, due both to the 29% increase in premiums sold and to lower operating expenses. In quarterly terms, the company's net income for 3Q05 amounted to Ps8 million, 114% higher than the figure reported in 3Q04, derived from a 62% reduction in the creation of Technical Reserves and to lower operating expenses.

### 5.- Microcredit Sofol

| **Pronegocio** *(Millones de Pesos)* | **QUARTER** | | | **% CHANGE vs** | | **ACCUMULATED** | | |
|---|---|---|---|---|---|---|---|---|
| | **3Q04** | **2Q05** | **3Q05** | **3Q04** | **2Q05** | **9M04** | **9M05** | **% CH** |
| **Pronegocio** | | | | | | | | |
| Net Income | - | (8) | 2 | - | 122% | - | (10) | - |
| Equity | - | 59 | 61 | - | 3% | - | 61 | - |
| Loan Portfolio | - | 122 | 237 | - | 95% | - | 237 | - |
| Past Due Loans | - | 5 | 8 | - | 60% | - | 8 | - |
| Loan Loss Reserves | - | 2 | 4 | - | 100% | - | 4 | - |
| Total Assets | - | 126 | 248 | - | 96% | - | 248 | - |
| ROE % | - | (61.6%) | 12.1% | - | - | - | (26.1%) | - |

***Pronegocio*** reported a Ps 10 million loss in 9M05 given the fact that it started operations in 1Q05. Despite its recent creation, it reached its break-even point in September. In 3Q05 it generated Ps 2 million in profits. At a close of 3Q05 its loan portfolio amounted Ps 237 million, 95% over 2Q05, with a past due loan ratio of 3.5% and a reserve coverage of 49%. As of 3Q05 it had 39 fully operative branches and presence in 21 cities.

# ANNEXES

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

## ANNEX 1. Macroeconomic Environment

In 3Q05, the international setting continued to have an impact due to high liquidity levels, low interest rates, world imbalances, high oil prices and concern over the direction of growth and inflation. The foregoing factors were also added to the effects of the weather, which complicated matters to an even greater extent. Hurricanes Katrina and Rita highlighted concern over the heading that economic activity will take in the US and increased the risk of pressure on prices, which generated greater uncertainty as regards the course that US monetary policy will follow in the future.

The figures for US economic activity have performed in a mixed fashion given that the economy was growing at a sound rate prior to the hurricanes and everything seems to indicate that their impact will not be that deep. Inflationary pressure has risen in view of notable increase in energy prices, which leads one to believe that the FED will continue to raise reference rates to close the year at 4.25%. Long-term rates have begun to react by trending up yet still remain low. Meanwhile, the Dow Jones and NASDAQ indexes provided lower yields than those registered in other regions of the world.

Throughout the year the pace of growth of industrial activity has become more moderate, reporting an annualized rate of 1.1% in July. This was joined by less dynamism in the services sector as well, all of which has led analysts to lower their growth forecasts for the year to 3.01% from their original projection of 3.80% at the beginning of the year.

Despite more moderate external demands external accounts do not present significant imbalances. We continue to experience substantial currency inflows from remittances (which stood at US12.956 billion to August) and from oil exports (registering annual growth of 35.3% in the year's first eight months).

In 3Q05, the downtrend of inflation became more notable, going from 5.19% at year end 2004 to 3.51% in September. The underlying component also declined significantly, going from 3.80% at year end 2004 to 3.20% at the close of 3Q05. Consequently, inflation expectations for this year have been revised down, going from 4.32% in December 2004 to 3.53% in September 2005.

In view of the improved inflation risk balance, the Central Bank of Mexico (Banxico) allowed the funding rate to decline after several months of having tightened monetary policy, with the rate now standing at 9.25%. Banxico is expected to allow additional rate cuts during the final portion of the year, that would take the funding rate to approximately 8.75% at year end.

## ANNEX 2 .-Grupo Financiero- General Information

### GFNorte Ownership in Subsidiaries

| | 3Q05 |
|---|---|
| Banco Mercantil del Norte (1) | 96.11% |
| Banco del Centro | 99.99% |
| Brokerage House | 99.99% |
| Pension Funds Afore (2) | 51.00% |
| Insurance | 51.00% |
| Annuities | 51.00% |
| Leasing | 99.99% |
| Factoring | 99.99% |
| Warehousing | 99.99% |
| Bonding | 99.99% |
| Microcredit Sofol | 99.99% |

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

### Holding Company Capital Structure

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

### Banorte Ratings

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

## Banorte Ratings

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

## No. of Employees & Distribution Network

| EMPLOYEES | 3Q04 | 2Q05 | 3Q05 |
|---|---|---|---|
| Banking Sector (1) | 13,710 | 12,326 | 12,357 |
| Other Sectors (2) | 2,728 | 2,357 | 2,437 |
| **Total Group** | **16,438** | **14,683** | **14,794** |
| **DISTRIBUTION NETWORK** | | | |
| Banking Branches | 1,029 | 961 | 968 |
| ATM | 2,589 | 2,670 | 2,722 |

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

## Group Officers

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

## ANNEX 3 .-Accounting Changes and Regulations

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

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

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

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

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

| | Local Currency (2) | | | Foreign Currency | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| **(Millions of Nominal Pesos)** | **Aug'05** | **Jun'05** | **Sep'05** | **Aug'05** | **Jun'05** | **Sep'05** | **Aug'05** | **Jun'05** | **Sep'05** |
| **Performing Loans** | | | | | | | | | |
| Commercial | 5 | 22 | 22 | 5 | - | - | 10 | 22 | 22 |
| Consumer | - | - | - | - | - | - | - | - | - |
| Mortgage | 54 | 96 | 90 | - | - | - | 54 | 96 | 90 |
| **Total** | **59** | **118** | **112** | **5** | **-** | **-** | **64** | **118** | **112** |
| **Non Performing Loans** | | | | | | | | | |
| Commercial | 405 | 407 | 400 | 293 | 150 | 150 | 698 | 557 | 550 |
| Consumer | 81 | 75 | 75 | - | - | - | 81 | 75 | 75 |
| Mortgage | 1,112 | 634 | 620 | - | - | - | 1,112 | 634 | 620 |
| **Total** | **1,598** | **1,116** | **1,095** | **293** | **150** | **150** | **1,891** | **1,266** | **1,245** |
| **TOTAL LOANS** | **1,657** | **1,234** | **1,207** | **298** | **150** | **150** | **1,955** | **1,384** | **1,357** |
| **Loan Loss Reserves (1)** | | | | | | | | | |
| Commercial | 326 | 411 | 403 | 246 | 142 | 142 | 572 | 553 | 545 |
| Consumer | 77 | 75 | 75 | - | - | - | 77 | 75 | 75 |
| Mortgage | 669 | 582 | 567 | - | - | - | 669 | 582 | 567 |
| **Total** | **1,072** | **1,068** | **1,045** | **246** | **142** | **142** | **1,318(4)** | **1,210** | **1,187** |

(1) Reserve requirements using the same classification method used for the bank.
(2) Includes UDIS.
(3) The dollar portfolio and reserves are re-expressed in pesos.
(4) The original amount of Ps 1,577 million was correct as instructed by CNBV in 1Q04.
Note 1.- The Reserve surplus as of September'05 was Ps 141 million.
Note 2.- Banorte has a 99.99% stake in Sólida.

In 3Q05 the Loan portfolio showed changes due to allocations for Ps 22 million, restructuring for Ps 10 million, and foreclosed for Ps 11 millons and Ps 13 million in write-offs and scale-downs. There were write-offs and scale-downs for Ps 10 million and foreclosed of Ps 10 millions in the Loan Reserves. There were transfers from performing loans to past due loans for Ps 8 million and transfers from past due loans to performing loans for Ps 6 million.

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

| (Millions of Nominal Pesos) | Local Currency (1) | | Foreign Currency (USD)(2) | | Total | |
|---|---|---|---|---|---|---|
| | Junr'05 | Sep'05 | Junr'05 | Sep'05 | Junr'05 | Sep'05 |
| **Performing Loans** | | | | | | |
| Commercial | 35,942 | 38,674 | 7,148 | 6,894 | 43,090 | 45,568 |
| Financial Intermediaries | 2,472 | 2,949 | 496 | 443 | 2,968 | 3,392 |
| Consumer | 13,157 | 14,306 | 1 | 1 | 13,158 | 14,307 |
| Mortgage | 20,346 | 21,614 | - | - | 20,346 | 21,614 |
| Goverment Entities | 12,307 | 12,673 | 573 | 529 | 12,880 | 13,202 |
| Fobaproa / IPAB | 7,003 | 2,539 | - | - | 7,003 | 2,539 |
| **Performing Loans** | **91,227** | **92,755** | **8,218** | **7,867** | **99,445** | **100,622** |
| **Non Performing Loans** | | | | | | |
| Commercial | 808 | 835 | 212 | 214 | 1,020 | 1,049 |
| Consumer | 437 | 448 | - | - | 437 | 448 |
| Mortgage | 1,379 | 1,383 | - | - | 1,379 | 1,383 |
| Goverment Entities | - | - | - | - | - | - |
| **Non Performing Loans** | **2,624** | **2,666** | **212** | **214** | **2,836** | **2,880** |
| **TOTAL LOANS** | **93,851** | **95,421** | **8,430** | **8,081** | **102,281** | **103,502** |
| **Loan Loss Reserves** | **3,499** | **3,677** | **347** | **347** | **3,846** | **4,024** |
| **Net Loan Portfolio** | **90,352** | **91,744** | **8,083** | **7,734** | **98,435** | **99,478** |
| **Loan Loss Reserves** | | | | | **135.61%** | **139.72%** |
| **% Past Due Loans** | | | | | **2.77%** | **2.78%** |

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

## ANNEX 5 .- Financial Statements

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | ACUM | 1Q05 | 2Q05 | 3Q05 | 4Q05 | ACUM |
|---|---|---|---|---|---|---|---|---|---|---|
| Income from Subsidiaries and | 594 | 596 | 557 | 921 | 2,669 | 1,102 | 2,064 | 1,329 | | 4,496 |
| Interest Expense | - | - | - | - | - | - | - | - | | - |
| Trading Income | - | - | - | - | - | - | - | - | | - |
| Fees & Tarifs | - | - | - | - | - | - | - | - | | - |
| REPOMO | (1) | - | (1) | (3) | (5) | - | - | (1) | | (1) |
| **Total Operating Income** | **592** | **596** | **557** | **919** | **2,664** | **1,102** | **2,064** | **1,329** | | **4,495** |
| Operation & Administrative expenses | 1 | 1 | 1 | 1 | 2 | 1 | - | - | | 1 |
| **Operating Income** | **592** | **595** | **556** | **918** | **2.661** | **1.101** | **2.064** | **1.329** | | **4.494** |
| Non Operating Income | - | - | - | 14 | 15 | - | - | - | | - |
| Non Operating Expense | - | - | (1) | (1) | (2) | - | - | - | | (1) |
| **Non Operating Income** | **-** | **-** | **-** | **14** | **13** | **-** | **-** | **-** | | **-** |
| **Pre-tax Income** | **591** | **595** | **556** | **932** | **2.674** | **1.101** | **2.064** | **1.329** | | **4.494** |
| Income Tax & Profit Sharing | 4 | 4 | 4 | 4 | 15 | 2 | 2 | 3 | | 6 |
| Tax on Assets | - | - | - | - | - | - | - | - | | - |
| Deferred Inc. Tax and Profit sharing | - | - | - | - | - | - | - | - | | - |
| | **4** | **4** | **4** | **4** | **15** | **2** | **2** | **3** | | **6** |
| **Net income from Continuos** | **587** | **592** | **552** | **929** | **2,660** | **1,099** | **2,062** | **1,326** | | **4,487** |
| Extraordinary Items, net | - | - | - | - | - | - | - | - | | - |
| **Total Net Income** | **587** | **592** | **552** | **929** | **2,660** | **1,099** | **2,062** | **1,326** | | **4,487** |

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---|---|---|---|---|---|---|---|---|
| Cash and due from Banks | 67 | 68 | 73 | 59 | 49 | 60 | 91 | |
| Financial Instruments: | - | - | - | - | - | - | - | |
| Sundry debtors and other assets,net | 4 | 4 | 56 | 45 | 4 | 4 | - | |
| Real Estate, Furniture & Equipment, net | - | - | - | - | - | - | - | |
| Investments in subsidiaries | 14,533 | 15,162 | 15,673 | 15,578 | 16,835 | 18,531 | 19,842 | |
| Deferred taxes | - | - | - | - | - | - | - | |
| Goodwill | 44 | 43 | 42 | 41 | 40 | 39 | 39 | |
| Other Assets, Deferred charges, intang | 1 | 1 | - | - | 1 | 1 | 1 | |
| **TOTAL ASSETS** | **14,650** | **15,279** | **15,846** | **15,723** | **16,930** | **18,645** | **19,973** | |
| LIABILITIES | | | | | | | | |
| **Due to banks and correspondents** | - | - | - | - | - | - | - | |
| Income Tax & Profit Sharing | 4 | 7 | 11 | - | 1 | 3 | 1 | |
| Other Payable accounts | - | - | - | - | - | - | - | |
| **Other payable accounts** | **4** | **7** | **11** | **-** | **2** | **3** | **1** | |
| **Deferred taxes** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | |
| **TOTAL LIABILITIES** | **4** | **7** | **11** | **-** | **2** | **3** | **1** | |
| STOCKHOLDER´S EQUITY | | | | | | | | |
| Paid-in Capital | 5,703 | 5,703 | 5,704 | 5,703 | 5,704 | 5,703 | 5,703 | |
| Share subscription premiums | 1,695 | 1,695 | 1,695 | 1,695 | 1,695 | 1,695 | 1,695 | |
| Subordinated Convertible Debentures | - | - | - | - | - | - | - | |
| **Subscribed Capital** | **7,398** | **7,398** | **7,399** | **7,398** | **7,398** | **7,398** | **7,398** | |
| Capital Reserves | 1,412 | 1,528 | 1,533 | 1,533 | 1,533 | 1,652 | 1,672 | |
| Retained Earnings | 14,310 | 14,211 | 14,211 | 13,692 | 16,352 | 16,220 | 16,220 | |
| Surplus (Deficit) from securities | - | - | - | - | - | - | - | |
| Results of foreign operations exchange | - | - | - | - | - | - | - | |
| Excess (Insuf.) in capital restatement | (5,817) | (5,813) | (5,814) | (5,819) | (5,819) | (5,818) | (5,819) | |
| Non Mon assets results Fixed Assets | - | - | - | - | - | - | - | |
| Non Mon assets results Investm | (3,244) | (3,233) | (3,225) | (3,741) | (3,635) | (3,970) | (3,987) | |
| Adjustment in the employees pension | - | - | - | - | - | - | - | |
| Accumulated Deferred tax effect | - | - | - | - | - | - | - | |
| Net Income | 587 | 1,179 | 1,731 | 2,660 | 1,099 | 3,162 | 4,487 | |
| **Earned Capital** | 7,248 | 7,873 | 8,436 | 8,325 | 9,530 | 11,244 | 12,574 | |
| **Total Stockholder´s Equity** | 14,646 | 15,271 | 15,834 | 15,723 | 16,928 | 18,642 | 19,972 | |
| **TOTAL LIABILITIES &** | **14,650** | **15,279** | **15,846** | **15,723** | **16,930** | **18,645** | **19,973** | |

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---|---|---|---|---|---|---|---|---|
| Client securities held in custody | 3,644 | 3,855 | 3,802 | 3,720 | 3,748 | 3,740 | 3,716 | |
| Other trust account items | 117 | 117 | 115 | 113 | 112 | 112 | 111 | |
| | **3,761** | **3,971** | **3,918** | **3,833** | **3,860** | **3,851** | **3,827** | |

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

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | ACUM | 1Q05 | 2Q05 | 3Q05 | 4Q05 | ACUM |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 5,428 | 5,905 | 6,615 | 7,230 | 25,179 | 7,169 | 8,848 | 9,164 | | 25,180 |
| Interest Expense | 3,354 | 3,702 | 4,010 | 4,459 | 15,525 | 4,323 | 5,546 | 5,945 | | 15,813 |
| Loan Fees | 167 | 118 | 123 | 170 | 578 | 94 | 132 | 148 | | 373 |
| Fees Paid | 21 | 22 | 22 | 24 | 89 | 25 | 27 | 34 | | 85 |
| **Net Interest Income (NII)** | **2,221** | **2,299** | **2,706** | **2,916** | **10,142** | **2,915** | **3,407** | **3,333** | | **9,656** |
| Repomo-Margin | 1 | - | (46) | (95) | (140) | (33) | (12) | (38) | | (83) |
| **NII after Repomo** | **2,221** | **2,299** | **2,660** | **2,821** | **10,002** | **2,882** | **3,395** | **3,295** | | **9,572** |
| Loan Loss Provisions | 125 | 313 | 328 | 352 | 1,119 | 216 | 355 | 469 | | 1,040 |
| Loss Sharing Provisions | 13 | 20 | 33 | 25 | 91 | 33 | 35 | (10) | | 58 |
| **NII after Provisions** | **2,084** | **1,966** | **2,299** | **2,444** | **8,792** | **2,634** | **3,004** | **2,836** | | **8,474** |
| Fund transfers | 59 | 49 | 46 | 41 | 194 | 37 | 47 | 49 | | 132 |
| Account management | 198 | 233 | 285 | 275 | 991 | 243 | 252 | 242 | | 736 |
| Fiduciary | 45 | 51 | 50 | 47 | 193 | 45 | 54 | 53 | | 153 |
| Income from Loan Portfolios Acquired | 178 | 151 | 206 | 160 | 694 | 282 | 152 | 705 | | 1,139 |
| Electronic Banking Services | 78 | 96 | 109 | 147 | 430 | 143 | 157 | 158 | | 458 |
| Credit Card | 289 | 317 | 317 | 270 | 1,193 | 245 | 255 | 271 | | 770 |
| Fees from IPAB | 92 | 101 | 147 | 76 | 416 | 79 | 61 | (6) | | 134 |
| Other fees | 570 | 437 | 455 | 441 | 1,903 | 518 | 399 | 519 | | 1,436 |
| **Fees on services,** | **1,510** | **1,433** | **1,615** | **1,458** | **6,015** | **1,592** | **1,377** | **1,990** | | **4,959** |
| Fund transfers | - | - | - | - | - | 2 | 2 | 2 | | 7 |
| Other fees | 140 | 133 | 117 | 125 | 515 | 122 | 124 | 133 | | 379 |
| Expenses from Loan Portfolios Acquired | 120 | 101 | 143 | 102 | 465 | 184 | 122 | 380 | | 686 |
| **Fees paid,** | **260** | **233** | **260** | **227** | **980** | **309** | **248** | **515** | | **1,072** |
| Foreign exchange | 131 | 158 | 64 | 42 | 396 | 60 | 38 | 99 | | 198 |
| Securities –Realized gains | 336 | (109) | 79 | 184 | 490 | 86 | 514 | 129 | | 729 |
| Securities- Unrealized gains | 15 | 41 | (30) | (8) | 17 | 40 | (42) | 14 | | 12 |
| **Market-related Income** | **482** | **89** | **113** | **218** | **902** | **186** | **510** | **243** | | **939** |
| **Total Non Interest Income** | **1,731** | **1,289** | **1,467** | **1,449** | **5,936** | **1,469** | **1,639** | **1,718** | | **4,826** |
| **Total Operating Income** | **3.815** | **3.255** | **3.766** | **3.893** | **14,729** | **4.103** | **4.644** | **4.554** | | **13.300** |
| Personnel | 1,201 | 1,122 | 1,358 | 1,086 | 4,768 | 1,063 | 1,084 | 1,102 | | 3,249 |
| Professional Fees | 123 | 126 | 136 | 134 | 519 | 144 | 191 | 153 | | 488 |
| Administrative and Promotion Expenses | 776 | 762 | 787 | 686 | 3,009 | 760 | 749 | 933 | | 2,441 |
| Rents, depreciation and amortization | 450 | 437 | 425 | 463 | 1,774 | 421 | 424 | 399 | | 1,244 |
| Taxes, other than income tax | 181 | 169 | 132 | 24 | 506 | 120 | 100 | 122 | | 342 |
| Contributions to IPAB | 189 | 191 | 198 | 193 | 771 | 148 | 148 | 148 | | 443 |
| Corporate expenses Recoveries | - | - | - | - | - | - | - | - | | - |
| **Non-Interest Expense** | **2.921** | **2.806** | **3.035** | **2.585** | **11,348** | **2.655** | **2.695** | **2.855** | | **8.206** |
| **Operating Income** | **894** | **449** | **731** | **1.307** | **3,381** | **1.448** | **1.948** | **1.698** | | **5.094** |
| Other Revenues | 458 | 510 | 467 | 450 | 1,884 | 369 | 540 | 207 | | 1,116 |
| Foreign exchange | - | - | - | - | - | - | - | - | | - |
| Recoveries | 24 | 212 | 30 | 51 | 316 | 45 | 1,207 | 56 | | 1,308 |
| Repomo-other revenues | 8 | 1 | 7 | 13 | 29 | 4 | 3 | 1 | | 8 |
| **Non Operating Income** | **489** | **723** | **503** | **514** | **2,229** | **418** | **1.750** | **264** | | **2.431** |
| Other Expense | (523) | (455) | (465) | (429) | (1,872) | (349) | (804) | (164) | | (1,316) |
| Foreign exchange | - | - | - | - | - | - | - | - | | - |
| Repomo-other Expenses | (147) | (9) | (95) | (143) | (393) | (33) | (11) | (44) | | (89) |
| **Non Operating Expense** | **(670)** | **(464)** | **(559)** | **(571)** | **(2,265)** | **(382)** | **(815)** | **(208)** | | **(1.405)** |
| **Non Operating Income (Expense), net** | **(181)** | **259** | **(56)** | **(58)** | **(36)** | **36** | **935** | **56** | | **1.026** |
| **Pre-tax Income** | **714** | **707** | **675** | **1.250** | **3,345** | **1.484** | **2.883** | **1.754** | | **6.120** |
| Income Tax | 86 | 41 | 78 | 25 | 230 | 173 | 389 | 391 | | 952 |
| Profit sharing | 77 | 56 | 43 | 67 | 243 | 133 | 273 | 144 | | 550 |
| Tax on Assets | 10 | 9 | 7 | 7 | 33 | 9 | 8 | 8 | | 25 |
| Deferred Inc. Tax and Profit sharing | (11) | 1 | 13 | 216 | 220 | 100 | 143 | (83) | | 160 |
| | **161** | **108** | **141** | **315** | **725** | **414** | **813** | **460** | | **1.687** |
| **Net Income before subsidiaries** | **553** | **599** | **534** | **935** | **2,620** | **1.070** | **2.070** | **1.294** | | **4.434** |
| Subsidiaries´ net income | 87 | 23 | 73 | 42 | 226 | 112 | 83 | 120 | | 316 |
| **Net Income from continuos operations** | **640** | **622** | **607** | **977** | **2,846** | **1.182** | **2.154** | **1.414** | | **4.750** |
| Extraodinary items, net | - | - | - | - | - | - | - | - | | - |
| Minority Interest | 53 | 31 | 55 | 48 | 186 | 82 | 91 | 88 | | 262 |
| **TOTAL NET INCOME** | **587** | **592** | **552** | **929** | **2,660** | **1,099** | **2,062** | **1,326** | | **4,487** |

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

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---|---|---|---|---|---|---|---|---|
| **Cash and due from Banks** | **32,008** | **35,315** | **33,795** | **39,944** | **35,539** | **39,481** | **35,858** | |
| Negotiable Instruments | 5,785 | 6,276 | 6,820 | 10,806 | 5,198 | 6,374 | 4,122 | |
| Securities held for sale | 627 | 432 | 187 | 246 | 275 | 245 | 249 | |
| Securities held to maturity | 11,305 | 10,844 | 10,484 | 9,138 | 10,025 | 12,415 | 12,298 | |
| **Financial Instruments:** | **17,718** | **17,552** | **17,490** | **20,191** | **15,497** | **19,034** | **16,669** | |
| Non-assigned securities to pay | 7 | 52 | - | - | - | - | - | |
| Repurchase agreements, net | 147 | 68 | 100 | 51 | 70 | 93 | 65 | |
| Operations with collateral | - | - | - | - | - | - | - | |
| Futures receivable, net | - | - | - | - | - | - | - | |
| Options and derivatives, net | 7 | 26 | 6 | 6 | 37 | - | 277 | |
| **Repos & Derivatives :** | **161** | **145** | **107** | **56** | **107** | **93** | **343** | |
| Commercial | 39,804 | 41,853 | 43,228 | 47,099 | 48,824 | 49,166 | 51,512 | |
| Financial Intermediaries | 2,455 | 2,517 | 2,489 | 405 | 401 | 1,813 | 2,026 | |
| Consumer | 10,021 | 10,749 | 11,196 | 11,578 | 12,069 | 13,242 | 14,307 | |
| Mortgage | 16,335 | 17,273 | 18,056 | 18,796 | 19,402 | 20,597 | 21,739 | |
| Goverment Entities | 81,330 | 78,834 | 77,860 | 18,890 | 18,294 | 13,019 | 13,256 | |
| IPAB | 7,086 | 7,149 | 7,133 | 7,050 | 7,076 | 7,048 | 2,539 | |
| Fiduciary collection rights | - | - | - | - | - | - | - | |
| **Performing Loans** | **157,031** | **158,375** | **159,961** | **103,817** | **106,066** | **104,884** | **105,380** | |
| Commercial | 2,063 | 1,228 | 1,004 | 642 | 623 | 659 | 713 | |
| Financial Intermediaries | - | - | - | - | - | - | - | |
| Consumer | 510 | 443 | 520 | 344 | 332 | 365 | 373 | |
| Mortgage | 1,263 | 1,329 | 1,373 | 832 | 819 | 765 | 772 | |
| Goverment Entities | 9 | 16 | 15 | 13 | 9 | - | - | |
| **Past Due Loans** | **3,845** | **3,017** | **2,911** | **1,831** | **1,782** | **1,789** | **1,859** | |
| **Total Loans** | **160,875** | **161,391** | **162,872** | **105,648** | **107,848** | **106,673** | **107,240** | |
| Preventive loan loss reserves | 4,879 | 3,943 | 3,730 | 2,793 | 2,747 | 2,873 | 3,073 | |
| **Net Loan Portfolio** | **155,996** | **157,448** | **159,142** | **102,855** | **105,101** | **103,800** | **104,167** | |
| Credit Assets Portfolio | 2,053 | 1,964 | 1,795 | 2,181 | 1,919 | 1,789 | 2,994 | |
| Sundry debtors and other assets,net | 3,484 | 4,151 | 3,651 | 2,901 | 4,962 | 7,686 | 8,567 | |
| Foreclosed assets, net | 1,092 | 1,089 | 984 | 370 | 417 | 412 | 497 | |
| Real Estate, Furniture & Equipment, net | 5,990 | 5,836 | 5,654 | 6,028 | 5,889 | 5,646 | 5,528 | |
| Investments in subsidiaries | 1,876 | 1,895 | 1,912 | 1,904 | 2,024 | 2,093 | 2,200 | |
| Deferred taxes | 1,035 | 1,025 | 1,008 | 688 | 667 | 319 | 394 | |
| Goodwill | - | - | - | - | - | - | - | |
| Deferred charges & Intangibles | 1,591 | 1,511 | 1,433 | 1,691 | 1,607 | 1,438 | 1,116 | |
| UDIS Mortgage loans reserve coverage | - | - | - | - | - | - | - | |
| **Other Assets** | **17,121** | **17,472** | **16,437** | **15,764** | **17,486** | **19,383** | **21,296** | |
| **TOTAL ASSETS** | **223,003** | **227,932** | **226,971** | **178,810** | **173,730** | **181,792** | **178,333** | |

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

GRUPO FINANCIERO BANORTE

## GRUPO FINANCIERO BANORTE – CONSOLIDATED BALANCE SHEET

*(Millions of Pesos)*

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---|---|---|---|---|---|---|---|---|
| Demand Deposits | 65,306 | 67,195 | 67,219 | 66,230 | 64,189 | 66,985 | 65,227 | |
| Time Deposits | 103,039 | 108,022 | 101,063 | 64,056 | 57,429 | 56,799 | 61,348 | |
| Bonds | - | - | - | - | - | - | - | |
| **Deposits** | **168,345** | **175,218** | **168,281** | **130,285** | **121,618** | **123,784** | **126,575** | |
| Demand | 6,259 | 3,587 | 5,587 | 4,682 | 1,273 | 2,333 | 1,249 | |
| Short term | 8,995 | 11,647 | 11,216 | 6,903 | 8,075 | 9,152 | 4,726 | |
| Long term | 11,838 | 11,480 | 11,121 | 11,788 | 11,337 | 11,531 | 11,576 | |
| **Due to banks and correspondents** | **27,092** | **26,714** | **27,924** | **23,372** | **20,685** | **23,016** | **17,551** | |
| Non-assigned securities to pay | 8 | 29 | - | - | - | - | - | |
| Repurchase agreements, net | 85 | 40 | 108 | 78 | 86 | 157 | 382 | |
| Operations with collateral | - | - | - | - | - | - | - | |
| Futures receivable, net | - | - | - | - | - | - | - | |
| Options and derivatives, net | 4 | 1 | 3 | 9 | 3 | 8 | 268 | |
| **Repos & Derivatives:** | **97** | **71** | **112** | **86** | **89** | **165** | **649** | |
| Income Tax & Profit Sharing | 280 | 232 | 284 | 293 | 367 | 956 | 1,315 | |
| Other Payable accounts | 5,040 | 4,430 | 8,591 | 3,437 | 8,367 | 9,524 | 6,468 | |
| **Other payable accounts** | **5,321** | **4,662** | **8,875** | **3,729** | **8,735** | **10,480** | **7,783** | |
| Subordinated non Convertible Debenture | 6,456 | 4,909 | 4,809 | 4,678 | 4,652 | 4,606 | 4,572 | |
| Deferred Taxes | - | - | - | - | - | - | - | |
| Deferred credits | 54 | 63 | 56 | 49 | 50 | 47 | 91 | |
| **TOTAL LIABILITIES** | **207,365** | **211,637** | **210,057** | **162,200** | **155,829** | **162,099** | **157,221** | |
| **STOCKHOLDER´S EQUITY** | | | | | | | | |
| Paid-in Capital | 5,703 | 5,703 | 5,704 | 5,703 | 5,704 | 5,703 | 5,703 | |
| Share subscription premiums | 1,695 | 1,695 | 1,695 | 1,695 | 1,695 | 1,695 | 1,695 | |
| Subordinated Convertible Debentures | - | - | - | - | - | - | - | |
| **Subscribed Capital** | **7,398** | **7,398** | **7,399** | **7,398** | **7,398** | **7,398** | **7,398** | |
| Capital Reserves | 1,412 | 1,528 | 1,533 | 1,533 | 1,533 | 1,652 | 1,672 | |
| Retained Earnings | 14,310 | 14,211 | 14,211 | 13,692 | 16,352 | 16,220 | 16,220 | |
| Surplus (Deficit) from securities | - | - | - | - | - | - | - | |
| Results of foreign operations exchange | - | - | - | - | - | - | - | |
| Excess (Insuf.) in capital restatement | (5,817) | (5,813) | (5,814) | (5,819) | (5,819) | (5,818) | (5,819) | |
| Non Mon assets results Fixed Assets | - | - | - | - | - | - | - | |
| Non Mon assets results Investm | (3,244) | (3,233) | (3,225) | (3,741) | (3,635) | (3,970) | (3,987) | |
| Adjustment in the employees pension | - | - | - | - | - | - | - | |
| Accumulated Deferred tax effect | - | - | - | - | - | - | - | |
| Net Income | 587 | 1,179 | 1,731 | 2,660 | 1,099 | 3,162 | 4,487 | |
| **Earned Capital** | **7,248** | **7,873** | **8,436** | **8,325** | **9,530** | **11,244** | **12,574** | |
| Minority Holdings | 993 | 1,024 | 1,079 | 887 | 974 | 1,051 | 1,139 | |
| **Total Stockholder´s Equity** | **15,639** | **16,295** | **16,914** | **16,610** | **17,902** | **19,693** | **21,111** | |
| **TOTAL LIABILITIES &** | **223,003** | **227,932** | **226,971** | **178,810** | **173,730** | **181,792** | **178,333** | |

## MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED

| *(Millions of Pesos)* | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---|---|---|---|---|---|---|---|---|
| ONBEHALF OF THIRD PARTY | | | | | | | | |
| Customers' banks | 26 | 9 | 69 | 8 | 9 | 12 | 48 | |
| Dividends receivable from customers | - | - | - | - | - | - | - | |
| Interest receivable from customers | - | - | - | - | - | - | - | |
| Liquidation of customer transactions | (19) | 109 | 51 | 10 | 98 | (184) | (230) | |
| Customer loans | - | - | - | - | - | - | - | |
| Liquidation with foreign currencies of | - | - | - | - | - | - | - | |
| Margin accounts in futures operations | - | - | - | - | - | - | - | |
| Other current accounts | - | - | - | - | - | - | - | |
| **CUSTOMERS CURRENT ACCOUNT** | **7** | **118** | **120** | **18** | **106** | **(171)** | **(182)** | |
| Client securities held in custody | 172,454 | 162,179 | 105,570 | 108,336 | 113,266 | 112,064 | 114,862 | |
| Securities and documents received in | - | - | 5 | - | - | - | 42 | |
| Client securities abroad | - | - | - | - | - | - | - | |
| **CLIENT SECURITIES** | **172,454** | **162,179** | **105,574** | **108,336** | **113,266** | **112,064** | **114,904** | |
| Repurchase operations for customers | 23,548 | 21,282 | 29,781 | 29,724 | 30,615 | 33,257 | 29,317 | |
| Clients securities loans | - | - | - | - | - | - | 42 | |
| Purchase of Futures & forward contracts | - | - | - | - | - | - | - | |
| Sale of futures and forward contracts | - | - | - | - | - | - | - | |
| Purchasing operations (option price) | 2 | 2 | 2 | - | - | - | 168 | |
| Sales operations (option price) | - | - | - | - | - | - | - | |
| Purchase of derivative packages | - | - | - | - | - | - | - | |
| Sale of derivative packages | - | - | - | - | - | - | - | |
| Administration trusts | 2,646 | 2,332 | 1,784 | 1,725 | 1,846 | 2,752 | 2,346 | |
| **TRANSACTIONS ON BEHALF CLIENT** | **26,196** | **23,616** | **31,567** | **31,449** | **32,460** | **36,009** | **31,873** | |
| **TOTAL ON BEHALF OF THIRD PARTY** | **198,657** | **185,914** | **137,261** | **139,803** | **145,833** | **147,902** | **146,595** | |
| Signature guarantees granted | 34 | 64 | 63 | 61 | 61 | 60 | 59 | |
| Issuing of irrevocable letters of credit | 1,414 | 1,464 | 1,775 | 2,327 | 2,161 | 1,886 | 1,707 | |
| Property in trust and guardianship | 91,889 | 88,107 | 73,654 | 62,349 | 67,061 | 65,729 | 66,887 | |
| Assets held in custody or in administration | 120,163 | 125,014 | 116,411 | 77,707 | 74,608 | 76,800 | 80,400 | |
| Amounts committed to operations with | 7,790 | 8,088 | 4,542 | 425 | 639 | 929 | 775 | |
| In Transit drafts | - | - | - | - | - | - | - | |
| Certificates of Deposit in circulation | 590 | 657 | 757 | 653 | 611 | 482 | 384 | |
| Secured Credit Cards from the company | - | - | - | - | - | - | - | |
| Securities given to the company in custody | 262 | 280 | 157 | 257 | 219 | 270 | 239 | |
| Government securities in custody of the | 11 | 1 | 90 | 47 | 82 | 1 | 245 | |
| Securities given to the company on | - | - | - | - | - | - | - | |
| Securities outside the country | - | - | - | - | - | - | - | |
| Liquidations with foreign currencies abroad | - | - | - | - | - | - | - | |
| Debits to the contingency fund | - | - | - | - | - | - | - | |
| Other contingent obligations | 16,049 | 13,282 | 12,985 | 8,329 | 3,576 | 1,152 | 1,136 | |
| Banking transactions on behalf of third- | 55,624 | 65,371 | 65,291 | 81,824 | 100,192 | 110,491 | 105,126 | |
| Investments in funds for the retirem.saving | - | - | - | - | - | - | - | |
| Integration of the credit portfolio | - | - | - | - | - | - | - | |
| Amounts contracted in derivative | 10,905 | 18,114 | 25,751 | 27,479 | 244,245 | 39,789 | - | |
| Other trust account items | - | - | - | - | - | - | - | |
| **OWN ACCOUNT OPERATIONS** | **304,732** | **320,443** | **301,478** | **261,459** | **493,454** | **297,589** | **256,959** | |
| Repurchase agreements | | | | | | | | |
| Securities to be received | 124,782 | 107,688 | 124,334 | 147,723 | 173,198 | 200,282 | 231,622 | |
| (Less) Securities to be delivered | (124,692) | (107,664) | (124,414) | (147,722) | (173,244) | (200,302) | (231,910) | |
| **REPURCHASE TRANSACTIONS-** | **91** | **24** | **(80)** | **1** | **(46)** | **(20)** | **(288)** | |
| Securities to be received | 56,985 | 37,050 | 76,174 | 51,761 | 43,399 | 41,821 | 65,739 | |
| (Less) securities to be delivered | (57,014) | (37,047) | (76,102) | (51,789) | (43,369) | (41,865) | (65,767) | |
| **REPURCHASE TRANSACTIONS- SOLD** | **(29)** | **3** | **72** | **(27)** | **30** | **(44)** | **(29)** | |
| **TOTAL ON OWN ACCOUNT** | **304,794** | **320,470** | **301,470** | **261,432** | **493,438** | **297,525** | **256,642** | |

# GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW

JANUARY 1, 2004 –SEPTEMBER 30, 2005

*(Millions of Pesos)*

| CASH FLOW FROM OPERATING ACTIVITIES : | |
|---|---|
| **Net Income** | **4,487** |
| **Adjustments to Reconcile Net Income to Net Cash by Operating Activities** | |
| Mark to Market Valuation Results | (47) |
| Provisions for loan losses | 1,098 |
| Depreciation and amortization | 693 |
| Defferred Taxes | 160 |
| Provisions for Obligations | 1,372 |
| Minoritary Interest | 263 |
| Undistribuated Earnings of Subsidiaries | (316) |
| | **3,223** |
| **Cash Flows From Investing Activities:** | |
| Banks Deposits | (3,711) |
| Decrease (Increase) loan portfolio | (2,410) |
| Decrease (Increase) credit assets portfolio | (812) |
| Decrease (Increase) treasury operations | 3,569 |
| Decrease (Increase) financial instruments | 276 |
| Loans from banks and other entities | (5,821) |
| Decrease (Increase) Deferred taxes | 134 |
| Decrease (Increase) in accounts receivable and payable | (2,984) |
| **Net Resources provided by operations** | **(11,759)** |
| **Financial Activities:** | |
| Subordinated Debentures Issue and Interest | (106) |
| Issuance of stock | 7 |
| **Net Resources provided by Investing activities** | **(99)** |
| **CASH FLOW FROM FINANCING ACTIVITIES :** | |
| Fixed Assets increase | 61 |
| Proceeds from issuance of common stock | (236) |
| Decrease (Increase) Deferred charges or credits | 363 |
| Decrease (Increase) Foreclosed assets | (126) |
| **Net Cash provided by financing activities** | **62** |
| **Decrease (increase) in cash and due from banks** | **(4,086)** |
| **Cash and due from banks at the beginning of the year** | **39,944** |
| **Cash and due from banks at the end of the year** | **35,858** |

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

# GRUPO FINANCIERO BANORTE
## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS´ EQUITY
## JANUARY 1, 2005- SEPTEMBER 30, 2005.

(Millions of Pesos)

| | CONTRIBUATED CAPITAL | | |
|---|---|---|---|
| | Fixed Paid-in Capital Variable | Paid-in Capital Premium, Bonds | & oth. Securities |
| **Balance as of December 31,2004** | **3,400** | **2,303** | **1,695** |
| **Stock Changes** | | | |
| Issuance of stock | - | - | - |
| Profits Capitalization | - | - | - |
| Provisions Created | - | - | - |
| **Total** | - | - | - |
| **Total Income** | | | |
| Total Income: | - | - | - |
| Net Income | - | - | - |
| Results of assets holdings | - | - | - |
| Minority Interest | - | - | - |
| **Total** | - | - | - |
| **Balance as of September 30,2005** | **3,400** | **2,303** | **1,695** |

| | EARNED CAPITAL | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital Reserves | Retained earnings | Excess if Insuf. Capital Restatement | Non Monetary Assets Results (Investment) | Net Income of the year | Minoritary Interest | **Total Stockholders´ Equity** |
| **Balance as of December 31,2004** | **1,533** | **13,692** | **(5,819)** | **(3,741)** | **2,660** | **887** | **16,610** |
| **Stock Changes** | | | | | | | |
| Issuance of stock | 7 | - | - | - | - | - | **7** |
| Profits Capitalization | - | 2,660 | - | - | (2,660) | - | **-** |
| Provisions Created | 132 | (132) | - | - | - | - | **-** |
| Dividends Declared | - | - | - | - | - | - | **-** |
| **Total** | 139 | 2,528 | - | - | (2,660) | - | **7** |
| **Total Income** | | | | | | | |
| Total Income: | - | - | - | - | - | - | **-** |
| Net Income | - | - | - | - | 4,487 | - | **4,487** |
| Results of assets holdings | - | - | - | (246) | - | - | **(246)** |
| **Total** | - | - | - | (246) | 4,487 | - | **4,241** |
| Minority Interest | - | - | - | - | - | 253 | **253** |
| **Balance as of September 30,2005** | 1,672 | 16,220 | (5,819) | (3,987) | 4,487 | 1,140 | **21,111** |

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

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

| NET INTEREST INCOME | 1Q04 | 2Q04 | 3Q04 | 4Q04 | ACUM | 1Q05 | 2Q05 | 3Q05 | 4Q05 | ACUM | % 3Q05 VS 2Q05 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 5,207 | 5,690 | 6,342 | 6,920 | 24,159 | 7,095 | 8,464 | 8,738 | | 24,297 | 3% |
| Interest Expense | 3,238 | 3,586 | 3,854 | 4,240 | 14,918 | 4,368 | 5,294 | 5,664 | | 15,327 | 7% |
| Loan Fees | 167 | 118 | 123 | 170 | 578 | 94 | 129 | 143 | | 366 | 11% |
| Fees Paid | 21 | 22 | 22 | 24 | 89 | 25 | 27 | 34 | | 85 | 26% |
| **Net Interest Income (NII)** | **2,115** | **2,200** | **2,589** | **2,825** | **9,729** | **2,796** | **3,272** | **3,183** | | **9,251** | **(3%)** |
| Repomo-Margin | 4 | 2 | (22) | (52) | (68) | (24) | (8) | (26) | | (58) | 211% |
| **NII after Repomo** | **2,119** | **2,202** | **2,567** | **2,773** | **9,661** | **2,772** | **3,263** | **3,158** | | **9,193** | **(3%)** |
| Loan Loss Provisions | 111 | 294 | 328 | 350 | 1,083 | 213 | 350 | 452 | | 1,015 | 29% |
| Loss Sharing Provisions | 13 | 20 | 33 | 25 | 91 | 33 | 35 | (10) | | 58 | (128%) |
| **NII after Provisions** | **1,996** | **1,887** | **2,206** | **2,398** | **8,487** | **2,527** | **2,878** | **2,716** | | **8,121** | **(6%)** |
| Fund transfers | 59 | 49 | 46 | 41 | 194 | 37 | 47 | 49 | | 132 | 4% |
| Account management | 198 | 233 | 285 | 275 | 991 | 243 | 252 | 242 | | 736 | (4%) |
| Fiduciary | 45 | 51 | 50 | 47 | 193 | 45 | 54 | 53 | | 153 | (2%) |
| Income from Loan Portfolios Acquired | 178 | 151 | 206 | 160 | 694 | 282 | 152 | 705 | | 1,139 | 363% |
| Electronic Banking Services | 78 | 96 | 109 | 147 | 430 | 143 | 157 | 158 | | 458 | 1% |
| Credit Card | 289 | 317 | 317 | 270 | 1,193 | 245 | 255 | 271 | | 770 | 6% |
| Fees from IPAB | 92 | 101 | 147 | 76 | 416 | 79 | 61 | (6) | | 134 | (110%) |
| Other fees | 153 | 124 | 73 | 118 | 467 | 126 | 122 | 113 | | 362 | (8%) |
| **Fees on services,** | **1,092** | **1,120** | **1,232** | **1,135** | **4,579** | **1,200** | **1,100** | **1,584** | | **3,884** | **44%** |
| Fund transfers | - | - | - | - | - | 2 | 2 | 2 | | 7 | 11% |
| Other fees | 132 | 127 | 109 | 117 | 485 | 114 | 117 | 125 | | 357 | 7% |
| Expenses from Loan Portfolios Acquired | 120 | 101 | 143 | 102 | 465 | 184 | 122 | 380 | | 686 | 211% |
| **Fees paid,** | **252** | **228** | **252** | **219** | **951** | **300** | **242** | **508** | | **1,050** | **110%** |
| Foreign exchange | 131 | 158 | 64 | 42 | 396 | 60 | 38 | 99 | | 198 | 160% |
| Securities –Realized gains | 286 | (136) | 42 | 147 | 339 | 52 | 482 | 89 | | 622 | (82%) |
| Securities- Unrealized gains | 13 | 41 | (30) | (10) | 14 | 44 | (43) | 29 | | 30 | 166% |
| **Market-related Income** | **430** | **63** | **76** | **179** | **749** | **156** | **477** | **217** | | **850** | **(54%)** |
| **Total Non Interest Income** | **1,271** | **955** | **1,057** | **1,095** | **4,378** | **1,055** | **1,335** | **1,294** | | **3,684** | **(3%)** |
| **Total Operating Income** | **3,266** | **2,842** | **3,263** | **3,494** | **12,865** | **3,582** | **4,213** | **4,010** | | **11,805** | **(5%)** |
| Personnel | 1,086 | 1,024 | 1,263 | 995 | 4,368 | 974 | 1,005 | 1,019 | | 2,999 | 1% |
| Professional Fees | 121 | 124 | 133 | 126 | 503 | 138 | 181 | 139 | | 457 | (23%) |
| Administrative and Promotion Expenses | 628 | 612 | 649 | 586 | 2,474 | 638 | 612 | 768 | | 2,017 | 17% |
| Rents, depreciation and amortization | 395 | 379 | 367 | 400 | 1,541 | 358 | 358 | 333 | | 1,049 | (7%) |
| Taxes, other than income tax | 161 | 149 | 111 | 9 | 430 | 103 | 80 | 98 | | 281 | 22% |
| Contributions to IPAB | 189 | 191 | 198 | 193 | 771 | 148 | 148 | 148 | | 443 | - |
| Corporate expenses Recoveries | - | - | - | - | - | - | - | - | | - | - |
| **Non-Interest Expense** | **2,579** | **2,479** | **2,721** | **2,308** | **10,087** | **2,358** | **2,384** | **2,503** | | **7,245** | **5%** |
| **Operating Income** | **687** | **364** | **542** | **1,186** | **2,778** | **1,224** | **1,829** | **1,507** | | **4,559** | **(18%)** |
| Other Revenues | 69 | 156 | 129 | 148 | 501 | 98 | 48 | 76 | | 223 | 57% |
| Foreign exchange | - | - | - | - | - | - | - | - | | - | - |
| Recoveries | 22 | 209 | 29 | 36 | 296 | 44 | 1,201 | 55 | | 1,300 | (95%) |
| Repomo-other revenues | 8 | 1 | 6 | 10 | 25 | 3 | 3 | 1 | | 6 | (79%) |
| **Non Operating Income** | **99** | **366** | **164** | **193** | **822** | **145** | **1,252** | **132** | | **1,529** | **(89%)** |
| Other Expense | (120) | (81) | (110) | (107) | (418) | (76) | (305) | (34) | | (414) | (89%) |
| Foreign exchange | - | - | - | - | - | - | - | - | | - | - |
| Repomo-other Expenses | (129) | (8) | (96) | (144) | (377) | (32) | (12) | (44) | | (88) | 261% |
| **Non Operating Expense** | **(250)** | **(88)** | **(206)** | **(251)** | **(795)** | **(108)** | **(317)** | **(78)** | | **(502)** | **(75%)** |
| **Non Operating Income (Expense), net** | **(151)** | **278** | **(42)** | **(58)** | **27** | **37** | **935** | **54** | | **1,026** | **(94%)** |
| **Pre-tax Income** | **536** | **641** | **499** | **1,128** | **2,805** | **1,261** | **2,764** | **1,561** | | **5,586** | **(44%)** |
| Income Tax | 10 | 10 | 9 | 8 | 38 | 98 | 357 | 294 | | 749 | (17%) |
| Profit sharing | 77 | 56 | 42 | 64 | 239 | 132 | 273 | 142 | | 546 | (48%) |
| Tax on Assets | 10 | 9 | 7 | 7 | 33 | 9 | 8 | 8 | | 25 | - |
| Deferred Inc. Tax and Profit sharing | 2 | 14 | 26 | 209 | 251 | 115 | 144 | (39) | | 219 | (127%) |
| | **99** | **90** | **84** | **288** | **560** | **353** | **781** | **405** | | **1,540** | **(48%)** |
| **Net Income before subsidiaries** | **438** | **552** | **415** | **840** | **2,245** | **908** | **1,982** | **1,156** | | **4,046** | **(42%)** |
| Subsidiaries´ net income | 73 | 23 | 23 | 59 | 179 | 83 | 11 | 67 | | 162 | 492% |
| **Net Income from continuos operations** | **511** | **575** | **438** | **899** | **2,423** | **991** | **1,994** | **1,223** | | **4,208** | **(39%)** |
| Extraodinary items, net | - | - | - | - | - | - | - | - | | - | - |
| Minority Interest | - | - | - | - | - | - | - | - | | - | - |
| **TOTAL NET INCOME** | **511** | **575** | **438** | **899** | **2,423** | **991** | **1,994** | **1,223** | | **4,208** | **(39%)** |

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

**N.C.= Not comparable**

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | %3Q05 VS 2Q05 |
|---|---|---|---|---|---|---|---|---|---|
| **Cash and due from Banks** | **31,539** | **34,788** | **33,057** | **39,701** | **35,130** | **38,940** | **35,186** | | **(10%)** |
| Negotiable Instruments | 5,509 | 5,991 | 6,569 | 10,500 | 4,896 | 6,099 | 3,876 | | (36%) |
| Securities held for sale | 627 | 432 | 187 | 246 | 275 | 245 | 249 | | 2% |
| Securities held to maturity | 11,305 | 10,844 | 10,484 | 9,138 | 10,025 | 12,415 | 12,298 | | (1%) |
| **Financial Instruments:** | **17,441** | **17,267** | **17,239** | **19,884** | **15,195** | **18,759** | **16,423** | | **(12%)** |
| Non-assigned securities to pay | 7 | 51 | - | - | - | - | - | | - |
| Repurchase agreements, net | 121 | 55 | 79 | 40 | 46 | 65 | 54 | | (18%) |
| Operations with collateral | - | - | - | - | - | - | - | | - |
| Futures receivable, net | - | - | - | - | - | - | - | | - |
| Options and derivatives, net | 7 | 26 | 6 | 6 | 37 | - | 27 | | 100% |
| **Repos & Derivatives :** | **135** | **132** | **86** | **45** | **83** | **65** | **80** | | **24%** |
| Commercial | 35,153 | 37,490 | 38,317 | 42,542 | 43,977 | 44,063 | 46,461 | | 5% |
| Financial Intermediaries | 3,179 | 3,336 | 3,381 | 1,106 | 1,586 | 2,987 | 3,392 | | 14% |
| Consumer | 10,018 | 10,748 | 11,187 | 11,577 | 12,068 | 13,241 | 14,307 | | 8% |
| Mortgage | 16,335 | 17,273 | 18,056 | 18,796 | 19,402 | 20,597 | 21,739 | | 6% |
| Goverment Entities | 81,326 | 78,830 | 77,835 | 18,849 | 18,247 | 12,966 | 13,210 | | 2% |
| IPAB | 7,086 | 7,149 | 7,133 | 7,050 | 7,076 | 7,048 | 2,539 | | (64%) |
| Fiduciary collection rights | - | - | - | - | - | - | - | | - |
| **Performing Loans** | **153,096** | **154,826** | **155,909** | **99,919** | **102,356** | **100,901** | **101,647** | | **1%** |
| Commercial | 2,019 | 1,188 | 962 | 602 | 582 | 605 | 635 | | 5% |
| Financial Intermediaries | - | - | - | - | - | - | - | | - |
| Consumer | 500 | 443 | 520 | 344 | 332 | 365 | 373 | | 2% |
| Mortgage | 1,263 | 1,329 | 1,373 | 832 | 819 | 765 | 772 | | 1% |
| Goverment Entities | 9 | 16 | 15 | 13 | 9 | - | - | | - |
| **Past Due Loans** | **3,791** | **2,976** | **2,870** | **1,792** | **1,742** | **1,735** | **1,781** | | **3%** |
| **Total Loans** | **156,887** | **157,801** | **158,779** | **101,710** | **104,097** | **102,636** | **103,428** | | **1%** |
| Preventive loan loss reserves | 4,821 | 3,884 | 3,671 | 2,733 | 2,685 | 2,806 | 2,989 | | 7% |
| **Net Loan Portfolio** | **152,066** | **153,918** | **155,107** | **98,978** | **101,412** | **99,830** | **100,440** | | **1%** |
| Credit Assets Portfolio | 2,053 | 1,964 | 1,795 | 2,181 | 1,919 | 1,789 | 2,994 | | 67% |
| Sundry debtors and other assets,net | 3,216 | 3,908 | 3,446 | 2,691 | 4,746 | 7,545 | 8,339 | | 11% |
| Foreclosed assets, net | 1,092 | 1,089 | 984 | 370 | 417 | 412 | 496 | | 21% |
| Real Estate, Furniture & Equipment, net | 5,349 | 5,210 | 5,040 | 5,358 | 5,214 | 4,970 | 4,882 | | (2%) |
| Investments in subsidiaries | 1,584 | 1,585 | 1,553 | 1,387 | 1,464 | 1,457 | 1,501 | | 3% |
| Deferred taxes | 1,119 | 1,096 | 1,065 | 748 | 712 | 380 | 416 | | 10% |
| Deferred charges & Intangibles | 851 | 798 | 757 | 1,097 | 955 | 826 | 684 | | (17%) |
| UDIS Mortgage loans reserve coverage | - | - | - | - | - | - | - | | - |
| **Other Assets** | **15,264** | **15,651** | **14,639** | **13,834** | **15,427** | **17,378** | **19,312** | | **11%** |
| **TOTAL ASSETS** | **216,446** | **221,754** | **220,129** | **172,441** | **167,248** | **174,972** | **171,442** | | **(2%)** |

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | % 3Q05 VS 2Q05 |
|---|---|---|---|---|---|---|---|---|---|
| Demand Deposits | 65,357 | 67,261 | 67,254 | 66,328 | 64,234 | 67,025 | 65,269 | | (3%) |
| Time Deposits | 103,106 | 108,090 | 101,173 | 64,163 | 57,566 | 56,869 | 61,474 | | 8% |
| Bonds | - | - | - | - | - | - | - | | - |
| **Deposits** | **168,462** | **175,351** | **168,427** | **130,490** | **121,800** | **123,893** | **126,743** | | **2%** |
| Demand | 6,259 | 3,587 | 5,587 | 4,682 | 1,273 | 2,333 | 1,249 | | (46%) |
| Short term | 5,716 | 8,954 | 8,013 | 4,059 | 5,476 | 6,501 | 2,679 | | (59%) |
| Long term | 10,983 | 10,498 | 10,152 | 10,633 | 10,146 | 10,259 | 10,148 | | (1%) |
| **Due to banks and correspondents** | **22,958** | **23,039** | **23,752** | **19,374** | **16,894** | **19,093** | **14,076** | | **(26%)** |
| Non-assigned securities to pay | 8 | 29 | - | - | - | - | - | | - |
| Repurchase agreements, net | 65 | 31 | 90 | 71 | 66 | 132 | 370 | | 180% |
| Operations with collateral | - | - | - | - | - | - | - | | - |
| Futures receivable, net | - | - | - | - | - | - | - | | - |
| Options and derivatives, net | 3 | - | 3 | 8 | 2 | 8 | 6 | | (30%) |
| **Repos & Derivatives:** | **76** | **60** | **94** | **79** | **68** | **140** | **376** | | **168%** |
| Income Tax & Profit Sharing | 212 | 142 | 198 | 246 | 271 | 861 | 1,123 | | 30% |
| Other Payable accounts | 4,802 | 4,179 | 8,341 | 3,178 | 8,066 | 9,242 | 6,161 | | (33%) |
| **Other payable accounts** | **5,013** | **4,321** | **8,539** | **3,424** | **8,337** | **10,103** | **7,285** | | **(28%)** |
| Subordinated non Convertible Debenture | 6,456 | 4,909 | 4,809 | 4,678 | 4,652 | 4,606 | 4,572 | | (1%) |
| Deferred Taxes | - | - | - | - | - | - | - | | - |
| Deferred credits | 68 | 72 | 61 | 63 | 60 | 54 | 94 | | 75% |
| **TOTAL LIABILITIES** | **203,033** | **207,753** | **205,681** | **158,108** | **151,811** | **157,890** | **153,145** | | **(3%)** |
| STOCKHOLDER´S EQUITY | | | | | | | | | |
| Paid-in Capital | 6,052 | 6,053 | 6,053 | 6,052 | 6,053 | 6,053 | 6,052 | | - |
| Share subscription premiums | 1,052 | 1,052 | 1,052 | 1,052 | 1,052 | 1,052 | 1,052 | | - |
| Subordinated Convertible Debentures | - | - | - | - | - | - | - | | - |
| **Subscribed Capital** | **7,104** | **7,104** | **7,104** | **7,104** | **7,104** | **7,104** | **7,104** | | **-** |
| Capital Reserves | 2,876 | 3,080 | 3,080 | 3,041 | 3,041 | 3,281 | 3,281 | | - |
| Retained Earnings | 5,818 | 5,613 | 5,613 | 4,608 | 7,180 | 6,940 | 6,940 | | - |
| Surplus (Deficit) from securities | 150 | 179 | 236 | 284 | 257 | (95) | (89) | | (6%) |
| Results of foreign operations exchange | - | - | - | - | - | - | - | | - |
| Excess (Insuf.) in capital restatement | (2,533) | (2,531) | (2,532) | (2,538) | (2,537) | (2,537) | (2,538) | | - |
| Non Mon assets results Fixed Assets | 12 | 12 | 12 | 12 | 12 | 12 | 12 | | - |
| Non Mon assets results Investm | (229) | (247) | (295) | (306) | (317) | (313) | (327) | | 4% |
| Adjustment in the employees pension | - | - | - | - | - | - | - | | - |
| Accumulated Deferred tax effect | (296) | (296) | (296) | (296) | (296) | (296) | (296) | | - |
| Net Income | 511 | 1,086 | 1,524 | 2,423 | 991 | 2,985 | 4,208 | | 41% |
| **Earned Capital** | **6,308** | **6,897** | **7,343** | **7,228** | **8,332** | **9,977** | **11,192** | | **12%** |
| Minority Holdings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | (14%) |
| **Total Stockholder´s Equity** | **13,413** | **14,002** | **14,448** | **14,334** | **15,437** | **17,082** | **18,297** | | **7%** |
| **TOTAL LIABILITIES &** | **216,446** | **221,754** | **220,129** | **172,441** | **167,248** | **174,972** | **171,442** | | **(2%)** |

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

| | 1Q04 | 2Q04 | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | % 3Q05 VS 2Q05 |
|---|---|---|---|---|---|---|---|---|---|
| Signature guarantees granted | 34 | 64 | 63 | 61 | 61 | 60 | 59 | | (1%) |
| Other contingent obligations | 16,049 | 13,282 | 12,985 | 8,329 | 3,576 | 1,152 | 1,136 | | (1%) |
| Irrevocable lines of credit | 1,414 | 1,464 | 1,775 | 2,327 | 2,161 | 1,886 | 1,707 | | (10%) |
| Assets held in trust and mandate | 91,889 | 88,107 | 73,654 | 62,349 | 67,061 | 65,729 | 66,887 | | 2% |
| Assets held in custody or in administration | 116,519 | 121,160 | 112,609 | 73,987 | 70,859 | 73,061 | 76,683 | | 5% |
| Investment banking transactions for third | 55,624 | 65,371 | 65,291 | 81,824 | 100,192 | 110,491 | 105,126 | | (5%) |
| Engaged amounts in fobaproa operations | 7,790 | 8,088 | 4,542 | 425 | 639 | 929 | 775 | | (17%) |
| Investment of retirement saving funds | - | - | - | - | - | - | - | | - |
| Integration of loan portfolio | - | - | - | - | - | - | - | | - |
| Received amounts in derivative instruments | 10,905 | 18,114 | 25,751 | 27,479 | 244,245 | 39,789 | - | | (100%) |
| Fobaproa trusts | - | - | - | - | - | - | - | | - |
| Securities to be received | 101,199 | 84,296 | 94,553 | 117,390 | 139,123 | 165,395 | 201,191 | | 22% |
| (Less) payable for reversal | (101,128) | (84,276) | (94,620) | (117,399) | (139,153) | (165,443) | (201,483) | | 22% |
| Receivables for reversal | 37,770 | 18,358 | 54,567 | 27,496 | 18,485 | 16,598 | 43,847 | | 164% |
| (Less) securities to be delivered | (37,784) | (18,354) | (54,512) | (27,518) | (18,474) | (16,617) | (43,871) | | 164% |
| Other control accounts | - | - | - | - | - | - | - | | - |
| | **300,282** | **315,674** | **296,660** | **256,750** | **488,775** | **293,028** | **252,057** | | **(14%)** |

# Annex 6. Notes to Grupo Financiero Banorte Financial Statements

## Financial Instruments and Valuation Effects 3Q05

| NEGOTIABLE INSTRUMENTS | BOOK VALUE | INTEREST | MARKET VALUE | UNREALIZED GAIN (LOSS) |
|---|---|---|---|---|
| Goverment Securities | (1,331) | 12 | (1,316) | 3 |
| Banking Securities | 3,898 | 2 | 3,899 | (1) |
| Private | 355 | 4 | 367 | 8 |
| Banks paper | - | - | - | - |
| UMS | - | - | - | - |
| Commercial Paper | 1,153 | - | 1,159 | 6 |
| Shares listed in the SIC | 6 | - | 6 | - |
| Guarantee (collateral) for futures | 5 | - | 5 | - |
| Swap of Coverage purposes | 2 | - | 2 | - |
| **Total** | **4,089** | **18** | **4,122** | **15** |
| **SECURITIES HELD FOR SALE** | | | | |
| Goverment Securities | - | - | - | - |
| -Mexican Government Securities (UMS) | - | - | - | - |
| Bonds public company | 19 | - | 26 | 7 |
| Eurobonds | 1 | - | 7 | 5 |
| Structured note | 216 | - | 216 | - |
| Swap of Coverage purposes | - | - | - | - |
| **-Total** | **236** | **-** | **249** | **12** |
| **SECURITIES HELD TO MATURITY** | | | | |
| Special Cetes | 559 | 11 | 571 | - |
| Trust Bonds | - | - | - | - |
| Fiduciary Rights | 34 | - | 25 | (8) |
| Bonds | - | - | - | - |
| Mexican Government Securities (UMS) (US Dollars) | 7,812 | 91 | 7,904 | - |
| Mexican Government Securities (UMS) (Euros) | 863 | 30 | 893 | - |
| US Clearing Master Trust | - | - | - | - |
| Swap Private company | 571 | 5 | 576 | - |
| Swap Public company | 3,402 | 84 | 3,486 | - |
| Eurobonds | 124 | - | 124 | - |
| Swap of Coverage purposes | (1,280) | - | (1,280) | - |
| **Total** | **12,085** | **222** | **12,299** | **(8)** |
| **TOTAL** | **16,410** | **240** | **16,669** | **19** |

## Repurchase Agreement Operations 3Q05

*(Millions of Pesos)*

| SALES | MARKET VALUE | | | FINANCIAL STATEMENT INDIVIDUAL COMPENSATION | |
|---|---|---|---|---|---|
| | RECEIVABLES ON REPURCHASE AGREEMENT | SECURITIES TO BE DELIVERED | GLOBAL POSITION | ASSET BALANCE | LIABILITY BALANCE |
| Goverment Securities | 158,258 | 158,521 | (263) | 36 | 298 |
| Banking Securities | 16,696 | 16,714 | (18) | 5 | 23 |
| Private Securities | 56,668 | 56,675 | (7) | 14 | 21 |
| Total | 231,622 | 231,910 | (288) | 55 | 343 |

| PURCHASE | MARKET VALUE | | | FINANCIAL STATEMENT INDIVIDUAL COMPENSATION | |
|---|---|---|---|---|---|
| | SECURITIES TO BE RECEIVED | PAYABLES ON REPURCHASE AGREEMENT | GLOBAL POSITION | ASSET BALANCE | LIABILITY BALANCE |
| Goverment Securities | 35,645 | 35,666 | 20 | 6 | 26 |
| Banking Securities | 2,269 | 2,269 | - | - | - |
| Private Securities | 27,824 | 27,833 | 8 | 4 | 13 |
| Total | 65,739 | 65,767 | 29 | 10 | 39 |
| | | | Balance | 65 | 382 |

## Derivative Financial Instruments Operations 3Q05

*(Millions of Pesos)*

| INSTRUMENT | TO RECEIVE | TO DELIVER | NET |
|---|---|---|---|
| **FORWARDS** | | | |
| Over INC | 51 | (55) | (4) |
| **FORWARD CONTRACT WITH FOREIGN CURRENCIES** | | | |
| Market Value | 129 | (245) | (116) |
| Agreed Price | (135) | 252 | 116 |
| **SWAPS** | | | |
| Interest rate | 59 | (58) | 1 |
| Valuation | 229 | (210) | 19 |
| **OPTIONS WITH FOREIGN CURRENCIES** | | | |
| Passives | - | - | - |
| **RATE OPTIONS** | (1) | (263) | (264) |
| Debt Balance | | | 277 |
| Creditor Balance | | | (268) |

## NOTIONAL PRINCIPAL AMOUNT IN DERIVATIVE OPERATIONS 3Q05

*(Millions of Pesos)*

| PRODUCT | KIND | UNDERLYING | CURRENCY | POSITION |
|---|---|---|---|---|
| **Forwards of Foreign Currency** | Purchases | Exchange Rate (Dolar) | MXN | 135 |
| **Forwards of Foreign Currency** | Sells | Exchange Rate (Dolar) | MXN | 252 |
| | | | | 387 |
| **Options with Foreign Currency** | Purchases | Exchange Rate (Dolar) | MXN | - |
| **Options with Foreign Currency** | Sells | Exchange Rate (Dolar) | MXN | 15 |
| | | | | 15 |
| **Rate Options** | Purchases | TIIE | MXN | 577,000 |
| **Rate Options** | Sells | TIIE | MXN | 566,000 |
| | | | | 1,143,000 |
| **Swaps with Rate** | USLI/IRS | LIBOR | MXN | 1,103 |
| **Swaps with Rate** | TIIE/IRS | TIIE | MXN | 29,541 |
| | | | | 30,643 |
| **Swaps with Foreign Currency** | TIIE-EU/CS | TIIE | MXN | 1,321 |
| **Swaps with Foreign Currency** | TIIE-US/BS | TIIE | MXN | 2,158 |
| **Swaps with Foreign Currency** | TIIE-US/CS | TIIE | MXN | 8,480 |
| **Swaps with Foreign Currency** | TIIE-US/CS | TIIE | MXN | 1,080 |
| **Swaps with Foreign Currency** | IMPL-US/CS | IMPLICITA | MXN | 2,184 |
| | | | | 15,222 |
| **Forwards in MEXDER** | Compras | TASA | MXN | 27,620 |
| **Forwards in MEXDER** | Venta | TASA | MXN | 4,600 |
| | | | | 32,220 |

## Non-governmental Financial Instruments above by 5% of Net Capital 3Q05

*(Millions of Pesos)*

| INDUSTRY | INVESTMENT INSTRUMENT | AMOUNT | % NET CAPITAL |
|---|---|---|---|
| BANSAN | Term Deposits | 3,000 | 14% |

## Loan Portfolio

| *(Million of Pesos)* | LOCAL CURRENCY(*) | | FOREIGN CURRENCY | | TOTAL | |
|---|---|---|---|---|---|---|
| | 3Q04 | 3Q05 | 3Q04 | 3Q05 | 3Q04 | 3Q05 |
| **Performing Loans** | | | | | | |
| Commercial | 35,236 | 43,507 | 7,992 | 8,005 | 43,228 | 51,512 |
| Financial Intermediaries | 2,279 | 1,584 | 210 | 443 | 2,489 | 2,026 |
| Consumer | 11,193 | 14,306 | 4 | 1 | 11,196 | 14,307 |
| Mortgages | 18,056 | 21,739 | - | - | 18,056 | 21,739 |
| Goverment Entities | 77,188 | 12,727 | 672 | 529 | 77,860 | 13,256 |
| Fobaproa | 7,133 | 2,539 | - | - | 7,133 | 2,539 |
| **Total** | **151,084** | **94,402** | **8,877** | **8,978** | **159,961** | **105,380** |

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

| Past Due Loans | | | | | | |
|---|---|---|---|---|---|---|
| Commercial | 609 | 648 | 395 | 65 | 1,004 | 713 |
| Financial Intermediaries | - | - | - | - | - | - |
| Consumer | 519 | 373 | - | - | 520 | 373 |
| Mortgages | 1,373 | 772 | - | - | 1,373 | 772 |
| Goverment Entities | 15 | - | - | - | 15 | - |
| **Total** | **2,516** | **1,794** | **395** | **65** | **2,911** | **1,859** |
| **Total Propietary Loans** | **153,600** | **98,196** | **9,272** | **9,044** | **162,872** | **107,240** |

(*) 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 3Q05

| *(Millions of Pesos)* | TOTAL | |
|---|---|---|
| | PERIOD COST | BALANCE LOAN PORTFOLIO |
| FINAPE | 1 | 5 |
| FOPYME | 1 | 1 |
| Mortgage UDIS | 45 | 92 |
| Mortgage FOVI | 43 | 53 |
| | **90** | **151** |

The quarter ending with a balance of Ps 151 million pesos in debtors support programs with a cost of the period of Ps 90 million. The 99% of this portfolio are concentrated in Banorte.

## Troubled Portfolio 3Q05

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

| (Millions of Pesos) | TOTAL |
|---|---|
| Troubled Portfolio | 1,309 |
| Total Loans | 107,240 |
| Troubled Portfolio / Total Loans | **1.2%** |

## Fobaproa

| *(Millions of Pesos)* | REMAINING CONTINGENCIES | |
|---|---|---|
| | LOSS(1) SHARING | INCENTIVE(1) SCHEME |
| Gross Fobaproa notes balance | 3,915 | 1,729 (2) |
| - Cash recoveries | 244 | 176 (2) |
| Repossessed assets | - | - |
| = Balance net of recoveries | 3,671 | 1,553 |
| Contingency before reserves | 2,178 | 379 |
| - Reserves | 2,178 | 379 |

| | | |
|---|---|---|
| **= Remaining contingencies** | - | - |

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

Banorte provisioned Ps 58 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 6% of Banorte's Gross FOBAPROA-IPAB notes balance.

### IPAB Notes Integration 3Q05

| *(Millions of Pesos)* | BANORTE | | | | BANCEN | BANPAIS | | BANKING SECTOR |
|---|---|---|---|---|---|---|---|---|
| | LOSS SHARING LOCAL CURRENCY | LOSS SHARING DOLLARS | WITHOUT RISK | INCENTIVE SCHEME | LOCAL CURRENCY | LOCAL CURRENCY | DOLLARS | TOTAL |
| Gross Balance | 3,915 | - | 1,438 | (1) | - | - | - | 5,353 |
| - Checking account balance | 244 | - | 13 | (1) | - | - | - | 257 |
| - Reserves | 2,178 | - | - | 379 | - | - | - | 2,557 |
| **= Net Balance** | **1,493** | **-** | **1,425** | **(379)** | **-** | **-** | **-** | **2,539** |
| Interest Rate | CETES 91–1.35 | - | CETES 91 | N.A. | N.A. | - | - | |
| Maturity | 2005/2006 | - | 2006 | 2006 | N.A. | - | - | |
| Remaining Contingencies | -0- | - | No exist | -0- | No exist | - | - | |

1) Ps 1,729 and Ps 176, Gross Balance and Checking account balance of Incentive Scheme are included in Loss Sharing.
N.A.- Not Applicable

## ORIGIN OF THE NOTES

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

| FOBAPROA NOTES | YEAR | ORIGIN |
|---|---|---|
| BANORTE | | |
| LOSS SHARING | 1995-1996 | Sale of Loans to Fobaproa |
| WITHOUT RISK | 1996 | Sale of Loans to Fobaproa |
| BANPAIS | 1996-1997 | Reorganization |
| SIMPLE CREDIT | 2000 | Reorganization |
| BANCRECER | 1999 | Reorganization (Securitized in 4Q04) |

## SIGNIFICANCE IN BANORTE BALANCE

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 3Q05 |
|---|---|---|---|---|---|---|---|---|---|
| **% Total Loans** | 70.9% | 64.6% | 63.5% | 58.7% | 55.5% | 55.7% | 50.8% | 12.4% | 2.5% |
| **% Total Assets** | 60.6% | 53.5% | 43.7% | 46.7% | 44.5% | 43.5% | 36.5% | 7.3% | 1.5% |

## Deferred Taxes 3Q05

| *(Millions of Pesos)* ASSETS | ISR | PTU | NET |
|---|---|---|---|
| Tax loss carryforwards | 197 | - | 197 |
| Non deductible provisions and accumulative income | 131 | 35 | 166 |
| Obligations FOBAPROA, Net | 642 | - | 642 |
| Excess of accunting value over fiscal value on Reposessed Assets | 242 | - | 242 |
| Diminishable profit sharing | 113 | - | 113 |
| Past-due loan reserves | 14 | - | 14 |
| Share dealing loss 2000,2001,2002 and 2003 | 3 | - | 3 |
| Tax on Assets to recover | 5 | - | 5 |
| Installation expenses | 10 | - | 10 |
| Effects of financial instrument appreciation | 1 | - | 1 |
| Taxes on Assets to recover | 2 | - | 2 |
| **Total Assets** | **1,359** | **35** | **1,394** |
| **LIABILITIES** | | | |
| Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others | (174) | - | (174) |
| Loan Portfolio Acquisitions | (449) | (136) | (585) |
| Capitalizable projects | (105) | (36) | (141) |
| Income tax to pay on UDIS Trust funds | (19) | - | (19) |
| Expenses paid in advance | (1) | - | (1) |
| Effects of financial instrument appreciation | (3) | (1) | (5) |
| Organization and Recording Expenses & Installation Expenses | (50) | - | (50) |
| Unrealized capital gain from investments in siefore | (25) | - | (25) |
| **Total liabilities** | **(826)** | **(173)** | **(1,000)** |
| **Assets (Liabilities) Accumulated Net** | **532** | **(138)** | **394** |

## Long term debt as of 3Q05

| TYPE OF DEBT | CURRENCY | DATE OF ISSUE | AMOUNT (Ps) | ORIGINAL AMOUNT (Millons Ps, Dls o UDIS) | TERM | INTEREST RATE | MATURITY | INTEREST PAYMENT |
|---|---|---|---|---|---|---|---|---|
| **BANORTE** | | | | | | | | |
| CD's- Banorte U01001 | UDIs | 11-Ene-01 | 324 | 90 | 10 years | 8.13% | 30-Dic-10 | E/182 days |
| Non Convertible Subordinate Bonds -QBanorte 02D | Ps | 28-Nov-02 | 1,207 | 1,136 | 10 years | 8.00% | 28-Nov-12 | E/182 days |
| Certificados – Banorte 03004 | Ps | 27-Ene-03 | 100 | 100 | 3 years | TIIE-0.45% | 10-Jul-06 | E/28 days |
| Certificados – Banorte 05006 | Ps | 7-Sep-05 | 55 | 55 | 1 year | TIIE-0.16% | 6-Sep.06 | E/28 days |
| Step-Up Subordinated Callable Notes Due 2014 | Dls | 17-Feb-04 | 3,228 | 300 | 10 years | 5.875 % | 17-Feb-14 | E/180 days |

## Bank and Other entities loans as of 3Q05

| *(Millions of Pesos)* | LOCAL CURRENCY | INTERE ST RATE | TERM (DAYS) | FOREIGN CURRENCY | INTEREST RATE | TERM (DAYS) | TOTAL |
|---|---|---|---|---|---|---|---|
| LOANS FROM LOCAL BANKS | - | - | - | 609 | L+6 | 637 | 609 |
| LOANS FROM FOREIGN BANK CONCERTED FROM THE COUNTRY | - | - | - | 647 | 6+1.2 | 1,426 | 647 |
| LOANS FROM FOREIGN BANK CONCERTED FROM CAYMAN | - | - | - | 325 | 4.87 | 692 | 325 |
| LOANS FROM DEVELOPING BANKS | 2,166 | 11.60 | 579 | 627 | 9.39 | 1,461 | 2,793 |
| LOANS FROM PUBLIC FUNDS | 8,656 | 8.18 | 706 | 197 | 4.95 | 522 | 8,853 |
| LOANS FROM BANKS | 375 | 9.54 | 20 | - | - | - | 375 |
| CALL MONEY | 755 | 9.26 | 3 | - | - | - | 755 |
| LOANS FROM FIDUCIARY FUNDS | 3,149 | 8.19 | 5,734 | - | - | - | 3,149 |
| PROVISIONS FOR INTEREST | 46 | N.A | N.A | - | - | - | 46 |
| | **15,147** | | | **2,405** | | | **17,551** |

## Trading Income 3Q05

*(Millions of Pesos)*

| VALUATION EFFECTS | NET |
|---|---|
| Negotiable Instruments | 7 |
| Repurchase | (5) |
| Derived instruments | 14 |
| Futures | (2) |
| Securities loans | - |
| Range | - |
| Inflation Adjustment | (1) |
| **Total** | **12** |
| **RESULTS FROM BUYING AND SELLING** | |
| Negotiable Instruments | 360 |
| Securities Held for Sell | 315 |
| Derived for coverage purposes | 51 |
| Inflation Adjustment | - |
| **Total of Buying and Selling Instruments** | **726** |
| FX Spot | 195 |
| FX Forwards | 5 |
| FX Futures | - |
| FX Futures TIIE | - |
| Forwards | 1 |
| Trading currencies securitization | (7) |
| Gain from metal intermediation | 1 |
| Metals Valuation | 1 |
| **Total of Foreign Exchange** | **197** |
| Inflation Adjustment | **5** |
| **Total of Buying and Selling** | **927** |
| **TOTAL TRADING INCOME** | **939** |

## Risk Management

### Credit risk

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

The objectives of credit risk management at GFNorte are:

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

### Individual Credit risk

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

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

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

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

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

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

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

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

### Portfolio Credit risk

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

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

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

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

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

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

By September 30, 2005, the Banking Sector's total portfolio was Ps 100,771 million. The expected loss represents 2.0% and the unexpected loss is 3.9% with respect to the total portfolio. The average expected loss is 2.0% during the period between July and September 2005.

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

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

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

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

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

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

| | |
|---|---|
| Basic capital by June 30, 2005 | $12,585,500 |

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

| | |
|---|---|
| – Number of financings | 2 |
| – Total amount of financings | $3,884,524 |
| – % vs. basic capital | 31% |

II. Maximum amount of financing with the 3 major
Common Risk debtors and groups $8,395,521

Banco del Centro submits the following information:
Basic capital by June 30, 2005 $3,529,400

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

- Number of financings 1
- Total amount of financings (i) $1,525,516
- % vs. basic capital 43%

II. Maximum amount of financing with the 3 major
Common Risk debtors and groups $3,476,882

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

**Market Risk**

***Value at Risk***

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

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

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

The average VaR for the July-September 2005 quarter for the portfolio is Ps 372 million.

| Millions of Pesos | 3Q04 | 4Q04 | 1Q05 | 2Q05 | 3Q05 |
|---|---|---|---|---|---|
| Total VaR* | 371 | 250 | 273 | 298 | 372 |
| Net Capital ** | 18,149 | 18,108 | 19,150 | 20,331 | 21,763 |
| VaR / Net Capital | 2.04% | 1.38% | 1.43% | 1.47% | 1.71% |

* Quarter Average of Banking Sector and Brokerage House
*** Net capital at the close of the corresponding quarter
**** Net capital of the Banking Sector is the arithmetic sum of the net capitals of Banking Sector and Brokerage House.

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

**Millions of Pesos**

| Risk Factor | VaR |
|---|---|
| Domestic interest rate | 300 |
| Foreign interest rate | 225 |
| Exchange rate | 211 |
| Capitals | 1 |
| Prices of Bonds in Foreign Currency | 200 |
| Total VaR of Banking Sector and Brokerage House | 372 |

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

***Backtesting Analysis***

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

***Sensitivity and Testing Analysis under Extreme Conditions***

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

**Liquidity Risk and Balance**

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

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

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

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

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

### Operational Risk

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

The master plan consists of the following phases:

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

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

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

#### *Management Model*

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

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

#### *Record of Events*

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

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

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

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

***Technological Risk***

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

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

***Legal Risk***

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

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

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

## Information by Segments

**GFNORTE – INCOME STATEMENT AS OF 9M05** ***(Millions of Pesos)***

| | Holding | Banorte | Bancen | okerag | easing | actorin | Warehousing | Pronegocio | Total | Eliminations | Final Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest Income | 5 | 24,157 | 988 | 2,439 | 302 | 248 | 4 | 34 | 28,186 | (2,996) | 25,180 |
| Interest Expense | - | 15,430 | 710 | 2,345 | 142 | 154 | 2 | 4 | 18,787 | (2,974) | 15,813 |
| Loan Fees | - | 374 | - | - | - | - | - | - | 364 | - | 374 |
| Fees Paid | - | 85 | - | - | - | - | - | - | 85 | - | 85 |
| **Net Interest Income (NII)** | **5** | **9,016** | **278** | **93** | **161** | **94** | **2** | **29** | **9,678** | **(22)** | **9,656** |
| Repomo-Margin | (1) | (20) | (49) | (6) | (4) | (4) | 1 | (1) | (83) | - | (83) |
| **NII after Repomo** | **4** | **8,996** | **229** | **88** | **156** | **90** | **3** | **28** | **9,595** | **22** | **9,572** |
| Loan Loss & Loss Sharing Provisions | - | 1,063 | 10 | - | 14 | 8 | - | 4 | 1,098 | - | 1,098 |
| **NII after Provisions** | **4** | **7,933** | **219** | **88** | **143** | **82** | **3** | **24** | **8,496** | **(22)** | **8,474** |
| Fees on services, | - | 3,151 | 1,531 | 249 | 7 | 7 | 14 | - | 4,960 | (1) | 4,959 |
| Fees paid, | - | 728 | 338 | - | - | 6 | - | - | 1,073 | (1) | 1,072 |
| Market-related Income | - | 819 | 31 | 90 | - | - | - | - | 939 | - | 939 |
| **Total Non Interest Income** | **-** | **3,242** | **1,224** | **339** | **6** | **2** | **14** | **-** | **4,826** | **-** | **4,826** |
| **Total Operating Income** | **4** | **11,175** | **1,443** | **427** | **149** | **84** | **17** | **24** | **13,323** | **(22)** | **13,300** |
| **Non-Interest Expense** | **1** | **7,153** | **563** | **366** | **103** | **17** | **10** | **37** | **8,251** | **(45)** | **8,206** |
| **Operating Income** | **3** | **4,021** | **880** | **61** | **45** | **67** | **6** | **(13)** | **5,071** | **23** | **5,094** |
| Non Operating Income | - | 1,494 | 35 | 3 | 14 | 7 | 902 | - | 2,456 | (25) | 2,431 |
| Non Operating Expense | 1 | 488 | 14 | 3 | 2 | - | 898 | 1 | 1,407 | 2 | 1,405 |
| **Non Operating Income (Expense)NET** | **-** | **1,006** | **21** | **-** | **12** | **7** | **4** | **(1)** | **1,049** | **(23)** | **1,026** |
| **Pre-tax Income** | **3** | **5,027** | **901** | **61** | **58** | **74** | **10** | **(13)** | **6,120** | **-** | **6,120** |
| **Tax and Profit sharing** | **6** | **1,564** | **88** | **10** | **-** | **20** | **1** | **(3)** | **1,687** | **-** | **1,687** |
| **Net Income before subsidiaries** | **(3)** | **3,463** | **813** | **51** | **58** | **53** | **9** | **(10)** | **4,434** | **-** | **4,434** |
| Subsidiaries´ net income | 4,491 | 29 | 30 | 3 | - | - | - | - | 4,553 | (4,237) | 316 |
| **Net Inc. from continuos operations** | **4,487** | **3,493** | **842** | **55** | **58** | **53** | **9** | **(10)** | **8,987** | **(4,237)** | **4,750** |
| Extraodinary items, net | - | - | - | - | - | - | - | - | - | - | - |
| Minority Interest | - | - | (126) | - | - | - | - | - | (127) | (136) | (262) |
| **TOTAL NET INCOME** | **4,487** | **3,492** | **716** | **55** | **58** | **53** | **9** | **(10)** | **8,860** | **(4,373)** | **4,487** |

**GFNORTE -BALANCE SHEET AS OF 9M05** ***(Millions of Pesos)***

| | Holding | Banorte | Bancen | rokerag | .easing | Factorin | Varehou ing | Pronego cio | Total | Eliminati ns | Final Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash and due from Banks** | **91** | **34,783** | **2,879** | **3** | **14** | **4** | **39** | **3** | **37,817** | **(1,959)** | **35,858** |
| Negotiable Instruments | - | 3,950 | 426 | 245 | - | - | - | - | 4,622 | (501) | 4,122 |
| Securities held for sale | - | 249 | - | - | - | - | - | - | 249 | - | 249 |
| Securities held to maturity | - | 12,298 | - | - | - | - | - | - | 12,298 | - | 12,298 |
| **Financial Instruments:** | **-** | **16,498** | **426** | **245** | **-** | **-** | **-** | **-** | **17,169** | **(501)** | **16,669** |
| Non-assigned securities to pay | - | - | - | - | - | - | - | - | - | - | - |
| Futures receivable, net | - | 50 | 4 | 12 | - | - | - | - | 65 | - | 65 |
| Options and derivatives, net | - | 27 | - | 251 | - | - | - | - | 277 | - | 277 |
| **Repos & Derivatives :** | **-** | **76** | **4** | **263** | **-** | **-** | **-** | **-** | **343** | **-** | **343** |
| Commercial | - | 45,546 | 915 | - | 1,830 | 2,993 | - | 229 | 51,512 | - | 51,512 |
| Financial Intermediaries | - | 3,392 | - | - | 224 | - | - | - | 3,616 | (1,590) | 2,026 |
| Consumer | - | 14,307 | - | - | 1 | - | - | - | 14,307 | - | 14,307 |
| Mortgage | - | 21,524 | 215 | - | - | - | - | - | 21,739 | - | 21,739 |
| Goverment Entities | - | 13,202 | 8 | - | 47 | - | - | - | 13,256 | - | 13,256 |
| Fobaproa | - | 2,539 | - | - | - | - | - | - | 2,539 | - | 2,539 |
| **Performing Loans** | **-** | **100,510** | **1,138** | **-** | **2,102** | **2,993** | **-** | **229** | **106,970** | **(1,590)** | **105,380** |
| Commercial | - | 499 | 136 | - | 29 | 41 | - | 8 | 713 | - | 713 |
| Financial Intermediaries | - | - | - | - | - | - | - | - | - | - | - |
| Consumer | - | 373 | - | - | - | - | - | - | 373 | - | 373 |
| Mortgage | - | 762 | 10 | - | - | - | - | - | 772 | - | 772 |
| Goverment Entities | - | - | - | - | - | - | - | - | - | - | - |
| **Past Due Loans** | **-** | **1,635** | **146** | **-** | **29** | **41** | **-** | **8** | **1,859** | **-** | **1,859** |
| **Total Loans** | **-** | **102,144** | **1,284** | **-** | **2,131** | **3,033** | **-** | **237** | **108,829** | **(1,590)** | **107,240** |
| Preventive loan loss reserves | - | 2,837 | 152 | - | 33 | 47 | - | 4 | 3,073 | - | 3,073 |
| **Net Loan Portfolio** | **-** | **99,308** | **1,132** | **-** | **2,098** | **2,986** | **-** | **233** | **105,757** | **(1,590)** | **104,167** |
| Credit Assets Portfolio | - | 2,631 | 362 | - | - | - | - | - | 2,994 | - | 2,994 |
| Sundry debtors and other | - | 8,237 | 194 | 114 | 10 | 1 | 7 | 4 | 8,567 | - | 8,567 |
| Foreclosed assets, net | - | 481 | 16 | - | - | - | - | - | 497 | - | 497 |
| Real Estate, Furniture & | - | 4,882 | 119 | 39 | 435 | 1 | 48 | 5 | 5,528 | - | 5,528 |
| Investments in subsidiaries | 19,842 | 861 | 459 | 42 | - | - | - | - | 21,204 | (19,004) | 2,200 |
| Deferred taxes | - | 259 | 122 | - | - | 12 | - | 3 | 397 | (2) | 394 |
| Deferred charges & Intangibles | 39 | 684 | 177 | 173 | - | 3 | 43 | - | 1,120 | (3) | 1,116 |
| Total Other Assets | **19,881** | **18,035** | **1,449** | **368** | **445** | **17** | **99** | **12** | **40,305** | **(19,010)** | **21,296** |
| **TOTAL ASSETS** | **19,973** | **168,699** | **5,891** | **879** | **2,557** | **3,008** | **138** | **248** | **201,391** | **(23,058)** | **178,333** |

## GFNORTE -BALANCE SHEET AS OF 9M05 *(Millions of Pesos)*

| | Holding | Banorte | Bancen | rokerag | .easing | =actorin | Varehou ing | Pronego cio | Total | Eliminati ns | Final Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Demand Deposits | - | 65,524 | - | - | - | - | - | - | 65,524 | (297) | 65,227 |
| Time Deposits | - | 61,474 | 501 | - | - | - | - | - | 61,975 | (627) | 61,348 |
| Bonds | - | - | - | - | - | - | - | - | - | - | - |
| **Deposits** | **-** | **126,998** | **501** | **-** | **-** | **-** | **-** | **-** | **127,498** | **(924)** | **126,575** |
| Demand | - | 2,774 | 18 | - | - | - | - | - | 2,792 | (1,543) | 1,249 |
| Short term | - | 2,671 | 8 | - | 744 | 2,691 | 11 | 181 | 6,306 | (1,580) | 4,726 |
| Long term | - | 10,084 | 63 | - | 1,429 | - | - | - | 11,576 | - | 11,576 |
| **Due to banks & corresp.** | **-** | **15,530** | **89** | **-** | **2,173** | **2,691** | **11** | **181** | **20,674** | **(3,123)** | **17,551** |
| Non-assigned securities to pay | - | - | - | - | - | - | - | - | - | - | - |
| Futures receivable, net | - | 370 | 1 | 12 | - | - | - | - | 382 | - | 382 |
| Options and derivatives, net | - | 6 | - | 262 | - | - | - | - | 268 | - | 268 |
| **Repos & Derivatives:** | **-** | **375** | **1** | **274** | **-** | **-** | **-** | **-** | **649** | **-** | **649** |
| Income Tax & Profit Sharing | 1 | 1,123 | 144 | 26 | - | 5 | 16 | - | 1,315 | - | 1,315 |
| Other Payable accounts | - | 6,152 | 115 | 55 | 132 | 2 | 8 | 6 | 6,470 | (2) | 6,468 |
| **Other payable accounts** | **1** | **7,275** | **259** | **81** | **132** | **7** | **24** | **6** | **7,786** | **(2)** | **7,783** |
| Subordinated non Convertible | - | 4,572 | - | - | - | - | - | - | 4,572 | - | 4,572 |
| Deferred Taxes | - | - | - | - | - | - | 2 | - | 2 | (2) | - |
| Deferred credits | - | 87 | 8 | - | - | - | - | - | 94 | (3) | 91 |
| **TOTAL LIABILITIES** | **1** | **154,837** | **857** | **354** | **2,305** | **2,698** | **37** | **187** | **161,276** | **(4,055)** | **157,221** |
| **STOCKHOLDER´S EQUITY** | | | | | | | | | | | |
| Paid-in Capital | 5,703 | 4,899 | 1,154 | 492 | 150 | 126 | 80 | 71 | 12,676 | (6,972) | 5,703 |
| Share subscription premiums | 1,695 | 1,052 | - | - | - | - | - | - | 2,747 | (1,052) | 1,695 |
| Subordinated Convertible | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Subscribed Capital** | **7,398** | **5,951** | **1,154** | **492** | **150** | **126** | **80** | **71** | **15,422** | **(8,024)** | **7,398** |
| Capital Reserves | 1,672 | 2,902 | 379 | 40 | 53 | 39 | 10 | - | 5,096 | (3,424) | 1,672 |
| Retained Earnings | 16,220 | 4,675 | 2,265 | 428 | 176 | 171 | 57 | (1) | 23,990 | (7,770) | 16,220 |
| Surplus (Deficit) from securities | - | (75) | (14) | - | - | - | - | - | (89) | 89 | - |
| Results of foreign operations | - | - | - | 1 | - | - | - | - | 1 | (1) | - |
| Excess (Insuf.) in capital | (5,819) | (2,538) | - | (483) | (185) | (80) | (3) | - | (9,107) | 3,288 | (5,819) |
| Non Mon assets results Fixed | - | 12 | - | 1 | - | - | - | - | 13 | (13) | - |
| Non Mon assets results Investm | (3,987) | (261) | (65) | (10) | - | - | (53) | - | (4,376) | 389 | (3,987) |
| Adjustment in the employees | - | (296) | - | - | - | - | - | - | (296) | 296 | - |
| Net Income | 4,487 | 3,492 | 716 | 55 | 58 | 53 | 9 | (10) | 8,860 | (4,373) | 4,487 |
| **Earned Capital** | **12,574** | **7,911** | **3,281** | **32** | **102** | **183** | **21** | **(11)** | **24,092** | **(11,519)** | **12,574** |
| Minority Holdings | - | 1 | 600 | - | - | - | - | - | 600 | 539 | 1,139 |
| **Total Stockholder´s Equity** | **19,972** | **13,863** | **5,034** | **524** | **252** | **310** | **100** | **61** | **40,115** | **(19,004)** | **21,111** |
| **TOT. LIAB. & STOCKHOLD.** | **19,973** | **168,699** | **5,891** | **879** | **2,557** | **3,008** | **138** | **248** | **201,391** | **(23,058)** | **178,333** |

## Internal Control

The companies that are part of GFNorte have an Internal Control System (SCI for its acronym in Spanish) in keeping with the directives established by its Board of Directors and the regulatory authorities.

As part of the SCI, the Institution has a Code of Ethics and General Internal Controls that were approved by its Board of Directors.

The Board of Directors, Audit Committee, Statutory Accountant, General Management, Internal Audit and Comptrollership offices all perform clear internal control roles, with the mission of assisting in the appropriate working order of internal controls within their operations.

The structure of the Internal Control Office is supplemented by the directives contained in Circular 1506, which was addressed to credit institutions and that refers to Prudential Internal Control Provisions that seek to strengthen the internal control system established by GFNorte.

On September 27 of this year, the National Banking and Securities Commission (CNBV) issued a new regulation that refers to "Prudential Internal Control Provisions" and which replaces Circular 1506. The Institution presently has the work plan needed to comply with the requirements called for in said provision.

## Treasury Policy

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

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

## Internal and External Liquidity Sources

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

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

Another alternative for getting resources is by issuing capital shares.

## Dividend Policy

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

## Associated loans

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

By September 30, 2005 and 2004, the loans granted to associated parties total Ps 5,384 million and Ps. 4,188 million, respectively.

**Persons In Charge**

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

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

Ing. Sergio García Robles Gil
Chief Financial Officer and Asset Recovery

C.P. Román Martínez Méndez
Managing Director Audit

Lic. Jorge Eduardo Vega Camargo
Executive Director Comptrollership

C.P. Nora Elia Cantú Suárez
Executive Director Accounting

## Basis for submitting Financial Statements

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

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

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

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