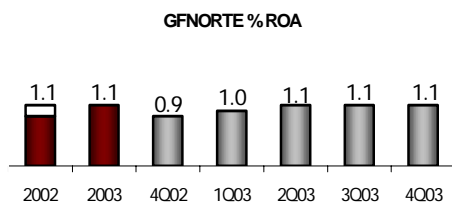
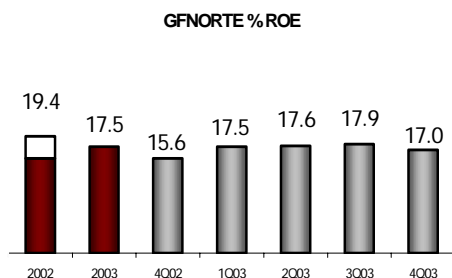
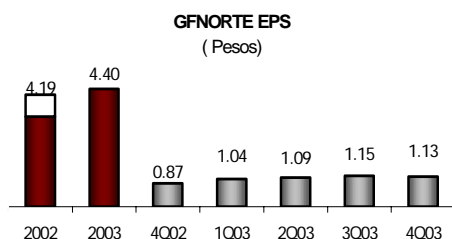
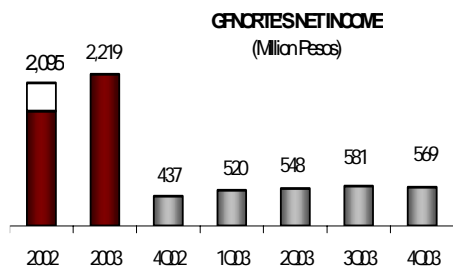


## *GFNorte generates an accumulated net profit of Ps 2,219 million for the year.*

### GRUPO FINANCIERO BANORTE



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- GFNorte's **net profit** in the year was Ps 2,219 million, 6% greater than the accumulated profit in 2002, and 32% excluding the extraordinary income of Generali in 2002, with a contribution of Ps 1,798 million of the Banking Sector (excluding the Afore).
- GFNorte reached a 17.5% **ROE** in 2003, due mainly to the substantial growth of the traditional loan portfolio as well as to greater Trading Income, which made up for the drop in the Net Interest Margin due to declining interest rates.
- On October 28, 2003, a 70 cent per share cash **dividend** was paid, equivalent to a payout of 18% and a yield of 2.1%. This was the second year in a row that dividends were paid since the new dividend policy was decreed in April 2002.
- In December, GFNorte purchased the **Seguros Generali México** insurance company from Assicurazioni Generali. This company will be merged to Seguros Banorte-Generali in the first half of 2004 and will enable us to expand our range of products and markets.

### BANKING SECTOR

- The **traditional loan portfolio** showed a considerable growth of 20.4% during 2003, excluding the Ps 6.8 billion short term loan granted to a federal government financial entity in December, 2002. At the closing of the year the total loans without Fobaproa/IPAB accounted for 49% of the total portfolio of the Group's Banking Business.
- During 4Q03, **Recovery Banking** purchased Bital bank loans for a sum of Ps 2,184 million through Bancen. The total loans purchased by the Recovery Banking in 2003 was Ps 5,286 million, and closed the year administrating Assets for a total of Ps 58,830 million.
- In the Banorte's Extraordinary Shareholders meeting, held on January 27, 2004, the Assembly approved the issue of Non Convertible Subordinated Debentures for up to USD 450 million at a 10 year term with the purpose of strengthening its capital for sustain its future growth and also to pre-pay its Subordinated Notes denominated in UDIS.

### OTROS SECTORES

- The **Long-Term Saving Sector** increased its profits by 26% vs. the previous year, with important growths in the insurance and

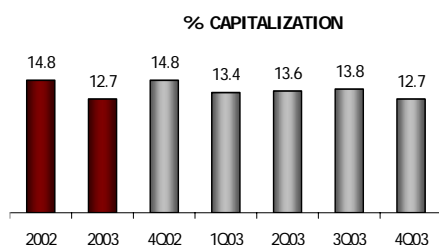
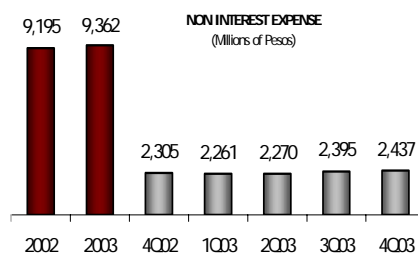
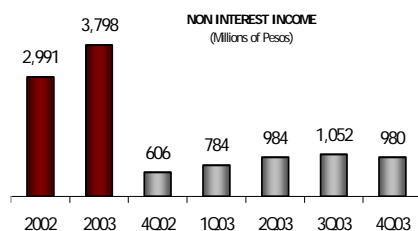
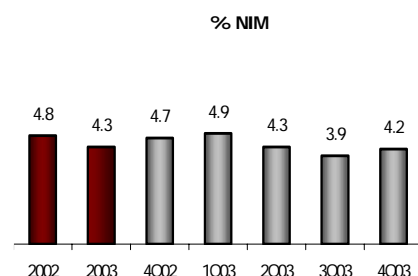
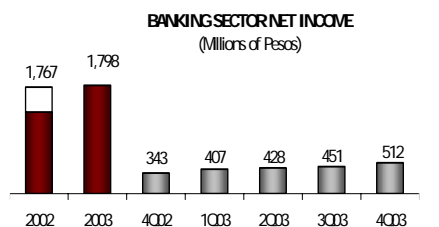
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## BANKING SECTOR



### Net Profit

The Group's Banking Sector totaled a Ps 1,798 million profit (excluding the Afore), 33% higher than the 2002 total (excluding the Assicurazioni Generali's extraordinary Ps 410 million net income in 2002), mainly because of the increase in the Non Interest Income.

### Net Interest Margin

The Net Interest Margin before Repomo fell from 4.8% in 2002 to 4.3% in 2003. The impact of lower interest rates and the narrowing differential between the 28-day Cetes and TIIE rates are responsible for the drop.

### Non Interest Income

The year's accumulated Non Interest Income was 27.0% higher than last year's, principally because of greater Trading Income, the Recovery Banking's good performance, and higher service fees.

### Non Interest Expense

The year's accumulated Non Interest Expense rose only 1.8% vs. last year's, which can be explained by greater project amortizations and an increase in the IPAB Contributions, which were partially made up for by reducing Personnel Expenses.

### Capitalization

The year closed with a 12.7% Capitalization ratio vs. 14.8% in 4Q02. The ratio decreased due to traditional loan portfolio and money market operations growth.

### Loan Portfolio

At the closing of December 2003, the Banking Sector Traditional Loan portfolio balance was Ps 70,007 million, a 20.4% growth vs. December 2002, excluding the short-term loan granted in December 2002 to a financial entity of the Federal government for Ps 6,761 million.

### Asset Quality

The Banking Sector closed the year with a past-due loan balance of Ps 3,517 million, for a past-due loan ratio of 2.4%. Loan reserve coverage for past-due loans reached 122%.

## Executive Summary

**Grupo Financiero Banorte (GFNORTE)** and subsidiaries announced their earnings up to 4Q03. The Net Profit for the quarter was Ps 569 million, 2% lower than in 3Q03, and the overall profit for the year was Ps 2,219 million. This result is 32% higher than that of 2002, excluding the extraordinary Ps 410 million income from Generali received in June 2002. The accumulated profit in 2003 made it possible to reach an annual 17.5% Return on Capital.

The **Banking Sector's** quarterly profit was Ps 512 million (excluding the Afore), 13% higher than that of 3Q03; for an overall profit of Ps 1,798 million, 33% higher than that of last year, excluding Generali's extraordinary income. Given this result, the Banking Sector contributed 81% of the Group's annual profits. The substantial annual growths obtained are the result of the successful transformation of GFNorte's Banking Sector's traditional banking business, which was able to make up for the drop in the net interest margin that was brought on by declining interest rates, through greater loan placement, commercial reactivation of the Bancrecer network that was purchased, and greater trading income.

The **Net Interest Margin** in 4Q03 rose from 3.9% to 4.2% vs. 3Q03, given the increase in the commercial loans and, especially, the mortgage and consumer loans, which had better margins. Another influencing factor was the 76 bp increase in the average 28-day Cetes interest rate in the quarter.

The **Non Interest Income** fell 7% vs. the previous quarter due to lower trading income, which resulted from higher interest rates in the quarter, and increased 27% vs. 2002 because of the greater income from service fees, Recovery Banking and Trading income.

The **Non Interest Expense** rose 1.8% vs. 3Q03 due to seasonal effects. The accumulated yearly expense rose 1.8% vs. 2002 due mainly to the payment of higher rents, advertising investment, IPAB contributions, and depreciations and amortizations, which were partially made up for with a reduction in personnel expenses. The accumulated efficiency ratio in the year improved from 81% in 2002 to 78% in 2003, despite the 82 basis point drop in the average 28-day Cetes interest rate in the period, and the narrowing 51 basis points differential between the Cetes and the TIIE.

The **Demand Deposits without Interest** rose 18% between 4Q02 and 4Q03, which confirms the strategy focused on optimizing our funding cost. On the other hand, Total Deposits closed the year with a Ps 221,080 million balance.

Banorte continues to show a strong increase in its **loan portfolio**. By December 2003, the Total Loan portfolio closed at Ps 149,054 million. It is worth mentioning that in 4Q03 the IPAB pre-paid Ps 7,010 million on its loans, for an annual total of Ps 9,970 million. The Traditional Loans, made up of loans granted per business units and excludes the Fobaproa/IPAB portfolio and that of Recovery Banking, increased 6% vs. 3Q03 and 8% vs. 4Q02, for a balance of Ps 70,007 million. In the quarter, Commercial and Corporate loans showed a 15% growth and a 6% reduction, respectively. With respect to 4Q02, the respective growth and reduction were 30% and 19%, to close the period with balances of Ps 23,036 million and Ps 11, 859 million.

To make up for the interest rate drop with larger margin loans, during 4Q03 the most dynamic loans were Consumer loans. Electronic Payroll loans grew 19% vs. 3Q03 and 108% vs. 4Q02, for a balance of Ps 1,214 million. On the other hand, Credit Cards and Car Loans showed a quarterly growth of 11% and 8%, respectively, and higher than 60% vs. 2002, to close 2003 with balances of Ps 2, 829 and Ps 5,022 million. Mortgage Loans kept their upward trend to close the year with a Ps 13,551 million balance, a quarterly growth of 7% and annual growth of 25%.

Regarding **asset quality**, the Banking Sector closed 4Q03 with a Ps 3,517 million balance in past-due loans, 29% lower than last year. Therefore the past-due loan rate also dropped from 3.1% to 2.4%. Past-due loan reserve coverage closed 2003 at 122%.

The important growth of the **Long Term Saving Sector** is worth mentioning. This sector is made up of the Afore, Annuities and Insurance. Its accumulated profit for GFNorte up to 4Q03 was Ps 217 million, a 26% increase vs. 2002.

The **Brokerage Sector**, on the other hand, accumulated a Ps 102 million profit, 22% higher than last year's. The Auxiliary Organization Sector grew 10% vs. last year and accumulated a yearly profit of Ps 93 million.

In today's (January 29, 2004) GFNorte's Board meeting, Othón Ruiz, who holds the positions of Executive Vice-President of the Board and CEO of both GFNorte and Banorte, asked for the Board's approval to be substituted in his

responsibilities as CEO of both institutions, remaining as Vice President of the Group and as a member of Banorte's Board. Personal and family projects moved Mr. Ruiz to make this decision, after more than 40 years of a successful career as top executive in important companies in Mexico.

GFNorte's Board approved, by unanimity, Mr. Ruiz's petition and recognized his important contribution to the Group during this 8 years, and also agreed that he stays with his present responsibilities until a new CEO is designated.

## Grupo Financiero Banorte

Grupo Financiero Banorte Earnings (Millions of Pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>G. F. Banorte [holding]</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>(1.6)</b>	<b>(12.1)</b>	<b>8.4</b>
Banco Mercantil del Norte (1)	320.1	275.0	253.5	1,467.9	964.0
Banco del Centro	22.9	176.2	258.5	298.9	834.2
<b>Banking Sector</b>	<b>343.0</b>	<b>451.2</b>	<b>512.0</b>	<b>1,766.8</b>	<b>1,798.2</b>
<b>Brokerage Sector (Brokerage House)</b>	<b>21.2</b>	<b>40.6</b>	<b>28.8</b>	<b>83.2</b>	<b>101.7</b>
Generali México Compañía de Seguros, S.A.	-	-	1.0	-	1.0
Afore	25.2	41.5	10.7	129.7	109.9
Insurance	13.1	16.8	9.4	42.0	77.9
Annuities	7.2	7.2	(16.8)	-	28.0
<b>Long-Term Saving Sector</b>	<b>45.5</b>	<b>65.6</b>	<b>4.4</b>	<b>171.7</b>	<b>216.8</b>
Leasing	9.0	8.4	7.6	32.0	27.4
Factoring	9.4	9.0	6.7	30.3	35.3
Warehousing	7.0	4.4	7.7	14.6	20.1
Bonding	3.2	2.4	3.4	8.1	10.6
<b>Auxiliary Organization Sector</b>	<b>28.5</b>	<b>24.2</b>	<b>25.4</b>	<b>85.1</b>	<b>93.3</b>
<b>Total</b>	<b>436.6</b>	<b>581.0</b>	<b>569.1</b>	<b>2,094.7</b>	<b>2,218.5</b>

1) 96.11% owned by GFNorte.

GFNorte Income Statement (Millions of Pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>Net Interest Income (NII)</b>	<b>2,244.6</b>	<b>2,002.1</b>	<b>2,159.6</b>	<b>8,778.4</b>	<b>8,654.1</b>
+ REPOMO-Margin	33.4	6.4	20.8	80.1	55.4
<b>= NET Interest Income after Repomo</b>	<b>2,278.0</b>	<b>2,008.5</b>	<b>2,180.5</b>	<b>8,858.5</b>	<b>8,709.5</b>
- Loan Loss Provisions	256.8	165.6	(0.7)	818.6	756.1
- Loss Sharing Provisions	15.1	1.5	5.7	37.3	52.8
<b>=Net Interest Income after Provisions</b>	<b>2,006.0</b>	<b>1,841.3</b>	<b>2,175.6</b>	<b>8,002.6</b>	<b>7,900.6</b>
+ Non Interest Income	899.7	1,453.9	1,281.7	4,306.5	5,128.0
<b>= Total Operating Income</b>	<b>2,905.7</b>	<b>3,295.2</b>	<b>3,457.3</b>	<b>12,309.1</b>	<b>13,028.8</b>
- Non Interest Expense	2,604.6	2,693.5	2,754.6	10,337.7	10,507.0
<b>= Net Operating Income</b>	<b>301.1</b>	<b>601.7</b>	<b>702.7</b>	<b>1,971.4</b>	<b>2,521.7</b>
+ Non Operating Income (Expense) Net	28.7	76.1	(117.2)	79.3	(115.9)
<b>= Pre-tax Income</b>	<b>329.8</b>	<b>677.8</b>	<b>585.5</b>	<b>2,050.7</b>	<b>2,405.8</b>
- Income Tax & profit sharing	27.3	100.1	47.5	238.8	304.5
- Tax on asset	37.4	10.9	8.0	115.8	38.8
- Deferred Income Tax & profit sharing	(106.6)	(19.1)	(26.2)	7.4	(99.5)
<b>= Net Income before Subsidiaries</b>	<b>371.7</b>	<b>585.9</b>	<b>556.2</b>	<b>1,688.7</b>	<b>2,162.0</b>
+ Undistributed Earnings of Subsidiaries	104.5	46.3	33.5	163.1	200.7
<b>=Net Income-contin. Operation</b>	<b>476.2</b>	<b>632.2</b>	<b>589.6</b>	<b>1,851.8</b>	<b>2,362.7</b>
+ Extraordinary Items, net	(2.5)	-	-	426.9	0.7
- Minority Income	37.2	51.1	20.6	184.0	144.9
<b>=Total Net Income</b>	<b>436.6</b>	<b>581.0</b>	<b>569.1</b>	<b>2,094.7</b>	<b>2,218.5</b>

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

Group's Balance Sheet Highlights (Millions of Pesos)	4Q02			3Q03			4Q03		
Performing loans excluding Fobaproa – IPAB (1)		67,188		68,966		73,210			
FOBAPROA Loans		88,634		84,076		75,726			
Past Due Loans		4,958		3,515		3,562			
Total Loans		160,781		156,557		152,499			
Loan Loss Reserves		5,828		4,457		4,316			
Total Assets		207,322		214,755		213,187			
Deposits		148,884		162,833		162,444			
Equity		12,460		14,206		14,361			
Assets under Management (2)		374,820		379,863		395,373			

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

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

GFNorte Share Data	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
Net Income per Share (Pesos)	0.87	1.15	1.13	4.19	4.40
Dividends per Share (Pesos)	-	-	0.70	1.06	0.70
Book Value per Share (1) (Pesos)	23.23	26.24	26.69	23.23	26.69
Shares Outstanding (Millions of Shares)	499.9	504.6	504.6	499.9	504.6
Price (Pesos)	25.50	33.16	39.00	25.50	39.00
P/BV (Times)	1.10	1.26	1.46	1.10	1.46
Market Cap (Millions of Dollars)	1,224	1,517	1,751	1,224	1,751

1) Excluding Minority holdings.

Group's Financial Ratios	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>Profitability</b>					
ROA (1)	0.9%	1.1%	1.1%	1.1%	1.1%
ROE (2)	15.6%	17.9%	17.0%	19.4%	17.5%
<b>Operation</b>					
Operative Efficiency Ratio (5)	5.2%	5.1%	5.1%	5.4%	5.0%
Efficiency Ratio (3)	86.7%	84.3%	81.1%	81.4%	82.1%
Efficiency Ratio (4)	82.8%	77.9%	80.0%	79.0%	76.2%
<b>Assets Quality</b>					
Loan Loss Reserves to past Due Loans	117.5%	126.8%	121.2%	117.5%	121.2%
Past Due Loans to Total Loans	3.1%	2.2%	2.3%	3.1%	2.3%

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

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

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

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

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

## Banking Sector

Banking Sector's Financial Ratios	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>Profitability</b>					
NIM before Repomo (6)	4.7%	3.9%	4.2%	4.8%	4.3%
ROA (1)	0.7%	0.9%	1.0%	1.0%	0.9%
ROE (2)	14.2%	16.3%	17.9%	19.3%	16.5%
<b>Operation</b>					
Operative Efficiency Ratio (7)	4.7%	4.6%	4.7%	4.9%	4.6%
Efficiency Ratio (3)	87.6%	88.1%	81.2%	82.7%	83.7%
Efficiency Ratio (4)	83.9%	81.4%	80.9%	80.6%	77.9%
Indice de Liquidez (8)	35.1%	46.6%	48.5%	35.1%	48.5%
<b>Assets Quality</b>					
% Past Due Loans with Fobaproa	3.1%	2.3%	2.4%	3.1%	2.4%
% Past Due Loans w/o Fobaproa	7.0%	5.0%	4.8%	7.0%	4.8%
Loan Loss Reserves to past Due Loans	118.0%	127.6%	121.7%	118.0%	121.7%
<b>Growths (9)</b>					
Loans w/o Fobaproa	1.7%	4.7%	5.0%	43.2%	28.8%
Total Loans	1.4%	0.2%	(3.1)%	70.4%	(2.1)%
Traditional Deposits	8.5%	6.2%	(0.3)%	79.2%	9.2%
Total Deposits	5.7%	8.1%	1.3%	65.9%	(0.8)%
<b>Capitalization</b>					
Net Capital/ Credit Risk Assets (5)	17.0%	17.4%	16.9%	17.0%	16.9%
Total Capitalization Ratio (5)	14.8%	13.8%	12.7%	14.8%	12.7%

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

## Information by Sectors

### 1.- Banking Sector

Income Statement <i>(Millions of Pesos)</i>	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>Net Interest Income</b>	<b>2,140.4</b>	<b>1,890.5</b>	<b>2,033.3</b>	<b>8,420.2</b>	<b>8,221.4</b>
+ REPOMO-Margin	42.9	12.2	27.0	119.5	76.6
<b>= Net Interest Income after Repomo</b>	<b>2,183.2</b>	<b>1,902.6</b>	<b>2,060.3</b>	<b>8,539.6</b>	<b>8,298.1</b>
- Loan Loss Provisions	256.6	159.2	(10.9)	818.2	733.0
- Loss Sharing Provisions	15.1	1.5	5.7	37.3	52.8
<b>= Net Interest Income after Provisions</b>	<b>1,911.5</b>	<b>1,741.8</b>	<b>2,065.6</b>	<b>7,684.1</b>	<b>7,512.3</b>
+ Non Interest Income	605.7	1,051.6	979.5	2,991.4	3,798.3
<b>= Total Operating Income</b>	<b>2,517.2</b>	<b>2,793.4</b>	<b>3,045.1</b>	<b>10,675.6</b>	<b>11,310.6</b>
- Non Interest Expense	2,304.7	2,394.5	2,436.6	9,194.8	9,362.2
<b>= Net Operating Income</b>	<b>212.5</b>	<b>399.0</b>	<b>608.5</b>	<b>1,480.8</b>	<b>1,948.4</b>
+ Non Operating Income (Expense) Net	33.8	83.3	(83.0)	88.6	(50.1)
<b>= Pre-tax Income</b>	<b>246.3</b>	<b>482.2</b>	<b>525.5</b>	<b>1,569.4</b>	<b>1,898.2</b>
- Income Tax & profit sharing	32.7	37.7	49.6	99.0	152.9
- Tax on asset	37.4	10.9	8.0	115.8	38.8
- Deferred Income Tax & profit sharing	(116.2)	(20.7)	(28.6)	10.1	(94.0)
<b>= Net Income before Subsidiaries</b>	<b>292.3</b>	<b>454.3</b>	<b>496.4</b>	<b>1,344.6</b>	<b>1,800.6</b>
+ Undistributed Earnings of Subsidiaries	91.3	49.6	36.6	184.4	146.1
<b>= Net Income-continuous Operation</b>	<b>383.6</b>	<b>503.9</b>	<b>533.0</b>	<b>1,529.0</b>	<b>1,946.7</b>
+ Extraordinary Items, net (Generali)	(2.5)	-	-	426.9	0.7
- Minority Income	(0.0)	0.1	0.0	0.0	0.3
<b>= Total Net Income</b>	<b>381.1</b>	<b>503.9</b>	<b>533.0</b>	<b>1,955.9</b>	<b>1,947.2</b>

The Banking Sector's profits (100%) for 4Q03 (including the Afore through the participation method), totaled Ps533 million, 5.8% higher than in 3Q03. The accumulated net profit totaled Ps 1,947.2 million, 27.3% higher than that of the previous year (excluding the Ps 427 extraordinary income by Assicurazioni Generali in 2002). The Net Interest Income before Repomo dropped 2.4% for 2003, mainly because of lower interest rates, which were partially made up for with an 20.4% growth in the Traditional Loans, excluding the short-term loan granted in December 2002 to a financial entity of the Federal government for Ps 6.8 billion. The Loan Loss Provisions charged to the Income Statement fell 10.4% in the year vs. 2002, and closed with a past-due loan reserve coverage of 122%. The Non Interest Income during the year rose 27.0% over the previous year. This was due to greater income from services and from Trading and Recovery Banking. The accumulated Non Interest Expense rose only 1.8% due to higher Rents, Depreciations and Amortizations and to greater IPAB Contributions, which were partially compensated for with a reduction in Personnel Expenses. The concept of Other Products and Expenses dropped vs. the previous year due mainly to lower Recoveries.



## Net Interest Income

Banking Sector Net Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
Interest Income	6,511.9	4,337.4	4,717.1	24,188.2	20,921.3
Interest Expense	4,538.1	2,621.0	2,879.9	16,417.0	13,428.2
Loan Fees	177.4	189.2	209.4	689.9	781.2
Fees Paid	10.8	15.2	13.3	40.9	52.8
<b>Net Interest Income before Repomo</b>	<b>2,140.4</b>	<b>1,890.5</b>	<b>2,033.3</b>	<b>8,420.2</b>	<b>8,221.4</b>
Average Earning Assets	183,032	192,684	194,856	176,140	190,891
<b>NIM before REPOMO (1)</b>	<b>4.7%</b>	<b>3.9%</b>	<b>4.2%</b>	<b>4.8%</b>	<b>4.3%</b>

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

Net Interest Income (Millions of Pesos)	4Q02		3Q03		4Q03	
	BANORTE	BANCEN	BANORTE	BANCEN	BANORTE	BANCEN
Interest Income- loans & securities	4,263.1	1,281.0	3,297.0	863.8	4,270.6	573.4
Interest Income- repo agreement	47.9	919.9	24.8	151.2	(48.9)	(80.4)
Foreign exchange Valuation	-	-	-	-	-	-
UDI valuation	-	-	-	0.6	-	2.3
<b>Interest Income</b>	<b>4,311.0</b>	<b>2,200.9</b>	<b>3,321.8</b>	<b>1,015.6</b>	<b>4,221.8</b>	<b>495.3</b>
Interest Expenses-dep. & funding	2,487.6	16.4	1,643.3	4.5	1,820.0	2.0
Interest expenses- repo agreement	1,332.5	661.8	592.7	335.9	911.1	130.8
Foreign exchange Valuation	20.4	0.4	33.9	1.4	(4.9)	0.5
UDI valuation	22.1	(3.2)	9.3	-	20.3	-
<b>- Interest Expense</b>	<b>3,862.7</b>	<b>675.4</b>	<b>2,279.2</b>	<b>341.8</b>	<b>2,746.5</b>	<b>133.4</b>
Loan Fees	177.3	0.1	189.2	-	209.4	-
Fees paid	10.8	-	15.2	-	13.3	-
<b>= Net Interest Income</b>	<b>614.8</b>	<b>1,525.5</b>	<b>1,216.7</b>	<b>673.8</b>	<b>1,671.3</b>	<b>362.0</b>

During the quarter, the Net Interest Income before Repomo rose 7.6% over the previous quarter, the Net Interest Margin (NIM) went from 3.9% to 4.2%, due to the following factors:

### Increased:

- A 5.5% growth of the traditional Banking loan portfolio in the quarter.
- Favorable impact of the peso's depreciation with respect to the dollar. The exchange rate went from 11.01 pesos/dollar at the close of 3Q03 to 11.24 pesos/dollar at the closing of 4Q03.
- Increased interest rates compared to those of the previous quarter. The average rate for the 28-day CETES went from 4.60% in 3Q03 to 5.36% in 4Q03, and the average TIIE rate went from 5.09% in 3Q03 to 5.79% in 4Q03.
- Improved mix of Deposits, as the system's liquidity improves at year's end.

### Decreased:

- Narrowing differential between the TIIE and the 28-day CETES rates, that went from 49 bp in 3Q03 to 43 bp in 4Q03.
- IPAB pre-payments for Ps 7,010 million during the quarter.

The Net Interest Income before Repomo for the year fell from 4.8% in 2002 to 4.3% in 2003, due to the following factors:

**Increased:**

- Substantial 20.4% growth of the traditional banking loan portfolio, excluding the Ps 6.8 billion short term loan granted to a federal government financial entity in December, 2002.
- Higher loan fees, which rose by 13.2%.
- Increase in the exchange rate; from 10.44 pesos/dollar by 4Q02 to 11.24 pesos/dollar by 4Q03.

**Decreased:**

- The reduction in the differential between the average 28-day Cetes rate and that of the 28-day TIIE rate, from 107 bp in 2002 to 57 bp in 2003, as a large part of the traditional loans and the entire IPAB portfolio are referenced to the TIIE.
- Lower average interest rates during 2003, as the 28-day CETES went from 7.09% to 6.26% and the TIIE from 8.16% to 6.83% as compared to 2002.

The following is a quarterly analysis of the Net Interest Margin, with a breakdown of interest-generating assets. The Margin from the Traditional Loan Portfolio increased from 8.0% in 3Q03 to 8.4% in 4Q03. The Margin from Fobaproa / IPAB increased from 2.2% to 2.5% and that of Others (which includes, for the purpose of this analysis the Deposits in Banxico, Deposits in Other Banks and Securities Portfolio) fell by 20 bp. In annual basis, the Traditional Loan Portfolio margin increased by 170 bp, meanwhile Fobaproa / IPAB and Other decreased by 100 bp and 260 bp, respectively, as compared to 2002.

Net Interest Income & NIM by type of asset (Millions of Pesos)	QUARTER						ACCUMULATE					
	VOL		%		VOL		%		VOL		%	
	4Q02		3Q03		4Q03		2002		2003			
Traditional Loan Portfolio	58,245	7.6	64,501	8.0	68,072	8.4	60,052	6.3	64,704	8.0		
FOBAPROA / IPAB	91,430	3.5	85,537	2.2	79,901	2.5	86,183	3.9	84,723	2.9		
Other <sup>(1)</sup>	33,356	2.8	42,647	1.1	46,882	0.9	29,905	4.1	41,464	1.5		
<b>TOTAL</b>	<b>183,032</b>	<b>4.7</b>	<b>192,684</b>	<b>3.9</b>	<b>194,856</b>	<b>4.2</b>	<b>176,140</b>	<b>4.8</b>	<b>190,891</b>	<b>4.3</b>		

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

## Non Interest Income

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
+ Fund Transfers	47.0	45.6	43.9	194.0	177.8
+ Account Management Fees	153.4	186.6	205.6	666.2	710.4
+ Fiduciary	181.0	167.3	265.3	823.1	720.7
+ Credit Card	150.3	157.1	186.9	591.0	654.5
+ Income From loan portfolios acquired	(44.9)	34.6	43.8	411.0	165.0
+ Electronic Banking Services	62.6	59.9	77.4	254.4	260.1
+ From Fobaproa	119.9	256.2	139.4	381.4	477.2
+ Other Fees	132.2	150.5	153.1	542.6	580.7
<b>Fees on purchased services:</b>	<b>801.5</b>	<b>1,057.8</b>	<b>1,115.4</b>	<b>3,863.8</b>	<b>3,746.5</b>
+ Fund Transfers	-	0.0	-	0.0	0.0
+ Other Fees	283.5	204.1	115.7	864.1	655.3
+ Expense From loan portfolios acquired	26.8	26.9	32.0	295.8	129.8
<b>Fees Paid :</b>	<b>310.3</b>	<b>231.0</b>	<b>147.7</b>	<b>1,160.0</b>	<b>785.1</b>
<b>=Net Fees</b>	<b>491.2</b>	<b>826.7</b>	<b>967.7</b>	<b>2,703.8</b>	<b>2,961.4</b>
+ Foreign Exchange	86.8	102.3	84.4	340.4	393.5
+ Securities- Realized gains	11.1	70.9	(37.5)	(4.3)	467.8
+ Securities- Unrealized gains	16.6	51.6	(35.1)	(48.5)	(24.5)
<b>Trading Income</b>	<b>114.5</b>	<b>224.9</b>	<b>11.8</b>	<b>287.6</b>	<b>836.9</b>
<b>= Non Interest Income</b>	<b>605.7</b>	<b>1,051.6</b>	<b>979.5</b>	<b>2,991.4</b>	<b>3,798.3</b>

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

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
Service	467.7	521.1	584.7	1,964.6	2,086.3
Recovery	23.5	305.6	383.0	739.2	875.1
Trading	114.5	224.9	11.8	287.6	836.9
<b>= Non Interest Income</b>	<b>605.7</b>	<b>1,051.6</b>	<b>979.5</b>	<b>2,991.4</b>	<b>3,798.3</b>

The Non Interest Income for the quarter fell by 6.9% vs. 3Q03 and increased 27% in a yearly basis. These variations were due to the following factors:

### Service Fees:

The fees rose 12.2% vs. 3Q03 because of the greater activity in various services. Account management fees increased by 10.2%, while the Electronic Banking Service Fees increased by 29.2% and the fees for Credit Cards registered a 19.0% increase.

The Service Fee Income accumulated through the year rose by 6.2% vs. 2002 as a result of the new clients that were attracted and which show the following rise in fee collecting: Credit Cards, 10.7%; Account Management fees, 6.6%; and Electronic Banking Services, 2.2%.

### Recovery:

Non Interest Income (Millions of Pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>SERFIN</b>					
Fee Income (Fiduciary)	135.6	122.7	214.0	639.8	542.8
- Fee Expense (Other Fees Paid)	160.3	81.0	(17.8)	397.2	180.1
<b>= Net Fees from Serfin</b>	<b>(24.7)</b>	<b>41.7</b>	<b>231.8</b>	<b>242.6</b>	<b>362.7</b>
<b>LOAN PORTFOLIOS ACQUIRED</b>					
Income	(44.9)	34.6	43.8	411.0	165.0

- Expense	26.8	26.9	32.0	295.8	129.8
<b>= Net Income from loan portfolios acquired</b>	<b>(71.7)</b>	<b>7.7</b>	<b>11.8</b>	<b>115.2</b>	<b>35.2</b>
<b>FOBAPROA FEES</b>					
From FOBAPROA	119.9	256.2	139.4	381.4	477.2
<b>= Fobaproa Fees</b>	<b>119.9</b>	<b>256.2</b>	<b>139.4</b>	<b>381.4</b>	<b>477.2</b>
<b>Non Interest Income – Recovery Bank</b>	<b>23.5</b>	<b>305.6</b>	<b>383.0</b>	<b>739.2</b>	<b>875.1</b>

The Non Interest Income derived from Recovery Banking in the quarter rose by 25.3% vs. 3Q03, due to higher net income in the Serfin Portfolio fees, which include a payment of Ps 105 million of the IPAB for modifying the original portfolio administration contract. This modification includes the retroactive effect of handling close to Ps 2,800 million in additional assets, such as shares and securities, and real estate fiduciary rights, which were turned over to Bancen since February 28, 2000. Moreover, the amortizations of pervious quarters were cancelled as they were reprogrammed according to the new estimate of the total term for the investment amortization. The fees charged to Fobaproa dropped with respect to the previous quarter as in 3Q03 there was a charge retroactive to Dec/02 for Ps 120 million for the portfolio administration fees of Bancen and Banpais. Overall, there was an 18.4% increase in the Recovery Banking Non Interest Income due to the higher Serfin portfolio income and that of the Fobaproa portfolio. More detailed information about this business unit is found in another section of this report.

### Trading:

The quarter's Trading Income fell by 94.8%, mainly because of the negative impact of the increase in interest rates from 3Q03 to 4Q03, which affected both Security Realized Gains as well as Security Unrealized Gains. On the other hand, the Foreign Exchange incomes showed a 17.5% drop during the quarter.

The accumulated Trading Income rose 191.0% vs. 2002 because of the substantial increase in Security Realized Gains and the 15.6% increase in Foreign Exchange.

### **Non Interest Expense**

<b>Non Interest Expense</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	<b>4Q02</b>	<b>3Q03</b>	<b>4Q03</b>	<b>2002</b>	<b>2003</b>
Personnel Expenses	951.4	947.3	913.6	3,916.1	3,794.2
+Professional Fees	104.6	125.1	97.9	415.7	421.4
+Administrative and Promotion Expenses	598.2	622.6	675.3	2,342.2	2,378.7
+Rent, Depreciation & Amortization	281.0	363.0	375.9	1,221.5	1,391.0
+Tax other than income tax	192.3	153.2	187.7	621.2	644.5
+Contributions to IPAB	177.2	183.2	186.2	678.2	732.4
- Corporate Expense Recoveries	-	-	-	-	-
<b>= Non Interest Expense</b>	<b>2,304.7</b>	<b>2,394.5</b>	<b>2,436.6</b>	<b>9,194.8</b>	<b>9,362.2</b>

The Non Interest Expense in the quarter rose by 1.8% vs. 3Q03 due to seasonality. Personnel Expenses dropped 3.6% due to lower compensation (severance) provisions. Professional Fees dropped 21.7% due to cancelled contracts with various suppliers in the IT area. The Administration and Promotion Expenses rose by 8.5% because of the purchase of software, late payments with suppliers and repairs on ATMs. The Rent, Depreciation & Amortization rose 3.6% as a result of higher amortization of the Installation Expenses, as they were amortized beforehand because of the closing of 29 branches in 4Q03 as part of the optimization process of the network. Other Taxes rose 22.5% because of higher VAT expenses of the normal operations, and the IPAB contributions rose 1.6% as there was a greater deposit volume.

The overall year's Non Interest Expense rose by 1.8% vs. 2002, with a 3.1% reduction in Personnel Expenses. The main increase was in Rent, Depreciation and Amortization, due to the greater Installation Expense amortizations, Equipment and Software Rental, and the amortization of the expenses incurred in the operative and technological integration of Bancrecer and Banorte. The Administration and Promotion Expenses rose in 2003 because of the advertising campaigns used to promote low-cost deposit products. The efficiency ratio improved from 81% in 2002 to 78% in 2003, despite the drop in interest rates and the narrowing differential between Cetes and TIIE rates.

**Non Operating Income (Expense) Net**

<b>Non Operating Income (Expense)</b> <i>(Millions of Pesos)</i>	<b>QUARTER</b>			<b>ACCUMULATE</b>	
	<b>4Q02</b>	<b>3Q03</b>	<b>4Q03</b>	<b>2002</b>	<b>2003</b>
+ Other Revenues	177.7	127.0	121.0	531.6	409.7
+ Foreign Exchange	-	-	-	-	-
+ Recoveries	93.2	65.9	16.2	357.9	157.5
+ Repomo-other revenues	11.1	3.1	10.9	14.2	20.4
<b>= Non Operating Income</b>	<b>281.9</b>	<b>196.1</b>	<b>148.2</b>	<b>903.7</b>	<b>587.6</b>
- Other Expenses	(103.2)	(52.6)	(93.3)	(461.9)	(327.5)
- Foreign Exchange	(0.2)	(2.1)	-	(7.1)	(2.1)
- Repomo-other expenses	(144.8)	(58.1)	(137.9)	(346.0)	(308.1)
<b>= Non Operating Expense</b>	<b>(248.2)</b>	<b>(112.8)</b>	<b>(231.2)</b>	<b>(815.0)</b>	<b>(637.7)</b>
<b>= Non Operating Income (Expense) Net</b>	<b>33.8</b>	<b>83.3</b>	<b>(83.0)</b>	<b>88.6</b>	<b>(50.1)</b>

The net result of Other Products and Expenses in the quarter was minus Ps 83.0 million as compared to the Ps 83.3 million in 3Q03. This variation was a result of the following factors:

**Other Products:**

A Ps 49.7 million drop in Recoveries vs. the previous quarter, as in 3Q03 Ps 47.0 million in Diverse Creditors was canceled, most of it from UDIS Trusts.

**Other Expenses**

Other Expenses rose Ps 40.7 million vs. 3Q03 mainly because of the creation of Ps 11.1 million in provisions for fees returns and an increase of Ps 13.8 million in write-offs by Fraud. Additionally, Repomo-Other Expenses rose by Ps 79.8 million because of higher inflation in the quarter.

The overall annual net result for Other Products and Expenses went from Ps 88.6 million in 2002 to a loss of Ps 50.1 million 2003 because of decreases of 22.9% in Other Income because of lower collecting for consulting services to non-banking subsidiaries, and 56.0% in Recoveries. Other Expenses, on the other hand, fell 21.8% vs. 2002.

## Loan Portfolio

Loan Portfolio (Millions of Pesos)	TRADITIONAL BANKING		RECOVERY BANKING		FOBAPROA		TOTAL	
	3Q03	4Q03	3Q03	4Q03	3Q03	4Q03	3Q03	4Q03
<b>Commercial</b>	<b>32,784</b>	<b>34,895</b>	<b>1,026</b>	<b>927</b>	-	-	<b>33,810</b>	<b>35,822</b>
Commercial	20,112	23,036	1,026	927	-	-	21,140	23,962
Corporate	12,671	11,859	-	-	-	-	12,671	11,859
<b>Financial Entities</b>	<b>3,706</b>	<b>3,350</b>	-	-	-	-	<b>3,706</b>	<b>3,350</b>
Consumer	<b>8,210</b>	<b>9,065</b>	<b>38</b>	<b>40</b>	-	-	<b>8,248</b>	<b>9,105</b>
Credit Card	2,541	2,829	-	-	-	-	2,541	2,829
Automobile	4,651	5,022	11	13	-	-	4,663	5,036
Electronic Payroll	1,018	1,214	26	27	-	-	1,043	1,240
<b>Mortgages</b>	<b>12,681</b>	<b>13,551</b>	<b>2,396</b>	<b>2,346</b>	-	-	<b>15,077</b>	<b>15,897</b>
<b>Government Entities</b>	<b>8,955</b>	<b>9,147</b>	<b>8</b>	<b>8</b>	<b>77,311</b>	<b>69,041</b>	<b>86,275</b>	<b>78,196</b>
Government Entities	8,955	9,147	8	8	-	-	8,963	9,155
IPAB	-	-	-	-	77,311	69,041	77,311	69,041
<b>Fobaproa</b>	-	-	-	-	<b>6,765</b>	<b>6,685</b>	<b>6,765</b>	<b>6,685</b>
<b>Total</b>	<b>66,338</b>	<b>70,007</b>	<b>3,468</b>	<b>3,321</b>	<b>84,076</b>	<b>75,726</b>	<b>153,882</b>	<b>149,054</b>
Total Loans w/o Fobaproa/ IPAB							69,806	73,329
Fobaproa / IPAB loans							84,076	75,726
Past Due Loans							3,472	3,517

The Total Loan Portfolio without Fobaproa/IPAB rose by 5.1% in the quarter, going from Ps 69,806 to Ps 73,329 million. This growth is explained below:

- Commercial Loans grew 13.4%, as new loans were granted during the quarter as part of the promotion focused on medium and small companies. On the other hand, Corporate Loans decreased by 6.4% given the payments in dollars made during the quarter.
- The Financial Entities Loans dropped 9.6%, due to payments made by some Groups subsidiaries.
- Consumer Loans is still very dynamic and growing. The Credit Card Portfolio rose 11.3% in the quarter due to a promotional program to attract new clients and to the fact that our clients are using their credit cards more often. Car Loans rose 8.0% due to the 10,484 new loans granted during the quarter. Electronic payroll loans rose by 18.9%, given the 37,813 new loans of the quarter.
- Mortgage Loans showed a 5.4% increase, as 2,455 new loans were granted.
- The Government Entities Loans rose 2.1% as new loans were granted.
- The IPAB Portfolio dropped 10.7% due to the Ps 7,010 pre-payments in 4Q03 that, along with the Ps 2,960 million paid in previous quarters, make a total of Ps 9,970 million in pre-payments in 2003. The pre-payments were received on the Bancen and Banpais portfolio, whose rate is TIIE + 0.85 bp.
- The effect of the exchange rate was favorable to the loan portfolio as the peso/dollar rate went from 11.01 pesos/dollar to 11.24 pesos/dollar from 3Q03 to 4Q03.

Past-due Loans increased 1.3% vs. 3Q03, for a closing balance of Ps 3,517 million, and a 2.4% past-due loan ratio.

TRADITIONAL BANKING LOAN PORTFOLIO						
(Millions of Pesos)	4Q02	3Q03	4Q03	%Quarterly Growth	%Annual Growth	
Commercial	17,743	20,112	23,036	14.5%	29.8%	
Corporate	14,573	12,671	11,859	(6.4)%	(18.6)%	
Mortgages	10,838	12,681	13,551	6.9%	25.0%	
Automobile	3,089	4,651	5,022	8.0%	62.6%	
Credit Card	1,729	2,541	2,829	11.3%	63.6%	
Electronic Payroll	583	1,018	1,214	19.3%	108.2%	
Government Entities	6,054	8,955	9,147	2.1%	51.1%	
Financial Entities	3,545(*)	3,706	3,350	(9.6)%	(5.5)%	
<b>Total</b>	<b>58,155(*)</b>	<b>66,338</b>	<b>70,007</b>	<b>5.5%</b>	<b>20.4%</b>	

In 4Q02 Ps 2,141 million of a financial entity was reclassified, which had mistakenly been classified as Commercial Loan. For comparison purposes the figures reported in 2002 were corrected. This correction was also included in the 1Q03 Report.

(\*) It excludes the short-term loan for Ps 6,761 million granted to a financial entity of the Federal Government in December 2002.

Traditional Loans = Total Loans – FOBAPROA Notes – IPAB Loans – Banorte loans managed by Recovery Banking.

Comparing the Traditional Banking loans of 4Q03 with that of 4Q02, we can see an important increase as new loans

were places, for a 20.4% total, excluding the Ps 6,761 million short-term loans granted to a financial entity of the Federal Government in December 2002. Consumer Loans growth was substantial as Electronic payroll loans rose 108.2%, Car loans, 62.6%, and Credit Cards, 63.6%. Mortgage loans kept its upward course reaching 25.0%. The loans to Financial Entities (excluding the Ps 6,761 million short-term loan mentioned above) decreased by 5.5% and Government Entities loans grew by 51.1%. Finally, Commercial loans grew 29.8% and Corporate loans dropped 18.6% due mainly to the payment from Pulsar of Ps 500 in 3Q03 and to the pre-payment of a performing loan of Ps 490 million from a company of the communications sector during 4Q03. These growth are the result of an aggressive promotion campaign by Banorte to place loans, reflecting the dynamism in the consumer Sector and increased loan demand by companies.

### Classified Loans

Millions of Pesos		RESERVES			
Category	LOANS	COMMERCIAL	CONSUMER	MORTGAGE	RESERVES
A	59,157	304	36	58	398
B	5,775	160	117	161	437
C	2,400	484	119	146	749
D	1,090	39	200	531	770
E	1,314	1,116	185	-	1,301
Total	<b>69,737</b>	<b>2,103</b>	<b>657</b>	<b>895</b>	<b>3,655</b>
Not Classified	(16)				
Exempted	80,146				
<b>Total</b>	<b>149,867</b>	<b>2,103</b>	<b>657</b>	<b>895</b>	<b>3,655</b>
Reserves					<b>4,282</b>
Excess / (Deficit)					<b>627</b>

Note : Consolidated with UDIS. With September'03, per application of Report 1449,1460,1480 Y 14 of the CNByV (the National Banking and Securities Commission).  
(\*) Includes Financial Intermediaries, Government Entities, Irrevocable Lines of Credit and Signatures Guarantees Granted.

### Loans Loss Reserves (LLR)

Loan Loss Reserves (Millions of Pesos)	4Q03		
	BANORTE	BANCEN	Total
<b>PREVIOUS PERIOD END BALANCE</b>	<b>3,978</b>	<b>451</b>	<b>4,429</b>
Provision taken in the period	(18)	-	(18)
UDI trusts transfers	15	(3)	12
Charge offs and discounts <sup>(1)</sup> :			
Commercial Portfolio	(10)	(6)	(16)
Foreclosed assets	-	-	-
Consumer Portfolio	(36)	-	(36)
Mortgage Portfolio	(28)	-	(29)
	<b>(74)</b>	<b>(6)</b>	<b>(80)</b>
Cost of debtors support programs	(28)	(3)	(31)
Valuation and Others	(29)	(2)	(31)
<b>LOAN LOSS RESERVES AT PERIOD END</b>	<b>3,845</b>	<b>437</b>	<b>4,282</b>

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

During the quarter, Ps 18 million were provisioned through the Income Statement and Ps 80 million were taken out through Charge offs and discounts related to Collections and restructuring of loans, from which Ps 16 millions came from Commercial loans, Ps 36 millions came from Consumer loans, and Ps 29 millions from Mortgage loans. The Loan Loss Reserve balance at the end of 4Q03 was Ps 4,282 million.

## Reserve Coverage

<b>Reserve Coverage</b> <i>(Millions of Pesos)</i>	<b>Past Due Loans</b>	<b>Reserves</b>	<b>Reserves/Past Due Loans</b>
<b>BANORTE</b>			
Comercial	1,718	1,718	100.0%
Financial Intermediaries	-	-	-
Consumer	449	449	100.0%
Mortgage	1,037	1,037	100.0%
Government Entities	8	8	100.0%
Surplus	-	633	-
<b>Total Banorte</b>	<b>3,213</b>	<b>3,845</b>	<b>119.7%</b>
<b>BANCEN</b>			
Comercial	159	159	100.0%
Financial Intermediaries	-	-	-
Consumer	-	-	-
Mortgage	146	146	100.0%
Government Entities	-	-	-
Surplus	-	132	-
<b>Total Bancen</b>	<b>305</b>	<b>437</b>	<b>143.3%</b>
<b>Total Banking Sector</b>	<b>3,517</b>	<b>4,282</b>	<b>121.8%</b>

The Reserve Coverage of the Banking Sector at 4Q03 was 121.8%. For Banorte the reserve coverage was 119.7% and 143.3% for Bancen. Both Banks have individual coverages of 100.0% for each type loan portfolio, with surpluses of Ps 633 million in Banorte and Ps 437 million in Bancen.

During 4Q03, the Banking Sector did not create new loan provisions because once the Grupo Pulsar loan was paid in 3Q03, the loan reserves associated with that loan were released. This surplus was used in both 3Q03 and mainly in 4Q03.

## Deposits

<b>Deposits</b> <i>(Millions of Pesos)</i>	<b>4Q02</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	54,738	58,252	66,191
Time Deposits	92,833	104,786	96,372
Bonds	1,345	-	-
<b>Traditional Deposits</b>	<b>148,916</b>	<b>163,038</b>	<b>162,563</b>
On behalf of Third Parties Deposits (*)	74,04	55,256	58,517
<b>Total Deposits</b>	<b>222,920</b>	<b>218,294</b>	<b>221,080</b>

(\*) Accounted in Memorandum Accounts.

The quarter closed with a Total Deposits balance of Ps 221,080 million, 1.3% higher than in 3Q03. Traditional Deposits stayed practically the same as in the previous quarter, although the mixture with low-cost deposits was enhanced due to new deposits attracted by the promotion and advertising programs for such products. The Demand Deposits rose 13.6%, while Time Deposits dropped by 8.0%. During 4Q03, the Money Market operations were transferred from Bancen to Banorte, at the time of their maturity, in an effort to reduce back office operations and improve controls relating to the clearing of the repurchase transactions through the Indeval (the Mexican clearing system). Annually, Total Deposits fell by 0.8% vs. 2002, with a 20.9% growth in Demand Deposits and a 3.8% in Time Deposits. Both were supported by the strategy of constantly striving to optimize the deposit mix in Banorte.



## Capitalization

<b>Capitalization</b> <i>(Millions of Pesos)</i>	<b>3Q03</b>	<b>4Q03</b>
Tier 1 Capital	11,548	11,687
Tier 2 Capital	2,468	2,497
<b>Net Capital</b>	<b>14,016</b>	<b>14,184</b>
Credit risk assets	80,778	84,162
Net Capital/ Credit Risk Assets	17.4%	16.9%
Total risk assets (1)	101,529	111,380
Tier 1	11.4%	10.5%
Tier 2	2.4%	2.2%
<b>Total Capitalization Ratio</b>	<b>13.8%</b>	<b>12.7%</b>

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

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

At the close of 4Q03, The Banking Sector's capitalization ratio was 12.7% considering both credit and market risks and 16.9% considering only credit risk. The Tier 1 was 10.5% and 2.2% for Tier 2. The Net Capital increased mainly as a result of the profits generated during the quarter. In 4Q03 Bancen paid Grupo Financiero Banorte a cash dividend for Ps 365. The capitalization ratio decreases with respect to 3Q03 due to the traditional loan portfolio growth as well as increase in money market operations.

## US Dollar Assets and Liabilities

<b>US Dollar Assets and Liabilities</b> <i>(Millions of Dollars)</i>	<b>3Q03</b>	<b>4Q03</b>
<b>Assets</b>		
Cash	41	44
Deposits on Foreign Banks	312	148
Intergroup Deposits	-	-
USCP	96	78
Remittances Securitization Trust	15	8
Investment portfolio	641	648
Loan portfolio	979	851
Fobaproa – IPAB Notes(1)	(28)	(30)
Cross Currency Swaps	-	-
Foreign Exchange Derivatives	73	250
Fx Position	-	103
Other assets	17	38
<b>Total Assets</b>	<b>2,147</b>	<b>2,137</b>
<b>Liabilities</b>		
Retail Deposits	993	1,035
Market Issues	34	27
Loans from Banks	93	80
Intergroup Funding	-	-
Development Banks	83	82
Cross Currency Swaps	686	701
Deferred payments	-	-
Loan Loss Reserves	99	85
Subordinated Debentures	112	112
Foreign Exchange Derivatives	5	3
Fx Position	17	-
Other liabilities	25	12
<b>Total Liabilities</b>	<b>2,147</b>	<b>2,137</b>

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

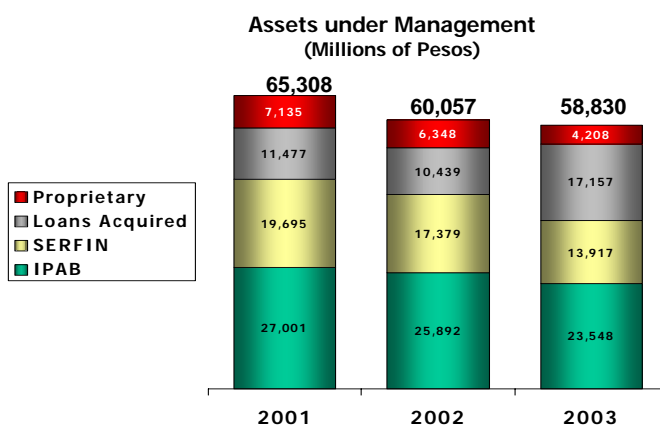
The total balance of assets in dollars at the close of 4Q03 was USD 2,137 million, similar to that of 3Q03. An important growth was registered in Futures, Forwards, and Options, while there were drops of 53% and 13% in Foreign Bank Deposits and in the Loan Portfolio, respectively.

### Recovery Banking

#### Achievements

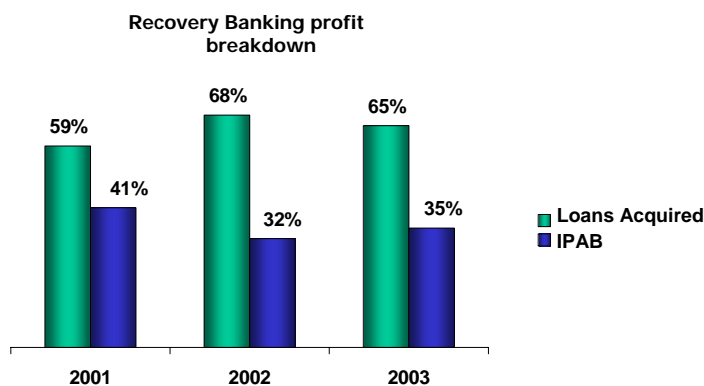
The Banorte Recovery Banking has been the most important loan recovery and asset administration unit in the Mexican market since it was established in 1997. For the last 3 years, it has contributed with over 25% of the Group's Banking Sector profits. Its most outstanding achievements include: the purchase of 47% of the portfolios auctioned by the IPAB and other banks as of today, an average collecting rate of over 40%, and having performed the first securitization of mortgage loans in Mexico which received a "AAA" rating by Fitch, which means "the highest loan quality" and represents the highest rating given by Fitch Mexico in the scale of domestic ratings.

#### Current Situation



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

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



Note: Serfin is included in Loans Acquired.

#### Loan Purchases in 3Q03

In 4Q03, the Recovery Banking acquired Ps 2,184 million in Mortgage loans to Bitel bank, through Bancen, accumulating Ps 5,286 million in loans acquired in 2003.

## Future Plans

Banorte intends to continue purchasing new loan portfolios from IPAB and from other banks, as well as manage and market assets. The purpose is to extend this important business unit's life. There is current information about IPAB and private loan portfolios that will be set up for bids during the first nine months of the year for over Ps 27,184 million. This business unit will take part in the bidding only for the more attractive ones that fit into the defined strategy.

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

## Recovery Banking

Recovery Banking Income Statement (Millones de Pesos)	ACCUMULATED	
	2002	2003
Net Interest Income	8	(6)
+ REPOMO-margin	-	-
<b>= Net Interest Income After REPOMO</b>	<b>8</b>	<b>(6)</b>
- Loan Loss Provisions	(29)	107
<b>= Net Interest Income After Provisions</b>	<b>38</b>	<b>(112)</b>
+ Fiduciary	242	363
+ Fobaproa Fees (1)	381	477
+ Other Fees	180	79
Non Interest Income	<b>803</b>	<b>919</b>
<b>= Total Operating Income</b>	<b>841</b>	<b>806</b>
Non Interest Expense	259	193
= Net Operating Income	<b>582</b>	<b>613</b>
- Other Revenues and Expenses	-	40
<b>= Pre-tax Income</b>	<b>582</b>	<b>653</b>
- Income Tax & Profit Sharing	48	-
- Tax on Asset	-	-
- Deferred Income Tax & Profit Sharing	-	-
<b>= Net Income before Subsidiaries</b>	<b>534</b>	<b>653</b>
+ Undistributed Earnings of Subsidiaries	46	49
<b>= Net Income-continuous Operation</b>	<b>580</b>	<b>701</b>
+ Extraordinary Items, net	-	-
- Minority Income	-	-
<b>= Total Net Income</b>	<b>580</b>	<b>701</b>

(1) Net Figures.

(2) Includes Net Income From Loan Portfolios.

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

Assets Under Management (Millions of Pesos)	4Q03	ACCOUNTING IN THE BALANCE SHEET	ACCOUNTING IN THE INCOME STATEMENT
<b>Fobaproa-IPAB: Portfolios</b>			
Banking Sector (1)	17,452	Out of balance trusts	Fees from FOBAPROA
Serfin	10,837	Serfin Trust	Fiduciary
Reposessed assets	9,176	Out of balance trusts	Fobaproa fees and Fiduciary
	37,465		
<b>Loans purchased to IPAB and to Other Banks:</b>	16,886	Sólida Administradora de Portafolios Bancen	Undistributed Earnings from Subsidiaries (Sólida) and Non Interest Income (Bancen)
<b>Banking Sector Portfolio:</b>			
Banking Sector (1)	3,119	Banorte's Portfolio	Net Interest Income
Reposessed assets	1,360	Banorte's Reposessed assets	Other Revenues and Expenses

	4,479
<b>Total</b>	<b>58,830</b>

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

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

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

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

<b>Recovery Banking Contribution</b> <i>(Millions of Pesos)</i>	<b>ACCUMULATED</b>	
	<b>2002</b>	<b>2003</b>
Traditional Banking Net Income	949	1,246
Recovery Bank Net Income	580	701
<b>Banking Sector Net Income(*)</b>	<b>1,529 (1)</b>	<b>1,947</b>
<b>=% of Contribution</b>	<b>37.9%</b>	<b>36.0%</b>

(\*) Banking Sector 100.0%

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

Recovery Banking contributed with Ps 701 million to the Banking Sector's overall 2003 profit; a contribution of 36.0%

## 2.- Brokerage Sector

Brokerage Sector (Millions of Pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>Brokerage House</b>					
Net Income	21.2	40.6	28.8	83.2	101.7
Equity	338.6	406.0	433.5	338.6	433.5
Total Assets	474.8	559.0	543.9	474.8	543.9
Assets under Management	130,214.9	135,099.0	147,320.7	130,214.9	147,320.7
ROE %	25.7%	41.9%	27.5%	27.3%	26.9%

The **Brokerage Sector** showed a Ps 28.8 profit during 4Q03, and Ps 101.7 million during the year, 22.2% higher than the 2002 profit.

The average deposit in the Brokerage House Money Market in 4Q03 stayed practically the same as that of 3Q03, which rendered money market operations income of Ps 175.1 million in the year.

Regarding the Institution's brokerage operations, in the quarter Ps 16,748 million were operated, for a Ps 18.2 million income, 15% higher than in 3Q03. It also ranked second in volume of operations in the market, with operations for Ps 61,507. The total yearly income was Ps 58.9 million. The mutual Funds income was 11% higher than that of 3Q03.

During 2003, the continuing strict expense control policy made it possible to keep expenses under control and allowed the Brokerage House to make the aforementioned profits.

## 3.-Long Term Savings Sector

Long Term Savings Sector (Millions of pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>Afore</b>					
Net Income	49.5	81.4	21.0	254.3	215.5
Equity	1,056.0	1,250.6	1,071.6	1,056.0	1,071.6
Total Assets	1,349.7	1,521.8	1,267.4	1,349.7	1,267.4
Assets under Management (SIEFORE)	19,957.5	24,055.2	24,754.0	19,957.5	24,754.0
ROE %	16.1%	26.9%	7.2%	20.1%	19.0%
<b>Insurance</b>					
Net Income	25.7	33.0	18.4	82.3	152.7
Equity	235.6	366.4	388.4	235.6	388.4
Total Assets	2,064.0	2,556.2	2,621.9	2,064.0	2,621.9
Technical Reserves	1,653.7	1,891.5	1,971.5	1,653.7	1,971.5
Premiums sold	354.2	441.9	460.2	1,340.2	1,807.1
ROE %	46.8%	37.7%	19.5%	41.1%	47.6%
<b>Generali México</b>					
Net Income	-	-	2.0	-	3.5
Equity	-	-	89.9	-	89.9
Total Assets	-	-	704.8	-	704.8
Technical Reserves	-	-	387.7	-	387.7
<b>Annuities</b>					
Net Income	14.1	14.2	(32.9)	-	54.8
Equity	131.4	219.1	186.3	131.4	186.3
Total Assets	4,621.1	4,850.2	4,914.6	4,621.1	4,914.6
Technical Reserves	4,481.6	4,621.7	4,721.5	4,481.6	4,721.5
Premiums sold	67.6	70.7	110.5	851.2	334.9
ROE %	45.1%	26.8%	(64.9)%	-%	30.2%

The **Afore** registered a quarterly Net Profit of Ps 21.0 million (51% from Bancen), 74.2% lower than in 3Q03. This profit variation is due mainly to the cyclic nature of the business, as employer contributions are bimonthly, so in the 1<sup>st</sup> and 3<sup>rd</sup> quarters two contributions are received, while only one contribution is made in the 2<sup>nd</sup> and 4<sup>th</sup> quarters. The year's profit was Ps 215.5 million, 15.3% lower than in 2002 because of the reduction in fees charged to our affiliates since January 2003. The fee on the balance was reduced from 1.0% to 0.7% and the fee on the flow, from 1.45% to 1.40%. These reductions were made to keep up with market demands and remain competitive. The Assets Managed by the SIEFORE rose 24% vs. 2002. At the closing of 4Q03, there were a total of 2,784,732 affiliates; with a

10.3% market share in certified accounts. In 4Q03 a cash dividend worth Ps 200 million was paid to Bancen.

The **Insurance Company** showed an Ps 18.4 million profit in the quarter (51% from GFNorte), 44.2% lower than in 3Q03 mainly because of lower mark to market income and the creation of greater technical reserves. The accumulated net profit was 85.5% higher than in 2002 due to an important increase in the premiums sold throughout the new integrated banking network during the year and a low claim index, especially in car insurance.

Grupo Financiero Banorte purchased **Generali México** from Assicurazione Generali in December 2003. It will be merged with Seguros Banorte Generali during the first half of 2004. This new purchase will expand the range of products and we can now cover the business market segment.

The **Annuities Company** had a loss of Ps 32.9 million in the quarter (51% from GFNorte), compared to the Ps 14.2 million profit in 3Q03. This variation is explained by lower mark to market income and the creation of greater technical reserves as a result of an important 56.3% sales increase in the quarter. The accumulated profit in 2003 was Ps 54.8 million, a favorable result when compared to the lack of profit in 2002, and it is due basically to the low growth of the Technical Reserves during most of the year, as the Instituto Mexicano del Seguro Social (IMSS) has stopped sending annuities to private companies. We expect for 2004, that Instituto Mexicano del Seguro Social (IMSS) will once again start sending lists of potential retirees to the annuities companies. The company currently ranks 6<sup>th</sup> in the industry with a 9.6% market share in sold premiums and 5<sup>th</sup> in pensioners placed, with a 10.8% market share.

Auxiliary Organizations Sector (Millones de pesos)	QUARTER			ACCUMULATE	
	4Q02	3Q03	4Q03	2002	2003
<b>Leasing</b>					
Net Income	9.0	8.4	7.6	32.0	27.4
Equity	170.5	189.6	198.0	170.5	198.0
Loan Portfolio	985.2	1,262.2	1,608.4	985.2	1,608.4
Past Due Loans	23.6	29.4	30.2	23.6	30.2
Loan Loss Reserves	13.0	15.8	15.0	13.0	15.0
Total Assets	1,004.2	1,331.1	1,680.4	1,004.2	1,680.4
ROE %	21.7%	18.0%	15.7%	20.9%	15.0%
<b>Factoring</b>					
Net Income	9.4	9.0	6.7	30.3	35.3
Equity	175.5	204.0	210.8	175.5	210.8
Loan Portfolio	2,317.6	3,071.0	3,203.9	2,317.6	3,203.9
Past Due Loans	12.9	13.1	14.8	12.9	14.8
Loan Loss Reserves	8.8	12.0	19.1	8.8	19.1
ROE %	2,328.3	3,068.4	3,209.0	2,328.3	3,209.0
Total Assets	21.9%	18.0%	13.0%	19.0%	18.2%
<b>Warehousing</b>					
Net Income	7.0	4.4	7.7	14.6	20.1
Equity	61.5	69.7	75.2	61.5	75.2
Inventories(*)	291.5	272.3	195.4	291.5	195.4
Total Assets	386.9	328.0	300.7	386.9	300.7
ROE %	41.3%	25.8%	42.5%	21.6%	29.7%
<b>Bonding</b>					
Net Income	3.2	2.4	3.4	8.1	10.6
Equity	85.4	92.7	96.1	85.4	96.1
Total Assets	203.4	233.8	240.4	203.4	240.4
Technical Reserves	73.4	91.9	89.4	73.4	89.4
Premiums sold	30.0	25.3	30.1	98.2	111.6
ROE %	15.0%	10.7%	14.5%	10.0%	11.7%

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

The **Leasing Company** reported a Ps 7.6 million profit in the quarter, 9.5% less than in 3Q03, and accumulated Ps 27.4 million in the year, 14.4% less than in 2002. This was due mainly to the creation of greater loan provisions as indicated by the CNByV, lower fee income, and an increase in the depreciation of leased goods. The total portfolio grew 63.3% vs. 2002. It currently ranks 5<sup>th</sup> among the 28 leasing companies.

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

The **Factoring Company** generated a Ps 6.7 million net profit in the quarter, 25.6% lower than in 3Q03, mainly because of the creation of Ps 7.1 million loan reserves to close the year with a past-due loan reserve coverage of over 100%. The accumulated profit was Ps 35.3 million, 16.5% higher than that of 2002, given the substantial 38.2% growth of its Total Portfolio, and an improved mix of it, as the participation in Mexican pesos portfolio contributed with a larger margin than that of dollars. The company currently ranks 1<sup>st</sup> in the system among the 11 factoring companies.

**Warehousing** generated a Ps 7.7 million net profit in the 4Q03, 75.0% greater than in 3Q03 because of a greater volume of operations, mainly from issuing certificates on product stored in our clients warehouses and commercializing inventories, as compared to the previous quarter. The accumulated profit was Ps 20.1 million, 37.7% higher than in 2002, basically, thanks to Inventory Commercializing and to direct domestic storage, which have compensated the decrease in fiscal warehousing services that still suffer the effect of the economic slowdown.

The **Bonding Company** generated a Ps 3.4 million net profit in the quarter, 41.7% higher than that of 3Q03, and an accumulated yearly profit of Ps 10.6 million, 30.9% higher than in 2002 mainly because of the 13.7% increase in the premiums sold.



## ANNEXES

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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

Although interest rates and the exchange rate increased in the last months of 2003 as a result of the uncertainty surrounding the approval of structural reforms, the year was characterized by macroeconomic stability and a downward trend in inflation albeit with a low economic growth.

The Stock Exchange, unaffected by these events, showed a 12.4% yield in the fourth quarter, and 43.5% during 2003.

The exchange rate, on the other hand, wavered with the bitter debates in Congress and the lack of structural reforms. The peso's position vs. the dollar was weakened closing the quarter at 11.24 vs. 10.93 in 3Q03. Despite the volatile exchange rate and the concern as to its impact on inflation, the 3.0% +/-1 percent goal of Banco de México was met –the inflation rate for 2003 was 3.98%, an improvement of the 5.70% in 2002.

The lack of structural reforms affected the interest rates pushing the 28-day Cetes in December to 6.06% vs. a 4.99% average in November. Despite this increase, the rates at the end of the year were still substantially lower than those early in the year, thanks to the downward trend in inflation and low interest rates on an international scale.

Conversely, economic activity in the fourth quarter started showing clear signs of recovery, such as increased exportation in October (3.1%) and November (5.0%), while the number workers with Social Security coverage showed an improvement in the labor market. Growth during the last months of 2003 was weak, though, especially in the industrial sector, which suffered setbacks in October despite the incipient recovery of the same sector in the U.S. Economic growth for 2003 is expected to be slightly over 1.0%, for the third year in a row of a very feeble economic activity. The expectations for 2004 are more promising given the increasingly evident recovery of our main commercial partner.

## ANNEX 2 .-Grupo Financiero- General Information

### GFNorte Ownership in Subsidiaries

	4Q03
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%
Generali México	51.00%
Annuities	51.00%
Leasing	99.99%
Factoring	99.99%
Warehousing	99.99%
Bonding	99.99%

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

(2) Subsidiary of Banco del Centro.

### Holding Company Capital Structure

Number of Shares	SERIE O As of December 31, 2003
Number of shares issued	504,586,887
- Shares held on Treasury	35,000
<b>= Number of shares outstanding</b>	<b>504,551,887</b>

### Banorte Ratings

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

## Banorte Ratings

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

## No. of Employees & Distribution Network

EMPLOYEES	4Q02	3Q03	4Q03
Banking Sector (*)	12,778	13,315	13,336
Other Sectors	<u>2,090</u>	<u>2,280</u>	<u>2,504</u>
<b>Total Group</b>	<b>14,868</b>	<b>15,595</b>	<b>15,840</b>
DISTRIBUTION NETWORK			
Branches (**)	1,069	1,056	1,029
ATM	2,508	2,494	2,524

(\*) Includes Sólida Administradora de Portafolios.

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

## Group Officers

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

### ANNEX 3 .-Accounting Changes and Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

**Interbank Eliminations in Balance lines**

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

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

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

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

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

**Reserves for Integration Expenses.-**

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

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

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

**1.2 Outplacement Program**

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

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

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

## 2. Integration

### 2.1 Operative Integration

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

### 2.2 Re-branding

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

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

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

## 3. After Retirement obligations (medical service)

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

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

The amounts of each concept are:

(Millions of pesos)

	Initial Balance	December 2003 changes	December, 2003 Balance
1. Reorganization	368.1	(368.1)	0.0
2. Integration	229.2	(174.6)	54.6
3. After Retirement obligations (medical service)	80.7	(80.7)	0.0
<b>Total</b>	<b>678.0</b>	<b>(623.4)</b>	<b>54.6</b>

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

## Deferred Taxes.-

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

(Millions of Nominal Pesos)

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

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

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

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

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

#### **Goodwill.-**

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

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

As of December 2003, the Goodwill adds up to Ps 47.7 million.

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

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

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

(Millions of Nominal Pesos)	Local Currency <sup>(2)</sup>			Foreign Currency (USD) <sup>(3)</sup>			Total		
	Aug'02	Sep'03	Dec'03	Aug'02	Sep'03	Dec'03	Aug'02	Sep'03	Dec'03
<b>Performing Loans</b>									
Commercial	5	7	12	5	5	2	10	12	14
Consumer	-	-	-	-	-	-	-	-	-
Mortgage	54	95	105	-	-	-	54	95	105
<b>Total</b>	<b>59</b>	<b>102</b>	<b>117</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>64</b>	<b>107</b>	<b>119</b>
<b>Non Performing Loans</b>									
Commercial	405	349	334	293	241	246	698	590	580
Consumer	81	77	77	-	-	-	81	77	77
Mortgage	1,112	867	818	-	-	-	1,112	867	818
<b>Total</b>	<b>1,598</b>	<b>1,293</b>	<b>1,229</b>	<b>293</b>	<b>241</b>	<b>246</b>	<b>1,891</b>	<b>1,534</b>	<b>1,475</b>
<b>TOTAL LOANS</b>	<b>1,657</b>	<b>1,395</b>	<b>1,346</b>	<b>298</b>	<b>246</b>	<b>248</b>	<b>1,955</b>	<b>1,641</b>	<b>1,594</b>
<b>Loan Loss Reserves (1)</b>									
Commercial	383	339	329	274	224	227	657	563	556
Consumer	80	77	77	-	-	-	80	77	77
Mortgage	840	568	539	-	-	-	840	568	539
<b>Total</b>	<b>1,303</b>	<b>984</b>	<b>945</b>	<b>274</b>	<b>224</b>	<b>227</b>	<b>1,577</b>	<b>1,208</b>	<b>1,172</b>

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

(2) Includes UDIS.

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

(\*) The Reserve surplus as of Dec'03 was Ps 195 million.

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

In the quarter, regarding the Loan Portfolio Ps 12 million were included in repossessed assets and Ps 25 million were registered as charge offs and discounts which decreased the Preventive Loan Loss reserves along with Ps 5 million of repossessed assets losses.



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

(Millions of Nominal Pesos)	Local Currency <sup>(1)</sup>		Foreign Currency (USD) <sup>(2)</sup>		Total	
	Sep'03	Dec'03	Sep'03	Dec'03	Sep'03	Dec'03
<b>Performing Loans</b>						
Commercial	22,669	27,138	8,523	6,681	31,192	33,819
Financial Intermediaries	2,551	3,048	773	302	3,324	3,350
Consumer	7,728	8,651	5	4	7,733	8,655
Mortgage	13,497	14,557	-	-	13,497	14,557
Government Entities	84,100	77,446	715	730	84,815	78,176
Fobaproa / IPAB	6,847	6,887	(195)	(201)	6,652	6,686
Performing Loans	137,392	137,727	9,821	7,516	147,213	145,243
<b>Non Performing Loans</b>						
Commercial	1,291	1,281	1,000	1,017	2,291	2,298
Consumer	454	526	-	-	454	526
Mortgage	1,885	1,855	-	-	1,885	1,855
Government Entities	8	8	-	-	8	8
Non Performing Loans	3,638	3,670	1,000	1,017	4,638	4,687
<b>TOTAL LOANS</b>	<b>141,030</b>	<b>141,397</b>	<b>10,821</b>	<b>8,533</b>	<b>151,851</b>	<b>149,930</b>
<b>Loan Loss Reserves</b>	<b>3,819</b>	<b>3,846</b>	<b>1,301</b>	<b>1,171</b>	<b>5,120</b>	<b>5,017</b>
<b>Net Loan Portfolio</b>	<b>137,211</b>	<b>137,551</b>	<b>9,520</b>	<b>7,362</b>	<b>146,731</b>	<b>144,913</b>
<b>Loan Loss Reserves</b>					<b>110.39%</b>	<b>107.04%</b>
<b>% Past Due Loans</b>					<b>3.05%</b>	<b>3.13%</b>

(1) Includes UDIS.

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

### ANNEX 5 .- Financial Statements

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

	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Income from Subsidiaries and	407	833	437	439	2,116	513	546	582	572	2,213
Interest Expense	-	-	-	-	-	-	-	-	-	-
Trading Income	-	-	-	-	-	-	-	-	-	-
Fees & Tarifs	-	-	-	-	-	-	-	-	-	-
REPOMO	(2)	(3)	(3)	(2)	(11)	(1)	-	(1)	(4)	(5)
<b>Total Operating Income</b>	<b>405</b>	<b>830</b>	<b>434</b>	<b>437</b>	<b>2,106</b>	<b>512</b>	<b>546</b>	<b>581</b>	<b>569</b>	<b>2,208</b>
Operation & Administrative expenses	-	1	1	1	3	1	1	1	-	2
<b>Operating Income</b>	<b>404</b>	<b>829</b>	<b>433</b>	<b>436</b>	<b>2,103</b>	<b>512</b>	<b>545</b>	<b>581</b>	<b>568</b>	<b>2,206</b>
Non Operating Income	-	1	1	4	5	12	(1)	-	1	13
Non Operating Expense	-	-	-	-	-	-	-	-	-	-
<b>Non Operating Income</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>12</b>	<b>(1)</b>	<b>-</b>	<b>1</b>	<b>12</b>
<b>Pre-tax Income</b>	<b>405</b>	<b>830</b>	<b>434</b>	<b>440</b>	<b>2,108</b>	<b>524</b>	<b>544</b>	<b>581</b>	<b>569</b>	<b>2,218</b>
Income Tax & Profit Sharing	3	3	3	3	14	4	(4)	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-	-	-
Deferred Inc. Tax and Profit sharing	(1)	1	-	-	-	-	-	-	-	-
	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>14</b>	<b>4</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income from Continuos</b>	<b>402</b>	<b>826</b>	<b>430</b>	<b>437</b>	<b>2,095</b>	<b>520</b>	<b>548</b>	<b>581</b>	<b>569</b>	<b>2,218</b>
Extraordinary Items. net	-	-	-	-	-	-	-	-	-	-
<b>Total Net Income</b>	<b>402</b>	<b>826</b>	<b>430</b>	<b>437</b>	<b>2,095</b>	<b>520</b>	<b>548</b>	<b>581</b>	<b>569</b>	<b>2,218</b>

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

ASSETS	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Cash and due from Banks	171	167	141	18	10	90	161	86
Financial Instruments:								
Sundry debtors and other assets,net	47	53	68	64	66	141	4	4
Real Estate, Furniture & Equipment, net	-	-	-	-	-	-	-	-
Investments in subsidiaries	10,235	19,952	11,090	11,566	12,055	12,608	13,089	13,259
Deferred taxes	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	42
Other Assets, Deferred charges, intang	1	1	1	-	1	1	-	-
<b>TOTAL ASSETS</b>	<b>10,455</b>	<b>11,173</b>	<b>11,300</b>	<b>11,648</b>	<b>12,132</b>	<b>12,840</b>	<b>13,255</b>	<b>13,391</b>
LIABILITIES								
Due to banks and correspondents	-	-	-	-	-	-	-	-
Income Tax & Profit Sharing	9	8	11	13	3	12	16	21
Other Payable accounts	-	1	529	-	-	-	-	1
Other payable accounts	9	9	540	13	3	12	16	22
Deferred taxes	17	18	24	23	21	44	-	-
<b>TOTAL LIABILITIES</b>	<b>26</b>	<b>28</b>	<b>564</b>	<b>36</b>	<b>24</b>	<b>56</b>	<b>16</b>	<b>22</b>
STOCKHOLDER 'S EQUITY								
Paid-in Capital	5,317	5,316	5,314	5,313	5,314	5,325	5,330	5,330
Share subscription premiums	1,547	1,552	1,556	1,554	1,553	1,621	1,589	1,584
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
Subscribed Capital	<b>6,864</b>	<b>6,868</b>	<b>6,870</b>	<b>6,868</b>	<b>6,867</b>	<b>6,946</b>	<b>6,920</b>	<b>6,914</b>
Capital Reserves	1,030	1,109	1,094	1,094	1,094	1,321	1,321	1,319
Retained Earnings	10,473	10,391	9,863	9,862	11,957	11,772	11,772	11,415
Surplus (Deficit) from securities	-	-	-	-	-	-	-	-
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	(5,442)	(5,443)	(5,442)	(5,438)	(5,437)	(5,436)	(5,435)	(5,438)
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(2,897)	(3,008)	(3,307)	(2,869)	(2,894)	(2,887)	(2,988)	(2,959)
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	402	1,228	1,658	2,095	520	1,068	1,649	2,218
Earned Capital	3,565	4,277	3,867	4,745	5,241	5,839	6,319	6,556
<b>Total Stockholder 's Equity</b>	<b>10,429</b>	<b>11,145</b>	<b>10,736</b>	<b>11,612</b>	<b>12,108</b>	<b>12,784</b>	<b>13,239</b>	<b>13,470</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDER 'S</b>	<b>10,455</b>	<b>11,173</b>	<b>11,300</b>	<b>11,648</b>	<b>12,132</b>	<b>12,840</b>	<b>13,255</b>	<b>13,491</b>

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

	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
Client securities held in custody	3,164	3,710	3,665	3,598	3,557	3,548	3,522	3,463
Other trust account items	121	119	118	115	114	114	113	111
	<b>3,284</b>	<b>3,829</b>	<b>3,783</b>	<b>3,714</b>	<b>3,671</b>	<b>3,661</b>	<b>3,635</b>	<b>3,574</b>

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

<b>NET INTEREST INCOME</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>ACUM</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>
Interest Income	5,986	5,799	6,190	6,602	24,578	6,784	5,365	4,534	4,946	21,628
Interest Expense	4,083	3,740	4,102	4,524	16,449	4,595	3,420	2,706	2,982	13,703
Loan Fees	127	220	165	177	690	190	192	189	209	781
Fees Paid	9	10	12	11	41	10	15	15	13	53
<b>Net Interest Income (NII)</b>	<b>2,023</b>	<b>2,270</b>	<b>2,241</b>	<b>2,245</b>	<b>8,778</b>	<b>2,370</b>	<b>2,123</b>	<b>2,002</b>	<b>2,160</b>	<b>8,654</b>
Repomo-Margin	29	41	(24)	33	80	15	13	6	21	55
<b>NII after Repomo</b>	<b>2,052</b>	<b>2,311</b>	<b>2,218</b>	<b>2,278</b>	<b>8,859</b>	<b>2,385</b>	<b>2,135</b>	<b>2,009</b>	<b>2,181</b>	<b>8,710</b>
Loan Loss Provisions	175	203	184	257	819	242	349	166	(1)	756
Loss Sharing Provisions	2	12	8	15	37	31	14	2	6	53
<b>NII after Provisions</b>	<b>1,875</b>	<b>2,096</b>	<b>2,026</b>	<b>2,006</b>	<b>8,003</b>	<b>2,112</b>	<b>1,772</b>	<b>1,841</b>	<b>2,176</b>	<b>7,901</b>
Fund transfers	44	54	50	47	194	44	44	46	44	178
Account management	165	179	169	153	666	151	167	187	206	710
Fiduciary	198	248	196	181	823	160	129	167	265	721
Income from Loan Portfolios Acquired	114	66	276	(45)	411	52	35	35	44	165
Electronic Banking Services	92	34	65	63	254	65	57	60	77	260
Credit Card	130	158	153	150	591	151	160	157	187	654
Fees from FOBAPROA	143	66	53	120	381	48	34	256	139	477
Other fees	460	413	516	405	1,794	434	408	526	429	1,797
<b>Fees on services,</b>	<b>1,347</b>	<b>1,216</b>	<b>1,478</b>	<b>1,074</b>	<b>5,115</b>	<b>1,105</b>	<b>1,033</b>	<b>1,433</b>	<b>1,391</b>	<b>4,963</b>
Fund transfers	-	-	-	-	-	-	-	-	-	-
Other fees	184	198	221	289	891	181	168	214	121	685
Expenses from Loan Portfolios Acquired	67	43	159	27	296	42	29	27	32	130
<b>Fees paid,</b>	<b>251</b>	<b>240</b>	<b>380</b>	<b>316</b>	<b>1,187</b>	<b>223</b>	<b>197</b>	<b>241</b>	<b>153</b>	<b>815</b>
Foreign exchange	70	111	73	87	340	85	122	102	84	394
Securities –Realized gains	275	(158)	(67)	35	87	149	359	101	-	610
Securities- Unrealized gains	(4)	(50)	(13)	19	(48)	(3)	(37)	58	(40)	(23)
<b>Market-related Income</b>	<b>341</b>	<b>(97)</b>	<b>(7)</b>	<b>141</b>	<b>379</b>	<b>231</b>	<b>444</b>	<b>262</b>	<b>44</b>	<b>980</b>
<b>Total Non Interest Income</b>	<b>1,438</b>	<b>879</b>	<b>1,090</b>	<b>900</b>	<b>4,307</b>	<b>1,112</b>	<b>1,280</b>	<b>1,454</b>	<b>1,282</b>	<b>5,128</b>
<b>Total Operating Income</b>	<b>3,312</b>	<b>2,975</b>	<b>3,116</b>	<b>2,906</b>	<b>12,309</b>	<b>3,224</b>	<b>3,052</b>	<b>3,295</b>	<b>3,457</b>	<b>13,029</b>
Personnel	1,133	1,085	1,013	1,033	4,264	1,104	1,013	1,046	1,005	4,168
Professional Fees	92	108	116	108	424	85	117	128	103	433
Administrative and Promotion Expenses	738	727	717	753	2,933	651	676	768	834	2,929
Rents, depreciation and amortization	347	388	330	338	1,404	358	386	409	423	1,576
Taxes, other than income tax	132	146	161	196	634	145	160	160	202	668
Contributions to IPAB	164	171	165	177	678	182	181	183	186	732
Corporate expenses Recoveries	-	-	-	-	-	-	-	-	-	-
<b>Non-Interest Expense</b>	<b>2,607</b>	<b>2,624</b>	<b>2,502</b>	<b>2,605</b>	<b>10,338</b>	<b>2,525</b>	<b>2,534</b>	<b>2,694</b>	<b>2,755</b>	<b>10,507</b>
<b>Operating Income</b>	<b>705</b>	<b>351</b>	<b>614</b>	<b>301</b>	<b>1,971</b>	<b>699</b>	<b>519</b>	<b>602</b>	<b>703</b>	<b>2,522</b>
Other Revenues	269	497	771	616	2,153	575	353	814	620	2,362
Foreign exchange	-	-	-	-	-	-	-	-	-	-
Recoveries	58	71	138	94	361	9	68	66	21	165
Repomo-other revenues	1	2	2	16	21	5	1	4	14	24
<b>Non Operating Income</b>	<b>328</b>	<b>570</b>	<b>911</b>	<b>725</b>	<b>2,535</b>	<b>589</b>	<b>423</b>	<b>884</b>	<b>654</b>	<b>2,551</b>
Other Expense	(446)	(262)	(837)	(551)	(2,096)	(641)	(331)	(747)	(610)	(2,330)
Foreign exchange	(2)	(5)	-	-	(7)	-	-	(2)	-	(2)
Repomo-other Expenses	(47)	(77)	(83)	(146)	(353)	(85)	(29)	(59)	(161)	(334)
<b>Non Operating Expense</b>	<b>(494)</b>	<b>(344)</b>	<b>(921)</b>	<b>(697)</b>	<b>(2,456)</b>	<b>(727)</b>	<b>(360)</b>	<b>(808)</b>	<b>(771)</b>	<b>(2,667)</b>
<b>Non Operating Income (Expense), net</b>	<b>(166)</b>	<b>226</b>	<b>(10)</b>	<b>29</b>	<b>79</b>	<b>(137)</b>	<b>62</b>	<b>76</b>	<b>(117)</b>	<b>(116)</b>
<b>Pre-tax Income</b>	<b>540</b>	<b>577</b>	<b>604</b>	<b>330</b>	<b>2,051</b>	<b>562</b>	<b>581</b>	<b>678</b>	<b>586</b>	<b>2,406</b>
Income Tax	39	35	65	(6)	134	65	42	69	11	188
Profit sharing	2	41	29	33	105	25	25	31	37	117
Tax on Assets	23	27	28	37	116	9	11	11	8	39
Deferred Inc. Tax and Profit sharing	79	13	23	(107)	7	(36)	(18)	(19)	(26)	(99)
<b>Net Income before subsidiaries</b>	<b>142</b>	<b>117</b>	<b>145</b>	<b>(42)</b>	<b>362</b>	<b>63</b>	<b>60</b>	<b>92</b>	<b>29</b>	<b>244</b>
Subsidiaries' net income	397	461	459	372	1,689	499	521	586	556	2,162
Subsidiaries' net income	56	(21)	23	104	163	69	52	46	33	201
<b>Net Income from continuous operations</b>	<b>454</b>	<b>440</b>	<b>482</b>	<b>476</b>	<b>1,852</b>	<b>568</b>	<b>573</b>	<b>632</b>	<b>590</b>	<b>2,363</b>
Extraordinary items, net	-	427	3	(3)	427	-	1	-	-	1
Minority Interest	51	41	54	37	184	48	25	51	21	145
<b>TOTAL NET INCOME</b>	<b>402</b>	<b>826</b>	<b>430</b>	<b>437</b>	<b>2,095</b>	<b>520</b>	<b>548</b>	<b>581</b>	<b>569</b>	<b>2,218</b>

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

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>18,195</b>	<b>18,515</b>	<b>20,682</b>	<b>24,445</b>	<b>22,891</b>	<b>26,303</b>	<b>30,363</b>	<b>30,743</b>
Negotiable Instruments	3,976	3,430	2,471	3,101	4,125	4,043	4,178	9,247
Securities held for sale	995	1,112	890	1,390	1,356	1,356	190	240
Securities held to maturity	4,185	4,312	6,710	7,994	8,635	9,379	10,788	9,368
<b>Financial Instruments:</b>	<b>9,156</b>	<b>8,854</b>	<b>10,072</b>	<b>12,455</b>	<b>14,116</b>	<b>14,778</b>	<b>15,155</b>	<b>18,855</b>
Non-assigned securities to pay	-	-	-	-	-	1	63	1
Repurchase agreements, net	158	150	197	78	162	45	166	51
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	27	-	-	10	15	1	-	3
<b>Repos &amp; Derivatives :</b>	<b>186</b>	<b>150</b>	<b>197</b>	<b>88</b>	<b>177</b>	<b>46</b>	<b>229</b>	<b>55</b>
Commercial	25,978	27,350	31,030	36,323	33,826	35,198	35,843	38,157
Financial Intermediaries	76	62	56	6,820	2,199	2,249	2,400	2,532
Consumer	3,471	4,135	4,734	5,361	6,091	6,909	7,869	8,659
Mortgage	11,445	11,871	12,271	12,627	12,620	13,194	13,898	14,715
Government Entities	43,620	91,262	87,849	88,323	88,239	87,936	86,267	78,188
Fobaproa	59,878	9,888	10,438	6,368	6,763	6,796	6,765	6,685
Fiduciary collection rights	-	-	-	-	-	-	-	-
<b>Performing Loans</b>	<b>144,469</b>	<b>144,569</b>	<b>146,378</b>	<b>155,822</b>	<b>149,737</b>	<b>152,283</b>	<b>153,042</b>	<b>148,936</b>
Commercial	2,672	2,782	2,719	2,614	1,982	2,415	1,935	1,913
Financial Intermediaries	-	-	-	-	-	-	-	-
Consumer	388	304	350	349	339	349	392	459
Mortgage	1,972	1,947	1,961	1,995	1,209	1,248	1,179	1,183
Government Entities	-	2	-	-	8	8	8	8
<b>Past Due Loans</b>	<b>5,032</b>	<b>5,034</b>	<b>5,030</b>	<b>4,958</b>	<b>3,538</b>	<b>4,020</b>	<b>3,515</b>	<b>3,562</b>
<b>Total Loans</b>	<b>149,502</b>	<b>149,603</b>	<b>151,408</b>	<b>160,781</b>	<b>153,274</b>	<b>156,303</b>	<b>156,557</b>	<b>152,499</b>
Preventive loan loss reserves	5,793	5,861	5,945	5,828	4,481	4,637	4,457	4,316
<b>Net Loan Portfolio</b>	<b>143,709</b>	<b>143,742</b>	<b>145,463</b>	<b>154,953</b>	<b>148,793</b>	<b>151,665</b>	<b>152,100</b>	<b>148,182</b>
Credit Assets Portfolio	2,592	2,435	2,178	1,928	1,794	1,711	1,591	2,065
Sundry debtors and other assets, net	1,873	1,755	1,884	2,739	2,596	3,955	4,441	2,231
Foreclosed assets, net	1,452	1,389	1,336	1,264	1,197	1,227	1,187	1,123
Real Estate, Furniture & Equipment, net	6,031	5,968	5,956	5,945	5,847	5,776	5,669	5,713
Investments in subsidiaries	1,236	1,370	1,391	1,064	1,511	1,547	1,585	1,704
Deferred taxes	624	634	647	841	896	875	966	970
Goodwill	-	-	-	-	-	-	-	-
Deferred charges & Intangibles	1,558	1,820	1,420	1,599	1,516	1,828	1,468	1,545
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>15,365</b>	<b>15,371</b>	<b>14,813</b>	<b>15,381</b>	<b>15,356</b>	<b>16,919</b>	<b>16,907</b>	<b>15,351</b>
<b>TOTAL ASSETS</b>	<b>186,611</b>	<b>186,633</b>	<b>191,227</b>	<b>207,322</b>	<b>201,333</b>	<b>209,711</b>	<b>214,755</b>	<b>213,187</b>

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

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	52,753	50,625	50,236	54,723	53,713	56,734	58,208	66,159
Time Deposits	85,189	75,812	85,398	92,815	102,759	96,394	104,625	96,286
Bonds	1,443	1,390	1,404	1,345	1,359	270	-	-
<b>Deposits</b>	<b>139,385</b>	<b>127,827</b>	<b>137,037</b>	<b>148,884</b>	<b>157,830</b>	<b>153,399</b>	<b>162,833</b>	<b>162,444</b>
Demand	1,553	12,483	651	13,993	5,818	13,436	4,055	4,738
Short term	14,913	15,610	23,907	13,979	4,811	8,980	12,591	13,468
Long term	13,607	13,236	11,334	11,058	12,150	11,599	11,450	11,111
<b>Due to banks and correspondents</b>	<b>30,073</b>	<b>41,328</b>	<b>35,893</b>	<b>39,030</b>	<b>22,779</b>	<b>34,015</b>	<b>28,096</b>	<b>29,316</b>
Non-assigned securities to pay	-	-	-	-	-	1	47	1
Repurchase agreements, net	72	173	252	33	52	24	124	215
Operations with collateral	-	-	-	849	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	88	546	-	959	931	1,445	12
<b>Repos &amp; Derivatives:</b>	<b>72</b>	<b>261</b>	<b>798</b>	<b>883</b>	<b>1,011</b>	<b>956</b>	<b>1,616</b>	<b>228</b>
Income Tax & Profit Sharing	47	150	323	393	253	169	265	266
Other Payable accounts	4,124	3,488	3,929	2,962	3,641	4,727	4,850	3,775
<b>Other payable accounts</b>	<b>4,171</b>	<b>3,638</b>	<b>4,252</b>	<b>3,355</b>	<b>3,894</b>	<b>4,896</b>	<b>5,114</b>	<b>4,041</b>
Subordinated non Convertible Debenture	1,494	1,465	1,495	2,687	2,768	2,669	2,782	2,731
Deferred Taxes	-	-	-	-	-	-	-	-
Deferred credits	65	13	14	23	50	71	108	65
<b>TOTAL LIABILITIES</b>	<b>175,261</b>	<b>174,532</b>	<b>179,488</b>	<b>194,862</b>	<b>188,331</b>	<b>196,007</b>	<b>200,549</b>	<b>198,826</b>
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	5,317	5,316	5,314	5,313	5,314	5,325	5,330	5,330
Share subscription premiums	1,547	1,552	1,556	1,554	1,553	1,621	1,589	1,584
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>6,864</b>	<b>6,868</b>	<b>6,870</b>	<b>6,868</b>	<b>6,867</b>	<b>6,946</b>	<b>6,920</b>	<b>6,914</b>
Capital Reserves	1,030	1,109	1,094	1,094	1,094	1,321	1,321	1,319
Retained Earnings	10,473	10,391	9,863	9,862	11,957	11,772	11,772	11,415
Surplus (Deficit) from securities	-	-	-	-	-	-	-	-
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	(5,442)	(5,443)	(5,442)	(5,438)	(5,437)	(5,436)	(5,435)	(5,438)
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(2,897)	(3,008)	(3,307)	(2,869)	(2,894)	(2,887)	(2,988)	(2,959)
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	402	1,228	1,658	2,095	520	1,068	1,649	2,218
<b>Earned Capital</b>	<b>3,565</b>	<b>4,277</b>	<b>3,867</b>	<b>4,745</b>	<b>5,241</b>	<b>5,839</b>	<b>6,319</b>	<b>6,556</b>
Minority Holdings	921	955	1,003	847	894	920	967	891
<b>Total Stockholder 's Equity</b>	<b>11,350</b>	<b>12,101</b>	<b>11,739</b>	<b>12,460</b>	<b>13,002</b>	<b>13,704</b>	<b>14,206</b>	<b>14,361</b>
<b>TOTAL LIABILITIES &amp;</b>	<b>186,611</b>	<b>186,633</b>	<b>191,227</b>	<b>207,322</b>	<b>201,333</b>	<b>209,711</b>	<b>214,755</b>	<b>213,187</b>

**MEMORANDUM ACCOUNTS OF GRUPO FINANCIERO BANORTE CONSOLIDATED**

<i>(Millions of Pesos)</i>	1Q02	2Q02	3Q02	4Q02	1Q03	2Q03	3Q03	4Q03
<b>ONBEHALF OF THIRD PARTY</b>								
Customers' banks	4	3	2	2	1	16	6	5
Dividends receivable from customers	-	-	-	-	-	-	-	-
Interest receivable from customers	-	-	-	-	-	-	-	-
Liquidation of customer transactions	18,596	18,667	14,571	14,107	14,227	(23)	(104)	(8)
Customer loans	-	-	-	-	-	-	-	-
Liquidation with foreign currencies of	-	-	-	-	-	-	-	-
Margin accounts in futures operations	-	-	-	-	-	-	-	-
Other current accounts	-	-	-	-	-	-	-	-
<b>CUSTOMERS CURRENT ACCOUNT</b>	<b>18,600</b>	<b>18,670</b>	<b>14,573</b>	<b>14,110</b>	<b>14,228</b>	<b>(7)</b>	<b>(97)</b>	<b>(3)</b>
Client securities held in custody	112,865	118,852	129,704	129,995	116,518	128,217	134,954	147,164
Securities and documents received in	-	1	-	-	1	-	1	-
Client securities abroad	-	-	-	-	-	-	-	-
<b>CLIENT SECURITIES</b>	<b>112,865</b>	<b>118,853</b>	<b>129,704</b>	<b>129,995</b>	<b>116,519</b>	<b>128,217</b>	<b>134,955</b>	<b>147,164</b>
Repurchase operations for customers	29,960	26,917	25,089	26,612	23,372	25,664	21,100	17,320
Clients securities loans	-	-	-	-	1	-	-	-
Purchase of Futures & forward contracts	-	-	-	-	-	-	-	-
Sale of futures and forward contracts	-	-	-	-	-	-	-	-
Purchasing operations (option price)	49	28	74	57	50	45	6	9
Sales operations (option price)	-	-	-	-	-	-	-	-
Purchase of derivative packages	-	-	-	-	-	-	-	-
Sale of derivative packages	-	-	-	-	-	-	-	-
Administration trusts	1,138	1,129	1,315	1,575	2,359	2,514	2,138	2,384
<b>TRANSACTIONS ON BEHALF CLIENT</b>	<b>28,147</b>	<b>28,073</b>	<b>26,479</b>	<b>28,244</b>	<b>25,781</b>	<b>28,223</b>	<b>23,244</b>	<b>19,712</b>
<b>TOTAL ON BEHALF OF THIRD PARTY</b>	<b>159,612</b>	<b>165,597</b>	<b>170,757</b>	<b>172,348</b>	<b>156,527</b>	<b>156,434</b>	<b>158,102</b>	<b>166,874</b>
Signature guarantees granted	15	-	-	-	-	-	-	32
Issuing of irrevocable letters of credit	724	1,001	969	874	899	961	1,026	779
Property in trust and guardianship	84,062	79,190	85,203	84,855	81,689	83,213	84,250	82,327
Assets held in custody or in administration	130,983	122,895	132,022	132,556	138,234	132,535	122,968	108,986
Amounts committed to operations with	56,513	55,708	5,986	5,974	5,905	6,291	6,572	6,741
In Transit drafts	-	-	-	-	-	-	-	-
Certificates of Deposit in circulation	90	89	190	482	452	579	560	684
Secured Credit Cards from the company	-	-	-	-	-	-	-	-
Securities given to the company in custody	91	129	148	194	102	190	249	229
Government securities in custody of the	-	87	77	-	-	7	-	1
Securities given to the company on	-	-	-	-	-	-	-	-
Securities outside the country	-	-	-	-	-	-	-	-
Liquidations with foreign currencies abroad	-	-	-	-	-	-	-	-
Debits to the contingency fund	-	-	-	-	-	-	-	-
Other contingent obligations	14,635	19,272	15,191	14,732	16,419	16,658	16,576	17,730
Banking transactions on behalf of third-	116,665	150,798	160,004	76,407	48,987	49,269	49,574	54,850
Investments in funds for the retirem.saving	2,538	2,551	2,519	1,610	229	240	248	247
Integration of the credit portfolio	-	-	-	-	-	-	-	-
Amounts contracted in derivative	4,366	3,298	2,698	4,960	6,471	6,746	7,647	10,419
Other trust account items	368,409	369,364	338,551	429,455	425,347	404,425	282,277	278,547
<b>OWN ACCOUNT OPERATIONS</b>	<b>779,092</b>	<b>804,382</b>	<b>743,558</b>	<b>752,100</b>	<b>724,734</b>	<b>701,113</b>	<b>571,947</b>	<b>561,573</b>
Repurchase agreements	-	-	-	-	-	-	-	-
Securities to be received	187,894	186,862	209,252	214,647	144,570	152,981	151,156	87,470
(Less) Securities to be delivered	(187,848)	(187,010)	(209,484)	(214,609)	(144,394)	(152,979)	(150,992)	(87,660)
<b>REPURCHASE TRANSACTIONS-</b>	<b>45</b>	<b>(148)</b>	<b>(231)</b>	<b>38</b>	<b>176</b>	<b>1</b>	<b>164</b>	<b>(191)</b>
Securities to be received	124,052	136,575	143,474	146,815	78,354	82,731	84,788	18,574
(Less) securities to be delivered	(124,011)	(136,450)	(143,298)	(146,808)	(78,420)	(82,712)	(84,910)	(18,547)
<b>REPURCHASE TRANSACTIONS- SOLD</b>	<b>41</b>	<b>125</b>	<b>176</b>	<b>7</b>	<b>(66)</b>	<b>19</b>	<b>(121)</b>	<b>27</b>
<b>TOTAL ON OWN ACCOUNT</b>	<b>779,178</b>	<b>804,359</b>	<b>743,503</b>	<b>752,145</b>	<b>724,844</b>	<b>701,134</b>	<b>571,990</b>	<b>561,409</b>

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

**GRUPO FINANCIERO BANORTE CONSOLIDATED STATEMENT OF CASH FLOW**  
 JANUARY 1, 2003 –DECEMBER 31,2003  
 (Millions of Pesos)

<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>	
<b>Net Income</b>	<b>2,218</b>
<b>Adjustments to Reconcile Net Income to Net Cash by Operating Activities</b>	
Mark to Market Valuation Results	26
Provisions for loan losses	809
Depreciation and amortization	943
Deferred Taxes	(99)
Provisions for Obligations	(196)
Minoritary Interest	(145)
Undistributed Earnings of Subsidiaries	201
	<b>1,538</b>
<b>Cash Flows From Investing Activities:</b>	
Banks Deposits	13,556
Decrease (Increase) loan portfolio	5,966
Decrease (Increase) credit assets portfolio	(137)
Decrease (Increase) treasury operations	(6,426)
Decrease (Increase) financial instruments	(621)
Loans from banks and other entities	(9,715)
Decrease (Increase) Deferred taxes	(30)
Decrease (Increase) in accounts receivable and payable	1,390
<b>Net Resources provided by operations</b>	<b>3,984</b>
<b>Financial Activities:</b>	
Subordinated Debentures Issue and Interest	44
Dividends Declared	(358)
Issuance of stock	86
<b>Net Resources provided by Investing activities</b>	<b>(227)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>	
Proceeds from issuance of common stock	(978)
Decrease (Increase) Deferred charges or credits	(378)
Decrease (Increase) Foreclosed assets	141
<b>Net Cash provided by financing activities</b>	<b>(1,216)</b>
<b>Decrease (increase) in cash and due from banks</b>	<b>6,297</b>
<b>Cash and due from banks at the beginning of the year</b>	<b>24,446</b>
<b>Cash and due from banks at the end of the year</b>	<b>30,743</b>

**GRUPO FINANCIERO BANORTE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**JANUARY 1, 2003- DECEMBER 31, 2003.**

(Millions of Pesos)

	CONTRIBUTED CAPITAL		
	Fixed Paid-in Capital	Paid-in Capital Premium	& oth. Securities
<b>Balance as of December 31,2002</b>	<b>3,178</b>	<b>2,136</b>	<b>1,554</b>
<b>Stock Changes</b>			
Issuance of stock	-	16	30
Profits Capitalization	-	-	-
<b>Total</b>	<b>-</b>	<b>16</b>	<b>30</b>
<b>Total Income</b>			
Total Income:			
Net Income	-	-	-
Results of assets holdings	-	-	-
Minority Interest	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as of December 31,2003</b>	<b>3,178</b>	<b>2,152</b>	<b>1,584</b>

	EARNED CAPITAL						Total Stockholders' Equity
	Capital Reserves	Retained earnings	Excess if Insuf. Capital Restatement	Non Monetary Assets Results (Investment)	Net Income of the year	Minority Interest	
<b>Balance as of December 31,2002</b>	<b>1,094</b>	<b>9,863</b>	<b>(5,438)</b>	<b>(2,869)</b>	<b>2,095</b>	<b>847</b>	<b>12,460</b>
<b>Stock Changes</b>							
Issuance of stock	122	(82)	-	-	-	-	<b>86</b>
Profits Capitalization	-	2,095	-	-	(2,095)	-	-
Provisions Created	103	(103)	-	-	-	-	-
Dividends Declared	-	(358)	-	-	-	-	<b>(358)</b>
<b>Total</b>	<b>225</b>	<b>1,552</b>	<b>-</b>	<b>-</b>	<b>(2,095)</b>	<b>-</b>	<b>(271)</b>
<b>Total Income</b>							
Total Income:							
Net Income	-	-	-	-	2,218	-	<b>2,218</b>
Results of assets holdings	-	-	-	(90)	-	-	<b>(90)</b>
Minority Interest	-	-	-	(90)	2,218	-	<b>2,128</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>44</b>
<b>Balance as of December 31,2003</b>	<b>1,319</b>	<b>11,415</b>	<b>(5,438)</b>	<b>(2,959)</b>	<b>2,218</b>	<b>891</b>	<b>14,361</b>

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



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

<b>NET INTEREST INCOME</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>ACUM</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>	<b>ACUM</b>
Interest Income	5,880	5,700	6,097	6,512	24,188	6,647	5,220	4,337	4,717	20,921
Interest Expense	4,058	3,727	4,094	4,538	16,417	4,550	3,377	2,621	2,880	13,428
Loan Fees	127	220	165	177	690	190	192	189	209	781
Fees Paid	9	10	12	11	41	10	15	15	13	53
<b>Net Interest Income (NII)</b>	<b>1,940</b>	<b>2,183</b>	<b>2,156</b>	<b>2,140</b>	<b>8,420</b>	<b>2,277</b>	<b>2,021</b>	<b>1,890</b>	<b>2,033</b>	<b>8,221</b>
Repomo-Margin	38	51	(12)	43	119	25	13	12	27	77
<b>NII after Repomo</b>	<b>1,978</b>	<b>2,233</b>	<b>2,145</b>	<b>2,183</b>	<b>8,540</b>	<b>2,301</b>	<b>2,034</b>	<b>1,903</b>	<b>2,060</b>	<b>8,298</b>
Loan Loss Provisions	175	202	184	257	818	240	345	159	(11)	733
Loss Sharing Provisions	2	12	8	15	37	31	14	2	6	53
<b>NII after Provisions</b>	<b>1,801</b>	<b>2,019</b>	<b>1,953</b>	<b>1,912</b>	<b>7,684</b>	<b>2,030</b>	<b>1,675</b>	<b>1,742</b>	<b>2,066</b>	<b>7,512</b>
Fund transfers	44	54	50	47	194	44	44	46	44	178
Account management	165	179	169	153	666	151	167	187	206	710
Fiduciary	198	248	196	181	823	160	129	167	265	721
Income from Loan Portfolios Acquired	114	66	276	(45)	411	52	35	35	44	165
Electronic Banking Services	92	34	65	63	254	65	57	60	77	260
Credit Card	130	158	153	150	591	151	160	157	187	654
Fees from FOBAPROA	143	66	53	120	381	48	34	256	139	477
Other fees	127	128	155	132	543	124	153	150	153	581
<b>Fees on services,</b>	<b>1,014</b>	<b>932</b>	<b>1,117</b>	<b>801</b>	<b>3,864</b>	<b>795</b>	<b>778</b>	<b>1,058</b>	<b>1,115</b>	<b>3,747</b>
Fund transfers	-	-	-	-	-	-	-	-	-	-
Other fees	176	192	213	284	864	173	162	204	116	655
Expenses from Loan Portfolios Acquired	67	43	159	27	296	42	29	27	32	130
<b>Fees paid,</b>	<b>243</b>	<b>235</b>	<b>372</b>	<b>310</b>	<b>1,160</b>	<b>215</b>	<b>191</b>	<b>231</b>	<b>148</b>	<b>785</b>
Foreign exchange	70	111	73	87	340	85	122	102	84	394
Securities -Realized gains	257	(180)	(92)	11	(4)	122	312	71	(37)	468
Securities- Unrealized gains	(8)	(47)	(10)	17	(48)	(3)	(38)	52	(35)	(24)
<b>Market-related Income</b>	<b>319</b>	<b>(116)</b>	<b>(30)</b>	<b>114</b>	<b>288</b>	<b>204</b>	<b>397</b>	<b>225</b>	<b>12</b>	<b>837</b>
<b>Total Non Interest Income</b>	<b>1,090</b>	<b>581</b>	<b>715</b>	<b>606</b>	<b>2,991</b>	<b>784</b>	<b>984</b>	<b>1,052</b>	<b>980</b>	<b>3,798</b>
<b>Total Operating Income</b>	<b>2,891</b>	<b>2,599</b>	<b>2,668</b>	<b>2,517</b>	<b>10,676</b>	<b>2,813</b>	<b>2,659</b>	<b>2,793</b>	<b>3,045</b>	<b>11,311</b>
Personnel	1,039	992	934	951	3,916	1,015	918	947	914	3,794
Professional Fees	90	107	114	105	416	84	114	125	98	421
Administrative and Promotion Expenses	605	580	559	599	2,342	525	555	623	675	2,379
Rents, depreciation and amortization	306	347	287	281	1,222	313	339	363	376	1,391
Taxes, other than income tax	128	144	157	192	621	142	162	153	188	644
Contributions to IPAB	164	171	165	177	678	182	181	183	186	732
Corporate expenses Recoveries	-	-	-	-	-	-	-	-	-	-
<b>Non-Interest Expense</b>	<b>2,333</b>	<b>2,340</b>	<b>2,217</b>	<b>2,305</b>	<b>9,195</b>	<b>2,261</b>	<b>2,270</b>	<b>2,394</b>	<b>2,437</b>	<b>9,362</b>
<b>Operating Income</b>	<b>558</b>	<b>259</b>	<b>451</b>	<b>213</b>	<b>1,481</b>	<b>553</b>	<b>388</b>	<b>399</b>	<b>608</b>	<b>1,948</b>
Other Revenues	81	191	82	178	532	92	69	127	121	410
Foreign exchange	-	-	-	-	-	-	-	-	-	-
Recoveries	57	70	138	93	358	9	67	66	16	157
Repomo-other revenues	1	1	1	11	14	5	1	3	11	20
<b>Non Operating Income</b>	<b>139</b>	<b>262</b>	<b>221</b>	<b>282</b>	<b>904</b>	<b>106</b>	<b>137</b>	<b>196</b>	<b>148</b>	<b>588</b>
Other Expense	(258)	45	(145)	(103)	(462)	(152)	(30)	(53)	(93)	(327)
Foreign exchange	(2)	(5)	-	-	(7)	-	-	(2)	-	(2)
Repomo-other Expenses	(45)	(74)	(83)	(145)	(346)	(85)	(27)	(58)	(138)	(308)
<b>Non Operating Expense</b>	<b>(305)</b>	<b>(34)</b>	<b>(228)</b>	<b>(248)</b>	<b>(815)</b>	<b>(237)</b>	<b>(57)</b>	<b>(113)</b>	<b>(231)</b>	<b>(638)</b>
<b>Non Operating Income (Expense), net</b>	<b>(166)</b>	<b>228</b>	<b>(7)</b>	<b>34</b>	<b>89</b>	<b>(131)</b>	<b>80</b>	<b>83</b>	<b>(83)</b>	<b>(50)</b>
<b>Pre-tax Income</b>	<b>392</b>	<b>487</b>	<b>444</b>	<b>246</b>	<b>1,569</b>	<b>422</b>	<b>469</b>	<b>482</b>	<b>525</b>	<b>1,898</b>
Income Tax	-	-	-	-	-	7	9	8	13	37
Profit sharing	-	38	29	33	99	25	25	30	37	116
Tax on Assets	23	27	28	37	116	9	11	11	8	39
Deferred Inc. Tax and Profit sharing	107	83	81	(46)	225	17	23	28	29	98
<b>Net Income before subsidiaries</b>	<b>285</b>	<b>404</b>	<b>363</b>	<b>292</b>	<b>1,345</b>	<b>405</b>	<b>445</b>	<b>454</b>	<b>496</b>	<b>1,801</b>
Subsidiaries' net income	51	(13)	55	91	184	51	9	50	37	146
<b>Net Income from continuous operations</b>	<b>336</b>	<b>391</b>	<b>418</b>	<b>384</b>	<b>1,529</b>	<b>456</b>	<b>454</b>	<b>504</b>	<b>533</b>	<b>1,947</b>
Extraordinary items, net	-	427	3	(3)	427	-	1	-	-	1
Minority Interest	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NET INCOME</b>	<b>336</b>	<b>818</b>	<b>421</b>	<b>381</b>	<b>1,956</b>	<b>456</b>	<b>454</b>	<b>504</b>	<b>533</b>	<b>1,947</b>

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

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>17,739</b>	<b>18,183</b>	<b>20,207</b>	<b>24,185</b>	<b>22,521</b>	<b>25,869</b>	<b>29,760</b>	<b>30,288</b>
Negotiable Instruments	3,821	3,213	2,244	2,904	3,936	3,843	3,927	9,016
Securities held for sale	995	1,112	890	1,360	1,356	1,356	190	240
Securities held to maturity	4,185	4,312	6,710	7,994	8,635	9,379	10,788	9,368
<b>Financial Instruments:</b>	<b>9,001</b>	<b>8,637</b>	<b>9,845</b>	<b>12,259</b>	<b>13,927</b>	<b>14,578</b>	<b>14,904</b>	<b>18,623</b>
Non-assigned securities to pay	-	-	-	-	-	-	12	1
Repurchase agreements, net	113	104	169	38	128	28	143	31
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	27	-	-	10	15	-	-	3
<b>Repos &amp; Derivatives :</b>	<b>141</b>	<b>104</b>	<b>169</b>	<b>48</b>	<b>143</b>	<b>28</b>	<b>154</b>	<b>35</b>
Commercial	23,564	24,774	28,481	33,486	30,256	31,501	31,909	33,945
Financial Intermediaries	653	1,320	1,584	8,165	3,653	3,390	3,706	3,350
Consumer	3,396	4,016	4,586	5,179	5,848	6,849	7,865	8,655
Mortgage	11,445	11,871	12,271	12,627	12,620	13,194	13,898	14,715
Government Entities	43,617	91,258	87,846	88,321	88,237	87,936	86,267	78,188
Fobaproa	59,878	9,888	10,438	6,368	6,763	6,796	6,765	6,685
Fiduciary collection rights	-	-	-	-	-	-	-	-
<b>Performing Loans</b>	<b>142,553</b>	<b>143,128</b>	<b>145,205</b>	<b>154,146</b>	<b>147,377</b>	<b>149,665</b>	<b>150,410</b>	<b>145,537</b>
Commercial	2,620	2,738	2,692	2,587	1,958	2,382	1,902	1,877
Financial Intermediaries	-	-	-	-	-	-	-	-
Consumer	378	294	340	340	330	339	383	450
Mortgage	1,972	1,947	1,961	1,995	1,209	1,248	1,179	1,183
Government Entities	-	2	-	-	8	8	8	8
<b>Past Due Loans</b>	<b>4,970</b>	<b>4,981</b>	<b>4,993</b>	<b>4,922</b>	<b>3,505</b>	<b>3,978</b>	<b>3,472</b>	<b>3,517</b>
<b>Total Loans</b>	<b>147,523</b>	<b>148,109</b>	<b>150,198</b>	<b>159,067</b>	<b>150,882</b>	<b>153,643</b>	<b>153,882</b>	<b>149,054</b>
Preventive loan loss reserves	5,770	5,838	5,922	5,806	4,457	4,612	4,429	4,282
<b>Net Loan Portfolio</b>	<b>141,754</b>	<b>142,270</b>	<b>144,276</b>	<b>153,261</b>	<b>146,425</b>	<b>149,031</b>	<b>149,453</b>	<b>144,772</b>
Credit Assets Portfolio	2,592	2,435	2,178	1,928	1,794	1,711	1,591	2,065
Sundry debtors and other assets, net	1,723	1,567	1,669	2,322	2,319	3,574	4,201	1,988
Foreclosed assets, net	1,444	1,382	1,330	1,258	1,191	1,222	1,183	1,119
Real Estate, Furniture & Equipment, net	5,772	5,690	5,651	5,564	5,479	5,396	5,279	5,123
Investments in subsidiaries	1,125	1,124	1,181	1,018	1,455	1,450	1,496	1,478
Deferred taxes	815	784	797	973	1,011	1,016	1,058	1,065
Deferred charges & Intangibles	686	725	600	770	794	771	713	807
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>14,157</b>	<b>13,707</b>	<b>13,405</b>	<b>13,833</b>	<b>14,043</b>	<b>15,140</b>	<b>15,520</b>	<b>13,646</b>
<b>TOTAL ASSETS</b>	<b>182,791</b>	<b>182,901</b>	<b>187,902</b>	<b>203,586</b>	<b>197,059</b>	<b>204,646</b>	<b>209,791</b>	<b>207,365</b>

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	57,792	50,645	50,262	54,738	53,736	56,793	58,252	66,191
Time Deposits	85,360	75,979	85,539	92,833	102,768	96,484	104,786	96,372
Bonds	1,443	1,390	1,404	1,345	1,359	270	-	-
<b>Deposits</b>	<b>139,596</b>	<b>128,014</b>	<b>137,205</b>	<b>148,916</b>	<b>157,863</b>	<b>153,548</b>	<b>163,038</b>	<b>162,563</b>
Demand	1,553	12,483	651	13,993	5,818	13,436	4,055	4,738
Short term	13,185	14,109	22,937	12,418	2,799	6,319	10,437	10,649
Long term	13,289	12,940	11,050	10,771	11,750	11,262	10,954	10,298
<b>Due to banks and correspondents</b>	<b>28,026</b>	<b>39,532</b>	<b>34,639</b>	<b>37,182</b>	<b>20,367</b>	<b>31,017</b>	<b>25,446</b>	<b>25,685</b>
Non-assigned securities to pay	-	-	-	-	-	-	-	1
Repurchase agreements, net	36	131	228	31	57	12	105	198
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	88	545	849	959	931	1,445	12
<b>Repos &amp; Derivatives:</b>	<b>36</b>	<b>220</b>	<b>774</b>	<b>880</b>	<b>1,016</b>	<b>942</b>	<b>1,550</b>	<b>211</b>
Income Tax & Profit Sharing	11	102	124	172	175	65	93	133
Other Payable accounts	3,939	3,235	3,213	2,833	3,497	4,547	4,587	3,589
<b>Other payable accounts</b>	<b>3,949</b>	<b>3,337</b>	<b>3,337</b>	<b>3,005</b>	<b>3,671</b>	<b>4,612</b>	<b>4,680</b>	<b>3,721</b>
Subordinated non Convertible Debenture	1,494	1,465	1,495	2,687	2,768	2,669	2,782	2,731
Deferred Taxes	-	-	-	-	-	-	-	-
Deferred credits	77	18	16	38	61	79	112	81
<b>TOTAL LIABILITIES</b>	<b>173,178</b>	<b>172,586</b>	<b>177,465</b>	<b>192,709</b>	<b>185,746</b>	<b>192,867</b>	<b>197,608</b>	<b>194,993</b>
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	5,656	5,656	5,657	5,656	5,656	5,656	5,656	5,656
Share subscription premiums	983	983	983	983	983	983	983	983
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>6,639</b>	<b>6,639</b>	<b>6,639</b>	<b>6,639</b>	<b>6,639</b>	<b>6,639</b>	<b>6,639</b>	<b>6,639</b>
Capital Reserves	2,544	2,544	2,544	2,544	2,495	2,688	2,688	2,688
Retained Earnings	3,395	2,766	2,352	2,351	4,307	4,115	4,115	3,745
Surplus (Deficit) from securities	(582)	(43)	60	172	211	225	144	130
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	(2,374)	(2,376)	(2,375)	(2,371)	(2,369)	(2,367)	(2,367)	(2,372)
Non Mon assets results Fixed Assets	-	-	11	11	11	11	11	11
Non Mon assets results Investm	(69)	(92)	(94)	(149)	(161)	(166)	(185)	(140)
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	(277)	(277)	(277)	(277)	(277)	(277)	(277)	(277)
Net Income	336	1,154	1,575	1,956	456	910	1,414	1,947
<b>Earned Capital</b>	<b>2,973</b>	<b>3,676</b>	<b>3,797</b>	<b>4,238</b>	<b>4,673</b>	<b>5,139</b>	<b>5,543</b>	<b>5,732</b>
Minority Holdings	-	-	-	-	-	-	1	1
<b>Total Stockholder's Equity</b>	<b>9,613</b>	<b>10,315</b>	<b>10,437</b>	<b>10,877</b>	<b>11,313</b>	<b>11,778</b>	<b>12,183</b>	<b>12,372</b>
<b>TOTAL LIABILITIES &amp;</b>	<b>182,791</b>	<b>182,901</b>	<b>187,902</b>	<b>203,586</b>	<b>197,059</b>	<b>204,646</b>	<b>209,791</b>	<b>207,365</b>

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

	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	15	-	-	-	-	-	-	32
Other contingent obligations	14,635	19,272	15,191	14,732	16,419	16,658	16,576	17,730
Irrevocable lines of credit	724	1,001	969	874	899	961	1,026	779
Assets held in trust and mandate	84,062	79,190	85,203	84,855	81,689	83,213	84,250	82,327
Assets held in custody or in administration	125,921	117,096	126,285	126,628	131,592	125,997	116,572	105,524
Investment banking transactions for third	116,665	150,798	160,004	76,407	48,987	49,269	49,574	54,850
Engaged amounts in fobaproa operations	56,513	55,708	5,986	5,974	5,905	6,291	6,572	6,741
Investment of retirement saving funds	2,538	2,551	2,519	1,610	229	240	248	247
Integration of loan portfolio	-	-	-	-	-	-	-	-
Received amounts in derivative instruments	4,366	3,298	2,698	4,960	6,471	6,746	7,647	10,419
Fobaproa trusts	-	-	-	-	-	-	-	-
Securities to be received	160,934	159,945	184,163	185,635	120,058	127,277	130,035	69,845
(Less) payable for reversal	(160,896)	(160,076)	(184,391)	(185,611)	(119,929)	(127,287)	(129,893)	(70,023)
Receivables for reversal	97,657	109,636	118,377	117,812	53,884	60,552	67,295	6,723
(Less) securities to be delivered	(97,617)	(109,532)	(118,208)	(117,828)	(53,941)	(60,525)	(67,400)	(6,712)
Other control accounts	356,021	357,374	326,174	415,756	409,539	389,353	269,383	268,756
	<b>761,538</b>	<b>786,261</b>	<b>724,970</b>	<b>731,804</b>	<b>701,801</b>	<b>678,744</b>	<b>551,887</b>	<b>547,239</b>

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

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

NET INTEREST INCOME	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Interest Income	5,184	4,972	5,370	5,819	21,345	5,977	4,785	3,963	4,581	19,306
Interest Expense	3,380	3,068	3,424	3,926	13,798	3,890	2,951	2,292	2,750	11,883
Loan Fees	127	220	165	177	689	190	192	189	209	781
Fees Paid	9	10	12	11	41	10	15	15	13	53
<b>Net Interest Income (NII)</b>	<b>1,923</b>	<b>2,114</b>	<b>2,099</b>	<b>2,060</b>	<b>8,196</b>	<b>2,267</b>	<b>2,011</b>	<b>1,846</b>	<b>2,028</b>	<b>8,151</b>
Repomo-Margin	27	44	(13)	46	103	24	13	16	43	97
<b>NII after Repomo</b>	<b>1,950</b>	<b>2,157</b>	<b>2,086</b>	<b>2,105</b>	<b>8,299</b>	<b>2,291</b>	<b>2,024</b>	<b>1,862</b>	<b>2,071</b>	<b>8,248</b>
Loan Loss Provisions	161	195	183	238	777	231	340	156	(7)	719
Loss Sharing Provisions	2	12	8	15	37	31	14	2	6	53
<b>NII after Provisions</b>	<b>1,787</b>	<b>1,950</b>	<b>1,896</b>	<b>1,852</b>	<b>7,485</b>	<b>2,029</b>	<b>1,671</b>	<b>1,705</b>	<b>2,072</b>	<b>7,477</b>
Fund transfers	44	54	50	47	194	44	44	46	44	178
Account management	165	179	169	153	666	151	167	187	206	710
Fiduciary	56	38	39	31	164	41	35	39	40	156
Income from Loan Portfolios Acquired	-	-	-	-	-	-	-	-	-	-
Electronic Banking Services	92	34	65	63	254	65	57	60	77	260
Credit Card	130	158	153	150	591	151	160	157	187	654
Fees from FOBAPROA	140	64	47	116	367	46	32	222	128	428
Other fees	127	128	155	132	543	124	153	150	153	581
<b>Fees on services,</b>	<b>755</b>	<b>654</b>	<b>677</b>	<b>693</b>	<b>2,779</b>	<b>623</b>	<b>649</b>	<b>861</b>	<b>835</b>	<b>2,968</b>
Fund transfers	-	-	-	-	-	-	-	-	-	-
Other fees	115	110	115	117	457	98	114	119	126	456
Expenses from Loan Portfolios Acquired	-	-	-	-	-	-	-	-	-	-
<b>Fees paid,</b>	<b>115</b>	<b>110</b>	<b>115</b>	<b>117</b>	<b>457</b>	<b>98</b>	<b>114</b>	<b>119</b>	<b>126</b>	<b>456</b>
Foreign exchange	70	111	73	87	340	85	122	102	84	394
Securities -Realized gains	143	(12)	16	(18)	129	(11)	3	65	(77)	(19)
Securities- Unrealized gains	6	(36)	(7)	5	(32)	(2)	(6)	13	(39)	(34)
<b>Market-related Income</b>	<b>219</b>	<b>64</b>	<b>82</b>	<b>73</b>	<b>437</b>	<b>72</b>	<b>119</b>	<b>181</b>	<b>(31)</b>	<b>340</b>
<b>Total Non Interest Income</b>	<b>858</b>	<b>608</b>	<b>644</b>	<b>649</b>	<b>2,759</b>	<b>597</b>	<b>654</b>	<b>922</b>	<b>678</b>	<b>2,851</b>
<b>Total Operating Income</b>	<b>2,645</b>	<b>2,558</b>	<b>2,540</b>	<b>2,501</b>	<b>10,244</b>	<b>2,626</b>	<b>2,325</b>	<b>2,627</b>	<b>2,750</b>	<b>10,328</b>
Personnel	1,039	992	934	951	3,916	1,015	918	947	914	3,794
Professional Fees	82	101	107	97	387	77	91	116	88	372
Administrative and Promotion Expenses	601	588	564	605	2,357	535	558	623	674	2,391
Rents, depreciation and amortization	306	347	287	281	1,222	313	339	363	376	1,391
Taxes, other than income tax	124	139	154	188	605	138	156	152	185	630
Contributions to IPAB	161	169	163	176	669	180	180	182	185	727
Corporate expenses Recoveries	(16)	(28)	(23)	(24)	(91)	(26)	(18)	(7)	(7)	(58)
<b>Non-Interest Expense</b>	<b>2,297</b>	<b>2,308</b>	<b>2,187</b>	<b>2,273</b>	<b>9,065</b>	<b>2,231</b>	<b>2,225</b>	<b>2,376</b>	<b>2,416</b>	<b>9,247</b>
Operating Income	348	250	353	228	1,179	395	100	251	334	1,081
Other Revenues	56	161	58	156	431	92	69	127	121	409
Foreign exchange	-	-	-	-	-	-	-	-	-	-
Recoveries	56	69	137	44	306	7	66	24	12	110
Repomo-other revenues	1	1	1	11	14	5	1	3	11	20
<b>Non Operating Income</b>	<b>113</b>	<b>232</b>	<b>196</b>	<b>211</b>	<b>752</b>	<b>105</b>	<b>137</b>	<b>154</b>	<b>143</b>	<b>540</b>
Other Expense	(177)	(36)	(138)	(97)	(447)	(130)	(29)	(52)	(93)	(305)
Foreign exchange	(2)	(5)	-	-	(7)	-	-	(2)	-	(2)
Repomo-other Expenses	(19)	(44)	(58)	(113)	(234)	(64)	(23)	(45)	(114)	(246)
<b>Non Operating Expense</b>	<b>(197)</b>	<b>(85)</b>	<b>(196)</b>	<b>(210)</b>	<b>(688)</b>	<b>(194)</b>	<b>(52)</b>	<b>(100)</b>	<b>(207)</b>	<b>(553)</b>
<b>Non Operating Income (Expense), net</b>	<b>(84)</b>	<b>147</b>	<b>(1)</b>	<b>1</b>	<b>63</b>	<b>(89)</b>	<b>85</b>	<b>55</b>	<b>(64)</b>	<b>(14)</b>
Pre-tax Income	264	397	353	230	1,243	306	185	306	271	1,067
Income tax	-	-	-	-	-	7	9	8	13	37
Profit sharing	-	38	29	33	99	25	25	30	37	116
Tax on Assets	23	27	28	37	116	9	11	11	8	39
Deferred Inc. Tax and Profit sharing	72	9	11	(112)	(21)	(24)	(22)	(21)	(27)	(94)
<b>Net income before subsidiaries</b>	<b>169</b>	<b>323</b>	<b>285</b>	<b>272</b>	<b>1,049</b>	<b>289</b>	<b>163</b>	<b>278</b>	<b>240</b>	<b>970</b>
Subsidiaries' net income	6	(29)	11	64	51	14	(13)	8	24	33
<b>Net Income from continuous operations</b>	<b>175</b>	<b>294</b>	<b>296</b>	<b>335</b>	<b>1,100</b>	<b>303</b>	<b>150</b>	<b>286</b>	<b>264</b>	<b>1,003</b>
Extraordinary items, net	-	427	3	(3)	427	-	1	-	-	1
Minority Interest	-	-	-	-	-	-	-	-	-	-
<b>TOTAL NET INCOME</b>	<b>175</b>	<b>721</b>	<b>298</b>	<b>333</b>	<b>1,527</b>	<b>303</b>	<b>150</b>	<b>286</b>	<b>264</b>	<b>1,003</b>

(\*) Consolidate Subsidiaries.

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>17,188</b>	<b>18,063</b>	<b>19,960</b>	<b>23,841</b>	<b>22,530</b>	<b>25,771</b>	<b>29,994</b>	<b>30,820</b>
Negotiable Instruments	3,539	4,193	3,094	3,487	4,514	4,350	4,052	8,851
Securities held for sale	995	1,112	890	1,360	1,356	1,356	190	240
Securities held to maturity	3,851	3,977	6,373	7,668	8,299	9,057	10,466	9,047
<b>Financial Instruments:</b>	<b>8,385</b>	<b>9,282</b>	<b>10,358</b>	<b>12,515</b>	<b>14,169</b>	<b>14,763</b>	<b>14,707</b>	<b>18,138</b>
Non-assigned securities to pay	-	-	-	-	-	-	11	1
Repurchase agreements, net	57	69	122	38	66	13	57	26
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	27	-	-	10	15	-	-	3
<b>Repos &amp; Derivatives :</b>	<b>85</b>	<b>69</b>	<b>122</b>	<b>48</b>	<b>80</b>	<b>13</b>	<b>68</b>	<b>31</b>
Commercial	23,284	24,455	28,166	33,152	29,962	31,283	31,710	33,805
Financial Intermediaries	764	1,320	1,584	8,165	3,653	3,188	3,381	3,350
Consumer	3,396	4,016	4,586	5,179	5,848	6,849	7,865	8,655
Mortgage	11,129	11,567	11,974	12,336	12,348	12,927	13,630	14,452
Government Entities	43,573	91,248	87,832	88,307	88,219	87,930	86,257	78,176
Fobaproa	60,158	10,186	10,815	6,782	6,763	6,796	6,765	6,686
Fiduciary collection rights	-	-	-	-	-	-	-	-
<b>Performing Loans</b>	<b>142,303</b>	<b>142,792</b>	<b>144,956</b>	<b>153,920</b>	<b>146,793</b>	<b>148,974</b>	<b>149,608</b>	<b>145,123</b>
Commercial	2,418	2,539	2,511	2,412	1,778	2,209	1,730	1,718
Financial Intermediaries	-	-	-	-	-	-	-	-
Consumer	378	294	340	339	330	339	383	449
Mortgage	1,824	1,803	1,818	1,853	1,058	1,096	1,036	1,037
Government Entities	-	2	-	-	8	8	8	8
<b>Past Due Loans</b>	<b>4,620</b>	<b>4,638</b>	<b>4,669</b>	<b>4,604</b>	<b>3,173</b>	<b>3,653</b>	<b>3,156</b>	<b>3,213</b>
<b>Total Loans</b>	<b>146,923</b>	<b>147,430</b>	<b>149,625</b>	<b>158,525</b>	<b>149,967</b>	<b>152,626</b>	<b>152,764</b>	<b>148,336</b>
Preventive loan loss reserves	5,314	5,383	5,472	5,355	4,003	4,160	3,978	3,845
<b>Net Loan Portfolio</b>	<b>141,609</b>	<b>142,047</b>	<b>144,153</b>	<b>153,170</b>	<b>145,963</b>	<b>148,467</b>	<b>148,786</b>	<b>144,490</b>
Credit Assets Portfolio	-	-	-	-	-	-	-	-
Sundry debtors and other assets, net	1,643	1,465	1,616	2,262	2,252	3,534	4,110	1,789
Foreclosed assets, net	1,424	1,362	1,309	1,237	1,169	1,201	1,162	1,099
Real Estate, Furniture & Equipment, net	5,772	5,690	5,651	5,564	5,479	5,396	5,279	5,123
Investments in subsidiaries	447	435	451	466	866	840	845	918
Deferred taxes	907	886	912	1,042	1,020	1,026	1,068	1,065
Deferred charges & Intangibles	681	722	597	769	793	770	712	807
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>10,873</b>	<b>10,561</b>	<b>10,537</b>	<b>11,340</b>	<b>11,579</b>	<b>12,767</b>	<b>13,176</b>	<b>10,801</b>
<b>TOTAL ASSETS</b>	<b>178,141</b>	<b>180,021</b>	<b>185,129</b>	<b>200,913</b>	<b>194,322</b>	<b>201,780</b>	<b>206,730</b>	<b>204,281</b>

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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	52,814	50,666	50,556	54,845	53,968	57,163	54,482	66,221
Time Deposits	83,983	75,979	85,539	92,833	102,768	96,484	104,786	96,372
Bonds	1,443	1,390	1,404	1,345	1,359	270	-	-
<b>Deposits</b>	<b>138,241</b>	<b>128,035</b>	<b>137,498</b>	<b>149,023</b>	<b>158,095</b>	<b>153,917</b>	<b>163,268</b>	<b>162,593</b>
Demand	1,010	12,483	662	13,993	5,818	13,436	4,055	4,736
Short term	13,184	14,109	22,937	12,418	2,799	6,319	10,436	10,636
Long term	12,984	12,609	10,721	10,454	11,434	10,966	10,834	10,199
<b>Due to banks and correspondents</b>	<b>27,178</b>	<b>39,201</b>	<b>34,320</b>	<b>36,865</b>	<b>20,051</b>	<b>30,721</b>	<b>25,325</b>	<b>25,572</b>
Non-assigned securities to pay	-	-	-	-	-	-	-	1
Repurchase agreements, net	36	42	92	16	49	-	43	194
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	88	545	849	959	931	1,445	12
<b>Repos &amp; Derivatives:</b>	<b>36</b>	<b>131</b>	<b>637</b>	<b>865</b>	<b>1,008</b>	<b>931</b>	<b>1,488</b>	<b>207</b>
Income Tax & Profit Sharing	11	102	124	172	175	65	93	133
Other Payable accounts	3,843	3,203	2,966	2,789	3,410	4,483	4,561	3,570
<b>Other payable accounts</b>	<b>3,853</b>	<b>3,304</b>	<b>3,090</b>	<b>2,962</b>	<b>3,585</b>	<b>4,548</b>	<b>4,653</b>	<b>3,702</b>
Subordinated non Convertible Debenture	1,494	1,465	1,495	2,687	2,768	2,669	2,782	2,731
Deferred Taxes	-	-	-	-	-	-	-	-
Deferred credits	76	18	16	38	60	79	112	80
<b>TOTAL LIABILITIES</b>	<b>170,879</b>	<b>172,154</b>	<b>177,056</b>	<b>192,440</b>	<b>185,566</b>	<b>192,865</b>	<b>197,628</b>	<b>194,885</b>
<b>STOCKHOLDER'S EQUITY</b>								
Paid-in Capital	4,578	4,578	4,578	4,578	4,578	4,578	4,578	4,578
Share subscription premiums	983	983	983	983	983	983	983	983
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>5,561</b>	<b>5,561</b>	<b>5,561</b>	<b>5,561</b>	<b>5,561</b>	<b>5,561</b>	<b>5,561</b>	<b>5,561</b>
Capital Reserves	2,376	2,376	2,376	2,376	2,326	2,476	2,476	2,476
Retained Earnings	2,395	1,765	1,554	1,554	3,081	2,930	2,930	2,930
Surplus (Deficit) from securities	(568)	(29)	74	185	224	238	157	143
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	(2,380)	(2,384)	(2,381)	(2,371)	(2,371)	(2,371)	(2,371)	(2,372)
Non Mon assets results Fixed Assets	-	-	11	11	11	11	11	11
Non Mon assets results Investm	(21)	(41)	(39)	(92)	(103)	(108)	(127)	(82)
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	(277)	(277)	(277)	(277)	(277)	(277)	(277)	(277)
Net Income	175	896	1,194	1,527	303	453	739	1,003
<b>Earned Capital</b>	<b>1,700</b>	<b>2,306</b>	<b>2,512</b>	<b>2,912</b>	<b>3,194</b>	<b>3,354</b>	<b>3,540</b>	<b>3,833</b>
Minority Holdings	-	-	-	-	-	-	1	1
<b>Total Stockholder's Equity</b>	<b>7,262</b>	<b>7,868</b>	<b>8,073</b>	<b>8,474</b>	<b>8,755</b>	<b>8,915</b>	<b>9,102</b>	<b>9,395</b>
<b>TOTAL LIABILITIES &amp;</b>	<b>178,141</b>	<b>180,021</b>	<b>185,129</b>	<b>200,913</b>	<b>194,322</b>	<b>201,780</b>	<b>206,730</b>	<b>204,281</b>

(\*) Consolidate Subsidiaries.

**MEMORANDUM ACCOUNTS OF BANORTE**

(Millions of Pesos)	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	-	-	-	-	-	-	-	32
Other contingent obligations	9,126	16,518	12,808	13,059	14,771	15,035	15,049	16,228
Irrevocable lines of credit	721	1,001	969	874	899	961	1,026	779
Assets held in trust and mandate	18,913	55,025	61,313	61,474	57,697	56,210	56,491	54,889
Assets held in custody or in	82,750	115,819	125,247	125,875	130,848	125,254	116,111	105,445
Investment banking transactions for	114,139	150,798	160,004	76,407	48,987	49,269	49,574	54,850
Engaged amounts in fobaproa operations	5,982	55,413	5,609	5,561	5,905	6,291	6,572	6,741
Investment of retirement saving funds	2,538	2,551	2,519	1,610	229	240	248	247
Integration of loan portfolio	-	-	-	-	-	-	-	-
Received amounts in derivative	4,366	3,298	2,698	4,960	6,471	6,746	7,647	10,419
Fobaproa trusts	-	-	-	-	-	-	-	-
Securities to be received	49,902	65,641	77,123	74,487	46,318	49,885	53,653	69,400
(Less) payable for reversal	(49,864)	(65,683)	(77,215)	(74,449)	(46,253)	(49,884)	(53,596)	(69,574)
Receivables for reversal	48,498	65,699	77,232	74,472	46,255	49,831	54,051	6,413
(Less) securities to be delivered	(48,523)	(65,630)	(77,111)	(74,488)	(46,304)	(49,819)	(54,094)	(6,406)
Other control accounts	137,876	313,057	282,443	372,745	366,792	346,753	225,514	226,137
	<b>376,424</b>	<b>713,506</b>	<b>653,639</b>	<b>662,587</b>	<b>632,616</b>	<b>606,772</b>	<b>478,246</b>	<b>475,600</b>

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

NET INTEREST INCOME	1Q02	2Q02	3Q02	4Q02	ACUM	1Q03	2Q03	3Q03	4Q03	ACUM
Interest Income	1,792	1,860	2,081	2,270	8,004	1,973	1,289	1,038	512	4,812
Interest Expense	1,766	1,785	2,017	2,184	7,751	1,958	1,267	983	493	4,701
Loan Fees	-	-	-	-	1	-	-	-	-	-
Fees Paid	-	-	-	-	-	-	-	-	-	-
<b>Net Interest Income (NII)</b>	<b>26</b>	<b>76</b>	<b>65</b>	<b>86</b>	<b>253</b>	<b>16</b>	<b>21</b>	<b>55</b>	<b>19</b>	<b>111</b>
Repomo-Margin	6	2	(3)	(18)	(13)	(6)	(2)	(9)	(33)	(50)
<b>NII after Repomo</b>	<b>32</b>	<b>78</b>	<b>62</b>	<b>68</b>	<b>240</b>	<b>10</b>	<b>19</b>	<b>45</b>	<b>(14)</b>	<b>61</b>
Loan Loss Provisions	14	7	1	19	41	9	5	4	(4)	14
Loss Sharing Provisions	-	-	-	-	-	-	-	-	-	-
<b>NII after Provisions</b>	<b>18</b>	<b>71</b>	<b>61</b>	<b>49</b>	<b>199</b>	-	<b>14</b>	<b>42</b>	<b>(10)</b>	<b>47</b>
Fund transfers	-	-	-	-	-	-	-	-	-	-
Account management	-	-	-	-	-	-	-	-	-	-
Fiduciary	142	210	157	150	659	118	93	128	225	565
Income from Loan Portfolios Acquired	114	66	276	(45)	411	52	35	35	44	165
Electronic Banking Services	-	-	-	-	-	-	-	-	-	-
Credit Card	-	-	-	-	-	-	-	-	-	-
Fees from FOBAPROA	3	2	6	4	15	2	1	34	11	49
Other fees	235	168	259	176	838	237	163	265	171	836
<b>Fees on services,</b>	<b>494</b>	<b>446</b>	<b>699</b>	<b>284</b>	<b>1,923</b>	<b>409</b>	<b>292</b>	<b>462</b>	<b>451</b>	<b>1,615</b>
Fund transfers	-	-	-	-	-	-	-	-	-	-
Other fees	68	87	106	172	433	83	54	93	(6)	224
Expenses from Loan Portfolios Acquired	67	43	159	27	296	42	29	27	32	130
<b>Fees paid,</b>	<b>135</b>	<b>130</b>	<b>265</b>	<b>199</b>	<b>729</b>	<b>125</b>	<b>83</b>	<b>120</b>	<b>26</b>	<b>353</b>
Foreign exchange	-	-	-	-	-	-	-	-	-	-
Securities -Realized gains	114	(169)	(108)	29	(134)	133	309	6	39	487
Securities -Unrealized gains	(13)	(12)	(3)	12	(16)	(1)	(32)	38	4	9
<b>Market-related Income</b>	<b>100</b>	<b>(180)</b>	<b>(111)</b>	<b>41</b>	<b>(150)</b>	<b>132</b>	<b>278</b>	<b>44</b>	<b>43</b>	<b>497</b>
<b>Total Non Interest Income</b>	<b>460</b>	<b>136</b>	<b>323</b>	<b>127</b>	<b>1,045</b>	<b>416</b>	<b>487</b>	<b>387</b>	<b>468</b>	<b>1,758</b>
<b>Total Operating Income</b>	<b>478</b>	<b>207</b>	<b>384</b>	<b>176</b>	<b>1,244</b>	<b>417</b>	<b>501</b>	<b>429</b>	<b>458</b>	<b>1,805</b>
Personnel	1	1	1	5	8	1	2	1	2	6
Professional Fees	9	6	8	10	33	8	25	10	11	53
Administrative and Promotion Expenses	117	118	110	103	447	112	100	115	107	433
Rents, depreciation and amortization	28	28	28	43	127	27	27	28	29	112
Taxes, other than income tax	5	6	4	6	21	5	3	6	16	30
Contributions to IPAB	3	3	2	2	10	2	1	1	1	5
Corporate expenses Recoveries	-	-	-	-	-	-	-	-	-	-
<b>Non-Interest Expense</b>	<b>164</b>	<b>162</b>	<b>154</b>	<b>167</b>	<b>647</b>	<b>155</b>	<b>158</b>	<b>160</b>	<b>165</b>	<b>639</b>
<b>Operating Income</b>	<b>314</b>	<b>45</b>	<b>229</b>	<b>9</b>	<b>598</b>	<b>261</b>	<b>343</b>	<b>268</b>	<b>293</b>	<b>1,165</b>
Other Revenues	24	29	25	22	100	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-	-	-
Recoveries	1	1	1	49	52	1	-	42	4	48
Repomo-other revenues	-	-	-	-	-	-	-	-	-	-
<b>Non Operating Income</b>	<b>26</b>	<b>30</b>	<b>25</b>	<b>71</b>	<b>152</b>	<b>1</b>	-	<b>42</b>	<b>5</b>	<b>48</b>
Other Expense	(81)	80	(7)	(7)	(15)	(22)	-	-	-	(23)
Foreign exchange	-	-	-	-	-	-	-	-	-	-
Repomo-other Expenses	(26)	(30)	(24)	(32)	(112)	(21)	(4)	(13)	(24)	(62)
<b>Non Operating Expense</b>	<b>(108)</b>	<b>51</b>	<b>(31)</b>	<b>(38)</b>	<b>(127)</b>	<b>(43)</b>	<b>(5)</b>	<b>(13)</b>	<b>(24)</b>	<b>(85)</b>
<b>Non Operating Income (Expense), net</b>	<b>(82)</b>	<b>81</b>	<b>(6)</b>	<b>32</b>	<b>25</b>	<b>(41)</b>	<b>(4)</b>	<b>29</b>	<b>(19)</b>	<b>(37)</b>
<b>Pre-tax Income</b>	<b>232</b>	<b>126</b>	<b>223</b>	<b>42</b>	<b>623</b>	<b>220</b>	<b>339</b>	<b>297</b>	<b>273</b>	<b>1,129</b>
Income tax	27	17	55	(11)	87	48	30	51	(1)	127
Profit sharing	-	-	-	-	-	-	-	-	-	-
Tax on Assets	-	-	-	-	-	-	-	-	-	-
Deferred Inc. Tax and Profit sharing	12	9	13	(4)	31	(10)	-	(6)	1	(15)
<b>Net income before subsidiaries</b>	<b>39</b>	<b>26</b>	<b>69</b>	<b>(15)</b>	<b>118</b>	<b>38</b>	<b>30</b>	<b>45</b>	-	<b>112</b>
Subsidiaries net income	13	10	11	15	48	7	14	6	6	33
<b>Net Income from continuous operations</b>	<b>206</b>	<b>110</b>	<b>165</b>	<b>72</b>	<b>553</b>	<b>189</b>	<b>324</b>	<b>258</b>	<b>280</b>	<b>1,050</b>
Extraordinary items, net	-	-	-	-	-	-	-	-	-	-
Minority Interest	45	13	42	24	125	36	20	40	10	106
<b>TOTAL NET INCOME</b>	<b>161</b>	<b>97</b>	<b>122</b>	<b>48</b>	<b>429</b>	<b>153</b>	<b>304</b>	<b>218</b>	<b>269</b>	<b>944</b>

(\*) Consolidate Afore

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

<b>ASSETS</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
<b>Cash and due from Banks</b>	<b>1,406</b>	<b>1,911</b>	<b>1,186</b>	<b>875</b>	<b>1,089</b>	<b>1,332</b>	<b>904</b>	<b>755</b>
Negotiable Instruments	282	298	189	171	168	237	336	243
Securities held for sale	-	-	-	-	-	-	-	-
Securities held to maturity	334	335	337	326	336	322	322	320
<b>Financial Instruments:</b>	<b>616</b>	<b>633</b>	<b>526</b>	<b>497</b>	<b>504</b>	<b>558</b>	<b>658</b>	<b>564</b>
Valores no asignados por liquidar	-	-	-	-	-	-	1	-
Repurchase agreements, net	56	35	48	-	63	15	86	4
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	-	-	-	-	-	-	-
<b>Repos &amp; Derivatives :</b>	<b>56</b>	<b>35</b>	<b>48</b>	<b>-</b>	<b>63</b>	<b>15</b>	<b>87</b>	<b>4</b>
Commercial	280	319	315	334	294	217	199	140
Financial Intermediaries	-	-	-	-	-	201	325	-
Consumer	-	-	-	-	-	-	-	-
Mortgage	317	304	297	291	272	267	269	263
Government Entities	44	10	14	14	18	6	9	12
Fobaproa	-	-	-	-	-	-	-	-
Fiduciary collection rights	-	-	-	-	-	-	-	-
<b>Performing Loans</b>	<b>641</b>	<b>634</b>	<b>626</b>	<b>639</b>	<b>584</b>	<b>691</b>	<b>803</b>	<b>415</b>
Commercial	202	199	181	176	180	173	172	159
Financial Intermediaries	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-
Mortgage	-	-	143	141	151	152	143	146
Government Entities	148	143	-	-	-	-	-	-
<b>Past Due Loans</b>	<b>350</b>	<b>343</b>	<b>324</b>	<b>317</b>	<b>331</b>	<b>325</b>	<b>316</b>	<b>305</b>
<b>Total Loans</b>	<b>991</b>	<b>977</b>	<b>950</b>	<b>956</b>	<b>916</b>	<b>1,017</b>	<b>1,118</b>	<b>719</b>
Preventive loan loss reserves	456	455	450	452	453	453	451	437
<b>Net Loan Portfolio</b>	<b>535</b>	<b>522</b>	<b>500</b>	<b>505</b>	<b>462</b>	<b>564</b>	<b>667</b>	<b>283</b>
Credit Assets Portfolio	2,592	2,435	2,178	1,928	1,794	1,711	1,591	2,065
Sundry debtors and other assets, net	107	157	122	327	218	190	242	315
Foreclosed assets, net	20	20	20	22	22	21	21	20
Real Estate, Furniture & Equipment, net	59	60	60	115	115	116	117	118
Investments in subsidiaries	508	664	667	300	303	316	320	319
Deferred taxes	-	-	-	-	-	-	-	-
Deferred charges & Intangibles	523	501	475	429	404	378	353	326
UDIS Mortgage loans reserve coverage	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>3,808</b>	<b>3,836</b>	<b>3,521</b>	<b>3,121</b>	<b>2,856</b>	<b>2,732</b>	<b>2,642</b>	<b>3,162</b>
<b>TOTAL ASSETS</b>	<b>6,421</b>	<b>6,937</b>	<b>5,780</b>	<b>4,998</b>	<b>4,974</b>	<b>5,202</b>	<b>4,959</b>	<b>4,768</b>



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

<b>LIABILITIES</b>	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Demand Deposits	280	298	377	414	-	-	-	1
Time Deposits	1,377	1,278	1,038	754	745	743	461	79
Bonds	-	-	-	-	-	-	-	-
<b>Deposits</b>	<b>1,657</b>	<b>1,576</b>	<b>1,416</b>	<b>1,167</b>	<b>746</b>	<b>743</b>	<b>461</b>	<b>80</b>
Demand	923	1,441	159	171	503	430	312	855
Short term	-	-	-	-	-	-	1	13
Long term	416	331	329	317	316	296	120	99
<b>Due to banks and correspondents</b>	<b>1,339</b>	<b>1,772</b>	<b>488</b>	<b>489</b>	<b>820</b>	<b>726</b>	<b>433</b>	<b>967</b>
Non-assigned securities to pay	-	-	-	-	-	-	-	-
Repurchase agreements, net	-	89	137	15	8	12	62	3
Operations with collateral	-	-	-	-	-	-	-	-
Futures receivable, net	-	-	-	-	-	-	-	-
Options and derivatives, net	-	-	-	-	-	-	-	-
<b>Repos &amp; Derivatives:</b>	<b>-</b>	<b>89</b>	<b>137</b>	<b>15</b>	<b>8</b>	<b>12</b>	<b>62</b>	<b>3</b>
Income Tax & Profit Sharing	-	-	145	158	52	74	129	87
Other Payable accounts	167	160	292	66	126	100	81	34
<b>Other payable accounts</b>	<b>167</b>	<b>160</b>	<b>437</b>	<b>224</b>	<b>178</b>	<b>174</b>	<b>210</b>	<b>121</b>
Subordinated non Convertible Debenture	-	-	-	-	-	-	-	-
Deferred Taxes	268	243	250	182	111	110	99	94
Deferred credits	-	-	-	-	-	-	-	1
<b>TOTAL LIABILITIES</b>	<b>3,431</b>	<b>3,840</b>	<b>2,728</b>	<b>2,077</b>	<b>1,863</b>	<b>1,766</b>	<b>1,265</b>	<b>1,266</b>
<b>STOCKHOLDER 'S EQUITY</b>								
Paid-in Capital	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
Share subscription premiums	-	-	-	-	-	-	-	-
Subordinated Convertible Debentures	-	-	-	-	-	-	-	-
<b>Subscribed Capital</b>	<b>1,078</b>	<b>1,078</b>	<b>1,078</b>	<b>1,078</b>	<b>1,078</b>	<b>1,078</b>	<b>1,078</b>	<b>1,078</b>
Capital Reserves	169	169	169	169	169	211	211	211
Retained Earnings	1,000	1,000	798	798	1,226	1,184	1,184	815
Surplus (Deficit) from securities	(14)	(14)	(14)	(13)	(13)	(13)	(13)	(13)
Results of foreign operations exchange	-	-	-	-	-	-	-	-
Excess (Insuf.) in capital restatement	5	8	7	-	2	4	4	-
Non Mon assets results Fixed Assets	-	-	-	-	-	-	-	-
Non Mon assets results Investm	(48)	(51)	(54)	(57)	(58)	(58)	(58)	(58)
Adjustment in the employees pension	-	-	-	-	-	-	-	-
Accumulated Deferred tax effect	-	-	-	-	-	-	-	-
Net Income	161	258	380	429	153	457	675	944
<b>Earned Capital</b>	<b>1,273</b>	<b>1,370</b>	<b>1,285</b>	<b>1,325</b>	<b>1,479</b>	<b>1,785</b>	<b>2,003</b>	<b>1,899</b>
Minority Holdings	638	649	689	517	553	573	613	525
<b>Total Stockholder 's Equity</b>	<b>2,989</b>	<b>3,097</b>	<b>3,052</b>	<b>2,921</b>	<b>3,111</b>	<b>3,436</b>	<b>3,694</b>	<b>3,502</b>
<b>TOTAL LIABILITIES &amp;</b>	<b>6,421</b>	<b>6,937</b>	<b>5,780</b>	<b>4,998</b>	<b>4,974</b>	<b>5,202</b>	<b>4,959</b>	<b>4,768</b>

(\*) Consolidate Afore

**MEMORANDUM ACCOUNTS OF BANCEN**

	<b>1Q02</b>	<b>2Q02</b>	<b>3Q02</b>	<b>4Q02</b>	<b>1Q03</b>	<b>2Q03</b>	<b>3Q03</b>	<b>4Q03</b>
Signature guarantees granted	-	-	-	-	-	-	-	-
Other contingent obligations	1,840	2,754	2,383	1,673	1,648	1,622	1,527	1,501
Irrevocable lines of credit	-	-	-	-	-	-	-	-
Assets held in trust and mandate	23,733	24,165	23,890	23,381	23,991	27,003	27,759	27,439
Assets held in custody or in	1,374	1,277	1,038	753	745	743	461	79
Investment banking transactions for	-	-	-	-	-	-	-	-
Engaged amounts in fobaproa operations	279	295	377	413	-	-	-	-
Investment of retirement saving funds	-	-	-	-	-	-	-	-
Integration of loan portfolio	-	-	-	-	-	-	-	-
Received amounts in derivative	-	-	-	-	-	-	-	-
Fobaproa trusts	-	-	-	-	-	-	-	-
Securities to be received	93,079	94,304	107,040	111,148	73,739	77,391	76,383	445
(Less) payable for reversal	(93,069)	(94,393)	(107,177)	(111,162)	(73,677)	(77,403)	(76,296)	(448)
Receivables for reversal	31,194	43,937	41,145	43,339	7,629	10,721	13,244	311
(Less) securities to be delivered	(31,148)	(43,902)	(41,097)	(43,340)	(7,637)	(10,706)	(13,305)	(306)
Other control accounts	44,898	44,317	43,732	43,011	42,747	42,600	43,870	42,619
	<b>72,179</b>	<b>72,755</b>	<b>71,331</b>	<b>69,218</b>	<b>69,185</b>	<b>71,972</b>	<b>73,640</b>	<b>71,639</b>

## Annex 6. Notes to Banking Sector Financial Statements

### Financial Instruments and Valuation Effects 4Q03

	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN (LOSS)
<b>NEGOTIABLE INSTRUMENTS</b>			
Government Securities	2,274	2,275	1
Banking Securities	5,773	5,771	(2)
Private	63	64	1
Commercial Paper	912	906	(6)
<b>Total</b>	<b>9,022</b>	<b>9,016</b>	<b>(6)</b>
<b>SECURITIES HELD FOR SALE</b>			
Government Securities	-	-	-
Mexican Government Securities (UMS)	138	141	3
Bonds public company	-	-	-
Eurobonds	806	99	(708)
<b>Total</b>	<b>944</b>	<b>240</b>	<b>(704)</b>
<b>SECURITIES HELD TO MATURITY</b>			
Special Cetes	9,096	9,096	-
Trust Bonds	-	-	-
Fiduciary Rights	35	26	(9)
Bonds	238	238	-
Mexican Government Securities (UMS) (US Dollars)	5,778	5,778	-
Mexican Government Securities (UMS) (Euros)	412	412	-
US Clearing Master Trust	-	-	-
Swap Private company	-	-	-
Swap Public company	1,030	1,030	-
Swap of Coverage purposes	(7,213)	(7,213)	-
<b>Total</b>	<b>9,376</b>	<b>9,368</b>	<b>(9)</b>
<b>TOTAL</b>	<b>19,342</b>	<b>18,623</b>	<b>(718)</b>

### Repurchase Agreement Operations 4Q03

(Millions of Pesos)

REPURCHASE AGREEMENT DEBTORS	MARKET VALUE (1)	ASSET BALANCE
Government Securities	67,500	(197)
Banking Securities	2,344	(1)
<b>Total</b>	<b>69,845</b>	<b>(198)</b>
REPURCHASE AGREEMENT CREDITORS	MARKET VALUE (2)	LIABILITY BALANCE
Government Securities	5,890	(31)
Banking Securities	803	-
<b>Total</b>	<b>6,693</b>	<b>(31)</b>

1) RECEIVABLES ON REPURCHASE AGREEMENT

2) PAYABLES ON REPURCHASE AGREEMENT

### Non-governmental Financial Instruments above by 5% of Net Capital 4Q03

(Millions of Pesos)

INDUSTRY	INVESTMENT INSTRUMENT	AMOUNT	% NET CAPITAL
BANSAN	Term Deposits	3,000	21%
INBURSA	Term Deposits	2,235	16%

### Loan Portfolio

<i>(Million of Pesos)</i>	LOCAL CURRENCY			FOREIGN CURRENCY			TOTAL		
	4Q02	3Q03	4Q03	4Q02	3Q03	4Q03	4Q02	3Q03	4Q03
<b>Performing Loans</b>									
Commercial	26,327	23,246	27,265	7,158	8,663	6,679	33,486	31,909	33,945
Financial Intermediaries	7,342	2,920	3,048	822	786	302	8,165	3,706	3,350
Consumer	5,172	7,860	8,651	7	5	4	5,179	7,865	8,655
Mortgages	12,627	13,898	14,715	-	-	-	12,627	13,898	14,715
Government Entities	87,526	85,539	77,458	795	728	730	88,321	86,267	78,188
Fobaproa	6,492	6,963	6,886	(124)	(198)	(201)	6,368	6,765	6,685
<b>Total</b>	<b>145,487</b>	<b>140,426</b>	<b>138,022</b>	<b>8,659</b>	<b>9,984</b>	<b>7,515</b>	<b>154,146</b>	<b>150,410</b>	<b>145,537</b>
<b>Past Due Loans</b>									
Commercial	1,227	1,117	1,101	1,361	785	776	2,587	1,902	1,877
Financial Intermediaries	-	-	-	-	-	-	-	-	-
Consumer	339	383	449	1	-	-	340	383	450
Mortgages	1,995	1,179	1,183	-	-	-	1,995	1,179	1,183
Government Entities	-	8	8	-	-	-	-	8	8
<b>Total</b>	<b>3,561</b>	<b>2,687</b>	<b>2,741</b>	<b>1,361</b>	<b>785</b>	<b>776</b>	<b>4,922</b>	<b>3,472</b>	<b>3,517</b>
<b>Total Proprietary Loans</b>	<b>149,047</b>	<b>143,113</b>	<b>140,764</b>	<b>10,020</b>	<b>10,769</b>	<b>8,291</b>	<b>159,067</b>	<b>153,882</b>	<b>149,054</b>
<b>% Past Due Loans</b>	<b>2.4%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>13.6%</b>	<b>7.3%</b>	<b>9.4%</b>	<b>3.1%</b>	<b>2.3%</b>	<b>2.4%</b>

(\*) Includes valued UDIS

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

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

Note: There is no scheme for Mortgage Earnings.

### Cost and Balances of FINAPE, FOPIME, Mortgage UDIS and Mortgage FOVI loan portfolios as of 4Q03

<i>(Millions of Pesos)</i>	TOTAL	
	PERIOD COST	BALANCE LOAN PORTFOLIO
FINAPE	2.6	7.2
FOPYME	5.6	5.8
Mortgage UDIS	50.7	124.3
Mortgage FOVI	61.5	73.0
	<b>120.4</b>	<b>210.4</b>

The quarter ending with a balance of Ps 210.4 million pesos in debtors support programs with a cost of the period of Ps 120.4 million. The 99% of this portfolio are concentrated in Banorte.

### Past Due Loans Variations as of 4Q03

Past Due Loans		
<b>Balance as of September 30,03</b>		<b>3,414</b>
Performing loans to Past due loans transfers		655
Renewals		(10)
Cash Collections		(226)
Charge Offs		(24)
Foreclosures		(3)
Past due loans to Performing loans transfers		(326)
Exchange Adjustment		38
<b>Balance as of December 31,03</b>		<b>3,517</b>

### Troubled Portfolio 4Q03

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

(Millions of Pesos)	TOTAL
Troubled Portfolio	2,404
Total Loans	149,054
Troubled Portfolio / Total Loans	1.6%

### Fobaproa-IPAB

(Millions of Pesos)	REMAINING CONTINGENCIES	
	LOSS(1) SHARING	INCENTIVE(1) SCHEME
Gross Fobaproa notes balance	11,126	6,681 <sup>(2)</sup>
- Cash recoveries	3,227	2,047 <sup>(2)</sup>
- Repossessed assets	=	=
= Balance net of recoveries	7,899	4,636
Contingency before reserves	2,105	351
- Reserves	<u>2,105</u>	<u>351</u>
= Remaining contingencies	-	-

1) Includes only cash recoveries.

2) Included in Loss Sharing program.

Banorte provisioned Ps 6 million through the Income Statement during the quarter to keep 100% provisioned on the FOBAPROA-IPAB Loss Sharing program and Incentive Scheme. Cash recoveries in the Loss Sharing program represented 29% of Banorte's Gross FOBAPROA-IPAB notes balance.

### Fobaproa - IPAB Notes Integration 4Q03

(Millions of Pesos)	BANORTE				BANCEN	BANPAIS		BANKING SECTOR
	LOSS SHARING LOCAL CURRENCY	LOSS SHARING DOLLARS	WITHOUT RISK	INCENTIVE SCHE	LOCAL CURRENCY	LOCAL CURRENCY	DOLLARS	TOTAL
Gross Balance	10,995	131	1,414	(1)	-	-	-	12,540
- Checking account balance	2,895	332	170	(1)	636	-	-	3,397
- Reserves	2,105	-	-	(351)	-	-	-	2,456
= Net Balance	<b>5,995</b>	<b>(201)</b>	<b>1,244</b>	<b>(351)</b>	<b>(636)</b>	-	-	<b>6,685</b>
Interest Rate	CETES 91-1.35	LIBOR +5	CETES 91	N.A.	N.A.	-	-	
Maturity	2005	2006	2006	2005/2006	N.A.	-	-	
Remaining Contingencies	-0-	-0-	No exist	-0-	No exist	-	-	

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

### ORIGIN OF THE NOTES

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

FOBAPROA NOTES	YEAR	ORIGIN
----------------	------	--------

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

### **SIGNIFICANCE IN BANORTE BALANCE**

	1997	1998	1999	2000	2001	2002	4Q03
<b>% Total Loans</b>	70.9%	64.6%	63.5%	58.7%	55.5%	55.7%	50.8%
<b>% Total Assets</b>	60.6%	53.5%	43.7%	46.7%	44.5%	43.5%	36.5%

### **Deferred Taxes 4Q03**

<i>(Millions of Pesos)</i>			
<b>ASSETS</b>	<b>ISR</b>	<b>PTU</b>	<b>NET</b>
Allowance for loan losses (not deducted)	415	-	415
Tax loss carryforwards	207	63	269
Deficit from retirement obligations	92	24	116
Reserves for BN+BCR integration expenses	18	5	23
Obligations FOBAPROA, Net	674	-	674
Others	=	=	=
<b>Total Assets</b>	<b>1,406</b>	<b>92</b>	<b>1,497</b>
<b>LIABILITIES</b>			
Accrued interest and inflationary component of Fixed Assets, Foreclosed, Intangible & Others	(377)	(55)	(432)
<b>Total liabilities</b>	<b>(377)</b>	<b>(55)</b>	<b>(432)</b>
<b>Assets (Liabilities) Accumulated Net</b>	<b>1,028</b>	<b>37</b>	<b>1,065</b>

### **Long term debt as of 4Q03**

<b>TYPE OF DEBT</b>	<b>CURRENCY</b>	<b>DATE OF ISSUE</b>	<b>AMOUNT (Millions Ps o Dis)</b>	<b>ORIGINAL AMOUNT (Millions Ps, Dis o UDIS)</b>	<b>TERM</b>	<b>INTEREST RATE</b>	<b>MATURITY</b>	<b>INTEREST PAYMENT</b>
<b>BANORTE</b>								
CD's- Banorte U01001	UDIs	11-Ene-01	303	90	10 years	8.13%	30-Dic-10	E/182 days
CD's -Banorte U01002	Ps	29-May-01	20	20	3 years	TIIE-0.25%	25-May-04	E/28 days
Non Convertible Subordinate Bonds-Qbanorte 01U	UDIs	21-Jun-01	1,461	436	8 years	8.00%	21-Jun-09	E/182 days
CD's -Banorte M7001	Ps	30-Sep-97	16	16	7 years	17.65%	21-Sep-04	E/182 days
Non Convertible Subordinate Bonds -QBanorte 02D	Ps	28-Nov-02	1,257	1,136	10 years	8.00%	28-Nov-12	E/182 days
Certificados – Banorte M7001	Ps	27-Ene-03	100	100	3 years	TIIE-0.25%	10-Jul-06	E/28 days
CD's 1999-2A	Dis	15-Jul-99	12.7	75	5 years	8.94%	15-Jul-04	Monthly
CD's Serie 1999-2B	Dis	15-Jul-99	14.4	25	7 years	9.49%	15-Jul-06	Monthly

**Bank and Other entities loans as of 4Q03**

<i>(Millions of Pesos)</i>	LOCAL CURRENCY	INTEREST RATE	TERM (DAYS)	FOREIGN CURRENCY	INTEREST RATE	TERM (DAYS)	TOTAL
LOANS FROM LOCAL BANKS	-	-	-	550	L+6	570	550
LOANS FROM FOREIGN BANK CONCERNED FROM THE COUNTRY	-	-	-	2	1.42	72	2
LOANS FROM FOREIGN BANK CONCERNED FROM CAYMAN	-	-	-	346	2.12	1177	346
SECURITIZATION	-	-	-	304	9.23	327	304
LOANS FROM DEVELOPING BANKS	335	12.05	698	700	4.23	704	1,035
LOANS FROM PUBLIC FUNDS	5,894	5.22	703	218	2.68	456	6,112
LOANS FROM BANKS	11,350	6.18	6	-	-	-	11,350
CALL MONEY	1,838	6.00	2	-	-	-	1,838
LOANS FROM FIDUCIARY FUNDS	4,116	8.42	8,644	-	-	-	4,116
PROVISIONS FOR INTEREST	33	N.A.	N.A.	-	-	-	33
	<b>23,566</b>			<b>2,120</b>			<b>25,685</b>

**Trading Income 4Q03**
*(Millones de Pesos)*

VALUATION EFFECTS	NET
Negotiable Instruments	(5)
Repurchase	(2)
Futures	3
Foreign Currency Forwards	(21)
Options	-
Securities loans	-
Range	-
Inflation Adjustment	-
<b>Total</b>	<b>(24)</b>
RESULTS FROM BUYING AND SELLING	
Negotiable Instruments	498
Securities Held for Sell	(36)
Inflation Adjustment	-
<b>Total of Buying and Selling Instruments</b>	<b>462</b>
FX Spot	378
FX Forwards	6
FX Futures	-
FX Futures TIIE	-
Forwards	2
<b>Total of Foreign Exchange</b>	<b>386</b>
Inflation Adjustment	19
<b>Total of Buying and Selling</b>	<b>866</b>
<b>TOTAL TRADING INCOME</b>	<b>842</b>

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

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

Net Capital to Credit Risk Assets: 14.3%

Net Capital to Assets subject to Credit and Market Risk: 10.9%

**AD2.- CAPITAL INTEGRATION**

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

**Net Capital: 11,739**

Tier 1 Capital	9,271	Tier 2 Capital	2,468
Stockholders Equity	9,395	Capitalization Instruments	1,509
Subordinated debt and Capitalization Instruments	1,209	(+) General Preventive Reserves	959
Deferred for Tier 1	1,089		
(-) Investment in Subordinated debt	-		
(-) Investment in Financial Institutions	90		
(-) Investment in Non-Financial Institutions	552		
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries	-		
(-) Excess on deferred taxes	1,089		
(-) Restructuring Charges and others intangibles	692		
(-) Others Assets	-		

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

Market risk weighted assets: 25,836	Weighted Assets	Required Capital
Peso Nominal interest rate operations	21,972	1,758
Peso or UDI real interest rate operations	1,243	99
Interest rate operations in foreign currency with nominal rate	2,246	180
Position in UDIS or with a return indexed to inflation	8	1
Positions in foreign currency or indexed to the FX rate	367	29
Positions in share or index to the price of securities	-	-

Credit Risk-Weighted Assets: 81,884	Weighted Assets	Required Capital
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	571	46
Group 2 (risk weight 1 20%)	2,866	229
Others (risk weight 50%)	1,034	83
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	70,202	5,616
Others (risk weight 112%)	-	-
Others (risk weight 115%)	6,830	546
Others (risk weight 150%)	-	-
Others	381	30

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

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

Net Capital to Credit Risk Assets: 103.7%

Net Capital to Assets subject to Credit and Market Risk: 66.8%

**AD2.- CAPITAL INTEGRATION**

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

**Net Capital: 2,445**

<b>Tier 1 Capital</b>	<b>2,417</b>	<b>Tier 2 Capital</b>	<b>28</b>
Stockholders Equity	2,977	Capitalization Instruments	-
Subordinated debt and Capitalization Instruments	-	(+)General Preventive Reserves	28
Deferred for Tier 1	-		
(-) Investment in Subordinated debt	-		
(-) Investment in Financial Institutions	560		
(-) Investment in Non-Financial Institutions	-		
(-) Financing granted for the acquisition of shares of the bank or other Group subsidiaries	-		
(-) Excess on deferred taxes	-		
(-) Restructuring Charges and others intangibles	-		
(-) Others Assets	-		

**AD3.- RISK ASSETS**

Amount of weighted assets with market risk and credit risk.

<b>Market risk Weighted Assets: 1,382</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Peso Nominal interest rate operations	1,125	90
Peso or UDI real interest rate operations	145	12
Interest rate operations in foreign currency with nominal rate	6	1
Position in UDIS or with a return indexed to inflation	1	-
Positions in foreign currency or indexed to the FX rate	-	-
Positions in share or index to the price of securities	104	8

<b>Credit Risk-Weighted Assets: 2,279</b>	<b>Weighted Assets</b>	<b>Required Capital</b>
Group 1 (risk weight 0%)	-	-
Others (risk weight 2.5%)	-	-
Others (risk weight 10%)	54	4
Group 2 (risk weight 1 20%)	(5)	-
Others (risk weight 50%)	-	-
Others (risk weight 75%)	-	-
Group 3 (risk weight 100%)	2,197	176
Others (risk weight 112%)	-	-
Others (risk weight 115%)	-	-
Others (risk weight 150%)	-	-
Others	34	3



## Risk Management

### Market Risk

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

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

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

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

The average Value at Risk (VaR) for the October-December 2003 quarter for the Group's (Banking and Brokerage Sectors) financial instrument portfolios, including bonds, shares, money market transactions, swaps, forwards, futures, and others derived within and out of the balance, is Ps 242 million.

The VaR for other periods are as follows:

Millions of nominal pesos	4Q02**	1Q03	2Q03	3Q03	4Q03
Banorte VaR *	173	161	126	166	217
Banorte's Net Capital ***	10,743	10,720	10,905	11,329	11,739
VaR / Banorte's Net Capital	1.61%	1.50%	1.16%	1.47%	1.85%
Bancén VaR *	117	153	133	105	51
Bancén's Net Capital ***	1,790	1,918	2,275	2,453	2,445
VaR / Bancén's Net Capital	6.54%	7.98%	5.85%	4.28%	2.09%
Banking Sector's VaR *	204	184	163	182	242
Banking Sector Net Capital ****	12,533	12,638	13,180	13,782	14,184
VaR / Banking Sector Net Capital	1.63%	1.46%	1.24%	1.32%	1.71%

\* Quarterly Average

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

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

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

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

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

(Millios of pesos)

RISK FACTOR	VaR
Domestic interest rate	131
Foreign interest rate	106
Exchange rate	209
Stock Exchange	1
Eurobonds Price	184
Total	242

The VaR for each of the risk factors presented is determined by simulating 500 historical scenarios of the variables

Figures are presented in constant pesos set at the close of December, 2003

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

### **Credit risk**

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

The objectives of credit risk management at GFNorte are:

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

### **Individual Credit risk**

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

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

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

### **Portfolio Credit risk**

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

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

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

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

The results are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the

credit portfolio's loss distribution average. The unexpected loss is the maximum loss at a specific confidence level (95% in this case) given the loss distribution.

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

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

## Information by Segments

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

## Proforma Consolidated Data-4Q03

<i>(Millions of pesos)</i>	<b>BANORTE (1)</b>	<b>BANCEN (3)</b>	<b>TOTAL</b>
<b>Income Statement</b>			
Net Interest Income	1,671.3	362.0	2,033.3
Non Interest Income	678.1	301.4	979.5
Non Interest Expense	2,415.6	21.0	2,436.6
Other income (expense)	(63.7)	(19.3)	(83.0)
Extraordinary items, net	-	-	-
Net Income	(92.4)	625.4	533.0
<b>Balance Sheet</b>			
Assets	203,348	4,017	207,365
Loans	148,336	719	149,054
Deposits	162,563	-	162,563
Equity	9,395	2,977	12,372
Past Due Loans	3,213	305	3,517
Loan Loss Reserves	3,845	437	4,282
<b>Ratios</b>			
Non Interest Expense/ Total Assets	1.2%	0.5%	1.2%
% Past Due Loans	2.2%	42.4%	2.4%
Reserves / Past Due Loans	119.7%	143.3%	121.7%
% Capitalization (2)	10.9%	66.8%	12.7%

1) Includes a 96.11% participation of the Group.

2) Includes Market Risks. Using 2003 rules.

3) Excludes the AFORE.

### Inter-bank Eliminations Summary

<i>(Millions of Pesos)</i>	BANORTE	BANCEN	INTERBANK ELIMINATIONS
<b>Income Statement</b>			
Net Interest Income	(356.2)	356.2	-
Non Interest Income	-	-	-
Non Interest Expense	-	-	-
Other Income (expense)	-	-	-
Extraordinary items, net	-	-	-
<b>Balance Sheet</b>			
Assets	(933)	(30)	(963)
Cash and Due from Banks	(854)	(30)	(883)
Financial Instruments	(79)	-	(79)
Loans	-	(1)	(1)
Deposits	(30)	(80)	(110)
Due to Banks	-	(854)	(854)
Equity	-	-	-
Past Due Loans	-	-	-
Loan Loss Reserves	-	-	-
Investments in Subsidiaries	-	-	-
Deferred Taxes, (Liabilities) (*)	-	-	-
Deferred Taxes, (Assets)(*)	-	-	-

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

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

### Reconciliation per Segments Table

<i>(Millions of Pesos)</i>	BANKING SECTOR	OTHER SECTORS	WITHOUT OT. SECT.	TOTAL GROUP
<b>Income Statement</b>				
Net Interest Income	2,033.3	133.6	(7.2)	2,159.7
Non Interest Income	979.5	302.2	-	1,281.7
Non Interest Expense	2,436.6	332.9	(14.9)	2,754.6
Other Income (expense)	(83.0)	(26.5)	(7.7)	(117.2)
Extraordinary items, net	-	-	-	-
<b>Balance Sheet</b>				
Assets	207,365	20,493	(14,671)	213,187
Loans	149,054	4,413	(969)	152,499
Deposits	162,563	-	(119)	162,444
Equity	12,372	15,459	(13,470)	14,361
Past Due Loans	3,517	45	-	3,562
Loan Loss Reserves	4,282	34	-	4,316

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

### Financial Statements basis for presentation.

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

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

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

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

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