

mexico's pride

# INDEX

- 2 Highlights
- 4 Message from the Chairman of the Board
- 6 Message from the Vice President of the Board and Chief Executive Officer

## 8 RELEVANT EVENTS

- 8 Bancrecer's Acquisition

## 10 PILLARS OF THE ORGANIZATION

- 10 Marketing
- 11 Technology
  - Technological Advances
  - e-Business
  - Electronic Distribution Channels
- 11 Human Resources

## 12 BUSINESS OPERATION AND RESULTS

- 12 Banking Sector
  - Commercial Banking
  - Corporate Banking and International Business
  - Entrepreneurial Banking
  - Government Banking
  - Recovery Banking
- 16 Long Term Savings Sector
- 17 Auxiliary Organizations Sector
- 18 Brokerage Sector

## 19 GROUP'S SENIOR MANAGEMENT

## 20 MEMBERS OF THE BOARD

## 23 AUDITED FINANCIAL STATEMENTS

NATIVE COUNTRY

NATION

## HIGHLIGHTS

GRUPO FINANCIERO BANORTE	1999	2000	2001
Total Assets	132,031.9	108,292.0	105,408.3
Deposits	97,244.4	71,064.7	75,555.1
Loan Portfolio	89,247.5	84,106.6	83,703.2
Past Due Loan Ratio	5.9	5.2	5.4
Reserve Coverage	100.2	100.9	99.5
Stockholders' Equity (1)	8,781.9	7,880.3	9,063.8
Net Income (according to share)	1,296.0	1,761.5	1,504.0
ROE (2)	15.1	20.7	17.2
ROA (3)	1.1	1.4	1.4
Number of Shares (thousands)	472,261	493,174	500,122
Book Value per Share (pesos)	18.595	15.979	18.123
Net Income per Share (pesos)	2.744	3.572	3.007
Number of Branches	456	452	459
Full-Time Employees	10,959	11,195	11,055
<b>BANKING SECTOR</b>			
<b>Banorte (5)</b>			
Total Assets	70,078.7	104,100.8	99,265.0
Stockholders' Equity	5,852.9	5,841.2	6,408.1
Net Income (6)	839.2	759.6	474.6
<b>Bancentro</b>			
Total Assets	25,505.1	3,430.5	6,225.2
Stockholders' Equity	1,823.9	1,874.7	2,531.0
Net Income (7)	265.8	881.4	904.0
<b>Banpaís (5)</b>			
Total Assets	43,799.1	--	--
Stockholders' Equity	1,928.4	--	--
Net Income	270.9	--	--
<b>BROKERAGE SECTOR</b>			
<b>Brokerage House</b>			
Total Assets	1,065.6	378.7	388.8
Stockholders' Equity	556.9	150.4	238.0
Net Income	169.3	28.5	31.3
<b>LONG TERM SAVINGS SECTOR</b>			
<b>Afore</b>			
Total Assets	1,011.2	1,165.3	1,362.6
Stockholders' Equity	966.9	1,033.9	1,113.5
Net Income	122.5	147.0	173.1
<b>Annuities</b>			
Total Assets	1,178.5	2,257.3	3,550.3
Stockholders' Equity	106.0	88.6	119.7
Net Income	(30.2)	(67.6)	(11.0)
<b>Insurance</b>			
Total Assets	1,255.5	1,314.1	1,466.7
Stockholders' Equity	116.4	124.1	137.2
Net Income	(13.3)	9.2	13.9
<b>AUXILIARY ORGANIZATIONS SECTOR</b>			
<b>Leasing</b>			
Total Assets	526.7	552.3	735.1
Stockholders' Equity	98.7	120.2	126.3
Net Income	11.9	24.3	26.2
<b>Factoring</b>			
Total Assets	1,293.1	1,948.0	2,249.9
Stockholders' Equity	124.9	169.4	132.3
Net Income	30.5	44.5	27.6
<b>Warehousing</b>			
Total Assets	60.4	229.3	218.1
Stockholders' Equity	58.8	52.6	59.8
Net Income	2.6	14.4	8.7
<b>Bonding</b>			
Total Assets	124.9	126.4	145.1
Stockholders' Equity	58.4	64.1	70.7
Net Income	6.6	6.5	6.9

Millions of pesos as of December 2001.  
With UDIs and subsidiaries.

(1) Without minority holdings.

(2) Average of stockholders' equity without minority holdings in pesos as of December 2001.

(3) Average of assets without minority holdings in pesos as of December 2001.

(4) Includes banking modules and excludes branches located in Cayman Island.

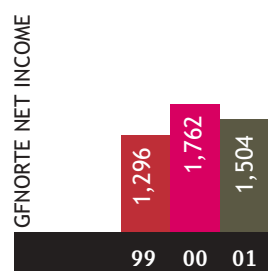
(5) Since February 2000 Banorte merged Banpaís.

(6) 1999: Includes majority holdings of Banpaís and Afore.

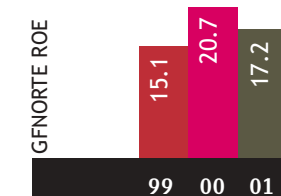
(7) Since 2000: Includes majority holdings of Afore.

	2001 Net income	GFNorte ownership in subsidiaries
<b>BANKING SECTOR</b>	<b>\$ 1,271.9</b>	
Banorte	\$ 456.2	96.11%
Bancentro	\$ 815.7	99.99%
<b>BROKERAGE HOUSE</b>	<b>\$ 31.3</b>	<b>99.99%</b>
<b>LONG TERM SAVINGS SECTOR</b>	<b>\$ 89.8</b>	
Afore (1)	\$ 88.3	51.00%
Insurance	\$ 7.1	51.00%
Annuities	(\$ 5.6)	51.00%
<b>AUXILIARY ORGANIZATIONS SECTOR</b>	<b>\$ 69.4</b>	
Factoring	\$ 27.6	99.99%
Leasing	\$ 26.2	99.99%
Warehousing	\$ 8.7	99.99%
Bonding	\$ 6.9	99.99%
<b>HOLDING</b>	<b>\$ 41.6</b>	
<b>TOTAL</b>	<b>\$ 1,504.0</b>	

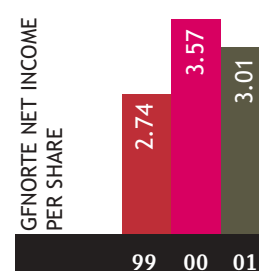
Majority share expressed in millions of pesos.  
(1) Subsidiary of Banco del Centro.



Millions of pesos as of Dec. '01.



Average of stockholders' equity without minority holdings in pesos as of Dec. '01.



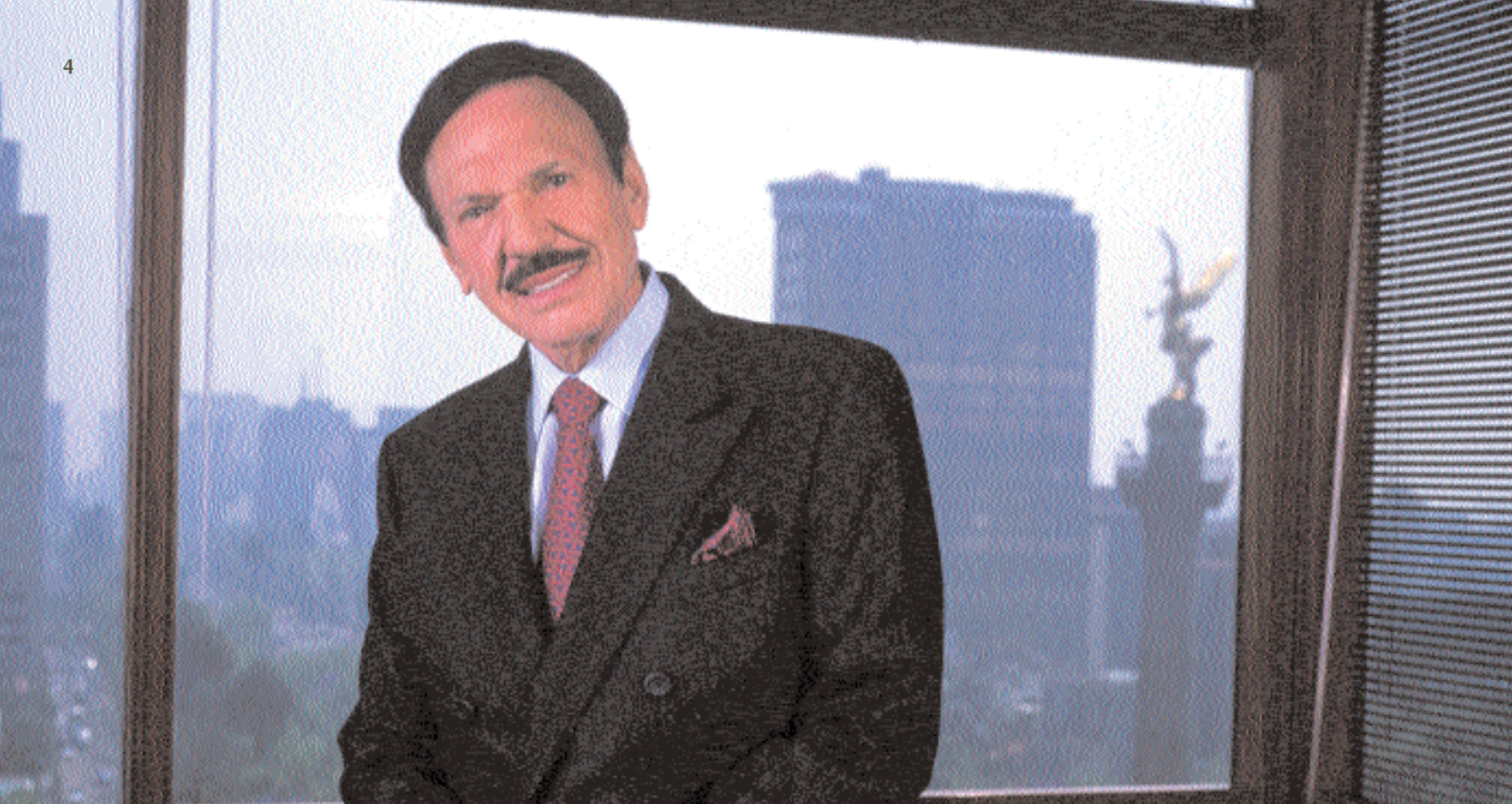
Pesos as of Dec. '01.

# RESPECT

mexico's pride

DIGNITY





## MESSAGE FROM THE CHAIRMAN OF THE BOARD

As anticipated in last year's annual report, the year 2001 was characterized by a general deceleration of the international economy, particularly in the USA, where the economic slowdown extended throughout the first half of the year, becoming more acute in the second semester, due to the reprehensible events of September 11, which affected the world's leading economies. Only the swift and aggressive application of effective fiscal and monetary measures avoided the incidence of a deep recession. Mexico, in turn, experienced negative trade impacts which, together with the plunge in oil prices, affected growth and employment and, as a result, the finances of our companies and families.

Mexico withstood the fallout from the U.S. economy well, shown by the positive increase in the peso to dollar exchange rate and the significant decrease of interest and inflation rates, leading to the beginning of a period of economic stability which has not been witnessed in over two decades, and constitutes a situation that has received the recognition from international markets it well deserves. All this is a demonstration of the importance of having congruent, on-going and predictable economic policies in place, characterized by discipline in public finance, a stringent monetary policy and control over the public debt, factors that have led to a very solid performance in foreign and fiscal accounts.

The deep economic crisis in Argentina has, in fact, underlined the fact that Mexico's economy is clearly differentiated from the rest of Latin America, the only impact from this crisis being a slight volatility, stressing our strengths, which have translated into the investment rating granted to the country.

This new situation of stability and low, but above all, real interest rates is clearly beneficial to our economic and social development on the medium-term, although in the short-term it implies that banks' profit margins have been substantially reduced, while, at the same time, more exacting operating requirements must be met over the course of the final stage of reconstituting a banking system evidently dominated by foreign institutions.

To meet the challenges presented by the complex environment and an increasingly aggressive competition, Banorte has kept abreast of market changes, always seeking out the best strategic alternatives that allow it to fulfill the objectives set from the very first day the current administration took charge: to consolidate the institution's standing as a bank with national coverage and to perform successfully in the major leagues of the Mexican financial system, maintaining our recognized soundness and profitability, extending the range and quality of our services.

The most significant event of 2001, as part of this process of gathering strength, was the acquisition of the banking institution Bancrecer in a manner that benefitted our stockholders and was in line with our established strategies. With this purchase, Banorte now ranks third in the credit market and fourth in deposits and the number of branches.

The bases of this operation and the provisos of the integration plan ensure that this operation will be a success story in the Mexican financial system.

In view of the current composition of the Mexican banking system, by the 2001 year end closing, it was evident that Banorte had come through the period successfully, positioning itself as a well-rounded financial group controlled by Mexicans, one that offers Afore plans, pensions, insurance, leasing, warehousing and factoring services, stock brokerage operations and all the services of a national bank, having increased its market share in nearly every single area over the course of the fiscal period.

Our immediate challenge is to integrate Bancrecer into Banorte, on both a profitable basis and at a level of controlled risk, as well as to complete the transformations the organization must undergo to deal with the new conditions in the financial markets while achieving positive results and to take full advantage of the multiple opportunities involved in them, in addition to continuing our productive growth.

Therefore, the advances achieved in electronic banking should be stressed, not only the figures involved, but also the competitiveness, diversification and reliability of Internet services.

Moreover, the bank's business structure and priorities were more clearly defined, which has led to enhancements in the quality of services and communications with our shareholders, the authorities, customers and the financial community in general.

These achievements are sustained by the high capabilities and commitment of our personnel, supported by leading-edge technology, effective marketing activities and an austerity policy in place throughout the institution.

We know that despite the fact that the economic environment will gradually improve, the demands of the financial market will become more pressing and will call for us to make greater and more focussed efforts to compete with the major banks through an increasingly expeditious and efficient structure and the application of strategies based on the knowledge and full satisfaction of consumers' needs, the identification of new market niches and on-going and creative improvements in the development of cutting edge services. These aspects comprise the core of our actions and will allow us to increase the volume of business, capitalizing on our positive image and strong positioning, as the sound and serious-minded bank we are. Only in this way will we be able to achieve the great purpose that has inspired us from the beginning: to be the most efficient and profitable financial group in the Mexican banking system, as well as the one that offers the greatest value to its customers, employees and shareholders.

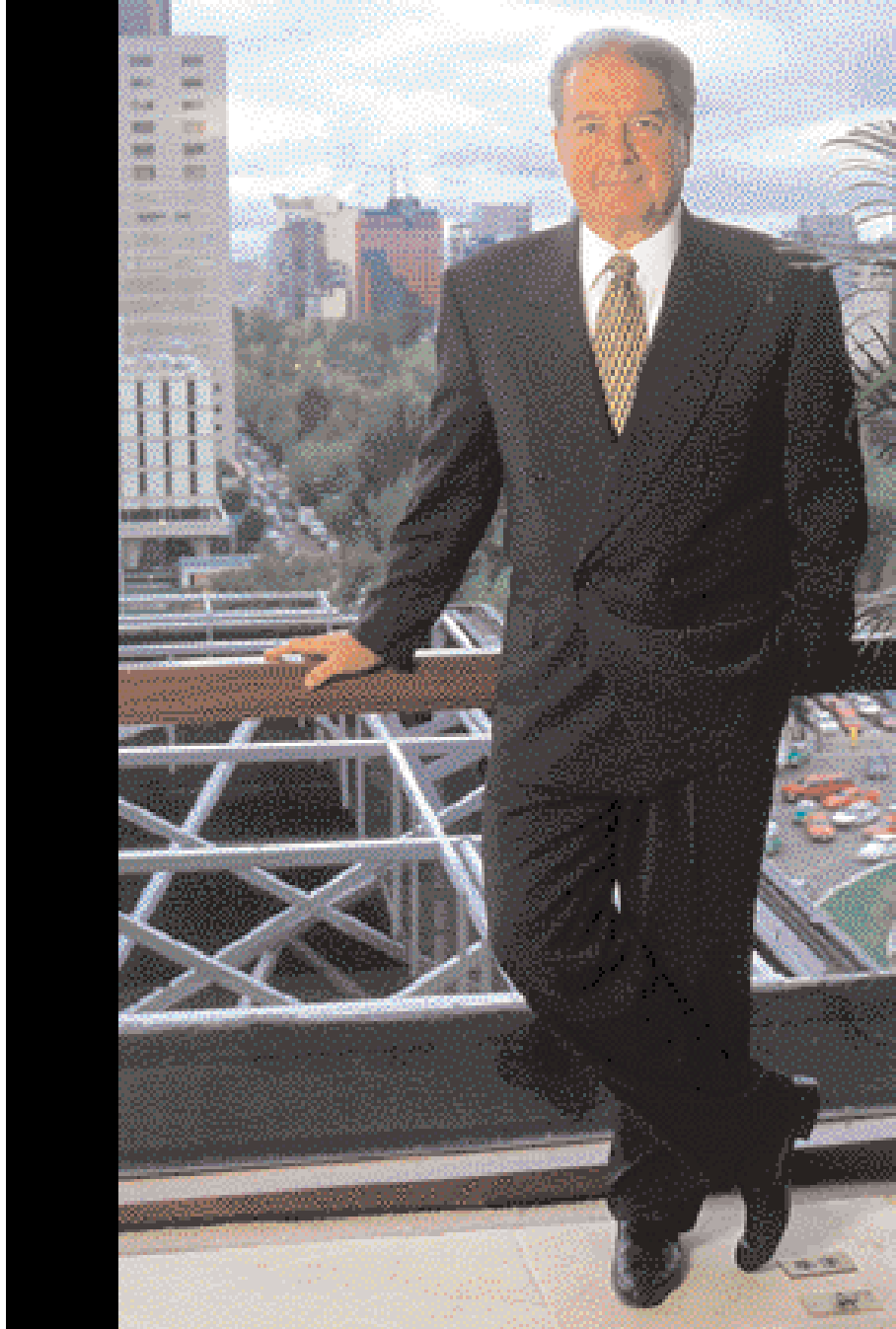
As we approach the 10th anniversary of Banorte's privatization, we are aware of how far we've come, thanks to the unwavering support of the group of investors, advisors, management and employees that have been with us, to whom I would like to express my deepest thanks for the experience, decisiveness and abilities they've contributed to us. This effort has had the backing of a growing number of millions of loyal customers, whose trust we must respond to, persevering in performing our work, in which prudence, ethical conduct and excellence are our most important guidelines.

Speaking for myself and on behalf of the institution, I reiterate our deepest gratitude to all those who have supported us, in fully deserving our characterization as "THE STRONG BANK OF MEXICO."



**Roberto González Barrera**  
Chairman of the Board

## MESSAGE FROM THE VICE PRESIDENT OF THE BOARD AND CHIEF EXECUTIVE OFFICER



In 2001, Mexico crossed the threshold into a new era of stability, the likes of which had not been seen in over twenty years, one that led to a considerable drop in the 28 day Cetes' interest rates, which averaged 11.4% for the year, compared to the 15.3% average in 2000. As a result, the banks operating in the country faced extraordinary pressures on their profit margins and Grupo Financiero Banorte's Banking Sector was no exception.

Moreover, the financial results Grupo Financiero Banorte obtained were strongly impacted by the creation of extraordinary loan loss provisions in our Banking Sector, which exceeded the budget by around \$700 million pesos. This item was comprised of a \$200 million peso extraordinary provision, as a result of the change to the method of calculating reserves ordered by the National Banking and Securities Commission, in addition to a \$500 million pesos provision, which we found it necessary to create to contend with the deteriorating quality of certain corporate loans.

Despite the foregoing, Grupo Financiero Banorte achieved a net profit of \$1.5 billion pesos, a 17.2% return on equity, ranking it as one of the most profitable financial groups in the nation. The Banking Sector contributed \$1.3 billion pesos to the total profit.



We were able to counteract the effect of the drop in profit margins, thanks to the significant expansion of our mortgage and consumption loan portfolios, which have increased 57% in the last two years. Banorte has continued its characteristic growth in demand deposits, so that in addition to improving the mix of these instruments, a 12% annual increase was recorded in real terms and we maintained our position as the leading Mexican bank in the attraction of demand deposit funds per branch.

Supported by efficiency processes, such as "Evolution," which we started to implement in 2000 and completed in 2001, all our branches now operate on-line, and Banorte was able to contain expenses at practically the same level as 2000, a 16% reduction from 1999 to 2001.

One very important strategy, that aided in compensating for the drop in profit margins and the creation of extraordinary loan loss provisions, was the increased non-financial income in the Banking Sector's traditional business, which went from \$1 billion pesos in 2000 to \$1.1 billion pesos in 2001, a 10% growth.

Thus, Banorte has based its actions on the modernization of electronic customer service and delivery media, such as our Call Center Banortel that handled 13.4 million calls in 2001, providing excellent service that merited the ISO 9001-2000 certification, that honors us as the first bank in Latin America and the seventh in the world to be granted this rating. In addition, the number of bank transactions carried out and the number of users of the Banorte internet banking have been growing substantially. In December 2001, over 9,900 companies were served through "Banorte en su Empresa" (Companies Internet Banking) and over 190,000 individuals through "Banorte en tu Casa," (Personal Internet Banking) in operations totalling over \$40 billion pesos.

Our Recovery Banking area, contributed \$426 million pesos to the Banking Sector results, 31% of the total. Recovery Banking managed \$60.9 billion pesos in total assets from which, only \$10.1 billion represent a credit risk for Grupo Financiero Banorte.

The Auxiliary Organizations Sector: Arrendadora Banorte (leasing), Factor Banorte (factoring), Almacén Banorte (warehousing) and Fianzas Banorte (bonding) had a combined total of \$69.4 million pesos in profits in 2001 and each company strengthened its market share in its respective business.

Casa de Bolsa Banorte (stock brokerage firm) generated \$31.3 million pesos, operating a portfolio of over \$62.4 billion pesos among 9,249 customers with asset under management of approximately \$96 billion pesos.

With respect to the Long Term Savings Sector, the combined total profits for the Afore, the Insurance company and the Annuities company were \$89.8 million pesos in 2001 and the market share was maintained in the respective sectors.

We continued building infrastructure and systems in 2001 in order to expand our traditional banking business, assuming only prudent and proper risk levels in serving our customers, increasing deposits and improving the mix and increasing non financial revenues as a very important part of our business, one that offers a large number of transactions to its customers. During this transition period, a time when massive amounts of credit have not yet been requested due to the slow growth characterizing the economy, Recovery Banking's contribution to the Group's profit is a factor that enabled us to go forward, with strong results, towards a situation where traditional banking and credit activities are showing stronger growth and, consequently, will strengthen our source of profits.

Evidently the most important event for Grupo Financiero Banorte in 2001 was its participation in the bidding for 100% of the Bancreer stock, which we won in accordance with the resolution of the Meeting of the Voting Members of the Bank Savings Protection Institute (Instituto de Protección al Ahorro Bancario, IPAB) on September 24, 2001).

The integration of Bancreer into Grupo Financiero Banorte is clearly the biggest and most important challenge we face in 2002, one which must be successfully completed by year end. Over the course of this process, we must ensure that, during the process of integrating into Bancreer network into Banorte, the Bancreer network customers will find that they go through this transition in a transparent manner and that it is clear to them that they are benefitting from enhanced service and greater benefits.

Once again, the results Grupo Financiero Banorte achieved are the result of the unconditional support of our shareholders and advisors, the invaluable efforts of all the employees that collaborate in this Group and, most especially, all our customers, without whom we could not have constituted the strength that now characterizes Banorte, "The Strong Bank of Mexico."



**Othón Ruiz Montemayor**

Vice President of the Board and Chief Executive Officer





VALOR

# COURAGE

## RELEVANT EVENTS

### BANCRECER'S ACQUISITION

In accordance with the strategy defined in 1992 by the group currently at the helm of GFNorte, this acquisition has enabled Banorte to consolidate its position as one of the nation's largest and most important financial institutions.

The total value of the transaction was \$1.7 billion pesos (0.66 the book value Bancrecer's stockholders' equity, which at the time of the sale was \$2.5 billion pesos), plus \$16 million pesos in interest and \$5 million pesos for expenses related to the acquisition.

On January 2, 2002, IPAB turned over 100% Bancrecer's stock to Banorte and also terminated the status of transitory administration.

A Bancrecer Stockholders' Meeting was held on January 4, 2002, at



which the new Board of Directors was appointed, comprised of Banorte's Members of the Board.

On January 8, Banorte assumed the Administration of Bancreer, which initiated the integration of Banorte-Bancreer, as well as the implementation of significant adjustments in various areas intended to increase profitability for the institution and promote a sound and expeditious integration process.

Earlier, in December 2001, taking advantage of the negative \$850 million peso goodwill resulting from the purchase of Bancreer at a price below stockholders' equity, a reserve of \$678 million pesos was created against equity to cover the expenses related to the integration of the two institutions in 2002, thus gaining the benefit that neither bank would have to charge this item to results and a \$150 million pesos loan loss reserve was created.

The incorporation of Bancreer into Banorte signifies a major advance in the geographic consolidation of the branches network and a considerable increase of market share for ATM's, the attraction of funds and loan portfolio, thus enhancing the position Banorte holds in the Mexican Banking System.

	BANORTE			BANORTE + BANCREER		
	Rank	MS		Rank	MS	
Branches <sup>(1)</sup>	455	6°	6.4%	1,182	4°	16.6%
ATM's <sup>(1)</sup>	1,611	5°	8.9%	2,583	4°	14.2%
Total deposits <sup>(2)</sup>	\$89,044	5°	6.5%	\$155,550	4°	11.4%
Total loan portfolio <sup>(2)</sup>	\$79,147	4°	8.1%	\$135,435	3°	13.9%
Total Assets <sup>(2)</sup>	\$99,107	5°	6.0%	\$169,892	4°	10.4%

1) Source: ABM (Dec. '01).

2) Source: CNVB (Sept. '01 in millions of pesos).

The total loan portfolio includes Fobaproa.

MS: Market Share.

The institution that has resulted from this integration will serve a broad customer base, comprised of 4.2 million accounts, with coverage in 172 cities and towns, where Banorte had not previously had a presence, thus strengthening the bank nationwide.

## BANORTE-BANCREER COMPLEMENTARITY

NORTHWEST	Branches	MS	Rank	T. Deposits	MS	Rank
Banorte	35	3.5%	7°	4,553	4.2%	7°
Bte+Bcer	175	17.4%	4°	15,173	13.9%	4°

WEST	Branches	MS	Rank	T. Deposits	MS	Rank
Banorte	107	7.4%	6°	21,178	10.0%	4°
Bte+Bcer	233	16.2%	4°	31,497	14.8%	3°

MEXICO CITY	Branches	MS	Rank	T. Deposits	MS	Rank
Banorte	99	5.1%	6°	27,932	3.6%	6°
Bte+Bcer	264	13.7%	5°	52,282	6.7%	6°

MONTERREY	Branches	MS	Rank	T. Deposits	MS	Rank
Banorte	116	14.3%	4°	42,691	30.5%	1°
Bte+Bcer	201	24.7%	1°	48,410	34.6%	1°

NORTHEAST	Branches	MS	Rank	T. Deposits	MS	Rank
Banorte	68	13.2%	4°	15,637	23.0%	2°
Bte+Bcer	114	22.2%	1°	18,926	27.8%	1°

SOUTH	Branches	MS	Rank	T. Deposits	MS	Rank
Banorte	30	2.1%	7°	4,170	2.4%	7°
Bte+Bcer	195	13.9%	4°	15,014	8.6%	5°

## 172 NEW LOCATIONS

With a clear orientation to providing excellence in our services, the inter-operational plan for branches will start operating in April 2002 and will enable customers of both institutions to go to the branches of either bank to carry out the most common transactions, such as making deposits and cashing checks. This will quickly communicate to our customers the advantages gained from this acquisition in terms of the convenience of having branches close to them, as well as coverage. All the while we will be working on the general integration process at both the operational and technological levels, which we estimate will extend throughout the entire year 2002.

Other aspects that will be taken care of include the following: determining the number of branches that will be closed or relocated, which will be done in the first quarter of 2002;

December 2001. Source: ABM.

Banorte includes banking modules and mutual funds. MS: Market Share.

developing a single offering of products to be provided by both networks and starting the process of changing the image of the Bancreer branches, insofar as the external signage is concerned.

Part of the integration of Bancreer and Banorte includes the legal merger of both institutions, scheduled to take effect in March 2002. Upon acquiring Bancreer, we have entered into a new stage of growth and consolidation, which will involve dealing with the challenge of combining Banorte's experience and business culture, with Bancreer's significant strengths, keeping in mind the goal of forming not only a more efficient and profitable financial group in the Mexican banking system but the group that also brings the greatest value to its customers, employees and shareholders.

## PILLARS OF THE ORGANIZATION

### MARKETING

The marketing department was strengthened in 2001, in response to the growing activity and aggressiveness in the environment, through both institutional and product support programs. As a pillar of the organization, the marketing area must successfully fulfill its role: that of establishing successful communications, linking the business, the environment and the customers. The principal goal of generating greater value for the Banorte brand was retained, in light of our awareness of the fact that the brand is the organization's main asset; to this end, permanent institutional campaigns were implemented, in addition to developing a new corporate image program, including such tools as the identity manual, which establishes the guidelines for the consolidation of the organization's image in both internal and external communications. This manual will be the base document for implementing Banorte's image in the Bancrecer branches.

In our on-going endeavors to offer our customers excellent service, that adequately meets their requirements, a series of market research studies was conducted in 2001, that allows the bank to identify market segments and the specific needs of each consumer, as well as the activities carried out by the competition. Based on these findings, highly competitive and more precisely targeted products and services were developed. In addition, continuous promotional programs and advertising campaigns for the different products were established, particularly the on-going training programs for the Suma and Imanorte brands, to stress the promotional support of the mass-placement products both inside and outside the network at key points of sale for consumer goods.

Marketing has developed a highly structured service organization to serve each banking area and contribute enhanced knowledge of consumers and strategic support aimed to meet the needs of each market where the organization has a presence. Marketing programs were also developed for each affiliate, a matter of special importance for Banorte Generali and its insurance products, for which an aggressive marketing and advertising program was designed. The results of this effort were tangible by year end and will continue throughout 2002, due to the fact that Banorte Generali is a strategic business for the future of Grupo Financiero Banorte.



## TECHNOLOGY

### Technological Advances

In September 2001 Banorte completed the Evolution project, which consisted of the re-engineering of its operating processes in branches and central areas, and incorporated high technology tools to provide enhanced integral operating efficiency, to minimize operating risks and ensure the integrity the operations and their duly being recorded in accounting. A savings of 18% in operating costs for credit and debit cards was achieved, as well as a 10% savings in the monthly costs for operating personnel.

The successful implementation of a new automatic response telephone system was also completed (IVR) during the year. It has the capacity to process up to one million calls from customers each month and provide new value added services, such as sending real time information and direct communications to executives via Internet chat rooms, ensuring a world class level of service with the capability of expanding to up to three million calls monthly.

In relation to central systems, over 25 main frame computers were consolidated into an infrastructure that had formerly been comprised of only 4 UNIX main frames, offering high capacity, performance and availability, achieving important benefits in hardware and software maintenance costs, in addition to optimizing computer resources and improving the levels of applications service. The monitoring areas were consolidated as well, which will enhance the easy and swift detection of any flaw in the computer system.

The Data Warehousing systems will continue to expand the quantity and quality of information and the technological infrastructure was overhauled to ensure its optimal functioning and expansion into the future.

### e-Business

The number of users and transactions through the Internet Banking increased substantially in 2001.

	Jan. 01	Dec. 01	Jan. 01	Dec. 01
	Users		Transactions	
Personal Internet Banking	16,836	190,471	120,732	259,165
Companies Internet Banking	2,148	9,949	182,837	433,429

The operations carried out in December 2001 totalled over \$40 billion pesos, several times the nearly \$8 billion pesos recorded in January the same year, thus generating over \$13.1 million pesos in commission earnings.

Plans were implemented in 2001 to increase the functionality and competitiveness of our Internet services.

The image of our **www.banorte.com** portal was changed.

The "Banorte Realty" (Inmuebles Banorte) portal was launched.

Electronic payment of services was implemented for the leading service provider companies.

The development of a new service for individuals, "Banorte en su Casa" (Personal Internet Banking).

These actions will contribute to increasing the income from services, retaining and attracting new customers, generating savings and competing with other financial groups.

### Electronic Distribution Channels

Banorte continued its efforts to update its distribution channels in order to make them more efficient and competitive, which led to a significant growth in electronic delivery channels in 2001.

The Call Center Banortel received the ISO 9001-2000 certification, the first bank in Latin America to obtain it.

	1999	2000	2001
ATM's	1,345	1,434	1,611
Point of Sale Terminals (POS)	9,512	9,037	10,210
Call Center Banortel*	8.2	10.1	13.4

\* Million calls.

### HUMAN RESOURCES

GFNorte had 11,055 full-time employees at the 2001 year end closing, with the Banking and Credit Auxiliaries Sector accounting for 78% of the total personnel.

	1999	2000	2001
Banking and Credit Aux. Sector	8,953	9,083	8,585
Long Term Savings Sector	1,619	1,729	2,127
Brokerage House	387	383	343
<b>GFNORTE</b>	<b>10,959</b>	<b>11,195</b>	<b>11,055</b>

Full-time employees.

### Human Resources Transactional Intranet

The Human Resources area should contribute substantial added value both to the business and to each individual and, through more efficient Personnel Management, this area should evolve towards truly Managing Human Capital, following the principle of sharing responsibility with all the other areas of the organization. To achieve this, tools have been made available to the entire staff, such as the Human Resources Intranet, allowing them to access all their Human Resources requirements through a self-service mechanism, through which they can consult needs ranging from checking their payroll receipt, to applying for vacation time.

### A Culture of Leadership and Change

Banorte has made a strong commitment to the development of a Culture of Leadership and Change, which was a fundamental influence in achieving the success of the Evolution project, one of the most far-reaching initiatives for change the group has carried out in recent years, aimed at increasing the efficiency and security of the operation and also cutting expenses. The concepts of Leadership and Change have been taken to every level of the organization through efforts as varied as conferences calls with experts and large scale events

### Compensation

In 2001, Banorte continued to use an integral variable compensation system, focussed on profitability, determined by an advanced system that indicates the contribution each unit has made to the business. Furthermore, the plan included such features as expense control, the measurement of performance, compliance with norms and the sale of insurance.





# DEDICATION

## BUSINESS OPERATION AND RESULTS

### BANKING SECTOR

#### Branch Network

Continuing the strategy of enhancing profitability in the branches, and with the expectation of the upcoming acquisition of Bancrecer, the number of Banorte branches has remained practically unchanged in recent years.

At the 2001 year end closing, Banorte had 459 branches with coverage in every state of the Mexican republic, so that the bank now ranks sixth in the national market.

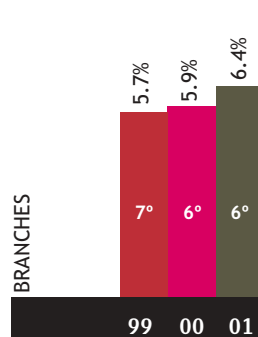




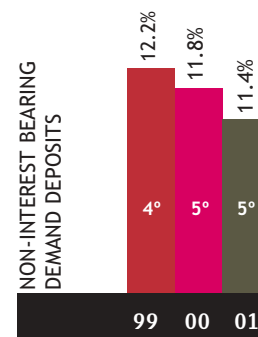
PASSION

## Market Share

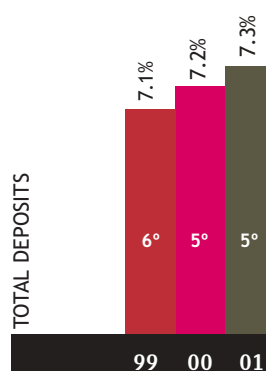
As a result of the consolidation strategy in place prior to the acquisition of Bancrecer and considering falling interest rates, the actions taken by the Banorte sales force were oriented towards quality rather than the volume of customers, so that its efforts were mainly channelled to the placement of credit with a focus on profitability and risk control.



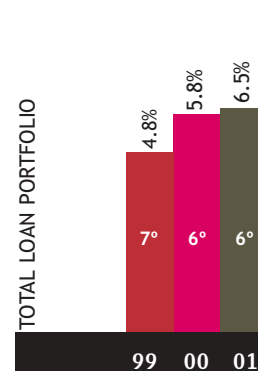
Source: ABM.



Source: ABM.



Source: ABM.  
Excludes financial intermediaries and Brokerage House Mutual Funds.



Source: ABM.  
Excludes Fobaproa and IPAB/Fobaproa notes.

## Deposits

Banorte remains the leading institution among Mexican banks in non interest bearing demand deposits per branch. In 2001 efforts were focussed on traditional and money market deposits.

	Dec. '00	Dec. '01	Variation%
Demand deposits	24,019	26,852	12%
Investments	11,734	12,057	3%
Dollars	8,459	7,663	(9%)
TRADITIONAL	44,212	46,572	5%
MONEY MARKET	50,570	57,730	14%
FINANCIAL INTERMEDIARIES	23,471	20,501	(13%)
<b>TOTAL DEPOSITS</b>	<b>118,254</b>	<b>124,803</b>	<b>6%</b>

Average balances in millions of pesos as of December 2001.

## Loan Portfolio

Banorte's credit strategy is to orient placement in the commercial, business and consumer sectors, in a selective way and cautiously in relation to corporate sector credit exposure.

Over the last 24 months, commercial and consumer loans have increased considerably, while corporate loans have remained stable, based on profitability criteria, while recovery loans have in fact decreased.

	Dec. '99	Dec. '01	Variation%
COMMERCIAL	9,542	12,205	28%
Mortgage	1,610	2,558	
Credit Card	635	823	
Automobile	241	1,292	
Other	612	204	
CONSUMER	3,099	4,876	57%
CORPORATE	9,287	8,668	(7%)
RECOVERY	10,157	6,049	(40%)
<b>TOTAL</b>	<b>32,084</b>	<b>31,798</b>	<b>(1%)</b>

Balances in millions of pesos as of December 2001.  
Excludes Fobaproa and Financial & Government Entities (\$4,421 at Dec '01).

Last year, the commercial loan balance went up 5%, as a result of the placement of 5,000 new automotive loans and 2,375 mortgage loans, both totalling over \$2.5 billion pesos.

	Dec. '00	Dec. '01	Variation %
Performing Loans	29,080	30,769	6%
Past Due Loans	4,372	4,477	2%
COMMERCIAL LOANS	33,452	35,246	5%
SUPPORT PROGRAMS	961	518	(46%)
FOBAPROA NOTES	57,301	51,290	(10%)
<b>TOTAL LOAN PORTFOLIO</b>	<b>91,714</b>	<b>87,054</b>	<b>(5%)</b>

Balances in millions of pesos as of December 2001.

## Business Segments

Based on its knowledge of its customers' requirements, Banorte clusters its financial products and services in five business segments.

### Commercial Banking

The main function of Banorte's business strategy is to offer products and services strongly oriented to customers, developing products packaged in line with fully identified market segments, to meet the customer's specific needs through our Retail, Personal and Pymes banking.

One of the most important aspects of the portfolio is the placement products, so that the business strategy has been to engage in intensive promotion of consumer loans (automobile and mortgage loans, credit cards, payroll loans, durable consumer goods products, commercial credits) for which parameter-based processes were developed in order to carry out the evaluation and authorization of credits in a single bank branch and thus provide a swift response to a customer's application.

Impetus was given to services through various delivery media: Branches, ATM's, Banortel, Internet and Point of Sales Terminals using a criterion oriented to a per transaction

charge, the reduction of operating costs and timely and personalized service.

### Corporate Banking and International Business

Corporate Banking has honored its commitment to provide integral financial solutions, carrying out operations with high added value for its customers. In 2001, various specialized financing plans were offered, such as: the origination of syndicated loans, structured loans, financing for mergers and acquisitions and investment projects.

Corporate business loans and securities as of December 2001 totalled \$10.4 billion pesos.

The International Business area has retained its international ISO 9002 quality certification. In 2001, various strategic alliances were entered into to develop new foreign commerce products and services, among which are the ratification of the bank's commercial alliance with the Conexión Américas bank network, that allows our customers to concentrate the administration of their foreign operations.

Other important investments made in 2001 were those in technology, which means that around the second quarter of 2002, we will offer foreign currency products and services via the Internet to those customers engaged in foreign commerce.

### Entrepreneurial Banking

Entrepreneurial Banking specializes in high value added credit products, developing plans to expedite customer service in specific markets. In 2001, significant increases were achieved in the different products and services this area offers.

Promotion Banking, in close collaboration with Development Banking, handles the Crediactivo product created to meet the financing needs of micro and small business, sharing the risk with NAFIN. The loan portfolio amounted to \$1.8 billion pesos.

Agricultural and Livestock Banking has a loan portfolio of \$2.7 billion pesos, and has a significant participation in the FIRA (Agricultural Trusts) promotions program.

Small and Medium Business serves 1,836 customers with a total loan portfolio of \$8.7 billion pesos.

Trusts and Appraisals manages 3,015 trusts with funds of \$38.6 billion pesos and carried out 16,697 appraisals during the year.

### Government Banking

Banorte's Government Banking area is oriented to providing excellence in financial products and services for the federal government, government financial institutions, decentralized organizations and government owned companies. Its strategy is based on the packaging of products and services tailored to its customers' needs, thus achieving an intense amount of crossed sales comprised of the products from the various banking areas and a growing level of active participation in Grupo Financiero Banorte's results.

### Recovery Banking

By the 2001 year end, the assets under management by the Recovery Banking area reached \$60.9 billion pesos.



Over the course of the year, \$6.2 billion pesos were recovered, \$4.5 billion of which were collected in cash. In addition, \$1.6 billion pesos of loan portfolios were recovered.

Recovery Banking contributed 31% of the Banking Sector's revenues in 2001.

	Accumulated	
	2000	2001
Contribution from Traditional Business	1,120	952
Contribution from Recovery Banking	521	426
<b>TOTAL (1)</b>	<b>1,641</b>	<b>1,378</b>
% of Contribution from Recovery Banking	32%	31%

Millions of pesos as of December 2001.  
(1) 100% of Banking Sector.

# SPIRIT

mexico's pride

MUSIC



It is important to mention that in the third quarter, GFNorte won the bidding to acquire the rights for two mortgage loan packages through its subsidiary Sólida Administradora de Portafolios, S.A. de C.V. The first package auctioned by Goldman Sach's was for \$3.2 billion pesos and the second was a Bancrecer portfolio of \$211 million pesos.

Inmuebles Banorte had a strong year in 2001, with sales of \$1.3 billion pesos, 45% of which were made in the final quarter.

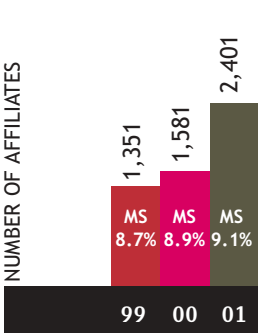
As part of the challenge involved in integrating Bancrecer, it was indispensable for us to more clearly define the various businesses that comprise GFNorte, seeking to facilitate communications with our shareholders, the authorities, customers and the financial community in general. Therefore, starting January 1, 2002, the personnel constituting the staff of the Recovery Banking area was incorporated into the firm Sólida Administradora de Portafolios, S.A. de C.V., which, as a GFNorte subsidiary, is the vehicle for purchasing loan portfolios since 2001.

LONG TERM SAVINGS SECTOR

The Long Term Savings Sector continues to show significant increases in its most important items and is a strong promoter of the crossed sale of products and services in Grupo Financiero Banorte.

Afore

Afore Banorte Generali has 2,400,764 subscribers and ranks sixth nationwide. The assets under management by Banorte Generali SIEFORE program grew 54% during the year. The cost for a single subscription was \$889 pesos, one of the lowest-priced AFORE's in the sector.



Thousands of affiliated workers. MS: Market Share.



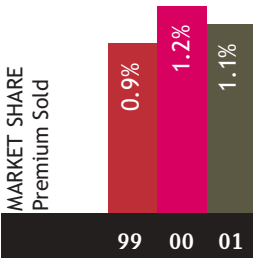
Millions of pesos as of Dec. '01.

Insurance

Despite the regrouping of the insurance companies operating in the national market, Seguros Banorte Generali has retained its market share; in 2001 the company strengthened its structure and relaunched its product line, achieving positive results towards the end of the year.



Millions of pesos as of Dec. '01



Source: AMIS (Asociación Mexicana de Instituciones de Seguros, A.C. - Mexican Association of Insurance Institutions). Share of the private market.

