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REPORT OF INDEPENDENT AUDITORS

Monterrey, N. L., February 15, 2002 (except for Note 2-a, as to which the date is March 11, 2002).

To the Shareholders' Meeting of Grupo Financiero Banorte, S. A. de C. V. and subsidiaries:

1. We have audited the consolidated balance sheets of Grupo Financiero Banorte, S. A. de C.V. and subsidiaries (the HOLDING), as of December 31, 2001 and 2000, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the HOLDING's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audits in accordance with auditing standards generally accepted in Mexico, which are substantially the same as those followed in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, and are prepared in accordance with the accounting criteria applicable to the HOLDING. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures of the financial statements. An audit also includes assessing the accounting criteria used and significant estimates made by management, as well as the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

3. As discussed in Note 4, the HOLDING is required to prepare and present its consolidated financial statements, in accordance with accounting practices prescribed by the Mexican Banking and Securities Commission (the COMMISSION), for financial groups. Those rules differ from Mexican Generally Accepted Accounting Principles in the cases discussed in Note 5. The financial statements of the HOLDING as of December 31, 2001 are subject to review by the COMMISSION.

4. As discussed in Note 2, on September 24, 2001, the Bank Savings Protection Institute (IPAB) announced that Banco Mercantil del Norte, S.A., Institución de Banca Múltiple (BANORTE) had won the purchase process for 100% of the capital stock of Bancrecer, S.A. (BANCRECER). The price paid amounted to 1,650 million pesos, which equaled 0.66 times the book value of the stockholders' equity of the acquired entity at the date of the transaction. Inasmuch as BANORTE did not take control of BANCRECER's management until January 8, 2002, as authorized by the COMMISSION, the financial statements of BANCRECER at December 31, 2001 are not consolidated with those of BANORTE, nor was this investment valued by the equity method.

5. A corporate restructuring was carried out during 2000, with Banpaís, S.A., Institución de Banca Múltiple, and Administradora de Activos Centroban, S.A. de C.V. (a company spun off from Banco del Centro, S.A., Institución de Banca Múltiple, Grupo Financiero), being merged into BANORTE. That same year, the COMMISSION authorized BANORTE to make charges against stockholders' equity in the amount of 2,100 million pesos to create the reserves necessary to cover the contingencies of the Fondo Bancario de Protección al Ahorro (FOBAPROA) programs, BANORTE having complied in advance with all applicable regulatory requirements.

6. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Grupo Financiero Banorte, S. A. de C.V. and subsidiaries as of December 31, 2001 and 2000, and the results of theirs operations, the changes in their stockholders' equity and the changes in their financial position for the years then ended, in conformity with accounting practices prescribed by the Mexican Banking and Securities Commission.

PricewaterhouseCoopers

Fernando J. Morales Gutiérrez, C.P.
Assurance and Business Advisory Services Partner

GRUPO FINANCIERO BANORTE, S.A. DE C.V. AND SUBSIDIARIES

BALANCE SHEETS

CONSOLIDATED AS OF DECEMBER 31, 2001 AND 2000
(Amounts stated in thousands of Mexican Pesos of December 2001 purchasing power)
(Notes 1, 2, 3, 4, 5, 6, 23, 26, 31, 33, 34, 35 and 36)

ASSETS	2001	2000
CASH AND CASH EQUIVALENTS (Note 7)	$ 7,676,870	$ 9,996,752
INVESTMENT SECURITIES (Note 8):		
Trading securities	$ 2,396,080	$ 4,351,386
Available-for-sale securities	1,055,832	2,001,277
Held-to-maturity securities	3,037,874	1,254,521
TOTAL INVESTMENT SECURITIES	$ 6,489,786	$ 7,607,184
SECURITIES AND DERIVATIVES TRADING (Note 9):		
Debit balances on repo transactions	$ 157,793	$ 134,089
Derivatives trading	15,277	6,612
	$ 173,070	$ 140,701
CURRENT LOAN PORTFOLIO (Notes 10 and 12):		
Commercial portfolio	$ 23,131,635	$ 22,513,393
Loans to financial intermediaries	88,783	171,790
Consumer loans	2,366,251	654,377
Mortgage loans	4,693,086	4,271,341
Loans to government entities	39,052,134	39,669,762
Loans to FOBAPROA or IPAB (Note 11)	9,852,937	12,473,420
TOTAL CURRENT LOAN PORTFOLIO	$ 79,184,826	$ 79,754,083
PAST-DUE LOAN PORTFOLIO (Notes 10 and 12):		
Commercial portfolio	$ 2,491,758	$ 1,836,679
Consumer loans	325,551	624,523
Mortgage loans	1,701,028	1,893,405
TOTAL PAST-DUE LOAN PORTFOLIO	$ 4,518,337	$ 4,354,607
TOTAL LOAN PORTFOLIO	$ 83,703,163	$ 84,108,690
ALLOWANCE FOR LOAN LOSSES	4,493,896	4,393,272
NET LOAN PORTFOLIO	$ 79,209,267	$ 79,715,418
CREDIT ASSETS PORTFOLIO (Note 13)	$ 2,553,650	$ 1,551,079
OTHER RECEIVABLES, NET	1,266,831	1,343,460
FORECLOSED ASSETS (Note 14)	1,356,117	1,586,554
PROPERTY, FURNITURE AND EQUIPMENT, NET (Note 15)	3,623,978	3,468,239
PERMANENT STOCK INVESTMENTS (Note 16)	990,522	892,095
DEFERRED TAXES, NET (Note 17)	710,802	652,399
OTHER ASSETS (Note 18):		
Other assets, deferred charges and intangibles	1,357,431	1,340,806
TOTAL ASSETS	$ 105,408,324	$ 108,294,687

C.P. Othón Ruiz Montemayor
General Director

Ing. Sergio García Robles Gil
Planning and Control General Director

LIABILITIES	2001	2000
DEPOSITS:		
Demand deposits (Note 19)	$ 29,500,937	$ 27,242,031
Time deposits (Note 20)		
General public	17,235,759	16,635,649
Money market	27,516,758	25,814,327
Bank bonds (Note 21)	1,301,622	1,374,427
TOTAL DEPOSITS	**$ 75,555,076**	**$ 71,066,434**
BANK AND OTHER ENTITY LOANS (Note 22):		
Demand loans	$ 2,512,368	$ 4,071,490
Short term	4,935,429	10,660,461
Long term	8,710,923	10,670,256
	$ 16,158,720	**$ 25,402,207**
SECURITIES AND DERIVATIVES TRADING (Note 9):		
Credit balances on repo transactions	$ 106,768	$ 128,754
Derivatives trading	9,845	38,430
	$ 116,613	**$ 167,184**
OTHER PAYABLES:		
Income tax and employees' statutory profit sharing	$ 29,763	$ 231,637
Sundry creditors and other payables	2,302,373	2,689,210
	$ 2,332,136	**$ 2,920,847**
OUTSTANDING SUBORDINATED DEBENTURES (Note 24)	**$ 1,335,355**	**$ -**
DEFERRED CREDITS	**51,555**	**105,079**
CONTINGENCIES (Note 25)	-	-
TOTAL LIABILITIES	**$ 95,549,455**	**$ 99,661,751**
STOCKHOLDERS' EQUITY (Notes 27, 28, 29 and 30):):		
PAID-IN CAPITAL:		
Capital stock	$ 4,843,854	$ 4,818,959
Paid stock premiums	1,404,875	1,323,419
TOTAL PAID-IN CAPITAL	**$ 6,248,729**	**$ 6,142,378**
EARNED SURPLUS:		
Capital reserves	$ 928,518	$ 778,652
Retained earnings	8,041,773	6,366,417
Surplus or deficit from restatement of stockholders' equity	(4,956,443)	(4,956,443)
Loss from holding nonmonetary assets from valuation of permanent stock investments	(2,702,715)	(2,212,135)
Net income	1,503,957	1,761,594
TOTAL EARNED SURPLUS	**$ 2,815,090**	**$ 1,738,085**
MINORITY INTEREST IN STOCKHOLDERS' EQUITY	**$ 795,050**	**$ 752,473**
TOTAL STOCKHOLDERS' EQUITY	**$ 9,858,869**	**$ 8,632,936**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 105,408,324**	**$ 108,294,687**

MEMORANDUM ACCOUNTS (Note 32)
The accompanying notes are part of these consolidated financial statements.

C.P. José Luis Garza González
Audit Executive Director

C.P. Nora Elia Cantú Suárez
Accounting Director

GRUPO FINANCIERO BANORTE, S.A. DE C.V. AND SUBSIDIARIES

STATEMENTS OF INCOME

CONSOLIDATED FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(Amounts stated in thousands of Mexican Pesos of December 2001 purchasing power)

(Notes 1, 2, 3, 4, 5, 6, 12, 35 and 36)

	2001	2000
Interest income	$ 22,577,697	$ 27,203,294
Interest expense	(16,168,010)	(20,909,685)
Monetary gain, relative to net interest income	55,298	1,862
NET INTEREST INCOME	**$ 6,464,985**	**$ 6,295,471**
Allowance for loan losses	(1,147,188)	(861,078)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISKS	**$ 5,317,797**	**$ 5,434,393**
Fee and commission income	$ 3,184,472	$ 3,459,920
Fee and commission expense	(641,060)	(663,745)
Brokerage income	329,723	504,023
	$ 2,873,135	**$ 3,300,198**
TOTAL OPERATING INCOME	**$ 8,190,932**	**$ 8,734,591**
Administrative and promotion expenses	(7,102,723)	(7,138,122)
OPERATING INCOME	**$ 1,088,209**	**$ 1,596,469**
Other income	$ 1,702,316	$ 1,749,367
Other expenses	(911,291)	(1,389,417)
	$ 791,025	$ 359,950
INCOME BEFORE INCOME TAX AND EMPLOYEES' STATUTORY PROFIT SHARING	**$ 1,879,234**	**$ 1,956,419**
Current income tax and employees' statutory profit sharing (Note 31)	($ 135,029)	($ 103,232)
Deferred income tax and employees' statutory profit sharing (Note 17)	(196,356)	(15,907)
	($ 331,385)	**($ 119,139)**
INCOME BEFORE EQUITY IN EARNINGS OF NONCONSOLIDATED SUBSIDIARY AND ASSOCIATED AND AFFILIATED COMPANIES, AND MINORITY INTEREST	**$ 1,547,849**	**$ 1,837,280**
Equity in earnings of nonconsolidated subsidiary and associated, and affiliated companies, Net	59,284	28,336
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	**$ 1,607,133**	**$ 1,865,616**
Minority interest	($ 103,176)	($ 104,022)
NET INCOME (Notes 29 and 30)	**$ 1,503,957**	**$ 1,761,594**

The accompanying notes are part of these consolidated financial statements.

C.P. Othón Ruiz Montemayor
General Director

Ing. Sergio García Robles Gil
Planning and Control General Director

C.P. José Luis Garza González
Audit Executive Director

C.P. Nora Elia Cantú Suárez
Accounting Director

GRUPO FINANCIERO BANORTE, S. A. DE C. V. AND SUBSIDIARIES

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

CONSOLIDATED FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(Amounts stated in thousands of Mexican Pesos of December 2001 purchasing power)

	Paid-in Capital				
	CAPITAL STOCK	VARIABLE CAPITAL STOCK	PAID STOCK PREMIUMS	OBLIGATORY CONVERTIBLE OUTSTANDING DEBENTURE	CAPITAL RESERVES
Balance at January 1, 2000	$ 2,896,460	$ 1,846,417	$ 995,632	$ 492,369	$ 683,413
CHANGES RESULTING FROM RESOLUTIONS ADOPTED BY STOCKHOLDERS:					
Issuance of stock (Stock repurchase)	-	(42,477)	-	-	(145,785)
Appropriation of income	-	-	-	-	-
Reserves created	-	-	-	-	241,024
Issuance of stock from conversion of debentures	-	118,559	327,787	(446,346)	-
CHANGES RELATED TO THE RECOGNITION OF COMPREHENSIVE INCOME:					
Net income of the year	-	-	-	-	-
Goodwill cancellation	-	-	-	-	-
Interest on issuance of subordinated debentures	-	-	-	(5,706)	-
Surplus or deficit on restatement of stockholders' equity	-	-	-	(40,317)	-
Gain (loss) from holding nonmonetary assets	-	-	-	-	-
Comprehensive income for the year (Note 29)	-	-	-	(46,023)	-
MINORITY INEREST	-	-	-	-	-
Balance at December 31, 2000	**$ 2,896,460**	**$ 1,922,499**	**$ 1,323,419**	**$ -**	**$ 778,652**
CHANGES RESULTING FROM RESOLUTIONS ADOPTED BY STOCKHOLDERS:					
Issuance of stock (Stock repurchase)	-	24,895	81,456	-	63,628
Appropriation of income	-	-	-	-	-
Reserves created	-	-	-	-	86,238
CHANGES RELATED TO THE RECOGNITION OF COMPREHENSIVE INCOME:					
Net income of the year	-	-	-	-	-
Gain (loss) from holding nonmonetary assets	-	-	-	-	-
Comprehensive income for the year (Note 29)	-	-	-	-	-
MINORITY INTEREST	-	-	-	-	-
Balance at December 31, 2001	**$ 2,896,460**	**$ 1,947,394**	**$ 1,404,875**	**$ -**	**$ 928,518**

C.P. Othón Ruiz Montemayor
General Director

Ing. Sergio García Robles Gil
Planning and Control General Director

Earned Surplus						
PRIOR YEARS RETAINED EARNINGS	DEFICIT IN RESTATEMENT OF CAPITAL ACCOUNTS	GAIN (LOSS) FROM HOLDING NON-MONETARY ASSETS	NET INCOME OF THE YEAR	TOTAL MAJORITY INTEREST	MINORITY INTEREST IN CAPITAL	TOTAL STOCKHOLDERS' EQUITY
$ 5,622,959	($ 5,051,654)	$ -	$ 1,295,936	$ 8,781,532	$ 840,186	$ 9,621,718
-	-	-	-	(188,262)	-	(188,262)
1,295,936	-	-	(1,295,936)	-	-	-
(241,024)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,761,594	1,761,594	-	1,761,594
(311,454)	-	-	-	(311,454)	-	(311,454)
-	-	-	-	(5,706)	-	(5,706)
-	95,211	-	-	54,894	-	54,894
-	-	(2,212,135)	-	(2,212,135)	-	(2,212,135)
(311,454)	95,211	(2,212,135)	1,761,594	(712,807)	-	(712,807)
-	-	-	-	-	(87,713)	(87,713)
$ 6,366,417	**($ 4,956,443)**	**($ 2,212,135)**	**$ 1,761,594**	**$ 7,880,463**	**$ 752,473**	**$ 8,632,936**
-	-	-	-	169,979	-	169,979
1,761,594	-	-	(1,761,594)	-	-	-
(86,238)	-	-	-	-	-	-
-	-	-	1,503,957	1,503,957	-	1,503,957
-	-	(490,580)	-	(490,580)	-	(490,580)
-	-	(490,580)	1,503,957	1,013,377	-	1,013,377
-	-	-	-	-	42,577	42,577
$ 8,041,773	**($ 4,956,443)**	**($ 2,702,715)**	**$ 1,503,957**	**$ 9,063,819**	**$ 795,050**	**$ 9,858,869**

The accompanying notes are part of these consolidated financial statements.

C.P. José Luis Garza González
Audit Executive Director

C.P. Nora Elia Cantú Suárez
Accounting Director

GRUPO FINANCIERO BANORTE, S. A. DE C. V. AND SUBSIDIARIES

STATEMENT OF CHANGES IN FINANCIAL POSITION

CONSOLIDATED FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(Amounts stated in thousands of Mexican Pesos of December 2001 purchasing power)

	2001	2000
OPERATING ACTIVITIES:		
Net income of the year	$ 1,503,957	$ 1,761,594
Items charged (credited) to income that did not affect resources:		
Allowance for loan losses	1,147,188	861,078
Depreciation and amortization	429,734	359,188
Deferred taxes	196,356	15,907
Minority interest	103,176	104,022
Provision for other obligations	(506,694)	214,556
Equity in earnings of nonconsolidated subsidiary and associated and affiliated companies, net	(59,284)	(28,336)
Unrealized investment income	(51,588)	7,505
	$ 2,762,845	**$ 3,295,514**
Items related to operations:		
Increase (decrease) in deposits	4,488,642	(26,174,052)
Decrease in investment securities	1,168,986	15,201,671
(Decrease) increase in bank and other entity loans	(9,243,487)	4,878,468
Increase in credit assets portfolio	(1,002,571)	(1,551,079)
(Increase) decrease in loan portfolio	(641,037)	3,433,641
Decrease in deferred taxes	(254,759)	(278,739)
(Increase) decrease in derivatives trading	(82,940)	51,180
Increase in accounts receivable and payable	(5,387)	(38,228)
Resources provided by (used in) operating activities	**($ 2,809,708)**	**($ 1,181,624)**
FINANCING ACTIVITIES:		
Issuance (repayment) of outstanding subordinated debentures	$ 1,335,355	($ 1,129,600)
Common stock repurchase	169,979	(188,262)
Increase in stock premiums	-	327,787
Common stock issuance	-	118,559
Repayment of obligatorily convertible subordinated debentures	-	(492,369)
Resources provided by (used in) financing activities	**$ 1,505,334**	**($ 1,363,885)**
INVESTMENT ACTIVITIES:		
Decrease in foreclosed assets	$ 230,438	$ 82,373
Increase in permanent stock investments	(590,323)	(2,706,160)
(Increase) decrease in deferred charges and credits	(70,150)	389,772
Net purchases of property, furniture and equipment	(585,473)	(144,272)
Resources used in investment activities	**($ 1,015,508)**	**($ 2,378,287)**
Decrease in cash and cash equivalents	(2,319,882)	(4,923,796)
Cash and cash equivalents at beginning of year	9,996,752	14,920,548
Cash and cash equivalents at end of year	**$ 7,676,870**	**$ 9,996,752**

The accompanying notes are part of these consolidated financial statements.

C.P. Othón Ruiz Montemayor
General Director

Ing. Sergio García Robles Gil
Planning and Control General Director

C.P. José Luis Garza González
Audit Executive Director

C.P. Nora Elia Cantú Suárez
Accounting Director

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED AS OF DECEMBER 31, 2001 AND 2000

(Amounts stated in thousands of Mexican pesos of December 2001 purchasing power, except number of shares, debentures, and exchange rates)

NOTE 1 - DESCRIPTION OF BUSINESS:

Grupo Financiero Banorte, S.A. de C.V. and subsidiaries (the HOLDING) is authorized by the Secretaría de Hacienda y Crédito Público (Mexican Ministry of Finance and Public Credit or "SHCP") to incorporate and function as a financial group in the terms established in the Ley para Regular las Agrupaciones Financieras (Financial Groups Regulation Law or "LRAF"), subject to inspection and oversight by the Comisión Nacional Bancaria y de Valores (Mexican Banking and Securities Commission or "the COMMISSION"). Its operations consist of rendering all kinds of banking services, acting as a broker in the securities market, as well as acquiring and managing shares issued by insurance, pension and bonding institutions, leasing and financial factoring companies, mutual funds and any other type of associations or financial entities allowed by the SHCP, pursuant to the provisions of the LRAF. The COMMISSION, the Instituciones de Crédito (Credit Institutions), the Banco de México (Central Bank of Mexico or "BANXICO"), the Comisión Nacional de Seguros y Fianzas (Mexican Insurance and Bonding Commission), the Comisión Nacional del Sistema de Ahorro para el Retiro (Mexican Commission for the Retirement Savings System) and other applicable laws regulate its operations.

Among the powers that may be exercised in its capacity as a regulator of financial groups, the COMMISSION may review the financial information of the HOLDING and require changes to be made thereto.

The HOLDING has entered into a liability agreement in accordance with the LRAF, through which the HOLDING is fully liable for the obligations and losses of each one of its subsidiary companies.

NOTE 2 - HIGHLIGHTS:

In fiscal 2000, a comprehensive business strategy was established that required structural changes in the HOLDING; such as: the concentration of the banking businesses of the subsidiaries of the HOLDING in Banco Mercantil del Norte, S.A. (BANORTE) through the mergers of Banpaís, S.A. (BANPAÍS) and the bank segment of Banco del Centro, S.A. (BANCEN). As well as the sale of the equity held by BANORTE in the capital of subsidiary Banorte Generali, S.A. de C.V. AFORE to BANCEN. The fundamental purpose of that strategy was to strengthen the capital of BANORTE and improve its position in the market.

Furthermore, consistently with the strategic plan implemented by the HOLDING during 2001 and 2000, the following actions were taken:

a. Acquisition of the stock of Bancrecer, S.A. (BANCRECER)

At September 24, 2001, the Instituto para la Protección del Ahorro Bancario (Bank Savings Protection Institute or "IPAB") announced that BANORTE had won the purchase process for 100% of the capital stock of BANCRECER. BANORTE paid $1,650 million (US$174 million), which equals 0.66 times the book value of the stockholders’ equity of the acquired entity at the date of the transaction.

In accordance with the sales contract for the stock of BANCRECER, BANORTE proceeded to pay such stock in the following manner: 25% of the offered price, that is $412,500, on October 5, 2001 (date on which the contract was entered into) and the total settlement of the remaining $1,237,500 on December 4 of that same year.

For the period between the first payment and the final payment, interest was accrued in favor of the IPAB on the outstanding balance of the offered price at the average 28-day CETES ("Treasury Certificates") rate, in the amount of $15,989. Furthermore, other expenses directly related with the acquisition brought the total cost to $1,671,853. This last amount represents the investment value reflected by BANORTE’s financial statements at December 31, 2001 for the aforementioned operation.

The acquisition of BANCRECER was funded with resources of the HOLDING, including resources in cash and dividends obtained from its subsidiaries, as well as the use of the surplus from the recent issuance of debentures by BANORTE and the use of additional financing obtained before the date of the purchase of the stock.

Through official letter 60-II-105587, dated December 11, 2001, the COMMISSION, authorized BANORTE to temporarily record this investment in investment securities. Inasmuch as BANORTE did not take control of BANCRECER’s management until January 4, 2002, the financial statements of BANORTE at December 31, 2001 were not consolidated with those of BANCRECER, nor was the income for December of such institution recognized at the end of the year, by applying the equity method.

In a General Ordinary Shareholders’ Meeting held on January 4, 2002, the shareholders of BANCRECER agreed to appoint a new Board of Directors, as well as a new General Director for such institution.

With regard to the stockholders’ equity of BANCRECER, the aforementioned official letter establishes that at the end of 2001, such institution should reduce the value in books of its stockholders’ equity by an allowance for the known integration expenses. In this connection, and taking advantage of the negative goodwill of approximately $850 million in BANORTE as a result of the purchase of BANCRECER at a price lower than the stockholders’ equity value, BANCRECER proceeded to constitute capital reserves, in December, in the amount of $678 million, to cover these integration expenses during 2002.

Once the book adjustments of BANCRECER were made for the aforementioned integration expenses, the stockholders’ equity of said institution at December 31, 2001 amounted to $1,704,372.

Therefore, the purchase of BANCRECER’s stock, generated a negative goodwill in the amount of $32,519 (excess of stockholders’ equity of the acquired entity over the acquisition cost of the stock). This amount will be recorded in BANORTE in 2002.

At General Extraordinary Shareholders’ Meetings held on March 11, 2002, BANORTE and BANCRECER’s shareholders approved a merger of such institutions, with figures as of February 28, 2002. BANCRECER survived as the merging company, and subsequently changed its name to Banco Mercantil del Norte, S.A., Institución de Banca Múltiple.

Consequently, the combined amounts of the main items comprising the condensed balance sheets of BANORTE and BANCRECER, without eliminating the investment of BANORTE in BANCRECER, at December 31, 2001, are shown below:

		2001	
	Banorte	**Bancrecer**	**Total**
Assets			
Cash, investment securities and securities and derivatives trading	$ 14,046,937	$ 12,745,006	$ 26,791,943
Loan portfolio, net	77,493,800	55,501,421	132,995,221
Foreclosed assets	1,335,432	-	1,335,432
Property, furniture and equipment, net	3,369,024	2,045,160	5,414,184
Permanent stock investments	386,810	61,229	448,039
Other accounts receivable, net	2,633,010	281,958	2,914,968
Total assets	**$ 99,265,013**	**$ 70,634,774**	**$ 169,899,787**
Liabilities and stockholders’ equity			
Interbank and other entity deposits and loans	$ 89,370,026	$ 66,505,556	$ 155,875,582
Other payables, securities and derivatives trading and deferred loans	2,151,519	2,424,846	4,576,365
Outstanding subordinated debentures	1,335,355	-	1,335,355
Stockholders’ equity	6,408,113	1,704,372	8,112,485
Total liabilities and stockholders’ equity	**$ 99,265,013**	**$ 70,634,774**	**$ 169,899,787**

b. New methodology for rating the commercial portfolio

At September 29, 2000, the COMMISSION issued Circular 1480 "Metodología para la calificación y constitución de reservas preventivas de la cartera crediticia comercial" (Methodology for the rating and constitution of the allowance for loan losses of the commercial portfolio), which supersedes Circular 1128, as from January 1, 2001 (see Note 4-h).

The implementation of this new methodology to rate the commercial portfolio did not require any additional charge to income, since the allowances for loan losses constituted by the HOLDING while the prior methodology was effective, was sufficient, as shown in Note 10-c.

c. Financial soundness

BANORTE complied in advance with all the regulatory requirements established by the COMMISSION, mainly consisting of recognizing reserves to cover the contingencies of the Fondo Bancario de Protección al Ahorro (Bank Savings Protection Fund or "FOBAPROA"). By virtue of the foregoing, BANORTE created capital reserves in the amount of $2,100,080, subject to authorization by the COMMISSION.

d. Advance settlement of the promissory notes payable by FOBAPROA

During the last quarter of fiscal 2000, BANORTE agreed with the IPAB to restructure the debt payable by FOBAPROA (currently IPAB), by converting part of that debt into a regular loan granted to the IPAB in the amount of $37,304,899. That restructuring included the promissory notes that originally applied to BANCEN and BANPAÍS (see Note 10-a).

e. Purchases of portfolio packages

Through one of the subsidiaries of BANORTE called "Sólida Administradora de Portafolios, S.A. de C.V.", in March 2001, the HOLDING won three of the six portfolio loan packages auctioned by the IPAB. The gross amount of these packages was $2,061,000 of the mortgage portfolio of BANCRECER, and paid a price of $559,000.

Furthermore, during the third quarter two further loan portfolio packages were purchased from the IPAB, one amounting to $2,753,000 for which $800,000 was paid, mainly comprising by commercial portfolio, and another amounting to $211,000, for which $38,000 was paid, comprising mortgage loans.

In October 2001, the HOLDING purchased an additional mortgage loan package in the amount of $3,191,200 from Goldman Sachs, for a price of $648,600.

In February 2000, the trust division of Banca Serfín, S.A. ceded the rights over the flows generated by the loans and goods included in Tranches I and II of commercial portfolio and Tranche III of mortgage loans in the amount of $20,872,500, to BANCEN. A price of $2,474,465 was paid for the foregoing. At December 31, 2001, the amount of loans and goods pending recovery was $9,921,200 and the amount of paid rights to be amortized was $1,152,908.

In the last quarter of 2000, through the company Sólida Administradora de Portafolios, S.A. de C.V., BANORTE again participated in a portfolio tender, resulting in the acquisition of a mortgage loan package of Banca Serfín, S.A. in the amount of $2,691,000, comprising 19,253 social interest loans, with an effective balance of 66%, for which $621,000 were paid.

f. Overvaluation of foreclosed assets

Through official letter 60-II-105587, dated December 11, 2001, the COMMISSION authorized BANORTE to cancel the overvaluation reflected in the foreclosed assets in BANORTE's books at the end of the year. The foregoing overvaluation amounted to $293,196, decreasing stockholders' equity and liabilities for deferred taxes in the amount of $190,577 and $102,619, respectively.

This operation arises from the accounting effect in December 1999 of the cancellation of the promissory note payable by FOBAPROA and the reversion of the assets comprising the equity of the Segment I trust of BANCEN, that in accordance with the trust agreement signed with such institution reached maturity on the aforementioned date.

g. Adaptation of by-laws in conformity with the new regulation requirements

Several amendments to the banking laws were published from June 1 to June 4, 2001 in the Official Gazette. Among these laws are: the Ley del Mercado de Valores (Securities Market Law or “LMV”) and the Ley de Instituciones de Crédito (Credit Institutions Law or “LIC”).

Among the most important are the changes in the LMV affecting issuers, which affect all public companies due to the incorporation of measures established in the "Código de Mejores Prácticas Corporativas" (Code of Best Corporate Practices). Furthermore, the changes to the LIC basically refer to the incorporation of independent Directors in the Board of Directors of the institutions, the constitution of an Audit Committee and a stricter regulation of the handling of transactions with related parties.

In this respect, a General Extraordinary Shareholders' Meeting of the Group was held on June 20, 2001, with the sole purpose of amending the by-laws, for the consideration and approval of the shareholders; and to further adapt these by-laws as required by the LMV and Circular 1133 of the COMMISSION. The HOLDING has already incorporated independent Directors in the Board of Directors. It also has an Audit Committee and a Risk Policies Committee.

NOTE 3 - ECONOMIC ENVIRONMENT:

Financial transactions have been carried out in accordance with a restrictive monetary policy imposed by BANXICO. Also, both appreciating exchange rates and decreasing inflation rates have all been a factor in reducing borrower risks. The relevant economic indicators have been the following:

	2001	2000
National Consumer Price Index (INPC), inflation for the year	4.40%	8.96%
Average cost of deposit funds (CPP)	10.58%	13.69%
28-day Federal Treasury Certificates:		
- Annual average interest rate	11.37%	15.24%
- Year-end interest rate	6.75%	17.59%
Reference value of Investment Units (UDIs)	3.055273	2.909158
Exchange rate against the US dollar:		
- Annual average (pesos)	$ 9.3408	$ 9.4587
- Year-end average (pesos)	$ 9.1695	$ 9.6098
Increase (decrease) in Price and Listing Index		
of the Mexican Stock Exchange	14.70%	(22.97%)

NOTE 4 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with the accounting criteria established by the COMMISSION. For this purpose, the COMMISSION issued Circulars 1456, 1448, 1458 and 10-234, applicable to financial groups, credit institutions, auxiliary credit organizations and exchange brokers, respectively, which were updated in October 2000 with the issuance of Circulars 1489, 1488 and 1490 effective January 1, 2001. Those Circulars adjust various accounting criteria in order to add disclosure rules relative to interim financial information. They also incorporate the concept of comprehensive income, change the recording and valuation rules for considering a mortgage loan as past due, as well as set forth certain rules for recording, valuation, presentation and disclosure with regard to investment securities, derivative financial instruments, loan portfolios, authorized signature guarantees and related parties. These changes do not have significant effects on the interpretation and analysis of the financial statements at December 31, 2001 and 2000.

In the absence of a specific accounting criterion from the COMMISSION, the following shall be applied in the given order: Generally Accepted Accounting Principles ("MEX GAAP"), issued by the Instituto Mexicano de Contadores Públicos, A.C. (IMCP); International Accounting Standards, issued by the International Accounting Standards Committee (IASC) and Generally Accepted Accounting Principles in North America ("US GAAP"), issued by the Financial Accounting Standards Board (FASB).

The financial statements of the HOLDING for the year 2001 are subject to the approval of the COMMISSION which, in accordance with its powers, can eventually make changes thereto.

For a better presentation, some of the items included in the financial statements at December 31, 2000 were reclassified for comparative purposes with figures at December 31, 2001 (see Notes 8-b and 9-a).

The most significant accounting criteria, including the methods and criteria relative to the recognition of the impact of inflation on the financial information, are summarized below:

a. Principles of consolidation

The accompanying consolidated financial statements include the financial statements of the HOLDING and subsidiaries that belong to the financial sector, including the retirement funds management company, companies that render supplementary or auxiliary services to banking institutions and real estate management companies. Permanent stock investments in mutual funds, as well as investments in insurance, bonding and pension fund companies are valued by using the equity method, since the HOLDING has significant influence on their management.

The relevant amounts of the main unconsolidated subsidiaries are shown below:

Company			2001		
	%	Assets	Liabilities	Stockholders' equity	Income of the year
Fianzas Banorte, S.A. de C.V.	99.99	$ 145,058	$ 74,380	$ 70,678	$ 6,936
Seguros Banorte Generali, S.A. de C.V.	51.00	1,466,695	1,329,463	137,232	13,864
Pensiones Banorte Generali, S.A. de C.V.	51.00	3,550,256	3,430,600	119,656	(10,951)
Total		**$ 5,162,009**	**$ 4,834,443**	**$ 327,566**	**$ 9,849**

b. Recognition of the impact of inflation on the financial information

The accompanying financial statements have been restated in terms of purchasing power at the end of the most recent fiscal year, thus recognizing the effects of inflation.

The financial statements of the prior year have been restated in terms of purchasing power at the end of the latest year and the figures differ from those originally stated in the corresponding year's purchasing power. Consequently, the financial statements are comparable with each other and with these of the prior year, since they are all stated in the currency of the same purchasing power.

To recognize the effects of inflation in terms of the purchasing power at the end of the year, the following procedure was followed:

IN THE BALANCE SHEET:

Property, furniture and equipment were restated based on factors derived from the Investment Unit (UDI) reference value. In July 2000, property was restated by an appraisal performed by independent experts. In addition, furniture and equipment were restated by an appraisal performed by independent experts in March 2000. Effective the months in which the appraisals were recognized, those fixed assets are restated for inflation based on the UDI factor.

Foreclosed assets are considered as monetary assets; hence, their value is not restated. They further form part of the base to calculate the monetary gain of the HOLDING. Moreover, subordinated debentures and permanent investments in entities that do not recognize the impact of inflation are considered monetary assets.

Permanent investments are valued based on the equity method as a specific cost, presenting as gain (loss) from holding nonmonetary assets the difference between the restatement of the balance at the beginning of the period based on the restatement factor and the increase or decrease from applying the equity method.

Capital stock and retained earnings are restated based on the UDI factor, to maintain stockholders' equity at pesos of constant purchasing power.

The deficit on restatement of stockholders' equity represents the change in the specific price level of nonmonetary assets vis-à-vis the UDI factor.

IN THE STATEMENT OF INCOME:

The consolidated statement of income for the period from January 1 to December 31, 2001 and 2000 is presented in pesos of December 31, 2001 purchasing power. Toward that end, the historical amounts of transactions are restated by using the factor resulting from dividing the UDI reference value at December 31 by the UDI value at the date of those transactions.

The gain or loss on monetary position represents the loss in the value of monetary assets and liabilities in effective terms, generated by inflation and recognized in income of the period. Furthermore, it is calculated on average daily balances.

Depreciation of nonmonetary assets is determined based on the restated value thereof.

IN THE OTHER STATEMENTS:

The statement of changes in financial position presents such changes in constant pesos, based on the financial position at the end of the prior year restated in terms of purchasing power at the end of the latest year.

c. Cash and cash equivalents

This item is recorded at its nominal value, except for minted (precious) metals, which are valued at their fair value at end of year. Cash and cash equivalents in foreign currency are valued at the exchange rate published by BANXICO at the end of the year.

d. Investment securities

Investment securities include government and fixed income securities, classified as trading securities, available-for-sale securities and held-to-maturity securities. These investments are recorded at historical cost, plus the yields generated by those securities calculated in accordance with the imputed interest or straight-line method, as the case may be, which are recognized as realized in the statement of income as earned. These classifications are determined according to the intention of the HOLDING's management at the date of purchase; also there is a possibility of transferring between categories.

Trading securities and available-for-sale securities are stated at their fair value, which represents the amount for which an instrument can be traded between parties willing to carry out transactions. The difference is recorded in income of the year when operating trading securities, and in stockholders' equity for the available-for-sale securities.

Held-to-maturity securities are recorded at their historical cost and recorded in income of the year with the yields obtained.

e. Repo transactions

Securities traded under a repo agreement are recorded at this agreed value. Those transactions recognize a premium on agreed price that is recorded in income as accrued. It is realized in accordance with the maturity date of the agreement.

The items denominated "Debit balances in repo transactions" and "Credit balances in repo transactions" represent the excess of the valuation at market of the securities, covered by repo transactions over the present value of the price at maturity when the HOLDING acts as seller or buyer, respectively.

The debit and credit parts representing securities receivable or payable in the transactions are valued in conformity with the provisions set forth in criterion B-2 "Inversiones en Valores" (Investments securities) of Circular 1448 issued by the COMMISSION, with regard to trading securities.

In addition, debit and credit positions are recorded in memorandum accounts when the HOLDING acts as seller and buyer.

f. Derivative financial instruments trading

The HOLDING considers contracts entered into with other primarily financial entities as derivative financial instruments trading. Those contracts meet the following characteristics:

1. The price is determined in accordance with an underlying asset or other underlying assets.

2. One or more nominal amounts or provisions of payments or both are incorporated.

3. The underlying face amounts or payment provisions, together with the specific characteristics of each contract, determine the settlement terms of each instrument. In some cases such as call and put options, they determine whether or not a settlement is required.

4. Cash settlements are permitted or, if applicable, settlements are carried out by delivering an asset so that the other party is in the same condition as if it had been a cash settlement.

Derivative financial instrument transactions are recorded at their agreed value and valued in accordance with their intended use, whether for hedging or trading purposes.

The HOLDING has entered into the following derivative instrument transactions, which are recorded and valued at year-end as shown below:

TRADING ACTIVITIES:

1. Forward contracts

In this type of transactions, the buyer and seller record a lending part and a borrowing part. At the time the contract is entered into, the buyer records the lending position at the face value of the contract. At the closing, that contract is valued at fair value. The borrowing position at closing is maintained at face value. On the other hand, the seller records and values the foregoing in a contrary manner, that is, the lending position is maintained at face value and the borrowing position is valued at fair value.

2. Futures contracts

At the time these contracts are entered into, a lending position and a borrowing position are recorded at the face amount of the contracts. They are valued at fair value every day, by recognizing price fluctuations in net interest income.

3. Option contracts

The HOLDING, when acting as the buyer of the option, records the premium paid in the asset caption securities and derivatives trading. At closing, the foregoing is valued at fair value (market value or based on formal valuation techniques).

The HOLDING, when issuing the option, records the cash receipt by recognizing the premium charged in the liabilities caption of securities and derivatives trading. At closing, the foregoing is subsequently valued in accordance with the fair value of the option.

4. Swaps

The contract value of the lending or borrowing part, respectively, is recorded. At each month-end, the foregoing is valued in accordance with the fair values of cash flows receivable or payable. In the event of a swap in face amounts, that amount will be incorporated as cash flows receivable or payable, as the case may be.

Any foreign currency denominated derivative will be translated into Mexican pesos, taking into account the exchange rate published by BANXICO, once it has been valued in accordance with the rules of the COMMISSION.

HEDGING TRANSACTIONS:

1. Futures contracts and forward contracts

In this type of transactions, the buyer and seller record a lending part and a borrowing part. In the case of the buyer, the lending position will reflect the spot price (price or equivalent of the underlying asset on the market). Subsequently, the lending part is valued at the fair value of the underlying asset. The borrowing position is maintained at the face value of the contract. On the other hand, the seller records and values the foregoing in a contrary manner, that is, the lending position is maintained at face value and the borrowing position is valued at the spot price and subsequently valued at the fair value of the underlying asset.

The differences between the face amount and the spot price of the underlying asset are recorded as a charge or deferred credit that is amortized on a straight-line over the term of the contract.

2. Option contracts

The HOLDING, when acting as the buyer of the option to hedge an open risk position, records the premium paid in the assets caption securities and derivatives trading. At closing, the foregoing is valued at fair value of the option.

The HOLDING, when issuing the option or acting as a seller to hedge an open risk position, records the cash receipt by recognizing the premium charged in the liabilities caption securities and derivatives trading. At closing, the foregoing is subsequently valued in accordance with the fair value of the option.

3. Swaps

The contract value of the lending or borrowing part, respectively, is recorded. At each month-end, the foregoing is valued in accordance with the fair values of cash flows receivable or payable. In the event of a swap in face amounts, that amount will be incorporated as cash flows receivable or payable, as the case may be.

When cash flows receivable or payable are denominated in foreign currency, these are valued at the exchange rates published by BANXICO.

The fair value of these transactions, for trading as well as hedging purposes, is determined using formal valuation techniques performed by independent experts.

g. Loan portfolio

Loans and negotiable instruments in effect or renewed are stated at their nominal value in accordance with the LIC. Loans are granted based on an analysis of the financial position of the borrower, the economic viability of the investment projects and the other general characteristics referred to by the LIC, as well as the manuals and internal policies of the HOLDING.

The loan portfolio balance shown on the balance sheet represents the amounts effectively lent to borrowers, plus uncollected accrued interest less the interest charged in advance. Moreover, the loan portfolio balance is net of the allowance for loan losses.

Loans are considered as past due for the total unpaid balance thereof when the bank has not received payment of interest or principal for the following periods of time:

- **Loans with a single payment of principal and interest owed 30 or more days past due.**
- **Loans with a single payment of principal owed, periodic interest payments 90 or more days past due, or 30 or more days past due on the payment of the principal.**
- **Loans with partial payments of principal and interest 90 or more days past due.**
- **Revolving loans when there are two monthly billing periods or 60 or more days past due.**
- **Mortgage loans when there are periodic partial payments of principal and interest 180 or more days past due.**

The unpaid balance of the loans is also considered past due portfolio when it is known that the creditor has been declared in mercantile bankruptcy, in accordance with the Law of Mercantile Bankruptcy.

Interest is recognized as income as earned. However, recognizing interest is suspended when the loans are transferred to past due loan portfolio.

An allowance is set up in an amount equivalent to the total uncollected accrued ordinary interest considered as past due loan portfolio, at the time when the loan is transferred to past due loan portfolio.

As long as the loans are part of the past due portfolio, accrued interest is controlled by memorandum accounts. When such interest is collected, it is directly recognized in income for that year.

Commissions on loan granting are recognized as income when they are charged.

Restructured loans are considered as past due portfolio until there is evidence of sustained payment; that is, when credit institutions receive the complete payment without delay for three consecutive monthly payments, or else, the collection of one installment in cases where the installment covers greater than 60-day periods.

Revolving credits in which the creditor has not paid the accrued interest on time and at least 25% of the original credit amount will be considered as past due as long as there is no evidence of sustained payment.

h. Allowance for loan losses

The allowance for loan losses is calculated based on the "Reglas para la Calificación de la Cartera de Créditos de las Instituciones de Crédito" (Rules for Rating the Loan Portfolio of Credit Institutions) issued by the Secretaría de Hacienda y Crédito Público (Ministry of Finance and Public Credit or "SHCP") and the methodology established by the COMMISSION for each type of loan. Such rules establish that the commercial portfolio shall be rated every three months. In the months when the commercial portfolio is not rated, the risk degrees determined based on the last rating, should be applied to the amount of the portfolio in such months. Furthermore, the amounts recovered from the previously affected loan portfolio shall be credited to the preventive allowance for loan losses and not to the income for the year.

As from the year 2001, the rating of the commercial portfolio is performed in conformity with Circular 1480 "Metodología para la calificación y constitución de reservas preventivas de la cartera crediticia comercial" (Methodology for the rating and constitution of the allowance for loan losses of the commercial portfolio) issued by the COMMISSION at September 29, 2000, which supersedes Circular 1128.

Said Circular proposes a methodology to assign a rating for each creditor and furthermore rate each loan in relation with the value of the guarantees in order to estimate a probable loss and define the percentage of necessary preventive reserves; however, the Circular also establishes the option to use the HOLDING's own methodology to assign the risk rating per debtor, subject to the evaluation and certification process of the COMMISSION.

In this respect, the COMMISSION issued official letter number 601-II-105524 dated June 15, 2001, through which it grants the HOLDING the temporary and limited use of an internal rating model for the commercial portfolio.

The Calificación Interna de Riesgo (Internal Risk Rating or CIR Banorte) is in compliance with internationally accepted best practices, in order to obtain a reliable and objective estimate of the quality of credit assets, as well as to have their own tool to clearly identify the risk level represented by each creditor.

Allowances for loan losses relative to mortgage, credit card and consumer loans, are calculated by applying certain percentages in accordance with the risk of these portfolios, determined based on the number of past due payments. As from June 2000, the mortgage portfolio considers additional allowance percentages, based on the probability of unpaid balances from the debtor. The ratings for this type of loans are performed on a monthly basis.

The losses, cancellations or discounts on the portfolio, are recorded with a charge to the allowance for loan losses. Also, when there is evidence of a nonrecoverable loan, such loan is charged directly against the preventive allowance.

i. Loss sharing with FOBAPROA

In accordance with the rules established by the COMMISSION, BANORTE comprehensively recognizes the shared loss generated by its participation in FOBAPROA loan portfolio flows.

During the year, BANORTE recognized allowances in income in the amount of $169,628, corresponding to the loss sharing in the participation of portfolio flows with FOBAPROA.

As mentioned in Note 2-c, in 2000, BANORTE complied in advance with all requirements established by the COMMISSION for the recognition of allowances covering contingencies relative to the programs of FOBAPROA.

j. Credit assets portfolio

This item is represented by the cost of acquisition of several credit assets packages acquired by BANCEN; so that, it corresponds to the amounts effectively paid by BANCEN to obtain the rights on the flows that arise from such portfolios.

Additionally, BANCEN follows the practice of capitalizing the interest and monetary gain or loss associated with the financing entered into by BANCEN for the acquisition of such portfolio packages during the first three months after the acquisition of the loan portfolios.

The foregoing, in virtue that during this time BANCEN performs preoperating activities, such as reception of files and information from the seller, assignment of cases to executives, adaptation and loading of data into the operating systems, notices to debtors, among others.

Once the preoperating stage has concluded and the portfolio collecting activities begin, this item is amortized in the proportion in which the associated asset (portfolio) is expensed, from the effective collection, granting of losses and write-offs or allowances for doubtful accounts.

Furthermore, the BANCEN regularly performs financial projections in order to estimate the expected flows generated by loan portfolios and also to support or reconsider, if necessary, the accounting criteria for the amortization of the cost of rights shown in the balance sheet of BANCEN.

k. Other accounts receivable and payable

Amounts corresponding to sundry debtors and creditors of the HOLDING not recovered or paid within 60 or 90 days following their initial recording (depending on whether the balances are identified or not), are charged to income, independently of their possibility of recovery or of the clarification process of liabilities.

l. Property, furniture and equipment

Property, furniture and equipment and installation expenses are initially recorded at their acquisition cost. They are restated by applying UDI derived factors.

Depreciation. - The acquisition cost restated for inflation is depreciated on a straight-line basis, effective the month following the purchase of the assets. The rates used are the following:

Item	Rate
Property	Useful Life
Computer equipment	21.28%
Furniture and equipment	10.00%
Transportation equipment	25.00%

m. Foreclosed assets

Foreclosed assets are recorded at the value at which they are taken into possession. That value should be the lower of cost or net realization value. Assets received as debt settlements are recorded in a similar manner.

In the event that the book value of the portfolio including the allowance for loan losses exceeds the value of the foreclosed assets, the amount of that allowance will be adjusted.

Those assets are considered as monetary items; hence, they are not subject to any restatement for inflation.

The recorded value of these assets can be written-off if there is sufficient evidence that the value at which the asset can be realized is lower than the value recorded in books.

n. Leases

Based on the evaluation performed to identify if there is a transfer of inherent risks and benefits to the asset, covered by the contract, the HOLDING follows the practice of classifying leases as capital and operating.

o. Permanent stock investments

The HOLDING recognizes its investments in nonconsolidated subsidiaries, as well as in associates, by using the equity method based on their book value in accordance with the last available financial statements of these entities. Effective fiscal 2000, the equity method is considered as a specific cost. The difference between the restatement of the balance at the beginning of the period, based on the restatement factor and the increase or decrease by using the equity method, is shown as a gain or loss on holding nonmonetary assets.

p. Income Tax or "ISR" and Employees' Profit Sharing or "PTU"

ISR and PTU are charged to income of each fiscal year, based on the taxable income determined as the basis for paying those contributions, payable by the HOLDING.

The HOLDING recognizes the effect of deferred taxes determined under the method of assets and liabilities, through the comparison of their accounting and tax values. Temporary differences arising from this comparison are multiplied by the tax rate. On the other hand, the employees' profit sharing is calculated taking into consideration the temporary differences of the year, which will presumably result in future liabilities or benefits.

Effective January 1, 2000, the HOLDING adopted the guidelines set forth in the new Statement D-4 Accounting treatment of income tax, asset tax and employees' profit sharing, issued under MEX GAAP. The accumulated effect at the beginning of the year derived from adopting this Statement decreased deferred tax assets and stockholders' equity in the amount of $305,491.

The net effect of the aforementioned items is presented in the balance sheet within the assets caption and under the caption "Deferred taxes".

q. Customer deposits

Customer deposit liabilities, including promissory notes with a yield payable at maturity, are recorded at the amount received plus accrued interest, determined by the days elapsed at the end of each month. Interest is charged to income of the year as accrued.

r. Labor liabilities

In accordance with the Federal Labor Law or "LFT", the HOLDING is obliged to pay seniority premiums as well as other payments that employees may be eligible for in the event of separation under certain circumstances.

The HOLDING records seniority premiums, pension plans and retirement payments as they accrue, in accordance with actuarial calculations based on the projected unit credit method, and in compliance with guidelines established in Statement D-3 Labor Obligations, issued by the IMPC.

At December 31, 2001 and 2000, the HOLDING has recorded estimated liabilities to cover the minimum required liabilities in accordance with Statement D-3 to cover obligations regarding pension plans and seniority premiums.

At the beginning of 2001, the HOLDING implemented an optional defined contribution pension plan through which the entity accepts assigning preestablished cash amounts to a specific investment fund. The benefits of the employees will consist in the sum of such contributions, plus or less the gains or losses in the administration of such funds. The responsibility of the entity in relation with such plans, is limited to the payment of the specified contributions; and normally, companies do not acquire the obligation to make complementary contributions.

s. Stockholders' equity

Capital stock, retained earnings and net income of the year represent the historical amounts restated by UDI factors.

The deficit in restatement of capital account represents the accumulated gain or loss on monetary position and the initial recognition of the impact of inflation on the financial information.

t. Earnings per share

The basic earnings per share is determined by dividing the net income of the year by the weighted average shares outstanding, as well as the diluted earnings when there are shares that may be converted into common stock.

u. Foreign currency position and investment units

Foreign currency denominated transactions and UDI denominated transactions are recorded at the exchange rates or references values in effect on the date they are negotiated. Assets and liabilities denominated in those currencies are stated in local currency (Mexican pesos) at the exchange rates or references values in effect issued by BANXICO at the balance sheet date. Differences are recorded in income according to the exchange rate fluctuations between the transaction's negotiation date and their liquidation or valuation at fiscal year-end.

v. Authorized signature guarantees

The amount of authorized signature guarantees is presented in memorandum accounts and it is recognized in the balance sheet as part of the loan portfolio, once there is evidence of nonperformance by the debtor. Simultaneously, the liability payable by the HOLDING is recognized.

w. Custody and administration of assets

The HOLDING records the transactions it carries out for account of third parties in memorandum accounts, such as trading securities and derivative financial instruments, repo transactions and securities lending, as well as the contracts which holds the HOLDING responsible for safeguarding assets.

x. Trusts

The trust assets are recognized in memorandum accounts, based on the implied responsibility for the HOLDING to fulfill the purpose of those trusts.

NOTE 5 -SIGNIFICANT DIFFERENCES WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN MEXICO:

I. The financial statements have been prepared in conformity with the accounting criteria established by the COMMISSION. Those criteria are approximately similar to domestic and international accounting standards, which provide comparability with any other international financial entity. However, there are some difference with regard to the provisions set forth in MEX GAAP, which are summarized below:

a. Consolidation

The consolidated financial statements only include the subsidiary companies belonging to the financial sector and those that render complementary or auxiliary services thereto, excepting insurance and surety bond companies, which were not consolidated as provided for by the COMMISSION. MEX GAAP require consolidating all the subsidiaries that comprise the financial group.

b. Available-for-sale securities valuation

The financial statements reflect the available-for-sale securities valuation in stockholders' equity. MEX GAAP set forth that this valuation should be recognized in the statement of income.

c. Repo transactions

Repo transactions are recognized as buy and sell transactions or temporary transfer of securities that guarantee the transaction. However, they are not recognized with regard to the substance of the transaction (financing). On the other hand, they are valued considering the present value of the price of the security at the maturity of the transaction, instead of recognizing the accrued premium on a straight-line basis.

d. Foreclosed assets

These assets are considered monetary assets; therefore they are not restated and they form part of the calculation basis of the gain or loss from the monetary position of the HOLDING. Accounting principles consider this type of assets as nonmonetary assets.

II. Taking into consideration that credit institutions perform specialized transactions, the COMMISSION issues particular accounting criteria, when it deems convenient. To this respect, the COMMISSION has issued several official letters affecting the financial statements of the HOLDING, which reflect differences in relation with that established by MEX GAAP and in some cases, with general accounting practices established by the COMMISSION. The following are among the most important:

a. Investment in shares of BANCRECER

At the end of the year, BANORTE acquired 100% of the capital stock of BANCRECER. Since the administrative control of this institution was not taken over until January 4, 2002, BANORTE recorded this investment in the amount of $1,671,853 within the held-to-maturity securities. It was not valued under the equity method, nor consolidated its figures with those of BANORTE. MEX GAAP establishes that such purchase should have been recorded in permanent investment in shares and valued through the equity method.

b. Loss sharing with FOBAPROA

As a result of the contingencies of the refinancing programs with FOBAPROA, a reserve was created in fiscal 2000 against capital reserves in the amount of $2,100,080 for the equity of BANORTE in the projected losses that will be incurred by IPAB as a result of the refinancing scheme referred to above. As provided for in MEX GAAP, that reserve should be recognized in income of the year.

c. Cancellation of the overvaluation of foreclosed assets

As mentioned in Note 2-f, in December 2001, BANORTE canceled the overvaluation reflected by its books in the caption foreclosed assets in the amount of $293,196, decreasing the stockholders' equity and the liabilities from deferred taxes in the amount of $190,577 and $102,619, respectively.

Taking into consideration the origin of the transaction and in conformity with MEX GAAP, the amount corresponding to the overvaluation of foreclosed assets should have been recognized in the income for the year in which the Segment I trust of BANCEN was reversed, or else in the year in which BANORTE had the necessary evidence to estimate the potential loss that could be generated from such transaction.

Furthermore, MEX GAAP establish that when there are corrections to mistakes in the financial information of prior years, and comparative financial statements are presented, these should be restated for those years in which the mistake in being corrected. This would have had a great impact; however, the HOLDING did not restate the financial statements of prior years.

If the financial statements of prior years had been restated, the balances in the items to be modified in the balance sheet of the HOLDING at December 31, 2000, would have been as shown below:

Item	Original balance	Adjustment	Restated balance
	2000		
Foreclosed assets	$ 1,586,554	($ 293,196)	$ 1,293,358
Deferred taxes, net	652,399	102,619	755,018
Gain (loss) from holding nonmonetary assets	2,212,135	190,577	2,402,712

d. Property, furniture and equipment

In July 2000, property was restated by an appraisal performed by independent experts. In addition, furniture and equipment were restated by an appraisal performed by independent experts in March 2000. Effective the months in which the appraisals were recognized, those fixed assets are restated for inflation based on the UDI factor. MEX GAAP sets forth that this restatement should be recognized through the application of inflation factors.

NOTE 6 - CONSOLIDATION OF FINANCIAL STATEMENTS:

The financial statements include the assets, liabilities and income of those consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidation.

At December 31, 2001 and 2000, the entities that consolidated with the HOLDING were the following:

	Equity percentage	
Subsidiary	2001	2000
Banco Mercantil del Norte, S.A.	96.11%	95.79%
Banco del Centro, S.A.	99.99%	99.99%
Casa de Bolsa Banorte, S.A. de C.V.	99.99%	99.99%
Arrendadora Banorte, S.A. de C.V.	99.99%	99.99%
Factor Banorte, S.A. de C.V.	99.99%	99.99%
Almacenadora Banorte, S.A. de C.V.	99.99%	99.99%

The amounts of the balance sheets of consolidated subsidiaries are summarized below:

	2001				2000
	Assets	Liabilities	Income of the year	Stockholders' equity	Stockholders' equity
Banco Mercantil del Norte, S.A.	$ 99,265,013	$ 92,856,900	$ 474,615	$ 6,408,113	$ 5,841,333
Banco del Centro, S.A.	6,225,175	3,694,142	904,002	2,531,033	1,874,723
Casa de Bolsa Banorte, S.A. de C.V.	420,329	182,311	31,328	238,018	150,383
Arrendadora Banorte, S.A. de C.V.	735,069	608,794	26,174	126,275	120,241
Factor Banorte, S.A. de C.V.	2,249,927	2,117,606	27,606	132,321	169,451
Almacenadora Banorte, S.A. de C.V.	218,098	158,322	8,713	59,776	52,599
Total	**$ 109,113,611**	**$ 99,618,075**	**$ 1,472,438**	**$ 9,495,536**	**$ 8,208,730**

NOTE 7 – CASH AND CASH EQUIVALENTS:

As of December 31, 2001 and 2000, cash and cash equivalents were summarized as shown below:

	2001	2000
Cash	$ 2,058,924	$ 1,562,843
Deposits in BANXICO	3,411,934	3,051,153
Domestic and foreign banks	1,921,958	5,291,738
Call money	193,312	-
Other deposits and cash equivalents	90,742	91,018
	$ 7,676,870	**$ 9,996,752**

The balance of cash and cash equivalents as of December 31, 2001 comprises US$120,652 (US$524,598 in 2000) and $6,570,553 in Mexican pesos ($4,702,267 in 2000).

NOTE 8 - INVESTMENT SECURITIES:

These investments are subject to several types of risks. The main risks that can be associated with investment securities are related to the market in which they are traded, interest rates associated with the term, exchange rates and inherent credit and market liquidity risks.

Risk management policies, as well as the analysis on risks that the HOLDING is exposed to, are discussed in Note 34.

The investment securities position is summarized as shown below:

a. Trading securities

	2001					2000
Instrument	**Securities**	**Market value**	**Cost of acquisitión**	**Interest**	**Unrealized gain or (unrealized loss)**	**Market value**
Commercial paper	149,865,000	$ 1,371,933	$ 1,372,566	$ -	($ 633)	$ 201,009
Federal Treasury Certificates	8,510,416	81,855	80,420	1,252	183	3,951
Bank securities	806,700,165	719,709	537,456	132,454	49,799	4,778
Bank bonds	21,735	37,241	37,287	-	(46)	652,327
Cedes	-	-	-	-	-	2,227,140
Bondes	386,739	40,104	40,111	-	(7)	22,401
Stock	221,262	2,459	2,646	-	(187)	45,319
Others	895,100	142,779	140,599	2,417	(237)	1,194,461
Total		**$ 2,396,080**	**$ 2,211,085**	**$ 136,123**	**$ 48,872**	**$ 4,351,386**

In May 2001, BANORTE transferred its own position in fixed interest securities to BANCEN, with the objective of concentrating risk transactions in that institution.

b. Available-for-sale securities

	2001					2000
Instrument	**Securities**	**Market value**	**Cost of acquisition**	**Interest**	**Unrealized gain or (unrealized loss)**	**Market value**
Eurobonds	160,000,000	$ 939,194	$ 1,473,338	$ 46,566	($ 580,710)	$ 1,823,187
Stock	22,732,300	116,638	127,937	-	(11,299)	129,063
LBondes		-	-	-	-	49,027
Total		**$ 1,055,832**	**$ 1,601,275**	**$ 46,566**	**($ 592,009)**	**$ 2,001,277**

BANORTE is authorized by the COMMISSION to reclassify its portfolio of "EUROBONDS" from the category of "Held-to-maturity securities" to "Available-for-sale securities". At December 31, 2001, these securities are composed of US$102,426,000 and an unrealized loss of US$63,331,000.

As mentioned in Note 4, and by virtue of the aforementioned, the EUROBOND position in these financial statements at December 31, 2000, was reclassified for a better presentation, decreasing the caption "Held-to maturity securities" and increasing the caption "Available-for-sale securities". Such transfer had the objective of making the amounts in the financial statements of both years comparable.

BANORTE holds US$60,000,000 of EUROBONDS issued by AHMSA that fall due in 2002 and 2004. An estimated loss reserve was created as of December 31, 2001 in the amount of US$53,914,000 (US$39,800,000 in 2000). The effect of that valuation is recognized in stockholders' equity. By legal provision of the COMMISSION, effective May 1999 interest ceased being accrued on those securities.

At December 31, 2001, the AHMSA securities were valued at their fair value, based on the expected cash flows, which amounted to $55,017,000 (US$6,000,000). At that same date, the market value of these securities was $110,034,000 (US$12,000,000).

c. Held-to-maturity securities

	2001			2000
Instrument	Cost of acquisition	Accrued interest	Net value	Net value
Special Federal Treasury Certificates	$ 1,439,759	$ 2,342,999	$ 3,782,758	$ 5,163,816
Shares of Bancrecer	1,671,853	-	1,671,853	-
Clearing Master Trust (Note 33)	86,745	-	86,745	62,400
Trust rights	27,689	-	27,689	-
UDI Trust Bonds	(2,531,171)	-	(2,531,171)	(3,971,695)
Total	**$ 694,875**	**$ 2,342,999**	**$ 3,037,874**	**$ 1,254,521**

As mentioned in Note 2-a, BANORTE is authorized by the COMMISSION to record its investment in BANCRECER shares within this category of investment securities at December 31, 2001.

NOTE 9 - SECURITIES AND DERIVATIVES TRADING:

a. Repo transactions

The repo transactions that the HOLDING has carried out are summarized as shown below:

Selling entity (sale)

	2001			2000		
Instrument	Securities receivable	Payables under repo agreements	Difference	Securities receivable	Payables under repo agreements	Difference
Cetes (+)	$ 14,498,851	$ 14,470,519	$ 28,332	$ 3,304,528	$ 3,304,907	($ 379)
Udibonds	4,095,111	4,016,680	78,431	-	-	-
Bondes	55,369	55,333	36	23,177,390	23,147,451	29,939
Brems	31,611,081	31,651,362	(40,281)	8,687,835	8,781,570	(93,735)
Tribondes	1,972,374	1,979,420	(7,046)	14,893,029	14,918,495	(25,466)
Bankers' acceptances	-	-	-	2,090,846	2,091,122	(276)
PRLV (*)	8,419,141	8,419,273	(132)	4,322,890	4,323,872	(982)
Bank bonds	8,664,849	8,665,799	(950)	12,517,700	12,466,494	51,206
IPB IPBPAS Bonds	44,312,072	44,275,447	36,625	20,342,745	20,329,331	13,414
Bondes 182	-	-	-	200,166	200,792	(626)
Cedes	21,366,392	21,361,793	4,599	730,390	730,414	(24)
Bondes 91	6,438,132	6,422,777	15,355	5,557,699	5,570,133	(12,434)
Bond	3,253,312	3,216,016	37,296	-	-	-
Total	**$ 144,686,684**	**$ 144,534,419**	**$ 152,265**	**$ 95,825,218**	**$ 95,864,581**	**($ 39,363)**

(+) Federal Treasury Certificates
(*) Promissory Notes with yield payable on maturity

With the HOLDING as the selling entity, the accrued premiums charged to income amount to $14,385,899 ($9,177,991 in 2000).

Buying entity (purchase)

Instrument	2001 Receivables under repo agreements	2001 Securities payable	2001 Difference	2000 Receivables under repo agreements	2000 Securities payable	2000 Difference
Cetes (+)	$ 10,378,366	$ 10,398,439	($ 20,073)	$ 2,369,489	$ 2,370,067	($ 578)
Udibonos	4,019,323	4,095,111	(75,788)	-	-	-
Bondes	27,601	27,625	(24)	15,984,030	15,997,858	(13,828)
Brems	22,329,593	22,283,686	45,907	4,836,112	4,790,943	45,169
Tribonds	1,375,303	1,369,135	6,168	8,190,096	8,157,861	32,235
Bankers' acceptances	-	-	-	1,556,859	1,556,716	143
PRLV (*)	4,566,448	4,566,397	51	1,664,890	1,664,057	833
Bank bonds	4,083,119	4,081,969	1,150	5,915,141	5,956,962	(41,821)
IPB IPBPAS Bonds	27,806,633	27,822,357	(15,724)	10,417,149	10,412,592	4,557
Bondes 182	-	-	-	200,840	200,166	674
Cedes	10,831,043	10,833,188	(2,145)	730,413	730,390	23
Bondes 91	4,720,507	4,731,264	(10,757)	5,572,137	5,554,846	17,291
Bond	2,265,034	2,295,039	(30,005)	-	-	-
Total	**$ 92,402,970**	**$ 92,504,210**	**($ 101,240)**	**$ 57,437,156**	**$ 57,392,458**	**$ 44,698**
Net lending position			**$ 51,025**			**$ 5,335**

(+) Federal Treasury Certificates
(*) Promissory Notes with yield payable on maturity

The breakdown of positions in the balance sheet of the HOLDING from holding repo agreements is shown below:

	2001	2000
Receivables under repo agreements	$ 157,793	$ 134,089
Payables under repo agreements	106,768	128,754
Net lending position	**$ 51,025**	**$ 5,335**

With the HOLDING as the buying entity, the accrued premiums recognized in income amount to $9,445,486 ($4,788,180 in 2000).

As from the second quarter of 2001, the HOLDING modified the accounting criteria for the reccognition of revenues and expenses from interest earned from repo transactions when BANORTE is the buying entity. The interest earned generated by repo securities are shown in the statement of income, net of interest expense generated by the deliverable securities position.

As a result of the aforementioned, revenues and expenses from interest were reclassified for a better presentation in the financial statements at December 31, 2000, decreasing the captions of revenues and expenses from interest in the amount of $3,774,943, consequently making the amounts in the financial statements for both years comparable.

b. Derivative financial instrument trading

The HOLDING trades the following derivative financial instruments: forwards, futures, swaps, warrants and options.

The HOLDING's management follows the policy of trading derivative instruments to hedge its own position. It further trades on the money market, by hedging money market risk positions, anticipating changes in interest rates and taking maximum care of the shareholders' and customers' capital (see Note 34).

As of December 31, 2001 and 2000, derivative financial instrument positions are summarized as shown below:

2001			
Instrument			
	Flow receivable	**Flow payable**	**Net flows**
Swap			
Cross Currency	$ 1,175,228	$ 1,147,870	$ 27,358
Interest rate	25,541	37,622	(12,081)
	$ 1,200,769	$ 1,185,492	$ 15,277
Net lending position			**$ 15,277**
	Buy	**Sell**	**Net**
Foreign currency forwards:			
Market value	$ 943,514	($ 567,536)	$ 375,978
Agreed price	(955,384)	569,737	(385,647)
	($ 11,870)	$ 2,201	($ 9,669)
	Opening premium	**Valued premium**	**Valuation**
Foreign currency options:			
Premium paid (collected)	($ 347)	$ 284	($ 63)
Warrants:			
Hedging and trading			(113)
Net borrowing position			**($ 9,845)**

2000			
Instrument			
	Buy	**Sell**	**Net**
Foreign currency futures:			
Market value	$ 180,639	($ 180,639)	$ -
Agreed price	(180,639)	182,433	1,794
	$ -	$ 1,794	$ 1,794
Foreign currency forwards:			
Market value	$ 521,088	($ 516,181)	$ 4,907
Agreed price	(514,749)	514,580	(169)
	$ 6,339	($ 1,601)	$ 4,738
	Number of contracts		**Reference amount**
IPC Futures:			
Buy	44	6,700,000	$ 6,380
Sell	42	5,500,000	($ 6,300)
			80
Net lending position			**$ 6,612**
	Flow payable	**Flow receivable**	**Net flows**
Swap			
Cross Currency	$ 1,518,148	$ 1,484,397	($ 33,751)
Interest rate	1,514	1,712	198
	$ 1,519,662	$ 1,486,109	($ 33,553)
	Opening premium	**Valued premium**	**Valuation**
Foreign currency options:			
Premium paid (collected)	($ 730)	$ 177	($ 553)
Warrants:			
Hedging and trading			(4,324)
Net borrowing position			**($ 38,430)**

HOLDING's transactions for hedging purposes constitute foreign currency and interest rate swaps. Foreign currency swaps fall due in 2003. Resources were destined to support customers involved in foreign trade activities.

Interest rate swaps fall due between 2002 and 2007, in order to offset the financial risk of long-term loans offered by the HOLDING at a fixed rate.

The HOLDING's transactions for trading purposes are intended to provide a service to the customer who needs to have a hedge.

NOTE 10 - LOAN PORTFOLIO:

The loan management process is based on internal manuals drawn up by the HOLDING. Compliance with that manual is general, hence, control over loan portfolio management is exercised in three central areas: the Branches (under the Commercial Banking Division), Operations Division and Risk Management Division.

The manual sets forth the policies and procedures established to determine concentrations of credit risks.

The process structure comprising credit management is divided into the following stages:

- a. Promotion
- b. Evaluation
- c. Formalization
- d. Operation
- e. Management
- f. Recovery

There are scheduled procedures which assure that the amounts applicable to past due portfolio are transferred and recorded in the accounting at the proper time and commercial loans with recovery problems are identified.

a. As of December 31, 2001 and 2000, the current loan portfolio of the HOLDING is summarized as shown below:

	2001			2000
Type of credit	**Principal**	**Accrued interest**	**Total current portfolio**	**Total current portfolio**
Commercial portfolio	$ 22,656,842	$ 474,793	$ 23,131,635	$ 22,513,393
Loans to financial intermediaries	82,218	6,565	88,783	171,790
Consumer loans	2,346,820	19,431	2,366,251	654,377
Mortgage loans	4,679,868	13,218	4,693,086	4,271,341
Loans to government entities	38,912,949	139,185	39,052,134	39,669,762
Loans to FOBAPROA or IPAB	9,852,937	-	9,852,937	12,473,420
Total current loan portfolio	**$ 78,531,634**	**$ 653,192**	**$ 79,184,826**	**$ 79,754,083**

The loans to government entities include a straight loan in the amount of $35,382,508, granted to IPAB in November 2000 ($37,304,904 in 2000). This loan is for a 10-year term (4 promissory notes issued that fall due in November 2010, repayable in six-monthly installments commencing in month number 58.

The interest accrued on that loan will be liquidated monthly effective when the loan is granted, at the TIIE rate plus 0.85 percentage points. This transaction was carried out simultaneously with the settlement of the promissory notes signed by IPAB in favor of BANCEN and BANPAÍS.

Likewise, the item of loans to government entities includes benefits granted to debtors in the amount of $529,083 ($1,004,407 in 2000). The Federal Government granted these benefits, through the implementation of various Support to Bank Debtors' Programs.

During 2001, BANORTE recognized extraordinary revenues in the amount of $212,000 directly in income, corresponding to interest received from the Federal Government from conditioned support of the corporate program.

b. The past due loan portfolio and relative interest are summarized as shown below:

Type of credit	2001 Principal sum due	2001 Interest due	2001 Total past due portfolio	2000 Total past due portfolio
Commercial portfolio	$ 2,321,898	$ 169,860	$ 2,491,758	$ 1,836,679
Consumer loans	285,836	39,715	325,551	624,523
Mortgage loans	1,479,069	221,959	1,701,028	1,893,405
Total past due loan portfolio	**$ 4,086,803**	**$ 431,534**	**$ 4,518,337**	**$ 4,354,607**

c. The rating of the portfolio and provisions created by the HOLDING as of December 31, 2001 and 2000 are summarized as shown below:

	Rated loan portfolio				Allowance for loans losses	
	2001		2000 (1)		2001	2000
Risk	**%**	**Amount**	**%**	**Amount**	**Amount**	**Amount**
A	75.49%	$ 25,676,484	68.53%	$ 21,680,395	$ 190,464	$ 16,205
B	9.27%	3,152,120	13.56%	4,289,669	327,553	118,857
C	4.54%	1,543,706	6.57%	2,078,913	541,080	538,238
D	4.62%	1,572,680	8.78%	2,776,796	1,104,950	1,814,745
E	6.08%	2,066,503	2.56%	809,098	2,039,583	808,724
	100.00%	$ 34,011,493	100.00%	$ 31,634,871	$ 4,203,630	$ 3,296,769
Portfolio:						
Unrated		636,058		365,472		
Excepted		48,434,733		55,494,674		
Total		**$ 83,082,284**		**$ 87,495,017**		
Allowance for loan losses recorded					4,493,896	4,393,272
Allowance for loan losses created in excess					**$ 290,266**	**$ 1,096,503**

(1) With regard to the commercial portfolio, the allowance for loan losses created by the HOLDING at December 31, 2000, is based on the rating and portfolio balances at September 30, 2000.

The allowance for loan losses constituted by the HOLDING at December 31, 2001 includes $82,983 corresponding to the supplement to create a reserve for 100% of interest due as of year end ($175,436 in 2000).

In conformity with the rules for rating the loan portfolio issued by the SHCP and the COMMISSION, the HOLDING determined the allowance for loan losses by taking into account the capacity of debtors to pay. The commercial loans at December 31, 2001 were rated as of September 30, 2000; the mortgage portfolio and consumer portfolio, based on the provisions of the COMMISSION, are rated monthly based on the number of past due installments.

d. The changes in the allowance for loan losses are summarized below:

	2001	2000
Balance at beginning of year	$ 4,393,272	$ 3,575,301
Increase in the allowance charged to income (1)	977,560	687,063
Benefits and reductions granted to UDI loan programs	(96,670)	(253,164)
Created with a charge to stockholders' equity	-	210,045
Transfer of reserves due to purchase of segmented portfolio	164,960	(157,991)
Restatement effects	(230,125)	(361,958)
Reductions and benefits to mortgage debtors	(128,528)	(265,719)
Losses and write-offs	(619,431)	(307,128)
Appreciation of account entries denominated in foreign currencies and UDIs	30,908	113,319
Benefits to FOPYME and FINAPE programs	(11,212)	(69,205)
Maturity of Segment I trust (Banpaís)	19,712	-
Transfer of reserves due to merger and spin-off	-	1,504,347
Withdrawal of reserves due to surplus in UDI trusts	-	(172,008)
Others	(6,550)	(109,630)
Balance at end of year	**$ 4,493,896**	**$ 4,393,272**

(1) The allowance for loan losses created in the year amounted to $1,147,188 ($861,078 in 2000). This amount comprises $977,560 ($687,063 in 2000), charged directly to the corresponding provision and $169,628 ($174,015 in 2000), corresponding to the recognition of the loss shared with the IPAB, derived from the financial rescue program. This last amount is presented in the balance sheet under the caption "Loans to FOBAPROA or IPAB".

NOTE 11 - IPAB:

As part of the measures adopted to face the economic crisis that arose at the end of 1994, in December 1998, the Mexican Congress enacted the Bank Savings Protection Law, which went into effect on January 20, 1999. Under that law, the "Instituto para la Protección al Ahorro Bancario" (IPAB), was also created. The latter replaced FOBAPROA. That IPAB remains in operation for the sole purpose of administering the transactions of the program known as "capitalization and purchase of loan portfolio".

The purpose of the IPAB is to apply a series of preventive measures geared toward avoiding financial problems that can be faced by credit institutions, as well as to assure performance by these institutions with regard to depositors.

In exchange for the loan portfolio sold to FOBAPROA, BANORTE received promissory notes payable by FOBAPROA, which mature in 8 to 10 years, counted from the date of the transaction. BANORTE retained the obligation of sharing 29% and 25% of the loss suffered by FOBAPROA on the transferred portfolio. In the event any gains were generated on that portfolio, those gains would apply completely to BANORTE.

The loan swaps carried out by BANORTE and FOBAPROA will be assumed by the IPAB. At the date of the financial statements, no swaps have been carried out.

Payments made by BANORTE to the IPAB during 2001 and for quotas amounted to $357,219 ($376,012 in 2000).

The item denominated "Loans to FOBAPROA or IPAB" in the balance sheet at December 2001 and 2000, comprises the following promissory notes:

	2001			2000
Trust	**Capital**	**Interest**	**Total**	**Total**
477 Tranche I	$ 161,101	$ 1,320,807	$ 1,481,908	$ 1,396,094
477 Tranche II	430,547	882,155	1,312,702	1,237,555
477 Tranche III	336,885	836,907	1,173,792	1,105,820
490	2,036,121	3,909,398	5,945,519	5,628,779
508	467,073	762,066	1,229,139	1,160,913
504	-	-	-	456,697
19001	1,574,711	7,216	1,581,927	2,077,463
19000	3,283,616	15,046	3,298,662	4,285,975
19003	-	-	-	334,924
Loss shared with FOBAPROA	-	-	(2,370,006)	(2,346,078)
FOBAPROA current account	-	-	(3,800,706)	(2,864,722)
	$ 8,290,054	**$ 7,733,595**	**$ 9,852,937**	**$ 12,473,420**

Special promissory note 19003 of the trust matured on April 30, 2001, and the assets were transferred from the trust to BANORTE, as shown below:

Item	Charge	Credit
Special promissory note	$	$ 332,185
FOBAPROA current account	289,612	
Current portfolio	5,521	
Past due portfolio	31,265	
Allowance for loan losses		19,733
Allowance for fall in value of promissory note	25,520	

In accordance with the program "bases for the sale of assets foreclosed or received in payment", on September 30, 2001 the promissory note corresponding to trust 504 matured.

Therefore, BANORTE received the property that had not disposed of during the duration of the program, with the following results:

Item	Charge	Credit
Promissory note	$	$ 976,979
Foreclosed assets	225,101	
FOBAPROA current account	243,054	
Allowance for fall in value of promissory note	508,824	

NOTE 12 - CONSOLIDATION OF TRUSTS FOR RESTRUCTURED LOANS DENOMINATED IN UDIs:

The rules of the COMMISSION require consolidating the trusts of restructured loans denominated in UDIs with the HOLDING, in order to reflect the operating fund, which is presented similarly to an interest rate swap with the Federal Government.

a. The balances of the items applicable to the balances of the trusts as of December 31, 2001 and 2000 are summarized as shown below:

Item	2001	2000
Banks	$ 101,944	$ 322,571
Government securities	7,195	-
Loan portfolio	2,792,919	3,981,077
Past due portfolio	822,760	902,909
Interest accrued on loans	9,142	19,317
Past due interest	46,467	54,086
Allowance for loan losses	(1,136,230)	(1,272,392)
Total assets	**$ 2,644,197**	**$ 4,007,568**
Trust bonds	$ 2,531,171	$ 3,971,695
Other accounts payable	-	28,597
Deferred taxes	107,443	-
Income of the year	5,583	7,276
Total liabilities	**$ 2,644,197**	**$ 4,007,568**

b. The amount of eliminations for items, carried out in the consolidation of the trusts, is summarized below:

Recording of the trusts debit (credit) balance	2001	2000
Banks	($ 60,148)	$ 111,873
Trust bonds	2,531,171	3,971,695
Administrative expenses recovered	(96,087)	(123,598)
Interest paid	(131,837)	(209,198)

Recording of the HOLDING debit (credit) balance	2001	2000
Sundry creditors	$ 60,148	($ 111,873)
Held-to-maturity securities	(2,531,171)	(3,971,695)
Fees collected	96,087	123,598
Interest earned	131,837	209,198

c. The amount of the total loan restructured in UDIs program as of December 31, 2001 and 2000 is summarized as shown below:

	2001				2000
Item	**States and municipalities**	**Mortgage**	**Industrial sector**	**Total**	**Total**
Current portfolio	$ 1,215,016	$ 1,368,858	$ 209,045	$ 2,792,919	$ 3,981,077
Current interest	1,461	7,285	396	9,142	19,317
Past due portfolio	-	484,201	338,559	822,760	902,909
Interest due	-	23,320	23,147	46,467	54,086
Total	**$ 1,216,477**	**$ 1,883,664**	**$ 571,147**	**$ 3,671,288**	**$ 4,957,389**

d. During fiscal 2001, an allowance for loan losses was created with a profit margin of the trusts amounting to $76,126 ($250,627 in 2000).

NOTE 13 - CREDIT ASSETS PORTFOLIO:

At December 31, 2001 and 2000, the balance of credit assets portfolio of the HOLDING, corresponding to the rights paid, is shown as follows:

	2001	2000
Project Serfín (Trust 025174-2 Bancen)	$ 1,152,908	$ 1,551,079
Project Meseta	576,614	-
Project Bancrecer I	557,858	-
Goldman Sachs	266,270	-
Total credit assets portfolio	**$ 2,553,650**	**$ 1,551,079**

As mentioned in Note 4-j, this item is represented by the amount effectively paid by BANCEN from obtaining the rights over the flows generated by the credit assets packages acquired, and decreasing the amortized cost at December 31, 2001 and 2000.

At December 31, 2001 and 2000, the balance of the portfolio associated with the rights purchased by BANCEN, was integrated as follows:

	2001	2000
Project Serfín (Trust 025174-2 Bancen)	$ 9,921,200	$ 13,078,238
Project Meseta	2,640,300	-
Project Bancrecer I	2,024,600	-
Goldman Sachs	1,376,300	-
Total	**$ 15,962,400**	**$ 13,078,238**

PROJECT SERFÍN

At October 27, 1999, in compliance with the public tender bases and in accordance with instructions from IPAB, the trust division of Banca Serfín (SERFÍN) selected BANORTE to supervise the management, recovery and collection of the loans and assets included in commercial portfolio Tranches I and II and mortgage portfolio Tranche III. Furthermore, said bases establish that BANORTE may propose a third party to enter into the corresponding agreement; therefore, on February 28, 2000, SERFÍN signed such agreement with BANCEN, where such institution and its trust division transfer BANCEN the rights over the flows of portfolio Tranches I, II and III, in the net amount of $20,872,500. The price paid for these flows was $ 2,474,465. Such agreement also establishes main issues, the way in which cash flows will be distributed when generated, from the management and collection activities performed by BANCEN:

a. 100% for BANCEN, up to the recovery of 50% of the investment.

b. 80% for BANCEN, up to recovery of 100% of the investment and the remaining 20% for SERFÍN.

c. 70% for BANCEN, until obtaining a 10% tasa interna de retorno (internal yield rate or TIR) on the investment and the remaining 30% for SERFÍN.

d. 60% for BANCEN, until obtaining a 20% TIR on the investment and the remaining 40% for SERFÍN.

e. 40% for BANCEN, until obtaining a 30% TIR on investment and the remaining 60% for SERFÍN.

f. 40% of the remaining flows for BANCEN, once the previous scenarios have been complied with. The hypothesis corresponding to this paragraph, will apply up to the date of termination of the agreement.

The agreement is effective for 4 years, as from the date of its signing, or up to the date in which BANCEN enters into a breach of the agreement, which result in an adverse effect on SERFÍN's rights.

MESETA, BANCRECER I AND GOLDMAN SACHS PROJECTS

The rights over the flows generated by portfolio packages "Meseta", "Bancrecer I" and "Goldman Sachs" were acquired initially by an affiliate of the HOLDING, denominated "Sólida Administradora de Portafolios, S.A. de C.V.", which in turn, transferred such rights to BANCEN.

The agreements entered into by "Sólida Administradora de Portafolios, S.A. de C. V.", for the transfer of rights with regard to the flows generated by these portfolio packages, do not establish any limitation as to the participation of flows, so that upon the signing of the respective agreements, BANCEN acquires the right over all the cash flows generated by such portfolios.

NOTE 14 - FORECLOSED ASSETS:

The amount of foreclosed assets as of December 31, 2001 and 2000 is summarized as shown below:

Item	2001	2000
Personal property	$ 337,708	$ 376,802
Real property	866,935	895,802
Promised-for-sale assets	249,998	390,356
	$ 1,454,641	$ 1,662,960
Allowance for asset write-off	(98,524)	(76,406)
Total foreclosed assets	**$ 1,356,117**	**$ 1,586,554**

In accordance with the program "bases for the sale of foreclosed assets or assets received in payment", on September 30, 2001 the real property of BANORTE that were not sold during the duration of the program, was reviewed. This real property amounted to $225,101 (see Note 11).

Through official letter 60-II-105587, the COMMISSION authorized BANORTE to cancel the overvaluation of its foreclosed assets at the end of the year, consequently affecting the item of income from prior years, originated in December 1999 from the Segment I trust. These resulted in a decrease in the items of foreclosed assets and retained earnings in the amount of $293,196 and $190,577, respectively. Furthermore, deferred tax assets were increased in the amount of $102,619, inasmuch as the item from which they arise, has been materialized.

NOTE 15 - PROPERTY, FURNITURE AND EQUIPMENT:

Property, furniture and equipment as of December 31, 2001 and 2000 is summarized as shown below:

Item	2001	2000
Buildings and constructions	$ 2,029,961	$ 2,081,108
Electronic computer equipment	759,760	608,785
Furniture and office equipment	520,273	603,535
Transportation equipment	245,036	63,875
Installations and improvements	953,976	739,904
Other equipment	21,929	-
	$ 4,530,935	$ 4,097,207
Accumulated depreciation	(906,957)	(628,968)
Total property, furniture and equipment, net	**$ 3,623,978**	**$ 3,468,239**

NOTA 16 - PERMANENT STOCK INVESTMENTS:

The HOLDING maintains permanent stock investments in associated and subsidiary companies not consolidated. These were valued under the equity method at December 31, 2001 and 2000 as shown below:

	2001			2000
Entity	Cost of acquisition	Surplus or (deficit)	Total	Total
Sólida Banorte Generali, S.A. de C.V. SIEFORE	$ 252,502	$ 110,783	$ 363,285	$ 342,454
Servicio Panamericano de Protección, S.A. de C.V.	47,942	149,721	197,663	190,794
Sólida Administradora de Portafolios, S.A. de C.V.	65,050	4,884	69,934	24,386
Fianzas Banorte, S.A. de C.V.	28,680	41,998	70,678	58,420
Seguros Banorte Generali, S.A. de C.V.	44,639	25,349	69,988	59,400
Controladora Prosa, S.A. de C.V.	44,610	(7,147)	37,463	63,370
Pensiones Banorte Generali, S.A. de C.V.	39,066	21,959	61,025	54,057
Corporativo Edinbur, S.A. de C.V.	17,798	(3,148)	14,650	19,136
S.D. Indeval, S.A. de C.V.	2,000	7,762	9,762	13,968
Procesar, S.A. de C.V.	4,684	(1,143)	3,541	5,860
Sociedades de Inversión Bancen	11,719	294	12,013	-
Sociedades de Inversión Banorte	35,795	12,007	47,802	46,927
Sociedades de Inversión Casa de Bolsa	8	1	9	6,616
Bolsa Mexicana de Valores, S.A. de C.V.	400	15,282	15,682	15,078
S.D. Indeval, S.A. de C.V.	111	4,850	4,961	4,894
Others	11,034	1,032	12,066	(13,265)
	$ 606,038	**$ 384,484**	**$ 990,522**	**$ 892,095**

NOTE 17 - DEFERRED TAXES:

The tax assessed on the HOLDING only reflects the taxable income of the year, measured in accordance with currently enacted tax legislation. However, due to the temporary differences in recognizing revenues and expenses for accounting and tax purposes, as well as the differences in balance sheet accounts between book and tax balances, the HOLDING has recognized a net deferred tax asset amounting to $710,802 ($652,399 in 2000), as shown below:

	2001			2000		
	Temporary	Deferred		Temporary	Deferred	
Item	differences	Income tax	PTU	differences	Income tax	PTU
Allowance for loan losses (not deducted)	$ 597,665	$ 209,183	$ -	$ 1,455,147	$ 509,301	$ 145,515
Tax loss carryforwards	3,816,071	1,335,625	-	1,610,043	563,515	-
Inflationary component of past due portfolio	539	189	-	-	-	-
Deficit from valuation of securities	580,710	203,249	58,071	538,857	188,600	53,886
Loss sharing with FOBAPROA	2,030,702	710,746	-	2,356,598	824,810	-
Asset tax recoverable	-	533	-	-	26,491	-
Excess of tax over book value of foreclosed assets	123,937	43,378	-	219,071	76,675	-
Loss on sale of stock	50,721	17,752	5,080	96,321	33,712	9,401
Others	8,916	3,120	-	7,017	2,456	3,024
Total defferred assets	**$ 7,209,261**	**$ 2,523,775**	**$ 63,151**	**$ 6,283,054**	**$ 2,225,560**	**$ 211,826**

Item	2001 Temporary differences	2001 Deferred Income tax	2001 Deferred PTU	2000 Temporary differences	2000 Deferred Income tax	2000 Deferred PTU
Accrued interest and inflationary component of transactions with FOBAPROA	$ 2,849,607	$ 997,362	$ -	$ 2,715,344	$ 950,371	$ -
Excess of book over tax value of fixed assets and prepaid expenses	1,778,279	622,398	42,320	1,537,208	538,022	22,869
Accrued interest and inflationary component of Special Treasury Certificates	-	-	-	11,707	4,097	216,368
Gain (loss) on market valuation	-	-	-	(10,820)	(3,787)	(1,082)
Labor obligations	-	-	-	47,449	16,607	-
Deduction of inventories	159,470	55,815	-	28,356	9,925	2,836
Unrealized surplus on investment in SIEFORE	110,783	38,774	-	-	-	-
Income tax payable from UDI trusts		107,443	-	-	-	-
Others	34,320	12,012	-	71,889	25,161	3,600
Total defferred liabilities	**$ 4,932,459**	**$ 1,833,804**	**$ 42,320**	**$ 4,401,133**	**$ 1,540,396**	**$244,591**
Net difference	**$ 2,276,802**	**$ 689,971**	**$ 20,831**	**$ 1,881,921**	**$ 685,164**	**($ 32,765)**
Defferred tax asset			**$ 710,802**			**$ 652,399**

The deferred tax effect of the year was an increase in the deferred tax asset in the amount of $58,403, as well as in stockholders' equity in the amount of $115,363, and reduce the income for the year in the amount of $123,193, respectively. Furthermore, the HOLDING paid PTU of prior years in the amount of $66,233, which was recorded in deferred liabilities, inasmuch as the accounting balance that originated it has been materialized.

The increase in income for the year in the amount of $123,193 comprised a charge in the amount of $196,356 shown in the statement of income in the item denominated "Deferred income tax" and a credit in the amount of $73,163 included in the gain (loss) from monetary position of the year.

As a result of the amendments to the Income Tax Law, published on January 1, 2002, the tax rate (35%) will be reduced annually as from 2003, until it reaches 32% in 2005. Consequently, this decrease in the tax rate will reduce, in 2002, the deferred tax asset by $59,094, decreasing the income for the year and the stockholders' equity in the amount of $42,703 and $16,391, respectively.

Management has drawn up financial and tax projections, based on economic forecasts estimated to be conservative. These allow management to be confident in recovering the deferred tax asset with future taxable income in the normal course of the operations of the HOLDING.

NOTE 18 - OTHER ASSETS:

The following items recorded as of December 31, 2001 and 2000 are summarized as shown below:

Item	2001	2000
Investments of provisions for personnel pensions	$ 431,414	$ 470,756
Provision for labor obligations	(431,414)	(470,452)
Other unamortized expenses	1,016,299	812,329
Accumulated amortization of other expenses	(186,173)	(92,908)
Goodwill	14,194	-
Organization expenses (net)	317,834	403,366
Investments of the contingency reserves	3,209	3,357
Provision for the contingency reserve	(3,209)	(3,357)
Other assets	195,277	217,715
Total	**$ 1,357,431**	**$ 1,340,806**

NOTE 19 - DEMAND DEPOSITS:

The balance of this item as of December 31, 2001 and 2000 is summarized as shown below:

Item	2001	2000
Checking accounts	$ 23,341,938	$ 21,067,671
US dollar denominated checking accounts	3,152,408	3,354,203
Demand deposits in current account	2,970,432	2,749,982
Deposits in savings accounts	36,071	48,883
Demand deposits in US dollar denominated current account	88	21,292
Total	**$ 29,500,937**	**$ 27,242,031**

These liabilities accrue interest at an interest rate that fluctuates between 0.95% and 8.76% annual (3.00% and 13.19% in 2000), depending on the type of instrument and the average balance maintained in investments.

NOTE 20 - TERM DEPOSITS:

The balance of this item as of December 31, 2001 and 2000 is summarized as shown below:

Item	2001	2000
Promissory notes with yield at maturity	$ 39,531,404	$ 36,667,710
US dollar denominated fixed term deposits	4,419,374	4,720,154
Fixed term deposits	278,054	41,220
Deposits withdrawable on preestablished days	276,344	718,334
Accrued interest payable	247,341	302,558
Total	**$ 44,752,517**	**$ 42,449,976**

These deposits accrue interest at annual rates ranging from 1.00% up to 15.54% annual for 2001 (2.00% to 15.85% in 2000), depending on the balances and yields.

NOTE 21 - OUTSTANDING BANK BONDS:

As of December 31, 2001 and 2000, the HOLDING had the following bonds outstanding:

	2001	2000
BANORTE 100 issue of 10,000,000 bonds with a face value of one hundred pesos each, due on May 1, 2003, with interest payable every 189 days at a 15.59% annual fixed rate.	$ 1,000,000	$ 1,050,226
BANORTE 200 issue of 2,500,000 bonds with a face value of one hundred pesos each, due on September 4, 2003, with interest payable every 189 days at a 16.00% annual fixed rate.	250,000	262,557
Accrued interest payable	51,622	61,644
Total	**$ 1,301,622**	**$ 1,374,427**

The total interest expense in these bonds was $198,621 ($147,602 in 2000).

NOTE 22 - INTERBANK AND OTHER ENTITY LOANS:

The balance of this item as of December 31, 2001 and 2000 is summarized as shown below:

Item	2001	2000
Deposits and bank loans	$ 5,855,460	$ 10,102,157
Deposits and loans from foreign banks	1,574,276	2,661,051
Loans on rediscounted portfolio	4,430,029	5,462,019
CPO's issued (see Note 33)	2,392,437	3,281,704
Call money	300,251	1,957,621
FOVI rediscounts	1,573,862	1,805,080
Provisions for interest	32,405	132,575
Total	**$ 16,158,720**	**$ 25,402,207**

The balance as of December 31, 2001 of interbank loans amounts to US$666,156,000 (US$990,328,000 in 2000).

NOTE 23 - LABOR LIABILITIES:

The HOLDING recognizes liabilities for pension plans and seniority premiums, by using the "Projected Unit Credit Method" method of financing. This system considers the accrued benefits at the date of valuation, as well as the benefits generated during the year of the plan.

The amount of actuarial present value of benefit obligations and projected benefits as of December 31, 2001 and 2000, determined by independent appraisers, is summarized as shown below:

	2001		2000	
Item	Personnel pensions	Seniority premiums	Personnel pensions	Seniority premiums
Projected benefit obligations (PBO)	$ 256,384	$ 66,237	$ 596,614	$ 53,228
Unamortized transition liability (asset)	119,037	(33,049)	312,935	(40,417)
Prior service and amendments of plans, unamortized	(99,071)	(4,752)	(189,789)	(5,978)
Assumption changes and adjustments for experience, unamortized	50,197	20,895	90,325	(39,923)
Loss (gain) on assumption changes	-	-	242	(19)
Unrecognized actuarial (gain) loss	19,476	6,511	13,396	7,407
Plan assets at market value	196,518	75,273	453,027	143,289
Projected net liability (asset)	(29,773)	1,359	(83,522)	(11,131)
Obligations from present benefits (OPB)	107,680	46,765	321,640	(1,347)
Current net cost	-	-	162	(1)
Current net liability	-	(9,906)	-	(12,123)
Additional liability	-	(8,548)	-	(14,609)
Intangible assets	-	7,226	-	10,092

Indemnifications and direct labor costs are expensed in the year they are paid.

At the beginning of 2001, the HOLDING implemented an optional defined contribution pension plan, which replaces the defined benefit pension plan. Employees participating in this new plan register voluntarily; therefore, there are also employees that decided to stay in the original plan.

Amounts of labor obligations for pension plans presented in this Note, correspond to the defined benefit pension plan (prior plan), of the personnel that decided to stay in this plan.

Labor obligations from the defined contribution pension plan do not require an actuarial valuation in accordance with Statement D-3 of the IMPC, inasmuch as the cost of this plan is equal to the contributions made in favor of the participants.

Employees that decided to register in the defined contribution pension plan, have the right to receive a benefit on prior services, assigning 50% of it immediately and the remaining 50% over a 10-year period (receiving the first installment at the date of implementation of the new plan).

The initial assignment of the benefit on prior services was financed by the defined benefit fund associated to the advance liquidation of obligations, recognized under the guidelines of Statement D-3 of the IMCP.

At 1999 year-end, the HOLDING purchased annuities, transferring liabilities and assets associated with its retired personnel to a company specializing in life annuities. Said company then assumes the risk of the payment of benefits to the retired persons as from that date. The amount of transferred assets of the plan at that date amounted to $329,173.

At December 31, 2001, the HOLDING has not recognized, in its financial statements, the amount of labor obligations corresponding to other benefits after retirement, in accordance with Statement D-3 of the IMCP. Such is the case of the liabilities for medical and hospital expenses, not recognized for the benefit of its retired personnel.

Due to the acquisition of BANCRECER, and in conformity with the strategy implemented by the HOLDING, consisting of merging said institution with the HOLDING during the first quarter of 2002, there will be a significant decrease in personnel and, consequently, an expiration of labor obligations associated with retirement. The HOLDING's management estimates that there will be a surplus in the assets corresponding to pension plan and seniority premiums, which will in turn minimize the future impact of the cost that the HOLDING must recognize for other post-retirement labor obligations currently not recognized.

NOTE 24 - OUTSTANDING SUBORDINATED DEBENTURES:

On June 21, 2001, BANORTE issued, through a public offering, all its outstanding subordinated debentures amounting to 436,000 UDIs and equal to $1,301,000 over an 8-year term. These debentures accrue interest at an 8% annual real interest rate, which will be fixed during the term of the issue, with six-monthly interest payments and repayment of principal at the end of the 8-year term. The summary and main characteristics of the foregoing are described below:

Debentures issued maturing June 2009 and interest at an annual 8.00% net real interest, which will be fixed during the term of the issuance.	$ 1,332,099
Accrued interest payable	3,256
	$ 1,335,355

As of December 31, 2001, interest charged to the statement of income amounts to $56,753.

NOTE 25 - CONTINGENCIES AND COMMITMENTS:

As of December 31, 2001 and 2000, the HOLDING has the following contingent obligations and commitments:

a. The HOLDING has commitments due to the opening of irrevocable letters of credit, authorized signed guarantees and other contingent obligations applicable mainly to BANORTE and BANCEN, in the amount of $12,522,184 and $21,462,319 as of December 31, 2001 and 2000, respectively, which are recorded in memorandum accounts.

b. Indemnifications in favor of personnel in case of an unjustified lay-offs or death, under certain circumstances provided for in the Labor Law.

c. Due to tax differences that could result from an eventual review of the tax returns filed by the HOLDING and the different criteria in interpreting legal provisions between the HOLDING and the tax authorities.

d. Due to suits filed against the HOLDING in civil and commercial courts. In the opinion of the lawyers of the HOLDING, the suits filed are considered inadmissible and any unfavorable ruling handed down would not affect the financial position of the HOLDING.

e. There are transactions during the year between subsidiary companies and the HOLDING, and also transactions between the same subsidiary companies, in which tax authorities have the faculty to determine if they are stated at market value or at the value that will be fixed with independent parties in comparable transactions.

NOTE 26 - ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY AND UDIs:

Foreign currency transactions

The amounts shown in this Note are stated in thousands of US dollars, inasmuch as it is the preponderant foreign currency for the HOLDING.

The regulations of BANXICO set forth the following standards and limits for purposes of foreign currency transactions:

a. The (short or long) position in US dollars should be equivalent to a maximum of 15% of the HOLDING's net capital.

b. Permitted foreign currency denominated liabilities should not exceed 183% of the basic capital of the HOLDING.

c. The rules governing foreign currency transactions requires maintaining a minimum level of liquid assets, in accordance with a calculation mechanism established by BANXICO, based on the maturity date of foreign currency transactions.

As of December 31, 2001 and 2000, the HOLDING had a foreign currency position denominated in US dollars, as summarized below:

	Thousands of US dollars	
	2001	2000
Assets	1,479,989	2,044,281
Liabilities	1,560,806	2,055,979
Short position	**80,817**	**11,698**

As of December 31, 2001, the exchange rate set by BANXICO for the valuation of liabilities was $9.1695 per US dollar ($9.6098 in 2000).

Transactions denominated in UDIs

As of December 31, 2001, the value of the UDI determined by BANXICO and used by the HOLDING to value its assets and liabilities denominated in UDIs was $3.055273 ($2.909158 in 2000). At those same dates, the HOLDING has assets and liabilities, as shown below:

	Thousands of UDIs	
	2001	2000
Assets	460,113	26,393
Liabilities	798,275	216,306
Short position	**338,162**	**189,913**

NOTE 27 - STOCKHOLDERS' EQUITY:

As of December 31, 2001, the fixed and variable capital stock of the HOLDING is represented by 500,122,224 common series "O" shares, with a par value of three pesos and fifty centavos each one, fully subscribed for and paid. That capital stock is summarized as shown below:

	Number of shares		Amount	
Description	2001	2000	2001	2000
Fixed capital stock	252,157,233	252,157,233	$ 882,550	$ 882,550
Variable capital stock	247,964,991	241,016,654	867,878	843,559
Increase from restatement			3,093,426	3,092,850
Total			**$ 4,843,854**	**$ 4,818,959**

The HOLDING should create a legal reserve fund, by appropriating 5% of its earnings of each fiscal year until that fund is equivalent to 20% of its capital stock.

Dividends paid by companies to legal entities resident in Mexico will be tax-free if they are paid out of the Cuenta de Utilidad Fiscal Neta (Net Taxable Income Account or "CUFIN"). Dividends paid out of the CUFIN in excess of the balance thereof are subject to 35% income tax on the result derived from multiplying the dividend paid by a 1.5385 factor. The resulting tax will by payable by the HOLDING.

In addition to the foregoing, dividends paid to individuals or foreign residents are subject to a 5% withholding payable by the stockholder, on the result of multiplying those dividends by the 1.5385 factor (1.515 if the dividends are paid to individuals resident in Mexico if those dividends are paid out of the CUFIN at December 31, 1998).

When dividends are paid to residents in countries with which treaties have been entered into to avoid double taxation, the withholding will be made in accordance with the terms set forth in the applicable treaty.

NOTE 28 – CAPITALIZATION:

The new standards set forth by BANXICO to calculate the capitalization index adjust weighted assets in accordance with the credit and market risk.

The capitalization indexes of the Bank subsidiaries are summarized as shown below:

a. BANORTE

By considering only the credit risk, the capitalization index determined by BANORTE at December 2001 reached 12.57% (12.84% in 2000), with a basic capital of 8.24% (11.67% in 2000). By including market risks in the determination of assets weighted by risk, the total capitalization index of BANORTE reached 10.97% (11.23% in 2000), with a basic capital of 7.20% (10.21% in 2000). Both cases were well above regulatory requirements.

The issuance of non-convertible debentures and other relevant events discussed in Note 2 affected the determination of net capital of BANORTE.

	2001		2000	
% of assets subject to risk	**Credit risk**	**Credit and market risk**	**Credit risk**	**Credit and market risk**
Basic capital	8.24%	7.20%	11.67%	10.21%
Supplementary capital	4.33%	3.77%	1.17%	1.02%
Net capital	12.57%	10.97%	12.84%	11.23%
Assets subject to credit risk		$ 41,640,399		$ 40,860,556
Assets subject to market risk		6,054,588		5,855,092
Total assets subject to risk		**$ 47,694,987**		**$ 46,715,648**

b. BANCEN

By considering only the credit risk, the capitalization index determined by BANCEN as of December 2001 reached 17.96% (24.90% in 2000), with a basic capital of 17.96% (24.90% in 2000). By aggregating market risk, the total capitalization index of the BANCEN reached 14.10% (21.09% in 2000), with a basic capital of 14.10% (21.09% in 2000). Both cases were well above regulatory requirements.

Relevant events discussed in Note 2 and the transfer of fixed rent securities from BANORTE to BANCEN, affected the calculation of risk assets of BANCEN.

	2001		2000	
% of assets subject to risk	**Credit risk**	**Credit and market risk**	**Credit risk**	**Credit and market risk**
Basic capital	17.96%	14.10%	24.90%	21.09%
Supplementary capital	-	-	-	-
Net capital	17.96%	14.10%	24.90%	21.09%
Assets subject to credit risk		$ 7,813,341		$ 3,211,395
Assets subject to market risk		2,134,250		579,003
Total assets subject to risk		**$ 9,947,591**		**$ 3,790,398**

NOTE 29 - COMPREHENSIVE INCOME:

As provided for in the rules of Statement B-4 issued by the IMCP, the comprehensive income for the years ended December 31, 2001 and 2000 is summarized as shown below:

	2001	2000
Comprehensive income, as shown in statement of income	**$ 1,503,957**	**$ 1,761,594**
Goodwill cancellation	-	(311,454)
Interest on subordinated debentures converted to capital	-	(5,706)
Surplus or deficit from restatement of stockholders' equity	-	54,894
Loss from holding nonmonetary assets	(490,580)	(2,212,135)
Comprehensive income (loss) for the year	**$ 1,013,377**	**($ 712,807)**

NOTE 30 - NET EARNINGS PER SHARE:

As provided for in the rules of disclosure of Statement B-14 Earnings per share, issued under MEX GAAP, the following is disclosed:

Net earnings per share are the result of dividing the net earnings by the weighted average shares outstanding of the HOLDING.

Diluted earnings per share represent an adjustment to net earnings and the amount of outstanding shares, by considering the effect of future capitalizations of obligatorily convertible subordinated debentures into outstanding capital stock.

Net earnings are adjusted by adding the integral cost of financing thereto (interest paid less the monetary gain) of the debentures. Earnings adjusted as aforementioned are divided by the weighted average outstanding shares, including those applicable to future capitalizations of outstanding debentures.

Prior earnings, as well as the effects on income from continuing operations, are shown below:

	2001			2000
Item	Earnings	Weighted average of shares	Earnings per share	Earnings per share
Earnings from continuing operations attributable to paid-in capital	$ 1,503,957	497,178,737	$ 3.0250	$ 3.7534
Net earnings per share	1,503,957	497,178,737	3.0250	3.7534
Earnings per diluted share	-	-	-	3.0644

NOTE 31 - INCOME TAX (ISR), EMPLOYEES' PROFIT SHARING (PTU) AND ASSET TAX (IMPAC):

INCOME TAX (ISR)

The HOLDING and its subsidiaries are subject to income tax that is calculated by considering certain impacts of inflation as taxable or deductible. Those impacts involve depreciation calculated on values in constant pesos, which allow for deducting current costs. Furthermore, the impact of inflation on certain assets and monetary assets and liabilities is accumulated or deducted, by using the inflationary component. The income tax rate in effect is 35% on the taxable income. The HOLDING is further under obligation to pay 30% income tax every year and the remainder at the time earnings are distributed. That remainder is recorded as a long-term liability.

The HOLDING and its consolidated subsidiaries have tax loss carryforwards for ISR purposes that will be indexed in the fiscal year in which they are realized. Those tax loss carryforwards can be realized against taxable income in a period not exceeding 10 years. The restated amount of those tax loss carryforwards at the date of the financial statements of the HOLDING and subsidiaries are the following:

Entity	Tax loss carryforwards
Banco del Centro, S.A.	$ 5,116,445
Banco Mercantil del Norte, S.A.	3,683,495
Arrendadora Banorte, S.A. de C.V.	901,026
Almacenadora Banorte, S.A. de C.V.	125,790
	$ 9,826,756

ASSET TAX (IMPAC)

The HOLDING and its subsidiaries are subject to paying Asset Tax or "IMPAC", which is calculated by applying a 1.8% rate to the average of fixed assets and deferred charges, reduced by the average of the debts incurred to acquire those assets. The amount paid during the year by the subsidiaries of the HOLDING was immaterial.

EMPLOYEES' PROFIT SHARING (PTU)

Employees' profit sharing is calculated in accordance with taxable income, considering tax depreciation at historical values, therefore the inflationary component is not considered.

NOTE 32 - MEMORANDUM ACCOUNTS:

The balance of this item is summarized as shown below:

	2001	2000
Transactions for account of third parties		
Customer banks (current accounts)	$ 2,975	$ 2,576
Liquidation of customer transactions	14,267,930	3,726,656
Securities of customers received in custody	94,696,857	62,913,825
Securities and notes received in guarantee	23,122	500
Customer repo transactions	25,545,836	25,504,456
Purchase transaction (option price)	36,542	353,204
Administrative trusts	987,268	995,357
	$ 135,560,530	**$ 93,496,574**
Transactions for own account		
Authorized signed guarantees	$ 2,980	$ 3,280
Other contingent liabilities	10,253,941	20,937,694
Opening of irrevocable credits	519,263	521,345
Amounts committed in transactions with FOBAPROA	4,725,349	3,785,862
Outstanding deposit certificates	-	450,294
Asset deposits	91,484	-
Securities of the company delivered in custody	107,332	30,221
Government securities of the company in custody	86,196	25,427
Assets in trust or mandate	39,792,204	38,019,157
Assets in custody or administration	79,464,751	76,948,649
Investments of the funds of the retirement savings system	2,303,522	2,270,698
Investment banking transactions for account of third parties, net	103,204,067	72,824,775
Amounts contracted in derivative instruments	3,285,093	2,782,748
Other memorandum accounts	178,382,946	215,105,182
	$ 422,219,128	**$ 433,705,332**
Repo transactions		
Securities receivable under repo agreements	$ 144,686,684	$ 95,825,217
Payables under repo agreements	144,534,419	95,864,581
	$ 152,265	**($ 39,364)**
Receivables under repo agreements	$ 92,402,970	$ 57,437,155
Securities payable under repo agreements	92,504,210	57,392,457
	($ 101,240)	**$ 44,698**

NOTE 33 – SECURITIZATION:

As part of the policies established by the general management and treasury of BANORTE, there are various operations at fiscal year-end whereby assets have been transferred to a trust in order for that trust to issue bonds to be placed among the investing public. The foregoing results in the right to the yields or proceeds of the sale of the assets traded (securitization), which is found within the investment securities item (see Note 8) as a restricted asset.

The main trading characteristics are:

Certificates of BANORTE have been successfully placed on the international financial market among foreign investors, through foreign financial entities. At year-end, the balances thereof amount to $2,392,437 ($3,124,760 in 2000), equivalent to 260,913 (325,164 in 2000) thousands of US dollars. This transaction allowed for obtaining long-term financing in US dollars, in reliance on the cash flows from the US dollar remittances documents acquired from our customers through the branch network.

The US dollar remittances documents and cash flows derived therefrom belong to a trust established in New York, in favor of foreign investors. The terms of the securitized remittances do not mature until the year 2006. They may be up to seven years and monthly amortizations are made on capital. However, there are some events; such as the coverage multiple of remittance deposits, which should not fall under a 5 to 1 ratio for more than 3 months in a given year. In the event this should occur, it could result in the advance cancellation of the financing.

The main characteristics of that placement are summarized as shown below:

	2001	2000
CPOs - Series 1999-1 that cover 800 certificates with a face value amounting to US 250,000 dollars each ($200,000,000 dollars) payable in a 7-year term at a variable interest rate equivalent to the LIBOR rate plus 1.15%	$ 1,702,204	$ 2,018,492
CPOs - Series 1999-2A that cover 300 certificates with a face value amounting to US 250,000 dollars each ($75,000,000 dollars) payable in a 5-year term at a fixed interest rate of 8.94%	471,618	690,063
CPOs - Series 1999-2B that cover 100 certificates with a face value amounting to US 250,000 dollars each ($25,000,000 dollars) payable in a 7-year term at a fixed interest rate of 9.49%	213,996	252,312
CPOs - Series 2000-1 that cover 140 certificates with a face value amounting to US 250,000 dollars each ($35,000,000 dollars) payable in a 5-year term at a variable interest rate equivalent to the LIBOR rate plus 2.375%	-	308,971
Accrued interest payable	4,619	11,866
	$ 2,392,437	**$ 3,281,704**

During August 2001, the HOLDING repaid Series 2000-1 certificates in advance.

In 2001, the HOLDING recognized interest derived from this issue in income in the amount of $181,588 ($265,675 in 2000).

NOTE 34 - RISK MANAGEMENT:

The Chief Risk Office is responsible for the function of identifying, measuring, monitoring and reporting the various types of risk to which the Institution is exposed.

The Chief Risk Office reports to the Chief Executive Officer of the HOLDING, thereby complying with the provisions of Circular 1423, with regard to the independence of the Business Areas.

In order to maintain appropriate Risk Management, the HOLDING has Corporate Bodies that set forth risk policies and strategies and that follow-up thereon by properly overseeing their performance.

The Risk Policy Committee was established within those Corporate Bodies. In turn, the Institution has the following approval committees:

- Credit Committees
- Recovery Committees
- Treasury Committee
- Asset and Liability Committee
- Product Committee
- Operation Committee
- Technology Committee
- Communication and Control Committee

The Chief Risk Office channels the Risk Management efforts of the following management offices:

- Credit Risk control and standards;

- Financial Risk control and standards;
- Loan Portfolio Risk control;
- Review of Assets subject to Risk;

At present, the HOLDING has methodologies for risk management in its various areas such as credit, legal, liquidity, market and operations.

The main objectives of the Chief Risk Office are summarized below:

- Standardize risk control and measurement;
- Protect the institution's capital against unexpected losses from market transactions; credit bankruptcies and operation risks;
- Develop valuation models for the different type of risks;
- Establish procedures to optimize the loan portfolio management;
- Make a diagnosis based on Risk Management, availability and quality of risk information.

The HOLDING has divided risk evaluation and management as follows:

1. Credit risk: Volatility of income due to potential loan losses from unpaid balances of creditors or counterparties.
2. Market risk: Volatility of income due to changes in the market which influence the valuation of positions on asset and liability operations or those resulting in contingent liabilities, such as: interest rates, exchange rates, price indexes, etc.
3. Operation risk: The potential loss due to failures or deficiencies in information systems, in internal controls or due to mistakes in the processing of operations.
4. Liquidity risk: The potential loss due to the impossibility to renew liabilities or to contract others in normal conditions for the HOLDING, on the advanced or forced sale of assets at unusual discounts in order to face its obligations.
5. Legal risk: The potential loss due non-compliance with applicable legal and administrative rules, the issuance of unfavorable administrative and judicial resolutions and the application of fines, in relation with the HOLDING's operations.

In December 2000, the HOLDING concluded the implementation of the regulations established in Circular 1423 issued by the COMMISSION. The Board of Directors approved, in turn, the corresponding Risk Policies Manual.

The HOLDING has continued updating and improving the policies and procedures for risk management in accordance with the objectives established and with the participation of all involved areas, continuously maintaining the diffusion of the manual, through presentations via satellite, organizational communications and the continuous updating of the HOLDING's Intranet.

MARKET RISK

The implementation of the market risk module in the risk measurement system denominated RiskWatch (from the Algorithmics firm), was concluded. These measurements allowed for the standardization of the methodology used in the calculation of such risk for all the HOLDING's portfolio.

In order to use the same methodology for the calculation of market risks, for the establishment and control of internal limits, as well as for their corresponding disclosure to the investing public and corresponding authorities; the Board of Directors approved the use of Value Risk through historical simulation as the methodology to be applied. Consequently, the maximum risk limits for the different financial instruments operated by the HOLDING were updated using the same methodology.

The Value Risk methodology through historical simulation (VaR) is applied in the HOLDING through the simulation of the effect of the last 500 historical scenarios on current portfolios of the HOLDING exposed to variations of risk factors directly affecting their valuation (local interest rates, foreign interest rates, exchange rates, among others), using a 99% confidence level and a 10-day period for holding portfolios.

The quarterly average of the VaR of the financial instrument portfolio of the HOLDING (banking and brokerage sector) including bonds, shares, money market transactions, interest rate swaps, forwards, futures, and other derivatives in and out of the balance sheet, was as follows:

	4Q00	1Q01	2Q01	3Q01	4Q01
10-day VaR	$ 371,000	$301,000	$553,000	$319,000	$225,000

The Value Risk for the fourth quarter of 2001 calculated under the foregoing premises is comprised of the Institution, Banking Sector and Group, as follows:

	10-day VaR
Banorte	$ 98,000
Bancen	212,000
Consolidated Banking Sector	225,000
Stock exchange	1,000
Consolidated Group	225,000

The consolidated Value Risk for the Banking Sector as well as for the HOLDING considers the correlations of all the risk factors that influence the valuation of portfolios; therefore, the arithmetical sum of the Value Risk per Institution may not coincide.

Furthermore, the Value Risk per risk factor of the instrument portfolio described for the overall HOLDING, is as follows:

	Total
Local interest rate	$ 200,000
Foreign interest rate	6,000
Exchange rate	43,000
Capital	23,000
Eurobond prices	64,000

LIQUIDITY RISK

The Chief Risk Office has continued with the processes related to the updating and improvement of policies and procedures for risk management, especially in the case o liquidity risks. It has done this through the application of additional methodologies for the calculation of gaps, a wider and deeper analysis of the composition of assets and liabilities in the balance sheet, complemented with the calculation of financial ratios. These measures are intended to monitor the liquidity risk.

CREDIT RISK

The Banking Sector of the HOLDING has credit risk methodologies that include the best and most up-to-date international practices with regard to the identification, measurement, control and follow-up of this type of risk.

These methodologies permit determination of the current value of the portfolio loans, this is, the credit exposure. The calculation of credit exposure entails the generation of the cash flow of each of the credits, principal as well as interest and subsequently discounting it. This exposure is sensitive to changes in the market, making the calculation under different economic scenarios, easier.

The calculations of the probability of non-compliance are also considered, the severity of the loss and the modeling of borrowers to calculate credit risk measures. The probability of non-compliance is the probability that borrowers will not comply with their debt obligation with BANORTE in accordance with the terms and conditions originally agreed upon. The probability of non-compliance is based in transition matrixes calculated as from the migration of the borrowers in the different levels of risk rating. The severity of the loss is the percentage of total exposure estimated to be lost in case the borrower does not comply. The modeling of borrowers is focused on associating the future behavior of the borrower in relation to credit and market factors.

Among the significant results obtained from the foregoing are the expected and unexpected loss in a time horizon of a year, as well as the analysis of credit concentration and quality. The expected loss is the mean of loss distribution of the loan portfolio. The unexpected loss is the maximum loss, given the loss distribution at a specific confidence level.

The expected loss from credit risk for the Banking Sector in December 2001, with a time horizon of a year was 8.1% ($3,296 million pesos), with respect to the exposure of the portfolio at that same date ($40,583 million pesos).

With respect to the rating methodology, in 2001 the HOLDING obtained the certification of its internal methodology (Internal Risk Rating - CIR) from the COMMISSION. Through this methodology it is possible to obtain the debtors ratings from the customers with a balance equal to or greater than seven hundred investment units.

OPERATION AND LEGAL RISK

Policies and procedures have been defined in order to identify, measure and calculate the operation risk of the HOLDING. The analysis of the operation risk includes the possible contingencies from operations with lending, borrowing, credit and debit cards, ATMs, and general cash operations as well as operation centers.

The operation risk of the Electronic media sub-direction, lending operations, borrowing operations, Operating support and Banking services is analyzed considering the following items: Internal control, process control, liquidation and custody.

Likewise, policies and procedure have been defined to manage and control the legal risk, for their measurement and analysis. Legal risk reports include the expected loss in lawsuits in process and a reserve is set up to cover contingencies.

NOTE 35 - RELATED PARTIES:

The HOLDING follows the practice of identifying those balances and transactions carried out with parent, subsidiary and associated companies which were eliminated for purposes of presentation of the consolidated financial statements, as well as for those companies that do not consolidate. The amounts thereof are immaterial.

NOTE 36 - SEGMENT INFORMATION:

In order to analyze the financial information of the HOLDING, the most significant information is presented as of December 31, 2001.

a. The amounts by service sector of the HOLDING is summarized as shown below:

	2001
BANKING SECTOR:	
Net income	$ 1,378,618
Stockholders' equity	8,393,531
Total portfolio	81,454,543
Past due portfolio	4,471,674
Allowance for loan losses	4,472,259
Net total assets	101,560,491
BROKERAGE SECTOR:	
Net income	$ 31,328
Stockholders' equity	238,017
Portfolio in custody	95,999,687
Net total assets	420,329
LONG-TERM SAVINGS SECTOR:	
Net income	$ 176,013
Stockholders' equity	1,370,387
Net total assets	6,379,701
AUXILIARY CREDIT ORGANIZATIONS SECTOR::	
Net income	$ 69,429
Stockholders' equity	389,052
Total portfolio	2,833,223
Past due portfolio	46,664
Allowance for loan losses	21,637
Net total assets	3,348,153

b. The current loan portfolio grouped by economic sector and geographic area is the following:

	2001 Geographic Area						
Economic Sector	Monterrey	Mexico City	West	Northwest	Northeast	Southeast	Total
Agriculture	$ 178,889	$ 3,594	$ 170,839	$ 160,346	$ 115,928	$ 21,473	$ 651,069
Mining	209,496	27,612	332,917	1,506	41,162	3,248	615,941
Manufacturing	4,339,273	1,576,308	1,178,101	128,369	659,509	67,592	7,949,152
Construction	479,094	619,638	227,385	199,326	36,584	25,822	1,587,849
Commerce, restaurants and hotels	2,281,260	1,363,540	995,628	353,605	697,239	470,375	6,161,647
Transportation and communications	899,687	120,065	86,461	50,235	50,435	35,751	1,242,634
Financial services	1,621,690	2,225,262	86,896	59,979	27,442	155,358	4,176,627
Community, social and personal services	737,106	625,888	240,916	105,846	167,408	127,236	2,004,400
Public administration services	962,066	1,453,580	13,060	193,077	540,160	6,889	3,168,832
Others	20,700	68,996	5,195	4,410	2,507	1,086	102,894
Subtotal current loan portfolio	11,729,261	8,084,483	3,337,398	1,256,699	2,338,374	914,830	27,661,045
Credit card	-	-	-	-	-	-	817,597
Mortgage loans	-	-	-	-	-	-	4,693,086
Loans to FOBAPROA or to the IPAB, ADE, FOPYME and FINAPE	-	-	-	-	-	-	46,013,098
Total current loan portfolio	**$ 11,729,261**	**$ 8,084,483**	**$ 3,337,398**	**$ 1,256,699**	**$ 2,338,374**	**$ 914,830**	**$ 79,184,826**

c. Past due loan portfolio grouped by economic sector and geographic area is summarized as shown below:

2001
Geographic Area

Economic sector	Monterrey	Mexico City	West	Northwest	Northeast	Southeast	Total
Agriculture	$ 17,629	$ 10,339	$ 27,739	$ 11,569	$ 131,562	$ 2,106	$ 200,944
Mining	234,082	15,908	794	-	223	-	251,007
Manufacturing	731,584	144,717	111,991	12,545	16,742	1,713	1,019,292
Construction	40,269	11,215	9,832	21,561	28,763	1,486	113,126
Commerce, restaurants and hotels	126,960	96,449	122,276	33,194	307,201	12,313	698,393
Transportation and communications	24,513	995	2,618	2,728	28,324	3,373	62,551
Financial services	6,866	4,152	1,811	1,497	810	1,616	16,752
Community, social and personal services	110,874	43,314	36,835	14,498	48,583	12,799	266,903
Public administration services	-	293	45	18,117	95	-	18,550
Others	29,687	190	220	108	234	43	30,482
Subtotal past due loan portfolio	1,322,464	327,572	314,161	115,817	562,537	35,449	2,678,000
Credit card	-	-	-	-	-	-	139,309
Mortgage loans	-	-	-	-	-	-	1,701,028
Total past due portfolio	**$ 1,322,464**	**$ 327,572**	**$ 314,161**	**$ 115,817**	**$ 562,537**	**$ 35,449**	**$ 4,518,337**

d. Deposits by product and geographic area is as follows:

2001
Geographic Area

Product	Monterrey	Northeast	Northwest	West	Southeast	Central area	Treasury and others	Total
Non-interest bearing checking	$ 3,934,335	$ 1,922,631	$ 845,739	$ 1,909,447	$ 554,791	$ 1,835,160	$ 334,114	$ 11,336,217
Interest bearing checking	4,723,050	2,185,999	937,010	2,329,380	429,856	3,703,745	154,176	14,463,216
Savings	10,113	10,060	1,426	7,259	5,002	2,211	-	36,071
Interest bearing demand	986,715	685,380	111,138	552,307	136,342	410,466	88,172	2,970,520
US dollar demand	9,221	375,855	306,779	1,779	1,106	173	-	694,913
Cedes	-	400	18,423	2,036	-	1,195	532,344	554,398
Over the counter notes	3,140,482	2,148,254	447,714	3,151,282	796,974	2,379,878	108,582	12,173,166
US dollar term deposits	857,189	622,389	402,663	1,624,300	244,080	668,752	-	4,419,373
Money desk clients	4,089,981	1,376,446	340,798	1,298,573	286,770	1,157,192	673,559	9,223,319
Financial intermediary	-	-	-	-	-	-	18,134,919	18,134,919
Bank bonds	-	-	-	-	-	-	1,301,622	1,301,622
Others	-	-	-	-	-	-	247,342	247,342
Total deposits	**$ 17,751,086**	**$ 9,327,414**	**$ 3,411,690**	**$ 10,876,363**	**$ 2,454,921**	**$ 10,158,772**	**$ 21,574,830**	**$ 75,555,076**