

REPORT OF INDEPENDENT AUDITORS



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Monterrey, N. L., February 28, 2001

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

We have audited the consolidated balance sheets of Grupo Financiero Banorte, S.A. de C.V. and subsidiaries (the HOLDING), as of December 31, 2000 and 1999, and the consolidated statements of income, changes in stockholders' equity, and 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.

We conducted our audits in accordance with generally auditing standards 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.

- a. As discussed in Note 4, the HOLDING is bound to prepare and present its consolidated financial statements, based on the rules issued by the Mexican Banking and Securities Commission, applicable to holding companies of financial groups. Those rules do not conform to Mexican Generally Accepted Accounting Principles in the cases discussed in Note 5. The financial statements of the HOLDING as of December 31, 2000 are subject to review by that Commission.
- b. The Mexican Banking and Securities Commission authorized Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero, main subsidiary of the HOLDING, to make charges against stockholders' equity in the amount of \$ 1,999,646,000, derived from the advance adoption of all the regulatory preferences which included creating reserves to cover the contingencies of the Bank Savings Protection Fund.
- c. As discussed in Note 2a, during the course of the year, a corporate restructuring was carried out which resulted in several mergers, highlighted by the concentration of the banking business in Banco Mercantil del Norte, S.A., as the merging entity, and Banpaís, S.A., Institución de Banca Múltiple, Grupo Financiero and Administradora de Activos Centrobán, S.A. de C.V. (an entity spun-off from Banco del Centro, S.A., Institución de Banca Múltiple, Grupo Financiero) as merged entities. The foregoing did not represent substantial changes in the financial statements of the HOLDING.

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, 2000 and 1999, and the consolidated results of its operations, changes in consolidated stockholders' equity, and changes in consolidated financial position for the years then ended, in conformity with the accounting rules issued by the Mexican Banking and Securities Commission.

PricewaterhouseCoopers


JOSÉ ROCHA VACÍO
Public Accountant

BALANCE SHEETS

CONSOLIDATED AS OF DECEMBER 31, 2000 AND 1999

(Amounts stated in thousands of Mexican Pesos of December of 2000)
(Notes 1, 2, 3, 4, 5, 6, 11, 16, 21, 24, 26, 31, 32, 33 and 34)

ASSETS	2000	1999
CASH AND CASH EQUIVALENTS (Note 7)	\$ 9,518,667	\$ 14,206,987
INVESTMENT SECURITIES (Note 8):		
Trading securities	\$ 4,143,285	\$ 16,776,391
Available-for-sale securities	169,573	311,879
Held-to-maturity securities	2,930,520	4,636,920
TOTAL INVESTMENT SECURITIES	\$ 7,243,378	\$ 21,725,190
SECURITIES AND DERIVATIVES TRADING (Note 9)		
Debit balances on repo transactions	\$ 127,676	\$ 83,688
Derivatives trading	6,296	82,257
	\$ 133,972	\$ 165,945
CURRENT LOAN PORTFOLIO (Note 10):		
Commercial portfolio	\$ 21,436,713	\$ 16,706,079
Loans to financial intermediaries	163,574	1,806,886
Consumer loans	623,082	564,972
Mortgage loans	4,067,068	3,803,955
Loans to government entities	37,772,596	3,211,241
Loans to FOBAPROA or IPAB	11,876,891	53,908,537
TOTAL CURRENT LOAN PORTFOLIO	\$ 75,939,924	\$ 80,001,670
PAST-DUE LOAN PORTFOLIO		
Commercial portfolio	\$ 1,748,842	\$ 2,528,588
Consumer loans	594,656	432,136
Mortgage loans	1,802,855	2,013,466
TOTAL PAST-DUE LOAN PORTFOLIO	\$ 4,146,353	\$ 4,974,190
TOTAL LOAN PORTFOLIO	\$ 80,086,277	\$ 84,975,860
(-)MINUS:		
ALLOWANCE FOR LOAN LOSSES	4,183,168	4,983,423
NET LOAN PORTFOLIO	\$ 75,903,109	\$ 79,992,437
OTHER RECEIVABLES, NET	\$ 2,756,111	\$ 1,565,123
FORECLOSED ASSETS	1,510,679	1,589,113
PROPERTY, FURNITURE AND EQUIPMENT, NET (Note 12)	3,302,374	3,507,013
PERMANENT STOCK INVESTMENTS (Note 13)	849,431	740,517
DEFERRED TAXES (Note 14)	621,199	370,936
OTHER ASSETS (Note 15):		
Other assets, deferred charges and intangibles	1,276,683	1,649,699
TOTAL ASSETS	\$ 103,115,603	\$ 125,512,960


C.P. Othón Ruiz Montemayor
Chief Executive Officer


Ing. Sergio García Robles Gil
General Director Planning and Control

LIABILITIES

2000

1999

DEPOSITS:

Demand deposits (Note 17)	\$ 25,939,208	\$ 24,989,575
Time deposits (Note 18)	40,419,849	64,307,773
Bank bonds (Note 19)	1,308,696	3,292,708
TOTAL DEPOSITS	\$ 67,667,753	\$ 92,590,056

BANK AND OTHER ENTITIES LOANS (Note 20)

Demand loans	\$ 3,876,775	\$ 871,245
Short term	10,150,635	3,023,075
Long term	10,159,962	15,647,892
TOTAL	\$ 24,187,372	\$ 19,542,212

SECURITIES AND DERIVATIVES TRADING (Note 9)

Credit balances on repo transactions	\$ 122,597	\$ 42,884
Derivatives trading	36,592	99,546
TOTAL	\$ 159,189	\$ 142,430

OTHER PAYABLES:

Income tax and employees' statutory profit sharing	\$ 220,559	\$ 141,664
Sundry creditors and other payables	2,560,601	2,757,513
TOTAL	\$ 2,781,160	\$ 2,899,177

OUTSTANDING SUBORDINATED DEBENTURES (Note 22)	\$ -	\$ 1,075,578
DEFERRED CREDITS	100,054	101,938
COMMITMENTS AND CONTINGENCIES (Note 23)	-	-
TOTAL LIABILITIES	\$ 94,895,528	\$ 116,351,391

STOCKHOLDERS' EQUITY (Note 25, 28 and 30)

PAID-IN CAPITAL:

Capital stock	\$ 4,588,497	\$ 4,516,054
Paid stock premiums	1,260,128	948,017
Obligorily convertible subordinated debentures (Note 27)	-	468,822
TOTAL PAID-IN CAPITAL	\$ 5,848,625	\$ 5,932,893

EARNED CAPITAL:

Capital reserves	\$ 741,414	\$ 650,730
Prior year retained earnings	6,061,950	5,354,047
Deficit in restatement of capital accounts	(4,719,407)	(4,810,065)
Impact related to associated and affiliated companies:		
Valuation of permanent stock investments	(2,106,342)	-
Net income of the year	1,677,348	1,233,959

TOTAL EARNED CAPITAL \$ 1,654,963 \$ 2,428,671

MINORITY INTEREST IN CAPITAL \$ 716,487 \$ 800,005

TOTAL STOCKHOLDERS' EQUITY \$ 8,220,075 \$ 9,161,569

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 103,115,603 \$ 125,512,960

MEMORANDUM ACCOUNTS (Note 29)

The accompanying notes are part of these consolidated financial statements.



C.P. José Luis Garza González
Executive Auditing Director



C.P. Nora Elia Cantú Suárez
Executive Accounting Director

STATEMENTS OF INCOME

CONSOLIDATED FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND 1999

(Amounts stated in thousands of Mexican Pesos of December of 2000)
(Notes 1, 2, 3, 4, 5, 6, 11, 16, 24, 26, 32 and 34)

	2000	1999
Interest income	\$ 29,485,460	\$ 27,495,660
Interest expense	(23,320,622)	(20,766,593)
Monetary position gain, Net interest income	1,773	800,142
NET INTEREST INCOME	\$ 6,166,611	\$ 7,529,209
Allowance for loan losses	(819,898)	(945,244)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISKS	\$ 5,346,713	\$ 6,583,965
Fees and rates income	\$ 2,577,213	\$ 2,317,644
Fees and rates expense	(317,569)	(313,857)
Brokerage income	479,919	1,285,678
	\$ 2,739,563	\$ 3,289,465
TOTAL OPERATING INCOME	\$ 8,086,276	\$ 9,873,430
Administrative and promotion expenses	(6,566,156)	(7,715,762)
OPERATING INCOME	\$ 1,520,120	\$ 2,157,668
Other proceeds	\$ 1,665,705	\$ 680,320
Other expenses	(1,322,970)	(1,315,883)
	\$ 342,735	(\$ 635,563)
INCOME BEFORE INCOME TAX AND EMPLOYEES' STATUTORY PROFIT SHARING	\$ 1,862,855	\$ 1,522,105
Current income tax and employees' statutory profit sharing (Note 28)	(\$ 98,295)	(\$ 157,647)
Deferred income tax and employees' statutory profit sharing (Note 14)	(15,146)	(45,176)
	(\$ 113,441)	(\$ 202,823)
INCOME BEFORE EQUITY IN EARNINGS OF NONCONSOLIDATED SUBSIDIARY, ASSOCIATE AND AFFILIATED COMPANIES, EXTRAORDINARY ITEMS AND MINORITY INTEREST	\$ 1,749,414	\$ 1,319,282
Equity in earnings of nonconsolidated subsidiary, associate, and affiliated companies, Net	26,981	20,821
CONTINUOUS OPERATING INCOME BEFORE MINORITY INTEREST	\$ 1,776,395	\$ 1,340,103
Minority interest	(\$ 99,047)	(\$ 106,144)
NET INCOME OF THE YEAR (Notes 28 and 30)	\$ 1,677,348	\$ 1,233,959

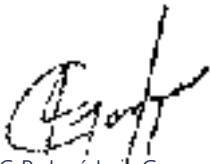
The accompanying notes are part of these consolidated financial statements.



C.P. Othón Ruiz Montemayor
Chief Executive Officer



Ing. Sergio García Robles Gil
General Director Planning and Control



C.P. José Luis Garza González
Executive Auditing Director



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Executive Accounting Director

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

CONSOLIDATED FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND 1999

(Amounts stated in thousands of Mexican Pesos of December of 2000)

	PAID-IN CAPITAL			OBLIGATORILY CONVERTIBLE OUTSTANDING DEBENTURES
	CAPITAL STOCK	VARIABLE CAPITAL STOCK	PAID STOCK PREMIUMS	
Balance as of January 1, 1999	\$ 2,757,832	\$ 1,761,242	\$ 895,012	\$ 535,678
CHANGES RESULTING FROM RESOLUTIONS ADOPTED BY STOCKHOLDERS:				
Issuance of stock (Stock repurchase)	-	(3,020)	53,005	-
Appropriation of income	-	-	-	-
Reserves created	-	-	-	-
CHANGES RELATED TO OPERATIONS:				
Net income of the year	-	-	-	-
Interest on issuance of subordinated debentures	-	-	-	(4,839)
RECOGNITION OF SPECIFIC ACCOUNTING CRITERIA:				
Effect of valuation in subsidiary companies	-	-	-	-
Deficit on restatement of capital accounts	-	-	-	(62,017)
MINORITY INTEREST				
	-	-	-	-
Balance as of December 31, 1999	\$ 2,757,832	\$ 1,758,222	\$ 948,017	\$ 468,822
CHANGES RESULTING FROM RESOLUTIONS ADOPTED BY STOCKHOLDERS:				
Issuance of stock (Stock repurchase)	-	(40,446)	-	-
Appropriation of income	-	-	-	-
Reserves created	-	-	-	-
Goodwill redemption	-	-	-	-
Issuance of stock after conversion of subordinated debentures	-	112,889	312,111	(425,000)
CHANGES RELATED TO OPERATIONS:				
Net income of the year	-	-	-	-
Interest on issuance of subordinated debentures	-	-	-	(5,433)
RECOGNITION OF SPECIFIC ACCOUNTING CRITERIA:				
Surplus or (deficit) on restatement of capital accounts	-	-	-	(38,389)
Valuation of permanent stock investments	-	-	-	-
MINORITY INTEREST				
	-	-	-	-
Balance as of December 31, 2000	\$ 2,757,832	\$ 1,830,665	\$ 1,260,128	\$ -

EARNED CAPITAL

CAPITAL RESERVES	PRIOR YEARS RETAINED EARNINGS	DEFICIT IN RESTATEMENT OF CAPITAL ACCOUNTS	IMPACT RELATED TO ASSOCIATED AND AFFILIATED COMPANIES	NET INCOME OF THE YEAR	TOTAL MAJORITY INTEREST	MINORITY INTEREST IN CAPITAL	TOTAL STOCKHOLDERS' EQUITY
\$ 413,156	\$ 4,233,686	(\$ 4,478,045)	\$ -	\$ 1,551,842	\$ 7,670,403	\$ 705,034	\$ 8,375,437
-	-	-	-	-	49,985	-	49,985
-	1,551,842	-	-	(1,551,842)	-	-	-
237,574	(230,541)	-	-	-	7,033	-	7,033
-	-	-	-	1,233,959	1,233,959	-	1,233,959
-	-	-	-	-	(4,839)	-	(4,839)
-	(200,940)	482,729	-	-	281,789	-	281,789
-	-	(814,749)	-	-	(876,766)	-	(876,766)
-	-	-	-	-	-	94,971	94,971
\$ 650,730	\$ 5,354,047	(\$4,810,065)	\$ -	\$ 1,233,959	\$ 8,361,564	\$ 800,005	\$ 9,161,569
(138,813)	-	-	-	-	(179,259)	-	(179,259)
-	1,233,959	-	-	(1,233,959)	-	-	-
229,497	(229,497)	-	-	-	-	-	-
-	(296,559)	-	-	-	(296,559)	-	(296,559)
-	-	-	-	-	-	-	-
-	-	-	-	1,677,348	1,677,348	-	1,677,348
-	-	-	-	-	(5,433)	-	(5,433)
-	-	90,658	-	-	52,269	-	52,269
-	-	-	(2,106,342)	-	(2,106,342)	-	(2,106,342)
-	-	-	-	-	-	(83,518)	(83,518)
\$ 741,414	\$ 6,061,950	(\$4,719,407)	(\$2,106,342)	\$ 1,677,348	\$ 7,503,588	\$ 716,487	\$ 8,220,075

STATEMENTS OF CHANGES IN FINANCIAL POSITION

CONSOLIDATED FOR THE FISCAL YEARS ENDED DECEMBER 31, 2000 AND 1999

(Amounts stated in thousands of Mexican Pesos of December of 2000)

	2000	1999
OPERATING ACTIVITIES:		
Net income of the year	\$ 1,677,348	\$ 1,233,959
Items charged to income that did not require cash outlay:		
Allowance for loan losses	819,897	945,244
Provision for other obligations	204,295	-
Depreciation and amortization	342,011	420,212
Fair value income	7,146	-
Minority interest	99,047	106,144
Deferred taxes	15,146	45,176
Associated and subsidiary companies' net income of the year share	(26,981)	(20,821)
	\$ 3,137,909	\$ 2,729,914
Items related to operations:		
Increase (decrease) in Bank and other entities loans	\$ 4,645,160	(\$ 2,027,127)
(Decrease) increase in deposits	(24,922,303)	15,919,141
Decrease in loan portfolio	3,269,431	2,605,436
Increase in derivatives trading	48,732	53,214
Decrease (increase) in treasury operations (investment securities)	14,474,666	(14,437,473)
Net decrease in other receivables and payables	(1,513,300)	(977,724)
Net cash provided by operating activities	(\$ 859,705)	\$ 3,865,381
FINANCING ACTIVITIES:		
Payment of outstanding subordinated debentures	(\$ 1,075,578)	(\$ 437,960)
Increase in stock premiums	312,111	-
Payment of obligatorily convertible outstanding debentures	(468,822)	(66,856)
Common stock issuance	112,889	(807,716)
Common stock repurchase	(179,259)	49,985
Net cash used in financing activities	(\$ 1,298,659)	(\$ 1,262,547)
INVESTMENT ACTIVITIES:		
Increase in permanent stock investments	(\$ 2,576,741)	(\$ 78,660)
Decrease in deferred taxes	(265,409)	55,218
Net purchases of property, furniture and equipment	(137,372)	(561,105)
Increase (decrease) in foreclosed assets	78,434	(801,391)
Decrease in deferred charges	371,132	180,518
Net cash used in investment activities	(\$ 2,529,956)	(\$ 1,205,420)
(Decrease) increase in cash and cash equivalents	(4,688,320)	1,397,414
Cash and cash equivalents at beginning of the year	14,206,987	12,809,573
Cash and cash equivalents at end of the year	\$ 9,518,667	\$ 14,206,987

The accompanying notes are part of these consolidated financial statements.



C.P. Othón Ruiz Montemayor
Chief Executive Officer



Ing. Sergio García Robles Gil
General Director Planning and Control



C.P. José Luis Garza González
Executive Auditing Director



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Executive Accounting Director

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED AS OF DECEMBER 31, 2000 AND 1999

(Amounts stated in thousands of Mexican pesos of December 2000, except number of shares, debentures, foreign currency denominated amounts and exchange rates)

NOTE 1 – DESCRIPTION OF BUSINESS

Grupo Financiero Banorte, S.A. de C.V. and subsidiaries (the HOLDING) was incorporated on July 21, 1992. 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 preventions and terms provided for in the Ley para Regular las Agrupaciones Financieras (Financial Groups Regulation Law or "LRAF"), subject to inspection and oversight by the Mexican Banking and Securities Commission (the COMMISSION). Its operations consist of rendering universal banking services, acting as a broker on the securities market, as well as acquiring and managing shares issued by insurance, pension and surety bond 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 set forth in the LRAF. The COMMISSION, the Comisión Nacional de Seguros y Fianzas (Mexican Insurance and Surety 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.

By legal resolutions, the HOLDING is unlimitedly liable for the obligations and losses of each one of its subsidiary companies.

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.

NOTE 2 – HIGHLIGHTS

During fiscal 2000, the HOLDING established a comprehensive business strategy with a fundamental purpose to strengthen the capital of Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero (BANORTE), the main subsidiary of the HOLDING. Toward that end, the following was carried out:

a. CORPORATE FINANCIAL RESTRUCTURING

During fiscal 2000, the banking business of the subsidiaries of the HOLDING was concentrated in BANORTE through the following actions:

- BANORTE merged Banpaís, S.A., Institución de Banca Múltiple, Grupo Financiero, (BANPAIS) as of January 31, 2000. The stockholders resolved to approve that merger at the General Extraordinary Stockholders' Meeting held on February 16, 2000.
- BANORTE merged Administradora de Activos Centrobán, S.A. de C.V., an entity spun-off from the banking business of Banco del Centro, S.A., Institución de Banca Múltiple, Grupo Financiero (BANCEN) and Transnorte, S.A., an entity spun-off from Casa de Bolsa Banorte, S.A. de C.V. (the BROKERAGE FIRM). The stockholders resolved to approve both mergers at the General Extraordinary Stockholders' Meeting held on September 26, 2000.
- BANORTE sold the equity it held in the capital of the subsidiary Banorte Generali, S.A. de C.V. AFORE (retirement funds management firm or "the AFORE") to BANCEN. The stockholders resolved to approve that merger at the General Extraordinary Stockholders' Meeting held on October 28, 1999.

All the corporate events discussed above were approved by the regulatory authorities and did not represent any substantial changes in the financial statements of the HOLDING.

b. DISPOSAL OF AFIN INTERNATIONAL HOLDINGS, INC

On October 17, 2000, the BROKERAGE FIRM was authorized by the COMMISSION to sell the investment it maintains in representative shares of the capital stock of AFIN International Holdings, INC. to the HOLDING. At the date of these financial statements, the HOLDING has neither obtained the applicable authorization, nor has it specified the total amount of the acquisition, both required in order for this transaction to be considered completed with the resulting accounting and financial effects.

c. SALE OF DERIVADOS BANORTE, S.A. DE C.V.

In August 2000, the necessary authorizations were obtained from the SHCP and the COMMISSION for the BROKERAGE FIRM to sell 51% of the shares of Derivados Banorte, S.A. de C.V. to BANORTE. However, the transaction was not carried out until January 2001. The applicable sale of those shares was made at their par value.

d. FINANCIAL CURATION

BANORTE fulfilled in advance all the regulatory facilities granted by the COMMISSION that mainly consisted in recognizing reserves to cover contingencies of the Fondo Bancario de Protección al Ahorro (Bank Savings Protection Fund or "FOBAPROA"). By virtue of the foregoing, BANORTE created offsetting capital reserves in the amount of \$1,999,646, with authorization by the COMMISSION.

e. ADVANCE SETTLEMENT OF THE PROMISSORY NOTES PAYABLE BY FOBAPROA

During the last quarter of fiscal 2000, BANORTE agreed with the Instituto de Protección al Ahorro Bancario (Bank Savings Protection Institute or "IPAB") to restructure the debt payable by FOBAPROA (currently IPAB), by converting part of that debt into a clean credit granted to the IPAB over a ten-year term, with a 58-month period without principal payments. That clean credit accrues interest at a 28-day TIIE (Tasa de Interés Interbancario de Equilibrio or Interbank Level Interest Rate) plus 0.85 percentage points, equivalent to the rate accrued by the promissory notes payable by FOBAPROA during the year 2000. That restructuring included the promissory notes that originally applied to BANCEN.

f. FINANCING SOURCES

Considering the rating assigned by an international rating agency, BANORTE successfully obtained funds in the amount of US 185,000,000 dollars, which were allocated to supporting foreign trade companies.

g. CALL FOR ADVANCE REDEMPTION OF SUBORDINATED DEBENTURES

In December 2000, the HOLDING called for an advance redemption of the obligatorily convertible subordinated debentures to representative shares of capital stock which increased by 32,265,404 shares in an amount equivalent to \$112,929. In addition, it was recorded a paid stock premium in the amount of \$312,071.

NOTE 3 – ECONOMIC ENVIRONMENT

Financial transactions have been carried out in accordance with a restrictive monetary policy imposed by Banco de México (Central Bank of Mexico or "BANXICO"), also both appreciated exchange rates and decrease in inflation rates have all been a factor in reducing borrower risks. The relevant economic indicators have been the following:

	<u>2000</u>	<u>1999</u>
National Consumer Price Index (INPC), inflation of the year	8.96%	12.32 %
Average cost of deposits funds (CPP)	13.69%	15.42 %
Annual 28-day Federal Treasury Certificates:		
Annual average interest rate	15.24%	21.41 %
Year-end interest rate	17.59%	16.25 %
(Decrease) increase in Price and Listing Index of the Mexican Stock Exchange	(22.97%)	80.06 %
Exchange rate against the US dollar:		
Annual average (pesos)	\$ 9.4587	\$ 9.5605
Year-end (pesos)	\$ 9.6098	\$ 9.5143
Reference value of Investment Units (UDIs)	2.909158	2.671267

On the other hand, BANXICO set forth new capitalization rules, effective January 1, 2000. Those new rules did not have a significant impact on the capitalization level of the banking subsidiaries of the HOLDING. The change consists mainly of deducting some captions of basic capital that were previously not reduced such as deferred taxes, intangibles and the permanent investment in the stock of nonfinancial companies.

Should this favorable economic environment continue, the credit and market risk will not have impact on going concern, inasmuch as the HOLDING maintains reserve levels that exceed the limits established by the regulatory authorities.

NOTE 4 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the accounting criteria established by the COMMISSION for holding companies of financial groups, as the inspection and supervision authority for this type of entities, pursuant to the powers conferred thereupon by the LRAF.

In its Circular 1456 "Criterios Contables para Sociedades Controladoras de Grupos Financieros" (Accounting Criteria for Holding Companies of Financial Groups), the COMMISSION updated and compiled different standards that set forth accounting criteria in matters concerning recording, valuation and presentation that Holding Companies of Financial Groups in Mexico should be subject to.

The financial statements as of December 31, 1999 were prepared and presented in conformity with the provisions set forth in Circular 1384 "Criterios Contables para Sociedades Controladoras de Grupos Financieros" (Accounting Criteria of Holding Companies of Financial Groups). There was no significant difference that affects the comparability of the amounts audited with regard to the year 2000.

The accounting criteria issued by the COMMISSION homologate to the accounting practices used by international banking and Principios de Contabilidad Generalmente Aceptados (Generally Accepted Accounting Principles in Mexico issued by the Instituto Mexicano de Contadores Publicos, A. C. or "MEX GAAP"). For this purpose, the COMMISSION issued Circular 1489 in October 2000, effective January 1, 2001. That Circular adjusts various accounting criteria in order to add disclosure rules relative to interim financial information. The foregoing also incorporates the concept of comprehensive income, as well as sets forth certain rules for recording, valuation, presentation and disclosure with regard to consolidated and combined financial statements, valuation of permanent stock investments, the recognition of the impact of inflation on the financial information, earnings per share and foreign currency transactions. These adjustments do not have significant effects that should be discussed for an appropriate interpretation and analysis of the financial statements as of December 31, 2000.

In the absence of a specific accounting criterion issued by the COMMISSION, MEX GAAP, the International Accounting Standards issued by the International Accounting Standards Committee (IASC), as well as generally accepted accounting principles in the United States of America issued by the Financial Accounting Standards Board (FASB) should be applied suppletorily in that order.

The financial statement of the HOLDING for the year 2000 are subject to the approval of the COMMISSION which in accordance with its powers can eventually make changes thereto.

b. 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 firm, companies that render supplementary or auxiliary services to institutions and banking real estate management companies. Permanent stock investments in mutual funds, as well as investments in insurance, surety bond and pension fund companies are valued by using the equity method, even when there is significant influence on its management.

As of December 31, 2000, the entities that consolidated with the HOLDING were the following:

Subsidiary	Equity Interest	
	2000	1999
Banco Mercantil del Norte, S.A.	95.79 %	99.99 %
Banco del Centro, S.A.	99.99 %	99.99 %
Banpaís, S.A.	-	81.00 %
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 %

On the other hand, these companies in turn consolidate with their own subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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

Company	%	2000			
		Assets	Liabilities	Stockholders' equity	Net income of the year
Fianzas Banorte, S.A. de C.V.	99.99	\$ 120,355	\$ 59,323	\$ 61,032	\$ 6,237
Seguros Banorte Generali, S.A. de C.V.	51.00	1,251,316	1,133,142	118,174	8,837
Pensiones Banorte Generali, S.A. de C.V.	50.99	2,149,387	2,064,996	84,391	(64,397)
Total		\$ 3,521,058	\$ 3,257,461	\$ 263,597	(\$ 49,323)

c. RECOGNITION OF THE IMPACT OF INFLATION ON THE FINANCIAL INFORMATION

The accompanying financial statements have been restated in accordance with the guidelines set forth by the COMMISSION and in conformity with Bulletin B-10 "Reconocimiento de los efectos de la inflación en la información financiera" (Recognition of the impact of inflation on the financial information) issued under MEX GAAP.

The accompanying financial statements have been restated and adjusted by using the Investment Unit (UDI) reference value; hence, the consolidated balance sheets as of December 31, 2000 and 1999 are presented in pesos of purchasing power of December 31, 2000.

Nonmonetary assets such as property, furniture and equipment, as well as deferred charges are restated by the inflation factor, effective the date of the investment.

In March 2000, property was restated by an appraisal performed by independent experts. In addition, furniture and equipment were restated with the same procedure in July 2000. Effective the months in which the appraisals were recognized and up to fiscal year-end, 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 position gain of the HOLDING. Moreover, subordinated debentures and permanent stock investments in entities that do not recognize the impact of inflation are considered monetary assets.

Permanent stock investments are valued by considering the equity method 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 derived from using the equity method is shown as the impact related to affiliated and associated companies in stockholders' equity.

Capital stock and retained earnings are restated to maintain stockholders' equity at pesos of constant purchasing power.

The consolidated statement of income for the period from January 1 to December 31, 2000 and 1999 is presented in pesos of December 31, 2000. Toward that end, the historical amounts of transactions are restated by using the factor resulting from dividing the UDI reference value of December 31 by the UDI value of the date of those transactions.

The statements of changes in consolidated financial position identify cash flows from operating activities in financing and investing activities in constant pesos.

The monetary position gain or loss represents the loss of 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.

d. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recorded at face value, except with regard to minted (precious) metals, which are valued at their fair value at fiscal year-end. Available foreign currency cash assets are valued at the exchange rate published by BANXICO at fiscal year-end.

e. INVESTMENT SECURITIES

Investment securities include government and fixed income securities, classified as trading securities, available-for-sale securities and held-to-maturity securities. These classifications are determined according to the intention of the HOLDING's management at the date of purchase; also there is possibility of transferring between categories. 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 accrued.

Trading securities and available-for-sale securities are stated at their fair value, that 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 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.

f. REPO TRANSACTIONS

Securities traded under a repo agreement are recorded at its 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.

For purposes of recognizing the gain or loss on valuation of debit and credit positions of repo transactions, the market value of securities payable or receivable under repo agreements are compared against the current value of the price at maturity of the future commitment to resell or repurchase those securities, respectively, at the agreed price plus a premium.

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, subject of the 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 represented by securities receivable or payable in the transactions will be 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 will be recorded in memorandum accounts when the HOLDING acts as seller and buyer.

g. 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. Its 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 similar conditions 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 will 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 the value the parties are willing to carry out the transaction (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, which is determined by considering formal valuation techniques performed by third parties who have no conflict of interest.

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 Assets item 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 item 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 will 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 item of 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 or acting as a seller to hedge an open risk position, records the cash receipt by recognizing the premium charged in the Liabilities item of 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.

h. LOAN PORTFOLIO

Loans and negotiable instruments in effect or renewed are stated at their nominal value in accordance with the Ley de Instituciones de Crédito (Credit Institutions Law or "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 granted to borrowers, plus uncollected accrued interest less the interest charged in advance. Moreover, that loan portfolio balance is deducted from the allowance for loan losses.

Loans are considered as past due portfolio for the total unpaid balance thereof when they complete certain periods whereby the Bank has not received payment on interest or any amortization:

1. Loans with a single payment on principal and interest due with 30 or more days past due.
2. Loans with a single payment on principal due, periodic interest payments 90 or more days past due, or 30 or more days past due on the payment of the principal.
3. Loans with partial payments on principal and interest 90 or more days past due.
4. Revolving loans when there are two monthly billing periods or 60 or more days past due.
5. Mortgage loans when there are periodic partial payments on principal and interest of 180 or more days past due.
6. Customers' checking account overdrafts, when such event occurs.

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

An estimate should be created 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.

Accrued interest (in arrears) during the period in which the loan is considered as past due portfolio is not recognized as income until the time when such interest is collected.

i. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is calculated based on the "Reglas para la Calificación de la Cartera Crediticia de las Instituciones de Crédito" (Rules for Rating the Loan Portfolio of Lending Institutions) issued by the SHCP and the methodology established by the COMMISSION for each type of loan.

Those rules contemplate using statistical methods such as the average recoverable period of loans or effective interest rates or calculating the present value of the expected flows.

The allowance for loan losses is recognized in income of the year, taking into account the payment capacity of debtors, rating risks and the end of the period or, if applicable, applying the degree of risks determined in the last known rating to the amount of the portfolio, in the cases when the rating is not monthly.

Debt reductions, debt remissions or discounts on the portfolio are recorded with a charge to the allowance for loan losses. When there is also sufficient evidence that a loan will not be recovered, that loan is written-off against the allowance.

j. 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, effective the month following the purchase thereof. The rates used are the following:

<u>Item</u>	<u>Rate</u>
Property	Useful Life
Computer equipment	14.28%
Furniture and equipment	10.00%
Transportation equipment	25.00%

k. FORECLOSED ASSETS AND ASSETS RECEIVED AS DEBT SETTLEMENTS

Foreclosed assets are recorded at the value at which they are taken in possession. That value should be the lower of cost of 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.

l. LEASES

Based on the evaluation performed to identify if there is a transfer of inherent risks and benefits to the asset, subject of the contract, the HOLDING follows the practice of classifying leases as capital and operating. The lease agreements entered into by the HOLDING are operating and are charged to income.

m. 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.

n. IMPUESTO SOBRE LA RENTA (INCOME TAX OR "ISR") AND PARTICIPACIÓN DE LOS TRABAJADORES EN LAS UTILIDADES (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.

Effective January 1, 2000, the HOLDING adopted the guidelines set forth in the new Bulletin D-4 "Tratamiento contable del impuesto sobre la renta, del impuesto al activo y de la participación de los trabajadores en la utilidad" (Accounting treatment of income tax, asset tax and employees' profit sharing), issued under MEX GAAP. The accumulated effect at beginning of the year derived from adopting this Bulletin decreased deferred tax assets in the amount of \$290,881. It further reduced stockholders' equity in that amount, while the effect of fiscal 2000 was to increase deferred tax assets in the amount of \$670,921, stockholders' equity in the amount of \$442,658 and reduce income of the year in the amount of \$15,146. That increase in stockholders' equity applies mainly to the effect of deferred taxes derived from the valuation of available-for-sale securities and the errors corrected in the determination of prior year deferred taxes.

In fiscal 2000, BANORTE recognized prior year employees' profit sharing in the amount of \$143,965. The foregoing was recorded against deferred liabilities, inasmuch as the book balance that gave rise thereto materialized.

o. CUSTOMER DEPOSITS

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

p. LABOR LIABILITIES

Seniority premiums that employees are eligible to receive upon terminating their work relationship after completing 15 years of service, as well as the other payments based on seniority that employees may be eligible for in the event of separation or death, in accordance with the Ley Federal del Trabajo (Federal Labor Law or "LFT"), are recognized as cost of the year in which they are demandable. The HOLDING applied the regulatory provisions set forth in Bulletin D-3 "Obligaciones laborales" (Labor Obligations) issued under MEX GAAP.

q. GOODWILL

This represents the difference between the purchase value of the stock and their applicable book value that should be amortized and recognized in income. The foregoing will be amortized by using the straight-line method and the expected recovery time will be used as the amortization period. This amortization period will not exceed twenty years.

r. OBLIGATORILY CONVERTIBLE SUBORDINATED DEBENTURES

Obligorily convertible subordinated debentures are presented in stockholders' equity, based on the contractual value of the debenture. Accrued interest is recognized in income and unpaid accrued interest forms part of stockholders' equity.

s. STOCKHOLDERS' EQUITY

Capital stock, prior year retained earnings and net income of the year represent the restated contributions and income through UDI derived factors.

Deficit in restatement of capital accounts is comprised of the accumulated gain or loss on monetary position and by 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 UDIs 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, repurchase 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

The consolidated financial statements have been prepared in conformity with the accounting criteria established by the COMMISSION. Those criteria approach 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, except 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. LOSS SHARING WITH FOBAPROA

With the authorization by the COMMISSION, as a result of the contingencies of the curation programs with FOBAPROA, a reserve was created in fiscal 2000 against capital reserves of BANORTE for its share in the projected losses that, according to projections, will be incurred by that Institute as a result of the curation scheme referred to above. As provided for in MEX GAAP, that reserve should be recognized in income of the year.

c. 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.

d. 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.

e. PROPERTY, FURNITURE AND EQUIPMENT

As discussed in Note 4c, property was restated through an appraisal performed by independent appraisers. Likewise, in July 2000, furniture and equipment were restated through an appraisal performed by independent appraisers as well. Effective the following months in which those appraisals were recognized and up to fiscal year-end, those fixed assets were restated for inflation based on the UDI factor. MEX GAAP sets forth that this restatement should be recognized through the application of inflation factors.

f. DEFERRED TAXES

Up to 1999, the financial statements only recognize deferred taxes for the temporary differences in accumulating and / or deducting income and expenses for book and tax purposes of the fiscal year, as well as of prior years. The HOLDING did not recognize deferred taxes on the tax and book difference between net values of fixed assets.

g. OBLIGATORILY CONVERTIBLE SUBORDINATED DEBENTURES

The financial statements as of December 31, 1999 reflect the obligatorily convertible debentures to capital stock in stockholders' equity, not as a liability, as provided for in MEX GAAP.

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.

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

	2000			1999	
	Assets	Liabilities	Income of the year	Stockholders' equity	Stockholders' equity
Banco Mercantil del Norte, S.A.	\$ 99,124,729	\$ 93,562,750	\$ 723,279	\$ 5,561,979	\$ 5,572,850
Banco del Centro, S.A.	3,266,489	1,481,423	839,338	1,785,066	1,736,645
Banpaís, S.A.	-	-	-	-	1,836,200
Casa de Bolsa Banorte, S.A. de C.V.	364,850	221,659	27,096	143,191	526,187
Arrendadora Banorte, S.A. de C.V.	525,905	411,415	23,105	114,489	93,982
Factor Banorte, S.A. de C.V.	1,854,854	1,693,509	42,392	161,346	118,954
Almacenedora Banorte, S.A. de C.V.	224,691	174,607	13,662	50,084	56,006
Fideicomiso 025174-2 Bancen	1,565,970	1,031,119	534,851	534,851	-
Total	\$ 106,927,488	\$ 98,576,482	\$ 2,203,723	\$ 8,351,006	\$ 9,940,824

NOTE 7 – CASH AND CASH EQUIVALENTS

As of December 31, 2000 and 1999, cash and cash equivalents is summarized as shown below:

	2000	1999
Cash	\$ 1,488,102	\$ 1,901,918
Deposits in BANXICO	2,905,235	54,375
Domestic and foreign banks	5,038,665	6,542,109
Call money	-	5,585,662
Other deposits and cash equivalents	86,665	122,923
Total	\$ 9,518,667	\$ 14,206,987

The balance of cash and cash equivalents as of December 31, 2000 is comprised of US 524,598,000 dollars (US 869,756,000 in 1999) and \$4,477,385 in Mexican pesos (\$5,931,867 in 1999).

NOTE 8 – INVESTMENT SECURITIES

Risk management policies, as well as the analysis on risks that the HOLDING is exposed to are discussed in Note 31.

The investment securities position is summarized as shown below:

Trading securities

Instrument	Securities	As of December 31, 2000			1999	
		Market value	Cost of acquisition	Interest	Unrealized gain or (unrealized loss)	Market value
COMMERCIAL PAPER	20,000,000	\$ 191,396	\$ 191,081	\$ 383	(\$ 68)	\$ -
BANK BONDS	60,018,847	621,496	621,543	-	(47)	3,891,913
CD's	21,000,000	2,120,629	2,121,631	-	(1,002)	351,320
PRLV(*)	2,193,720,101	1,023,252	1,003,504	-	19,748	12,269,780
OTHERS	6,542,091	186,512	188,989	-	(2,477)	263,378
Total	2,301,281,039	\$ 4,143,285	\$ 4,126,748	\$ 383	\$ 16,154	\$16,776,391

(*) Promissory notes with yield payable on maturity

Available-for-sale securities

Instrument	Securities	As of December 31, 2000			1999	
		Market value	Cost of acquisition	Interest	Unrealized gain or (unrealized loss)	Market value
LBONDES	465,629	\$ 46,682	\$ 46,634	\$ -	\$ 48	\$ 50,460
US TREASURY BILLS	-	-	-	-	-	261,419
STOCK	22,446,604	122,891	144,044	-	(21,153)	-
Total	22,912,233	\$ 169,573	\$ 190,678	\$ -	(\$ 21,105)	\$ 311,879

Held-to-maturity securities

Instrument	As of December 31, 2000			1999	
	Cost of acquisition	Accrued interest	Net value	Net value	
Eurobonds	\$ 1,669,223	\$ 66,772	\$ 1,735,995	\$ 2,563,084	
Special Federal Treasury Certificates	2,843,259	2,073,603	4,916,862	6,341,142	
U.S. \$ Clearing Master Trust	59,416	-	59,416	69,227	
Special UDI deposits	-	-	-	1,152,665	
UDI Trust Bonds	(3,781,753)	-	(3,781,753)	(5,489,198)	
Total	\$ 790,145	\$ 2,140,375	\$ 2,930,520	\$ 4,636,920	

The HOLDING has a special authorization issued by the COMMISSION, through official communication No. 601-II-77772, to maintain "EUROBONDS" denominated securities in the category of "Held-to-maturity". These securities as of December 31, 2000 are comprised of \$1,669,222 (US 173,300,000 dollars) plus their respective interest.

The HOLDING maintains US 60,000,000 dollars for "EUROBONDS" issued by AHMSA that fall due in 2002 and 2004. Toward that end, a cautionary reserve has been created as of December 31, 2000 in the amount of US 39,800,000 dollars (US 36,000,000 in 1999). These securities are valued at their market value. The effect of that valuation is recognized in stockholders' equity, as provided by the COMMISSION, in its official communication No. 601-II-87270, issued on December 13, 1999.

Effective May 1999, interest stopped being accrued on those securities. The HOLDING took a conservative position and, as authorized by the COMMISSION, did not recognize that interest in income of the year.

The purpose of securities classified as trading securities that the HOLDING maintains in its own position is to obtain earnings in the short-term, derived from trading such securities on the market.

Securities classified as available-for-sale securities are not used for trading purposes. These positions are maintained to make the treasury's own funds more efficient.

Financial instruments are subject to various types of risks. The main risks that can be associated with financial instruments are related to the market on which they are traded, interest rates associated with the term, exchange rates and inherent credit and market liquidity risks.

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)

Instrument	As of December 31, 2000			As of December 31, 1999		
	Securities receivable	Payables under repo agreements	Difference	Securities receivable	Payables under repo agreement	Difference
Cetes (+)	\$ 3,146,496	\$ 3,146,854	(\$ 358)	\$ -	\$ -	\$ -
UdiBonds	14	-	14	-	-	-
Bondes	22,069,035	22,040,447	28,588	27,801,727	27,732,440	69,287
Brems	8,327,230	8,361,600	(34,370)	-	-	-
Tribondes	14,180,785	14,205,033	(24,248)	-	-	-
Bankers' Acceptances	1,990,965	1,991,116	(151)	-	-	-
PRLV (*)	4,116,822	4,117,087	(265)	-	-	-
Bank Bonds	7,882,945	7,836,424	46,521	10,632,485	10,618,084	14,401
IPBPAS	13,894,762	13,873,367	21,395	-	-	-
BONDES 182	9,569,588	9,528,809	40,779	-	-	-
CD's	6,176,249	6,179,217	(2,968)	-	-	-
Total	\$ 91,354,891	\$ 91,279,954	\$ 74,937	\$ 38,434,212	\$ 38,350,524	\$ 83,688

Buying entity (purchase)

Instrument	As of December 31, 2000			As of December 31, 1999		
	Receivables under repurchases	Securities payable	Difference	Receivables under repurchases	Securities payable	Difference
Cetes (+)	\$ 2,256,433	\$ 2,256,988	(\$ 555)	\$ -	\$ -	\$ -
UdiBonos	-	-	-	-	-	-
Bondes	15,225,605	15,238,854	(13,249)	10,761,227	10,801,343	40,116
Brems	4,577,365	4,589,238	(11,873)	-	-	-
Tribondes	7,798,413	7,767,720	30,693	-	-	-
Bankers' Acceptances	1,482,345	1,482,334	11	-	-	-
PRLV (*)	1,584,953	1,584,829	124	-	-	-
CD's	4,336,611	4,358,787	(22,176)	-	-	-
Bondes 182	4,302,065	4,308,265	(6,200)	-	-	-
Bank Bonds	6,893,001	6,945,157	(52,156)	561,781	564,549	2,768
IPBPAS	6,209,522	6,203,999	5,523	-	-	-
Total	\$ 54,666,313	\$ 54,736,171	(\$ 69,858)	\$ 11,323,008	\$ 11,365,892	\$ 42,884
Net lending position			\$ 5,079			\$ 40,804

(+) Federal Treasury Certificates

(*) Promissory Notes with yield payable on maturity

b. DERIVATIVE FINANCIAL INSTRUMENT TRADING

The HOLDING trades the following derivative financial instruments such as 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 shareholder's and customers' capital (see Note 31).

As of December 31, 2000 and 1999, derivative financial instrument positions are summarized as shown below:

Lending position

Instrument	As of December 31,					
	2000			1999		
	Buy	Sell	Net	Buy	Sell	Net
Foreign currency futures:						
Market value	\$ 172,000	(\$ 172,000)	\$ -	\$ 132,779	(\$ 163,764)	(\$ 30,985)
Agreed price	(172,000)	173,709	1,709	(132,524)	165,646	33,122
	\$ -	\$ 1,709	\$ 1,709	\$ 255	\$ 1,882	\$ 2,137
Foreign currency forwards:						
Market value	\$ 496,168	(\$ 491,496)	\$ 4,672	\$ 500,754	(\$ 652,212)	(\$ 151,458)
Agreed price	(490,132)	489,971	(161)	(500,754)	652,212	151,458
	\$ 6,036	(\$ 1,525)	\$ 4,511	\$ -	\$ -	\$ -
	Number of Contracts	Amount of reference		Number of Contracts	Amount of reference	
IPC Futures:						
Buy	44	\$ 6,700	\$ 6,075	58	9,500	(\$ 1,891)
Sell	42	6,500	(5,999)	59	11,700	2,397
			\$ 76			\$ 506
Warrants:			-			\$ 76,205
Deposits to secure futures			-			3,409
Net lending position			\$ 6,296			\$ 82,257

Borrowing position

Instrument	As of December 31,			
	2000		1999	
	Flow payable	Flow receivable	Net Flows	Net Flows
<u>Swaps:</u>				
Cross currency	(\$ 1,445,544)	\$ 1,413,407	(\$ 32,137)	\$ -
Interest rate	(1,442)	1,631	189	-
	(\$ 1,446,986)	\$ 1,415,038	(\$ 31,948)	\$ -
	Opening premium	Valued premium	Valuation	Valuation
<u>Foreign currency options:</u>				
Premium paid (collected)	(\$ 695)	(\$ 168)	(\$ 527)	(\$ 61)
<u>Warrants:</u>				
Hedging and trading			(4,117)	(99,485)
Net borrowing position			(\$ 36,592)	(\$ 99,546)

Cross currency swap agreements were entered into in April and May 2000, at a three-year term. The funds were destined for supporting companies engaged in foreign trade.

Interest rate swaps were entered into in October to offset the financial risk for long-term loans offered by the HOLDING at a fixed rate.

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 (depending from Commercial Banking Division), Operations Division and Risk Management Division.

That 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:

1. Promotion
2. Evaluation
3. Formalization
4. Operation
5. Management
6. 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, 2000 and 1999, the current loan portfolio of the HOLDING is summarized as shown below:

Type of credit	Balances as of December 31, 2000			1999
	Principal	Accrued interest	Total current portfolio	Total current portfolio
Commercial portfolio	\$ 21,194,538	\$ 242,175	\$ 21,436,713	\$ 16,706,079
Loans to financial intermediaries	141,235	22,339	163,574	1,806,886
Consumer loans	622,062	1,021	623,083	564,972
Mortgage loans	4,049,004	18,064	4,067,068	3,803,955
Loans to government entities	37,487,694	284,901	37,772,595	3,211,241
Loans to FOBAPROA or IPAB	5,394,678	6,482,213	11,876,891	53,908,537
Total current loan portfolio	\$ 68,889,211	\$ 7,050,713	\$ 75,939,924	\$ 80,001,670

Loans to government entities is comprised of clean credit in the amount of \$ 35,520,835, granted to the IPAB in November. This transaction was carried out simultaneously with the settlement of the promissory notes subscribed for by that Institute in favor of BANCEN and BANPAIS.

The loan referred to above is for a 10 year term, through 4 promissory notes issued with due dates up to November 2010, with semester amortizations of principal effective in month number 58. The interest accrued on that loan will be liquidated monthly effective when the loan is granted, at an TIE rate plus 0.85 percentage points.

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

Type of credit	Balances as of December 31, 2000			1999	
	Principal sum due	Interest due	Total past due portfolio	Total past due portfolio	
Commercial loans	\$ 1,615,756	\$ 133,086	\$ 1,748,842	\$ 2,528,588	
Consumer loans	538,096	56,560	594,656	432,136	
Mortgage loans	1,553,690	249,165	1,802,855	2,013,466	
Total past due loan portfolio	\$ 3,707,542	\$ 438,811	\$ 4,146,353	\$ 4,974,190	

c. The rating of the portfolio and provisions created by the HOLDING as of December 31, 2000 and 1999 are summarized as shown below:

Risk	Rated loan portfolio				Allowance for loan losses	
	2000		1999		2000	1999
	%	Amount	%	Amount	Amount	Amount
A	68.53%	\$ 20,643,552	69.83%	\$ 17,235,125	\$ 15,430	\$ -
B	13.56%	4,084,520	14.60%	3,749,244	113,173	37,493
C	6.57%	1,979,491	4.49%	2,053,506	512,497	410,701
D	8.78%	2,643,999	9.82%	2,631,781	1,727,957	1,579,069
E	2.56%	770,403	1.26%	1,938,377	770,047	1,938,377
	100.00%	\$ 30,121,965	100.00%	\$ 27,608,033	\$ 3,139,104	\$ 3,965,640
Portfolio:						
Unrated		330,890		119,242		
Excepted		52,840,697		55,704,525		
Total		\$ 83,293,552		\$ 83,431,800		
Allowance for loan losses recorded					4,183,168	4,983,423
Allowance for loan losses created in excess					\$ 1,044,064	\$ 1,017,783

The necessary overall allowance identified with a "A", "B", "C", "D", or "E" risk rating are increased in the amount of \$167,046 (\$675,661 in 1999), which apply to the supplement to create a reserve for 100% of interest due as of December 31, 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 were rated as of September 30, 2000, the rating applicable to the mortgage portfolio and consumer portfolio, based on the provisions of the COMMISSION, are rated monthly based on the number of past due amortizations.

d. The table below summarizes the changes in the allowance for loan losses for 2000 and 1999:

	2000	1999
Balance at beginning of year	\$ 4,983,423	\$ 6,322,634
Increase in the allowance charged to income	352,482	603,263
Application of FOBAPROA portfolio	15,803	(347,182)
Benefits and reductions granted to UDI loan programs	(184,645)	-
Created with a charge to stockholders' equity	200,000	-
Transfer of reserves due to purchase of segmented portfolio	(150,435)	-
Restatement of opening balance to constant pesos	(284,794)	(732,119)
Reductions and benefits to mortgage debtors	(253,011)	(554,669)
Losses and write-offs	(292,441)	(244,105)
Appreciation of account entries denominated in foreign currencies and UDIs	107,899	43,321
Benefits to FOPYME and FINAPE programs	(65,896)	(130,025)
Transfer of reserves due to spin-off	(146,705)	-
Others	(98,512)	22,305
Balance at end of year	\$ 4,183,168	\$ 4,983,423

NOTE 11 – 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, 2000 and 1999 are summarized as shown below:

Item	2000	1999
Banks	\$ 307,145	\$ 75,548
Government securities	-	1,152,665
Loan portfolio	3,790,686	4,684,695
Past due portfolio	859,728	921,111
Interest accrued on loans	18,393	7,493
Past due interest	51,499	17,232
Allowance for loan losses	(1,211,541)	(1,466,653)
Other receivables	-	7,802
Foreclosed assets	-	82,188
Total Assets	\$ 3,815,910	\$ 5,482,081
Trust bonds	\$ 3,781,753	\$ 5,489,199
Income from sale of foreclosed assets	-	3,706
Other payables	27,229	8,610
Income (loss) of the year	6,928	(19,434)
Total Liabilities	\$ 3,815,910	\$ 5,482,081

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

Accounting of the trusts

debit (credit) balance	2000	1999
Banks	\$ 106,523	(\$ 19,388)
Trust bonds	3,781,753	4,231,393
Administrative expenses recovered	(117,687)	(128,031)
Interest paid	(199,193)	(260,069)

Accounting of the HOLDING

debit (credit) balance	2000	1999
Other liabilities	(\$ 106,523)	\$ 19,388
Held-to-maturity securities	(3,781,753)	(4,231,393)
Fees collected	117,687	128,031
Interest earned	199,193	260,069

c. The amount of the total loan restructured in UDIs program as of December 31, 2000 and 1999 is summarized as shown below:

Item	2000				1999
	States and Municipalities	Mortgage	Industrial Sector	Total	Total
Current portfolio	\$ 1,264,747	\$ 1,503,295	\$ 1,022,644	\$ 3,790,686	\$ 4,672,937
Current interest	718	11,973	5,702	18,393	19,252
Past due portfolio	-	511,506	348,223	859,729	883,988
Interest due	-	25,627	25,871	51,498	54,355
Total	\$ 1,265,465	\$ 2,052,401	\$ 1,402,440	\$ 4,720,306	\$ 5,630,532

d. During fiscal 2000, provisions were created to cover credit risks with a profit margin of the trusts amounting to \$238,641 (\$139,161 in 1999).

NOTE 12 – PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment as of December 31, 2000 and 1999 is summarized as shown below:

Item	2000		1999	
Buildings and constructions	\$	1,981,581	\$	2,164,830
Electronic computer equipment		579,670		1,105,244
Furniture and office equipment		574,672		1,531,581
Transportation equipment		60,820		83,493
Installations and improvements		704,519		753,895
	\$	3,901,262	\$	5,639,043
Accumulated depreciation	(598,888)	(2,132,030)
Total property, furniture and equipment, net	\$	3,302,374	\$	3,507,013

NOTE 13 – PERMANENT STOCK INVESTMENTS

The HOLDING maintains permanent stock investments in associated and subsidiary companies. Subsidiary companies, pursuant to the provisions established by the COMMISSION, were not consolidated.

The investments in these unconsolidated subsidiaries, as well as in associated companies, were valued by using the equity method. Those investments are summarized below:

Entity	As of December 31, 2000			1999
	Cost of Acquisition	Surplus or (deficit)	Total	Total
Fondo Sólida Banorte Generali, S.A. de C.V. SIEFORE	\$ 262,899	\$ 63,177	\$ 326,076	\$ 284,044
Servicio Panamericano de Protección, S.A. de C.V.	47,942	133,728	181,670	160,271
Fianzas Banorte, S.A. de C.V.	28,680	32,353	61,033	55,626
Seguros Banorte Generali, S.A. de C.V.	44,639	15,674	60,313	56,559
Controladora Prosa, S.A. de C.V.	44,610	15,729	60,339	20,227
Pensiones Banorte Generali, S.A. de C.V.	39,066	3,974	43,040	51,472
Corporativo Edinbur, S.A. de C.V.	17,798	423	18,221	18,593
S.D. Indeval, S.A. de C.V.	4,316	13,644	17,960	14,811
Bolsa Mexicana de Valores, S.A. de C.V.	400	13,958	14,358	11,941
Procesar, S.A. de C.V.	9,368	(3,788)	5,580	9,604
Fondo Óptimo Bancen, S.A.	4,250	(43)	4,207	4,475
Fondo Banpaís, S.A. de C.V.	1,831	1,232	3,063	2,894
Otros	43,624	9,947	53,575	50,000
Total	\$ 549,423	\$ 300,008	\$ 849,431	\$ 740,517

NOTE 14 – 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 of balance sheet accounts between book and tax balances, the HOLDING has recognized a net deferred tax recoverable amounting to \$ 621,199 (\$370,936 in 1999).

Item	As of December 31,					
	2000			1999		
	Temporary Differences	Deferred Income Tax	PTU	Temporary Differences	Deferred Income Tax	PTU
Allowance for loan losses (not deducted)	\$ 1,385,556	\$ 484,944	\$ 138,556	\$ 2,643,152	\$ 925,103	\$ 264,315
Suspended interest	-	-	-	1,606,646	562,326	160,665
Tax loss carryforwards	1,533,044	536,566	-	2,558,445	895,456	-
Inflationary component of past due portfolio	-	-	-	550,089	192,531	-
Deficit from valuation of securities	539,574	179,580	53,957	463,457	162,210	46,346
Deficit from retirement obligations	-	-	-	101,244	35,436	10,125
Loss sharing with FOBAPROA	2,243,896	785,364	-	317,840	111,244	31,784
Asset tax recoverable	-	25,224	-	-	15,714	-
Valuation of FOBAPROA UDI accounts	-	-	-	1,324,341	-	132,434
Excess of tax over book value of foreclosed assets	208,594	73,008	-	-	-	-
Loss on sale of stock	91,715	32,100	8,951	51,375	17,981	5,137
Others	8,999	2,339	231	218,767	76,568	21,802
Total Deferred assets	\$ 6,011,378	\$ 2,119,125	\$ 201,695	\$ 9,835,356	\$ 2,994,569	\$ 672,608

Item	As of December 31,					
	2000			1999		
	Temporary Differences	Deferred Income Tax	PTU	Temporary Differences	Deferred Income Tax	PTU
Accrued interest and inflationary component of transactions with FOBAPROA	\$ 2,585,485	\$ 904,920	\$ -	\$ 4,867,161	\$ 1,703,506	\$ 884,688
Excess of book over tax value of fixed assets and prepaid expenses	1,463,693	512,292	21,775	-	-	-
Accrued interest and inflationary component of Special Treasury Certificates	11,147	3,901	206,020	1,134,674	397,136	247,345
Gain (loss) on market valuation	18,852	(3,606)	1,871	90,803	31,782	9,080
Labor obligations	45,180	15,813	-	-	-	-
Deduction of inventories	27,000	9,450	2,700	-	-	-
Others	68,451	23,958	527	52,896	18,414	4,290
Total Deferred liabilities	\$ 4,219,808	\$ 1,466,728	\$ 232,893	\$ 6,145,534	\$ 2,150,838	\$ 1,145,403
Accrued net effect	\$ 1,791,570	\$ 652,397	(\$ 31,198)	\$ 3,689,822	\$ 843,731	(\$ 472,795)
Deferred Tax			\$ 621,199			\$ 370,936

Management has drawn up financial and tax projections, based on economic conditions estimated to be conservative. The foregoing allows for being confident in recovering the deferred tax asset with future taxable income in the normal course of the operations of the HOLDING and subsidiary companies.

By virtue of the issue discussed in the foregoing paragraph, the HOLDING prudently decided not to include tax loss carryforwards applicable to BANORTE in the amount of \$1,000,000 in the determination of deferred taxes as of December 31, 2000.

NOTE 15 – OTHER ASSETS

The following items recorded as of December 31, 2000 and 1999 are summarized as shown below:

Item	As of December 31,	
	2000	1999
Investments of provisions for personnel pensions	\$ 448,243	\$ 497,674
Provision for labor obligations	(447,953)	(497,674)
Goodwill	-	267,276
Amortization of goodwill	-	(12,844)
Additional rights for retirement obligations	-	111,961
Additional labor retirement obligations	-	(213,205)
Other unamortized expenses	773,480	389,559
Accumulated amortization of other expenses	(88,465)	(15,470)
Deferred charge for benefits to mortgage debtors	-	35,300
Deferred charge for provision for Loss Sharing	-	390,914
Organization expenses, net	384,075	-
Investments of the contingency reserves	3,196	3,196
Provision for the contingency reserve	(3,196)	(3,196)
Other assets	207,303	696,208
Total	\$ 1,276,683	\$ 1,649,699

The balance of "Deferred charge for benefits to mortgage debtors" was amortized against prior year income, in accordance with official communication 601-II-13825 issued by the COMMISSION.

The balance of "Deferred charge for provision for Loss Sharing" was charged to the reserve for shared losses of FOBAPROA obligations, in accordance with official communication 601-II-13825 issued by the COMMISSION.

NOTE 16 – INSTITUTO PARA LA PROTECCION AL AHORRO BANCARIO (IPAB)

As part of the measures adopted to face the economic crisis that arose at the end of 1994, in December 1998, the Congress of the United Mexican States enacted the Ley de Protección al Ahorro Bancario (Bank Savings Protection Law) that went into effect on January 20, 1999. In that law it was also created the Instituto para la Protección al Ahorro Bancario (IPAB) which will substitute the FOBAPROA. 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.

The bank subsidiaries of the HOLDING carried out transactions with the FOBAPROA, derived from the application of flows of credits. In exchange for the loan portfolio assigned to FOBAPROA, promissory notes payable by FOBAPROA were received by the HOLDING. Those promissory notes mature from 8 to 10 years, counted as of the date of the transaction. The HOLDING retains the obligation of sharing 29% and 25% in the loss suffered by FOBAPROA on the transferred portfolio. In the event any earnings are generated on that portfolio, those earnings would apply completely to the HOLDING.

The balances of promissory notes payable by FOBAPROA amount to \$ 16,403,634, including interest in the amount of \$ 6,622,927.

Payments made to the IPAB for quotas amounted to \$116,948 and \$ 288,465 during 2000 and 1999, respectively.

NOTE 17 – DEMAND DEPOSITS

The balance of this item as of December 31, 2000 and 1999 is summarized as shown below:

	<u>2000</u>	<u>1999</u>
Checking accounts	\$ 20,060,130	\$ 22,282,986
US dollar denominated checking accounts	3,193,792	620,505
Demand deposits in current account	2,618,467	2,012,423
Deposits in savings accounts	46,545	73,518
Demand deposits in US dollar denominated current account	20,274	143
Total	\$ 25,939,208	\$ 24,989,575

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

NOTE 18 – TERM DEPOSITS

The balance of this item as of December 31, 2000 and 1999 is summarized as shown below:

	<u>2000</u>	<u>1999</u>
Promissory notes with liquid yield at maturity	\$ 34,914,114	\$ 51,714,978
US dollar denominated fixed term deposits	4,494,417	5,403,798
Fixed term deposits	39,249	6,910,326
Deposits withdrawable on preestablished days	683,980	121,406
Accrued interest payable	288,089	157,265
Total	\$ 40,419,849	\$ 64,307,773

These deposits accrue interest at annual rates ranging from 2.00% up to 15.85% (2.00% to 16.80% in 1999). The related maturities are variable, mainly at less than one year.

NOTE 19 – OUTSTANDING BANK BONDS

As of December 31, 2000, the HOLDING has placed outstanding bank bonds. The conditions of those bonds are summarized as shown below:

	<u>2000</u>	<u>1999</u>
BANORTE 100 issue for 10,000,000 bonds with a face value of one hundred pesos each one due on May 1, 2003, and interest payable every 189 days at a fixed rate of 15.59%.	\$ 1,000,000	-
BANORTE 200 issue for 2,500,000 bonds with a face value of one hundred pesos each one due on September 4, 2003, and interest payable every 189 days at a fixed rate of 16.00%.	250,000	-
BANCEN 6-98 issue for 30,000,000 bonds with a face value of one hundred pesos each one due on March 7, 2002, and interest payable every 28 days at variable market rates.	-	3,267,165
Accrued interest payable	58,696	25,543
Total	\$ 1,308,696	\$ 3,292,708

The HOLDING's management decided to call the BANCEN 6-98 Bank Bond issue on January 13, 2000. The accrued interest expensed amounts to \$ 158,133 (\$ 1,084,438 in 1999).

NOTE 20 – BANK AND OTHER ENTITIES LOANS

The balance of this item as of December 31, 2000 and 1999 is summarized as shown below:

Item	As of December 31,	
	2000	1999
Deposits and bank loans	\$ 9,619,031	\$ 12,824,011
Deposits and loans from foreign banks	2,533,789	2,705,553
Loans on rediscounted portfolio	5,200,803	3,617,246
CPO's issued	3,124,760	-
Call money	1,864,000	-
FOVI rediscounts	1,718,754	267,596
Provisions for interest	126,235	127,806
Total	\$ 24,187,372	\$ 19,542,212

The balance as of December 31, 2000 of bank loans includes US 990,328,000 dollars.

NOTE 21 – LABOR LIABILITIES

The HOLDING recognizes liabilities for pension plans and seniority premiums, by using the "Projected Unitary Credit System" 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, 2000 and 1999, determined by independent appraisers, is summarized as shown below:

Item	2000		1999	
	Personnel pensions	Seniority premiums	Personnel pensions	Seniority premiums
Projected benefit obligations (PBO)	\$ 566,408	\$ 50,644	\$ 1,198,926	\$ 56,544
Unamortized transition liability (asset)	274,730	(46,139)	302,421	(51,271)
Prior service and amendments of plans, unamortized	(180,713)	(7,646)	246,073	3,194
Assumption changes and adjustments for experience, unamortized	86,005	(38,014)	-	-
Plan assets at market value	431,360	136,436	714,797	38,419
Projected net liability (asset)	(16,006)	(6,429)	2,119	-
Actuarial present value of benefit obligations	360,290	21,338	549,867	53,867
Loss (gain) on assumption changes	231	(16)	203,381	(4,253)
Current net cost	8,581	4,108	-	-
Current net liability	-	-	414,434	127,834
Additional liability	-	-	7	(10,738)
Intangible assets	-	-	627,640	13,369

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

At 1999 year-end, the HOLDING, through its subsidiaries, funded the amount of \$312,825 to cover the payments of retired personnel. Those obligations are controlled in memorandum accounts and the determination of the actuarial present value of benefit obligations will continue to be calculated actuarially. This retirement of investments was not subject to income tax, by virtue of meeting the tax requirements for considering it a pension plan transfer.

In fiscal 1999, BANORTE created an additional liability for labor benefit obligations at retirement for personnel pensions and an intangible asset for additional rights and recognized an excess in the limit of the additional liability with a charge to stockholder's equity. These entries were cancelled as a result of the base calculation for year-end of the year ended December 31, 2000.

NOTE 22 – OUTSTANDING SUBORDINATED DEBENTURES

As of December 31, 2000, the HOLDING settled all its outstanding subordinated debentures that were called early in February 2000. As of December 31, 1999, the balance in the amount of \$1,075,578 includes interest. The summary and main characteristics of the foregoing are described below:

	1999
Debentures issued with annual maturities in the amount of \$ 100,000 up to December 2003 and interest at variable market rates (21.28% annual in December 1999).	\$ 435,622
Debentures issued with a maturity up to October 2006 and interest at variable market rates (19.74% annual in December 1999).	435,622
Debentures issued with quarterly maturities in the amount of \$100,000 up to May 2000 and interest at a real fixed rate of 4.5% annual. Interest is adjusted monthly.	197,457
Accrued interest payable.	6,877
Total	\$ 1,075,578

As of December 31, 1999, interest charged to the statement of income amounts to \$307,564.

NOTE 23 – CONTINGENCIES AND COMMITMENTS

As of December 31, 2000 and 1999, the HOLDING has the following contingent obligations and commitments:

- a. The HOLDING has commitments due to the opening of irrevocable credits, authorized signed guarantees and other contingent obligations in the amount of \$20,435,905 and \$11,518,782 as of December 31, 2000 and 1999 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 LFT.
- 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 for full, civil and commercial trials. 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.

NOTE 24 – 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 of the third immediately foregoing month.
- b. Admitting foreign currency denominated liabilities should not exceed 18.3% of the basic capital of the HOLDING.
- c. The rules governing the investment of 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, 2000 and 1999, the HOLDING had a foreign currency position denominated in US dollars, as summarized below:

	<u>Thousands of US dollars</u>	
	2000	1999
Assets	2,044,281	4,373,584
Liabilities	2,055,979	4,379,207
Short position	11,698	5,623

As of December 31, 2000, the exchange rate set by BANXICO for the valuation of foreign currency accounts was \$9.6098 per US dollar (\$9.5143 as of December 31, 1999).

TRANSACTIONS DENOMINATED IN UDIs

As of December 31, 2000, the value of the UDI determined by BANXICO and used by the HOLDING to value its assets and liabilities denominated in UDIs was \$2.909158 (\$2.671267 in 1999). At those same dates, the HOLDING has assets and liabilities, as shown below:

	<u>Thousands of Investment Units</u>	
	2000	1999
Assets	26,393	969,388
Liabilities	216,306	1,322,121
Short position	189,913	352,733

NOTE 25 – STOCKHOLDERS' EQUITY

As of December 31, 2000, the capital stock of the HOLDING is represented by 493,173,887 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:

Description	<u>Number of shares</u>		<u>Amount</u>	
	2000	1999	2000	1999
Series "O" shares	493,173,887	472,261,483	\$ 1,726,109	\$ 1,652,915
Increase from restatement			2,862,388	2,863,139
Total Capital Stock			\$ 4,588,497	\$ 4,516,054

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 the 1.5385 factor. The resulting tax will be 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).

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 26 - CAPITALIZATION

The new standards set forth by the BANXICO to calculate the capitalization index adjust weighted assets in accordance with the credit and market risk. The relevant events discussed in Note 2 affected the determination of net capital of the HOLDING.

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

a. BANCO MERCANTIL DEL NORTE, S.A.

By considering only the credit risk, the capitalization index determined by BANORTE as of December 2000 and 1999 reached 12.84% and 13.36%, with a basic capital of 11.67% and 8.16%, respectively. By including market risks in the determination of assets weighted by risk, the total capitalization index of the BANORTE reached 11.23% and 12.63% for those periods, with a basic capital of 10.21% and 7.71%, respectively. Both cases were well above regulatory requirements.

% of assets subject to risk	2000		1999	
	Credit risk	Credit and market risk	Credit risk	Credit and market risk
Basic capital	11.67%	10.21%	8.16%	7.71%
Supplementary capital	1.17%	1.02%	5.20%	4.92%
Net capital	12.84%	11.23%	13.36%	12.63%
Assets subject to credit risk		\$38,906,441		\$30,124,907
Assets subject to market risk		5,575,078		1,730,548
Total assets subject to risk		\$44,481,519		\$31,855,455

b. BANCO DEL CENTRO, S.A.

By considering only the credit risk, the capitalization index determined by the BANCEN as of December 2000 and 1999 reached 24.90% and 58.13%, with a basic capital of 24.90% and 51.19%, respectively. By aggregating market risk, the total capitalization index of the BANCEN reached 21.09% and 43.48% for those periods, with a basic capital of 21.09% and 38.28%, respectively. Both cases were well above regulatory requirements.

% of assets subject to risk	2000		1999	
	Credit risk	Credit and market risk	Credit risk	Credit and market risk
Basic capital	24.90%	21.09%	51.19%	38.28%
Supplementary capital	-	-	6.94%	5.20%
Net capital	24.90%	21.09%	58.13%	43.48%
Assets subject to credit risk		\$3,211,395		\$3,038,019
Assets subject to market risk		579,003		1,024,228
Total assets subject to risk		\$3,790,398		\$4,062,247

NOTE 27 – OBLIGATORILY CONVERTIBLE SUBORDINATED DEBENTURES

As of December 31, 1999, the HOLDING held obligatorily convertible subordinated debentures into shares representative of capital. The characteristics and summary of those debentures are described below:

Item	2000	1999
Obligatorily convertible subordinated debentures into shares representative of capital stock GFNORTE 97 Series "O" with a single maturity in December 2002 and interest payable on the last day of every 28 day period at variable annual market rates (20.92% and 19.98%) in December 2000 and 1999, respectively.	\$ -	\$ 462,848
Accrued interest payable	-	5,974
Total	\$ -	\$ 468,822

As of December 31, 2000, interest charged to the statement of income amounts to \$77,038 (\$126,507 in 1999). As discussed in Note 2, HOLDING called for the early redemption of the obligatorily convertible subordinated debentures in December 2000.

NOTE - 28 – IMPUESTO SOBRE LA RENTA (ISR), IMPUESTO AL ACTIVO (IMPAC) AND

PARTICIPACIÓN DE LOS TRABAJADORES EN LAS UTILIDADES (PTU)

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 (32% transitorily in 1999) and the remainder at the time earnings is 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
Grupo Financiero Banorte, S.A. de C.V.	\$ 6,679
Banco Mercantil del Norte, S.A.	2,485,956
Banco del Centro, S.A.	4,959,239
Arrendadora Banorte, S.A. de C.V..	937,089
Factor Banorte, S.A. de C.V.	13,841
Casa de Bolsa Banorte, S.A. de C.V.	13,166
Total	\$ 8,415,970

ASSET TAX (IMPAC)

The HOLDING and its subsidiaries are subject to paying Impuesto al Activo (Asset Tax or "IMPAC") which is calculated by applying a 1.8% rate to the average of fixed assets, expenses and deferred charges, reduced by the average of the debts used 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 29 – MEMORANDUM ACCOUNTS

The balance of this item is summarized as shown below:

	2000	1999
Transactions for account of third parties		
Customer banks (current accounts)	\$ 2,453	\$ 3,670
Liquidation of customer transactions	3,548,432	(921,972)
Securities of customers received in custody	59,905,035	65,610,630
Securities and notes received in guarantee	476	907
Customer repurchase transactions	24,284,731	23,655,799
Purchase transactions (option price)	336,312	152,231
Assets in custody or administration	73,268,657	89,834,709
Administrative trusts	947,755	1,089,170
Total	\$ 162,293,851	\$ 179,425,144
Transactions under its own program		
Authorized signed guarantees	\$ 3,123	\$ 3,367
Other contingent liabilities	19,936,370	10,944,696
Opening of irrevocable credits	496,412	570,719
Amounts committed in transactions with FOBAPROA	3,604,807	8,510,953
Outstanding deposit certificates	428,759	116,289
Securities of the company delivered in custody	28,776	14,106,700
Government securities of the company in custody	24,211	15,567
Assets in trust or mandate	36,200,929	36,385,283
Investments of the funds of the retirement savings system	2,162,104	2,471,070
Integration of loan portfolio	-	83,556,826
Investment banking transactions for account of third parties, net	69,342,004	32,349,836
Amounts contracted in derivative instruments	2,649,666	2,473,081
Total	\$ 134,877,161	\$ 191,504,387

	2000	1999
Repo transactions		
Securities receivable under repo agreements	\$ 91,242,473	\$ 38,489,157
Payables under repo agreements	91,279,954	38,405,469
	(\$ 37,481)	\$ 83,688
<hr/>		
Receivables under repo agreements	\$ 54,690,281	\$ 11,378,492
Securities payable under repo agreements	54,647,721	11,335,609
	\$ 42,560	\$ 42,883
<hr/>		
Other recorded accounts	\$ 204,817,993	\$ 295,549,257

NOTE 30 – NET EARNINGS PER SHARE

As provided for in the rules of disclosure of Bulletin B-14 "Utilidad por Acción" (Earnings per share) issued under MEX GAAP, the following is discussed.

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 future capitalizations of obligatorily convertible subordinated debentures into the outstanding capital stock.

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

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

Item	2000		1999	
	Earnings	Weighted average of shares	Earnings per share	Earnings per share
Earnings from continuing operations attributable to paid-in capital	\$ 1,677,348	469,332,316	\$ 3.5739	\$ 2.6231
Net earnings per share	1,677,348	469,332,316	3.5739	2.6231
Earnings per diluted share	1,723,780	590,760,888	2.9179	2.2024

NOTE 31 – 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 Office of the HOLDING and the Risk Policies Committee, thereby performing the provisions set forth in 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, which further 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

Moreover, the HOLDING has a Risk Policies Manual that was approved by the Board of Directors on December 4, 1997.

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;
- Loans;
- 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 operative.

The HOLDING has successfully made a cultural change geared toward identifying, valuing and managing risk. This change will allow for strengthening risk management processes by implementing a "Comprehensive risk management scheme", in accordance with the guidelines set forth in Circular 1423 issued by the COMMISSION.

The HOLDING established a strategic plan to implement Circular 1423 referred to above which, among other things, resulted in the following actions:

- a.** The Risk Policy Committee was reorganized pursuant to the provisions of Circular 1423 referred to above in order to have a minimum of two Advisors participate, that is, the Chief Executive Officer and the person in charge of the Risk Unit. Moreover, another Committee was formed that supports the risk management efforts, namely, the Communication and Control Committee (related to detecting and preventing money laundering operations).
- b.** In order to maintain proper control over its Banking operations, the HOLDING has decided to integrate all the Operative Functions of the Institutions into the Chief Operations and Technology Office.
- c.** Credit Risk control and standards Management has developed a plan of action with each one of the areas that manage risk, in order to gather all the existing policies and identify the missing subjects to integrate them into a single Policy and Procedures Manual for Comprehensive Risk Management as soon as possible.
- d.** Through the Technology Committee, the HOLDING's management considered it a high priority to make an investment to acquire system that comprehensively measures, monitors and controls the risks to which the Institution is exposed, as well as generating reports in this regard. This materialized with the purchase of the Algorithmics system.
- e.** The Institution is in the process of having the "Measurement and Loan Portfolio Risk Control Management System" implemented. This software includes applications form which calculations will be performed to measure the risk and follow-up on the limits of the loan portfolio.
- f.** The designing was concluded of the systems that help gather the different information used for estimating the liquidity risk.
- g.** All the information of positions subject to credit risk is being integrated into the institutional DataWarehouse. The foregoing involves all the data of loans and borrowers, as well as the quantitative and qualitative information associated with debtors that allows for identifying, measuring and controlling credit and market risks such as money markets, exchange rates, derivatives and capitals. In addition, all the historical information of credit and market risk factors is being supplemented to the factors to which the HOLDING is subject. This information will be used to feed the risk measurement tool: RiskWatch, HistoRisk, RiskMapper, PCER, RICOS furnished by the Algorithmics supplier. This tool will allow for better follow-ups on credit and market risk, compared with the existing models and information.

h. According to the recommendation made by the COMMISSION, the decision was made to centralize the control functions dispersed in various areas of the HOLDING, by creating an office that is independent from Controlling which in turn is independent from the Internal Audit area.

i. The HOLDING is in the process of implementing a new central system, as well as a new version of the branch system. That new central system will allow for generating all the accounting of the branches, based on transactions. It further eliminates the possibility of feeding accounting records directly. This will allow for reducing the risk of errors.

The quarterly average value at risk ("Value at Risk o VaR") of the marketable securities of the GROUP (Banking and Brokerage Sectors) including bonds, shares, money market transactions, interest rate swaps, forwards and futures and other derivatives on and off balance sheet is calculated in two forms. The first form is by keeping a one-day holding period with a 95% reliability level. The second form considers a 10-day holding period with a 99% reliability level.

	1T00	2T00	3T00	4T00
1 day VaR	\$ 59,000	\$ 48,000	\$ 63,000	\$ 80,000
10 day VaR	267,000	214,000	277,000	356,000

The average VaR during the quarter under the first form amounted to \$80,000, equivalent to 0.97% of the capital of the HOLDING. Under the second form, the average VaR was 356,000, equivalent to 4.33% of the capital of the HOLDING.

NOTE 32 – RELATED PARTIES

The HOLDING follows the practice of identifying those balances and transactions carried out with those controlling, subsidiary and associate 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 33 – SECURITIZATION

As part of the policies established by the general management and treasury of the HOLDING, 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 investor public. The foregoing results in the right to the yields or proceeds of the sale of the assets traded (securitization).

The main trading characteristics are:

Certificates of the HOLDING have been successfully placed on the international financial market among foreign investors, through foreign financial entities. At year-end, the balances thereof amount to \$3,124,760 (\$3,119,847 in 1999), equivalent to 325,164 (301,080 in 1999) 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 remittance 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, in the event they should arise, can result in the advance cancellation of the financing.

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

	2000	1999
CPOs - Series 1999-1 that cover 800 securities with a face value amounting to US 250,000 each one (US 200,000,000) payable in a 7-year term at a variable interest rate equivalent to the LIBOR rate plus 1.15%	\$ 1,921,960	\$ 2,072,319
CPOs - Series 1999-2A that cover 300 securities with a face value amounting to US 250,000 each one (US 75,000,000) payable in a 5-year term at a fixed interest rate of 8.94 %	657,061	777,119
CPOs - Series 1999-2B that cover 100 securities with a face value amounting to US 250,000 each one (US 25,000,000) payable in a 7-year term at a fixed interest rate of 9.49 %	240,245	259,040
CPOs - Series 2000-1 that cover 140 securities with a face value amounting to US 250,000 each one (US 35,000,000) payable in a 5-year term at a variable interest rate equivalent to the LIBOR rate plus 2.375%	294,195	-
Accrued interest payable	11,299	11,369
Total	\$ 3,124,760	\$ 3,119,847

In the current year, the HOLDING recognized interest derived from this issue in income in the amount of \$265,675 (\$111,605 in 1999).

NOTE 34 – SEGMENT INFORMATION

In order to analyze the financial information of the HOLDING, the most significant information is presented as of December 31, 2000.

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

Economic Sector	2000							Total
	Geographic Status							
	Monterrey	Mexico City	West	Northwest	Northeast	Southeast		
Agriculture	\$ 229,242	\$ 10,518	\$ 120,135	\$ 93,707	\$ 87,190	\$ 25,325	\$ 566,117	
Mining	331,240	17,830	384,004	760	42,118	1,689	777,641	
Manufacturing	4,509,957	1,754,312	601,919	178,837	241,113	45,283	7,331,421	
Construction	358,448	21,400	110,041	70,795	41,339	22,969	624,992	
Commerce, restaurants and hotels	3,150,457	959,340	846,498	193,176	493,067	218,066	5,860,604	
Transportation and communications	495,836	792,184	72,316	62,829	54,615	22,110	1,499,890	
Financial services	629,542	1,292,946	26,199	13,283	12,165	365,745	2,339,880	
Community, social and personal services, Public administration	505,118	225,136	111,247	62,315	94,545	45,041	1,043,402	
services	1,216,299	1,109,573	1,950	320	480,057	1,217	2,809,416	
Others	79,797	50,529	1,882	849	2,753	562	136,372	
Subtotal current loan portfolio	\$ 11,505,936	\$ 6,233,768	\$ 2,276,191	\$ 676,871	\$ 1,548,962	\$ 748,007	\$ 22,989,735	

Other executed portfolio

Economic Sector	2000						Total
	Monterrey	Mexico City	West	Geographic Status Northwest	Northeast	Southeast	
Credit card	-	-	-	-	-	-	500,071
Mortgage loans	-	-	-	-	-	-	4,067,068
Loans to FOBAPROA or to the IPAB,ADE, FOPYME and FINAPE	-	-	-	-	-	-	48,383,050
Total current loan portfolio	\$ 11,505,936	\$ 6,233,768	\$ 2,276,191	\$ 676,871	\$ 1,548,962	\$ 748,007	\$ 75,939,924

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

Economic Sector	2000						Total
	Monterrey	Mexico City	West	Geographic Status Northwest	Northeast	Southeast	
Agriculture	\$ 24,930	\$ 4,011	\$ 3,032	\$ 9,246	\$ 126,477	\$ 805	\$ 168,501
Mining	255,656	107	804	-	-	-	256,567
Manufacturing	145,466	77,778	123,482	24,878	11,652	3,318	386,574
Construction	41,491	6,145	6,782	1,247	25,173	1,071	81,909
Commerce, restaurants and hotels	191,723	75,233	128,894	23,449	209,748	9,082	638,129
Transportation and communications	30,180	1,248	1,516	1,402	16,991	3,617	54,954
Financial services	5,693	650	1,448	1,484	483	1,421	11,179
Community, social and personal services	165,701	39,487	33,131	9,985	40,350	8,139	296,793
Public administration services	-	72	-	-	-	-	72
Others	68,247	137	322	21	506	43	69,276
Subtotal past due loan portfolio	\$ 929,087	\$ 204,868	\$ 299,411	\$ 71,712	\$ 431,380	\$ 27,496	\$ 1,963,954

Other executed portfolio

Credit card	-	-	-	-	-	-	379,543
Mortgage loans	-	-	-	-	-	-	1,802,856
Total past due loan portfolio	\$ 929,087	\$ 204,868	\$ 299,411	\$ 71,712	\$ 431,380	\$ 27,496	\$ 4,146,353

c. Deposits by product and geographic area is as follow:

Product	2000						Treasury and Others	Total
	Monterrey	Northeast	Northwest	West	Southeast	Centro		
Non-interest bearing								
checking	\$ 3,130,140	\$ 1,599,337	\$ 641,517	\$ 1,468,818	\$ 320,128	\$ 1,667,097	\$ 38,077	\$ 8,865,114
Interest bearing checking	3,353,697	1,606,345	660,234	1,872,525	488,989	3,018,847	(18,981)	10,981,656
Savings	14,931	12,424	2,522	8,166	6,112	2,390	-	46,545
Interest bearing demand	876,300	620,744	99,158	512,082	118,847	271,717	119,623	2,618,471
US dollar demand	1,092,740	707,878	451,457	383,084	41,946	654,770	-	3,331,875
Cedes	165	545	11,172	8,375	-	2,992	-	23,249
Over the counter notes	2,805,523	1,966,200	416,693	3,016,373	786,055	2,332,078	-	11,322,922
US dollar term deposits	1,013,451	664,151	499,528	1,438,644	334,804	638,447	-	4,589,025
Money desk clients	5,125,186	2,579,290	555,315	1,409,191	447,547	1,080,712	-	11,197,241
Bank Bonds	-	-	-	-	-	-	1,250,000	1,250,000
Financial Intermediaries	-	-	-	-	-	-	13,382,542	13,382,542
Others	-	-	-	-	-	-	59,113	59,113
Total Deposits	\$17,412,133	\$ 9,756,914	\$3,337,596	\$ 10,117,258	\$ 2,544,428	\$ 9,669,050	\$14,830,374	\$67,667,753

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

	2000
Banking Sector:	
Net income	\$ 1,562,618
Stockholders' equity	6,864,626
Total portfolio	80,250,006
Past due portfolio	4,119,560
Allowance for loan losses	4,166,064
Net total assets	\$ 100,883,779
Brokerage Sector:	
Net income	\$ 27,096
Stockholders' equity	143,191
Portfolio in custody	61,928,942
Net total assets	\$ 364,850
Long-Term Savings Sector:	
Net income	\$ 84,504
Stockholders' equity	1,187,183
Net total assets	\$ 4,510,795
Auxiliary Credit Organizations Sector:	
Net income	\$ 85,396
Stockholders' equity	386,952
Total portfolio	2,363,660
Past due portfolio	26,780
Allowance for loan losses	17,100
Net total assets	\$ 2,741,541



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