

**FINANCIAL REPORT
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**GRUPO FINANCIERO SANTANDER SERFIN REPORTS A NET INCOME OF P\$4,519 MILLION FOR
THE FIRST NINE MONTHS OF 2002**

- Grupo Financiero Santander Serfin (the “Group”) recorded a **net income** of P\$4,519 million in 9M02, figure that represents a 10.5% increase with respect to 9M01.
- During 3Q02, the **net income** amounted to P\$1,498, which is 5.4% higher than the figure reported during 3Q01, and 8.4% higher than the 2Q02 results.
- The return on equity (**ROE**) was 35.0%, maintaining its position as profitability leader in the Mexican financial market.
- The **efficiency ratio** without trading results was 50.7% in 9M02, improving by 130 b.p. with respect to 9M01, supported basically by a 5.2% decrease in expenses.
- The **commission / operating expense ratio** increased to 58.4% in 9M02, 1,260 b.p. more than in 9M01, as a consequence of the 21.1% increase in commissions and the continuous reduction in expenses.
- The **past-due loans ratio** was 0.6% at 9M02, an improvement of 40 b.p. with respect to 9M01; the **coverage ratio** was 652%, indicators that reaffirm the quality and strength of the assets.
- The **capitalization ratio**, under the 2003 rules, was 19.7%, improving by 310 b.p. with respect to 9M01, this being a fundamental variable of the Group’s growth plans.
- The **commercial integration** of Santander Mexicano with Banca Serfin was announced, creating a new brand: **Santander Serfin**, which will consolidate the strengthening and growth of the Group, and represent a benefit for the more than 2.4 million clients.
- The Group continued to **grow and earn market share** in all of its lines of business.

	Balance 9M02	Real Annual Growth%	Market Share 9M02	Annual Change p.p.
Deposits & Mutual Funds	173,349	12.6%	15.1%	1.3
Current Loan Portfolio (w/o IPAB)	82,819	47.6%	12.9%	4.3
Credit Card Portfolio	5,097	127.6%	12.9%	5.5
Pension Funds	26,686	26.8%	9.4%	0.4

Figures in millions of Mexican pesos, expressed in constant prices as of September 2002, with growth stated in real terms, except if explicitly indicated.

Mexico City, October 22, 2002. Grupo Financiero Santander Serfin generated net income of P\$4,519 million in 9M02, figure that represents a 10.5% increase with respect to 9M01. The net income during 3Q02 amounted to P\$1,498, improving by 5.4% with respect to 3Q01. These figures confirm that the Group is an institution capable of generating recurring, increasing profits, always based on business with the clients, discipline with expenses and maintaining the quality of the assets and the strength of the equity.

The results mentioned above allowed achieving a 35% ROE, with which the Group strengthens and maintains its leadership in terms of profitability in the Mexican financial system.

As a result of defending its operating revenues and a 5.2% decrease in expenses, composed of a decrease of 4.2% in personnel expenses and 6.1% in other expenses, the efficiency ratio without intermediation results was 50.7% in 9M02, improving 130 b.p. with respect to 9M01.

As a consequence of increased association with the clients, by offering more new and innovative products, commissions and fees showed a 21.1% increase with respect to 9M01, the most significant being the growth in credit cards (47.7%), mutual funds (60.5%) and account management (28.7%) fees, which allowed the commission / operating expense ratio to close at 58.4% in 9M02, which is higher by 1,260 b.p. with respect to 9M01.

The past-due loans ratio was 0.6% at 9M02, showing an increase of 40 b.p. with respect to 9M01; the coverage ratio was 652%, indicators that reaffirm the quality and strength of the assets.

The capitalization ratio, under the 2003 rules, was 19.7%, improving by 310 b.p. with respect to 9M01, this being a fundamental strength of the Group's growth plans.

Grupo Financiero Santander Serfin – Main Figures

	9M01	9M02	Change
Net Income	4,088	4,519	10.5%
Operating Income*	11,546	11,229	-2.7%
Operating Expenses**	6,006	5,696	-5.2%
ROE	36.1%	35.0%	-1.1%
Efficiency Ratio w/o Trading Results	52.0%	50.7%	-1.3%
Commissions / Expenses	45.8%	58.4%	12.7%
Past Due Loans Ratio	1.0%	0.6%	-0.4%
Coverage Ratio	478.8%	651.5%	172.7%
Capitalization Ratio	16.6%	19.7%	3.1%

* Excludes gain from monetary position, allowances for loan losses and trading results.

** Excludes fees to IPAB, depreciation & amortization.

The dynamics and growth of the commercial activity continues to be the most significant leverage of the business's growth and development. All of the lines of business showed very significant increases, as well as significant advances in terms of market share. The overall client resources (retail deposits, mutual funds and pension funds) managed by the Group both in and off the balance sheet increased by 14.3% amounting to P\$200,035 million, with a market share increase of 90 b.p. standing at 13.9% during the first nine months of 2002.

Retail deposits + mutual funds reached P\$173,349 million, reporting a growth of 12.6% during the last twelve months, a 1.3% improvement in market share.

Retail deposits recorded an interannual growth of 8.2%, improving in market share by 1.2%, as a result of the success of demand deposits, which showed a 30.5% increase.



Mutual funds showed an increase of 27.6% on an interannual basis, obtaining an increase in market share of 1.5%. The participation in the distribution of mutual funds throughout the commercial office network showed an increase of 148.6%, amounting to P\$18,154 million.

The loan portfolio (without IPAB) showed an important annual growth of 47.6% with an increase in market share of 4.3%, supported by the advances in the government (112.6%), consumer (90.9%), and commercial (16.6%) portfolios.

The credit card portfolio showed an increase in market share of 5.5%, recording a 127.6% increase over the last twelve months, as a result of the success of the Serfin Light credit card.

Afore Santander Mexicano maintains its leadership in the industry, with a total of 3.2 million affiliates registered as of September 2002, with a market share of 11.4%. The volume of managed resources amounted to P\$26,686 million, which represents a 26.8% increase and a market share of 9.4%.

Integration Santander - Serfin

On September 4, the commercial integration of Banco Santander Mexicano with Banca Serfin was announced, coming together into one commercial brand: **Santander Serfin**. The Board of Directors of Grupo Financiero Santander Serfin ratified Marcos Martínez Gávica as CEO of the Group.

The integration process will conclude during the last quarter of the year, with the objective of carrying out a clear and orderly integration process for the clients and of making the most of the commercial synergies of both office networks.

The segments towards which both banks were focused, the products with which they did this and the distribution strategy of the network of branches complement each other perfectly; this characteristic will enable the institutions to continue with their objective of achieving a market share of 20% in 3 years.

Subsidiaries' Results

The banking business composed of Banco Santander Mexicano and Banca Serfin recorded a net income of P\$4,412 million in 9M02, which was 12.3% higher than that reported during 9M01. In 3Q02, the banking business reported a net income of P\$1,428 million, surpassing by 8.4% the figure reported in 2Q02.

Afore Santander Mexicano reported net income of P\$468 million in 9M02, which is 42% higher than that reported at 9M01.

Casa de Bolsa Santander Mexicano reported net income of P\$82 million in the first nine months of 2002.

Grupo Financiero Santander Serfin

Net Income by Business

Pesos in Millions

	9M01	9M02	Change
Banking Business and Afore*	3,928	4,412	12.3%
Brokerage House	126	82	-34.7%
Insurance Company	12	21	67.8%
Other Subsidiaries	21	4	-83.1%
Grupo Financiero Santander Serfin	4,088	4,519	10.5%

* Attributable Income in the Afore 75%



New Products

Banca Serfin and Banco Santander Mexicano launched their first joint product into the market. It is a new credit card called Uni-K “the credit card that declares war on commissions”. This product is geared towards the client that pays its entire balance each month. Its principal features are: no annual fee for life, three benefit programs to choose from, no commission charges of any type for normal use and a very simple authorization process.

Santander Serfin recently launched, in conjunction with the Secretariat of the Economy and Nacional Financiera, a very innovative initiative aimed at young entrepreneurs and the small and medium-sized companies of the country through Crédito Pyme (Pyme Credit). For this purpose it established an agreement whose goal is to allow easy access to and foster credit with small and medium-sized companies, where the lack of guarantees will not be a condition to limit access to financing. Rather, this financing will be available for recently created companies with very favorable interest rate terms and authorization will be fast and timely. The attributes of Crédito Pyme make it a product that is positively innovative and it reinforces the vision of Santander Serfin as a vanguard bank that can propose valuable solutions to its clients.

This alliance complements that established in Yahoo! in the second quarter of 2002, whose purpose was to create an information portal via the Internet dedicated precisely to Crédito Pyme.

Relevant Events

Awards and Recognition

In September, the magazine “*The Banker*” awarded Santander Mexicano as “The Best Bank in Mexico” in its 2002 edition of the Bracken awards.

- **Ratings**

On September 25, Moody’s upgraded the bank financial strength rating (bfsr) of Banco Santander Mexicano and Banca Serfin from D+ to C-. This rating upgrade for both banks reflects the success of the integration process, the solid growth in profitability and the recurring improvement in the financial fundamentals of the two institutions. As well, it recognized the progress that both institutions have made in increasing their market shares in deposits as well as lending products, maintaining asset quality.

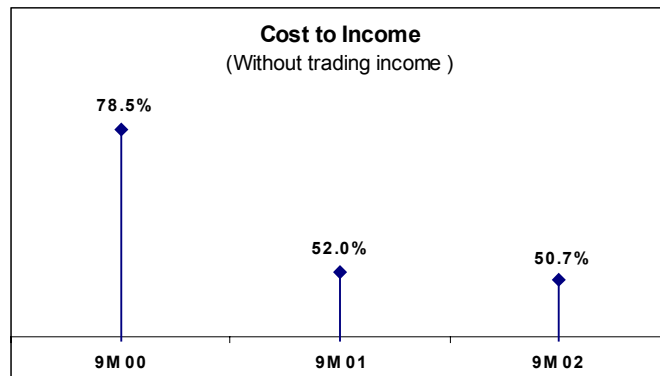
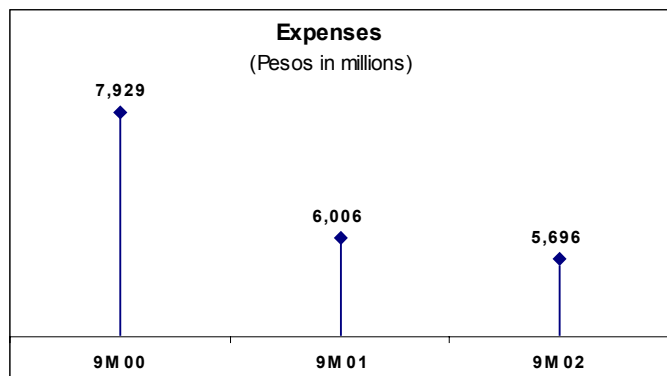
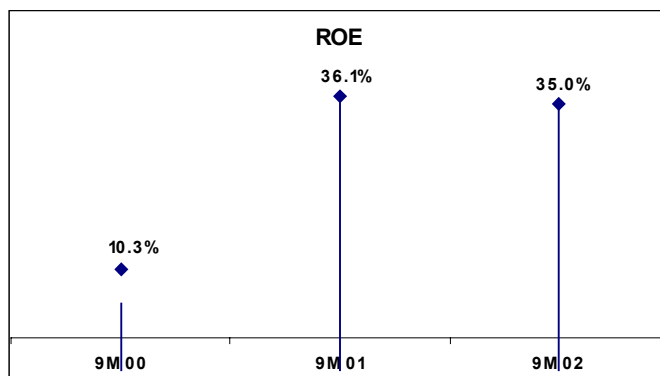
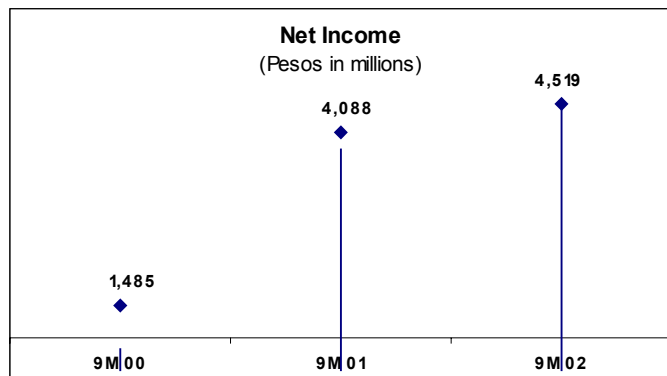
The rating agency also confirmed the ratings of both banks as Baa2 in foreign currency deposits and A3 in long-term foreign currency debt.

- **Ordinary-Extraordinary Shareholders’ Meetings**

On October 7, 2002, the shareholders of Grupo Financiero Santander Serfin held Ordinary and Extraordinary Shareholders’ Meetings, agreeing to use PP\$1,910 million of earnings to pay dividends for the year 2002 in advance, subject to the corresponding legal authorizations. This dividend payment will be P\$0.32156 per share.

Grupo Financiero Santander Serfin – Main Business Items

Pesos in Millions	Sep. 01	Sep. 02	% Change
Total Assets	230,633	251,069	8.9
Loan Portfolio (sin Fobaproa/IPAB)	56,107	82,819	47.6
Retail Deposits	119,302	129,122	8.2
- Demand Deposits	52,603	68,423	30.1
- Time Deposits	66,699	60,699	(9.0)
Mutual Funds	34,668	44,227	27.6
Pension Funds	21,041	26,686	26.8
Branches	924	919	(0.5)
Employees	12,325	11,972	(2.9)
Clients	1,869,440	2,503,367	33.9%

Evolution of Management Indicators


Santander Central Hispano

Santander Central Hispano is the banking and finance leader in Latin America, with more than US\$1,5 billion in attributable net profit in the region in 2001 and US\$982.7 million in the first nine months of 2002. The Group has the largest banking network in Latin America with 4,500 offices and 23 million customers. Our geographical focus is on Mexico, Chile, Brazil, Venezuela and Puerto Rico, which account for 95% of profits in the region.

Santander Central Hispano is among the world's 20 largest banks by market capitalization, providing services to more than 39 million customers through 10,500 offices in 42 countries.

The following financial information is derived from unaudited financial statements prepared in accordance with Mexican Regulatory Accounting Principles and Practices established by the Comisión Nacional Bancaria y de Valores (CNBV) and does not present financial positions, results of operations, or other financial information in accordance with U.S. Generally Accepted Accounting Principles. This financial information has been prepared in accordance with CNBV 1488 rulings. All figures included in this report are presented in real terms at purchasing prices of September 30, 2002. The growth rates are also presented in real terms, after excluding inflation. The exchange rate for conversion of pesos to US dollars was P\$10.22990

Pro forma Banking Business – Financial Results – Income Statement

The pro forma banking business of Santander Serfin (Banco Santander Mexicano and Banca Serfin, including the subsidiaries of both) reported consolidated net income of P\$4,412 million for the January to September 2002 period. This figure signifies growth of 12.3% with respect to the same period of 2001.

In third quarter 2002, the net income of the banking business was P\$1,428 million, representing growth of 1.5% from the results of the previous quarter and 1.9% versus the same period of the prior year.

Santander Serfin. Banking Business

Net Income

Pesos in Millions	Quarter				January- September	
	3Q01	1Q02	2Q02	3Q02	2001	2002
Net Interest Income	2,408	2,168	2,211	2,815	7,985	7,194
Provisions for Loan Losses	(204)	(25)	7	(19)	(286)	(37)
Adjusted Net Interest Income	2,204	2,144	2,217	2,796	7,698	7,157
Commissions and Fees	894	939	921	1,073	2,389	2,932
Trading Income	1,012	686	(37)	(263)	1,785	385
Operating Income	4,110	3,768	3,100	3,606	11,872	10,475
Non Interest Expense	(2,237)	(2,197)	(2,126)	(2,170)	(7,035)	(6,493)
Net Operating Income	1,873	1,571	975	1,436	4,837	3,981
Other Income (Expense)	(137)	251	410	114	(190)	775
Income Tax	(206)	(213)	(56)	(160)	(584)	(428)
Subsidiaries Results	(29)	(27)	(24)	(40)	(44)	(91)
Extraordinary Items	(92)	(1)	98	79	(91)	176
Net Income	1,408	1,581	1,402	1,428	3,928	4,412

The above figures represent the consolidated results including the Afore and the other subsidiaries. The contribution of the Afore, equivalent to 75% of its benefits, represented P\$351 million - cumulative through September 2002 and P\$143 million during third quarter 2002.

Net Interest Income

The financial margin of the banking business (financial margin does not include the results from monetary position (repomo), repos transactions or the f/x valuation results) reported P\$2,253 million in third quarter 2002, representing a marginal decrease versus the previous quarter and an increase of 1.6% in relation to that of third quarter 2001.

The accumulated financial margin is P\$6,844, 5.3% below the one recorded in the first nine months of the prior year, despite that the drop in the interest rates of the last twelve months was 43.0%.

This result is the product of the strategy implemented in Santander Serfin to maintain its financial margin through an increase in volume of transactions attracted with a better funding mix, yielding higher profitability from the assets, which has allowed it to support the negative impact of the drop in interest rates.

The f/x valuation results included in the net interest income presents significant increases in the second and third quarters due to the appreciation of the US dollar against the Mexican peso, which favorably offsets the losses on exchange transactions recorded as part of non interest revenue.

Net Interest Income

Pesos in Millions

	Quarter				January - September	
	3Q01	1Q02	2Q02	3Q02	2001	2002
Financial Margin	2,219	2,323	2,267	2,253	7,226	6,844
Repo Margin	58	90	(8)	255	639	336
Fx Valuation Result	129	(37)	131	406	152	501
Net Interest Income before Repomo	2,407	2,376	2,391	2,914	8,017	7,681

The funding mix of the banking business presents positive results. Retail deposits for the January-September 2002 period constituted 54.9% of the funding in pesos versus 51.7% of the same period of the prior year. Also, the funding cost improved by 870 basis points, representing 43.5% of the TIIE versus 52.2% in 2001. Deposit market share improved by 9% and was 15.5% in September 2002.

Santander Serfin. Banking Business
Net Interest Income

Pesos in Millions

	Quarter				January - September	
	3Q01	1Q02	2Q02	3Q02	2001	2002
Interest on Loans	3,597	2,822	2,644	2,843	14,411	8,309
Interest on Securities	2,918	2,244	2,163	2,244	9,915	6,651
Fees and Premiums	493	302	477	526	2,200	1,305
Interest on Funds available and other	1,728	1,116	2,686	2,387	4,169	6,189
Total Interest Income	8,736	6,484	7,970	8,000	30,695	22,454
Deposits and Funding	(3,892)	(2,388)	(2,133)	(2,311)	(14,356)	(6,833)
Fees and Premiums	(1,818)	(1,335)	(1,554)	(1,492)	(6,545)	(4,382)
Other financial Expenses	(619)	(384)	(1,892)	(1,282)	(1,776)	(3,558)
Total Interest Expense	(6,329)	(4,108)	(5,579)	(5,086)	(22,677)	(14,773)
Net Interest Income before Repomo	2,407	2,376	2,391	2,914	8,017	7,681
Monetary Result (Repomo)	1	(208)	(180)	(99)	(33)	(487)
Net Interest Income	2,408	2,168	2,211	2,815	7,985	7,194
Provisions for Loan Losses	(204)	(25)	7	(19)	(286)	(37)
Adjusted Net Interest Income (Bank)	2,204	2,144	2,217	2,796	7,698	7,157

Non Interest Income

During the third quarter of the year, the banking business of Santander Serfin generated non interest income of P\$810 million, which is 8.3% less than the previous quarter and 57.5% less versus the same period of 2001. This decrease versus both quarters is the product of a loss from trading income results during the period. In cumulative terms, non interest income total P\$3,318 million, representing a decrease of 20.5% versus the same period of the prior year.

Commissions and Fees

The increase in commission revenues is key to Santander Serfin's strategy to build an ongoing core business to counteract the fall in interest rates. The impulse of the businesses that generate commissions as well as the increase in the connection with the clients through the diversification of products and high transaction volume have achieved an accumulated increase in commissions collected of 24.1% within the first nine months of 2002 and the same period of 2001.

Practically all the commission categories improved, on a cumulative basis, from January-September 2002 versus that same period in 2001, highlighting credit cards (47.7%) and account handling fees (28.7%). The increase in volume of mutual funds sold through the branch network has been key in the evolution of the commissions generated by this business with accumulated growth of 60.5%.



This line item includes a reclassification of commissions paid by credit cards. The net result is a decrease in commissions paid offset by a reduction in other financial income (expense), derived from the cost of acquiring Serfin Light. The figures of the first and second quarters of 2002 already include the effects of this reclassification.

The commissions collected by the Afore increased 51.7% with respect to the previous quarter since two contributions from this company are included in the period.

Santander Serfin. Banking Business

Non Interest Income

Pesos in Millions

	Quarter				January - September	
	3Q01	1Q02	2Q02	3Q02	2001	2002
Credit Commissions	48	28	35	49	109	112
Account Management	198	209	263	254	564	726
Credit Card	257	305	335	390	698	1,031
Transfer Service Fees	18	18	20	20	55	57
Trust Commissions	32	31	39	43	101	113
Fobaproa Commissions	4	9	18	4	38	30
Commissions Afore	367	346	244	370	933	960
Other Commissions	207	246	263	250	553	759
Commissions and Fees Collected	1,132	1,191	1,216	1,379	3,051	3,787
Commissions and Fees Paid	(238)	(253)	(295)	(307)	(663)	(854)
Foreign Exchange	593	228	237	(285)	1,097	180
Net Trading Income	455	485	297	(73)	862	710
Mark to Market	(128)	(22)	(639)	25	(162)	(636)
Other	92	(5)	67	70	(10)	132
Trading Income	1,012	686	(37)	(263)	1,785	385
Non Interest Income	1,907	1,625	883	810	4,174	3,318

Trading Income

The trading income results suffered from the adverse impact of the volatility observed in the financial markets during the period. In the third quarter a loss of P\$263 million was recorded while the accumulated figure for the first nine months of 2002 were profits of P\$385 million.



Non Interest Expenses

Santander Serfin. Banking Business

Non Interest Expense

Pesos in Millions

	Quarter				January - September	
	3Q01	1Q02	2Q02	3Q02	2001	2002
Compensation & Benefits	879	911	873	914	2,817	2,698
Administrative & Operation Expenses	496	510	465	506	1,564	1,480
Professional Fees	64	70	77	84	246	231
Advertising & Promotion	84	82	79	75	241	235
Non Income Taxes	161	138	176	154	460	467
Rents	103	112	107	103	390	322
Operating Expenses	1,787	1,823	1,776	1,835	5,719	5,434
Contributions to IPAB	192	198	186	185	567	568
Depreciation & Amortization	259	177	164	150	749	491
Non Interest Expense (Bank)	2,237	2,197	2,126	2,170	7,035	6,493
Cost to Income Ratio (%)	41.5	45.6	54.1	49.3	46.9	49.4
Commissions / Operating expenses (%)	50.1	51.5	51.8	58.5	41.8	54.0

The banking business non interest expenses for the first nine months of 2002 decreased 7.7% in comparison with the same period of the prior year. Excluding personnel expenses, contributions to IPAB, depreciation and amortization, the operating expenses of the banking business present an annual reduction of 5.7% in cumulative terms. Worth to mention are the reductions in rents (17.4%), professional fees (6.1%) and administrative and operating expenses (5.3%).

The efficiency ratio of the banking business (operating expenses/total income) is 49.3% in the third quarter of 2002, improving 480 basis points in relation to 54.1% of the previous quarter due to a 17% improvement in operating income during the quarter.

Commissions and fees as a percentage of operating expenses showed significant improvement as compared both quarterly and cumulatively. For the third quarter of 2002 it was 58.5%, while for the first nine months of 2002 stands at 54.0%.

Other Income and Expenses

During the third quarter of 2002, Santander Serfin's banking business reported other income, net, of P\$114 million, made up of expenses amounting to P\$421 million and income of P\$535 million. During this quarter there was a loss from monetary position of P\$111 million.

This line item includes a reclassification of the cost of the Serfin Light card. The net result represents a decrease in other income that is compensated by a decrease in commission expenses. The figures for the first and second quarters of 2002 already include the effects of this reclassification.

Pro forma Banking Business - Balance Sheet

During the first nine months of 2002, Santander Serfin continued its efforts to adequately manage its assets and liabilities in order to preserve its funding and credit margins; at the same time it has managed to strengthen the quality of its results on a recurring basis in view of the new rate and volatile environment. These actions have resulted in sound growth and an improvement in Santander Serfin's financial strength. As well, there has been significant growth in the market share of deposits and loans, while maintaining a solid asset quality.

Loan Portfolio

At September 30, 2002, Santander Serfin's banking business total loan portfolio registered P\$83,276 million, excluding the IPAB note. This represents a 45.6% increase with respect to the portfolio reported at September 30, 2001; as well, the loan portfolio amount grew 22.0% with respect to the figure reported at June 2002. Total performing loans excluding the IPAB note totaled P\$82,439 million at the September 2002 closing; this figure is 47.7% higher than the one reported at September 2001 and 22.1% higher than the one reported in the second quarter of 2002. From the performing loans portfolio, 70% is denominated in Mexican pesos, 17% in US dollars and the remaining 13% in UDIs. Santander Serfin's share in the market's performing loans portfolio went from 9.7% in September 2001 to 13.8% this year. This represents an increase of 410 basis points.

On July 25, 2002, IPAB received a 10-year loan from Banca Serfin of P\$8,935.7 million bearing interest at the 28-day TIIE rate plus 25 basis points. Interest is payable monthly and principal will be amortized in 10 semiannual installments beginning in January 2008. IPAB may make early payments without penalty. With this new loan, at September 30, 2002, total loans granted to IPAB, recorded under loans to government entities, amounted to P\$19,003 million.

Commercial Loans

The performing commercial loan portfolio of the banking business has experienced significant growth both during the last quarter (9.7%) and the last twelve months (16.3%), basically due to the strong impulse to reactivate credit in the corporate and company banking segments and a sound evolution in the small and medium-sized business segment.

Consumer Loans

Credit Cards

The consumer loan portfolio of the banking business grew 91% over the last twelve months, principally due to the public's acceptance of the Serfin Light card. At September 30, 2002 the market share in the number of credit cards issued was 23.3%, an increase of 1,400 basis points. During the first nine months of 2002, 518.5 thousand new credit cards were issued bringing the number of credit cards to 1.2 million. The Serfin Light portfolio surpassed P\$2,800 million and the number of accounts, 650,000. All branches from Santander and Serfin are now offering this card with excellent acceptance from the public.

On September 12, continuing with its strategy to place innovative products in the market, Santander Serfin launched its first joint product, Uni-K "the credit card that declares war on commissions".

This new card is geared to the market segment not covered by Serfin Light, that is, customers that pay their balances in full each month. The card's main characteristics are as follows:

- No annual fee –for life- provided if the card is used at least once a month
- No charge for the most common contract commissions. (Opening, additional cards, ATM, service payment, etc.)
- Three benefit plans to choose from (rewards, security plan or travel plan); there is no standard design.
- Election of the payment date.
- The process to obtain this card is very simple, the customer is only required to provide his/her name, address and a credit card number.



Santander Serfin. Banking Business

Loan Portfolio by Type of Loan

Pesos in Millions	2001		2002			
	September	%	June	%	September	%
Commercial Loans	37,307	65.2	47,960	70.3	62,598	75.2
Consumer Loans	2,872	5.0	4,897	7.2	5,521	6.6
Credit Cards	2,240	3.9	4,434	6.5	5,097	6.1
Other	633	1.1	463	0.7	424	0.5
Mortgage Loans	4,828	8.4	4,537	6.6	4,542	5.5
Residential Mortgage	803	1.4	886	1.3	1,036	1.2
Low-income Housing	4,024	7.0	3,651	5.3	3,507	4.2
Total	45,007	78.7	57,394	84.1	72,661	87.3
UDI-restructured loans:						
National Industry	1,423	2.5	629	0.9	580	0.7
States and Municipal Government	5,164	9.0	4,994	7.3	4,937	5.9
Mortgage Loans	5,476	9.6	5,148	7.5	5,003	6.0
Other	125	0.2	98	0.1	94	0.1
Total	12,188	21.3	10,869	15.9	10,614	12.7
Total Loan Portfolio	57,195	100.0	68,262	100.0	83,276	100.0
Loans to Fobaproa / IPAB	78,941		57,421		56,669	

Past-due Loans Portfolio and Coverage Ratio

At September 30, 2002, the banking business' past-due loans were P\$837 million. This figure is 38.8% lower than that reported at September 30, 2001 and 9.2% higher than the one reported in the previous quarter due to slight increases in the past-due portfolio of both banks.

At September 30, 2002, the past-due portfolio represented 0.6% of the overall portfolio, or 1.0% excluding the IPAB note. This shows an improvement of 40 basis points, or 140 basis points without the IPAB note, with respect to the same period of 2001. The coverage ratio (allowance / past-due portfolio) was 651.7%, which is the best in the Mexican banking system.

Santander Serfin. Banking Business

Asset Quality

Pesos in Millions	2001	2002		% Change	
	September	June	September	Sep'01	Jun'02
Total Loan Portfolio (without IPAB)	57,195	68,262	83,276	45.6%	22.0%
Performing Loans	55,827	67,496	82,439	47.7%	22.1%
Past Due Loans	1,368	766	837	(38.8%)	9.2%
Past Due Loans Ratio (with IPAB)	1.0	0.6	0.6	(0.4)	(0.0)
Past Due Loans Ratio (without IPAB)	2.4	1.1	1.0	(1.4)	(0.1)
Allowances to Past Due Loans	479.0	710.2	651.7	172.6	(58.5)



Grading of the Loan Portfolio

Over the last twelve months, the risk profile of the loan portfolio of Santander Serfin's banking business improved, maintaining its high quality levels. The low-risk portfolio (A+B), which at September 30, 2001 represented 91.0% of the overall portfolio, represented 96.3% at September 30, 2002, or an improvement of 530 basis points.

Santander Serfin. Banking Business

Loan Portfolio Grading

Pesos in Millions

Risk Grade (1)	2001				2002	
	September	%	June	%	September	%
A	33,660	74.5	36,579	77.9	40,374	85.7
B	7,448	16.5	7,450	15.9	5,007	10.6
C	2,411	5.3	2,472	5.3	1,126	2.4
D	554	1.2	378	0.8	422	0.9
E	1,122	2.5	75	0.2	206	0.4
Total	45,194	100.0	46,953	100.0	47,136	100.0

Allowances for Loan Losses

During the first nine months of 2002, the allowances for loan losses of the banking business increased by P\$710 million, applications due to write-offs, debt remissions and acquaintances amounted to P\$1,242 million and other charges amounted to P\$317 million as shown in the following table:

Santander Serfin. Banking Business

Allowances for Loan Losses

Pesos in Millions

Allowances for Loan Losses as of December 31, 2001	6,303
Plus:	
Allowances created through provisioning for loan losses	21
Recoveries	534
Exchange Rate Effect	155
Minus:	
Charge-offs	(1,242)
Support Programs Cost	(96)
Other	(221)
Allowances for Loan Losses as of September 30, 2002	5,454

Funding and Mutual Funds

Retail deposits of the banking business increased by 8.2% during the last twelve months, showing a balance, at September 30, 2002, of P\$129,275 million. Sight deposits, included in the retail deposits increased by 30.5%, while time deposits decreased by 9.0%. As a result of this, retail deposits show a better mix (sight deposits/retail deposits), which, at September 30, 2002 was 79.7% compared to 64.8% during the same period of 2001.

Mutual funds continue to show a positive trend that confirms Santander Serfin's leadership in this market. Having specific sales channels and products designed to meet the different market segments' needs ("Familia Super" for individuals and "Familia Líder" for the segment related to the creation of family assets), during the last twelve months, mutual funds have increased both in volume and market share. At September 30, 2002, the volume of managed resources totaled P\$44,227 million, or 28% higher than the figure reported in September 2001. Market share was 14.1%, which represented an increase of 150 basis points.



Capitalization

At September 30, 2002, the pro forma capitalization ratio of the banking business was 19.7%, considering both assets at credit and market risks. The tier 1 capital ratio was 19.0%. These indicators would be the same if the capitalization rules that will be fully operational in 2003 were applied, thus confirming the excellent quality of the capital of the banking business.

The notes to the financial statements included in the exhibits show the calculation procedure for both banks at September 30, 2002.

Santander Serfin. Banking Business

Risk Weighted Capital Ratios

Pesos in Millions	2001		2002
	September	June	September
Tier 1 Capital	13,290	17,591	19,501
Tier 2 Capital	590	723	779
Risk Based Capital	13,880	18,314	20,280
Risk Adjusted Assets			
- Credit Risks	58,213	66,204	70,707
- Credit + Market Risks	83,599	101,372	102,877
Credit Risks:			
Tier 1 / Risk Adjusted Assets (%)	22.8	26.6	27.6
Tier 2 / Risk Adjusted Assets (%)	1.0	1.1	1.1
Risk Based Capital / Risk Adjusted Assets (%)	23.8	27.7	28.7
Credit and Market Risks:			
Tier 1 / Risk Adjusted Assets (%)	15.9	17.4	19.0
Tier 2 / Risk Adjusted Assets (%)	0.7	0.7	0.8
Risk Based Capital / Risk Adjusted Assets (%)	16.6	18.1	19.7

Minimum Payments Equivalent to Rent Procedure

At September 30, 2002, the status of the benefits program "Minimum Payments Equivalent to Rent Procedure", established by Banco Santander Mexicano was as follows:

- The maximum contingency was P\$39.3 million, with an established allowance of P\$26.7 million.
- The net estimated realizable value of the properties was P\$35.2, which represented their market values according to the appraisals.
- At September 30, 2002, capitalized interest in favor of Banco Santander Mexicano was \$33.3 million.
- At September 30, 2002, past-due rents amounted to P\$822.6 thousand, of which P\$17.7 thousand corresponded to debtors with one past-due rent payment, P\$222.7 thousand to debtors with past-due rent payments between two and four months and the remainder, to debtors with past-due-rent payments between four months or more.

During the first nine months of 2002, applications to the allowances amounted to P\$1.3 million.

FINANCIAL STATEMENTS

- **Consolidated Balance Sheet**
- **Consolidated Statement of Income**
- **Consolidated Statement of Changes in Stockholders' Equity**
- **Consolidated Statement of Changes in Financial Position**
- **Earnings per Share**

Changes in accounting practices applicable as of 2001

The CNBV issued the new methodology for the classification of the business loan portfolio, effective beginning in January 2001. This methodology allows to classify by debtor based on an analysis that considers the loan risk it represents, taking into consideration the environment, the generation of cash flow and its payment history, among other elements related to the quantity and quality of such risk. As well, it allows classifying each loan in relation to the value of its guarantees to estimate a probable loss. At the beginning, Banco Santander Mexicano and Banca Serfin will adhere to the standard classification methodology.

Applicable as of January 2001, a new methodology for the classification and creation of allowances for loan losses derived from credit transactions for the acquisition of durable consumer and personal good is in effect. This methodology establishes its classification according to interest on late payments and based on that, the amount of the necessary allowances is determined related to the risk. As well, specific allowances will have to be determined and general allowances will have to be established for purposes of calculation of the net capital.

This new methodology also establishes that given the similarity that exists between the portfolio referred to and the credit card transactions, the same methodology will be applied, considering the debtors' payment history and rating, taking into account the number of billing periods showing noncompliance with required payments as of the date of classification.

During the last quarter of fiscal 2000, the Commission issued new accounting criteria related to accounting records, asset valuation, rules for the presentation and disclosure of the financial information, which amend and broaden the former rules, which Banco Santander Mexicano and Banca Serfin are adopting as of January 1, 2001.



Grupo Financiero Santander Serfin
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Assets							
Funds available	29,105	33,573	51,520	48,422	50,590	62,944	49,903
Financial instruments	31,364	45,830	37,186	43,457	41,729	56,905	54,382
Securities, tradeable	7,990	19,555	10,932	11,238	25,418	29,956	28,700
Securities, available for sale	8,080	16,086	13,519	17,188	3,048	12,809	13,036
Securities, held until maturity	15,294	10,188	12,735	15,031	13,263	14,141	12,645
Securities and derivative operations	689	731	84	2,498	2,430	470	141
Forward contracts receivable	0	0	0	300	249	175	51
Securities receivable on loan transactions	0	0	0	0	0	0	0
Derivative instruments	689	731	84	2,198	2,163	293	86
Securities not assigned, pending for settlement	0	0	0	0	17	1	4
Current loan portfolio							
Commercial loans	23,960	22,348	24,152	25,042	23,805	25,614	28,172
Loans to financial intermediaries	11	551	163	0	0	0	0
Consumer loans	2,525	2,704	2,881	3,670	4,222	4,900	5,500
Housing loans	10,758	10,277	10,103	9,815	9,542	9,304	9,169
Government loans	20,081	17,885	18,807	29,687	29,018	28,038	39,977
Loans without IPAB	57,334	53,765	56,107	68,214	66,587	67,856	82,819
IPAB	89,503	80,143	78,941	68,486	67,589	57,421	56,669
Total current loan portfolio	146,837	133,908	135,048	136,700	134,176	125,277	139,487
Past due loan portfolio							
Commercial loans	1,220	987	1,093	898	614	318	351
Loans to financial intermediaries	12	1	1	1	1	0	0
Consumer loans	108	123	110	119	89	105	124
Housing loans	198	123	163	233	321	342	362
Government loans	1	1	1	1	1	1	0
Total past due loan portfolio	1,539	1,234	1,368	1,252	1,026	767	837
Total loan portfolio	148,376	135,142	136,416	137,952	135,203	126,043	140,324
Allowance for loan losses (-)	(7,530)	(6,460)	(6,552)	(6,534)	(6,142)	(5,443)	(5,455)
Loan portfolio, net	140,846	128,682	129,864	131,418	129,060	120,600	134,870
Other receivables, net	2,597	3,228	2,362	3,991	4,642	1,859	2,395
Property, furniture and fixtures, net	5,911	5,823	5,696	5,444	5,303	5,139	5,062
Foreclosed assets	537	526	311	300	285	264	196
Long-term investment in equity securities	1,652	1,360	1,369	1,419	1,463	1,731	1,751
Deferred taxes	1,119	1,126	1,086	1,135	1,126	1,231	1,206
Other assets, deferred charges and intangibles	1,251	1,069	1,157	2,235	1,152	1,203	1,163
Total Assets	215,072	221,948	230,633	240,320	237,780	252,345	251,069



Grupo Financiero Santander Serfin
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Liabilities & stockholders' equity							
Funding	159,063	147,170	173,589	170,815	157,690	161,718	161,392
Demand deposits	46,107	51,126	56,806	68,406	68,232	72,846	72,699
Retail time deposits	74,150	71,823	68,708	62,472	60,915	64,034	60,570
Money market time deposits	30,357	16,495	42,514	36,819	25,396	21,794	25,059
Bank bonds outstanding	8,449	7,728	5,561	3,118	3,147	3,043	3,065
Bank and other loans	26,098	40,811	21,237	31,448	37,715	48,352	42,279
Call loans	5,815	7,178	2,511	19,433	9,859	23,842	6,466
Short-term loans	11,002	27,469	12,764	6,134	22,381	19,999	31,733
Long-term loans	9,281	6,164	5,962	5,881	5,475	4,511	4,079
Securities and derivative operations	911	968	2,206	5,974	5,659	7,567	6,096
Repurchase agreements	492	726	209	404	459	398	281
Operations which represent a collateral loan	0	0	0	0	0	0	0
Securities deliverable under loan transactions	164	178	1,393	3,536	3,004	5,902	4,712
Derivative instruments	255	64	604	2,034	2,183	1,267	1,094
Securities not assigned, pending for settlement	0	0	0	0	12	0	9
Other payables	11,781	13,816	13,937	10,607	14,086	10,950	15,563
Income taxes and employee profit sharing	256	374	493	641	753	246	260
Sundry creditors and other payables	11,525	13,442	13,443	9,966	13,333	10,704	15,303
Subordinated debentures outstanding	83	319	373	311	273	426	537
Deferred taxes	0	0	0	0	0	0	0
Deferred credits	385	486	149	152	155	96	35
Total Liabilities	198,321	203,569	211,490	219,307	215,579	229,108	225,902
Paid-in capital	30,888	30,506	30,491	30,466	30,447	30,424	30,403
Capital stock	19,110	19,135	19,135	19,135	19,135	28,681	28,681
Additional paid-in capital	9,076	9,546	9,546	9,546	9,546	0	0
Mandatory convertible subordinated debentures	2,702	1,825	1,810	1,785	1,766	1,743	1,722
Increase in capital stock pending to formalize	0	0	0	0	0	0	0
Capital gains	(14,138)	(12,128)	(11,348)	(9,453)	(8,246)	(7,187)	(5,236)
Capital reserves	83	83	83	83	83	83	83
Accumulated losses	(11,256)	(11,256)	(11,256)	(11,457)	(6,053)	(5,958)	(5,559)
Surplus (deficit) from valuation of securities available for sale	0	0	(0)	417	(44)	(362)	(404)
Results from translation of foreign operations	0	0	0	0	0	0	0
Cumulative effect of restatement	(4,413)	(3,793)	(4,472)	(4,052)	(4,052)	(4,052)	(4,052)
Results from the holding of non monetary assets	0	0	0	(83)	(83)	(118)	(68)
Due to fixed assets valuation	0	0	0	0	0	0	0
Mark - to- market of long term investments in equity securities	0	0	0	(83)	(83)	(118)	(68)
Adjustments due to retirement benefits obligations	0	0	0	0	0	0	0
Net income	1,240	2,667	4,088	5,418	1,639	3,021	4,519
Minority interest	209	171	209	220	263	200	246
Total stockholders' equity	16,750	18,378	19,143	21,013	22,201	23,237	25,167
Liabilities & stockholders' equity	215,072	221,948	230,633	240,320	237,780	252,345	251,069

Grupo Financiero Santander Serfin
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Memorandum accounts							
Customer current accounts	79	26	(41)	48	(38)	(69)	22
Customer cash balances	26	13	11	6	5	8	6
Investment banking operations on behalf of third parties, net	0	0	0	0	0	0	0
Margin accounts of futures transactions	0	0	0	0	0	0	0
Other current accounts	0	0	0	0	0	0	0
Customer transaction settlements	53	13	(52)	42	(42)	(78)	16
Customer securities	133,948	123,556	131,072	133,293	154,159	148,782	135,397
Customer securities held in custody	131,648	121,779	129,700	131,994	152,662	147,453	133,958
Securities and documents held in guaranty	2,301	1,777	1,372	1,299	1,498	1,329	1,439
Transactions on behalf of customers	836	427	48	40	55	93	202
Transactions on clients' securities loans	0	0	0	6	26	45	130
Customer repurchase and resale agreements	0	0	0	0	0	0	0
Purchase transactions (option prices)	836	427	48	34	29	48	72
Customer derivative instruments	0	0	0	0	0	0	0
Block purchases of derivative instruments	0	0	0	0	0	0	0
Block sales of derivative instruments	0	0	0	0	0	0	0
Operation on behalf third parties	134,864	124,009	131,080	133,382	154,177	148,805	135,621
Own operations	435,745	418,132	464,113	488,987	514,096	521,677	511,224
Guarantees granted	69	65	913	925	900	125	125
Other contingent obligations	4,133	3,213	3,187	3,868	2,535	2,759	2,727
Irrevocable lines of credit granted	2,124	2,680	3,104	2,898	2,697	5,524	4,111
Goods in trust or mandate	101,414	99,973	94,487	91,361	93,687	94,123	119,347
Goods in custody or administration	275,204	265,691	317,860	346,092	370,776	377,577	342,583
FOBAPROA operations - committed amounts	8,804	7,773	8,547	8,284	7,722	6,315	6,458
Loan portfolio classification	0	0	0	0	0	0	0
Letters of credit delivered in guaranty	0	0	0	0	0	0	0
Certificates of deposits in circulation	23	23	23	22	22	21	20
Securities delivered in custody	41,919	37,042	35,945	35,469	35,497	34,960	35,352
Securities delivered in guaranty	2,054	1,671	46	53	112	50	100
Own government sec. deposited in custody	0	0	0	0	132	209	384
Liquidation with own foreign currency abroad	0	0	0	0	0	0	0
Derivative instruments	0	0	0	0	0	0	0
Debt with contingency fund	0	0	0	14	14	15	15
Repurchase agreements							
Reselling party							
Securities receivable under resale agreements	84,420	81,313	68,651	56,374	82,045	108,418	82,390
(Less) Resale agreements	85,055	81,977	68,850	56,501	82,338	108,752	82,662
Net	(635)	(664)	(199)	(127)	(293)	(335)	(272)
Repurchasing party							
Repurchase agreements	14,214	15,274	3,310	3,592	9,354	38,069	4,269
(Less) Securities deliverable under repurchase agreements	14,071	15,337	3,319	3,569	9,270	37,957	4,227
Net	144	(62)	(9)	23	83	112	42
Total own operations	435,253	417,406	463,904	488,882	513,885	521,455	510,994



**Grupo Financiero Santander Serfin
Consolidated Statement of Income**

Constant pesos in millions of September 30, 2002

	2001				2002			
	1Q	2Q	3Q	9M01	1Q	2Q	3Q	9M02
Interest income	13,087	10,945	7,771	31,802	6,517	7,899	7,819	22,235
Interest expense	(10,126)	(7,919)	(4,962)	(23,006)	(4,044)	(5,475)	(4,816)	(14,335)
Gains from monetary position, net (net interest income)	(34)	(56)	(22)	(112)	(239)	(220)	(136)	(596)
Net interest income before provisions	2,927	2,970	2,787	8,685	2,234	2,204	2,867	7,304
Provisions for loan losses, net	(38)	(44)	(204)	(286)	(25)	7	(19)	(37)
Net interest income after provisions	2,889	2,926	2,583	8,398	2,209	2,210	2,848	7,268
Commissions (income)	1,058	1,028	1,330	3,415	1,330	1,354	1,504	4,188
Commissions (expenses)	(200)	(246)	(219)	(666)	(358)	(193)	(308)	(859)
Trading income	328	497	623	1,447	661	(55)	(271)	335
Total operating income (net)	4,074	4,205	4,316	12,595	3,842	3,317	3,773	10,932
Administrative and promotion expenses	(2,586)	(2,438)	(2,354)	(7,378)	(2,296)	(2,227)	(2,280)	(6,803)
Operating income (loss)	1,488	1,767	1,962	5,217	1,546	1,090	1,493	4,129
Other income	226	121	250	597	482	646	557	1,685
Other expenses	(275)	(195)	(415)	(885)	(127)	(362)	(448)	(937)
Income before income tax and employee profit sharing	1,439	1,693	1,797	4,929	1,901	1,374	1,602	4,877
Income tax and employee profit sharing	(215)	(289)	(255)	(758)	(243)	(78)	(165)	(485)
Deferred income taxes	32	22	12	66	4	(4)	(10)	(10)
Income (loss) before equity in income of subsidiaries	1,257	1,426	1,555	4,238	1,662	1,293	1,427	4,382
Equity in income of associated and affiliated companies	53	(2)	(7)	44	21	19	3	42
Discontinued operations, extraordinary items and changes in accounting policies	(40)	17	(89)	(112)	(0)	96	116	211
Minority interest	(30)	(14)	(38)	(83)	(43)	(26)	(48)	(117)
Net income total	1,240	1,427	1,421	4,088	1,639	1,381	1,498	4,519



Grupo Financiero Santander Serfin
Consolidated Statement of Changes in Stockholders' Equity

From January 1st. to September 30, 2002

Pesos in Millions

CONCEPT	Paid-in capital					Capital gains					Total stockholders' equity
	Capital stock	Additional paid-in capital	Mandatory convertible subordinated debentures	Capital reserves	Retained earnings	Surplus (deficit) from valuation of securities available for sale	Cumulative effect of restatement	RETAM * long term investment equity securities	Net income (loss)	Minority Interest	
BALANCES AS OF DECEMBER 31, 2001 RESTATED IN TERMS OF THE PURCHASING POWER OF THE PESO AS OF SEPTEMBER 30, 2002	19,135	9,546	1,722	83	(11,457)	417	(4,052)	(83)	5,418	220	20,950
MOVEMENTS INHERENT TO THE SHAREHOLDERS DECISION											
Capitalization of premium on sale of shares	9,546	(9,546)									
Transfer of result of prior year					5,418				(5,418)		
TOTAL	9,546	(9,546)			5,418				(5,418)		
MOVEMENTS FOR THE RECOGNITION OF THE INTEGRAL INCOME											
Valuation of subsidiary and associated companies					480	(821)		15			(327)
Net income for the period									4,519		4,519
Minority interest for the period										25	25
TOTAL					480	(821)		15	4,519	25	4,217
BALANCES AS OF SEPTEMBER 30, 2002	28,681		1,722	83	(5,559)	(404)	(4,052)	(68)	4,519	246	25,167

* RETAM = Results from the holding of non monetary assets

Grupo Financiero Santander Serfin
Consolidated Statement of Changes in Financial Position
From January 1st. to September 30, 2002

Pesos en Millions

OPERATING ACTIVITIES

Income before discontinued operations, extraordinary items and changes in accounting policies	4,424
Add (Deduct)-Charges (credits) to income not requiring (providing) funds:	
Depreciation and amortization	533
Provisions for loan losses	37
Gain (loss) from valuation at market	646
Equity in income of subsidiaries	(42)
Provision for foreclosed assets	13
Deferred taxes	10
Funds provided by operations	5,621

CHANGES IN OPERATING ACCOUNTS:

Increase (decrease) in:	
Financial instruments	(11,838)
Securities and derivative operations	1,924
Loan portfolio	(3,488)
Other receivables	1,597
Deferred charges and intangibles	991
Total deposits	(9,423)
Interbank and other loans	10,831
Other payable accounts	5,046
Subordinated debentures outstanding	226
Deferred credits	(117)
Total	(4,251)
Total funds provided by operations	1,371

FINANCING ACTIVITIES :

Increase (decrease) in:	
Reserves created for cleaning and strengthening against results of prior year	480
Cancellation of the restatement of mandatory convertible subordinated debetures and other	(23)
Minority interest	(92)
Funds provided by financing activities	365

INVESTING ACTIVITIES:

Increase (decrease) in:	
Property, furniture and equipment	(84)
Foreclosed assets	91
Long-term investments in equity securities	(262)
Funds used in investing activities	(255)
Increase (decrease) in funds available	1,480
Funds available at beginning of period	48,422
Funds available at end of period	49,903



Grupo Financiero Santander Serfin
Earnings per share and fully diluted earnings per share
- WITH CONTRIBUTIONS-

	Period October 2001-September 2002			Period October 2000-September 2001			Period October 1999-September 2000		
	Earnings	# Shares -weighted-	Earnings per share	Earnings	# Shares -weighted-	Earnings per share	Earnings	# Shares -weighted-	Earnings per share
Earnings per ordinary share	5,987,785,000	4,242,638,231	<u>1.411335276</u>	4,619,708,000	2,357,131,025	<u>1.959885959</u>	1,383,245,000	666,655,245	<u>2.074903048</u>
Contributions for future capital increases	-	-		-	1,025,910,365		-	1,064,209,092	
Mandatory convertible subordinated debentures	-	-		48,285,313	4,646,775		65,661,182	6,195,700	
Diluted earnings per share	5,987,785,000	4,242,638,231	<u>1.411335276</u>	4,667,993,313	3,387,688,165	<u>1.377928866</u>	1,448,906,182	1,737,060,037	<u>0.83411405</u>
Add (subtract) losses (earnings): Discontinued operations, extraordinary items and changes in accounting policies	(30,398,000)			188,921,419			(136,662,038)		
Continued fully diluted earnings per share	<u>5,957,387,000</u>	<u>4,242,638,231</u>	<u>1.404170395</u>	<u>4,856,914,732</u>	<u>3,387,688,165</u>	<u>1.433695929</u>	<u>1,312,244,144</u>	<u>1,737,060,037</u>	<u>0.755439718</u>



**Banco
Santander Mexicano**

FINANCIAL STATEMENTS

- **Consolidated Balance Sheet**
- **Consolidated Statement of Income**
- **Consolidated Statement of Changes in Stockholders' Equity**
- **Consolidated Statement of Changes in Financial Position**



Banco Santander Mexicano
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Assets							
Funds available	14,300	23,528	24,799	28,909	27,256	34,862	25,547
Financial instruments	14,043	19,150	20,404	24,884	18,107	23,872	28,610
Securities, tradeable	3,298	8,540	10,157	11,569	12,370	13,213	18,945
Securities, available for sale	5,799	7,154	5,742	6,675	51	4,455	4,330
Securities, held until maturity	4,946	3,455	4,506	6,640	5,685	6,204	5,334
Securities and derivative operations	425	620	53	343	194	116	58
Resale agreements	0	0	0	110	96	57	9
Derivative instruments	425	620	53	233	91	58	45
Securities not assigned, pending for settlement	0	0	0	0	6	1	4
Current loan portfolio							
Commercial loans	16,887	16,896	17,247	18,247	17,366	19,058	21,088
Loans to financial intermediaries	202	109	56	209	1	14	96
Consumer loans	854	967	960	931	899	910	937
Housing loans	2,603	2,599	2,585	2,508	2,486	2,463	2,494
Government loans	13,502	11,357	11,846	12,272	11,783	11,586	14,440
Loans without IPAB	34,050	31,929	32,694	34,167	32,535	34,031	39,054
IPAB	29,065	28,380	27,659	26,992	26,527	25,987	25,609
Total current loan portfolio	63,114	60,308	60,353	61,158	59,061	60,019	64,664
Past due loan portfolio							
Commercial loans	385	478	320	299	207	146	153
Loans to financial intermediaries	0	0	0	0	0	0	0
Consumer loans	32	58	57	57	34	38	40
Housing loans	135	118	108	129	119	133	151
Government loans	0	0	0	0	0	0	0
Total past due loan portfolio	552	654	485	484	360	317	345
Total loan portfolio	63,667	60,962	60,838	61,643	59,421	60,335	65,008
Allowance for loan losses	(1,025)	(950)	(1,106)	(1,428)	(1,225)	(1,156)	(1,277)
Loan portfolio, net	62,642	60,013	59,732	60,215	58,197	59,179	63,731
Other receivables, net	965	840	1,021	1,199	828	893	878
Foreclosed assets	2,171	2,139	2,027	1,691	1,662	1,553	1,519
Property, furniture and fixtures, net	146	138	122	99	86	72	68
Long-term investment in equity securities	386	407	429	435	462	721	746
Deferred taxes	0	0	0	0	0	0	0
Other assets	579	449	540	271	268	303	302
Total assets	95,656	107,283	109,129	118,047	107,060	121,572	121,459



Banco Santander Mexicano
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Liabilities & stockholders' equity							
Funding	74,369	67,991	84,459	96,222	76,705	77,702	71,115
Demand deposits	16,446	18,346	19,797	28,410	27,720	28,615	27,414
Retail time deposits	32,577	30,810	30,497	28,969	23,424	24,008	24,887
Money market time deposits	21,963	15,647	30,919	35,725	22,414	22,036	15,749
Bank bonds outstanding	3,383	3,188	3,246	3,118	3,147	3,043	3,065
Bank and other loans	7,928	23,271	8,714	6,067	10,700	21,503	24,745
Call Loans	1,326	5,264	396	740	2,770	8,293	6,264
Short-term	5,986	17,448	7,898	3,792	6,642	11,890	17,178
Long-term	617	558	419	1,535	1,288	1,320	1,303
Securities and derivative operations	763	540	1,894	3,768	3,252	6,612	5,130
Repurchase agreements	375	305	114	186	209	278	215
Securities deliverable under loan transactions	164	178	1,388	3,536	3,004	5,853	4,590
Derivative instruments	224	57	392	46	35	481	316
Securities not assigned, pending for settlement	0	0	0	0	3	0	9
Other payables	5,096	6,900	5,567	3,047	7,272	6,224	10,348
Income taxes and employee profit sharing	93	58	78	82	103	38	91
Sundry creditors and other payables	5,004	6,842	5,489	2,965	7,170	6,186	10,258
Subordinated debentures outstanding	83	319	373	311	273	426	537
Deferred taxes	590	567	543	465	460	330	326
Deferred credits	385	486	149	152	155	96	35
Total liabilities	89,215	100,072	101,699	110,030	98,818	112,894	112,236
Paid-in capital	13,135	13,087	13,072	13,047	13,028	13,005	12,984
Capital stock	10,781	11,076	11,076	11,076	11,076	11,076	11,076
Additional paid-in capital	187	187	187	187	187	187	187
Mandatory convertible subordinated debentures	2,167	1,825	1,810	1,785	1,766	1,743	1,722
Capital gains	(6,695)	(5,876)	(5,642)	(5,030)	(4,785)	(4,328)	(3,761)
Capital reserves	844	846	846	846	846	846	846
Accumulated losses	(8,932)	(8,952)	(8,951)	(8,952)	(7,261)	(7,261)	(7,261)
Surplus (deficit) from valuation of securities available for sale	17	323	37	390	4	(103)	(161)
Results from translation of foreign operations	0	0	0	0	0	0	0
Cumulative effect of restatement	767	782	782	788	788	788	788
Results from the holding of non monetary assets	0	0	0	(9)	(11)	(15)	(20)
Due to fixed assets valuation	0	0	0	0	0	0	0
Mark - to- market of long term investments in equity securities	0	0	0	(9)	(11)	(15)	(20)
Adjustments due to retirement benefits obligation	0	0	0	0	0	0	0
Net income	404	961	1,442	1,691	591	1,223	1,806
Minority interest	205	165	204	215	258	195	241
Total stockholders' equity	6,440	7,211	7,430	8,017	8,243	8,677	9,223
Liabilities & stockholders' equity	95,656	107,283	109,129	118,047	107,060	121,572	121,459



Banco Santander Mexicano
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Memorandum accounts							
Guarantees granted	4	3	3	117	114	125	125
Other contingent obligations	2,106	1,336	1,325	2,032	1,231	1,462	1,445
Irrevocable lines of credit granted	1,966	2,435	2,781	2,657	2,386	4,364	2,878
Goods in trust or mandate	57,090	56,344	51,130	50,370	50,795	50,633	77,611
Goods in custody or administration	250,768	248,749	293,665	324,443	351,988	359,526	323,417
FOBAPROA operations - committed amounts	3,428	3,317	3,985	3,815	3,576	3,978	4,078
Securities receivable under resale agreements	49,103	54,232	44,789	37,687	56,256	94,598	56,367
(Less) Resale agreements	49,357	54,469	44,862	37,692	56,370	94,798	56,570
Net	(254)	(237)	(73)	(5)	(114)	(200)	(204)
(Less) Securities deliverable under repurchase agreements	16,507	19,685	3,977	4,896	9,685	68,274	23,349
Repurchase agreements	16,386	19,616	3,936	4,825	9,686	68,253	23,347
Net	121	(68)	(41)	(71)	1	(22)	(2)
Total memorandum accounts	315,229	311,879	352,775	383,358	409,978	419,867	409,348



Banco Santander Mexicano
Consolidated Statement of income

Constant pesos in millions of September 30, 2002

	2001				2002			
	1Q	2Q	3Q	9M01	1Q	2Q	3Q	9M02
Interest income	5,519	4,793	3,780	14,093	2,960	2,850	3,327	9,137
Interest expense	(4,539)	(3,851)	(2,936)	(11,326)	(2,045)	(2,021)	(2,282)	(6,348)
Net interest income before repomo	981	942	844	2,767	914	829	1,046	2,789
Repomo - net interest income	(21)	(38)	(43)	(101)	(49)	(76)	(69)	(194)
Net interest income before provisions	960	904	801	2,665	865	753	977	2,595
Provisions for loan losses, net	(21)	(44)	(204)	(270)	(9)	(9)	(19)	(37)
Net interest income after provisions	939	860	597	2,395	856	744	958	2,558
Commissions and fee income	625	517	691	1,832	708	667	791	2,165
Commissions expenses	(56)	(59)	(75)	(190)	(89)	(85)	(117)	(291)
Trading income	89	303	467	860	232	228	39	499
Operating total income	1,597	1,621	1,680	4,898	1,707	1,554	1,672	4,932
Administrative and promotion expenses	(1,065)	(1,061)	(1,080)	(3,206)	(982)	(953)	(955)	(2,890)
Operating income (loss)	533	560	600	1,692	724	601	716	2,042
Other income	22	70	123	215	39	55	74	168
Other expense	(22)	(19)	(42)	(82)	(15)	(20)	(22)	(57)
Income before income tax and employee profit sharing	533	610	681	1,825	748	636	769	2,153
Income tax and employee profit sharing	(107)	(88)	(91)	(286)	(122)	(82)	(145)	(348)
Deferred income tax	14	16	19	49	0	0	0	1
Income before equity in income of subsidiaries	440	538	609	1,587	627	555	624	1,805
Equity in income of subsidiaries	7	18	3	28	8	6	8	22
Extraordinary items, net	(13)	15	(92)	(91)	(1)	98	(1)	96
Minority interest	(30)	(14)	(38)	(82)	(43)	(26)	(48)	(117)
Net income	404	557	481	1,442	591	632	584	1,806



Banco Santander Mexicano
Consolidated Statement of Changes in Stockholders' Equity
from January 1st. to September 30, 2002
Pesos in Millions

CONCEPT	Paid-in capital			Capital gains							Total stockholders' equity
	Capital stock	Additional paid-in capital stock	Mandatory convertible subordinated debentures	Capital reserves	Retained earnings	Surplus (deficit) from valuation of securities available for sale	Cumulative effect of restatement	RETAM * long term investment equity securities	Net income (loss)	Minority interest	
BALANCES AS OF DECEMBER 31, 2001 RESTATED IN TERMS OF THE PURCHASING POWER OF THE PESO AS OF SEPTEMBER 30, 2002	11,076	187	1,722	846	(8,952)	390	788	(9)	1,691	215	7,954
MOVEMENTS INHERENT TO THE SHAREHOLDERS DECISION											
Transfer of 2001 results to retained earnings					1,691				(1,691)		
Total					1,691				(1,691)		
MOVEMENTS FOR THE RECOGNITION OF THE INTEGRAL INCOME											
Net income									1,806		1,806
Surplus (deficit) from valuation of securities available for sale						(552)					(552)
Application of RETAM* for the year								(11)			(11)
Minority interest of the period										25	25
Total						(552)		(11)	1,806	25	1,269
BALANCES AS OF SEPTEMBER 30, 2002	11,076	187	1,722	846	(7,261)	(161)	788	(20)	1,806	241	9,223

* RETAM = Results from the holding of non monetary assets



Banco Santander Mexicano
Consolidated Statement of Changes in Financial Position
From January 1st. to September 30, 2002
Pesos en Millions

OPERATING ACTIVITIES

Income before discontinued operations, extraordinary items and changes in accounting policies	1,827
Add (Deduct)-Charges (credits) to income not requiring (providing) funds:	
Depreciation and amortization	271
Provisions for loan losses	37
Mark-to-market	422
Equity in income of subsidiaries	(22)
Provision for foreclosed assets	13
Deferred taxes	(1)
Funds provided by operations	2,548

CHANGES IN OPERATING ACCOUNTS:

Increase (decrease) in:	
Financial instruments	(4,341)
Securities and derivatives operations	1,287
Loan portfolio	(3,553)
Other receivables	321
Deferred charges and intangibles	(97)
Total deposits	(25,106)
Interbank and other loans	18,678
Other payable accounts	7,276
Deferred credits	(117)
Total	(5,651)
Total funds provided by operations	(3,103)

FINANCING ACTIVITIES :

Increase (decrease) in:	
Subordinated debentures in circulation	226
Effects of restatement of stockholders' equity	(79)
Minority interest	(92)
Funds provided by financing activities	55

INVESTING ACTIVITIES:

Increase (decrease) in:	
Property, furniture and equipment	(32)
Foreclosed assets	18
Long-term investments in equity securities	(300)
Funds used in investing activities	(314)
Increase (decrease) in funds available	(3,362)
Funds available at beginning of period	28,909
Funds available at end of period	25,547



CONSOLIDATED FINANCIAL STATEMENTS

- **Consolidated Balance Sheet**
- **Consolidated Statement of Income**
- **Consolidated Statement of Changes in Financial Position**
- **Consolidated Statement of Changes in Stockholders' Equity**

Banca Serfin
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Assets							
Funds available	19,783	18,970	26,882	23,555	25,505	28,982	25,931
Financial instruments	15,150	27,506	24,653	35,547	25,923	37,447	23,240
Securities, tradeable	2,517	11,837	3,336	2,171	10,758	15,462	7,016
Securities, available for sale	2,282	8,933	7,777	24,937	7,434	13,729	8,706
Securities, held until maturity	10,351	6,736	13,540	8,439	7,731	8,256	7,518
Securities and derivative operations	176	39	45	1,976	2,079	360	46
Resale agreements	3	16	21	21	17	40	7
Derivative instruments	173	23	24	1,955	2,051	319	39
Securities not assigned, pending for settlement	0	0	0	0	11	0	0
Current loan portfolio							
Commercial loans	6,756	5,079	6,570	6,184	6,121	6,181	6,608
Loans to financial intermediaries	4	549	163	0	0	0	0
Consumer loans	1,671	1,737	1,921	2,740	3,323	3,990	4,563
Housing loans	8,131	7,678	7,518	7,307	7,056	6,841	6,675
Government loans	6,554	6,528	6,961	17,414	17,235	16,452	25,538
Loans without IPAB	23,115	21,571	23,133	33,645	33,735	33,464	43,384
IPAB	60,438	51,763	51,282	41,494	41,063	31,434	31,059
Total current loan portfolio	83,553	73,334	74,415	75,139	74,798	64,898	74,444
Past due loan portfolio							
Commercial loans	834	507	772	599	407	172	197
Loans to financial intermediaries	12	1	1	1	1	0	0
Consumer loans	76	65	53	62	55	68	84
Housing loans	63	6	56	105	202	209	211
Government loans	1	1	1	1	1	1	0
Total past due loan portfolio	986	580	883	767	666	449	492
Total loan portfolio	84,539	73,914	75,298	75,907	75,464	65,347	74,936
Allowance for loan losses	(6,504)	(5,510)	(5,445)	(5,105)	(4,917)	(4,287)	(4,178)
Loan portfolio, net	78,035	68,404	69,853	70,801	70,547	61,061	70,758
Other receivables, net	1,526	2,217	1,286	2,663	2,963	1,561	1,470
Property, furniture and fixtures, net	3,307	3,253	3,242	3,377	3,268	3,226	3,191
Foreclosed assets	384	382	185	197	194	188	124
Long-term investment in equity securities	650	431	430	420	424	417	414
Deferred taxes	1,739	1,716	1,702	1,658	1,640	1,619	1,599
Other assets	357	306	285	1,627	541	554	531
Total assets	121,107	123,223	128,561	141,822	133,084	135,413	127,305



Banca Serfin

Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Liabilities & stockholders' equity							
Funding	85,209	82,749	99,937	96,405	86,630	92,061	91,122
Demand deposits	29,671	32,790	37,016	40,002	40,520	44,234	45,293
Retail time deposits	50,472	41,229	38,395	35,554	37,634	40,269	35,925
Money market time deposits	0	3,724	22,211	20,849	8,476	7,558	9,904
Bank bonds outstanding	5,066	5,005	2,315	0	0	0	0
Bank and other loans	23,075	26,371	12,633	27,372	28,973	27,179	18,799
Call Loans	6,215	9,465	2,277	19,408	7,913	16,005	1,574
Short-term	8,197	11,301	4,814	3,617	16,873	7,983	14,449
Long-term	8,664	5,605	5,542	4,346	4,187	3,191	2,776
Securities and derivative operations	152	432	333	2,078	2,026	878	848
Repurchase agreements	125	425	123	106	86	42	40
Securities deliverable under loan transactions	0	0	5	0	0	45	57
Derivative instruments	27	8	205	1,973	1,932	791	751
Securities not assigned, pending for settlement	0	0	0	0	8	0	0
Other payables	5,790	5,678	7,123	6,320	4,847	4,122	4,047
Income taxes and employee profit sharing	90	208	336	469	542	109	85
Sundry creditors and other payables	5,700	5,471	6,787	5,851	4,305	4,013	3,962
Subordinated debentures outstanding	0	0	0	0	0	0	0
Deferred taxes	0	0	0	0	0	0	0
Deferred credits	0	0	0	0	0	0	0
Total liabilities	114,226	115,231	120,026	132,175	122,477	124,241	114,816
Paid-in capital	16,052	16,052	16,053	16,052	16,052	16,052	16,052
Capital stock	11,249	11,249	11,249	11,249	11,249	11,249	11,249
Additional paid-in capital	4,803	4,803	4,804	4,803	4,803	4,803	4,803
Mandatory convertible subordinated debentures	0	0	0	0	0	0	0
Capital gains	(9,171)	(8,059)	(7,519)	(6,405)	(5,445)	(4,880)	(3,563)
Capital reserves	102	102	102	102	102	102	102
Accumulated losses	(9,702)	(9,663)	(9,568)	(9,557)	(6,122)	(6,084)	(5,682)
Surplus (deficit) from valuation of securities available for sale	(96)	180	(198)	26	(48)	(259)	(243)
Results from translation of foreign operations	5	24	4	(40)	(51)	(13)	(23)
Cumulative effect of restatement	(298)	(289)	(392)	(298)	(319)	(364)	(288)
Results from the holding of non monetary assets	51	29	46	(32)	2	(23)	(36)
Due to fixed assets valuation	3	(3)	(8)	4	0	4	4
Mark - to- market of long term investments in equity securities	47	32	54	(36)	2	(27)	(40)
Adjustments due to retirement benefits obligation	0	0	0	0	0	0	0
Net income	767	1,559	2,486	3,393	990	1,761	2,606
Minority interest	0	0	0	0	0	0	0
Total stockholders' equity	6,881	7,993	8,535	9,647	10,607	11,172	12,489
Liabilities & stockholders' equity	121,107	123,223	128,561	141,822	133,084	135,413	127,305



Banca Serfin
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Memorandum accounts							
Guarantees granted	65	61	910	808	786	0	0
Other contingent obligations	1,950	1,802	1,787	1,762	1,231	1,225	1,211
Irrevocable lines of credit granted	158	245	324	241	312	1,159	1,234
Goods in trust or mandate	43,536	42,852	42,586	40,231	42,140	42,748	41,002
Goods in custody or administration	24,013	16,518	23,804	21,041	18,415	17,603	18,637
FOBAPROA operations - committed amounts	5,376	4,455	4,562	4,468	4,146	2,337	2,381
Securities receivable under resale agreements	25,426	31,497	31,153	27,801	30,982	59,705	40,660
(Less) Resale agreements	25,546	31,906	31,256	27,886	31,048	59,710	40,696
Net	(121)	(408)	(103)	(84)	(66)	(5)	(36)
(Less) Securities deliverable under repurchase agreements	1,506	5,444	210	980	5,974	16,225	3,788
Repurchase agreements	1,505	5,444	210	979	5,972	16,227	3,791
Net	1	(0)	0	(1)	(3)	3	3
Total memorandum accounts	74,978	65,524	73,870	68,467	66,960	65,070	64,431

Banca Serfin
Consolidated Statement of income

Constant pesos in millions of September 30, 2002

	2001				2002			
	1Q	2Q	3Q	9M01	1Q	2Q	3Q02	9M02
Interest income	6,132	5,514	4,956	16,602	3,524	5,120	4,673	13,316
Interest expense	(4,324)	(3,634)	(3,393)	(11,351)	(2,062)	(3,558)	(2,804)	(8,424)
Net interest income before repomo	1,808	1,880	1,563	5,251	1,461	1,562	1,869	4,892
Repomo - net interest income	13	12	43	69	(158)	(104)	(30)	(293)
Net interest income before provisions	1,821	1,892	1,607	5,320	1,303	1,458	1,838	4,599
Provisions for loan losses, net	(17)	0	(0)	(17)	(16)	16	0	(0)
Net interest income after provisions	1,804	1,892	1,607	5,303	1,287	1,473	1,838	4,599
Commissions and fee income	383	397	443	1,223	485	551	590	1,626
Commissions expenses	(157)	(156)	(164)	(477)	(165)	(212)	(192)	(569)
Trading income	228	153	545	926	454	(265)	(302)	(114)
Operating total income	2,258	2,286	2,430	6,975	2,062	1,547	1,934	5,543
Administrative and promotion expenses	(1,401)	(1,271)	(1,157)	(3,829)	(1,215)	(1,173)	(1,215)	(3,603)
Operating income (loss)	857	1,015	1,273	3,146	846	374	720	1,940
Other income	88	23	62	172	358	555	350	1,263
Other expense	(129)	(85)	(281)	(496)	(131)	(180)	(286)	(598)
Income before income tax and employee profit sharing	815	953	1,054	2,823	1,074	748	784	2,605
Income tax and employee profit sharing	(65)	(148)	(134)	(347)	(91)	26	(18)	(83)
Deferred income tax	0	0	0	0	0	0	0	0
Income before equity in income of subsidiaries	750	805	920	2,476	982	774	766	2,522
Equity in income of subsidiaries	17	(13)	7	10	8	(4)	(0)	4
Extraordinary items, net	0	0	0	0	0	0	80	80
Minority interest	(0)	(0)	0	0	0	0	0	0
Net income	767	792	927	2,486	990	770	845	2,606



Banca Serfin
Consolidated Statement of Changes in Stockholders' Equity
from January 1st. to September 30, 2002
Pesos in Millions

CONCEPT	Paid-in capital			Capital gains							Total stockholders' equity
	Capital stock	Additional paid-in capital stock	Capital reserves	Retained earnings	Surplus (deficit) from valuation of securities available for sale	Result form translation of foreign currency transactions	Cumulative restatement effect	RETAM* Result from valuation fixed assets	RETAM* Result from valuation long term investment in shares	Net income	
BALANCES AS OF DECEMBER 31, 2001 RESTATED IN TERMS OF THE PURCHASING POWER OF THE PESO AS OF SEPTEMBER 30, 2002	11,249	4,803	102	(9,557)	26	(40)	(298)	4	(36)	3,393	9,646
MOVEMENTS INHERENT TO THE SHAREHOLDERS DECISION											
Prior year results approved by shareholders' meeting pending to be transferred				3,393						(3,393)	
Recoveries of allowances and reserves previously applied to goodwill trust				482							482
Total				3,875						(3,393)	482
MOVEMENTS FOR THE RECOGNITION OF THE INTEGRAL INCOME											
Integral net income											
Net income										2,606	2,606
Result form valuation on securities available for sale					(269)						(269)
Result form translation of foreign currency transactions						17					17
Cumulative restatement effect							6				6
Application of RETAM* for the year							4		(4)		
Total					(269)	17	10		(4)	2,606	2,360
BALANCES AS OF SEPTEMBER 30, 2002	11,249	4,803	102	(5,682)	(243)	(23)	(288)	4	(40)	2,606	12,488

* RETAM = Results from the holding of non monetary assets



Banca Serfin

Consolidated Statement of Changes in Financial Position

From January 1st. to September 30, 2002

Pesos en Millions

OPERATING ACTIVITIES

Net income	2,606
Add (Deduct)-Charges (credits) to income not requiring (providing) funds:	
Mark-to-market	238
Depreciation and amortization	250
Equity in income of subsidiaries	(2)
Minority interest	(0)
Funds provided by operations	3,092

CHANGES IN OPERATING ACCOUNTS:

Increase (decrease) in:	
Total deposits	(5,283)
Loan portfolio	43
Financial instruments	12,069
Securities and derivatives operations	699
Interbank and other loans	531
Amortization of bank and other loans	(9,104)
Other receivables	(1,079)
Total	(2,123)
Total funds provided by operations	969

FINANCING ACTIVITIES :

Increase (decrease) in:	
Recoveries of allowances and reserves previously applied to goodwill trust	482
Funds provided by financing activities	482

INVESTING ACTIVITIES:

Increase (decrease) in:	
Property, furniture and equipment	(229)
Foreclosed assets	1,155
Funds used in investing activities	926
Increase (decrease) in funds available	2,376
Funds available at beginning of period	23,555
Funds available at end of period	25,931

BANKING BUSINESS SANTANDER SERFIN

FINANCIAL STATEMENTS PROFORMA

- **Consolidated Balance Sheet**

- **Consolidated Statement of Income**



**Banking Business Proforma Santander Serfin
Consolidated Balance Sheet**

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Assets							
Funds available	29,115	33,572	51,519	48,418	50,588	63,187	49,902
Financial instruments	28,687	43,617	35,122	40,703	38,536	53,739	51,478
Securities, tradeable	5,313	17,343	8,867	8,483	22,226	26,790	25,796
Securities, available for sale	8,080	16,086	13,519	17,188	3,048	12,809	13,036
Securities, held until maturity	15,294	10,188	12,735	15,031	13,263	14,141	12,645
Securities and derivative operations	601	659	98	2,328	2,293	392	104
Resale agreements	3	16	21	130	113	97	16
Derivative instruments	598	643	78	2,198	2,163	293	84
Securities not assigned, pending for settlement	0	0	0	0	17	1	4
Current loan portfolio							
Commercial loans	23,621	21,975	23,817	24,431	23,488	25,239	27,697
Loans to financial intermediaries	204	658	219	210	1	14	96
Consumer loans	2,525	2,704	2,881	3,670	4,222	4,900	5,500
Housing loans	10,758	10,277	10,103	9,815	9,542	9,304	9,169
Government loans	20,057	17,885	18,807	29,687	29,018	28,038	39,977
Loans without IPAB	57,165	53,500	55,827	67,812	66,270	67,496	82,439
IPAB	89,503	80,143	78,941	68,486	67,589	57,421	56,669
Total current loan portfolio	146,668	133,643	134,768	136,298	133,859	124,917	139,107
Past due loan portfolio							
Commercial loans	1,219	986	1,092	897	614	318	350
Loans to financial intermediaries	12	1	1	1	1	0	0
Consumer loans	108	123	110	119	89	105	124
Housing loans	198	123	163	233	321	342	362
Government loans	1	1	1	1	1	1	0
Total past due loan portfolio	1,538	1,234	1,368	1,252	1,026	766	837
Total loan portfolio	148,206	134,876	136,136	137,549	134,885	125,683	139,944
Allowance for loan losses	(7,529)	(6,459)	(6,552)	(6,533)	(6,142)	(5,443)	(5,454)
Loan portfolio, net	140,677	128,417	129,584	131,017	128,743	120,240	134,490
Other receivables, net	2,490	3,056	2,307	3,862	4,504	1,693	2,018
Property, furniture and fixtures, net	5,478	5,391	5,269	5,068	4,930	4,779	4,710
Foreclosed assets	530	519	307	296	281	260	192
Long-term investment in equity securities	1,036	838	859	855	886	1,138	1,160
Deferred taxes	1,149	1,149	1,159	1,193	1,181	1,288	1,273
Other assets	937	755	825	1,898	809	857	832
Total assets	210,699	217,975	227,050	235,638	232,752	247,572	246,161



Banking Business Proforma Santander Serfin
Consolidated Balance Sheet

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Liabilities & stockholders' equity							
Funding	159,072	147,699	174,458	170,994	157,699	161,982	161,661
Demand deposits	46,116	51,136	56,812	68,412	68,240	72,850	72,707
Retail time deposits	74,150	71,823	68,708	62,472	60,915	64,277	60,812
Money market time deposits	30,357	17,013	43,376	36,993	25,396	21,812	25,077
Bank bonds outstanding	8,449	7,728	5,561	3,118	3,147	3,043	3,065
Bank and other loans	26,036	40,716	21,185	31,296	37,643	48,227	42,173
Call Loans	5,815	7,178	2,511	19,433	9,859	23,842	6,466
Short-term	10,940	27,465	12,712	5,982	22,310	19,874	31,627
Long-term	9,281	6,074	5,962	5,881	5,475	4,511	4,079
Securities and derivative operations	916	974	2,230	5,856	5,299	7,407	5,977
Repurchase agreements	500	732	240	291	296	320	255
Securities deliverable under loan transactions	164	178	1,393	3,536	3,004	5,898	4,647
Derivative instruments	251	64	597	2,028	1,987	1,188	1,067
Securities not assigned, pending for settlement	0	0	0	0	12	0	9
Other payables	10,887	12,578	12,691	9,366	12,832	9,586	14,066
Income taxes and employee profit sharing	183	266	414	551	645	148	175
Sundry creditors and other payables	10,704	12,312	12,276	8,816	12,187	9,438	13,890
Subordinated debentures outstanding	83	319	373	311	273	426	537
Deferred taxes	0	0	0	0	0	0	0
Deferred credits	385	486	149	152	155	96	35
Total liabilities	197,378	202,772	211,085	217,975	213,902	227,723	224,449
Paid-in capital	29,187	29,139	29,128	29,099	29,080	29,057	29,036
Capital stock	22,031	22,325	22,328	22,325	22,325	22,325	22,325
Additional paid-in capital	4,989	4,989	4,991	4,989	4,989	4,989	4,989
Mandatory convertible subordinated debentures	2,167	1,825	1,810	1,785	1,766	1,743	1,722
Capital gains	(15,866)	(13,935)	(13,163)	(11,436)	(10,230)	(9,208)	(7,325)
Capital reserves	946	948	948	948	948	948	948
Accumulated losses	(18,634)	(18,615)	(18,519)	(18,509)	(13,434)	(13,346)	(12,943)
Surplus (deficit) from valuation of securities available for sale	(79)	502	(160)	417	(44)	(362)	(404)
Results from translation of foreign operations	5	24	4	(40)	(51)	(13)	(23)
Cumulative effect of restatement	457	521	387	490	520	424	500
Results from the holding of non monetary assets	63	0	46	(40)	(9)	(37)	(56)
Due to fixed assets valuation	(2)	0	(8)	4	0	4	4
Mark - to- market of long term investments in equity securities	65	0	54	(45)	(9)	(42)	(60)
Adjustments due to retirement benefits obligation	0	0	0	0	0	0	0
Net income	1,171	2,520	3,928	5,084	1,581	2,984	4,412
Minority interest	206	166	204	216	258	195	241
Total stockholders' equity	13,321	15,204	15,965	17,663	18,850	19,849	21,712
Liabilities & stockholders' equity	210,699	217,975	227,050	235,638	232,752	247,572	246,161



**Banking Business Proforma Santander Serfin
Consolidated Balance Sheet**

Constant pesos in millions of September 30, 2002

	2001				2002		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Memorandum accounts							
Guarantees granted	69	65	913	925	900	125	125
Other contingent obligations	4,056	3,137	3,112	3,794	2,462	2,687	2,655
Irrevocable lines of credit granted	2,124	2,680	3,104	2,898	2,697	5,524	4,111
Goods in trust or mandate	100,626	99,196	93,716	90,602	92,935	93,381	118,614
Goods in custody or administration	274,780	265,267	317,469	345,484	370,403	377,130	342,054
FOBAPROA operations - committed amounts	8,804	7,773	8,547	8,284	7,722	6,315	6,458
Securities receivable under resale agreements	70,749	75,079	67,102	56,990	80,511	107,432	78,301
(Less) Resale agreements	71,132	75,733	67,280	57,082	80,696	107,636	78,541
Net	(383)	(654)	(178)	(92)	(185)	(204)	(241)
(Less) Securities deliverable under repurchase agreements	14,233	16,734	3,329	4,565	9,014	37,917	8,448
Repurchase agreements	14,119	16,671	3,289	4,495	9,017	37,898	8,450
Net	114	(62)	(40)	(70)	3	(19)	2
Total memorandum accounts	390,190	377,402	426,643	451,825	476,938	484,936	473,779



**Banking Business Proforma Santander Serfin
Consolidated Statement of income**

Constant pesos in millions of September 30, 2002

	2001				2002			
	1Q	2Q	3Q	9M01	1Q	2Q	3Q02	9M02
Interest income	11,651	10,308	8,736	30,695	6,484	7,970	8,000	22,454
Interest expense	(8,863)	(7,486)	(6,329)	(22,677)	(4,108)	(5,579)	(5,086)	(14,773)
Net interest income before repomo	2,788	2,822	2,407	8,017	2,376	2,391	2,914	7,681
Repomo - net interest income	(8)	(26)	1	(33)	(208)	(180)	(99)	(487)
Net interest income before provisions	2,781	2,796	2,408	7,985	2,168	2,211	2,815	7,194
Provisions for loan losses, net	(38)	(44)	(204)	(286)	(25)	7	(19)	(37)
Net interest income after provisions	2,743	2,752	2,204	7,698	2,144	2,217	2,796	7,157
Commissions and fee income	1,008	914	1,133	3,055	1,193	1,218	1,381	3,792
Commissions expenses	(213)	(215)	(239)	(666)	(254)	(297)	(308)	(859)
Trading income	317	456	1,012	1,785	686	(37)	(263)	385
Operating total income	3,855	3,907	4,110	11,872	3,768	3,100	3,606	10,475
Administrative and promotion expenses	(2,465)	(2,332)	(2,237)	(7,035)	(2,197)	(2,126)	(2,170)	(6,493)
Operating income (loss)	1,390	1,575	1,873	4,837	1,571	975	1,436	3,981
Other income	110	93	185	388	397	610	424	1,432
Other expense	(151)	(104)	(322)	(578)	(146)	(200)	(310)	(657)
Income before income tax and employee profit sharing	1,348	1,563	1,736	4,647	1,822	1,384	1,550	4,756
Income tax and employee profit sharing	(172)	(235)	(225)	(633)	(213)	(56)	(160)	(429)
Deferred income tax	14	16	19	49	0	0	0	1
Income before equity in income of subsidiaries	1,190	1,343	1,529	4,063	1,609	1,329	1,390	4,328
Equity in income of subsidiaries	24	5	9	38	16	2	7	26
Extraordinary items, net	(13)	15	(92)	(91)	(1)	98	79	176
Minority interest	(30)	(14)	(38)	(82)	(43)	(26)	(48)	(117)
Net income	1,171	1,349	1,408	3,928	1,581	1,402	1,428	4,412



NOTES TO FINANCIAL STATEMENTS AS OF SEPTEMBER 2002
(Pesos in thousands)

1. Investment in Securities

The investments in securities are composed as follows:

	<u>Santader</u>	<u>Serfin</u>
<u>Trading securities</u>		
Bank securities	9,979,096	6,670,633
Government securities	8,734,921	105,732
Private shares	231,271	199,601
Other	0	40,300
TOTAL	18,945,288	7,016,266
<u>Securities available for sale</u>		
Bank securities	0	994,136
Government securities	4,330,433	5,997,914
Private shares	0	3,392
Other	0	1,710,357
TOTAL	4,330,433	8,705,799
<u>Securities held until maturity</u>		
Bank securities	331,017	292,113
Government securities	3,149,400	4,547,263
Private shares	1,666,580	2,678,689
Other	186,881	0
TOTAL	5,333,878	7,518,065
TOTAL FINANCIAL INSTRUMENTS	28,609,599	23,240,130

Serfin

In February 2002, The National Banking and Securities Commission (CNBV) authorized the Nassau Agency of Banca Serfin to reclassify BNCE04 Bonds issued by Bancomext from the Available for Sale Portfolio to the Held until Maturity Portfolio in the amounts of \$185,392.

The number of securities transferred from the Available for Sale Portfolio was 20,000.

The result from valuation of the securities at date of transfer will continue to be recognized in shareholders' equity and will continue amortizing until maturity and it equals to \$5,410. As of September 30, 2002, this amount totaled \$4,219.

The securities transferred to the Held until Maturity Portfolio will not be sold and will be held until maturity.

2. Repurchase and resale agreements

The portfolio in repurchase and resale agreements is as follows:

	<u>Santader</u>	<u>Serfin</u>
<u>Debit balances</u>		
Bank securities	266	290
Government securities	9,030	8,340
TOTAL	9,296	8,631
<u>Credit balances</u>		
Bank securities	-269	-537
Government securities	-214,977	-40,861
TOTAL	-215,246	-41,397
CREDIT BALANCE IN REPO AGREEMENTS	-205,950	-32,767

3. Investment in securities different to government securities

The following table shows investments in debt instruments with the same issuer, with positions equal or higher than 5% of the bank's net capital

Santander

Issuer	Series	Date of maturity	Interest rate	Book Value
Bancomer	2394 / 2404 / 2424 / 2493 / 2514	10-oct. al 26-dec-02	8.1% -10.8%	3,977,315
Banamex	2415 / 2484 / 2493	18-oct. al 05-dec-02	7.9% -10.8%	455,853
Banorte	2392 / 2394 / 2404 / 2414 / 2424	01-oct. al 24-oct-02	8.10%	1,032,599
Inbursa	2392 / 2394 / 2401 / 2414 / 2434 / 2464	01-oct. al 21-nov-02	7.95% -10.8%	4,048,248
Bancomext	50803 / 20204	05-aug-03 al 02-feb-04	7.25% -8.0%	698,424
				10,212,439

Serfin

Issuer	Series	Date of maturity	Interest rate	Book Value
Banamex	2402 / 2414 / 2415 / 2424	10-oct. al 18-oct-02	7.31% - 8.61%	673,844
Banobras	2392 / 2394	01-oct.-02	8.10%	2,441,347
Banorte	2392 / 2404 / 2414 / 2424 / 3074	01-oct-02 al 20-feb-03	8.1% - 20.1%	1,431,693
Nafin	2392 / 2404	01-oct.-02	8.10%	1,900,416
Bancomext	03 / 04 / 06	05-aug-03 al 30-may-06	7.25% -11.25%	1,804,415,934
				1,810,863,234

4. Derivative financial instruments

The following table shows nominal amounts of derivative financial instruments contract for trading, at September 30, 2002:

	Santander		Serfin	
	Purchase	Sale	Purchase	Sale
Swaps				
Interest rate	6,583,628		500,000	
U.S. Dollars translated	9,667,256		9,517,290	
Futures				
Interest rate	143,256,093	8,356,442	68,584,522	7,749,854
Mexican pesos	0	0	1,725,000	519,500
Dollars	0	0	248,587	0
Forward contracts				
Interest rate	10,600,000	0	0	0
Exchange rate	97,200,065	99,991,442	8,443,398	10,771,527
Options				
Interest rate	0	702,487	0	0
Exchange rate	507,630	2,203,835	1,739,083	3,177,069
Shares	0	0	34,624	1,534
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	267,814,672	111,254,206	90,792,504	22,219,484

5. Loan portfolio

The next table details loans by type of loan and currency, at September 30, 2002

SANTANDER

<u>Current Loans</u>	<u>Pesos</u>	<u>US Dollars</u>	<u>UDIS</u>	<u>TOTAL</u>
Commercial	15,127,304	5,878,611	82,335	21,088,250
Financial Entities	16,614	78,901		95,515
Consumer	841,653	0	95,024	936,677
Mortgage	1,214,080	0	1,279,901	2,493,981
Government Entities	6,902,571	7,277,545	259,787	14,439,903
Fobaproa or Ipab	24,309,410	1,299,873		25,609,283
<u>TOTAL</u>	48,411,632	14,534,930	1,717,047	64,663,609
<u>Past Due Loans</u>				
Commercial	71,145	81,753	269	153,167
Consumer	31,150	0	9,122	40,272
Mortgage	37,355	0	113,740	151,095
<u>TOTAL</u>	139,650	81,753	123,131	344,534
CARTERA TOTAL	48,551,282	14,616,683	1,840,178	65,008,143

SERFIN

<u>Current Loans</u>	<u>Pesos</u>	<u>US Dollars</u>	<u>UDIS</u>	<u>TOTAL</u>
Commercial	5,344,727	814,300	449,274	6,608,301
Financial Entities	0	0	0	0
Consumer	4,563,434	0	0	4,563,434
Mortgage	3,157,825	0	3,517,098	6,674,923
Government Entities	20,572,607	288,157	4,676,811	25,537,575
Fobaproa or Ipab	31,059,373	0		31,059,373
<u>TOTAL</u>	64,697,966	1,102,457	8,643,183	74,443,606
<u>Past Due Loans</u>				
Commercial	3,580	145,580	48,069	197,229
Consumer	84,139	2	0	84,141
Mortgage	128,216	0	82,848	211,064
<u>TOTAL</u>	215,935	145,582	130,917	492,434
CARTERA TOTAL	64,913,901	1,248,039	8,774,100	74,936,040

6. Past due loans

The following table shows an analysis of past due loans movements from January 1st. to September 30, 2002:

	<u>Santander</u>	<u>Serfin</u>
Balance at December 31, 2001	467,324	740,152
Transfer of currently loans to past due loans	465,512	895,558
Collections		
Cash	-258,001	-314,946
Foreclosed assets	0	-8,248
Forgiveness of debt and charge -off	-330,301	-849,472
Valuations and other	0	29,390
Balance at September 30, 2002	344,534	492,434



7. Allowances for loan losses

The following table shows an analysis of movements in allowances for loan losses, from January 1st. to September 30, 2002:

	<u>Santander</u>	<u>Serfin</u>
Balance at December 31, 2001	1,377,293	4,925,672
Allowances created through provisions for loan losses	7,589	312,912
Allowances created through provisions for UDI's loans	20,516	0
Recoveries on loan charge-offs	221,690	0
Recoveries of allowances and reserves previously applied to goodwill trust	0	-227,430
Charge-offs	-354,133	-887,749
Support programs cost	0	0
Finape	-1,497	-2,879
Fopyme	-2,510	-7,255
Mortgage & Punto Final	-32,393	-47,842
Exchange rate effect on foreign currency	33,099	112,141
Exchange rate effect on UDI's	7,068	0
Balance at September 30, 2002	<u>1,276,722</u>	<u>4,177,570</u>

8. Classification on loan portfolio

A breakdown of allowances for loan losses derived from the loan portfolio classification process at September 30, 2002, as well as additional allowances and including UDI trust is shown below:

	SANTANDER		SERFIN	
	Classification Basis	Allowances	Classification Basis	Allowances
Commercial loans	21,344,665	518,131	6,804,568	482,632
"A"	18,971,460	115,855	5,531,752	72,648
"B"	1,924,476	112,400	964,220	214,121
"C"	237,710	93,592	182,174	115,494
"D"	68,319	54,910	42,465	33,742
"E"	141,554	141,374	46,837	46,627
Not classified	1,145	0	37,120	0
Financial entities loans	0	0	0	0
Consumer loans	776,993	39,049	4,647,512	149,898
"A"	671,991	3,360	4,210,375	21,052
"B"	58,123	5,812	272,624	27,262
"C"	17,909	8,059	65,905	29,658
"D"	23,944	17,206	94,823	68,273
"E"	4,882	4,612	3,785	3,653
Not classified	145	0	0	0
Housing loans	2,845,030	208,151	6,885,948	1,715,748
"A"	2,148,425	12,556	5,187,264	1,123,877
"B"	341,457	22,920	1,353,048	382,946
"C"	190,904	60,393	303,788	169,878
"D"	152,078	103,353	41,090	38,406
"E"	8,930	8,930	549	641
Not classified	3,236	0	209	0
Government loans	217,243	2,070	25,537,504	1,577
"A"	217,243	2,070	288,157	1,441
"D"	0	0	173	136
Exempted loans	0	0	25,249,174	0
Loans to IPAB or FOBAPROA	28,837,052	0	31,059,373	0
FOBAPROA note	28,837,052	0	31,059,373	0
Other past due debt	0	0	258	0
Not classified	0	0	258	0
Off balance sheet transactions				
Guarantees granted	125,308	49,104	154	1
"A" Risk	2,549	13	154	1
"C" Risk	122,759	49,091	0	0
Not classified	0	0	0	0
Irrevocable commercial loans	2,877,599	23,820	1,234,664	5,245
"A" Risk	2,810,795	16,143	333,923	1,941
"B" Risk	62,024	5,765	31,199	3,304
"C" Risk	4,779	1,911	0	0
Exempted loans 1/	0	0	869,542	0
Allowances for loan losses according to loan portfolio classification		840,325		2,355,101
Other additional allowances		436,397		1,822,469
Allowances for loan losses balance		1,276,722		4,177,570

9. Problems loans

Loan portfolio was classified in accordance with circular 1480 of the Comision Nacional Bancaria y de Valores. The Bank considers problem loans those classified with "D" and "E" risk, due to the lower probability of collecting the full amount of principal.

10. Federal Government - Support programs for the bank debtors

In the nine months period ended September 30, 2002 the Bank recorded the following amounts in connection with the support programs:

	<u>SANTANDER</u>	<u>SERFIN</u>
To debtors on housings loans and Final Aid Program	32,393	47,842
To debtors on companies loans	2,510	7,255
To debtors on agricultural loans	1,497	2,879
TOTAL	<u>36,400</u>	<u>57,976</u>

At September 30, 2002, loans granted to the Federal Government in connection with the portion of the benefits to Bank debtors which it retains is made up as follows:

	<u>SANTANDER</u>		<u>SERFIN</u>	
	Unconditioned loans	Conditioned loans	Unconditioned loans	Conditioned loans
To debtors on housings loans and Final Aid Program	62,615	0	190,165	0
To debtors on companies loans	1,034	1,552	1,907	198
To debtors on agricultural loans	860	1,880	399	136
TOTAL	<u>64,509</u>	<u>3,432</u>	<u>192,471</u>	<u>334</u>

11. Investment in subsidiaries

On May 2002, Santander Mexicano, S.A. de C.V., Afore, subsidiary of Banco Santander Mexicano, made a dividend payment amounting to P\$346,174

12. Bank and other loans

At September 30, 2002, the bank and other loans were as follows:

	<u>SANTANDER</u>		<u>SERFIN</u>	
	Amount	Rate	Amount	Rate
Loans in Mexican pesos				
Banco de México	16,125,666	7.69%	13,261,058	7.49%
Call-money	6,254,840	8.03%	1,572,720	7.19%
Public fiduciary funds	1,270,484	3.17%	2,106,914	5.05%
Development bank loans	316,167	11.16%	465,873	11.83%
Total	<u>23,967,157</u>		<u>17,406,565</u>	
Loans in foreign currency				
Foreign banks loans				
Loan with foreign agency	51,149	3.24%	602,835	3.46%
Development bank loans	283,017	4.96%	107,728	7.17%
Other funds	400,293	5.20%	649,064	5.95%
Total	<u>734,459</u>		<u>1,359,627</u>	
Accrued interest	43,503		33,173	
TOTAL	<u>24,745,119</u>		<u>18,799,365</u>	

13. Bank bonds

As of September 30, 2002 bank bonds were as follows:

Santander		Amount
Issuance		
BANSAN 1P-00		3,000,000
Accrued interest		64,633
	Total	3,064,633

Issuance of 30,000,000 bank bonds, whose principal will be amortized on June 19, 2003. Interest is payable at the end of a first period of 189 days and five successive periods of 182 days each, beginning on June 15, 2000.

Interest is calculated at the higher of: adding 0.25% to the rate resulting from the arithmetic average of the annual yield of the primary placement of 91-day CETES, two weeks before the rate is determined, or, subtracting 1.25% from the rate resulting from the arithmetic average of the 28-day TIIE rate or the one that may replace it.

Serfin

As of September 30, 2002 Banca Serfin have not issued any bank bonds.

14. Deferred taxes

As of September 30, 2002 deferred taxes were as follows:

SANTANDER

Bank	Basis	Taxes
<u>DEFERRED RECORDED IN BALANCE SHEET</u>		
Deferred assets		
Surplus on allowances for loan losses	289,919	101,471
Fiscal loss on sale of shares	61,160	21,408
Provision for expenses	2,293	802
Fiscal loss on sale of fixed assets	233,131	81,606
Total deferred tax assets		205,287
Deferred liabilities		
Foreclosed assets	-88,189	-31,216
Moratory interest	-1,119,123	-391,693
Surplus on financial instruments	-96,291	-33,702
Advance payments	-69,623	-24,368
Fiscal gain on sale of real estate	-196,704	-68,846
Total deferred tax liabilities		-549,825
	Deferred tax , net	-344,538
Afore		
Preoperative expenses adn commissions	60,391	21,137
Real estate subsidiaries		
Fixed assets appraisal	-7,317	-2,561

SERFIN

<u>DEFERRED RECORDED IN BALANCE SHEET</u>	Basis	Taxes
Deferred assets		
Fiscal loss prior year	5,129,445	1,795,306
Total deferred tax assets		1,795,306
Deferred liabilities		
Other liabilities	-560,302	-196,105
Total deferred tax liabilities		-196,105
	Deferred tax , net	1,599,201

As of September 30th, 2002 Banca Serfin's deferred taxes registered in memorandum accounts totaled P\$11,701,957 thousand pesos.



15. Surplus (deficit) from valuation

Surplus (deficit) from valuation of securities, resale agreements, securities under loan, recorded for the nine months ended September 30, 2002 are as follows:

	SANTANDER		SERFIN	
	Realized	Market - to - Market	Realized	Market - to - Market
Foreign market	337,970	-199,767	18,829	-320,829
Foreign exchange (fx)	752,735	56,355	75,928	-185,613
Derivatives	-414,765	-256,122	-57,099	-135,216
Capital market	2,286	-27,434	-5,921	-39,846
Trading securities	4,515	-30,970	-6,997	-38,842
Derivatives	-2,229	3,536	1,075	-1,003
Money market	519,924	-113,698	257,192	-61,826
Bank securities	350,000	-19,754	244,360	-5,149
Repurchase and resale agreements	0	-46,142	0	-4,422
Securities receivable under loans	0	51,588	0	0
Derivatives	169,924	-99,390	12,832	-52,254
Restatement effects	10,796	0	37,307	-1,095
TOTAL	870,976	-340,899	307,407	-423,596

16. Other income and expenses

Items included in other income and expenses line at September 30, 2002 are disclosed in the following table:

Santander

Result on sale of fixed assets	7,938
Write offs debt accounts	-31,195
Non - deductible losses	-5,162
Technical professional fees	69,832
Foreclosed assets write - offs	-13,583
Recoveries of charged - off loans	-501
Other recoveries	14,824
Result from monetary position (other income)	36,489
Other income and expenses	30,408
	109,050

Serfin

Cancellation of prior year liabilities and other costs, net*	585,888
Release of the reserve on the balance of special long-term Cetes in UDI's	137,402
Other recoveries, net	101,935
Net income from lease, sub-lease and sale of real property and equipment	41,563
Interest on loans to the Bank's employees, net	29,767
Loss from monetary position	-231,070
	665,485

* Includes \$318,714 thousand pesos from Serfin Light acquisition costs.

17. Subsequent events

Serfin:

On October 7, 2002, a General Ordinary and Extraordinary Shareholders' Meeting of Banca Serfin, S.A. was held at which the following was approved:

FIRST: "Recognize \$10,853,534,484.00 M.N. as subscribed, paid capital stock, restated as of December 31, 2001.

It was agreed to reduce the restated capital stock of Banca Serfin, S.A. by \$9,220,912,799.00 M.N., to absorb the accumulated losses reported in its financial statements as of December 31, 2001."

SECOND: "It was agreed that based on the previous resolutions of this point of the Agenda, the capital stock will be left at \$1,632,621,685.00 M.N., which will be represented by 1,632,621 shares of which 1,632,620 correspond to Series F and 1 to Series B."

THIRD: "It was agreed that the reduction in restated capital stock to absorb the accumulated losses reported in the Institution's financial statements as of December 31, 2001, will proportionally affect all the Series F shares. In this regard, 4.582365 shares will be cancelled for every 5.582365 shares before the reduction.

FOURTH: "The Institution is authorized to issue the new provisional or final share certificates reflecting the Institution's new capital stock, for their subsequent deposit in S.D. INDEVAL, S.A. de C.V."

NINTH: "It was agreed that the net income of 2001 totaling \$3,273,869,862.00 M.N. will be applied in the following manner:

- Ten percent (10%), that is, \$327,386,986.20 M.N., will be applied as a capital reserve.
- \$1,909,503,286.00 M.N. will be applied to the payment of dividends to the shareholders.
- \$1,036,979,589.80 M.N. will be applied to the results from prior years account, for its subsequent channeling based on the agreement of the Institution's shareholders' meeting.

Santander:

On October 7, 2002, a General Ordinary and Extraordinary Shareholders' Meeting of Banco Santander Mexicano, S.A. was held at which the following was approved:

FIRST: 72,691 Series B shares are cancelled since they were not subscribed or paid by the shareholders that have the right to them.

SECOND: Recognize \$10,685,785.5 as subscribed, paid capital stock, restated as of December 31, 2001, once the 72,691 Series B shares are cancelled, as stated in the previous point.

It was agreed to reduce the restated capital stock of the Bank by \$ 8,636,961.07 M.N., to absorb the accumulated losses reported in its financial statements as of December 31, 2001."

THIRD: "It was agreed that based on the previous resolution of this point the capital stock will be left at \$2,048,824.5 M.N., which will be represented by 20,488,245,277 shares of which 13,709,750,491 correspond to Series F and 6,778,494,786 to Series B."

FOURTH: "It was agreed that the reduction in restated capital stock to absorb the accumulated losses reported in the Institution's financial statements as of December 31, 2001, will proportionally affect all the Bank's shareholders. In this regard, 2.53385 shares will be cancelled for every 3.53385 shares before the reduction.

FIFTH: It was agreed that the net distributable income that appears in the Bank's statement of operations for the period ended December 31, 2001, will be applied as follows:

- \$ 135,141.9, equivalent to ten percent of the net income of the Bank, will be applied to increase its legal reserve.
- The remainder, that is, \$ 1,496,146.6, will be applied to the results from prior years account.

Grupo Financiero Santander Serfin:

On October 7, 2002, a General Ordinary and Extraordinary Shareholders' Meeting of Grupo Financiero Santander Serfin, S.A. de C.V. was held at which the following was approved:

FIRST: The financial statements with figures as of June 30, 2002, which accompany this minute and form part of it, were approved in conformity with which subscribed, paid, restated capital stock of \$28,337,939,086.00 M.N. is recognized (Twenty-eight billion three hundred thirty-seven million nine hundred thirty-nine thousand eighty-six pesos and 00/100 M.N.)."

SECOND: "It was agreed to reduce the restated capital stock of Grupo Financiero Santander Serfin, S.A. de C.V. by \$5,887,107,595.00 M.N. (Five billion eight hundred eighty-seven million one hundred seven thousand five hundred ninety-five pesos and 00/100 M. N.), to absorb the accumulated losses shown in the financial statements as of June 30, 2002."

THIRD: "It was agreed that the agreed-to capital reduction would be made through the pro rata cancellation of the variable and fixed capital stock."

FOURTH: It is made clear that, based on the preceding resolutions, the capital stock of Grupo Financiero Santander Serfin, S.A. de C.V., is left made up as follows:

Total Capital:	\$22,450,831,491.00
Fixed capital:	\$13,324,477,787.78
Series "F" shares	2,452,644,725.00
Series "B" shares	1,071,619,404.00
Total fixed capital shares:	3,524,264,129.00
Variable capital:	\$ 9,126,353,703.22
Series "F" shares	1,679,893,477.00
Series "B" shares	733,985,820.00
Total variable capital shares:	2,413,879,297.00

The shares, representative of the capital stock, are ordinary, nominative shares with a nominal value of \$3.780782962 M.N. each.

FIFTH: It was agreed that the capital reduction will affect all the shareholders of the Institution in proportion to their equity holdings in the Institution. In this regard, 0.02708321 shares will be cancelled for every share that makes up the current capital before the reduction.

It was agreed that any differences that may result from rounding in favor of the shareholder and when the nominal value of each share is not reached, the difference will be paid in cash to the corresponding shareholder, if requested in writing from the issuer before February 8, 2002".

SIXTH: "The capital reduction and all its effects will be subject to the suspensive condition that the Secretariat of Finance and Public Credit authorize the statutes reform of the next point of the agenda in conformity with the applicable legislation."

SEVENTH: It was agreed that the accumulated income reflected in the financial statements as of June 30, 2002 of \$2,984,619,401.00 (Two billion nine hundred eighty-four million six hundred nineteen thousand four hundred one pesos and 00/100 M.N.) be applied as follows:

- 1. \$ 823,580.00 (Eight hundred twenty-three thousand five hundred eighty pesos and 00/100) as legal reserve.**
- 2. After the reserve mentioned, of the remaining \$2,983,795,821.00 (Two billion nine hundred eighty-three million seven hundred ninety-five thousand eight hundred twenty-one pesos and 00/100, M.N.), \$1,909,503,286.00 (One billion nine hundred nine million five hundred three thousand two hundred eighty-six pesos and 00/100 M.N.) will be used to make an advance payment of dividends for the year 2002, while the remainder will be applied to the results of fiscal 2002."**

Between September 30 and October 22, 2002, there have been no changes to the tax regulations or the banking regulations that impact the financial structure of the Bank or its results for the period.



18. Capitalization

SANTANDER

**I. ASSETS AT RISK
MARKET RISKS**

Concept	Amount of equivalent positions	Capital requirement
Transactions in Mexican pesos with a nominal rate	9,542,187	763,375
Transactions in Mexican pesos with a real rate	446,925	35,754
Transactions in foreign currency, with nominal rate	2,280,175	182,414
UDI positions or referred to the NCPI	26,150	2,092
Foreign currency positions	57,700	4,616
Transactions involving and with respect to securities	634,388	50,751
TOTAL	12,987,525	1,039,002

CREDIT RISKS

	Amount of equivalent positions	Capital requirement
Group I (weighted at 0%)	0	0
Group II (weighted at 2.5%)	0	0
Group II (weighted at 10%)	640,563	51,245
Group II (weighted at 20%)	5,064,750	405,180
Group III (weighted at 50%)	204,975	16,398
Group III (weighted at 75%)	963	77
Group III (weighted at 100%)	20,782,325	1,662,586
Group III (weighted at 112%)	5,879,850	470,388
Group III (weighted at 115%)	421,062	33,685
Group III (weighted at 116.8%)	263,950	21,116
Group III (weighted at 150%)	300,037	24,003
TOTAL	33,558,475	2,684,678

TOTAL POSITIONS AND REQUIREMENTS

Net requirement on market risk	12,987,525	1,039,002
Requirement on credit risk	33,558,475	2,684,678
TOTAL	46,546,000	3,723,680

II. CAPITAL INTEGRATION

BASIC CAPITAL

Shareholders' equity	7,260,304
Mandatory convertible subordinated debentures	1,721,919
Total Stockholders' Equity	8,982,223
Less:	
Deduction of investment in shares of financial entities	802,914
Deduction of deferred taxes	0
Deduction of organization expenses, other intangibles and other deductible assets	209,172
Non authorized operations	16,475
Total Basic Capital	7,953,662

SUPPLEMENTARY CAPITAL

Allowances for general credit risks	396,458
NET CAPITAL	8,350,120

III. CAPITALIZATION RATIO

Net capital / Required capital	2.24
Basic capital / Assets subject to credit and market risk	17.09
Net capital / Assets subject to Credit risk	24.88
Net capital / Assets subject to credit and market risk	17.94



BANCA SERFIN

SEPTEMBER 2002

	Amount of equivalent positions	Capital requirement
I. ASSETS AT RISK		
MARKET RISKS		
Transactions in mexican pesos with a nominal rate	14,195,622	1,135,650
Transactions in mexican pesos with a real rate or UDI	51,607	4,129
Transactions in foreign currency, with nominal rate	3,684,917	294,793
UDI positions or referred to the NCPI	929	74
Foreign currency positions or with yield indexed at the exchange rate	434,802	34,784
Positions in shares or with yield indexed at the price of a share	0	0
or group of shares	815,459	65,237
TOTAL	<u>19,183,335</u>	<u>1,534,667</u>
CREDIT RISKS		
Group I (weighted at 0%)	0	0
Other (weighted at 2.5%)	0	0
Other (weighted at 10%)	652,075	52,166
Group II (weighted at 20%)	10,082,117	806,569
Other (weighted at 50%)	199,105	15,928
Other (weighted at 75%)	0	0
Group III (weighted at 100%)	24,324,597	1,945,968
Other (weighted at 112%)	744,842	59,587
Other (weighted at 115%)	1,145,301	91,624
Other (weighted at 150%)	0	0
TOTAL	<u>37,148,037</u>	<u>2,971,843</u>
TOTAL POSITIONS AND REQUIREMENTS		
Net requirement on market risk	19,183,335	1,534,667
Requirement on credit risk	37,148,037	2,971,843
TOTAL	<u>56,331,372</u>	<u>4,506,510</u>
II. CAPITAL INTEGRATION		
BASIC CAPITAL		
	<u>11,547,417</u>	
Shareholders' equity	12,488,294	
Subordinated debentures and capitalization instruments	0	
Deduction of investments in subordinated instruments	0	
Deduction of investments in shares of financial institutions	-392,862	
Deduction of investments in non-financial shares	-438,534	
Deduction of loans granted for the acquisition of the Bank's shares or of institutions pertaining to the Financial Group	0	
Deduction of deferred taxes	0	
Organization expenses, other intangibles	-109,481	
Other assets subtracted	0	
SUPPLEMENTARY CAPITAL		
	<u>382,329</u>	
Debentures and capitalization instruments	0	
Allowances for general loan losses	382,329	
Deduction of subordinated securities	0	
NET CAPITAL		
	<u>11,929,746</u>	
III. CAPITALIZATION RATIO		
Net capital / Required capital		2.65
Basic capital / Assets subject to credit and market risk		20.50
Net capital / Assets subject to Credit risk		32.11
Net capital / Assets subject to credit and market risk		21.18

IV. PROCEDURE

The Mandatory Convertible Subordinated Debentures were issued in April 1997, amounting to US\$212,500,000. The main characteristics of the debentures are the following:

- Represent unsecured subordinated instruments mandatory convertible.
- Their maturity date is April 2004.
- They are due to conversion into Series "B" shares representing the capital stock of Grupo Financiero Santander Serfin, S.A. de C.V.
- The debentures will bear interest on their nominal US dollar value, from the date of placement at an gross fixed annual rate of 10.263%.
- Interest will be payable at the last working day of each interest period, which will correspond to 6 successive months, starting from the placement date.
- Cash payments of principal and interest will be made in US dollars.

Due to the increase of the Bank's capital stock made effective in April 2001, only an 86% of the above referred Subordinated Debentures is computed as Basic Capital, in accordance to the sixth and third transitory clause (a) rules of the Rules for Capital Requirements of Multiple Banking Institutions.

The continuous review of the Capital sufficiency is performed in accordance with the current applicable rules for Capital Requirements of Multiple Banking Institutions, promulgated by the Ministry of Finance (Secretaría de Hacienda y Crédito Público).

19. Comprehensive risk management

Banco Santander Mexicano and Banca Serfin regard risk management as a competitive element of a strategic nature, with the ultimate purpose of maximizing the shareholders' value. This risk management is defined, conceptually and organizationally, as the comprehensive treatment of the different risks assumed by the Bank in the normal course of business, such as credit, market, liquidity, operating and legal risks. The Bank's management of the risk inherent in its transactions is essential for understanding and determining how its financial position will behave and in creating value in the long term.

In compliance with the Commission's Circular 1423, the Board of Directors approved the creation of the Bank's Comprehensive Risk Management Committee, which will function according to the guidelines established in these Circular. This Committee will hold monthly meetings and see that transactions are inline with the objectives, policies and procedures approved by the Board of Directors for the comprehensive management of risks.

The Comprehensive Risk Management Committee, in turn, appoint the Comprehensive Risk Management Unit, which will be responsible for implementing the procedures aimed at measuring, managing and controlling risks, according to the policies in force. The Unit will be also granted the necessary power to authorize deviations from the limit set forth, which must be reported to the Board of Directors.

The Bank has completed the implementation of the provisions contained in the Commission's Circular 1423, establishing Guidelines of a Prudential Nature on Comprehensive Risk Management Matters. As well, the Bank is currently involved in a process to continuously improve and update the systems, policies and procedures inherent in Comprehensive Risk Management activities.

Market risk

The Market Risk Management Department of the Comprehensive Risk Management Unit is responsible for recommending the market risk management policies to be implemented by the Bank, by establishing the parameters for measuring risks and delivering reports, analysis and evaluations to senior management, to the Comprehensive Risk Management Committee and to the Board of Directors.

The market risk measurement quantifies the potential change in the value of the positions assumed as a result of changes in the market risk factors. Once significant risks are identified, they are measured and limits are assigned in order to ensure appropriate control over them. The global measurement of the risk is made through a combination of the methodology applied on the trading portfolios and the management of assets and liabilities.



Trading portfolios

To measure risks using a global approach, the Value at Risk (VaR) method is followed, which is defined as the statistical estimate of the potential loss of value of a specific position at a specific period of time and with a specific level of confidence. The VaR is a universal measure of the exposure level of the various risk portfolios. It helps compare the risk level assumed among different instruments and markets, expressed in the exposure level of each portfolio through a unique figure in economic units.

The VaR is calculated using the historical simulation method, with a 504-working day window and a one-day horizon. The calculation is made based on the series of gains and losses simulated as a function of the average and of the standard deviation with constant pesos and with pesos decreasing on an exponential basis, with a decrease factor λ that is annually reviewed. The level of confidence is variable. However, during 2001 it was empirically verified that it was greater than 99% (unaudited).

As of September 26, 2002 the (unaudited) VaR was as follows:

	Santander	Serfin
Trading Portfolios	68,747	124,745
Money Market	49,150	88,447
Foreign Exchange	1,398	3,644
Fix Rate FX	10,121	7,938
Proprietary FX	5,425	1,430
Derivatives	4,944	7,605
Risk Arbitrage	28,689	24,527
Capital Markets	6,453	0
Mutual Funds	320	0
Risk Factor	68,747	124,745
Interest Rates	45,079	95,684
Exchange Rate	17,831	6,354
Stocks	12,054	14,827

Stress tests of the portfolios are also performed through portfolio revaluations under exceptional market conditions. These estimates are generated by applying pre-selected historical series for each market, which comprise significant turbulence in factors that are relevant to the market. Monthly back-testing is carried out to compare the losses and the gains that would have been observed had the same positions been maintained against the calculation of the value at risk and to be able to fine tune the models used. While these reports are prepared monthly, they include the tests performed on a daily basis.

Management of assets and liabilities

The Banks' commercial banking activities generate significant balance sheet amounts. The Assets and Liabilities Committee (ALCO) is responsible for determining the strategies for managing the financial margin, net worth value and liquidity risks. These strategies must be followed by the different commercial portfolios. Under this approach, the Chief Financial Officer is responsible for executing the strategies defined by ALCO, in order to modify the risk profile of the commercial portfolio balance, according to the established policies. Hence, meeting the information requirements of the interest rate, exchange and liquidity risks is fundamental.

As part of the Banks' financial management, the sensitivity of the financial margin and net worth value of the different balance sheet line items is analyzed against the interest rate variances. This sensitivity arises because of a timing difference between maturity dates of the assets and liabilities and the dates interest rates change. An analysis is done of each line item sensitive to interest rates throughout time, considering its amortization or maturity date and contractual changes to the applicable interest rates.

Simulation techniques are used to measure the predictable valuation of the financial margin and the net worth value in various interest rate scenarios, and the sensitivity of both under extreme change in such scenarios. Worth mentioning is that the balance sheet position in financial instruments recorded as trading portfolio is measured for market risks according to the VaR method.

ALCO adopts investment and hedging strategies in order to maintain the above sensitivities within the target range.



Limits

Limits are used to control the global risk of the Bank based on each portfolio and the books. The structure of limits is applied to control the exposures and to establish the overall risk assigned to the business units. These limits are established with respect to the VaR, warning of loss, maximum loss, interest rate equivalent volume, variable income delta equivalent, open foreign currency positions, financial margin sensitivity, and net worth value sensitivity.

Liquidity risk

The liquidity risk is associated to Bank's capacity to finance the commitments assumed at reasonable market prices, as well as to carry out its business plans through stable financing sources. The influential factors may be external (liquidity crisis) and internal, due to excessive concentration of maturities.

The Bank coordinates maturities of both assets and liabilities, monitoring the maximum timing difference profiles. This monitoring is based on the analysis of the maturities of assets and liabilities, established by contract or derived from their management.

Credit risk

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Credit risk within the Bank is managed differently for each of the customer segments throughout the three stages of the credit process: acceptance, follow-up and recovery.

Under a global perspective, credit risk management within the Bank is responsible for the identification, measurement, integration and valuation of added risk, with the purpose of monitoring the risk concentration levels and adapting them to the established limits and objectives.

The risks that are managed on an individual basis (companies and financial institutions and entities) are identified and separated from other risks that are managed in a standard way (consumer, personal, mortgage loans and business and small and medium company loans).

Risks managed on an individual basis are subject to a solvency or rating classification system that allows measuring the risk for each client and for each transaction from the beginning. The rating of the customer after analyzing the relevant risk factors in different areas is subsequently adjusted as a function of the specific characteristics of the transaction (collateral, term, etc.).

Risks that are managed in a standard way require, due to their special characteristics (large number of transactions of relatively small amounts), different management that allows an efficient process and an effective use of resources, for which purpose automatic decision tools are used (expert and credit scoring systems).

The credit process for companies is complemented, during the follow-up stage, with a special monitoring system that determines the policy to be applied in managing risk with companies or groups classified under this category. Different situations or special monitoring levels require different actions. A special monitoring classification is given when there are warning signals, systematic reviews, or specific actions recommended by the Risk Division or Internal Audit.

Recovery Units represent a critical element in managing irregular risks because their purpose is to minimize the final loss for the Bank.

Based on prudent criteria determined by BSCH, the Bank has established a policy for the selective growth of risk, strict treatment of late payments, and the creation of required allowances. For this purpose, BSCH has sent professionals and its risk management systems to help implement this policy.

The Bank has comprehensive risk management units with clearly defined functions and responsibilities, based on a global model, which specifically deals with the acceptance, follow-up and recovery stages of the credit process.



Noncompliance probability and expected losses

Circular 1423 requires financial institutions to calculate the noncompliance probability as part of the credit risk management function. The system allows estimating the noncompliance probability in connection with the counterparty risk.

- The noncompliance probability is determined using transition matrices, which consider the results of prior period classifications and the results obtained during the current period.
- Once the noncompliance probability is determined, the seriousness of the loss is calculated, considering the recoverability factor, which is used as the basis to calculate the expected position of the reserves.

The transition matrices consider historical classification periods and the current classification period. The noncompliance probability is obtained once each period classification frequency has been determined.

Expected losses are calculated based on the recovery factor, which is represented by the loss balances and their exposed amounts (based on collateral).

- Unexpected losses are defined as portfolio changes resulting from variances in factors beyond the control of the Bank and the borrower, such as macroeconomic variables. The system allows knowing the correlation among macro variables and their impact on the risk of each category.

A model explaining the relationship among macro variables and the industry risk can be developed within the unexpected losses module.

The system also allows determining the impact of the probable scenario on the index of the past-due portfolio both in the economy and in the Bank and, consequently, estimating the Bank's unexpected losses in the event the above conditions should occur.

Generation of extreme macroeconomic variable scenarios

- Used to measure the degree of the portfolio susceptibility to external changes and its impact on unexpected losses considering a probable macroeconomic scenario according to which the impact on the portfolio is inferred.
- Parallel to the probable scenarios, the system allows knowing the amount of losses or gains derived from alternate scenarios reproducing the historical behavior.

Counterparty risks

Included in the credit risk group is the counterparty risk, which is a concept whose nature requires specialized management.

The counterparty risk is that assumed by the Bank in treasury and correspondent bank activities, mainly with respect to financial institutions. A specialized department is in charge of measuring and controlling the counterparty risk. Control is exercised through a system that allows identifying the credit facility that is available with any counterparty in any product and term. The corresponding authority levels are established for the approval of credit facilities and excesses or special transactions, if any. The risk is measured both in its current and its potential value (value of the risk positions considering the variance in the basic magnitudes).

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In order to meet credit risks, Banca Serfin currently has classification and scoring systems to evaluate the credit rating of all its clients.

Classification systems are applied to client segments requiring individual treatment, such as the corporate and the business segments. These are based on the principles of Circular 1480 and are applied by specialized risk analysts both in the acceptance stage as well as in the subsequent follow-up on transactions.

Also, there are automated systems for the acceptance or selection of the diverse financing products offered to individuals and they are applied equally to both stages, acceptance and follow-up. These systems automatically rate or qualify an individual and the transaction.

If they are properly adjusted, these systems allow expressing the credit rating in terms of non-payment probabilities, so that changes in the assets' ratings are reflected in the changes in the Bank's expected portfolio losses.

The counterparty risk control is measured through an integrated system in real time that allows knowing at all times the line of credit available with any counterparty. Regarding the approval of lines of credit, the procedures established for any approval, as well as for excesses or special transactions are followed through a defined authority scheme.



Operating risk and legal risk

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The pertinent policies, procedures and methodology applicable to operating and legal risks assumed by the Bank in the normal course of business have been implemented.

The operating flows of certain products were analyzed during the year in order to identify the issues that represent higher operating risks and so establish the necessary policies and procedures to reinforce the control over the operation, thus reducing significantly their main operating risks. Also, the policies and procedures manuals were updated as well as those relative to the eventual contingencies in which the Bank may be involved.

As regards the legal risk assumed by the Bank in the normal course of its activities, the pertinent policies, procedures and methodologies have been implemented.

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The policies and procedures established to meet these risks are still in effect.

During the period, the documentation of the accounting and tax areas was released following the methodology established to identify the specific risk points of each procedure and the related treatment for contingencies related to each of them.

Also, the review of the policies and procedures in effect for the legal risk section began in view of the integration of the legal areas of Banca Serfin S. A. and Banco Santander Mexicano.

Finally, the Internal Risk Controller was established to ensure the functioning of standards and operations implemented to measure the Comprehensive Risk Management within the Bank.