

**Banks  
Mexico  
Credit Analysis**

**Banco Monex**

**Ratings**

National Long Term	'A(mex)'
National Short Term	'F1(mex)'

**Outlook**

'Stable'

**Financial Data**

<b>Banco Monex, S.A.</b>	30/06/09	31/12/08
Total Assets (MXPm)	10,779	9,537
Equity (MXPm)	771	967
Past-due Loans ratio (%)	1.4	0.5
Net Income (MXPm)	254	500
ROA (%)	5.0	6.3
ROE (%)	58.5	63.1
Equity / Assets (%)	7.2	10.1

**Analysts**

Oliver Venegas  
+52 (81) 8399 9149  
oliver.venegas@fitchratings.com

René Ibarra  
+52 (81) 8399 9143  
rene.ibarra@fitchratings.com

Aurelio Cavazos  
+52 (81) 8399 9100  
aurelio.cavazos@fitchratings.com

**Rating Rationale**

- BMonex's ratings reflect its sound revenue structure underpinned by foreign exchange operations, improved profitability ratios, brand recognition in this segment and a healthy capital adequacy. The ratings also factor in its short operational history as a bank and its highly concentrated loan portfolio which exposes BMonex to event risk.
- Underpinned by FX trading operations (1H09: 91.0% of total revenue) BMonex's financial performance shows clear signs of recovery with more stable profitability ratios (ROAA: 5.0%). While total revenues experienced significant growth during 1H09 it was accompanied by an increase of costs related to the variable compensation of its sales force, pressuring its efficiency ratio to 70.9%.
- BMonex main exposure is to credit risk through its commercial loan portfolio (2T09: 31.3% of total adjusted assets); favorably, it has adequate guarantee schemes. Given the market in which the bank is focused, it is highly concentrated both geographically and by sector; the outstanding balance of the 20 most important clients represents a high 68.9% of the total loan portfolio (1.4x equity). The past-due loans ratio stood at a favorable 1.4% in 2Q09 (2.4% considering write-offs performed during 2008) and is completely covered by loan loss reserves; notwithstanding, Fitch does not rule out further deterioration in asset quality given its accelerated growth. Counterparty risk from its financial derivatives operations is partially off-set by guarantee deposits and operational lines with each client. In our opinion market and liquidity risks are low and adequately managed.
- While BMonex has increased its demand deposits (2T09: 102.6% of loan portfolio), its funding structure is still volatile. We consider the bank's liquidity profile adequate given the ample coverage provided by liquid assets and marketable debt over its customer funding (110% excluding restricted deposits).
- BMonex's equity strength depends on earnings retention. As anticipated, the growth of its credit activities pressured the risk-weighted capitalization ratio although it remains robust at 32.8% (2008: 42.5%). Even though dividend payments are a recurrent practice (2007-2009: 93.2% of earnings generated during 2006-2008), our ratings consider that its magnitude will not compromise the entity's financial flexibility once profitability is sustained.

**Key Rating Drivers**

BMonex's long term rating has a 'Stable' outlook and reflects our opinion to observe the strengthening of its financial performance underpinned by FX operations. The ratings could benefit from a sustained improvement in its profitability and efficiency ratios, lower loan portfolio concentrations, and controlled growth of impaired loans without compromising its current capitalization levels. On the other hand, downside potential could arise given an unexpected deterioration in asset quality or a significant increase of risk appetite regarding its FX and financial derivatives operations.

**Profile**

BMonex started operations in 2006 and currently is Monex Grupo Financiero's most important subsidiary. It is a niche bank focused on FX trading operations and, to a lesser extent, on commercial loans to SMEs with foreign trade activities.