

**Banks
México
Credit Update**

Banco Nacional de Comercio Exterior (Bancomext)

Ratings

	Current Rating
Bancomext	
Foreign Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Local Currency	
Long-Term IDR	A-
Short-Term IDR	F2
Support	
Support Rating Floor	BBB+
National-Scale	
Long-Term	AAA(mex)
Short-Term	F1+(mex)
Sovereign Risk	
Long-Term IDR	BBB+
Long-Term Local Cy IDR	A-
Country Ceiling	A

Rating Outlook

Long-Term IDR	Negative
National Long-Term	Stable
Sovereign Rating	Negative

Financial Data

Banco Nacional de Comercio Exterior, S.N.C. (C.)	09 30 2008	12 31 2007
Assets (USDm)	5,307.7	7,182.9
Assets (MXNm)	57,280.0	78,051.0
Equity (MXNm)	11,477.0	8,662.0
Net Income (MXNm)	2,525.0	126.0
ROAA (%)	4.98	0.15
ROAE (%)	33.43	1.51
Past Due / Total Loans (%)	1.99	10.92
Tier-1 Capital (%)	15.28	16.91

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Rating Rationale

- Banco Nacional de Comercio Exterior (Bancomext)'s ratings reflect the strength of the explicit support that the bank would receive from the Mexican government, if required. Fitch also highlights the bank's important role as the country's export-import bank and its relevance in counter-cyclical economic policies.
- Hefty operating expenses due primarily to a costly international office network have traditionally affected the bank's performance. A shrinking asset base since end-2006 has also weighed. Positive earnings since 2007 (sizeable in 2008) are mainly driven by non-recurring events. In 2007, the bank did not record any provisions, while the sale of the stake that Bancomext had in two Chilean companies generated gains for MXN4.7bn (gross of taxes) in 2008, including an ample reversal of loan loss and securities reserves. Going forward, the bank could somewhat benefit from the increased lending activities since the market turbulence exacerbated, but tight margins and weak operating efficiency will continue to constrain overall earnings.
- Asset quality improved notably, as the defaulted loan granted to Banco Central de Cuba was restructured and reclassified to receivables in June 2008. The past due loan ratio declined to 1.99% as of September 2008, from 10.92% in December 2007. A cushion of loan loss reserves that accounted for 6.22% of total loans provide some comfort in view of the difficult times that most of Bancomext's borrowers (concentrated on the export/manufacturing sector) will face ahead.
- Funding is in the form of bond issues in international capital markets, lines of credit with foreign financial institutions and securities issuance in the local debt market. Despite the difficulties to access wholesale funds under the current conditions, the sovereign guarantee and its base of liquid assets (33% of total) provide some flexibility. Roughly 22% of the bank's non-equity funding is obtained in the global markets (bank and bonds) and 40% of these have maturities shorter than one year.
- Despite frequent losses, capital infusions have prevented erosion of the bank's equity base. Declining total assets, disposals of real estate and other non-earning assets and recent non-recurring gains have further enhanced the levels and quality of capital.

Support

Under article 10 of Bancomext's organic law, the federal government is explicitly responsible for all of the transactions entered into by the bank, be those with domestic or foreign private or public institutions. Given Mexico's investment grade rating, there is a high probability that support from the authorities would be forthcoming, if required.

What Could Trigger a Downgrade?

- Given that the bank's Issuer Default ratings (IDRs) are driven by the explicit support granted by the Mexican government, Bancomext's ratings will mirror any potential change in Mexico's sovereign ratings.
- The outlook on Bancomext's ratings is negative, similar to Mexico's sovereign ratings.

Profile

Bancomext, founded in 1937, focuses on the promotion and financing of foreign trade.