



Grupo Financiero Monex

2004 Annual Report

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1. Message from the Chairman of the Board

During 2004 Grupo Financiero Monex successfully accomplished the following:

- Obtained regulatory approval to trade derivatives on both, established markets and OTC.
- A rating of “A(mex)” from Fitch Ratings for the long-term counterparty risk of Monex Casa de Bolsa (Brokerage), implying high credit quality.
- Added Monex Financiera to the Group. Monex Financiera is a regulated non-bank bank known in Mexico as “SOFOL”. Monex Financiera caters mainly to the trade finance needs of the SME sector.
- A number of our branches have consolidated their market share within their area of operations, and have reinforced their teams to improve cross-selling of the Group’s products.
- The Colima branch was opened and six other branches moved to new and better locations.
- Launched MonexSI, a call center-based mutual funds distribution center focused on the smaller investor.
- Strengthened our staff throughout our corporate areas.
- Moved Monex Securities to new quarters in Houston, TX.
- Invested heavily on IT to improve efficiencies on our service delivery.
- Received the highly coveted award from the Great Place to Work Institute as one of the 50 best firms to work for in Mexico.
- Launched Fundación Monex (charitable Foundation).
- Updated our corporate values and redefined our Code of Ethics.

Our financial results for 2004 were highly satisfactory:

- Total revenues rose to MX\$1.217 billion, a 16.7% increase over 2003.
- Income before taxes of MX\$342 million.
- Net Income reached MX\$236 million.
- Total shareholder equity of MX\$1.156 billion.

We shall continue with our commitment to offer our customers high quality financial solutions according to their needs.

Sincerely,

Héctor Lagos Dondé
Chairman and CEO
Grupo Financiero Monex

2. A New Monex

Two years after becoming a Grupo Financiero (Financial Group Holding Company), Monex is celebrating its twentieth anniversary.

Grupo Financiero Monex is comprised by four financial entities: Monex Casa de Bolsa (Securities Brokerage), Monex Operadora de Fondos (Mutual Funds), Monex Financiera (Non-bank bank), and Monex Divisas (Foreign Exchange), through which we provide the following products:

Foreign Exchange, Mutual Funds, Securities (Money Market, Fixed Income, Stocks) Investment Banking, Fiduciary Trusts, Derivatives, International Securities, Asset-based lending and Trade Finance.

Monex has nationwide coverage through its network of branches in the main cities throughout the country.

Key Events (2001-2005)

2005

- S&P grants Monex “Representante Común” business a “higher than standard” rating.
- Awarded the Corporate Social Responsibility (CSR) Distinction by the CEMEFI (Mexican Center for Philanthropy)
- New Corporate Image

2004

- Rated “A(mex)” by Fitch ratings
- Monex Financiera begins operations

2003

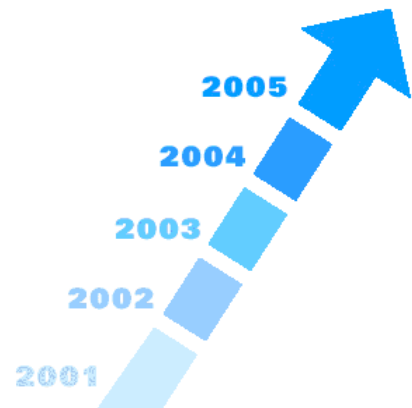
- Became Grupo Financiero Monex
- Foreign Exchange business was moved to Monex Casa de Bolsa

2002

- Monex Casa de Bolsa breaks even
- Monex Operadora de Fondos begins operations
- Monex Divisas receives approval to distribute mutual funds

2001

- Acquisition of CBI Casa de Bolsa. Renamed Monex Casa de Bolsa
- Moved corporate headquarters to new Monex building



Monex was founded in 1985 to take care of the foreign exchange needs of Mexican businesses.

Throughout the years Monex has consolidated and expanded to become the largest foreign exchange institution in Mexico in terms of equity, assets, and revenues, according to statistics compiled by CNBV (National Banking and Securities Commission).

In 2000 Monex received the highest rating that Standard & Poor grants to foreign exchange institutions.

In 2001, as part of its business strategy, the shareholders decided to diversify Monex operations, and in June of that year Monex acquired CBI Casa de Bolsa, later renamed Monex Casa de Bolsa. The objective was to act as a broker-dealer in the securities markets and to provide custodial and administrative services.

In a very short time span, Monex reverted the negative tendency of the Casa de Bolsa as the company made a strong turn around, thus generating an important increase in revenues and strengthening its capital base. The brokerage sales team was reinforced to meet the challenges ahead.

Subsequently, Monex Operadora de Fondos is formed and develops a wide portfolio of mutual funds, both proprietary and third-party.

Continuing with its efforts to diversify its revenue base, in November 2002, Monex Casa de Bolsa obtained authorization from Banco de México (Central Bank) to trade derivatives, obtaining the recognition by MexDer (Mexican Derivatives Exchange) as a market maker and in 2003 it was allowed to become a third party broker.

In May of 2003 Monex becomes a Grupo Financiero.

In July of 2003, Banco de México allows all brokerages to trade foreign exchange with the general public. Shortly afterwards, in September 2003, the Group decided to centralize all foreign exchange operations into the Casa de Bolsa, for the following reasons:

- Better access to payment systems
- Sturdier legal framework for Casas de Bolsa (i.e. improved corporate governance)
- Ability to offer our customers all the Group products from a single platform
- Obtain financial and operational efficiencies

In February of 2004, Banco de México approved the Casa de Bolsa to trade listed and OTC derivatives.

In April of 2004, Monex Casa de Bolsa received from Fitch Ratings the “A(mex)” rating, which implies a high level of credit quality.

In November of 2004, Monex Financiera begins operations as a SOFOL (regulated non-bank bank) focused on the financing needs of our existing customer base. The SOFOL is particularly geared to fulfill the medium-sized businesses’ trade finance requirements.

At the end of 2004, and as part of the 20th anniversary celebrations, Monex redesigned its corporate image and logo.

At the beginning of 2005, Monex was awarded the Corporate Responsibility (CSR) Distinction, a highly coveted distinction granted by the prestigious Mexican Center for Philanthropy (CEMFI).

In April of 2005, Standard & Poor gave Monex Representante Común business the first rating of its class within the Mexican Securities Market., as a “Representante Común”.

3. Financial Strength and Profitability

Monex has had constant and solid growth in its operating volumes and its number of clients, not only in foreign exchange but within all businesses lines.

- At the close of 2004 Monex had 36,914 active foreign exchange customers.
- Additionally, Monex had 11,973 active brokerage clients (Securities and Mutual Funds).
- In 2004, Monex had foreign exchange trading in excess of US\$ 93.7 billion, 39.2% higher than in 2003. In terms of customer-driven volume, Monex had a 41.5% increase in transactions

Figures in US\$ billions

	<u>2004</u>	<u>2003</u>	<u>Change</u> <u>Amount</u>	<u>%</u>
Total foreign exchange traded	93.7	67.4	26.4	39.2
Foreign exchange traded (excluding FIs)	48.7	34.4	14.2	41.5

Monex operations have the backing of a solid equity base and are supported by its high credit ratings.

- Monex Casa de Bolsa received an “A(mex)” rating from the internationally recognized agency Fitch Ratings. This implies a high level of credit quality. According to data provided by the AMIB (Mexican Association of Securities Broker Dealers), Monex Casa de Bolsa is the third Casa de Bolsa in Mexico as measured by Stockholders’ equity.
- As of FYE 2004, Monex Stockholders equity reached MX\$1.15 billion an increase of MX\$221 million over 2003.

Figures in MXP Millions

	<u>2004</u>	<u>2003</u>	<u>Change</u> <u>Amount</u>	<u>%</u>
Stockholders Equity	1156.2	935.1	221.1	23.6
Paid-in capital	317.4	301.0	16.4	5.4
Retained earnings	260.1	149.0	111.1	74.6
Minority stockholder’s equity	578.7	485.1	95.6	19.3

Monex has begun a process of institutionalization while preserving the personalized service to its customers.

- Monex has incorporated to its management model the best practices of corporate governance.
- The Group actively participates in AMIB (Mexican Securities Dealers Association).
- Each Monex branch is highly aware of the market it serves and offers services according to the needs of its particular customers.

Monex has substantially reinforced self regulation.

- In March of 2004, Monex introduced an Internal Certification Program for its foreign exchange sales force. This will ensure that the sales staff has the necessary experience and knowledge to satisfy the customers’ needs.
 - Our training program contains simulations and exams as well as training exercises.
 - 42% of our foreign exchange sales force has been certified through this program.
 - 86% of our foreign exchange sales force has taken the ethics course provided by the AMIB.
 - Additionally, 165 foreign exchange sales persons have been certified by the AMIB and

authorized by CNBV (Mexican SEC) in the following categories:

- 134 Mutual Funds REPs,
- 27 Securities Advisors.
- 4 Securities REPs,

Monex continuously monitors customer satisfaction and improves on its processes.

- Monex measures service quality through customer surveys, obtaining feedback from our clients to improve our processes
- All of Monex areas have optimization process and efficiency goals.

Monex has a highly trained staff.

- Monex introduced more than 2 years ago a scholarship systems for postgraduate studies .
- The Group reviews and defines annually a comprehensive training program for its staff.
- Our staff includes a full-time AMIB-certified Ethics instructor.
- In 2004 Monex was certified by the AMIB as a Training Institution.

4. Business Units

Through our sales force strategically located across the country in our 42 branches in 40 cities, we distribute financial products to fill the foreign exchange, investment, hedging, and financing needs of our clients. Our highly competitive and specialized service is at core of our philosophy.

Foreign Exchange

Monex ranks second in Mexico, just behind Banamex-Citibank, in customer-driven foreign exchange volume traded.

At Monex, our sales staff has direct access to the foreign exchange trading desk, in order to provide our clientele with faster and more personalized service.

We have favored the specialization by currency and product, following closely the evolution of different markets, increasing our operational efficiency.

We have developed state-of-the-art processes and technology which allow us to efficiently process high volumes of transactions with thousands of clients.

One of Monex primary goals is to develop the necessary capabilities to deal with the main currencies of the world in order to serve our customer on a fast and competitive manner.

To effectively continue our expansion, Monex implemented important initiatives during 2004, among them:

- Increased by 35% the number of financial institutions with whom we trade. Many of these rank amongst the largest global banks,
- Our trading settlement lines grew by 60%.
- Promoted the extensive use of e-commerce methods on foreign exchange.

A distinctive trait that Monex has in regards to foreign exchange transactions is its focus on providing its customers with the best possible service; while other foreign exchange players are more inclined to obtain profits through proprietary trading.

Monex operations in the foreign exchange market exceeded US\$93.7 billion in 2004. This volume was carried out mainly with more than 16,000 corporate customers. In fact, 3 out of every 5 customers of the 500 largest companies in Mexico operate with Monex.

The actions which we began taking in 2004 and which we will continue to emphasize and develop in 2005 will help us become more flexible and efficient during the execution of foreign exchange operations. This will enable us to continue satisfying our customers' needs in terms of volume and competitive pricing.

Fixed Income

Monex offers a wide range of debt instruments, including government, bank, and corporate securities denominated in US Dollars, Mexican Pesos, and UDIS (CPI-tied quasi-currency), with short, medium or long terms and with fixed or floating interest rates.

We are committed to the highest quality service, while offering specialized products and services efficiently and competitively.

At FYE 2004, our clients' assets under management in Fixed Income Markets rose to MX\$ 7.256 billion, which represents 54% of the Casa de Bolsa total custody.

Monex has become a key player in debt products in Mexico. Considering electronic brokers transactions the volume we trades in 2004 rose to MX\$ 6.1 trillion, a growth of 19% over 2003 and an increase in our market share of 38.8%. In response to our customers' investments needs, our participation in the corporate debt market has increased substantially.

Within the ranks of our clientele in the Fixed Income area, we service the institutional investors (pension plans, mutual funds, insurance companies, etc.), the SMEs, the corporate sector, and individual investors. To continue improving our service, in 2004 we started a market segmentation process and began development of our customer electronic trading system, currently under implementation. This will allow Monex to offer a technologically advanced and convenient alternative to our institutional and corporate customers.

Equity

We strive on preserving and growing the net worth of our clients by offering timely and accurate advice, and by executing their buy-sell orders at the best price and under the best conditions prevailing in the markets.

We have a highly skilled, professional and experienced staff. We provide excellence in the management and execution of customer buy-sell orders as wells as in our economic and market analysis services. We cover the most widely traded stocks.

In addition to the commonly traded Mexican shares, Monex operates very efficiently the international securities traded in the Mexican Bolsa (Mexican Stock Exchange). These include the shares of key global companies, and index trackers.

We provide weekly recommendations for our clients which are based on their liquidity, risk profile and investment horizon requirements.

In 2004, Monex stock market trades reached MX\$12.8 billion on a volume of 974 million shares, which translates into annual growth rates of 112% and 46% respectively.

Mutual Funds

With the purpose of allowing our clients to have the best options in mutual funds available throughout the market, Monex philosophy has been to distribute our owned managed funds as well as third party funds, while maintaining the strictest quality standards.

At the close of 2004, assets under management were MX\$2.2 billion, of which 82% were on Monex -labeled funds and 18% in third party funds.

In 2004, we strengthened our assets management team. Additionally, we have emphasized technology as a major driver to modernize our mutual funds business. On the 4th quarter of 2004 we introduced and new and powerful system to this area.

Monex has developed more flexible funds which can help take advantage of investment opportunities, leading to a more diverse product offering in terms of yield, risk , investment horizon and liquidity. The new portfolio of Monex Mutual Funds launched on December 2004, allows access to all of our client segments, expanding investment vehicles especially to the corporate sector, both tax-paying and tax-exempt entities (pension and saving plans, non-profit organizations, etc.)

The following table contains a summary of the special features within the Monex family of Mutual Funds. (All of these funds may be acquired by individuals, corporations and tax-exempt investors.

- **Monex28:** This Fund is made up of debt instruments. Its profile very conservative. For short term investment within the range of 28 days. It is comprised of high quality debt instruments, which only includes government and bank issued securities. The fund offers redemptions and subscriptions every 28 days.
- **MonexCP:** Fund comprised of conservative debt instruments. For short term investment varying between 28 and 90 days. Its portfolio is invested solely in government issued securities. Subscription and redemptions are available on a daily basis.
- **MonexMP:** Fund with a conservative strategy based on the use of debt instruments. For medium term investment, between 90 and 180 days. The fund's portfolio is comprised of high quality debt instruments issued by the government, banks, and corporations.-Subscription and redemptions are available every day.
- **MonexM+:** Fund comprised of debt instruments which allow for current income and growth. This fund is designed for medium to long term investment, within the range of 180-270 days. The fund is comprised of government, bank, and corporate debt. You may access your moneys on a weekly basis. Subscriptions can be done daily.
- **MonexLP:** Fund composed by debt instruments. It looks for important capital gains. Long term investment, with a range of more than 270 days. The fund invests in governmental, corporate, and bank debt. Daily subscriptions and weekly redemptions.
- **MonexUS:** Fund comprised of debt instruments with a very conservative outlook. Short term investments which allows for foreign exchange hedge. The portfolio is integrated by very short-term securities and checking accounts which are dollar-denominated. Fund's shares may be subscribed or redeemed within 24 hours.

In 2004 Monex became a pioneer in the Mexican market by launching its Personal Retirement Plans This product allows our individual customers to save in investment funds with important tax benefits.

Additionally, Monex has created an area specifically dedicated to the administration of Savings Plans. This area, Fondos de Ahorro, offers companies fully integrated employee savings plans. This includes record keeping, internet access, loan administration, etc.

MonexSI was launched as an alternative service for those customers in their initial stages of their nest egg build up. Our call center is open continuously form 8:30 am to 6:00 p, and attends to clients with accounts starting at MX\$20,000. We take buy-sell orders and provide advice and operational support.

Derivatives

Monex is one of the few financial institutions in Mexico offering derivatives to cover the hedge requirements of our customers as oppose to hedge our own position or for proprietary trading purposes.

Our efforts in 2004 were centered on 1) adapting our existing products to clients with very specific needs, 2) widen our distribution capabilities outside Mexico City and into the rest of our network, and 3) the launching of Murex, our newest technology platform.

The actions we took have already begun to bear fruit. On the one hand, the volumes we operated grew six fold, reaching a total of US\$844 million during 2004. On the other hand, throughout 2004, the amount of IPC futures contracts we operated grew significantly, thus Monex Derivatives grew to become the second largest non-bank trader of these contracts on the MEXDER.

Additionally, we have successfully concluded the process of moving the operations of Monex Derivados into Monex Casa de Bolsa. This allows us to offer more and better services and products to our clientele.

We currently offer forwards and options on several currencies and on the IPC (Mexican Bolsa Index) and we offer brokerage services for all the products available for trading on MexDer. In 2005, we will continue to expand our product offering in a significant way.

One of Monex objectives is to become the leader in currency hedging for Mexican firms engaged in international trade activities. We are developing derivative products to limit the foreign exchange risk for importers and exporters. We are currently working on the infrastructure to efficiently distribute what we call "foreign exchange insurance".

International

With the purchase of CBI Casa de Bolsa in 2001, Monex took control of the subsidiary it owned in the United States. Renamed Monex Securities, this is a broker-dealer under U.S. regulation since 1992. This - "broker dealer" - allows our clients to purchase and sell non-Mexico traded securities. Monex Securities is a member of NASD (National Association of Securities Dealers) and is registered with the SEC (Securities and Exchange Commission) in the U.S.

Through Monex Securities we are able to offer our clients access to bonds, stocks, mutual funds, and derivatives that are denominated in foreign currencies and which are offered through different international markets.

Monex Securities' mission is to satisfy the investment needs of our clients who wish to trade in international securities in an efficient manner. This is based on personal advice over a wide range of products, and with professional risk management. Monex Securities is the door to the global markets for our customers.

As a result of our focused strategy, holdings have grown significantly, reaching a total of US\$115 million as of FYE 2004, 16% more than the previous year. .

Monex Securities is located in The Galleria Houston business, commercial and finance district.

Investment Banking & Trust Management

These services include:

- Acting as a "Representante Común" during the issuance of debt
- Investment Trusts
- Advisory and securing financing arrangements for our clientele. Funds can be provided by banks, the securities markets, or through private investors
- Structured Finance Advisory.
- M&A Advisory and strategic alliances.
- Appraisals and fairness opinions
- Advisory for liability management and balance sheet restructuring.

Monex has been a pioneer as a "Representante Común", on sophisticated transactions within the Mexican market for the issuance of debt, such as the first securitization of home mortgage-backed securities, and the first securitization toll road-backed securities.

Monex has offered its services as a "Representante Común" for more than 200 public and private issuances for over 10 years. It currently has 61 outstanding issuances of medium and long term debt.

In April 2005, we received the first rating in Mexico as "Representante Común". Standard & Poor awarded Monex the rating "Superior al estándar" (Higher than standard) with a stable outlook. This indicates Monex has strong capabilities to provide the "Representante Común" services for the Mexican market.

The evaluation that Standard & Poor conducted before assigning us this rating included an analysis of our organizational structure and our operating capacity.

The stable outlook indicated in the rating shows that our firm has the ability to provide its services as a “Representante Común” with certainty for the foreseeable future. Standard & Poor considers Monex to be the most seasoned and experienced provider of this type of services within the Mexican market. For more than 10 years Monex has been a leader in this business.

Monex Financiera

Our vision is to be the financing vehicle of choice for the Mexican Medium-sized enterprises. Our mission is to allow the SME sector access to credit at adequate costs and tenors using programs hardly available in the local market.

Striving to continue offering our clients new financing products we created Monex Financial in 2004.

Monex Financiera is a SOFOL (non-bank bank regulated entity) focused on the Mexican SMEs which offers credit products designed to solve their working capital and trade finance needs.

Monex Financiera provides trade finance, in particular loans to import goods and services from the United States, using the guarantee or insurance programs of the Ex-Im Bank of the U.S. Additionally we provide working capital loans through asset-based inventory financing secured by warehouse receipts.

Based on customers’ requests, we are continuously developing new credit products to complement our services and satisfy our clients’ needs.

Monex Financiera management is comprised of a mix of highly experienced international bankers and middle market lenders who have collectively arranged more than US\$10 billion in Ex-Im Bank supported loans.

During the first four months of operations in 2005 we have obtained 43 Ex-Im related mandates totaling over US\$ 60 million. These transactions originated in 15 cities throughout Mexico, which speaks not only for our nationwide coverage but also for the need for these services across the country. In terms of asset-based loans secured by inventory, through the month of April 2005, Monex Financiera has placed over MX\$30 million among its clients.

5. Geographical Scope

We have a presence in the main cities throughout Mexico:

Northern Division

- Monterrey
- Saltillo
- Matamoros
- Nuevo Laredo
- Reynosa
- Chihuahua
- Tampico
- Torreón
- Cd. Juarez
- Monclova
- Piedras Negras

South-Central Division

- México City
- San Luis Potosi
- Leon
- Mérida
- Cancun
- Cozumel
- Playa del Carmen
- Veracruz
- Puebla
- Cuernavaca
- Villahermosa
- Tapachula

Metropolitan Division

- México City
- Metepec
- Pachuca
- Queretaro
- Celaya
- Irapuato
- San Miguel de Allende

Western Division

- Guadalajara
- Puerto Vallarta
- Manzanillo
- Morelia
- Aguascalientes
- Zacatecas
- Tijuana
- Ensenada
- Mexicali
- Culiacan
- Hermosillo
- Los Cabos
- Colima



Subsidiary: Monex Securities (Houston, Texas)

6. Financial Highlights

Monex Grupo Financiero, S.A de C.V. and its subsidiaries

Audited Balance Sheet Relevant Data
 (figures in thousands of Mexican Pesos)

Assets

	<u>2004</u>	<u>2003</u>
• Cash and Cash Equivalents	\$1,156,574	\$833,585
• Investment in securities	488,867	187,713
• Operations involving securities and derivatives	19,462	17,035
• Other accounts receivables (net)	22,507	95,563
• Foreclosed Assets	1,249	1,383
• Real Estate, Furniture, and Equipment (net)	88,102	76,912
• Permanent Investments in equities	54,556	48,829
• Deferred Taxes	163,891	248,483
• Other assets	40,629	7,093
• Total assets	\$2,035,837	\$1,516,595

Monex Grupo Financiero, S.A de C.V. and its subsidiaries

Audited Balance Sheet Relevant Data
 (figures in thousands of Mexican Pesos)

Liabilities

	<u>2004</u>	<u>2003</u>
Bank loans	15,653	23,641
• Short-term	\$44	\$43
• Long-term	15,609	23,598
Securities pending settlement	---	58,324
Trading income from securities and derivatives	8,810	16,716
• Credit balance from repurchase operations	8,810	15,389
• Trading income from derivatives of financial instruments		1,327
Other accounts payable	855,198	482,878
• ISR and PTU (Income Tax and Profit Sharing) payable	13,367	9,079
• Sundry creditors and other accounts payable	841,831	473,708
Total Liabilities	879,661	581,468

Monex Grupo Financiero, S.A de C.V. and its subsidiaries

Audited Balance Sheet Relevant Data
 (figures in thousands of Mexican Pesos)

Stockholders' equity

	<u>2004</u>	<u>2003</u>
Paid-in Capital	317,369	300,966
<ul style="list-style-type: none"> • Capital stock • Premium on the sale of shares 	<ul style="list-style-type: none"> 180,920 136,449 	<ul style="list-style-type: none"> 171,569 129,397
Earned Surplus	260,108	148,988
<ul style="list-style-type: none"> • Capital reserves • Retained Earnings • Loss from holding non-monetary assets • Net Income 	<ul style="list-style-type: none"> 7,697 128,545 - 7,480 131,346 	<ul style="list-style-type: none"> 138 148,850
Minority Interest	578,699	485,172
Total Equity	1,156,176	935,127
Total Liabilities and Equity	\$2,035,837	\$1,516,595

Monex Grupo Financiero, S.A de C.V.

Annual Report 2004

Relevant data

	<u>Amount</u>	<u>%</u>
Volume and Holdings		
• Foreign exchange volume traded (thousands of US\$)	93,764,486	
• Foreign exchange volume traded with clients (thousands of US\$)	48,737,283	
• Volume of derivatives traded (thousands of US\$)	844,070	
• Volume of equities traded (thousands of MX\$)	13,234,712	
• Assets under management		
○ Funds (millions of MX\$)	2,181	
○ International (millions of US\$)	115	
Total operating income (thousands MX\$)	1,217,331	100.0
• Trading and valuation income	1,158,452	95.2
○ Foreign exchange	923,369	75.9
○ Broker dealer products	202,094	16.6
\$ Fixed Income	104,237	8.6
\$ Funds	29,096	2.4
\$ International	23,565	1.9
\$ Equities	45,196	3.7
○ Derivatives	12,470	1.0
○ Investment Banking and Trusts	20,520	1.7
• Other revenue streams from trading	59,902	4.9
○ Interest charged	36,638	3.0
○ Commission charged	22,628	1.9
○ Revenue from Custody and Administration	636	0.1
Operating Income	402,436	34.5
Income before Taxes	342,486	28.1
Net Income	236,017	19.4

7. Execution and Operation

Execution and Operation

Monex Treasury System is both automated and centralized.

The operation is concentrated in Mexico City and branch checks are issued in a controlled way. This allows for the centralization of the payment of transfers, issuance of checks, and payments to third parties.

Our average processing time is only 30 minutes.

Stemming from foreign exchange activities, Monex processes monthly more than 37,000 domestic and 40,500 international payments. Additionally, on a monthly basis, we process and concentrate more than 9,000 collections from international sources and over 60,000 collections from domestic banks.

Furthermore, to support our brokerage customers, the Treasury of Monex makes over 6,200 payments and receives over 5,500 payments on a monthly basis.

Our treasury has fully automated processes which include the same security features that banks use.

Monex has relationships with the most important banks in the United States, and through SWIFT it has relations with all the major banks at a global level. Monex has access to all of the banks within Mexico and also with INDEVAL (Mexico's Securities Depository Institution).

Monex has accounts with the following institutions:

- JP Morgan
- Chase
- Deutsche Bank
- Bank of America
- Wachovia
- Banco del Bajío
- Banamex-Citibank
- Banorte
- BBVA Bancomer
- HSBC
- Inbursa
- Santander Serfin
- Scotiabank
- Banco de México (Central Bank)
- Indeval
- Contraparte Central de Valores (Securities Clearing House)

8. Risk Management

The process of managing risk at Monex is a key element in the overall management of the Group. This process is mainly focused on maintaining the operations of the different areas within the appropriate risk exposure levels which have been approved by the Board of Directors.

As part of this process, the Risk Management Area periodically informs the Board of Directors on the current exposure levels, the benchmark against approved risk limits, and the risk levels for new products.

The Risk Committee at the Casa de Bolsa evaluates the risk exposures of the different business units, approves new products, key risk indicators are reviewed, and the capital adequacy level of the Group is assessed. This Committee is also informed on the lines we provide our clients to trade derivatives on the OTC market.

The Counterparty Risk Committee evaluates the foreign exchange settlement lines for customers. These lines undergo rigorous legal, financial, market and operational analyses by the Risk Management Area which turns it over to this Committee for final approval.

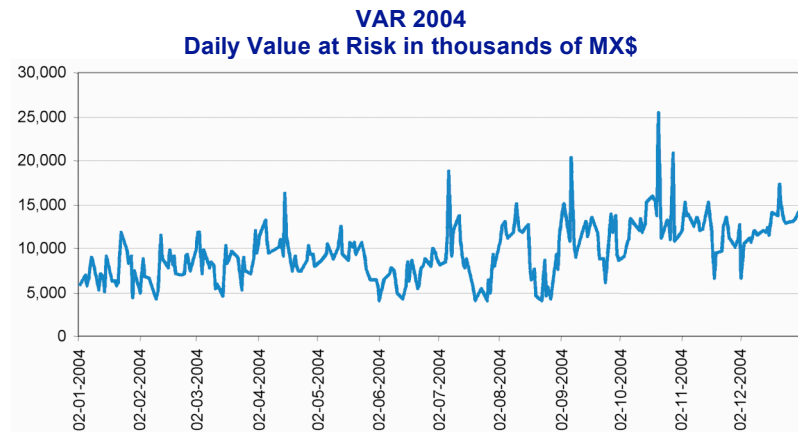
The risks our business units take are closely monitored through daily risk reports, which allow us to track our risk levels vis-à-vis our self imposed limits. Additionally, we publish regular reports for the Risks Committee and for the Board of Directors.

Market Risk

Market risk relates to the potential changes in the market value of the positions that we hold throughout the different business units at Monex. The categories used to calculate market risk consider the effect of movements in interest rates, exchange rates, and market indexes; and the volatility, in the market value of our trading and hedging positions.

At Monex we control market risk through portfolio diversification and our hedging is done through the use of derivatives.

To track our exposure to market risk, Monex uses mainly two quantitative techniques: VaR (Value at Risk) and Stress Tests.



The average VaR throughout 2004 was MX\$9.75 million, during the second half of 2004 our VaR was MX\$11.2 million while our first half's VaR was MX\$8.1 million.

VaR is defined as the potential loss possible in the market value of the positions held by the different business units. This is caused by negative changes in the risk factors over a given time period and with a specific confidence level. Our time period is 10 days and our confidence level is 99%.

Credit Risk

Credit risk represents the potential loss that Monex could face due to the non-compliance of counterparty obligations. Within our fixed income department there are two kinds of risk, issuer risk and counterparty risk. The former relates to the issuers of securities held. Because we deal mostly in government issued securities, this risk is negligible.

Counterparty risk is related to the financial standing of our counterparties, as well as fluctuations within the repo market. We do most of our repos with financial institutions or institutional investors. Due to the above, our credit risk is very low as these counterparties are generally highly capitalized and have high credit ratings.

OTC Derivatives Trades

Our internal policies call for all customer-related OTC derivatives deals to be covered through trades on the listed markets or through OTC derivatives operations with financial institutions. Hedged positions reduce our exposure to the risks affecting the market value of the underlying securities.

The Risk Management Area is responsible for establishing risk lines, as well as setting the initial margin level for each counterparty. Risk Management also monitors and controls on a daily basis the amount of credit risk exposure on OTC derivatives.

Credit Risk Analysis

As part of our integrated risk management activity, Monex has a specialized unit dedicated to assess risk levels and the credit worthiness of corporate debt securities.

We issue recommendations and opinions on selected securities using business valuation techniques for companies and appropriate methods for bond valuation. As a matter of policy, all purchases of private corporate bonds rated AA ("Mex") and below must undergo risk analysis.

Liquidity Risk

Monex maintains its own position in highly liquid securities of the highest credit quality. This includes floating rate securities, CETES (Mexican T-Bills) and fixed rate treasury bonds. All of them have a high degree of liquidity as they are heavily traded in the secondary market where market-makers provide depth. The above creates a highly liquid environment which would allow us to sell these securities at a moments' notice without any significant losses.

Additionally, we have liquidity lines from financial institutions to support our daily operations; this is particularly important at times when we operate high volumes.

Operational and Legal Risk

In our Risk Management Manual we have established policies and procedures to control these risks,. These are focused on improving the operating processes and activities throughout our different business units and which may lead to operational and legal risks.

9. Transparency and Reliability

It is a fundamental tenet of Monex to safeguard all of our clients' information, through the strictest standards of security and confidentiality.

Code of Ethics

In 2004 Monex launched its new and revised Code of Ethics. This is a practical and simple to use tool which provides guidance to all our staff in the decision making process.

The Code of Ethics explicitly lists our institutional values; it is not a list of prohibited behaviors, on the contrary, it spells out the commitments that Monex has with our different stakeholders: customers, staff, shareholders, regulators, suppliers, counterparties, the environment, our community, and competitors.

In the area of corporate values, and specifically ethics, Monex started in 2003 to offer a continuous training program with built-in follow up activities for its entire staff.

Safeguarding of Information

Our customers' information is completely confidential and is backed by Mexico secrecy laws (article 25 of Mexico's Securities Markets Law).

Monex has a special filing system with restricted access for the safeguarding of information provided by clients. We also have a digitalized electronic filing system through which the clients' documentation may be accessed on-line by authorized staff.

As a self-imposed regulatory measure, Monex became a pioneer in developing a Client Agreement for foreign exchange operations. This offers comfort and security to our customers.

For the rest of our business units –brokerage, derivatives, and funds management- our client investment agreements are regulated by local laws.

Our IT systems allows the Group's Compliance and Control Area to monitor every single transaction on a real-time basis.

Internal Regulation

The Group's Compliance and Control Area, following up on guidelines established by the Audit Committee, strives to continuously and proactively improve on existing processes.

Our internal and external regulations are available to all Monex staff on our intranet.

The Group's Audit Committee enforces the compliance of the auditing functions, keeps the observance of all of the regulations within the Group and ensures that the financial information is useful, timely and reliable.

External Auditing

The Group's Board of Directors appoints the auditors based on experience, professionalism, and the reputation of the firms involved.

The Group financial statements are audited by the firm of Mancera Ernst &Young. To date all audits performed on the Group and each of its subsidiaries have been given unqualified opinions.

Anti-Money Laundering

The Group has an Anti-Money Laundering Master Manual and a new customer Policy and Procedures Manual which must be followed when entering into a contract with a client.

Monex has two ACAMS-certified Compliance Officers. ACAMS is the Association of Certified Anti-Money Laundering Specialists. Based in Miami, ACAMS is the leading international organization in the field with more than 2300 members in 99 countries.

We have a Committee for Communication and Control made up of our top executives. This Committee has decision-making powers.

Monex, like the rest of the regulated financial institutions in Mexico, is subject to an annual review on Money Laundering conducted by supervisors from the Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission).

Furthermore, starting in 2001 Monex conducts annual independent Anti-Money Laundering Compliance Audits. Our auditors, currently Mancera Ernst & Young, review the actions related to prevention, identification, analysis, and reports of unusual, relevant and suspicious transactions.

10. Information Technology

Our customers motivate our investment in IT.

Monex's main obligation is to its clients. Using the best technology available we ensure reliable and timely services and guarantee the integrity of their investments.

Our servers and IT infrastructure are safeguarded by an IDC global level 5 Data Center. This data processing center was awarded the 2004 National Prize for Technology by Mexico's President Vicente Fox. Additionally, our Data Center has been certified as "EYP Mission Critical Facility". This EYP certification means that our Data Center is highly reliable (99.999%) in its design, construction, and operating norms. The main features include 100% routing redundancy, breakdown-tolerant systems, and interruption-free maintenance topologies.

We have a standardized voice and data communications infrastructure. We use the technological advantages of VOIP and state-of-the-art voice and data communication systems.

In 2004, Grupo Financiero Monex received a commendation from Microsoft as a success example internationally for the implementation of "Microsoft Office Professional Edition 2003". This was done on a technological platform which not only increased productivity, but also built-in safety mechanisms which helped to protect information while ensuring its confidentiality.

In 2004 we implemented the MXG2000, a system developed by Murex, an internationally recognized French company. Murex will integrate all the operations of our Group into a single platform. This system will capture forwards, futures, options, bonds, repos, stocks, mutual funds, and changes in investment portfolios which allow us to control our risk exposure caused by changes in both interest and exchange rates.

MXG200 will translate into safer and more controlled financial transactions which will benefit both our customers and Monex.

As a complement to the MXG2000 system we also implemented a "Data Warehouse" which not only keeps a log of all transactions throughout the Group, but also stores a journal of our customers' positions. This allows our senior management and account officers faster access to our investment portfolios in order to monitor the yields for the ultimate benefit of our customers.

11. Board of Directors

Board Members

Regular Members

Hector Lagos Dondé Chairman of the Board
Héctor Lagos Cué - Founder and Honorary Chairman
Moisés Tiktin Nickin
Jorge Galicia Romero ⁽¹⁾
Javier Goyeneche Polo ⁽¹⁾
Hernando Carlos Luis Sabau García ⁽¹⁾

Luis Téllez Kuenzler ⁽²⁾
Jaime Corredor Esnaola ⁽²⁾

Alternates

Juan Luis Cevallos Almada
Arturo Acevedo Aceves
Rolando Hernández Albín
Manuel Galicia Alcalá ⁽¹⁾
Oscar Arturo Ortíz Molina ⁽¹⁾
Carlos Ayón Cárdenas ⁽¹⁾

Examiner

Jorge Rico Trujillo

Secretary

Jacobo Martínez Flores

Alternate Examiner

José Luis García Ramírez

Alternate Secretary

Julio E. Torres Domínguez

(1) Independent Member

(2) Permanent guest

Monex has the following committees to oversee matters which ensure our business and operations run smoothly and to supervise all the activities of the Group and its subsidiaries:

- Audit Committee
- Compensation Committee
- Finance and Planning Committee
- Communications and Control Committee
- Risks Committee

12. Social Responsibility

In 2004 Monex launched its Monex Foundation project with the goal of contributing to the community and strengthening our practices as a socially responsible firm.

Our objective is to focus our support on communities of migratory workers in rural areas of the country particularly with self-sustaining projects. Monex channels its support through Fundaciones Comunitarias (“Community Foundations”).

Monex selected Fundación Comunitaria del Bajío (Bajío is a region in central Mexico, mainly in the state of Guanajuato), because its projects are based on the principle of self-help which emphasizes sustainable development.

Fundación Comunitaria del Bajío is focused on creating networks which foster the social development of communities it works with. This involves the participation of private business, governments, academy, and other not-for-profit organizations. The target communities are located in the state of Guanajuato.

Further in the future other Community Foundations will be integrated in other parts of the Mexico where Monex has presence.

During 2004 Monex launched several projects that were designed to strengthen the four basic areas that make up a Socially Responsible Firm.

- Quality of life at Monex
- Ethics throughout the company
- Care for and preservation of the environment
- Linking Monex to the Community

Monex Grupo Financiero's Corporate Social Responsibility



At the beginning of March 2005 Monex received the Corporate Social Responsibility Distinction from the Centro Mexicano para la Filantropía (Mexican Center for Philanthropy “CEMEFI”) and from the Alianza para la Responsabilidad Social en México (Alliance for a Socially Responsible Mexico, “AliaRSE”).

This distinction reinforces the commitment that Monex and its staff have decided to uphold through the four basic areas of a socially responsible firm.

Award as: Great Place to Work

In 2004 the Great Place to Work Institute granted Monex the award of being “One of the best places to work for in Mexico.”

At the beginning of 2005 Monex received this award once again, as we stood in 25th place overall and 14th place in the category of companies with more than 500 employees.

The facts considered in designating a company as a Great Place to Work are, among others the policies and practices of the Human Resource Area and also the staff perception on the following; *Credibility, Respect, Fairness, Pride, and Camaraderie.*



13. Executive Team

Grupo Financiero Monex

Héctor Lagos Dondé
Chairman and Chief Executive Officer

Business Areas

Moisés Tiktin Nickin	Executive Managing Director of Business Development
Hernán García Domínguez	Regional Managing Director South-Central Division
Ernesto López Quezada	Regional Managing Director Metropolitan Division
José Luis Rosiñol Morando	Regional Managing Director Northern Division
Remberito Loaiza Rodríguez	Regional Managing Director Western Division
Alejandro Hernández Treviño	Executive Vice President Securities Sales
Fernando J. Vizcaya Ramos	Executive Vice President Investment Banking & Fiduciary Trust
Guillermo Stein Velasco	Executive Vice President Mutual Fund Sales
Jorge Garza Adame	President Monex Financiera

Corporate Support Areas

Arturo Acevedo Aceves	Managing Director Product Development & Trading Desks
Juan Luis Cevallos Almada	Managing Director Administration and Finance
Jacobo Martínez Flores	Managing Director General Counsel
Patricia García Gutiérrez	Managing Director Human Resources
Xavier Ramos Yáñez	Managing Director Technology
Miriam Álvarez del Castillo	Managing Director Compliance and Internal Control
Rafael Chávez Sánchez	Managing Director Treasury and Customer Service
Grocio Soldevilla Canales	Executive Vice President Risk Management
Antonio Landero Cruz	Executive Vice President Fixed Income Trading
Jorge Ramos Landero	President Monex Securities
René A. Márquez Lara	Executive Vice President Mutual Fund Operations
Jorge del Valle Hernández	Executive Vice President Derivatives Trading
Rubén Fernández de la Torre	Executive Vice President Foreign Exchange Trading