

# 2006



ANNUAL REPORT

GRUPO FINANCIERO

**monex**

**Your Future. Our Present.**

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# 1. MESSAGE FROM THE CHAIRMAN

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For Grupo Financiero Monex, 2006 was a very important year, during which we continued to strengthen our range of products and services, as well as our presence in the financial markets:

- Monex Casa de Bolsa maintained its Common Representative leadership, with an “Above Standard” S&P rating.
- On August 2006, Grupo Financiero Monex acquired Comerica Bank México S.A., the Mexican banking subsidiary of Comerica Bank (NYSE: CMA), now operating as Banco Monex. This acquisition represents a major step forward, allowing us to bolster our presence in the industry and provide our customers with an improved, more comprehensive service offering.
- We continued to invest heavily in technology and systems to make our operations more efficient and improve the quality of the services we provide.
- For the fourth year in a row, we received the Great Place to Work award as one of Mexico’s best employers.
- Also, for the third year in a row, we were also recognized as a Socially Responsible Business by the Mexican Philanthropy Center (CEMEFI)
- S&P raised its ratings on Monex Casa de Bolsa and Banco Monex.
- Fitch upgraded to “positive” its rating outlook on Monex Casa de Bolsa.
- We obtained the ISO9001:2000 certification for our Anti-Money Laundering process; this certification spans throughout all of our products, nationwide.

In 2006, we achieved highly satisfactory financial results:

- Total revenue was \$1.57 billion pesos, a 13.6% growth over 2006.
- Pretax net income was \$ 400 million pesos.
- Consolidated net income was \$ 302 million pesos.
- Total stockholders’ equity was \$ 879 million pesos.

At Monex, we are moving forward with our business development and growth plans, focusing on optimizing our processes in order to offer our customers the highest quality of service.



Sincerely,

Héctor Lagos Dondé  
*Chairman and CEO*  
 Grupo Financiero Monex

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## 2. SOUNDNESS AND PROFITABILITY

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Grupo Financiero Monex is a Mexican company made up of four financial entities: Monex Casa de Bolsa, Monex Operadora de Fondos, Banco Monex, and Monex Financiera. Grupo Financiero Monex offers its customers the following services: Foreign Exchange, Investment Funds, Securities (fixed income, equity and investment banking), Derivatives, International Investments, Trust Services and Inventory-Secured Loans, Ex-Im Bank Import Loans, and Letters of Credit.

Throughout its history, Monex has demonstrated consistent growth in trading volume and number of customers, both in our foreign exchange operation as well as our other product lines.

- In 2006, Monex was the number one player in the foreign exchange market in terms of revenue from foreign exchange transactions.<sup>1</sup>
- In 2006, Monex had a 15.5% share in the foreign exchange market by volume.<sup>2</sup>
- In 2006, Monex reported major trading volume increases in the various markets in which it operates.

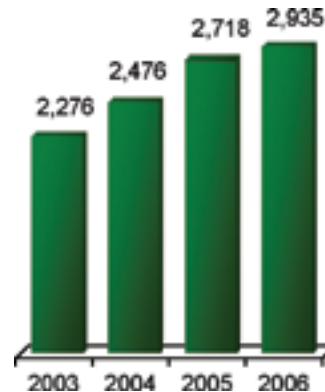
### FOREIGN EXCHANGE:

In 2006, Monex traded over US\$137.49 billion (including interbank transactions), which represents a 21.4 percent increase over 2005. The number of customer transactions also grew by 14.1 percent.

MONEX FOREIGN EXCHANGE CUSTOMER VOLUME <sup>(2)</sup>  
(MILLIONS OF US\$)



MONEX NUMBER OF PAYMENTS  
(THOUSANDS)



In 2006, Monex executed on average, over 245,000 payments every month with a repeat customer base, an 8 percent increase over 2005.

<sup>1</sup> Source: Prepared based on financial statements of banking, foreign exchange, and securities trading companies published by Mexico's National Banking and Securities Commission (CNBV).

<sup>2</sup> Foreign Exchange market: Includes foreign exchange trading with non-financial private sector parties. Source: Monex, based on Mexico's Central Bank data.

**DERIVATIVES:**

In 2006, Monex traded US\$2.07 billion in derivatives, 50 percent more than in 2005.



**EQUITY MARKET:**

In 2006, the volume traded by Monex in the equity market increased by 70 percent, reaching \$27.98 billion pesos.

*At the end of 2006, Monex had over 15,000 active securities customers.*



**Monex's operation is backed by solid equity and excellent counterparty risk ratings.**

- In 2007, Standard & Poor's raised its ratings on Monex Casa de Bolsa and Banco Monex to 'mxA-/mxA-2', a reflection of Monex's solid payment capacity.
  - The improvement of the rating on Monex Casa de Bolsa is based on its business and revenue diversification, its good financial profile, and

the solid performance of its primary business; it is also based on its good risk management practices and capitalization level.

- With regard to Banco Monex's rating, S&P believes that the acquisition adds value to Grupo Financiero Monex's business strategy, while supplementing its service offering. It will also allow the group to move forward towards its revenue diversification goal. The bank's transactional orientation is expected to complement that of Casa de Bolsa.

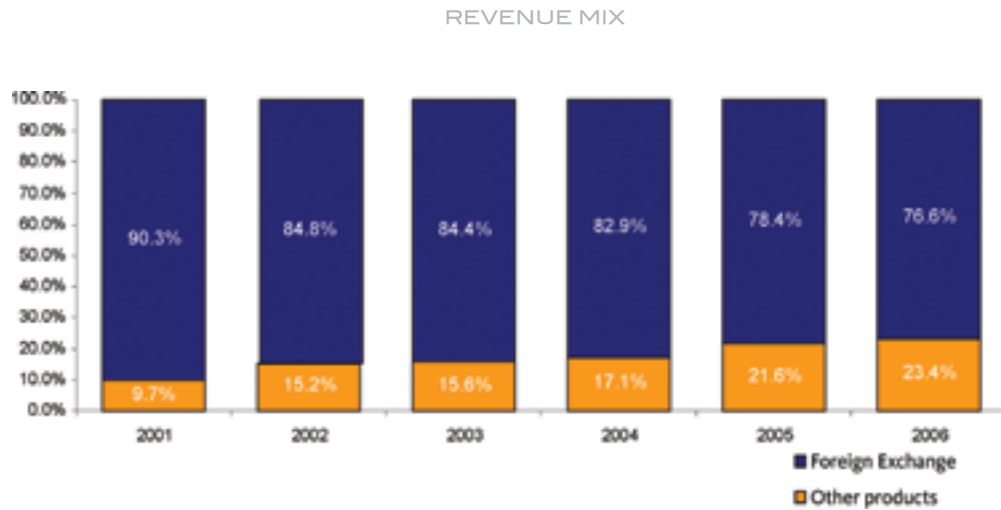
- Fitch Ratings confirmed Monex Casa de Bolsa's A (mex) rating, which denotes high credit quality. It also granted an F1(mex) rating on short-term counterparty risk, and revised its rating outlook to "positive".
  - In Fitch's view, these ratings reflect Monex Casa de Bolsa's advantageous position in the Mexican foreign exchange market, its solid financial performance, and the steady diversification of its revenue structure. It is also a reflection of sound risk management policies and capitalization level.
- According to data provided by the CNBV, Monex is ranked 6th among securities firms in terms of equity, at the end of 2006.
- At the end of 2006, Monex's stockholders' equity was \$879 million pesos.

**For the past few years, Monex has consistently achieved double-digit weighted average growth rates in total operating revenue.**

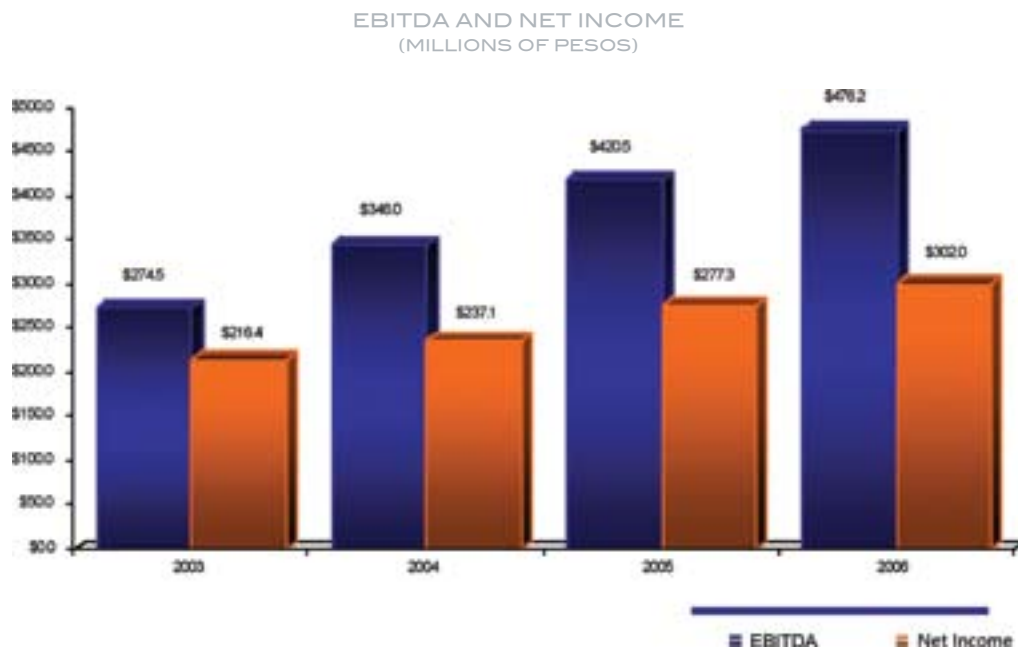




Monex has diversified its operating revenue by offering its customers financial products and services that complement our value offering.



Monex has demonstrated solid, consistent revenue growth by optimizing the use of its infrastructure and achieving clear synergies.



**Monex has made a continued progress in its institutionalization process, while maintaining its personalized customer service.**

- Monex's management model includes Corporate Governance Best Practices.
- Grupo Financiero Monex is also actively involved in various industry forums, including:
  - The Mexican Banks Association.
  - The Mexican Association of Securities Intermediaries (AMIB).
  - The Mexican SOFOL Association (AMSOFOL).
- Each Monex branch is well acquainted with its respective market and tailors its service offering to suit specific customer types.

**Monex continues to bolster its self-regulation practices.**

- Monex has obtained an ISO 9001:2000 certification for its Anti-Money Laundering process. This certification spans Monex's operations nationwide and all of its products.
- Four years ago, Monex established a training program on Corporate Ethics for all employees.

**Monex monitors its customer satisfaction performance and has implemented process improvement mechanisms.**

- Monex uses customer service surveys to obtain customer feedback with the purpose of improving its processes on an ongoing basis.
- In November of 2006, Monex received a Corporate Social Responsibility Best Practices award (UN Global Compact category) from the Mexican Philanthropy Center recognizing its "Securities Performance Measurement – Yield Adjusted by Customer Risk" practice.
- At Monex, every area has clearly defined efficiency and process optimization goals.



**Monex has a highly trained team.**

- Four years ago, Monex implemented a graduate degree scholarship program for its employees.
- Monex has an in-house Ethics instructor authorized by the AMIB, and has been an AMIB-certified Training Institute since 2004.

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# 3. OUR PRODUCTS AND SERVICES

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Using our sales force, which has nationwide coverage, we deliver financial products aimed at meeting our customers' foreign exchange, investment, hedging, and financial advice needs. Our goal is to provide specialized, fast, efficient service and constantly refine our product offering.

## FOREIGN EXCHANGE



In 2006, Monex's foreign exchange operation traded US\$137.49 billion, a 21.4 percent growth over 2005, and attained a 15.5% market share.

In terms of revenue<sup>1</sup>, Monex was ranked first in the industry, accounting for 16.7 percent of the total foreign exchange market<sup>2</sup>. At the end of 2006, Monex had over 37,135 active foreign exchange customers.

At Monex, our team of 480 foreign exchange sales executives has access to highly competitive rates, enabling us to serve our customers efficiently and offer faster, customized service.

We have developed state-of-the-art technologies and procedures that allow us to handle a large volume of transactions with thousands of customers. In 2006, we processed more than 2.9 million payment transactions.

One of Monex's distinguishing traits when it comes to foreign exchange trading is that our trading desk focuses on serving our customers, whereas other intermediaries strive mainly to profit by managing their own interbank market positions. A reflection of this is the number of customers we serve. More than 17,000 business and corporate customers carry out their foreign exchange transactions with Monex. Three out of five businesses among Mexico's Top 500 companies choose Monex.

## FIXED INCOME SECURITIES

Monex offers all local debt instruments in all available maturities, including government, bank, and corporate bonds, both in pesos and UDIS. We also offer to our customers UMS bonds, which are USD-denominated bonds issued by Mexico's federal government.

In 2006, Monex's fixed income custody grew to \$12.61 billion pesos, a 23 percent increase over the previous year.



<sup>1</sup> Foreign Exchange market: Includes foreign exchange trading with non-financial private sector parties. Source: Monex, based on Mexico's Central Bank data.

<sup>2</sup> Source: Prepared based on financial statements of banking, foreign exchange, and securities trading companies published by Mexico's National Banking and Securities Commission (CNBV).



Along with our strengthened commitment to meeting our customers' needs, the fixed income desk and analysis areas also worked harder to provide accurate and timely advice, an effort reflected on the 59 percent growth in revenue on fixed income sales. In 2006, our total fixed income revenue was \$91 million.

The volume of transactions conducted by electronic means in 2006 increased to \$9.9 trillion pesos, a 34 percent increase over the previous year.

In 2006, Monex launched the Monex Corros System. This is an innovative electronic tool that makes it possible to conduct online local debt instrument transactions. Corros Monex offers major benefits, because it allows users to instruct and trade in a fast, secure, and confidential manner while enjoying competitive pricing. Corros Monex is geared primarily at institutional customers, large corporations, government agencies, and pension funds. Monex is the only financial intermediary currently offering such a platform.

## EQUITY SECURITIES

We strive to safeguard and increase our customers' wealth by providing all-encompassing advisory services, and by conducting securities transactions under conditions that are advantageous for our customers.

At the end of 2006, Monex's holdings in custody amounted to \$7.56 billion pesos, a 92 percent increase over the previous year. Revenue, in turn, grew by 48 percent to \$99 million pesos.

In 2006, Monex traded 1.09 billion shares in the stock market. The volume traded in the stock market was \$27.89 billion pesos, a 70 percent year-over-year growth.

Monex was actively involved in primary, secondary, and mixed placings, including issuances by GAP, GFAMSA, ARA, and OMA.

## INVESTMENT FUNDS

With the primary objective of giving our customers access to the best investment options available in the market, Monex's philosophy is to offer both Monex's own funds as well as third party funds. In either case, our main concern is to ensure that they are managed according to the highest quality standards.

At the end of 2006, Monex managed eight funds. Seven of them are fixed income funds --the kind of investments preferred by most customers--, and one is an equity fund, launched in December of 2006. Our current investment fund offering focuses on local currency securities and provides our customers with a wide and diversified range of products with varying yield, risk, maturity and liquidity characteristics, including an equity alternative.

FUND	TYPE	BUY - SELL	LEAD TIME	SETTLEMENT DATE	RATING (CNBV HOMOGENOUS SCALE)
MONEX28	Fixed income	Thursday, every 28 days	24 hours	Same day	AAA / 1
MONEXCP	Fixed income	Daily	N/A	Same day	AAA / 2
MONEXRS	Fixed income	Daily	N/A	Same day	AAA / 3
MONEXMP	Fixed income	Daily	N/A	Same day	AAA / 3
MONEXM+	Fixed income	Daily	24 hours	Same day	AAA / 4
MONEXLP	Fixed income	Daily	24 hours	Same day	AAA / 5
MONEXUS	US dollars hedging	Daily	N/A	24 hours	AAA / 4
MONEX-I	Equity	Daily	N/A	72 hours	N / A

Monex's investment funds have offered excellent yields, making them a great choice that is ranked highly in the market:

- Monex was ranked 3rd and 8th in investment funds among corporate customers with MonexLP and MonexM+, respectively.
- Among individual investors, MonexLP was ranked 10th out of 178 possible choices in this category.
- In the category of non-taxpayers, MonexLP was ranked 5th, out of 43 investment fund choices in pesos.
- MonexUS cemented a position as an excellent alternative for investing in US dollars while maintaining liquidity, ranking 3rd overall among currency hedging funds.
- Particularly worth noting is the positioning that Monex28 achieved among funds with the highest credit rating (AAA) and lowest market risk (1). In this group, Monex28 was ranked 2nd among individual investors and 3rd among corporate investors.

Monex has agreements in place with seven investment fund operators to sell 19 complementary funds aimed mainly at stock investments in Mexico and abroad.



Total investment fund holdings were \$4.62 billion pesos, a 57 percent increase over the previous year. The number of accounts reached 14,216, a 25 percent increment over 2005. Total revenue, including managed and distributed investment funds, reached \$45 million pesos in 2006.

In addition, Monex investment funds have agreements in place for distribution by three investment fund operators.

Monex has developed an area devoted exclusively to managing corporate savings plans, in order to offer companies the option of outsourcing the management of their employees' savings funds, including investment, account individualization, online queries, and loan management, among other services.

The number of savings funds under management grew from 522 in 2005 to 565 in 2006. The average assets managed in 2006 was \$570 million pesos, a 57 percent increase over 2005. The total number of participants enjoying Monex's account management and individualization services was 82,000.

## DERIVATIVES

Monex's mission on the derivatives scene is to meet the investment and hedging needs of our customers, both individuals and companies. Managing our own position plays a secondary role.

One of Monex's core objectives is to become the market leader in currency hedging for Mexican businesses.

Both our focus and the actions we have implemented have yielded positive results. Total traded volume reached US\$2.07 billion during the year, a 50 percent year-over-year growth. Currency derivatives accounted for 65 percent of the total transaction volume. Monex has also become a relevant player in the IPC, and is currently ranked 4th at the MEXDER. In 2006, our derivatives trading revenue was \$22 million pesos.

Monex is currently offering forwards and options on several currencies and the IPC, as well as brokerage of all products traded at MEXDER. In 2007, we will be expanding significantly the range of available products, including forwards on currencies with attractive characteristics and more flexible conditions, as well as structured transactions.

## INTERNATIONAL

Through Monex Securities, we offer high-quality, personalized financial advice, providing a wide range of international products and services whose common characteristics are security and transparency.

Monex Securities is a member of NASD (National Association of Securities Dealers) and SEC-registered in the US. Monex Securities settles all transactions through Pershing LLC, a Bank of New York subsidiary, who is responsible for the safekeeping of our customers' assets.

As a result of a strategy focused on improving our products and services, there has been significant growth in the customer assets we manage. It is important to note that we have strengthened our ability to attract funds, going from \$1.53 billion pesos in 2005 to \$2.13 billion pesos in 2006, a 39 percent increase. In 2005, Monex Securities managed approximately 620 accounts; by December, 2006, this figure had grown by 77.4 percent to 1,100. In 2006, our gross revenue was \$41 million pesos, a 31 percent increase over 2005.





## INVESTMENT BANKING AND TRUST SERVICES

In 2006, we built upon our Common Representative leadership. We also maintained our leading position in collateral agent services for transactions guaranteed via securities (caución bursátil), thus producing a steady revenue stream.

Concerning our trust services, we maintained a moderate growth, handling only trust service requests from selected major accounts.

Finally, in terms of our Investment Banking advisory services, we were able to further our market presence, we achieved a 26 percent growth in total revenue –to \$35 million-- compared to 2005, with excellent diversification.



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## MONEX FINANCIERA



Monex Financiera is a non-bank financial institution- (known as “SOFOL” in Mexico) specialized in foreign trade and focused on Mexico’s business sector.

Monex Financiera continues to bolster its market presence through the following products:

- Short and medium-term Ex-Im Bank loans.
- Working capital loans with inventory collateral.
- Letters of Credit.

### MONEX FINANCIERA IN 2006:

- We ended the fiscal year with a net income of \$2.3 million pesos.
  - 65 credit facilities were approved by Monex and Ex-Im Bank, totaling US\$93.07 million; 37 of these (US\$30.61 million) were utilized.
  - 17 credit facilities were approved by Monex Financiera for working capital loans, totaling over \$274.1 million pesos.
  - 22 Letter of Credit facilities were approved. At year’s end, the total amount of issuance and/or confirmation transactions was US\$64.5 million.
- Additionally, we secured reliable funding sources that have the added advantage of offering attractive terms and conditions:
  - Ex-Im Bank discount facilities for US\$89 million.
  - Development bank funding facilities for \$321 million pesos.
  - Facilities with foreign banks for Letters of Credit and working capital lending for US\$5 million.





## 4. EXECUTION AND OPERATION

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Monex has a centralized, automated Treasury function combined with service standards that enable us to be responsive while meeting stringent security parameters.

Monex's operation is concentrated in Mexico City. Checks are issued at the branches under strict control. This allows us to centralize the processing of third party payments, transfers and checks.

In its foreign exchange trading operation, Monex handles electronically more than 43,953 domestic and 43,889 international payments every month. Additionally, we receive over 8,719 collection transactions from foreign countries and 76,812 from domestic banks.

Additionally, for the securities operation, Monex's Treasury handles an average of 7,695 payments and 7,857 collection transactions every month.

Monex maintains relations with major US banks and, through SWIFT, with all major banks around the world. Monex has access to all banks in the Mexican banking industry, to Indeval and also to SPEI (Interbank Electronic Payments System).



### MONEX MAINTAINS ACCOUNTS AT THE FOLLOWING BANKS:

- JP Morgan Chase
- Deutsche Bank
- Wachovia Bank
- Zions Bank
- HVB
- BBVA España

- Afirme
- Banco del Bajío
- Banamex-Citibank
- Banorte
- BANSI
- Banregio
- BBVA Bancomer
- HSBC
- Inbursa
- Ixe
- Santander Serfin
- Scotiabank

- Banco de México
- Indeval
- Contraparte Central de Valores

Our Treasury received two awards from foreign banking institutions in recognition of its outstanding performance in international funds transfers during 2006:

- JP Morgan recognized us with its 2006 **JP Morgan Chase Quality Recognition Award**. *According to JPMorgan, less than 1 percent of its funds transfer customers worldwide meet these stringent standards.*
- Deutsche Bank presented us with its **2006 USD STP Excellence Award**. *Monex was one of only two Latin American companies that received this award from Deutsche Bank.*



## 5. TECHNOLOGY AND INFORMATION SYSTEMS

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***Customer service excellence requires a combination of committed individuals and the best technology and information systems.***

Reliability, timeliness, and security are essential ingredients of Monex's commitment to its customers. Investment in IT is the means to accomplish that goal.

The heart of Monex's technology infrastructure is a world class Data Center ranked among the top facilities of its kind in Mexico. This data center guarantees efficient, continuous operation 24 hours a day, 365 days a year, with redundant power supply and communication systems. Additionally, Monex allocated a significant investment to the deployment of High Availability servers.

Monex has a standardized communications infrastructure that maximizes the advantages of IP technology with state-of-the-art voice and data communication.

In 2006, Monex undertook several major IT projects, including the deployment of SAS Anti-Money Laundering and the release of the new Corros Monex system. We continued to refine our Money Market, Investment Funds, Equity Securities, Forwards and Options systems, supported by a Murex platform and the company's own data warehouse. We also replaced our Foreign Exchange Customer Management system and focused on establishing operational indicators that allow us to adopt a proactive approach for improving our systems and applications.

Our IT projects also continued to develop the functionality of the company's website, [www.monex.com.mx](http://www.monex.com.mx), for the benefit of our online customers; improved our operating processes; and helped ensure continued compliance with all regulations mandated by Mexican financial authorities.





## 6. RISK MANAGEMENT



At Monex, risk management is a major component of the group's overall management and decision-making processes. The purpose of this function is to ensure that the operation of our business units conforms to the risk management guidelines approved by the Board of Directors.

The Integrated Risk Management Unit informs the Board of Directors on a regular basis about the current risk exposure status. Using global risk reports, the CEO and members of the Risk Committee are kept abreast of the latest risk exposure information.

In order to track risks on an ongoing basis, we have established three Risk Committees:

- a) Casa de Bolsa's Global Risk Committee, which reviews and reports on the global exposure to market, credit, and liquidity risks, and tracks capitalization levels.
- b) A Counterparty Risk Committee, concerned with assessing the cases of customers requesting authorization to transact with foreign currencies and reviewing special cases for customers wishing to transact with OTC derivatives.
- c) A Credit Committee.

In order to keep track of Monex's risk exposure, reports are issued throughout the day by the Integrated Risk Management Unit, reflecting the market conditions as well as the operations and positions of Monex's various business units.

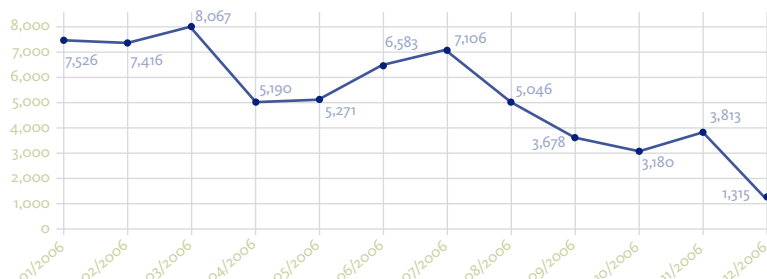
### I. MARKET RISK

Market risk relates to potential changes in the market value of positions maintained at Monex's business units. Market risk assessment takes into account the effect of these positions' market value due to changes in interest rates, exchange rates, stock market indexes and market volatility.

Market risk estimates are prepared using VAR (Value at Risk), defined as the potential loss in the value of the business units' market positions as a result of adverse variations in risk factors for a given timeframe, with a specific confidence level. In addition to this measurement, Monex also evaluates the effect of extreme variations in risk factors on the value of the business unit's market positions.

We monitor global and business unit risks by comparing the risk exposure to the risk thresholds approved by the Board of Directors on a daily basis.

**2006 GLOBAL VAR \***  
DAILY VALUE AT RISK (THOUSANDS OF PESOS)



\* INCLUDES FIXED INCOME DESK, OTC DERIVATIVES, AND FOREIGN EXCHANGE.

The average global VAR during 2006 was \$5.3 million pesos.

The average VAR / average basic capital ratio was 0.67% in 2006.

## II. CREDIT RISK

Credit risk represents the loss that Monex Casa de Bolsa could potentially incur in the event that a counterparty failed to meet its obligations or in the event of the weakening of a counterparty’s credit rating.

In the case of transactions conducted at the fixed income desk, issuer risk and counterparty risk may occur. The former is associated to the issuer of the securities being traded at the fixed income desk. Since most of the repo transactions involve government-issued securities, issuer risk is nonexistent.

Counterparty risk relates to the market value of the repo transactions and the counterparties involved. Repo transactions pose a credit risk for Monex only when they have a positive market value. Because the parties involved in Monex’s money market desk transactions are primarily financial intermediaries or institutional customers, this risk is very small.

## III. OTC DERIVATIVES

Based on policies approved by the Risk Committee, all OTC derivatives transactions are hedged in organized markets, which lessens the exposure to adverse fluctuations in the risk factors.

In order to reduce concentration risk, Monex establishes for each customer limit on the total amount of open positions a customer can maintain.

In order to mitigate the credit risk originating from adverse market variations and counterparty non-compliance, Monex asks its customers for an initial margin and, in the event major losses occur, it makes margin calls according to the guidelines approved by the Risk Committee. The minimum margin asked from customers is 4 percent, but it can be higher depending on the customer’s credit standing.

#### IV. CORPORATE SECURITIES RISK

Additionally, as part of its integrated risk management processes, Monex has an area that assesses the level of risk and credit quality of corporate securities.

Using valuation techniques and appropriate securities valuation methods, recommendations are made to the sales force with regard to the current and future risk of these corporate securities, as well as how advisable it is to acquire such instruments. As a matter of policy, all corporate paper instruments purchases must undergo a risk analysis beforehand, unless they have a rating higher than AA.

#### V. FOREIGN EXCHANGE TRANSACTIONS

The risk area assesses the level of risk for customers dealing in foreign currency, based on a quantitative and qualitative analysis, the most important aspect of which is financial information. The customer's transaction is approved or declined by the appropriate committee which, based on the analysis results, makes a joint decision.

The risk area systematically verifies that the transactions conducted by customers who have been authorized by the committee comply with applicable policy at all times. The customer's authorization is valid for one year, meaning that each customer is re-evaluated on an annual basis, ensuring that adequate decisions are made in the event the customer's financial situation weakens.

#### VI. LIQUIDITY RISK

Monex maintains its full inventory in securities offering the highest credit ratings and high liquidity, such as adjustable rate securities, CETES, and fixed rate bonds. The latter two offer high liquidity, because they are traded in the secondary market and there are intermediaries acting as market makers, which gives the market considerable depth. Thanks to these characteristics, should an extreme liquidity situation arise, the instruments could be sold without incurring extreme price penalties.

Additionally, there are liquidity lines that other financial institutions have granted to Monex, which facilitate the settlement of day-to-day transactions, particularly when the trading volume is very high.

#### VII. OPERATING AND LEGAL RISK

Monex's Integrated Risk Management Manual establishes policies and procedures to mitigate these risks: The main purpose is to improve the operating processes and procedures being used by the business areas that entail legal and operating risk.

The Integrated Risk Management function keeps a log of all events occurring at the business units that involve operating risk. In turn, the Risk Committee receives qualitative information with regard to legal risk.







# 7. TRANSPARENCY AND RELIABILITY

*At Monex, we are committed to safeguarding our customers' information by enforcing the highest confidentiality and security standards.*

## CORPORATE GOVERNANCE

At Monex, we have implemented corporate practices aimed at achieving proper Corporate Governance that allows our customers, the public at large, and our shareholders access to transparent and timely information.

Our senior management and shareholders have adopted applicable recommendations from the Code of Corporate Best Practices, for public companies, with the purpose of supplementing existing provisions aimed at promoting management transparency and third party information disclosure.

- The Board of Directors of Monex Grupo Financiero, S. A. de C.V. and all of its financial entities have members who are not involved in the daily operation and provide an external, independent view.
- Monex also has Board Committees, whose primary responsibility is to address any issue that may arise in order to guarantee the company's ongoing operation and see to the security and oversight of the company.

The following Committees are currently in place:

- a) Audit Committee
- b) Communication and Control Committee
- c) Risk Committee
- d) Credit Committee
- e) Evaluation and Compensation Committee
- f) Finance and Planning Committee

## SELF-REGULATION

We are part of self-regulating entities recognized by Mexico's financial authorities, and we are actively involved in various committees of industry associations of which we are members.

## EXTERNAL AUDITORS

The Board of Directors appoints auditors based on their experience, professionalism, and the reputation of their firms.

The financial statements of the Group and its various financial entities have been audited by internationally renowned firms, which, as of this date, have never issued any resolutions with exceptions nor refrained from issuing an opinion about the financial information published by the entities that make up Grupo Financiero Monex.



## CODE OF ETHICS

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At Monex, we have a simple, actionable tool to guide the decisions of everyone within the Group.

Our Code of Ethics explicitly states the values of our institution and contains Monex's commitments to its multiple stakeholders – our customers, employees, shareholders, suppliers, counterparties, the environment, the community, and our competitors.



## INFORMATION STEWARDSHIP

Our customers' information is confidential and protected by legal secrecy provisions (Article 192 of Mexico's Securities Market and Credit Institutions Law).

Monex has a special, restricted-access file to safeguard customer information. Additionally, Monex has an electronic customer file that can be used to make online customer documentation queries.

Monex's information systems feature several modules that allow the Group's Corporate Comptrollership to monitor transactions in real time.

## INTERNAL REGULATION

Monex has an internal audit area, which, based on plans and programs duly authorized by our Audit Committee, conducts ongoing, proactive work to ensure that any opportunities for improving existing processes are identified and pursued in a timely manner.

## ANTI-MONEY LAUNDERING

At Monex Grupo Financiero, our Anti-Money Laundering process is ISO 9001:2000-certified. This certification was granted by Det Norske Veritas México, S.A de C.V. (DNV), an RvA-accredited firm.

We are proud of having a solid quality management system capable of providing our customers with safe, reliable products and services. This system is enhanced by a SAS Anti-Money Laundering monitoring solution -- used all over the world and considered one of the best solutions in its class--, and we have developed a robust infrastructure to protect our customers' information with world-class security standards.

Monex has a Compliance Officer who is an active and certified member of ACAMS (a US organization authorized to certify compliance officers as anti-money laundering experts). The Head of the Anti-



Money Laundering Unit and the Executive Vice President of International and Equity (Monex Securities) also have this certification.

Every year, Monex welcomes supervisors from Mexico's National Banking and Securities Commission sent specifically to review our policies and procedures.

Additionally, for the past five years, Monex has retained the services of independent auditors from highly recognized firms to look into the group's actions with regard to prevention, detection, and reporting of transactions involving funds from illegal sources.

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# 8. COVERAGE

Monex is present in most major cities in Mexico:

## CENTRAL REGION

Aguascalientes  
Colima  
Irapuato  
León  
Manzanillo  
Metepec  
Morelia  
Pachuca  
Querétaro  
San Luís Potosí  
San Miguel de Allende  
Zacatecas

## NORTHERN REGION

Chihuahua  
Ciudad Juárez  
Matamoros  
Monterrey  
Monclova  
Nuevo Laredo  
Piedras Negras  
Reynosa  
Saltillo  
Tampico  
Torreón  
Houston

## SOUTHERN REGION

Cancún  
Cozumel  
Cuernavaca  
Mérida  
Playa del Carmen  
Puebla  
Tapachula  
Tuxtla Gutiérrez  
Veracruz  
Villahermosa

## WESTERN REGION

Los Cabos  
Culiacán  
Ensenada  
Guadalajara  
Hermosillo  
Mexicali  
Puerto Peñasco  
Puerto Vallarta  
Tijuana

## METRO REGION

Corporate Headquarters





## 9. SOCIAL RESPONSIBILITY

At Monex, Social Responsibility is a strategy aimed at achieving business excellence by creating a positive impact on all our stakeholders.



Social Responsibility means adopting a win/win approach with all the groups with which we relate: customers, employees, regulators, shareholders, counterparties, suppliers, and society. For us, enforcing high ethical standards is an essential requirement to provide the service our customers demand, and we believe that these principles must be applied consistently in every activity our company undertakes.

For three years in a row, we have been recognized as a Socially Responsible Business (Empresa Socialmente Responsable, or ESR) by the Mexican Philanthropy Center (CEMEFI) and by the Alliance for Social Responsibility in Mexico (AliaRSE).

This honor is awarded by the CEMEFI after careful reviewing evidence of 120 Corporate Social Responsibility indicators, as well as the results of a diagnosis of our company's performance on four basic areas of Corporate Social Responsibility.

At Monex, we have an internal continuous improvement process that seeks to strengthen the four major areas of Corporate Social Responsibility:

- Quality of life at the company.
- Corporate ethics.
- Environmental protection and conservation.
- Community outreach.

Every year, CEMEFI and AliaRSE organize a process named "Best Practices of Corporate Social Responsibility", which is open to any company (regardless of whether they have been recognized as socially responsible businesses). Companies submit exemplary practices for review. These practices must bring about benefits for both the company and society, and must include original, replicable elements.

In November of 2006, we received a Corporate Social Responsibility Best Practices Award, along with 14 other companies. Monex was the only award recipient in the financial industry.

This award recognizes our "Securities Performance Measurement – Yield Adjusted by Customer Risk" practice.







In terms of Community Outreach, we have identified communities around Mexico with high migration abroad as a major target group to receive support in various productive projects. Thus, we continue to build on our partnership with the Bajío Community Foundation (Acción Comunitaria del Bajío, A.C),

The Bajío Community Foundation's projects are based on the principle of self-help, using a sustainable development approach.

At Monex, our team is a critical success factor. The Great Place to Work Institute has recognized Grupo Financiero Monex as one of the "Best Places to Work For" in Mexico for four years in a row.



We are ranked 25th among over 200 participating businesses, 10th among Mexican companies, and 5th among businesses in the financial industry.

Factors that make a company a great place to work include the company's Human Resources practices and policies, as well as the employees' perception about Credibility, Respect, Fairness, Pride, and Teamwork.

In June of 2005, we joined the United Nations Global Compact, because the values it seeks to uphold fully harmonize with ours.



# 10. BOARD OF DIRECTORS

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## MONEX GRUPO FINANCIERO, S.A. DE C.V. BOARD OF DIRECTORS

### MEMBERS

Héctor Pío Lagos Dondé, *Chairman of the Board*  
Héctor Lagos Cué, *Founder and Honorary Chairman*  
Pedro Dondé Escalante

### INDEPENDENT MEMBERS

Hernando Carlos Luis Sabau García  
Jorge Jesús Galicia Romero

### EXAMINER

Jorge Rico Trujillo  
José Carlos Rivera Nava

### SECRETARY

Jacobo G. Martínez Flores

### PERMANENT GUEST

Jaime Corredor Esnaola

### ALTERNATES

Patricia García Gutiérrez  
Moisés Tiktin Nickin  
Arturo Acevedo Aceves

### I. ALTERNATES

Carlos Ayón Cárdenas  
Manuel Galicia Alcalá

### ALTERNATE EXAMINER

Víctor Manuel Pérez Ruiz

### ALTERNATE SECRETARY

Alejandro Fuentes Villanueva

Monex also has Board Committees, whose primary responsibility is to address any issue that may arise in order to ensure the company's ongoing operation, and see to the security and oversight of the activities pertaining to each of the financial entities that make up the group.

- Evaluation and Compensation Committee
- Auditing Committee
- Finance and Planning Committee
- Communication and Control Committee
- Risk Committee
- Credit Committee





# 11. EXECUTIVE TEAM

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## MONEX GRUPO FINANCIERO

Héctor Lagos Dondé  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### BUSINESS AREAS

Moisés Tiktin Nickin  
EXECUTIVE MANAGING DIRECTOR  
OF BUSINESS DEVELOPMENT

Enrique Robles Señkowski  
REGIONAL MANAGING DIRECTOR,  
CENTRAL REGION

Ernesto López Quezada  
REGIONAL MANAGING DIRECTOR,  
METRO REGION

José Luis Rosiñol Morando  
REGIONAL MANAGING DIRECTOR,  
NORTHERN REGION

Remberto Loaiza Rodríguez  
REGIONAL MANAGING DIRECTOR,  
WESTERN REGION

Rodolfo Beguerisse Demongin  
REGIONAL MANAGING DIRECTOR,  
SOUTHERN REGION

Alejandro Hernández Treviño  
EXECUTIVE VICE PRESIDENT  
SECURITIES SALES

Carlos E. González Juanes  
PRESIDENT, BANCO MONEX  
AND MONEX FINANCIERA

Fernando J. Vizcaya Ramos  
EXECUTIVE VICE PRESIDENT  
INVESTMENT BANKING

### CORPORATE FUNCTIONS

Arturo Acevedo Aceves  
MANAGING DIRECTOR, PRODUCT DEVELOPMENT  
& TRADING DESKS

Ernesto Bayón Lira  
MANAGING DIRECTOR ADMINISTRATION  
AND FINANCE

Patricia García Gutiérrez  
MANAGING DIRECTOR HUMAN RESOURCES  
AND COMMUNICATION

Rafael Chávez Sánchez  
MANAGING DIRECTOR CUSTOMER SERVICE

Xavier Ramos Yáñez  
MANAGING DIRECTOR TECHNOLOGY

Jacobo Martínez Flores  
MANAGING DIRECTOR GENERAL COUNSEL

Miriam Álvarez del Castillo  
MANAGING DIRECTOR COMPLIANCE  
AND INTERNAL CONTROL

Grocio Soldevilla Canales  
MANAGING DIRECTOR RISK MANAGEMENT

José Antonio García León  
MANAGING DIRECTOR AUDITING

Rubén Fernández de la Torre  
EXECUTIVE VICE PRESIDENT  
FOREIGN EXCHANGE TRADING

Tomás Noriega Noriega  
EXECUTIVE VICE PRESIDENT FIXED INCOME DESK  
AND CORROS

Jorge Ramos Landero  
EXECUTIVE VICE PRESIDENT INTERNATIONAL  
AND EQUITY

Carlos Salazar Zepeda  
EXECUTIVE VICE PRESIDENT DERIVATIVES TRADING



## MANAGEMENT TEAM AT OUR BRANCHES

AGUASCALIENTES	Javier Martínez Huerta
CANCÚN	Teresa González Díaz
CIUDAD JUÁREZ	Ramiro Coss Castillo
COLIMA	Leticia Heredia Torres
COZUMEL	Silvia Cuevas Chuc
CULIACÁN	Miguel Angel López Monzón
CUERNAVACA	Martha Patricia Avilés Hernández
CHIHUAHUA	David Huereca Beltrán
ENSENADA	Juan Carlos Escobar
GUADALAJARA	Mauricio Robles Señkowski
HERMOSILLO	Javier Rocha Ruíz
HOUSTON	Jesús Heiras Garibay
IRAPUATO	Luis Ernesto Martínez García
LEÓN	Armando Castro Rosas
LOS CABOS	Esther Alfaro Rosas
MANZANILLO	Armando Ávila González
MATAMOROS	Arturo Benavides Valadez
MÉRIDA	Luis García Rosado
METEPEC	Mauricio Bolaños Noriega
MEXICALI	Isela Landeros Valle
MORELIA	Eduardo García Muñoz
MONTERREY	José Luis Rosiñol Morando
MONCLOVA	Mauricio Cantú Garza
NUEVO LAREDO	Héctor Lazcano Perea
PACHUCA	Carlos Martínez Herrejón
PIEDRAS NEGRAS	Jorge Gutiérrez Trueba
PLAYA DEL CARMEN	Pablo Watson Rincón
PUEBLA	Rodolfo Beguerisse Demongin
PUERTO PEÑASCO	Jorge Adolfo López Celaya
PUERTO VALLARTA	Esteban Peña Pelayo
QUERÉTARO	Javier Benítez Cortina
REYNOSA	Arturo Benavides Valadez
SALTILLO	Hilda Pamanes Recio
SAN LUIS POTOSÍ	Francisco Granados Espinosa
SAN MIGUEL ALLENDE	Josefa Jonguitud Zúñiga
TAMPICO	Sandra Peralta Martínez
TAPACHULA	Mónica Escobar González
TIJUANA	Gilberto Salazar Salazar
TORREÓN	Ma. del Carmen Barrientos Zamora
TUXTLA GUTIÉRREZ	Mónica Escobar González
VERACRUZ	José Alfredo Mendoza
VILLAHERMOSA	José Luis Orozco Hernández
ZACATECAS	Oscar Villaseñor López



# 12. FINANCIAL INFORMATION

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## MONEX GRUPO FINANCIERO, S.A. DE C.V. AND SUBSIDIARIES

FIGURES TAKEN FROM THE  
AUDITED BALANCE SHEET  
AS OF DECEMBER 31ST, 2005 AND 2006  
(MILLIONS OF PESOS)

### ASSETS

	2006	2005
Cash and cash equivalents	1,232	1,772
Marketable Securities	881	313
Securities and derivatives transactions	22	9
Credit portfolio, net	276	43
Other receivables, net	175	46
Property, plant, and equipment, net	145	91
Permanent stock investments	70	53
Deferred taxes, net	35	99
Other assets	122	64
<b>Total Assets</b>	<b>\$ 2,958</b>	<b>\$ 2,490</b>

NOTE: AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006  
ARE AVAILABLE FOR REVIEW AT [WWW.MONEX.COM.MX](http://WWW.MONEX.COM.MX),

## MONEX GRUPO FINANCIERO, S.A. DE C.V. AND SUBSIDIARIES

FIGURES TAKEN FROM THE  
AUDITED BALANCE SHEET  
AS OF DECEMBER 31ST, 2005 AND 2006  
(MILLIONS OF PESOS)

### LIABILITIES AND EQUITY

	2006	2005
Deposits	31	0
Bank borrowings	114	11
Securities and derivatives transactions	14	28
Other accounts payable	1,920	1,090
<b>Total Liabilities</b>	<b>\$ 2,079</b>	<b>\$ 1,129</b>

### STOCKHOLDERS' EQUITY

	2006	2005
<b>STOCKHOLDERS' EQUITY</b>		
Contributed capital	509	923
Retained earnings	319	407
Minority interest	51	31
<b>Total Stockholders' equity</b>	<b>879</b>	<b>1,361</b>
<b>Total Liabilities and Stockholders' equity</b>	<b>\$ 2,958</b>	<b>\$ 2,490</b>

NOTE: AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006  
ARE AVAILABLE FOR REVIEW AT [WWW.MONEX.COM.MX](http://WWW.MONEX.COM.MX),

**MONEX GRUPO FINANCIERO, S.A. DE C.V.  
AND SUBSIDIARIES**

**RELEVANT FIGURES**

JANUARY 1ST – DECEMBER 31ST, 2006

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	Amount	% Int
<b>Amounts traded and holdings</b>		
Foreign exchange traded (thousands of US dollars)	137,493,048	
Foreign exchange traded with customers (thousands of US dollars)	60,256,190	
Derivatives (thousands of US dollars)	2,079,186	
Equity (thousands of pesos)	27,983,462	
Customer Holdings (thousands of pesos)		
Funds	4,279,036	
International	2,139,945	
<b>CREDIT</b>		
Amount placed (pesos)	503,146,881	
Sold portfolio (pesos)	313,679,379	
<b>OPERATING REVENUE</b> (thousands of pesos)	<b>1,579,051</b>	<b>100.0%</b>
<b>Trading and valuation results</b>		
Foreign exchange	1,208,997	76.6%
Securities	276,735	17.5%
Derivatives	22,239	1.4%
Investment banking and trust services	35,969	2.3%
<b>Credit</b>	<b>22,562</b>	<b>1.4%</b>
<b>Other operating revenue</b>	<b>12,549</b>	<b>0.8%</b>
<b>Operating income</b>	<b>492,996</b>	<b>31.2%</b>
<b>Income before taxes</b>	<b>400,448</b>	<b>25.4%</b>
<b>Net income</b>	<b>302,560</b>	<b>19.2%</b>

NOTE: AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006  
ARE AVAILABLE FOR REVIEW AT [WWW.MONEX.COM.MX](http://WWW.MONEX.COM.MX),



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