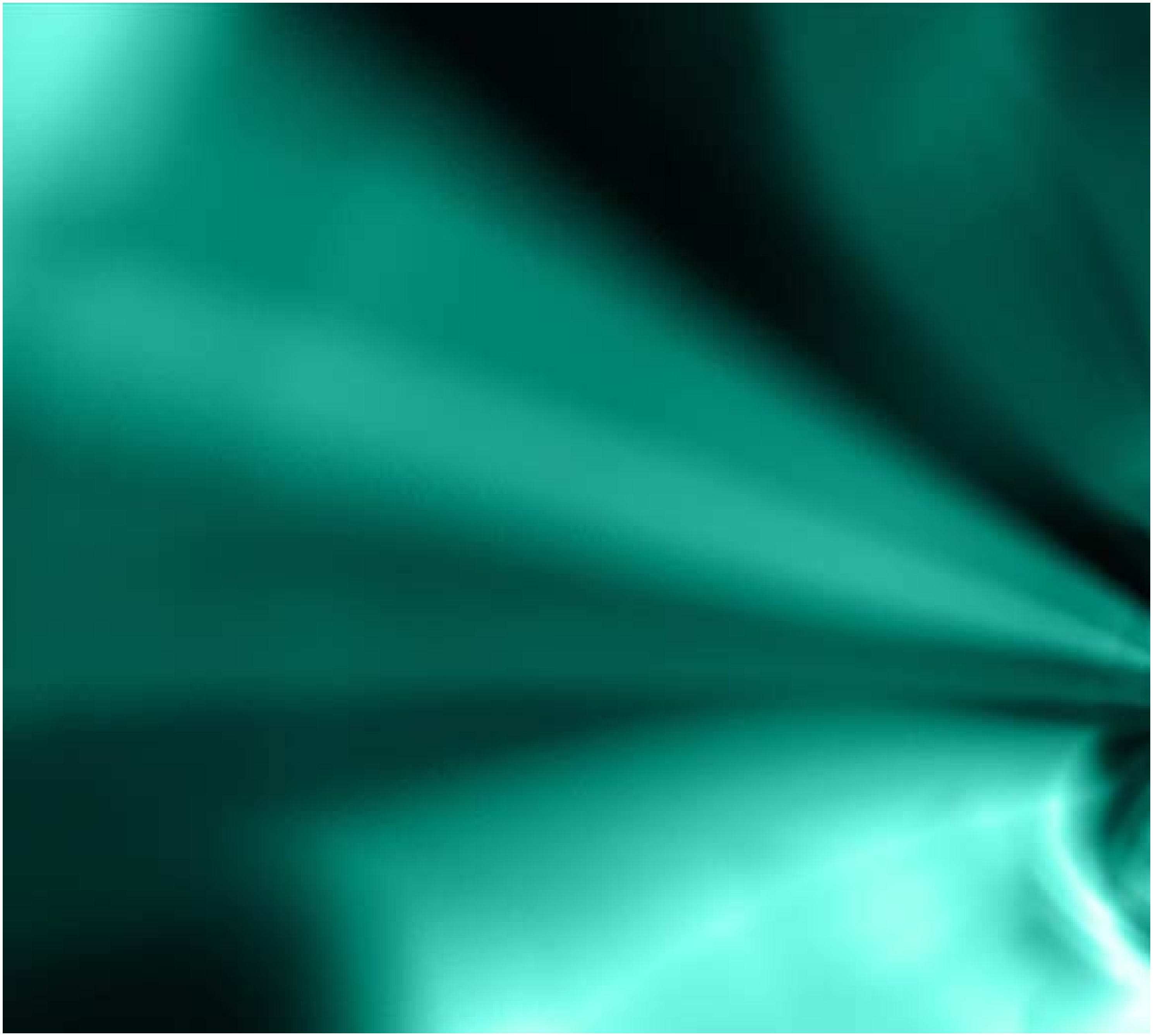
2008

Annual Report

BANCOMEXT



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Message from Chief Executive Officer

Héctor Rangel Domene

(at this post since January 1, 2009)

In 2008, the Foreign Trade Bank of Mexico (Bancomext), satisfactorily concluded a number of processes that not only clarified its mandate, but led to a significant turn-around in its financial structure. This was achieved in a particularly complicated year, due to an international context in which Mexico could not remain unaffected.

The promotion work previously carried out in the institution's Export Development department was passed over to a newly created entity, ProMéxico. Consecuently, Bancomext's focus is now on providing financial assistance programs to the country's foreign trade chain.

The successful turn-around in Bancomext's financial structure is the result of a strategy that included restructuring Cuba's 394 million dollar debt to the institution, as well as the sale of highways in Chile for over 550 million dollars, and the divestment of other non-productive assets. In addition 161 matters in the litigation portfolio were resolved, signifying an additional 312 million dollars.

Also in 2008, as an instrument of the Federal Government's economic policy, and in a framework of economic deceleration and overall contraction of international markets, Bancomext swiftly implemented emergency programs with anti-cyclical measures to assist Mexico's export companies:

- *Emergency Program for Securities Guarantees.* Oriented toward facilitating the restructuring of the commercial securities of corporations and non-banking financial intermediaries in the securities market. Without Bancomext's intervention, the necessary restructuring of securitized debt would not have been possible, creating systemic risk for the economy, market disorder and a lack of liquidity.

- *Business Support Program for Corporate Debt.* Providing assistance to businesses whose participation in both the domestic and foreign markets makes a significant impact, due to their important role in creating jobs in Mexico.

In summary, the level of financing provided by Bancomext to the private sector increased during the year by 86%, reaching a total of 43,849 million pesos by December 2008. The index for the past-due loan portfolio was reduced by 77.5%, to a level below 2%, with reserves of over 340% and a solid capitalization index of 14%.

Due to the international economic situation, 2008 was a difficult year for Mexico, and we have a great challenge ahead of us in 2009. At the same time, this is an important opportunity for development banks to reaffirm their fundamental role at moments like these, to contribute to promoting exports, re-establishing liquidity in markets and capitalizing financial intermediaries.

Héctor Rangel Domene
Chief Executive Officer

	Millions of pesos	Millions of US Dollars[1]//
Financing		
Total	64,260	4,312
Credit[2/]	63,116	4,052
Guarantees	1,259	260
Firms assisted (number of)	4,811	4,811
Results		
Net profit (loss)	(1,902)	(138)
Interest income	10,591	766
Interest expense	(9,876)	(714)
Provision for credit losses	(2,250)	(163)
Year-end Balance		
Total assets	89,376	6,461
Total loan portfolio [3/]	49,087	3,549
Total liabilities	82,709	5,979
Stockholders' equity	6,667	482

1/ Figures in US Dollars for descriptive purposes only. The exchange rate used for Results and the Year-end Balance corresponds to December 2008, at MX$ 13.8325/USD.
2/ Includes first and second tier credit.
3/ Does not include solidary obligations and guarantees.

02

Economic Environment

International Environment

In 2008 international economic activity reduced the rhythm of economic growth observed the previous year. The growth rate of the Gross Domestic Product (GDP) was 3.4%, while in 2007 it was 5.2%.

Emerging and developing economies, which registered dynamic activity overall, were those that contributed to maintaining the 2008 growth rate. These economies grew at an average rate of 6.3%, with China once again registering outstanding growth, at an annual rate of 9.0%. Advanced economies, for their part, grew at an average of 1.0%, or 1.7 percentage points below the 2007 rate. This situation can be explained basically by the mortgage and financial crisis that occurred in industrialized countries and also by the increase in prices for raw materials, which has limited the growth of aggregate demand and the rhythm of the credit system, creating a loss of consumer confidence. The growth rate for the US and European economies declined from 2.0% and 2.6% in 2007, to 1.1% and 1.0% in 2008, respectively.

Gross Domestic Product (GDP) in selected economies
Growth rate (%)

Area	2007	2008
World	5.2	3.4
Advanced economies	2.7	1.0
United States	2.0	1.1
Japan	2.4	(0.3)
Eurozone	2.6	1.0
Emerging and developing economies	8.3	6.3
China	13.0	9.0

Source: World Economic Outlook Update, January 2009, IMF.

International Environment

The inflation rate for advanced economies was 3.5% for 2008, above that registered in 2007, at 2.1%. Emerging and developing economies experienced higher inflation, registering an increase of 9.2%.

Consumer Price Index (CPI) in selected economies
Growth rate (%)

Area	2007	2008
Advanced economies	2.1	3.5
Emerging and developing economies	6.4	9.2
United States	2.9	3.8
Japan	0.0	1.5
Eurozone	2.1	3.3
Latin America	5.8	8.0

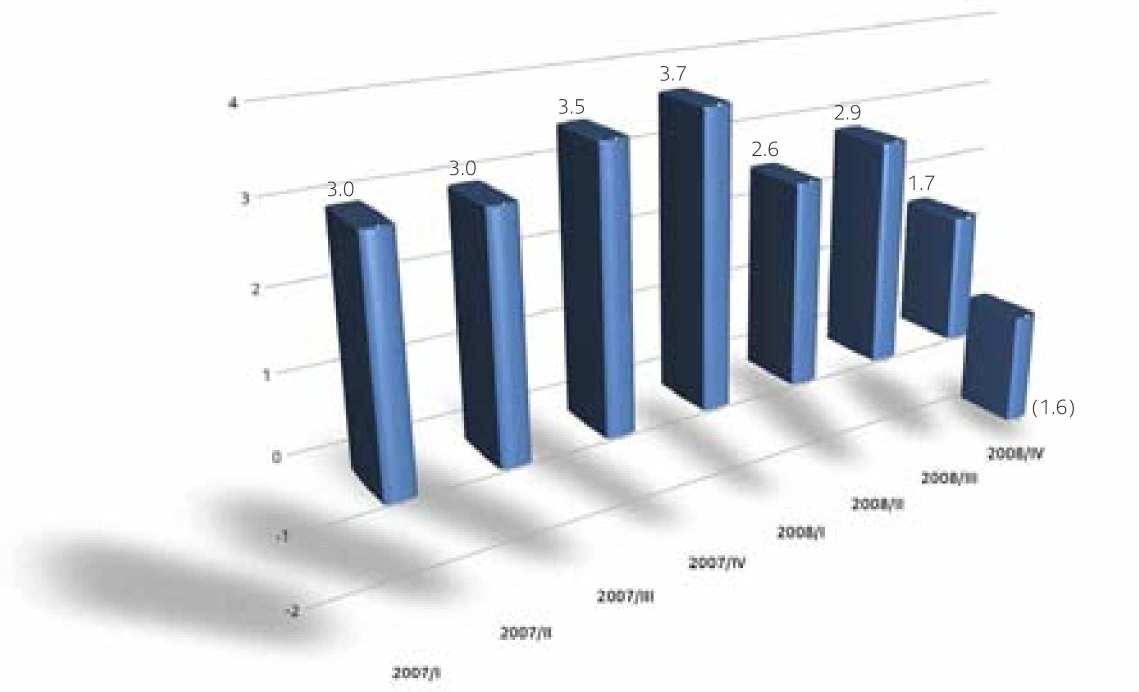
Source: Morgan Stanley, and World Economic Outlook Update, January 2009, IMF.

National Environment

The Mexican economy grew at a rate of 2.4% in 2008, below that registered in 2007, which was 3.2%. This behavior can be largely explained by a contraction in foreign demand, especially that originating in the United States, with its effect on Mexican exports. Evidence of this can be seen in the fact that automotive sector exports remained practically at their 2007 level, and the trade balance surplus for petroleum products diminished in the same period.

Quarterly GDP variations

Growth rate (%)



Source: National Institute of Statistics, Geography and Informatics *(Instituto Nacional de Estadística Geografía e Informática* (INEGI).

In 2008, 66,241 formal jobs were lost in net terms. This was due in part to the decreased rhythm of economic growth, as measured by the number of persons registered with the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social—IMSS*).

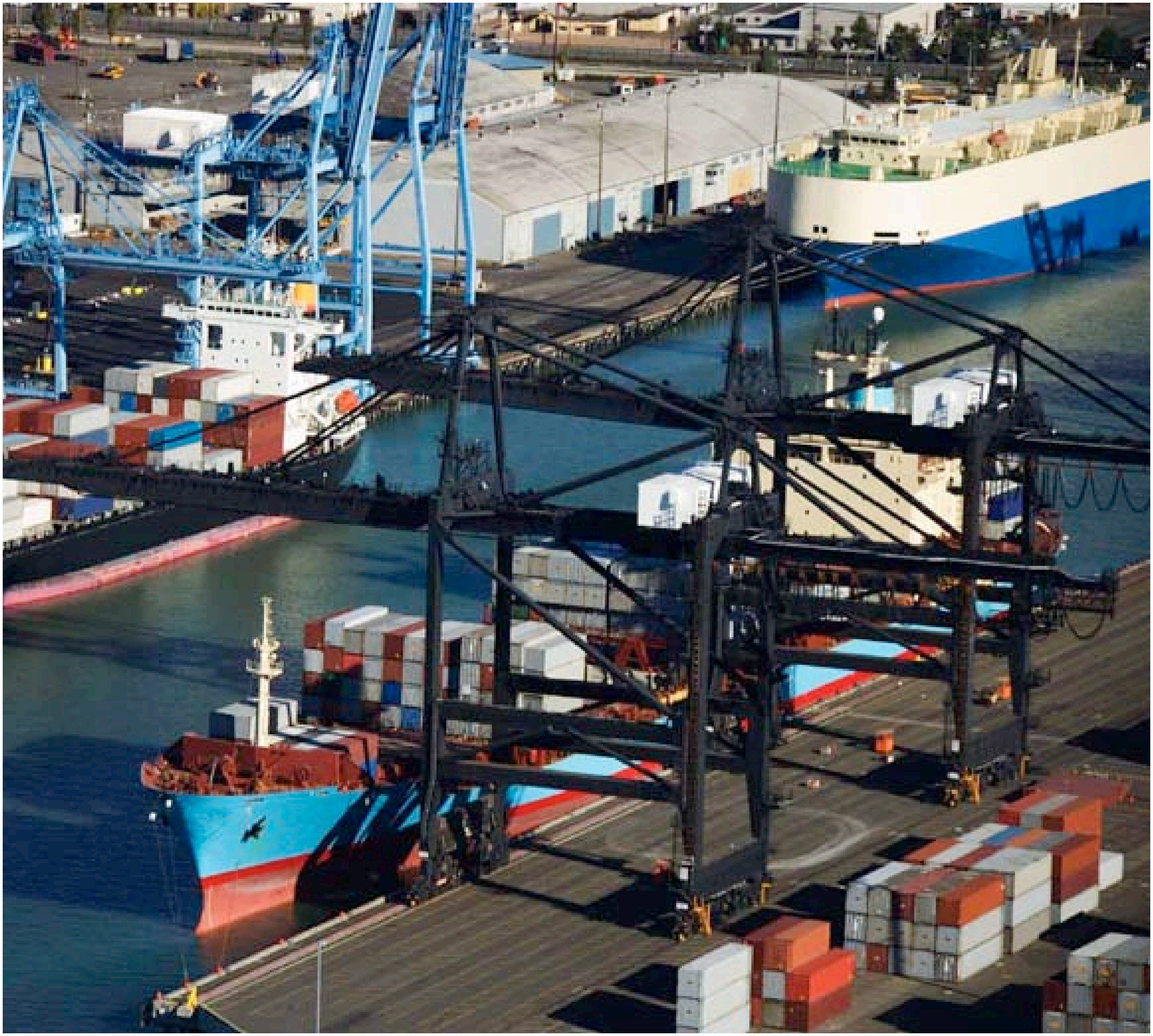
The annual inflation rate, as measured by the variation in the Consumer Price Index, was 6.5% in 2008, significantly higher than the rate registered in 2007, which was 3.5%. This increase in the inflation rate was due to external factors not inherent to the Mexican economy, primarily the considerable increase in international prices for raw materials, specifically food, energy and metals.

The increases observed in international prices—a tendency that began in mid-2006—had an impact on domestic prices, and their effects on annual inflation intensified in the second half of the year.

Inflationary pressures have been contained as a result of a monetary policy that became more restrictive as 2008 progressed. The volatility in the non-underlying component of inflation, which includes food and energy, was caused primarily by the tendencies observed in annual inflation for fruits and vegetables, and to a lesser extent, by the rising inflation in prices for meat and eggs, as well as for administered and contracted goods and services. The behavior of underlying inflation corresponds primarily to the higher inflationary rhythm noted in merchandise, and specifically, processed food products. This is due to the increased prices of agricultural products.

The federal funding rate experienced a slight increase in 2008, in accordance with the variation in consumer prices. If we use the three-month CETES (Treasury Certificates of Deposit) as a representative rate, we can observe that its average level for the year was 7.89%, in comparison to 7.22% in 2007.

The average annual exchange rate during 2008 was 11.20955 Peso/Dollar, above the rate for 2007, which was 10.92640 Peso/Dollar.



Foreign Trade

Mexico's total foreign trade activity was dynamic throughout 2008, due to increased oil prices, a greater amount of non-oil exports, as well as growth in the domestic demand, in both consumption and gross fixed capital formation, which maintained dynamism in imports. The total value of foreign trade increased 8.4%, from 554 billion US Dollars in 2007, to 600 billion US Dollars in 2008.

Total exports reached a historic record of 292 billion US Dollars, representing a growth of 7.3% in relation to foreign sales the previous year. Meanwhile, imports increased to 309 billion US dollars, an amount 9.5% above the level in 2007. The trade balance registered a deficit of 16,838 million US Dollars, signifying a growth of 67.1% in comparison to the deficit observed the previous year (10,074 million US Dollars).

Mexican Foreign Trade, 2007-2008

Millions of US Dollars

	Jan - Dec		Variation	
ITEM	2007	2008	Amount	%
Total Trade Balance	**(10,074)**	**(16,838)**	**(6,764)**	**67.1**
Total Exports	**271,875**	**291,807**	**19,932**	**7.3**
Oil exports	43,018	50,639	7,621	17.7
Non-oil exports	228,857	241,168	12,311	5.4
Agricultural	7,435	8,389	954	12.8
Extractive	1,737	1,931	194	11.2
Manufacturing	219,685	230,848	11,163	5.1
Total Imports	**281,949**	**308,645**	**26,696**	**9.5**
Consumer goods	43,055	47,942	4,887	11.4
Intermediate goods	205,295	221,599	16,304	7.9
Capital goods	33,599	39,104	5,505	16.4

Source: Central Bank *(Banco de México)*.

Exports

In 2008 exports of goods reached a level of 292 billion US Dollars, with 17.4% corresponding to oil exports and 82.6% to non-oil exports.

Oil exports increased to 51 billion US Dollars, 17.7% above the amount in 2007. This growth can be explained by the elevated oil prices that prevailed in international markets for most of the year. This impacted the annual average price for the Mexican oil mix, increasing 36.7% in 2008 with respect to 2007, specifically from 61.71 to 84.38 US Dollars per barrel. In July a record average price was reached, at 120.25 US Dollars per barrel.

Mexican non-oil exports totaled 241 billion US Dollars, signifying 5.4% growth over the previous year. Manufacturing exports totaled 231 billion US Dollars, 5.1% higher than the total for 2007. Agricultural and extractive sectors registered increases of 12.8% and 11.22%, respectively.

During 2008 export sales in nine of the eleven manufacturing activities increased from the previous year. The most outstanding industries due to their dynamic participation were: iron and steel; other manufacturing industries; food, beverages and tobacco; mining-metallurgy; chemical; and metal products and machinery. Together, these manufacturing activities achieved a growth rate of 5.8%, with a total of 211 billion US Dollars. Exports in the areas of the lumber industry, apparel and leather goods registered a decrease of 6.7%, from 8.9 billion US Dollars in 2007, to 8.3 billion US Dollars in 2008.

Non-Oil Manufacturing Exports, 2007 – 2008

Millions of US Dollars

Industrial Activities	2007	2008	Variation Amount	Variation %
Total	**219,685**	**230,848**	**11,163**	**5.1**
1. Food, beverages and tobacco	7,370	8,469	1,099	14.9
2. Textiles, apparel and leather goods	8,213	7,685	(528)	(6.4)
3. Lumber industry	647	582	(65)	(10.1)
4. Paper, printing and publishing industry	1,921	1,945	24	1.3
5. Chemical	7,488	8,382	934	11.9
6. Plastic and rubber products	6,355	6,410	55	0.9
7. Non-metallic mineral product manufacturing	2,965	3,051	86	2.3
8. Iron and steel	7,016	8,728	1,712	24.4
9. Mining-metallurgy	7,666	8,687	1,021	13.3
10. Metal products, machinery and equipment	163,704	169,410	5,706	3.5
11. Other industries	6,338	7,499	1,161	18.3

Source: Central Bank (Banco de México).

Of total exports, 82.6% were sent to the United States and Canada, 6.4% to Latin America, 6.3% to Europe, 3.0% to Asia, and 0.5% to Oceania and Africa. The region with the greatest increase in its importance as a destination for Mexican exports was Europe, with an increase from 5.5% in 2007 to 6.3% in 2008.

At the regional level, a generalized increase was observed in the exporting of Mexican products to other countries of the world. Exports to the European continent grew by 21.4%; to Latin America, 23.4%; to the Asian continent, 13.6%; and to Mexico's partners in the North American Free Trade Agreement (NAFTA), 4.9%.

Imports

In 2008 Mexican imports also reached a historic level of 308.6 billion US Dollars, an amount 9.5% higher than that observed the previous year, which was 281.9 billion US Dollars.

Growth in imports of consumer goods decreased with respect to the previous year, from 16.7% in 2007, to 11.4% in 2008. Growth in capital goods continued at a stable level, with 16.4% in both 2007 and 2008; and there was a slight deceleration in the growth of intermediate goods, from 8.9% in 2007 to 7.9% in 2008.

Of the total imports, 221.6 billion US Dollars, or 71.8% of the total amount, corresponded to intermediate goods; 47.9 billion US Dollars (15.5%) corresponded to consumer goods; and 39.1 billion US Dollars (12.7%) to capital goods.

Of these imports, 52.1% were from North America; 27.9% from Asia; 12.6% from Europe; 4.5% from Latin America; and 0.7% from Africa and Oceania.

It is important to mention that the North American, Asian and Latin American regions decreased their participation in Mexican imports, by 0.12, 0.24 and 0.5 percentage points, respectively. Meanwhile, Europe increased its relative participation by 0.85 percentage points.

A comparison of imports by country reveals that 74.0% of the total value of imports was concentrated in five countries: the United States, with 49.0%; China, consolidating its position as the second largest supplier of Mexican imports, with 11.2%; Japan with 5.3%; Korea with 4.4%; and Germany with 4.1%.

03

Corporate Governance and Internal Control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Corporate Governance and Internal Control

During 2008 the work of implementing and strengthening corporate governance and internal control practices continued, to contribute to safeguarding institutional assets, achieving transparency and accountability, managing the risks to which the organization is exposed, complying with applicable regulations, and revealing timely information to government entities, investors, clients, authorities and the general public—all within the normative framework corresponding to credit institutions.

Bancomext's Corporate Governance Structure

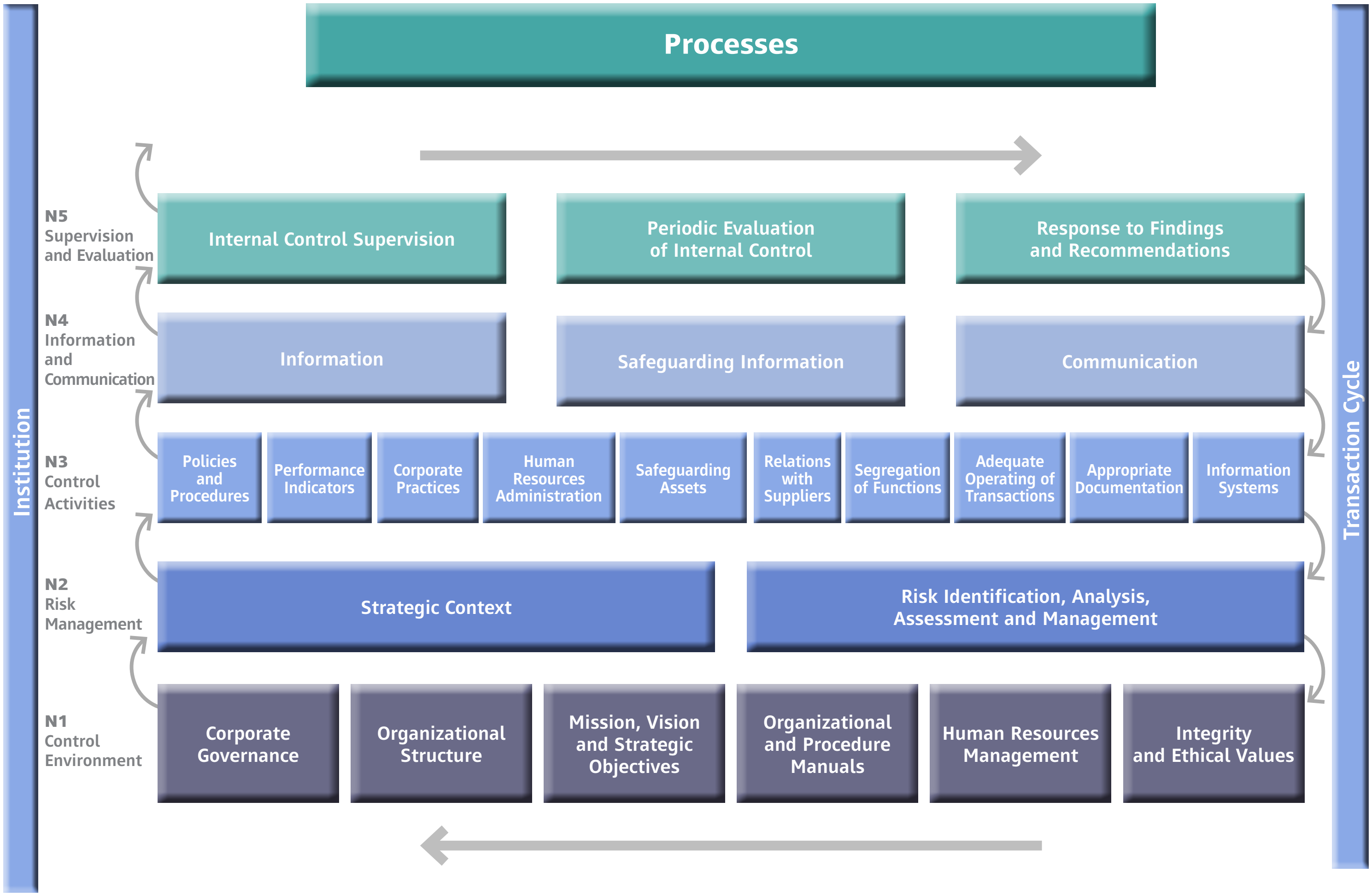
Internal Control

Actions carried out with the objective of strengthening internal control practices included the following:

- **Functioning of the Auditing Committee**
  The Auditing Committee is an entity that operates under the jurisdiction of the Board of Directors, and is responsible for evaluating and monitoring institutional activity in the framework of the Internal Control System. This committee functioned on a periodic basis during 2008.

- **Internal Control System**
  Bancomext developed its Institutional Model of Internal Control, which includes internal control objectives and guidelines that must be observed by the institution's personnel.
  The purpose of this model is to contribute in a significant way to generating an environment that facilitates orderly performance, adequate risk management, compliance with standards, development of processes through the efficient use of resources, reasonable certainty of institutional information and the prevention of loss of resources.

The elements making up this model are illustrated in the following diagram:



Every year the Internal Control System's functioning is evaluated, and based on the results, an Annual Report on the Status of Institutional Internal Control is prepared and presented to the Auditing Committee and the Board of Directors, as well as the various fiscal entities.

- **Prevention-Focused Strengthening of Internal Control**
  With the aim of promoting conditions that facilitate a control environment in the particular sphere of processes, and using a standardized evaluation methodology, the Internal Comptroller's Department developed and formalized the Operating Manual for the Process of Prevention-Oriented Strengthening of Internal Control. This manual provides guidelines for establishing self-control mechanisms in the institution's primary critical processes. The evaluation methodology was initially applied to the processes that are considered to be critical in the macro credit process because of their operational risks.

- **Development of Risk Matrices – Control of Accounting Process**
  With the aim of verifying the functioning of the control mechanisms established in the accounting process, the risks and controls inherent to this process were identified, to enhance confidence in the information generated and results obtained.

- **Bancomext Code of Conduct**
  In the area of integrity and ethical values, Bancomext's Code of Conduct was reviewed and updated. It was considered and reviewed by the Auditing Committee, which recommended that it be proposed to the Board of Directors for its subsequent authorization and presentation to the Institution's personnel.

- **Transparency and Accountability Program**
  This program must be implemented in all offices and entities of the Federal Public Administration, and the progress made in such implementation is measured through the Transparency Monitoring indicator. In 2008 Bancomext obtained a score of 9.5 on the indicator's scale of 0 to 10.

- **Monitoring Compliance with Risk Limits**
  In relation to observing risk limits, monitoring was focused on verifying whether risk exposure by the different business lines complied with the established parameters and if not, appropriate measures were taken.

Prevention of Operations using Resources of Illegal Origin

Following are examples of actions carried out with the objective of strengthening practices in the area of Prevention of Illegal Operations:

- **Functioning of the Communication and Control Committee**
  The Communication and Control Committee is the entity under the jurisdiction of the Board of Directors that is responsible for establishing, evaluating and monitoring measures and controls focused on preventing money laundry and the financing of terrorism.

- **Normative Manual for Preventing, Detecting and Reporting Operations using Resources of Illegal Origin and the Financing of Terrorism**
  This manual was updated, as was the course on the Prevention of Money Laundry and Financing of Terrorism. The institution's entire staff was required to attend the course.

- **Model for Classification of Clients by Degree of Risk**
  This model was developed and implemented with the goal of conducting closer supervision of clients characterized by a higher degree of transactional risk.

- **Module for Reporting Unusual and Concerning Operations**
  This module was developed for the purpose of facilitating safe, confidential, auditable reporting by the Institution's personnel of potentially unusual and/or concerning operations to the Compliance Official

- **Validation of Client Files**
  The preparation of files for identifying new and current clients was reviewed, in order to have the necessary information for learning about the Institution's clients, in accordance with the standards established in this area.

- **Responding to Requests for Information**
  Requests for information by regulating authorities and foreign banks were addressed, when the information sought regards the application of Bancomext policies and procedures in the area of Prevention of Money Laundry and Financing of Terrorism.

04

Bancomext Transformation

Through the Transformation Model, initiated in 2007, Bancomext utilized the review of its institutional mandate as a starting point, conducting a diagnostic assessment of the Bank's different areas to adapt their processes to clients' needs and to redefined objectives, in line with the Bank's mandate and its new business strategies.

Within this framework, Bancomext worked during 2008 to align the organization with its informatics-based technological platform and its scheme of quality-based certification.

Transformation Model

Bancomext

Among other measures, the Bank determined the need to orient its operations toward its clients, and to increase efficiency in terms of fair, controlled workloads, with clearly-defined roles and responsibilities.

To accomplish the above, it was necessary to implement a number of substantial changes in the business, and consequently, in its operational structure.

Given the importance of achieving results with an impact in the short term, the first steps have already been taken, in a limited period of time, to redefine the Bank's processes, including those focused on credit and administration, in order to incorporate best practices.

The redesigning of processes has been documented in the standard Operating Manuals that incorporate: procedures with their respective flow charts, to identify points of control and actions for immediate improvement, leading to the definition and incorporation of service levels, metrics and indicators as well as clear policies updated in line with market environment needs.

It is important to underscore that the basic premise of this documentation of processes is to avoid over-regulating operations, and instead create standards for generating efficiency and savings, with the objectives of making Bancomext more productive and allocating fewer resources to administrative management and more resources to business promotion. In this context, by the end of 2008 the Bank had progressed 87% in the documentation of institutional manuals.

Overall, the above was a significant input for the prioritization of systems projects and the development of Bancomext's Strategic Technology Plan, with the aim of increasing the efficiency and effectiveness of the Bank's operational flows, leading in turn to increased quality of services and products delivered to the export community, while guaranteeing their timeliness.

Transformation Model

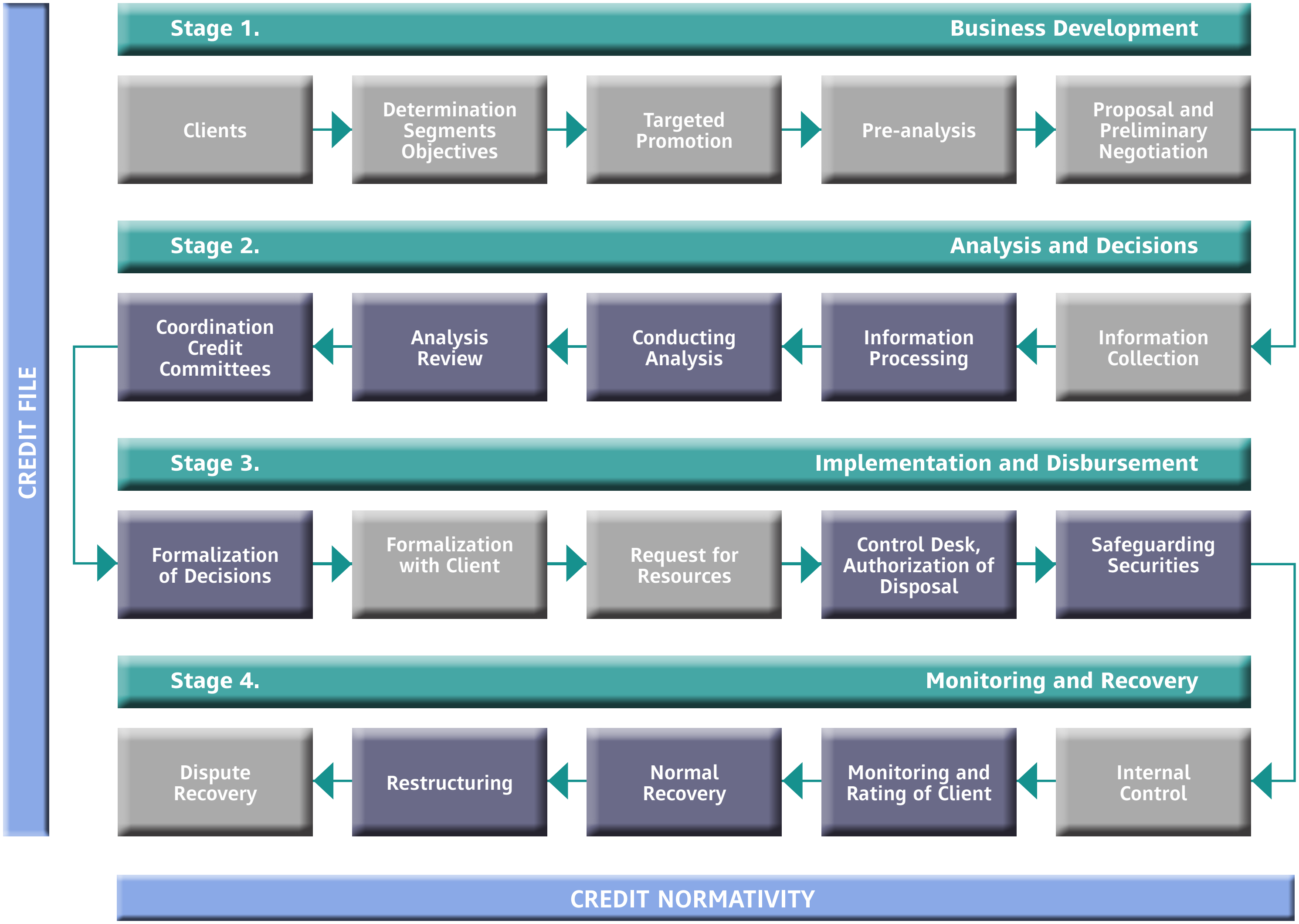
According to needs detected in the analysis conducted, the Bank has been constantly updating job descriptions and evaluations, as well as training opportunities for providing personnel with necessary tools for the new procedures.

Credit Process Reengineering (CPR)

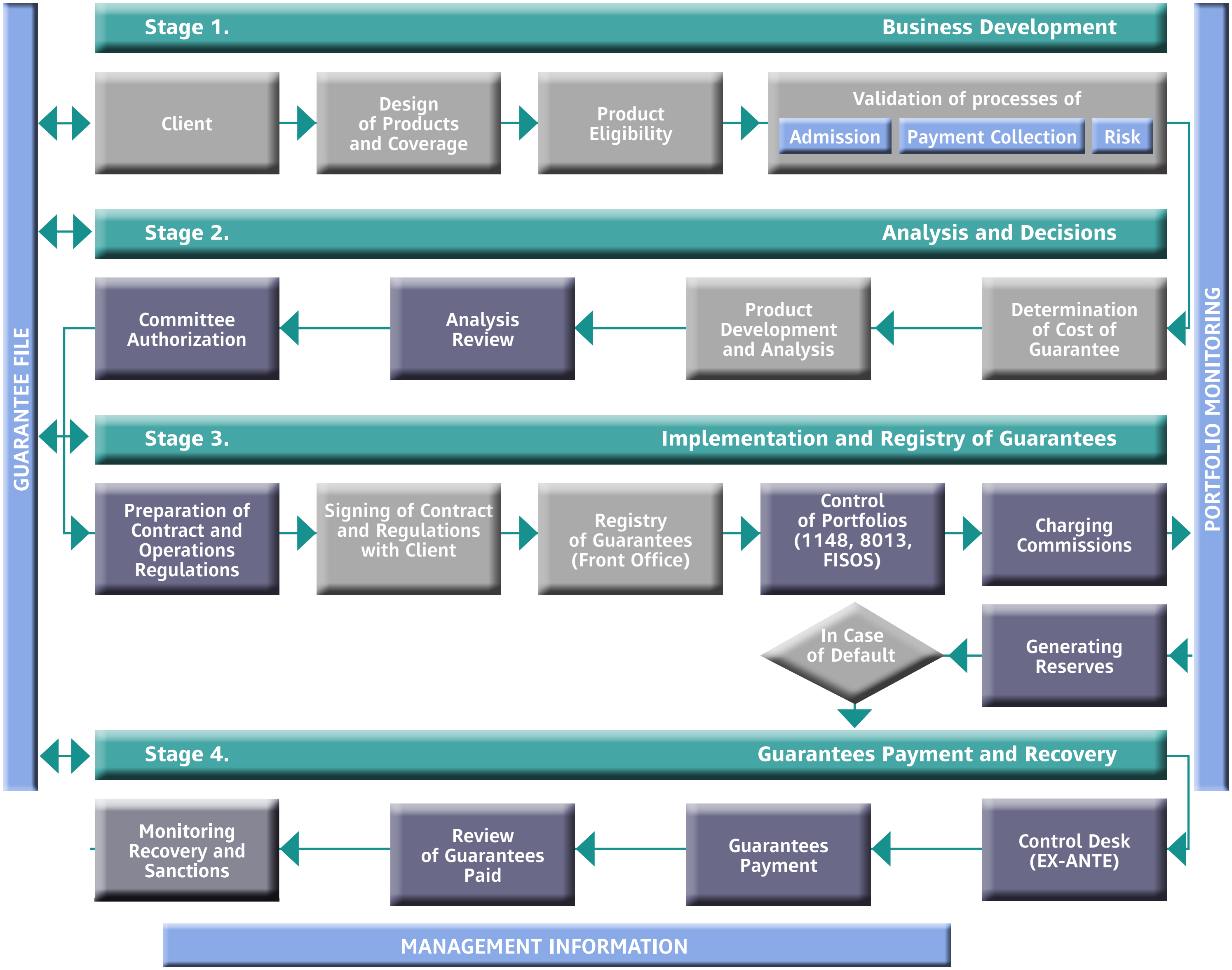
In accordance with the objectives established in the Transformation Model, Bancomext successfully concluded its reengineering of the Credit Process, achieving the following results:

- Increased business effectiveness, with an orientation toward clients, by establishing levels of service.
- Optimization of organizational structure, reorienting the institution's work culture with a focus on processes, and modifying the structure's dimensions to fit market standards.
- Greater control over the Bank's operations, by centralizing credit operations and standardizing operational processes, bringing consistency to the control over the loan portfolio, and by improving internal control, without de-emphasizing attention to clients.
- Legal security, by establishing new "framework contracts" oriented toward programs that facilitate agile implementation processes with clients, and by decreasing legal risks through the standardization of procedures and the centralization of contract activities.
- Enhancement of methodological infrastructure for the evaluation of loan recipients, for portfolio rating, and for a follow-up process aimed at identifying the credit risks assumed by the Bank.
- Process design, resulting from the reengineering of both credit as well as guarantees, with an orientation toward generating value for clients, as illustrated below:

Credit Process



Guarantee Process



- Operating Manuals that contain the corresponding policies and procedures for each stage of the process, providing support to participants in the process with regard to normativity, and granting authority to the leaders responsible for carrying out the processes.

Actions to guarantee correct implementation of CPR

In the second half of 2008, a Program was initiated for establishing and administering the following Operations Committees for CPR Quality, in order to guarantee correct implementation of processes, their ongoing improvement and client satisfaction, in line with the following sets of CPR processes.

I. Business Development

- Promotion Management
- Development and/or Updating of Programs and Products
- Administration of Loan Files

II. Analysis and Decisions

- Evaluation of Loan Recipients
- Investigation of Applicants
- Authorization
- Contracting

III. Implementation and Disbursement

- Control Desk
- Safeguarding Securities Documents
- Portfolio Administration
- Administration of Loans to Former Employees

IV. Monitoring

- Supervision and Monitoring
- Portfolio Rating

V. Recovery

- Collection Management
- Specialized Collection Function
- Application of Preventive Reserves

VI.Other Loan Programs

- Automatic Guarantee Program
- Implementation of *Exporta-fácil*

Infrastructure and Technology

Within its Transformation Model, Bancomext has achieved organizational synergy, coordinating the application of the methodology used to carry out projects, as specified in the Strategic Technology Plan, in all of its various departments, in accordance with its business strategy and objectives.

This was very useful in developing a common vision of technological services, aligning information and Communication Technologies with the Bank's business objectives, and investing resources on the basis of priority placed on reducing exposure to operational and technological risks, as well as improving levels of service with an eye toward the final user.

In 2008 Bancomext achieved an automation index of 65%, carrying out various business projects aimed at generating savings and revenues, and diminishing operational and technological risks, while supporting fundamental and regulatory projects.

Likewise, the Institution conducted monthly measurement and evaluation of service levels in its critical processes: Single Credit System, Letters of Credit, Dispersion and Concentration of Funds, National and International Securities Management, Control of Foreign Currencies and Derivatives, Swaps, Central Liabilities Control, Accounting and Trust Funds. The objective was to verify that the results obtained in each case were within the agreed percentage of efficiency. The results of this monitoring process indicate an annual average compliance of 99.55%.

In 2008 agreements on service levels for Institutional Systems were implemented, signifying ongoing monitoring of critical and non-critical institutional processes.

Human Resources

During 2008, Bancomext continued to strengthen its most important asset: the "Human Factor," and established a new Strategic Human Resources Model. This model includes a set of actions designed to strengthen personnel development and training, as well as enhance the benefits received by personnel.

Some of the most important results were the following:

- In the area of development and training, a set of actions were implemented through the design and operation of Training Plans and Programs, in support of the Institutional Strategic Plan. In all, the following training opportunities were offered: 138 courses, of which 102 were in-house and 36 were external, 35 in Mexico and one abroad, with 1,919 training hours, and 7 Educational Credits. Also, the Labor Transition Program was concluded for 416 participants who ended their labor relationship with the institution, including retired personnel.

- As an improvement-oriented action, operational processes and policies in the Normative Manual on Human Resources were reviewed, with the aim of achieving greater transparency.

- In order to improve the in-house communication system, the new "Intramedia" intranet version was released, with the new institutional image and the administrator of contents.

- With the objective of increasing the quality of life for Bancomext personnel, the program *"Bancomext en Forma"* (Bancomext in Shape) was launched, in compliance with the *"Programa de Activación Física"* (Physical Activity Program) developed by the federal government.

Accountability

With the goal of promoting a stronger tradition of accountability among Bancomext officials, an action plan was formulated in 2008 to implement an ongoing process of preparing periodic Accountability Reports.

Based on the experience gained during 2007, a detailed diagnostic assessment was conducted in the detected areas of opportunity, facilitating an increase in the quality of the substantive and administrative information included in the Accountability Reports.

As a result, Accountability Reports on 40 of the Bank's administrative units were prepared quarterly.

Risk Management

Risk management is aimed at ensuring that the Bank's financial activities are conducted at levels in accordance with its capital and its operational capacity. Bancomext has worked to develop internal models and methodologies that are adapted to its specific risk profile. In accordance with the risk-related framework issued by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*—CNBV), the Institution's Board of Directors authorized the objectives, guidelines and policies for risk management, global limits on risk exposure, and mechanisms for carrying out corrective actions.

The Risk Management Committee meets at least once a month. In addition to Bancomext officials, two independent experts and a Board member also participate in these meetings. The committee closely monitors the various risks to which the Institution is exposed, and reports them regularly to the Board.

The Committee is supported by a specialized area (independent from business areas) that systematically identifies, measures, analyzes, monitors and proposes control policies for market, credit, liquidity and operational risks. In addition, it periodically distributes reports on risk exposure to the Chief Executive Officer, the committees concerned, the business areas and the regulatory authorities.

Regulatory Framework

In accordance with the stipulations determined by regulatory entities, Bancomext has complied with standards for risk management in which the following provisions are especially worth noting:

- General provisions applicable to credit institutions, issued by the National Banking and Securities Commission (CNBV) in December 2005.

- Regulations corresponding to capitalization requirements for multiple banking institutions, national credit organizations (development banking institutions), issued by Mexico's Secretariat of Finance and Public Credit *(Secretaría de Hacienda y Crédito Público)* and published in the Official Gazette *(Diario Oficial de la Federación)* on November 23, 2007, to enter into effect on January 1, 2008.

- Requirements for institutions interested in participating in markets authorized by the Central Bank (*Banco de México)*.

Technological Platform

In order to measure and control risks and to estimate the value of risk positions, the Institution has implemented risk measurement models and systems based on the following tools:

- Data Mart: the risk data base for obtaining information generated by the various operational areas. It is used for calculating a number of different risk measurements.

- Market VaR System: used for daily estimates of the value at risk (VaR) of the portfolios operated by the Treasury; for monitoring risk limits and for conducting sensitivity analyses, stress tests and performance tests.

- Credit VaR System: used to construct migration matrices of probabilities, and to estimate expected losses and the value at risk of the loan portfolio. In addition various indicators of the loan portfolio's risk concentration, risk propensity and credit quality are calculated.

- Assets and Liabilities Management System: used to measure the risk exposure of the financial margin, given variations in interest rates and foreign exchange rates; and to carry out sensitivity analyses and simulation exercises in response to changes in risk factors.

- Risk Diversification System: used to monitor and control concentration limits on credit risk applicable to a single person or groups constituting a common risk for the Institution.

- Monitoring System for Derivatives Operations: used to monitor derivatives positions, credit limits utilization, and the business' capacity for growth, all on a daily basis. The monitoring of the Institution's derivatives positions takes place in "real time."

In 2008 Bancomext made important advances in risk management, including the following:

- Renewal of the Central Bank's authorization for derivatives operations. The Central Bank (*Banco de México*) has authorized the Institution, for a period from April 1, 2008 to March 31, 2009, to act as an Intermediary in Recognized Markets and Over the Counter Operations on Swaps and Futures Transactions in relation to: a) foreign currencies, including local currency against foreign currency, and foreign currency against foreign currency; and b) nominal and real interest rates and overspreads, including securities issued, backed or guaranteed by the Mexican government or by foreign governments, for which there is a market reference price or rate.

- Tactical and Strategic Capital Limits. In November 2008, derived from the Institution's capital movements, the Board of Directors and Risk Management Committee authorized new capital limits at strategic and tactical levels, determined on the basis of a capital management model originating in regulatory capital.

- Project Finance Methodology. This methodology was implemented in the Institution for use in financing investment projects, in which the primary characteristic is that the project must have a guaranteed cash flow generated by sales of products or services or the project's own assets. With this methodology, projects supported by the Bank will have a greater number of elements for analysis, increasing probabilities for success, and therefore, for repayment.

- Manual on Risk Management Policies and Procedures. The Risk Management Manual establishes models and methodologies for measuring, monitoring and controlling the different types of risk to which the Institution is exposed. These risk measures should also contribute to the definition of business strategies and provide support to operational decision-making. The manual also includes maximum tolerance levels for market, credit, operational and other types of risks deemed acceptable by the Institution. The Risk Management Manual was approved by the Risk Management Committee and the Board of Directors in October and November of 2008, respectively.

- Non-discretionary Quantifiable Risks. Throughout the year, critical processes involving operational risks were identified, and a self-evaluation was conducted, using the In-house Operational Risk Methodology for the purpose of monitoring their criticity levels through the "Type" and "Operational Efficiency" indicators.

The following technological risk indicators were reported on a quarterly basis: 1) Security in Internet Access, with zero intrusions; 2) Detecting and Blocking Viruses in Internet, with zero impacts; 3) Detecting and Blocking Access to Restricted Web Sites, with zero impacts; and 4) Availability Level of Critical Services, achieving satisfactory compliance with goals established in the Systems area.

Finally, in November 2008 the Business Continuity Plan (BCP) for the operations process with derivatives was tested with Central Bank auditors invited as observers. Test results were satisfactory. Likewise, the Disaster Recovery Plan (DRP) was tested.

05

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Total Financing

In line with the business strategies defined for 2008, the Bank granted financial assistance totaling 4,312 million US Dollars, of which 4,052 million US Dollars corresponded to financing and 260 million US Dollars to guarantees and solidary obligations. In addition, 236 million US Dollars were granted through induced financing and solidary obligations.

In comparison to the figures for 2007, the total amount of resources granted in 2008 registered a significant increase of 51.6%, primarily due to an increase of 1,087 million US Dollars in second-tier financing. This is a result of a significant effort on the part of the Bank to re-focus its operations toward the second tier.

In addition, based on Bancomext's general strategy of concentrating its efforts on small and medium-sized firms in the private sector, there was a significant decrease of 40.7% in financing provided to the public sector during 2008. In contrast, there was a 16.9% increase in financing to the private sector, in comparison to figures for 2007.

Total Financing

Total Financial Assistance, 2007 and 2008
(millions of US Dollars)

2007*		2008	Variation 08/07	
Financed	Item	Financed	Amount	%
	Financing			
	First Tier			
140	Public Sector	83	(57)	(40.7%)
2,180	Private Sector	2,549	369	16.9%
2,320	**Total First Tier**	**2,633**	**313**	**13.5%**
332	Second Tier	1,419	1,087	327.4%
2,651	**Total Financing**	**4,052**	**1,401**	**52.8%**
192	Guarantees and Solidary Obligations	260	68	35.4%
2,844	**Total Financing**	**4,312**	**1,468**	**51.6%**
204	Induced and Solidary Obligations	236	**32**	**15.7%**
3,047	**Total Induced Financing**	**4,549**	**1,502**	**49.3%**

It is important to emphasize that the growth achieved in the total financial assistance granted incorporates the results obtained in the Program for promoting Growth and Employment (*Programa para Impulsar el Crecimiento y el Empleo*), implemented by the Mexican federal government to support firms with the greatest risk created by the US financial crisis.

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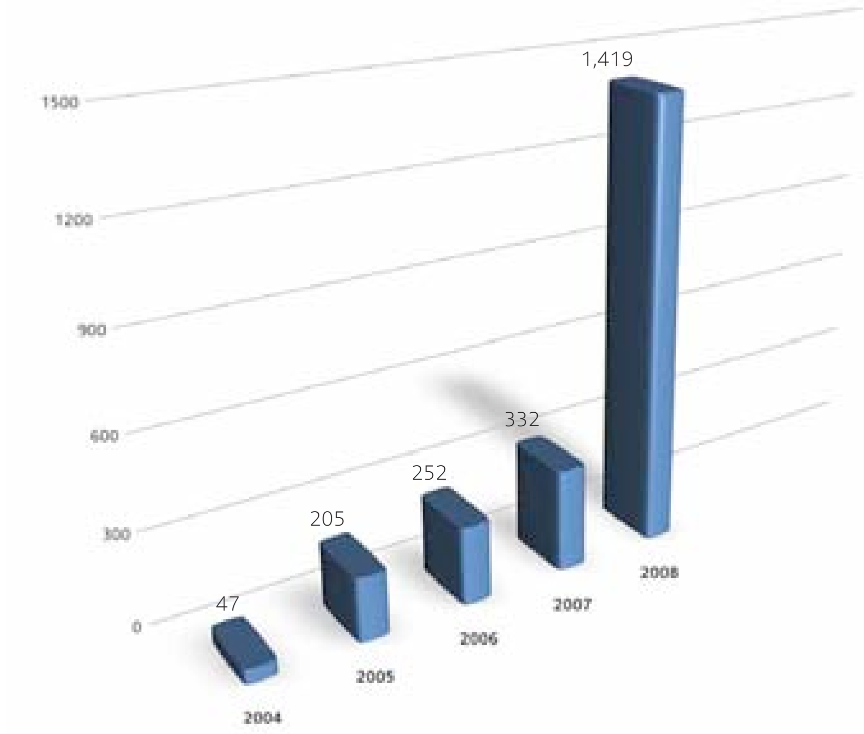
Second-tier Financing

In 2008, second-tier financing totaled 1,419 million US Dollars, indicating a representative growth of 327.4 % in relation to 2007.

Second-Tier Financing Granted
(millions of US Dollars)

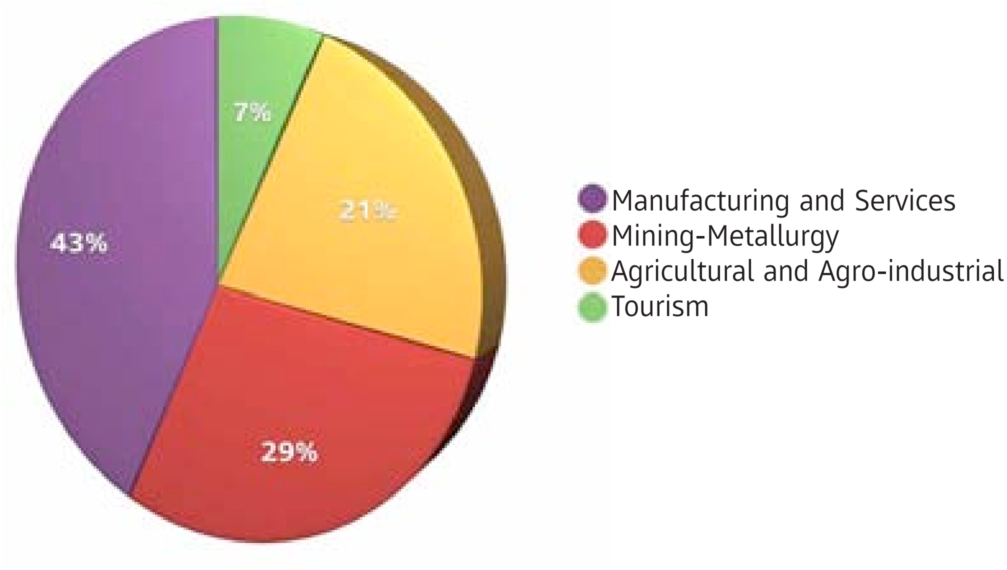


This financing was granted through 27 intermediaries, of which 56.8% corresponded to Commercial Banks, with 806 million dollars, 41.7% to Non-Banking Financial Intermediaries, with 591 million dollars, and 1.5% to Sofoles (financial entities for restricted-use loans), with 22 million dollars.

Financing by Sector

The sectors receiving the largest volume of first-tier resources were: Manufacturing and Services, with 1,095 million US Dollars, Mining-Metallurgy, with 744 million US Dollars, and Agricultural and Agro-industrial, with 538 million US Dollars. Together, these sectors received 97% of the first-tier resources granted, with an 18.3% increase over the amount received in 2007.

% of Financing Granted by Economic Sector



Financing by Region

Bancomext addresses the needs of its clients through its network of offices located in the Central, Northeast, Northwest, Western and Southern Regions, generating alliances between government and private entities.

The Bank's total financing was distributed in these regions in the following manner:

Assistance Granted by Region
millions of US Dollars

Regional Offices	2007*	2008
Central	1,147	2,142
Northeast	1,279	1,791
Northwest	55	26
Western	206	219
Southern	157	135
Total	**2,844**	**4,312**

*Repo operations not included

During 2008, the Mexican states receiving the largest amount of resources were: Federal District (Mexico City) with 34% and Nuevo Leon with 32%.

The states with the greatest growth in the demand for resources are: Tlaxcala, Morelos and Tabasco. This demand is primarily related to activities in the Manufacturing and Services sectors.

Firms Financed

In 2008 there was a notable increase in the number of firms benefiting from the Bank's financial resources. The total increased from 3,269 firms in 2007 to 4,811 in 2008.

Of the total for 2008, 97% corresponded to Developing and Intermediate firms, classified as Small and Medium-Sized Firms by Bancomext, in accordance with its internal parameters.

Assistance granted by type of firm

Type of firm	2007	2008
Developing	2,950	3,907
Intermediate	258	764
Consolidated	61	140
Total	**3,269**	**4,811**

Bancomext's Classification
Developing: Annual export sales up to 2 million US Dollars.
Intermediate: Annual export sales between 2 and 20 million US Dollars
Consolidated: Annual export sales above 20 million US Dollars.

Channels for Providing Services

As a result of Bancomext's reorganization, its financing services have been reclassified into two specialized areas, in line with the size and other characteristics of its clients. This makes it possible to provide an enhanced level of services, and quicker responses to client requests.

Small Business Development	Business Financing
Small and medium enterprises (SMEs)	First-Tier Programs
Export chains	Working Capital
Tourism	Capital Goods Financing
Exporta-Fácil	Tourism Program
Financial Intermediaries	Corporate and Structured Programs
Automatic Guarantees	Securities Guarantees
Securities Guarantees	Selective Guarantees
	Buyer Guarantees
	Buyer Loans
	Environment
	Export Assistance program for Suppliers of Final Automotive Industry

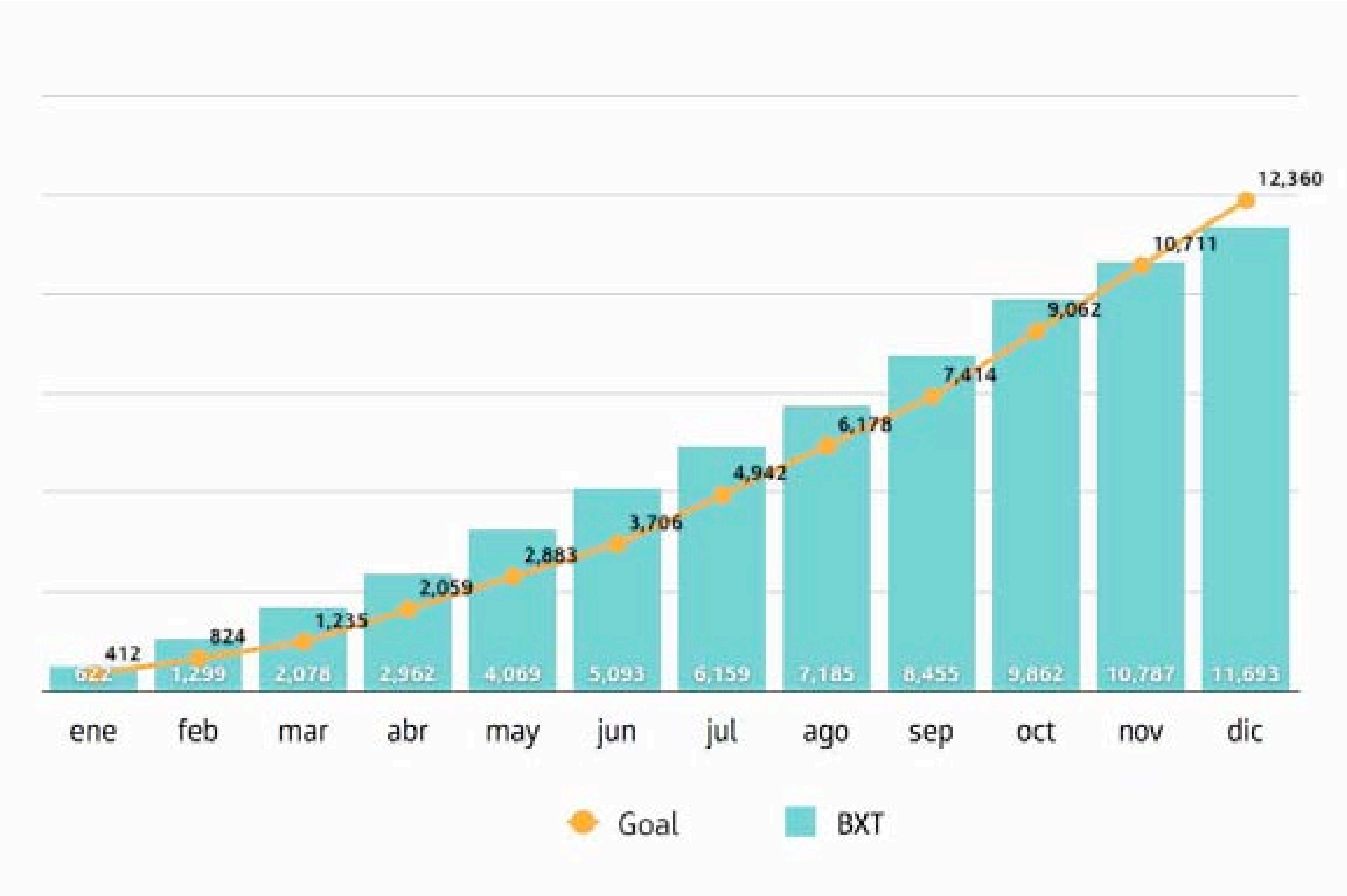
Small Business Development

In 2008, the Small Business Development Department continued its strategy of addressing the bulk of small and medium-sized export firms through the following channels for providing services: Large Firms through Productive Chains, and Banking and Specialized Financial Intermediaries.

To achieve its objectives, Bancomext proposed financing alternatives in 2008, including the following:

- **Export-oriented Productive Chains:** Of the 160 prospects identified at the beginning of the year, 59 large export firms were incorporated into this program. This helped to achieve a portfolio of 2,550 million Pesos corresponding to 3,380 firms, which received total financing in the amount of 11,693 million Pesos. During 2008 new Sofomes (financial entities for unrestricted-use loans) were incorporated into the program. Placement in the program increased nine times in relation to 2007, and the portfolio balance increased by 150%.

Credit Granted to Productive Chains, 2008
(millions of Pesos)



- **Exporta-Fácil.** This product is oriented toward firms that need to increase their sales abroad. They are provided with financing to cover their accounts receivable and to consolidate their sales in other countries. In 2008 a strategy of packaging this service with other services was initiated, and it is expected that in 2009 this product's positioning will improve with the incorporation of new intermediaries, logistical services and technical assistance.

- **Guarantees Program.** In 2008 the Guarantees Program had six financial intermediaries participating, and had products such as Liquid Guarantees and Automatic Guarantees for portfolio *pari-passu* and first losses. By the end of 2008, this program had placed 1,073 million Pesos in support of 1,151 firms. From March to August, negotiations were conducted for incorporating Banco Santander, achieving an increase in firms and placements. At the end of 2008 Banorte was incorporated, and it is expected that BBVA-Bancomer will be brought in during the first quarter of 2009.

- **Development of Sector-Based Programs:** Tourism. Currently, three banks are participating in this program, with products focused on assisting firms in the area of tourism, in *Pueblos Mágicos* and tourist areas. During 2008, 651 firms were assisted, for a total of 1,639 small and medium-sized firms assisted through this program.

Business Financing

The primary function of the Business Financing area is to promote the Institution's financial services with firms that participate in export activities or generate foreign currency. This area is also in charge of creating and managing the segment of the portfolio made up of firms with lines of credit between 1 and 20 million US Dollars.

The financial services provided in this area are promoted throughout the entire country by business executives in the following Bancomext Centers:

- **Central Region Center** located in Mexico City, and covering the states of Morelos, Guerrero, the state of Mexico and Hidalgo.

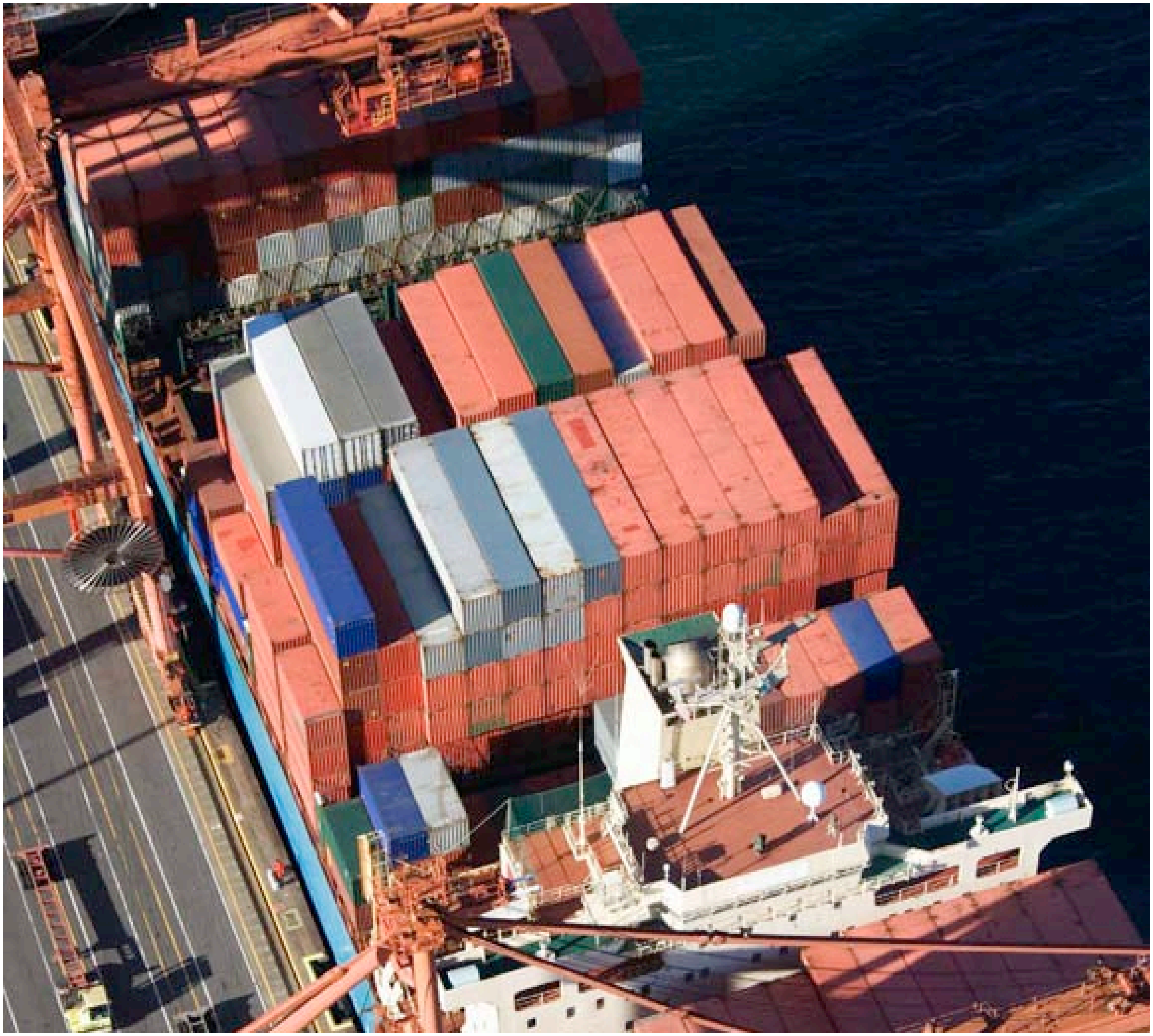
- **Northeast Region** Center located in Monterrey, Nuevo Leon, and covering the states of Chihuahua, Durango, Nuevo Leon, Tamaulipas and Coahuila.

- **Northwest Region** Center located in Hermosillo, and covering the states of Sonora, Sinaloa, Baja California and Baja California Sur.

- **Western Region** Center located in Guadalajara, Jalisco, and covering the states of Queretaro, Guanajuato, San Luis Potosi, Zacatecas, Michoacan, Jalisco, Nayarit, Colima and Aguascalientes.

- **Southern Regio**n Center located in Merida, Yucatan, and covering the states of Quintana Roo, Puebla, Veracruz, Chiapas, Tabasco, Oaxaca, Campeche, Tlaxcala and Yucatan.

In addition to the five Regional Offices, the Business Financing **Department has a Corporate Financing** Office in Mexico City.



Products and Services

First-Tier Programs for Private Sector

The financial products provided through this program are aimed at financing needs in working capital and fixed investment, as well as in the area of financial consolidation.

- **Working Capital**

  For production:
  - Purchase of raw materials, inputs, parts.
  - Payment of direct production expenses: wages of direct labor force, materials and fuels required for manufacturing.
  - Payment of energy and other services included in direct production costs.

For inventories:
- Storing or maintaining inventories of raw materials, semi-final or final products.

For importing:
- Purchase of imported raw materials, inputs and parts incorporated into semi-final and final products.

For sales:
- Financing for the average payment period that firms provide to their clients.

- **Financing for constructing and leasing industrial facilities**
  This product is for financing the construction and equipment of industrial facilities for selling or renting to in-bond industries (*maquiladoras*) and/or export firms, as well as for the flows of revenue from leasing contracts and shelter operations between leasing firms and in-bond industries and/or export firms.

- **Capital Goods Financing**
  Equipment:
  - Acquisition of new or used machinery and equipment of domestic origin or imported.

  Investment projects:
  - For installing, modifying, expanding or modernizing productive facilities or warehouses, including acquisition of machinery and equipment.
  - Acquisition of productive facilities or warehouses.
  - Construction and equipment for industrial facilities.

Tourism Program

Specific financing for the tourism sector, granted directly or through selective guarantees or co-financing with commercial banks.

- **Hotel Projects**

  Investment Projects:

  - Financing for New Projects up to 50%, Bancomext clients up to 60%, and Major Hotel Chains or Groups up to 70%. In addition, marinas, golf clubs or other facilities may be eligible for financing if they are an integral part of a project, or if they are part of a project already operating.

  Expanding, remodeling and furnishing:

  - Financing of total project cost up to 85%.

- **Time-Share and Condominiums**

  Project financing equivalent to a five-star or better rated hotel in beach destinations.

- **Full-Time**

  Project financing in beach destinations of real estate units (minimum of five); as well as the accounts receivable from the sale of these tourist developments, not considering advance payments or interest.

Export Assistance Program

- **Buyer Guarantees**
  Bancomext provides guarantees to foreign financial intermediaries that grant financing to importers of Mexican-content goods and services. Up to 100% of capital and ordinary interest will be guaranteed on financing that will be granted with a maximum limit of 85% of the contract value, purchase order or invoice.

Guarantees Program

Selective Guarantees

- Bancomext guarantees commercial banks their financing granted to individuals or firms with business activities, enabling them to participate in foreign trade. This guarantee may be in addition to the guarantees offered by the client, or may guarantee the financing granted to the client and avoid the need for the client to present additional guarantees. The objective is to share total or partial operational risk with the commercial bank involved.

Advisory Councils

During 2008, the work of promoting financing at the national and regional levels was reinforced through the Institution's participation in Advisory Councils, which are associated entities for orientation, promotion and supervision of the Institution's assistance programs.

Advisory Councils meet regularly and are integrated by distinguished businesspersons representing the commercial, industrial and service sectors and Secretaries of Economic Development and Tourism in some states.

Currently, Bancomext has an Advisory Council in each of the country's 32 states, plus one in Los Angeles, California; in Dallas, Texas; and Chicago, Illinois.

Corporate Financing

This service is provided to corporate firms with annual sales of 50 million US Dollars or more, or with annual export sales of 30 million US Dollars or more, and having an A-1 or A-2 rating or belonging to a business group.

Corporate financing products are focused on addressing specific needs in:

- **Tourism.** To support the development of national tourism in a comprehensive way, by coordinating with the National Fund for Tourism Promotion, the Secretariat of Tourism and agencies that promote tourism, with the aim of providing competitive financing.

- **International Projects.** To provide financing and guarantees to international projects in order to support public and private entities with projects abroad that promote the export of Mexican goods and services, assuming the inherent risks in the various types of operations, including country, commercial, project risks and others.

- **Government.** To support entities in the Mexican Federal Government, through competitive funds and letters of credit that may benefit public finances.

- **Securities Guarantees.** To promote the use of alternative debt instruments through Securities Guarantees, with the aim that Mexican firms improve the ratings assigned by different agencies and obtain better financial conditions for getting out of the debt market.

Support for projects under the Clean Development Mechanism (CDM)

- **Project structuring.** Bancomext leads the Technical Committee of the Mexican Carbon Fund (*Fondo Mexicano de Carbono*—Fomecar), in which projects eligible for receiving assistance are analyzed, in order to be registered with the United Nations under the Clean Development Mechanism and to have access to the benefits derived from its implementation in the diminishing of greenhouse gas emissions.

- **Carbon Bonds Trading.** Bancomext has the necessary tools, structure and presence in international markets for maximizing revenue by trading in the Carbon Bonds markets obtained through the implementation of projects in Mexico.

Support for Sustainable Projects

- **Lines of credit for sustainable projects.** Bancomext maintains permanent contact with development banks in the main countries with which Mexico conducts trade operations, to obtain credit lines with entities in those industrialized countries that provide financing with preferential conditions for supporting sustainable projects.

- **Guarantee fund for sustainable projects.** In coordination with the Secretariat of Economy a guarantee fund was structured for supporting the development of sustainable projects. This guarantee program minimizes the risks assumed by commercial banks in Mexico when they grant loans for implementing such projects, by way of Bancomext assuming a percentage of the risk inherent to these projects.

Results

Highway project in Chile. Approximately ten years ago Bancomext, in its role as a development bank, provided financial assistance to a Mexican construction company participating in various international projects. However, due to the company's financial and management problems, it was necessary to take over the projects and finish them. These projects were completely finished and operating satisfactorily, and consequently, the Bank decided to sell its stocks. As a stock holder in *Sociedad Concesionaria Autopista del Aconcagua, S.A.* (SCADA) and *Sociedad Concesionaria Autopista del Itata, S.A.* (SCADI), the Bank issued an international public notice in January 2008 for the sale of these stocks and the transfer of a loan to SCADA.

The Bank awarded the Spanish company Global Vía Infraestructura, S.A. 100% of the securities representing the capital of two Chilean companies owned by Bancomext, which possesses the license for owning and operating two freeways in Chile.

On September 23, 2008 the transaction between Bancomext and Global Vía Infraestructura, S.A. was completed, thereby formalizing the purchasing contract for the stocks and the loan transfer to SCADA/SCADI in the amount of 553.1 million US Dollars.

Other participants in this process included high-level international construction companies and operators, such as OHL, Abertis, Autopista do Pacifico, S.A., and CCR.

A number of professional firms with internationally recognized experience also participated in the sale, including BNP Paribas and Nafin, serving as investment banks; Philippi, Yrrarazaval, Pulido and Brunner, as legal and fiscal advisors; and Halcrow, which conducted traffic studies.

It is important to highlight that in this entire process, Bancomext has placed priority on transparency and on close coordination with Mexican and Chilean authorities.

Restructuring loans acquired by Bancuba. After a nearly five-and-a-half-year interruption in financial negotiations between Mexico and Cuba, talks were reinitiated with Cuban authorities in October 2007, with the goal of seeking a solution for restructuring the debt with Bancomext.

In March 2008, after a long period of renewed negotiations, a Memorandum of Understanding was signed between the National Bank of Cuba (Bancuba), Cuba's Central Bank (BCC) and Bancomext.

The foundations for restructuring all the debts acquired by Cuban entities with Bancomext were established in that document.

And finally, on March 13, 2008, Bancuba, BCC and Bancomext signed an agreement through which the debts were restructured, also signing a new contract for opening credit of up to 20.7 million US Dollars, with the goal of promoting Mexican exports to Cuba.

Corporate Financing

Bancomext promotes the development of suppliers of major firms and promotes processes for increasing the aggregate value of their exports, by increasing their products' level of national content, assisting the major firms in gaining access to alternative sources of financing, basically money and capital markets, by granting partial securities guarantees.

Equally important for these corporate firms is the promotion of their internationalization, through support for their export projects, basically in non-traditional markets where participation of Mexican firms is very limited, and also in the development of mega-projects in the Tourism Sector that generate large amounts of foreign currency, and through participation in first-tier credit programs and structured and corporate financing.

Environment Projects

Bancomext has positioned itself as a key promoter of projects oriented toward environmental sustainability, and participated in creating the Mexican Carbon Fund (Fomecar), which coordinates the efforts of public and private entities that work in disseminating information, and providing technical and financial assistance to projects in Mexico that contribute to diminishing greenhouse gas emissions, in order to take advantage of benefits derived from the Clean Development Mechanism (CDM) included in the Kyoto Protocol.

Bancomext's 2007 contribution of 10 million Pesos to support the activities of Fomecar made it possible for the Fund to increase its participation in projects necessary for becoming registered with the United Nations, the international agency that regulates the CDM, as well as to actively participate in international efforts to work against the adverse effects of climate change.

Bancomext also obtained resources from the Secretariat of Economy through the SME Fund, for creating a guarantee scheme that promotes sustainable projects by guaranteeing the loans granted by financial intermediaries to those entities conducting this type of project.

Bancomext has identified enormous potential for conducting sustainable projects in the areas of renewable energy, energy efficiency, landfills, forestry and water treatment, for example, and will continue to support the environmental activities carried out by Fomecar.


06
BANCOMEXT

Treasury and Financial Markets

Treasury and Financial Markets

The year 2008 represented a major challenge for financial markets primarily due to the global impact from the mortgage crisis in the United States, inflationary pressures resulting from increased commodity prices, the volatility of the US Dollar in relation to other currencies, and the significant movements in stock exchange markets around the world, which together negatively influenced money and exchange markets.

Despite the highly complex international financial context, the accumulated results from Treasury and Financial Market management amounted to 370.2 million Pesos, or 6% above the Institution's established expectations.

The strategy used was to remain attentive to market tendencies, to detect business opportunities and administer portfolios with a double focus on security-profitability, while assessing the events that could affect them.

Treasury

- **Administering Financial Resources and Borrowing.** Transfer prices were established for Bancomext's financial products at competitive market levels. The Institution's needs for financial resources for its operations and businesses were addressed adequately and opportunely. This included the extraordinary requirements involved in the Institution's participation in the Emergency Financial Rescue Plan established by the federal government. The Treasury Department took advantage of conditions in financial markets, improving the costs of borrowing, and receiving a daily average of 668 million US Dollars and 23 million Euros from clients, through bank deposits in foreign currencies.

- **Investing.** The surplus from the Institution's financial flow and that of third parties administered by the Bank was invested in national and international markets, in line with availability and profitability criteria and current standards.

- **Financial Strategy.** A Revolving Credit Line was maintained with international commercial banks in the amount of 350 million US Dollars, with the aim of having access to resources in the short and medium term to diminish the impact from any contingency. Investment portfolio instruments were reclassified, making use of the regulatory authority established by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores—CNBV).

In the context of ongoing improvement and attention to clients, the Institution's activities were reorganized by processes, contributing to the Transformation Model established in Bancomext.

Financial Markets

- **Money Desk.** The Bank's Money Desk addressed the investment needs of its clients, conducting buying-selling operations and the repo of government, banking and corporate securities, with daily average transactions amounting to 62,500 million Pesos. In addition, securities issued for Bank funding were placed among clients and financial intermediaries, in national currency and at the different terms required, at a daily average amount of 7,000 million Pesos.

- **Foreign Exchange Desk.** The strategy used by the Foreign Exchange Desk was focused on providing services to the Bank's clients, and to optimize the risk-return relationship of the positions operated, while addressing the need to obtain foreign currency for the institution's operations and businesses. The margin generated was 2.6 million Pesos.

07

BANCOMEXT

Compliance with Standards on Transparency

In 2007 special attention was focused on the issues of transparency and accountability, and actions were taken to enhance compliance with the Federal Law on Transparency and Access to Governmental Public Information (*Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental*—LFTAIPG).

Of the activities addressing the various responsibilities in the area of transparency, the following are especially worth noting:

- During 2008, 184 requests for access to information were addressed in the appropriate manner and time frame. The predominant theme in the requests was with regard to Bancomext's key activities, and there was also reference to administrative and statistical matters. Of all the requests, 39 required a resolution from the Information Committee; of these 17 were due to the lack of information, ten because reserved or confidential information was involved, six were due to a partial lack of information, five because information was partially classified, and one because the information was partially lacking and partially classified. It is important to mention that six Requests for Review were filed, and were handled in a timely manner.

- Required information was provided to the Federal Institute for Access to Public Information (*Instituto Federal de Acceso a la Información Pública*—IFAI) for its annual report to the National Congress.

- In January, March, August and September actions were taken to update the IFAI's "Reserved File Index System" and "Reserved Information System" (*Sistema Persona*).

- Work was carried out by the Institution's respective administrative units, to enter the information related to transparency obligations from Article 7 of the LFTAIPG on the IFAI's Transparency Obligations web page (*Portal de Obligaciones de Transparencia*—POT).

- Measures were implemented and actions were taken to provide more efficient service to the public through the Liaison Unit's client services office.

- Work on internal manuals on Transparency and on File Classification and Organization was completed.

Bancomext's Information Committee met on 40 occasions to resolve a range of cases falling within its jurisdiction, including those related to the classification of information or lack of information, and to make decisions regarding updating the reserved file indexes and to validate the contents of the Institution's manuals covering this area.

Trust Funds

During 2008, five trusts were established, most of them in the framework of the Business Support Program for Corporate Debt.

In 2007 a program was initiated to discontinue trusts characterized by low earnings for the Institution, as well as those whose objectives were not in line with the Institution's mission. As a result, 66 fiduciary businesses were discontinued or replaced during 2008. At the end of 2008, Bancomext was managing a total of 351 fiduciary businesses.

Together, all the businesses managed by Bancomext maintain total assets in the amount of 43,796.8 million Pesos, of which 14,766.4 million Pesos correspond to liquid resources.

These businesses generate revenue in the amount of 34.3 million Pesos.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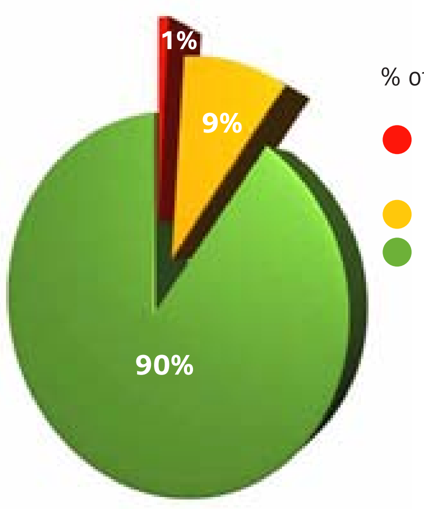
Portfolio Recovery

As of December 2008, the accumulated recovery amounted to 436.4 million US Dollars of the portfolio, in accordance with the following:

Total Recovery up to December 2008
(millions of US Dollars)



% of Portfolio Recovery

Goods obtained though judicial proceedings	2.7 million US Dollars
Cash	39.5 million US Dollars
Restructured	394.3 million US Dollars

08

BANCOMEXT

Divestment of Foreign Trade Promotion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Divestment of Foreign Trade Promotion

Among the changes in the Bank's structure, the most significant was the divestment of previous functions related to promoting foreign trade and attracting foreign investment. A decree was issued on June 13, 2007, and it was modified on February 29, 2008, ordering the creation of a new entity specializing in promoting exports and attracting foreign investment.

This new public entity, ProMéxico, was given the mandate of maximizing support to the above activities through actions coordinated by the Secretariat of Economy, with participation by public promotion entities and the private sector.

It was also established that Bancomext would transfer the material and technological resources it has used for the above functions to the ProMéxico public trust.


09
BANCOMEXT

Internal Control Entity

Audits and Control Reviews

Bancomext's Internal Control Entity (*Órgano Interno de Control*—OIC) complied 100% with its 2008 Annual Audits and Control Program (*Programa Anual de Auditoría y Control 2008*—PAAC). It focused on identifying opportunities for improving internal control and risk management, in order to reasonably assure compliance with the Institution's goals and objectives, selectively reviewing its operations, reviewing financial, accounting and budget information, assuring compliance with the applicable standards, and safeguarding the Bank's resources.

Some of the areas selected for auditing were: Loans Granted, Former Employees Portfolio, Performance of the Business Financing Department, and the division of functions with ProMéxico. The Internal Control Entity followed up on observations made during audits and those determined by other fiscal entities. In line with instructions from the Secretariat of Public Service, two audits on performance were included in this year's Annual Program.

Intervention in 2008 by the OIC in relation to improving processes led to 11 reviews of the Institution's processes, including Loans Restructured at Headquarters, Safekeeping of Securities, Legal Recovery of Overdue Portfolio, Acquisition of Goods and Services. These reviews resulted in agreements on 21 actions for improvement.

Conclusion:

Recommendations were to implement actions for improvement and address the observations made in audits and control reviews, prioritizing a focus on prevention in order to contribute to the strengthening of internal control and the modernization of processes.


COMPANY PROFITS

Assessment of Institutional Internal Control in 2007

Analysis corresponding to the functioning of internal control at Bancomext during 2007 was received by this Internal Control Entity, for its review and validation based on evidence of the application of the Secretariat of Public Service surveys for Assessment of Institutional Internal Control. The conclusion was that the Bank is addressing the commitments assumed in a reasonable manner, with the aim of strengthening the control environment.

Internal Regulatory Improvement

The Internal Control Entity (OIC) actively participated in both the modification and functioning of the Regulatory Improvement Committee (*Comité de Mejora Regulatoria*—COMERI) during 2008, in the terms established by the Secretariat of Public Service. It has been a useful tool for the simplification, deregulation and regulatory improvement of normativity in Bank processes, with the effect of promoting efficient operations.

Actions aimed at Bancomext's regulatory improvement were promoted, with the review of 73% of the current regulations.

Special Program for Improvement in Management

The Special Program for Improvement in Management (*Programa Especial de Mejora de la Gestión*—PMG), implemented by the Federal Public Administration, is an instrument from the federal executive branch that makes it obligatory to carry out improvements that systematically transform the management of institutions within the Federal Public Administration. This Program entered into effect in September 2008.

The Internal Control Entity participates in this process as a facilitator and promoter of the program, to facilitate compliance with the Institution's strategic objectives in an efficient, effective, creative and transparent manner.

In this context, the OIC conducted a diagnosis of the organization, oriented toward the identification, assessment and establishment of proposals for improving management. This was combined with an analysis of management in all the Institution's areas, taking into consideration the recommendations made in internal and external audits, control reviews, institutional reports, risk maps and the results from the internal control environment, among others.

This information made it possible to identify areas of opportunity with significant impact on the Institution's fundamental processes, in terms of modernization as well as improvement in management.

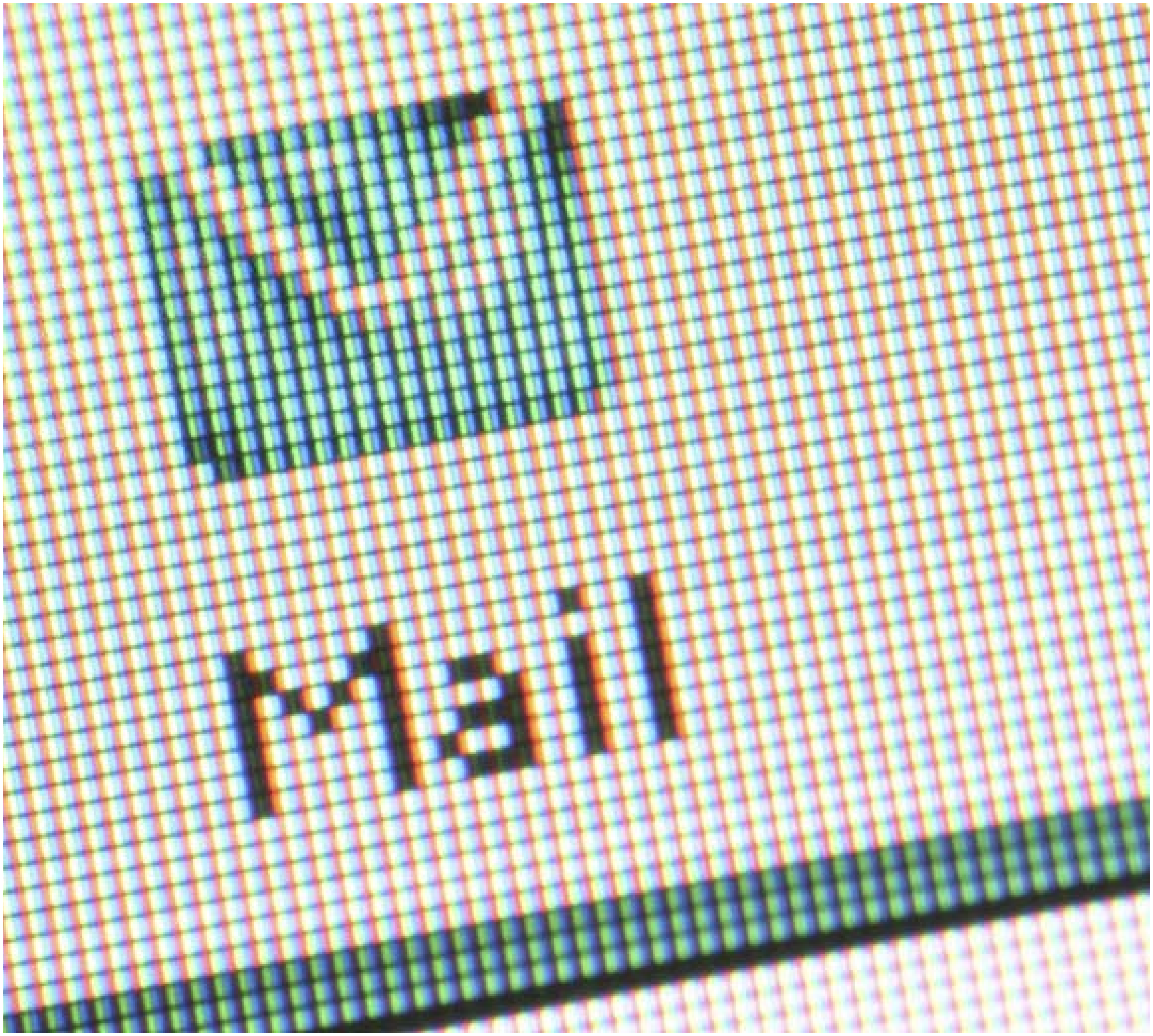
Bank officials in charge of this Special Program decided to use the diagnostic assessment conducted by the OIC as a starting point for developing this program at Bancomext. The OIC also participated in forming teams for each system established for the Special Program, actively participated in the process of negotiating and reaching agreements with the areas involved in improving commitments to take actions in this regard. It also participated in the comprehensive projects for improving management, and in the identification and definition of projects to be included in the Comprehensive Project for Management Improvement (*Proyecto Integral de Mejora de la Gestión*—PIMG).

Acquisition Processes

During 2008 the Internal Control Entity participated in sessions of the Acquisitions, Leasing and Services Committee, issuing recommendations and suggestions from a normative perspective when considered pertinent. It also reviewed the grounds for public bidding processes, making comments to the General Services and Acquisitions Department, when relevant, and it also addressed contracting procedures, allowing it to exert prevention-oriented control in the area of acquisition of goods and services.

Auditing Committee

During 2008 the OIC continued to participate in sessions held by the Auditing Committee, as part of international best practices in the area of corporate governance, contributing toward fulfilling the Institution's mission and objectives and managing financial information and internal control.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Services to the Public, Responsibilities and Complaints

During this period, the Internal Control Entity obtained firm decisions corresponding to dispute measures, derived from administrative resolutions issued by the Responsibilities Office, acknowledging the validity of the disputed resolutions.

The OIC addressed administrative notices related to the assuming or discontinuing of functions or responsibilities by government employees. Especially worth noting here were those corresponding to activities no longer carried out by Export Development personnel.

Responses were provided to requests made to the OIC for information, in relation to the Federal Law on Transparency and Access to Governmental Public Information.

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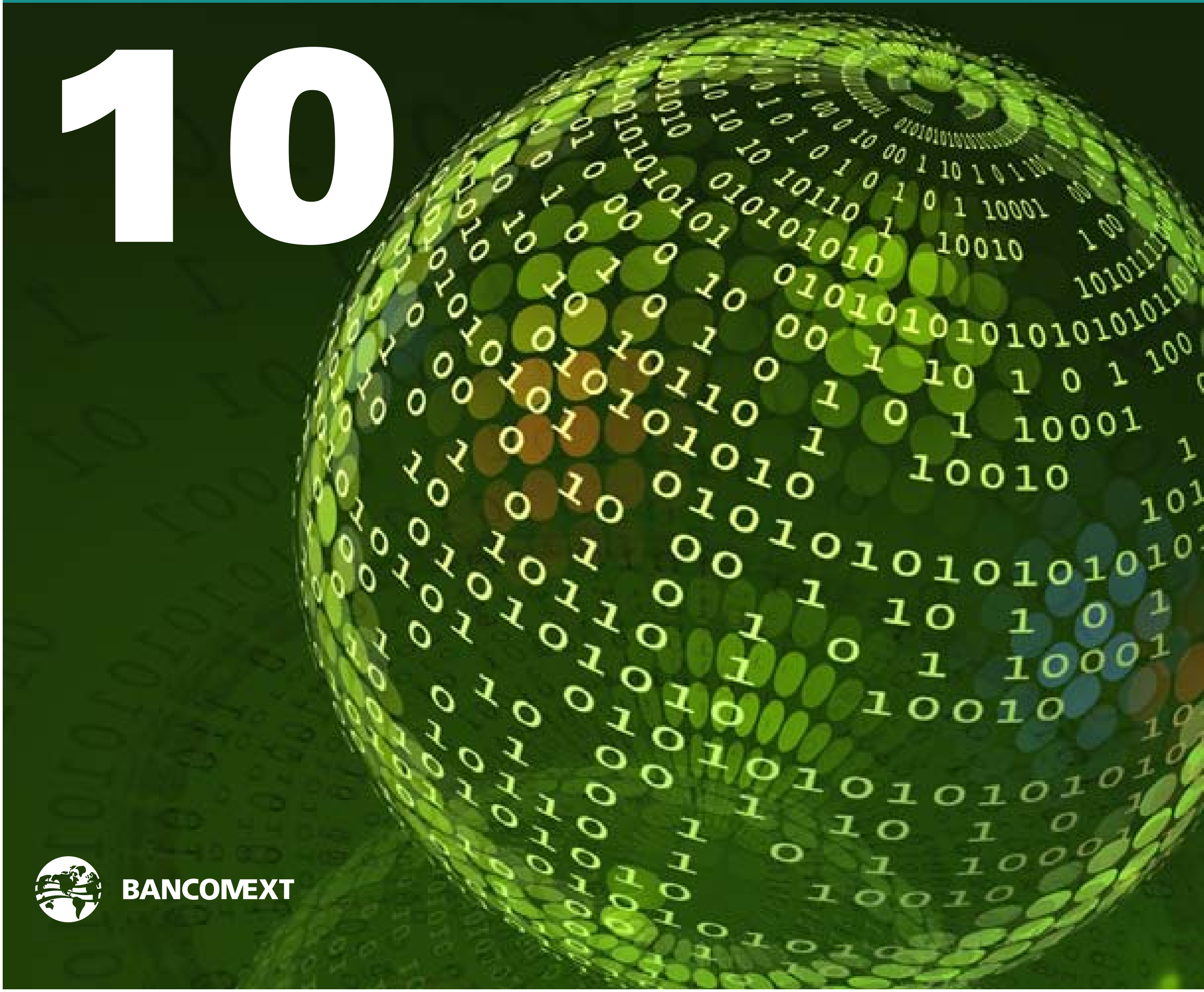

Results

During 2008 there was a 15% decline in returns generated by the loan portfolio plus premiums and interests from other financial operations, from 12,510 million Pesos in 2007, to 10,591 million Pesos in 2008.

Interest-related expenditures amounted to 9,876 million Pesos, which is 1,860 million Pesos or 16% less than that for the previous year.

There was a 67% increase in commissions and fees charged during 2008 in relation to the previous year, amounting to 110 million Pesos.

Intermediation results amounted to 194 million Pesos, indicating a decrease of 156 million Pesos, in comparison to 2007, when there was a profit from assets financed, primarily due to the sale of UMS and Pemex instruments.

The line item of “other products” increased to 6,086 million Pesos, primarily derived from income obtained from the sale of stocks and the loan transfer to SCADA-SCADI.

The line item of “other expenditures” amounted to 4,791 million Pesos of expenditures primarily due to a guarantee payment to the Secretariat of Finance and Public Credit for the issuance of liabilities in the amount of 4,000 million Pesos.

Net Results:

In 2008 Bancomext carried out diverse transactions in bad loan recovery, portfolio restructuring and the recuperation of expenditures for promoting foreign trade and foreign investment, obtaining favorable results of 2,098 million Pesos. However, these results were impacted by the payment made to the Secretariat of Finance and Public Credit in the amount of 4,000 million Pesos, and consequently the final results for 2008 amounted to a loss of 1,902 million Pesos.

General Balance

Assets

The Institution's total assets increased to 89,376 million Pesos, an amount that is 11,338 millions Pesos higher than that registered at the end of 2007. The primary variations can be found in the line item of "Deposits and Investments in Securities," amounting to 38,309 million Pesos, or 2,023 million Pesos less than the amount registered in December 2007. This is primarily a result of a decrease in "Investments in Government Securities" of 6,815 million Pesos. This was partially compensated for by an increase of 4,070 million Pesos in the line item "Other Securities."

At the end of December 2008, the total loan portfolio indicated a balance of 49,087 million Pesos in the Institution's own portfolio. If we include 10,616 million Pesos of solidary obligations, guarantees and induced financing, the total financing amounts to 59,703 million Pesos, which is 19,261 million Pesos higher than the amount for December 2007.

When we make a comparison with December 2007, a factor especially worth noting is the decrease of 2,860 million Pesos in the Overdue Portfolio, due primarily to the transfer of loans granted to a foreign financial entity to contingency accounts. We can also observe an increase in the current portfolio of 18,151 million Pesos (of which 16,937 million Pesos correspond to the private sector, and 1,214 million Pesos to the public sector) and an increase of 3,970 million Pesos in solidary obligations, guarantees and induced financing.

In comparison to the end of December 2007, the Institution's reserves were 3.5 times greater than its overdue portfolio, or 2.3 percentage points above the results for the previous December.

Liabilities

The Institution's liabilities amount to 82,709 million Pesos, exceeding the amount for the previous December by 13,333 million Pesos, in congruence with the increase of 11,338 million Pesos in assets.

At the end of December 2008, the internal debt and external debt increased by 2,177 million Pesos and 3,593 million Pesos, respectively. This is primarily a result of the variation in the exchange rate during the last quarter of the year. On top of this, the borrowing of resources during 2008, through internal and external debt, was minimal due to extraordinary resources received.

Stockholders' Equity

In 2008 there was a decrease of 1,995 million Pesos in stockholders' equity in comparison with December 2007, due to the following events:

- Greater loss in the line item "Results from previous years," specifically (4,088) million Pesos.

- Decrease of (2,028) million Pesos in "Net Results," moving from a profit at the end of December 2007 to a loss obtained at the end of December 2008 of (1,902) million Pesos.

- Increase resulting from the Federal Government contribution of 4,000 million Pesos to increase capital stock.

- Decrease of (64) million Pesos in "Results for Possession of Non-Monetary Assets."

- Increase of 185 million Pesos in "Results for Valuation of Available-for-Sale Securities."

Programmable Expenditures

The modified 2008 budget for programmable expenditures authorized by the Secretariat of Finance and Public Credit was increased to 1,161 million Pesos.

2008 Budget

Item	Millions of Pesos
Current Expenditures	1,148.7
Physical Investment	12.2
Total Programmable Expenditures	**1,160.9**

During 2008 Bancomext used 1,102 million Pesos, or 95% of the resources authorized, signifying savings of 59 million Pesos.

Likewise, Bancomext implemented actions aimed at optimizing expenditures. All these actions were oriented toward supporting the Institution's sustainability through the efficient use of budget resources:

- The promotion of foreign trade was removed from Bancomext's responsibilities, and transferred to a new entity, ProMéxico.
- The 2008 Reengineering Program was implemented.
- The Operation Centralization Program was concluded.

These actions contributed positively to expenditures, and at the year's end, the Institution had saved 458 million Pesos, an amount equivalent to 29.3% of the Original Budget established at 1,560 million Pesos, and an amount 186 million Pesos below the expenditures in 2007.

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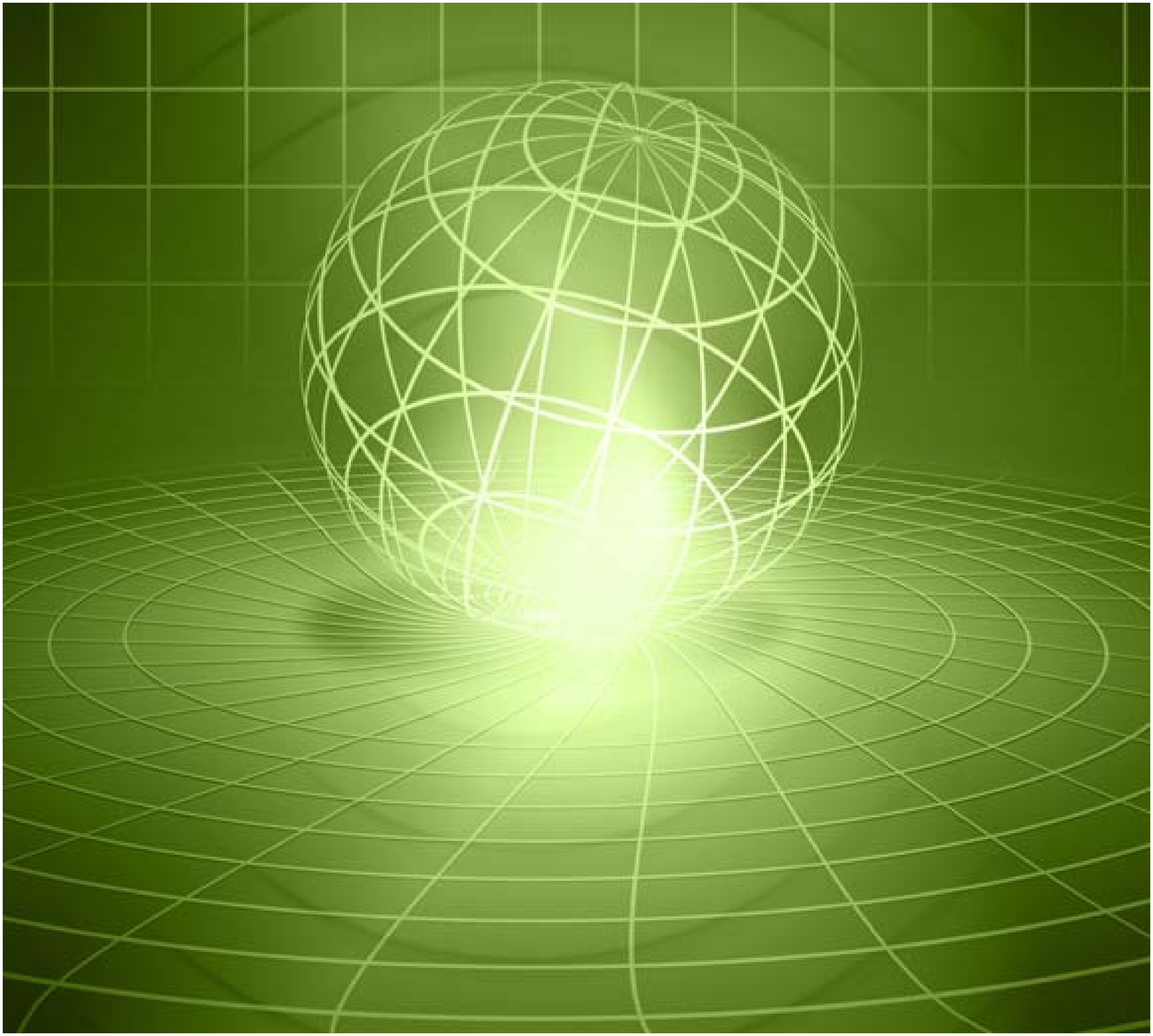
BANCOMEXT



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Alberto Cárdenas Jiménez
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Secretary of Foreign Affairs

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Deputy Secretary of Finance and Public Credit
Secretariat of Finance and Public Credit

Dionisio Arturo Pérez-Jacome Friscione
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Secretariat of Finance and Public Credit

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Governor of Central Bank (Banco de México)

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Secretariat of Economy

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Deputy Secretary for Agribusiness Promotion
Secretariat of Agriculture

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Secretariat of Finance and Public Credit

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Secretariat of Finance and Public Credit

Gustavo Meléndez Arreola
General Director of Entrepreneurial Promotion
Secretariat of Economy

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There Are Only Regular (Not Deputy) Independent Members

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José María Basagoiti Caicoya
General Director, *Basagoiti y Asociados Consultores*

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Commissioners

Commissioners

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Public Commissioner and Delegate of the Finance Sector
Secretariat of Public Service

Serie "B"
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General Director, Despacho Aguilar Villalobos y Asociados, S.C

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Deputy Public Commissioner of the Finance Sector
Secretariat of Public Service

Roberto Mateos Cándano
Despacho Jurídico Gómez, Mateos, Flores y Asociados

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Lázaro Jiménez García

Prosecretary
María Elsa Ramírez Martínez

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(In Office Beginning January 1, 2009)

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Credit

Víctor Manuel Carrillo Ramos
Vice President
Legal And Fiduciary

Antonio Castaño Leal
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Sergio S. Cancino y León
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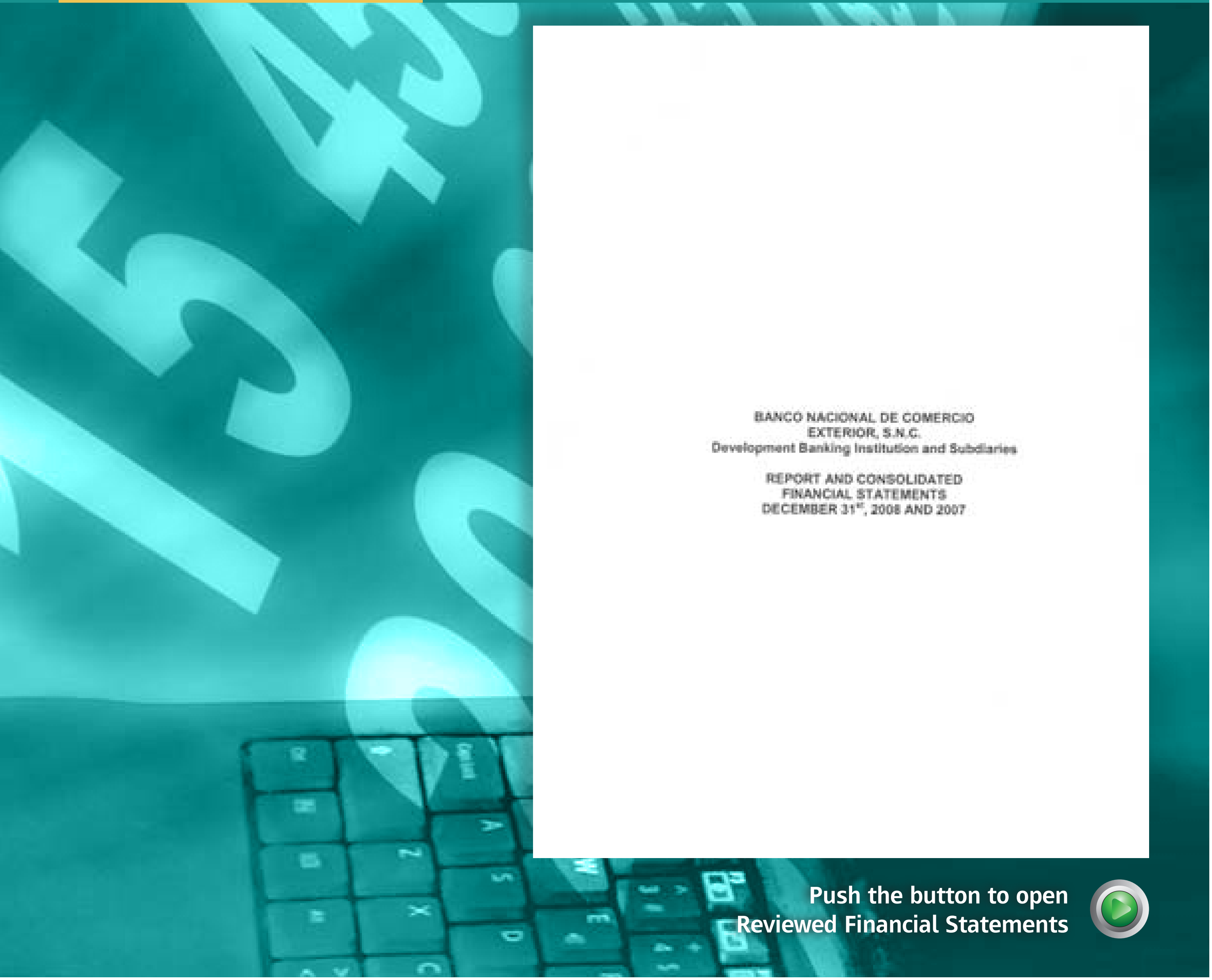

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Development Banking Institution and Subdiaries

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