Monex, S.A.B. de C.V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018, 2017 and 2016, and Independent Auditors' Report Dated March 29, 2019

Monex, S.A.B. de C.V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements for 2018, 2017 and 2016

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Independent Auditors' Report to the Board of Directors and Stockholders of Monex, S.A.B. de C.V.

Opinion

We have audited the consolidated financial statements of Monex, S.A.B. de C.V. and Subsidiaries (Monex, S.A.B.), which comprise the consolidated balance sheets as of December 31, 2018, 2017 and 2016, and the related consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of Monex, S.A.B. were prepared in all material respects, in accordance with the accounting criteria established by the National Banking and Securities Commission of Mexico (the "Commission") in the "General Provisions Applicable to Groups, Credit Institutions, Brokerage Houses, Mutual Funds and Companies that Provide Services Thereto" (the "Accounting Criteria").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Monex, S.A.B. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code), and we have complied with all other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

a) Processing of accounting-financial information

The processing of the accounting-financial information is a key audit matter due to the fact that there are significant manual processes. However, in order to assure the completeness, accuracy, cutoff and presentation of the financial information, management has implemented several manual and/or semiautomatic controls.

Our audit procedures applied in order to address this key audit matter included the following:

1. Obtain an understanding of manual processes implemented by Management for the processing of the accounting-financial information.

2. We identified the controls implemented by Management in order to assure the completeness, accuracy, cutoff and presentation of the financial information as well as evaluated the design, implementation and operating effectiveness.

3. In particular, we reviewed the design of Management's controls related to the approval and recording of journal entries.

4. In order to increase our level of assurance, about areas where we identified a significant risk about accounting recognition, we carried out substantive test of details.

5. Based on the risk assessment, we performed substantive procedures over manual journal entries recorded by Management.

6. We reviewed that operating reconciliations between the accounting and operating systems prepared by Management at the end of the year do not have significant differences and/or that any such differences are reasonable, properly supported and explained by Management.

We did not identify any exceptions in our tests of controls and substantive tests.

b) Management of securities transactions

The process in place for managing the investment in securities is a key audit matter because a significant part of management's processes are performed manually. Management has implemented several of manual and/or semiautomatic controls in order to assure the completeness, accuracy, cutoff and presentation of the financial information. The main processes affected are the valuation of investments securities, the interest calculation for the securities transactions and repurchase agreements, and the determination of the gain or loss on the sales of securities. The balance sheet items that are directly related to such processes are: a) investment in securities, b) receivables from repurchase agreements, c) payables from repurchase agreements, d) collateral delivered and received in repurchase agreements and collateral sold or pledged in repurchase agreements, e) valuation of securities transactions, f) interest receivable on securities transactions, g) interest receivable on repurchase agreements, and h) result from sales transactions involving securities and repurchase agreements.

Monex, S.A.B.'s accounting policies are established in Note 3 of the consolidated financial statements.

Our audit procedures addressing this key audit matter included the following:

1. To ascertain the flow of operations from origination until its recording in the accounting records, we inquired with the personnel involved in each of the processes through which the operations pass and obtained evidence of the flow of the transactions.

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2. We identified the manual procedures in the determination and recording of the valuation, interest and the gain or loss on sale.

3. For each key control implemented by Management in each stage of the investment in securities transaction, we carried out an evaluation of its design, implementation and operating effectiveness.

4. We validated that the security position in the accountant records matched with the position reported in the operating system and that it was reconciled with the depositary institution Indeval, S.A. (Indeval) as of December 31, 2018.

5. We recalculated the investment in securities valuation validated in the preceding point using the market price reported by the price supplier Valuación Operativa y Referencias del Mercado, S.A. de C.V. (Valmer) as of December 31, 2018.

6. We verified that the collateral delivered and received in repurchase agreements presented in the balance sheet matched with the information in the operating system as of December 31, 2018. Also, we confirmed that securities delivered as collateral were restricted within investments in securities.

7. We validated that as of December 31, 2018, receivables and payables from repurchase agreements recorded in the accounting records matched the purchases and sales from repurchase agreements in the operating system. On a test basis, we reviewed the settlement on the date of maturity.

8. On a test basis, we recalculated the interest that was accrued in securities transactions and repurchase agreements maintained by Monex, S.A.B. during the month.

9. On a test basis, we validated that the result from sales transactions involving securities matched with the differential between cash flow received less the sum of the cost and its accrued interest.

10. The detailed procedures performed for each type of revenue are illustrated below:

    Interest income –

    i. For interest on securities transactions and repurchase agreements, on a test basis, we noted that the information provided matches the accounting records on an accrual basis.

    ii. Based on a selection of days, we recalculated the interest on securities transactions and repurchase agreements and compared it with the corresponding determined and recorded in the same period by Management.

    Valuation gains and losses -

    iii. We recalculated the valuation of the securities position based on the market price reported by the price supplier Valmer as of December 31, 2018.

    Realized gains and losses -

    iv. On a test basis, we noted that the result on sales transactions involving securities and repurchase agreements matched with the difference between cash proceeds received less the sum of the cost and its accrued interest.

    We did not identify any exceptions in our tests of controls and substantive tests.

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c) Goodwill of Tempus, Inc.

The impairment analysis which Management must apply to the goodwill generated on the acquisition of Tempus in accordance with Bulletin C-15 "Impairment in the value of long-lived assets and their disposal" of Mexican Financial Reporting Standards (NIFs), is a key audit matter because this estimate generally involves management judgment, and must also comply with finance methodologies commonly accepted and applied, assumptions of projections, discount rates, selected multiples of comparable companies, etc.

Our procedures addressing this key audit matter included the following:

1. We involved internal specialists from our valuation area and conducted a technical analysis of the calculations prepared for the value estimate and those used in the impairment test, as well as the results obtained, including:

    a. We ascertained the methodologies which use a revenue approach (cash flows) and a market approach (public companies and transactions).
    b. We confirmed that the assumptions and methodologies were accepted under Mexican Financial Reporting Standards.
    c. We estimated a discount rate range using a weighted average cost of capital (WACC) methodology.
    d. We recalculated the models to check the arithmetic.
    e. We compared consistency with previous years.
    f. We analyzed supporting information provided by Monex, S.A.B.

2. We conducted a sensitivity exercise on the most relevant valuation projections and/or assumptions which might have a greater impact on the conclusion of the impairment test.

We did not identify any exceptions in our tests of controls and substantive tests.

Responsibilities of Management and those charged with Governance of Monex, S.A.B. in Relation to the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing Monex, S.A.B.'s ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using the going concern basis of accounting unless Management either intends to liquidate Monex, S.A.B. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Monex, S.A.B.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Monex, S.A.B.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of management´s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Monex, S.A.B.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors´ report. However, future events or conditions may cause Monex, S.A.B. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Monex, S.A.B. to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.A. Ernesto Pineda Fresán
Mexico City, Mexico
March 29, 2019

Monex, S.A.B. de C.V. and Subsidiaries

Consolidated Balance Sheets

As of December 2018, 2017 and 2016
(In millions of Mexican pesos)

Assets

	2018	2017	2016
Funds available	$ 16,815	$ 12,323	$ 7,120
Margin accounts	795	333	722
Investment in securities:			
Trading securities	26,480	36,476	22,352
Securities available for sale	1,382	1,631	4,326
Securities held to maturity	3,300	2,595	73
	31,162	40,702	26,751
Repurchase agreements	1,437	1,123	3,942
Derivatives:			
Trading purposes	3,803	3,487	3,815
Hedging purposes	122	133	143
	3,925	3,620	3,958
Performing loan portfolio:			
Commercial loans -			
Commercial or corporate activity	18,267	16,661	15,877
Loans to financial entities	1,973	2,096	2,155
Loans to government entities	2,472	1,001	-
	22,712	19,758	18,032
Housing loans -			
Loans acquired from INFONAVIT	698	626	180
Total performing loan portfolio	23,410	20,384	18,212
Non-performing loan portfolio:			
Commercial loans -			
Commercial or corporate activity	520	197	76
Housing loans -			
Loans acquired from INFONAVIT	1	4	6
Total non-performing portfolio	521	201	82
Total loan portfolio	23,931	20,585	18,294
Allowance for loan losses	(427)	(357)	(307)
Loan portfolio (net)	23,504	20,228	17,987
Other receivables (net)	16,986	20,692	16,143
Foreclosed assets (net)	-	-	2
Property, furniture and equipment (net)	437	109	95
Other investments	119	42	25
Deferred taxes and profit sharing	655	561	716
Other assets:			
Goodwill	1,096	1,087	1,103
Deferred charges, advance payments and intangibles (net)	1,818	1,730	1,507
Other assets	195	223	223
	3,109	3,040	2,833
Total assets	$ 98,944	$ 102,773	$ 80,294

Liabilities

	2018	2017	2016
Deposits:			
Demand deposits	$ 18,433	$ 18,585	$ 15,209
Time deposits -			
General public	22,019	18,816	10,733
Money market	2,434	1,205	434
Debt securities	830	331	440
Global account for inactive deposits	3	3	3
	43,719	38,940	26,819
Securitization certificates	1,509	2,509	2,001
Bank loans and other loans:			
Demand loans	-	-	344
Short-term loans	1,636	1,085	1,078
Long-term loans	127	-	-
	1,763	1,085	1,422
Liabilities arising from sale and repurchase agreements	17,822	21,849	14,848
Collaterals sold or pledged in guarantee:			
Repurchase agreements	33	2,165	3,058
Securities lending	236	-	412
	269	2,165	3,470
Derivatives:			
Trading purposes	2,956	2,483	2,675
Hedging purposes	9	23	9
	2,965	2,506	2,684
Other payables:			
Income taxes payable	144	39	214
Employee profit sharing payable	291	242	227
Obligations arising from settlement of transactions	15,442	13,898	15,139
Payables from margin accounts	12	-	-
Liabilities arising from cash collateral received	3,000	4,355	2,815
Sundry creditors and other payables	2,657	6,708	2,996
	21,546	25,242	21,391
Deferred taxes and profit sharing	157	121	136
Deferred charges and income received in advance	292	207	217
Total liabilities	90,042	94,624	72,988
Stockholders' equity			
Capital contributed:			
Capital stock	2,055	2,055	2,055
Additional paid-in capital	763	763	763
	2,818	2,818	2,818
Earned capital:			
Capital reserves	514	459	408
Retained earnings	3,812	3,015	2,318
Result from valuation of securities available for sale, net	(114)	(83)	(170)
Translation effects of foreign subsidiaries	668	797	750
Result from hedging instruments at fair value	114	99	130
Remeasurement of defined employee benefits	(56)	(58)	(19)
Net income	1,116	1,102	1,071
	6,054	5,331	4,488
Non-controlling interest	30	-	-
Total stockholders' equity	8,902	8,149	7,306
Total liabilities and stockholders' equity	$ 98,944	$ 102,773	$ 80,294

Memorandum accounts

Transactions on behalf of third parties

	2018	2017	2016
Customer current accounts:			
Customer banks	$ 135	$ 20	$ 10
Customer securities:			
Customer securities in custody	66,928	64,883	53,162
Values received from customers abroad	8,652	8,294	8,723
	75,580	73,177	61,885
Transactions on behalf of customers:			
Customer repurchase agreements	26,879	25,406	32,528
Customer loan securities transactions	192	260	243
Customer collateral received in guarantee	9,348	18,046	12,072
Customer collateral sold or pledged in guarantee	213	395	394
Derivatives purchase transactions:			
Customer futures and advance contracts (notional amount)	36,210	20,963	379
Options	35,523	2,869	(390,168)
Swaps	99,682	79,115	1,308
Derivatives sale transactions:			
Sale transactions of futures and advance contracts (notional amount)	34,797	41,379	15,008
Customer options	42,015	6,524	19,523
	284,858	194,957	(308,713)
Total on behalf of third parties	$ 360,574	$ 268,154	$ (246,818)

Transactions on own behalf

	2018	2017	2016
Contingent assets and liabilities	$ 170	$ 156	$ 152
Assets in trust or mandate:			
Held in trusts	136,583	115,795	88,933
Custody and management assets	9,825	8,987	7,879
Loan commitments	10,844	10,045	10,471
	157,422	134,983	107,435
Collateral received by Monex, S.A.B.:			
Government debt	14,590	10,603	30,887
Banking debt	5,685	3,031	5,093
Other debt securities	7,011	9,705	8,715
	27,286	23,339	44,695
Collateral received and sold or pledged as guarantee by Monex, S.A.B.:			
Government debt	14,782	10,507	23,273
Banking debt	5,685	2,812	4,741
Other debt securities	4,997	8,728	8,433
	25,464	22,047	36,447
	52,750	45,386	81,142
Uncollected interest earned on non-performing loan portfolio	53	37	19
Other record accounts	33	7	3,660
Total on own behalf	$ 210,258	$ 180,413	$ 188,589

The accompanying notes are part of these consolidated financial statements.

Monex, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2018, 2017 and 2016
(In millions of Mexican pesos)

	2018	2017	2016
Gain/losses on financial assets and liabilities (net):			
Foreign exchange	$ 3,169	$ 2,503	$ 2,462
Derivative instruments	2,253	2,142	2,530
Debt securities	128	(5)	218
Equity instruments	2	8	7
Intermediation income	5,552	4,648	5,217
Interest income	5,000	4,605	2,441
Interest expense	(3,567)	(3,032)	(1,615)
Financial margin	1,433	1,573	826
Provision for loan losses	(191)	(170)	(150)
Financial margin after provision for loan losses	6,794	6,051	5,893
Commission and fee income	712	648	594
Commission and fee expense	(262)	(217)	(171)
Results from operating leasing	75	-	-
Total operating revenues	7,319	6,482	6,316
Other operating income (net)	(233)	219	82
Administrative and promotional expenses	(5,552)	(5,183)	(5,008)
Income before income taxes	1,534	1,518	1,390
Participation in nonconsolidated subsidiary	(7)	-	-
Current income taxes	(467)	(346)	(614)
Deferred income taxes (net)	56	(70)	295
	(411)	(416)	(319)
Net income	$ 1,116	$ 1,102	$ 1,071

The accompanying notes are part of these consolidated financial statements.

Monex, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2018, 2017 and 2016
(In millions of Mexican pesos)

	Capital contributed		Earned capital								
	Capital stock	Additional paid-in capital	Capital reserves	Retained earnings	Result from valuation of securities available for sale, net	Translation effects of foreign subsidiaries	Result from hedging instruments at fair value	Remeasurement of defined employee benefits	Net income	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2016	$ 2,055	$ 763	$ 408	$ 2,318	$ (170)	$ 750	$ 130	$ (19)	$ 1,071	$ -	$ 7,306
Entries approved by stockholders-											
Transfer of prior year results	-	-	-	1,071	-	-	-	-	(1,071)	-	-
Capital reserve	-	-	54	(54)	-	-	-	-	-	-	-
Dividends declared	-	-	-	(320)	-	-	-	-	-	-	(320)
Repurchase of shares	-	-	(3)	-	-	-	-	-	-	-	(3)
Total entries approved by stockholders	-	-	51	697	-	-	-	-	(1,071)	-	(323)
Comprehensive income -											
Net income	-	-	-	-	-	-	-	-	1,102	-	1,102
Result from valuation of securities available for sale, net	-	-	-	-	87	-	-	-	-	-	87
Result from hedging instruments at fair value	-	-	-	-	-	-	(31)	-	-	-	(31)
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(39)	-	-	(39)
Translation effects of foreign subsidiaries	-	-	-	-	-	47	-	-	-	-	47
Total comprehensive income	-	-	-	-	87	47	(31)	(39)	1,102	-	1,166
Balances as of December 31, 2017	2,055	763	459	3,015	(83)	797	99	(58)	1,102	-	8,149
Entries approved by stockholders-											
Transfer of prior year results	-	-	-	1,102	-	-	-	-	(1,102)	-	-
Capital reserve	-	-	55	(55)	-	-	-	-	-	-	-
Dividends paid	-	-	-	(250)	-	-	-	-	-	-	(250)
Repurchase of own shares	-	-		-	-	-	-	-	-	30	30
Total entries approved by stockholders	-	-	55	797	-	-	-	-	(1,102)	30	(220)
Comprehensive income -											
Net income	-	-	-	-	-	-	-	-	1,116	-	1,116
Result from valuation of securities available for sale, net	-	-	-	-	(31)	-	-	-	-	-	(31)
Result from hedging instruments at fair value	-	-	-	-	-	-	15	-	-	-	15
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	2	-	-	2
Translation effects of foreign subsidiaries	-	-	-	-	-	(129)	-	-	-	-	(129)
Total comprehensive income	-	-	-	-	(31)	(129)	15	2	1,116	-	973
Balances as of December 31, 2018	$ 2,055	$ 763	$ 514	$ 3,812	$ (114)	$ 668	$ 114	$ (56)	$ 1,116	$ 30	$ 8,902

The accompanying notes are part of these consolidated financial statements.

Monex, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2018, 2017 and 2016
(In millions of Mexican pesos)

	2018	2017	2016
Net income	$ 1,116	$ 1,102	$ 1,071
Adjustments derived from items not involving cash flows:			
Depreciation	36	31	28
Amortization	93	63	37
Current and deferred income taxes	411	416	319
Others	30	-	1
Adjustment for items that do not require cash flows	1,686	1,612	1,456
Operating activities:			
Change in margin accounts	(462)	389	(342)
Change in investments in securities	9,496	(13,827)	(3,141)
Change in repurchase agreements, net	(4,341)	9,820	(3,193)
Change in derivatives, net	159	136	(789)
Change in hedging instruments	19	(20)	(4)
Change in loan portfolio, net	(3,276)	(2,241)	(5,688)
Change in foreclosed assets	-	2	6
Change in other operating assets	3,637	(4,727)	(2,609)
Change in deposits	4,779	12,121	9,203
Change in bank and other loans	456	(337)	542
Change in collateral sold or pledged in guarantee	(1,896)	(1,305)	1,318
Change in other operating liabilities	(4,893)	4,217	4,576
Net cash flows from operating activities	5,364	5,840	1,515
Investing activities:			
Payments for acquisition of Property, furniture and equipment	(156)	(57)	(52)
Proceeds from sale of furniture and fixtures	64	12	13
Payment for acquisition of other permanent investments	(79)	-	-
Payments for acquisition of intangible assets	(91)	(92)	(81)
Proceeds from disposal of subsidiaries and associate companies	(38)	-	-
Purchase of investment in shares	-	(17)	(9)
Others	2	-	-
Net cash flows from investing activities	(298)	(154)	(129)
Financing activities:			
Debt payment	-	(500)	-
Issuance of securitization certificates	-	500	-
Repurchase of own shares	-	(3)	-
Dividends paid	(250)	(320)	(250)
Interest paid	(195)	(207)	(114)
Net cash flows from financing activities	(445)	(530)	(364)
Net increase (decrease) in funds available	4,621	5,156	1,022
Effects from changes in value of funds available	(129)	47	220
Funds available at the beginning of the year	12,323	7,120	5,878
Funds available at the end of the year	$ 16,815	$ 12,323	$ 7,120

The accompanying notes are part of these consolidated financial statements.

1. **Activities, regulatory environment and significant events**

Monex, S.A.B. de C.V. and subsidiaries, hereinafter denominated with its subsidiaries as Monex, S.A.B., was established on July 10, 2007. Its purpose is to operate as a holding company and promote, establish, acquire, arrange, and manage operating any kind of commercial or civil companies.

Monex, S.A.B.'s subsidiaries operate mainly within the financial services industry offering a full line of banking services and brokerage services.

Significant events in 2018, 2017 and 2016-

a. *Purchase of Arrendadora Monex S.A. de C.V (before Arrendadora Avance S.A. de C.V.)*

On June 28, 2018, through a share purchase agreement, Monex S.A.B acquired 59.95% of Arrendadora Avance shares for an amount of $ 79.9. Subsequently on July 8, 2018, Monex S.A.B. contributed capital for $ 5.7, increasing its shareholding percentage to 61.61%.

On November 30, 2018 the Banco Monex sold to Arrendadora Monex a loan with a face amount of 30 million dollars. During November, a third party valuation was obtained for the loan, pursuant to which the commercial value was estimated to be 7.5 million dollars, which was used as a basis for the sales price. The Financial Group has recorded losses of 22.5 million dollars in relation to this loan, which was sold during the year.

b. *Participation in CLS Group Holdings AG*

Through official notice 310-14444/2017 dated June 1, 2017, the Commission authorized Banco Monex, S.A. (the "Bank") to acquire the common stock shares of CLS Group Holdings Ag (CLS) (Switzerland). The purpose of such investment is to participate in the largest foreign currency clearance system in the world, because CLS acts as a clearinghouse which seeks to increase liquidity and mitigate exchange rate risk for its partners. Currently, CLS operates in 18 different currencies.

Based on a private share offering, Banco Monex undertook to acquire a total of 1,479 new shares issued at a price of 2.1 million pounds sterling, which were paid on January 12, 2018. The investment will be registered for by the equity method.

c. *Issuance of securitization certificates-*

- Monex, S.A.B.

  On May 23, 2017, Monex, S.A.B. successfully made the third public offering of securitization certificates under the ticker symbol MONEX 17, when placing on the market the totality of $1,000 at a TIIE28 + 160 rate for a term of 3 years, based on the program of long-term securitization certificates.

On October 18, 2017, the National Banking and Securities Commission (the Commission) granted Monex, S.A.B. the authorization for a new program of stock certificates of up to $4,000 million pesos with a term of 5 years. With respect to the foregoing, on October 19, 2018 Monex, S.A.B. carried out successfully the fourth Public Offering of Certificados Bursátiles under the key of blackboard MONEX 17-2, when placing in the market the totality of $50 million pesos at a rate TIIE28 + 150 pb with a term of 3 years.

On October 19, 2017 Monex, S.A.B. successfully completed the fourth Public Offering of Certificados Bursátiles under the slate key MONEX 17-2, when placing on the market all of $ 500 at a TIIE28 + 150 bp rate for a term of 3 years.

Banco Monex, S.A.

On July 13, 2018, Banco Monex redeemed in full BMONEX15 stock certificates with a BMONEX15 bond issued in the amount of $1,000.

On November 6, 2017, the Banco Monex redeemed in full the stock certificates with the MONEX14 slate key issued in the amount of $1,000.

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of accounting criteria prescribed by the Commission. Certain accounting practices applied by Monex, S.A.B. may not conform to accounting principles generally accepted in the country of use.

Monetary unit of the consolidated financial statements - The consolidated financial statements and notes as of December 31, 2018, 2017 and 2016 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2018, 2017 and 2016 were 12.26%, 9.57% and 10.18%, respectively, accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2018, 2017 and 2016 were 4.83%, 6.77% and 3.36%, respectively.

Consolidation of financial statements - The consolidated financial statements include the financial statements of Monex, S.A.B. and its subsidiaries over which it exercises control. The shareholding percentage in their capital stock of such entities is shown below:

Company	Shareholding percentage 2018	2017	2016	Activity
1. AdmiMonex, S.A. de C.V. (AdmiMonex)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. It aims to promote, build, organize, develop, acquire and participate in the capital stock or assets of all types of business corporations and partnerships, associations or companies, whether commercial, service or otherwise, both domestic and foreign and participate in the management or liquidation.
2. MNI Holding, S.A. de C.V. (before Monex Negocios Internacionales, S.A. de C.V.) (MNI Holding)	100%	100%	100%	Direct subsidiary of Monex, S.A.B as of November 2017. Parent company of Tempus and Monex Europe LTD.
2.1 Tempus Inc. (Tempus)	100%	100%	100%	Entity located in Washington, D.C., U.S.A., whose purpose is the purchase and sale of currencies. Its customers are mainly located in the United States.
2.1.1 Tempus Nevada, Inc.	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity founded in 2010 in the state of Delaware in the United States. Currently without operations.
2.2 Monex Europe Holdings Limited (Monex Europe LTD)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Parent Company of Monex Europe, Schneider, FX and Monex Europe Markets, entities located in the United Kingdom (Monex, S.A.B. directly owns 49.9% of the shares)
2.2.1 Schneider Foreign Exchange Limited (Schneider FX)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity located in London. Entity without operations.
2.2.2 Monex Europe Limited (Monex Europe)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity located in London. Its activity is purchase and sales of currencies in the European market.
2.2.2.1 Monex Europe Markets Limited	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity is dedicated to purchase and sales of currencies in the European Market.
2.2.3 MonexFX PTE Ltd (Monex Singapure)	100%	100%	-	Indirect subsidiary of Monex, S.A.B. Entity without operations.
2.2.4 Monex Canada, Inc.	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity founded in Toronto, Canada.
3. Monex Grupo Financiero, S.A. de C.V. (Financial Group)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. established on May 23, 2003. It is authorized by the Treasury Department of Mexico (SHCP) to operate as a financial group under the form and terms established by the Financial Groups Law (the Law). Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.
3.1 Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (the Bank)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. The Bank is authorized to perform full-service banking operations including, among others, granting loans, performing securities transactions, receiving deposits, accepting loans, performing currency purchase-sale transactions and executing trust contracts.
3.2 Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (the Brokerage House)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. The Brokerage House acts as a financial intermediary for transactions involving securities and derivative financial instruments authorized under the Stock Market Law (LMV) and the general provisions issued by the Commission.
3.2.1 Monex Securities, Inc. (Monex Securities)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Acts as a stock market intermediary in the U.S. market.
3.2.2 Monex Assets Management, Inc. (Monex Assets)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Acts as an investment advisor in the U.S. market.
3.3 Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero, Sociedad Operadora de Sociedades de Inversión (la Operadora)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Its main activity is to manage mutual funds and to promote its shares.
4. Servicios Complementarios Monex, S.A. de C.V. (Servicios Complementarios)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. Currently without operations.
5. Arrendadora Monex S.A. de C.V.	61.61%	-	-	Direct subsidiary of Monex S.A.B. Its main activity is to acquire, sell, lease, rent, sublease, use, enjoy, possess, license, market, import, export, trade and dispose under any form or legal title, of all kinds of personal property, equipment, motor vehicles, machinery, specialized equipment, accessories and other goods.

Significant intercompany balances and transactions have been eliminated.

On November 30, 2017, the international business segment was divested from the Bank. The divestment was intended to reduce or mitigate the Bank's risk outside of Mexico and simplify its management.

The divestment was carried out through the spin-off of Banco Monex, subsisting the same as a splintered company and becoming MBA Escindida, S.A. of C.V. (MBA E) as a spun-off company. In the spin-off, Banco Monex contributed to MBA E its participation in the stockholders' equity and the net assets of Monex Negocios Internacionales, S.A. of C.V. (Monex Negocios)

Derived from the above, Monex Negocios is a direct subsidiary of Monex, S.A.B.

Translation of financial statements of foreign subsidiaries - To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity were converted to accounting criteria of the Commission. As the recording and functional currency was the same, the financial statements were subsequently translated to Mexican pesos using the following methodology:

1) The closing exchange rate in effect at the balance sheet date for assets and liabilities;
2) Historical exchange rates for stockholders' equity, and
3) The rate on the date of accrual of revenues, costs and expenses.
4) Translation effects are recorded in stockholders' equity.

As of December 31, 2018, 2017 and 2016, the exchange rates used in the different translation processes are as follows:

Company	**Currency**	**Exchange rate to translate Mexican pesos**		
		2018	**2017**	**2016**
Monex Europe Ltd. (consolidated)	Pound sterling	25.0474	26.6049	25.4814
Monex Europe	Pound sterling	25.0474	26.6049	25.4814
Schneider FX	Pound sterling	25.0474	26.6049	25.4814
Monex Europe Markets LTD.	Pound sterling	25.0474	26.6049	25.4814
Tempus, Inc. (consolidated)	U.S. dollar	19.6512	19.6629	20.6194
Monex Canada, Inc.	U.S. dollar	19.6512	19.6629	20.6194
Monex Securities	U.S. dollar	19.6512	19.6629	20.6194
Monex Assets Management	U.S. dollar	19.6512	19.6629	20.6194

As of December 31, 2018, 2017 and 2016 Monex, S.A.B.'s functional currency is the Mexican peso. Investments in foreign subsidiaries, whose functional currencies are other than the Mexican peso, expose Monex, S.A.B. to foreign currency translation risk. In addition, Monex, S.A.B. has monetary assets and liabilities denominated in foreign currencies, mainly in U.S. dollars, Pounds sterling and Euros, resulting in exposure to foreign exchange risks arising from transactions entered into over the normal course of business (refer to discussion of comprehensive risk management in Note 34 for further details).

Comprehensive result - The amount of comprehensive income presented in the consolidated statements of changes in stockholders' equity is the effect of transactions other than those carried out with the shareholders of Monex, S.A.B. during the period and is represented by the result from valuation of securities available for sale, the cumulative translation adjustment, the result from valuation of hedging instruments, remeasurements for defined benefits to employees and the net result.

3. Summary of significant accounting policies

The accompanying consolidated financial statements comply with the accounting criteria established by the Commission in the "General Provisions Applicable to Groups, Credit Institutions, Brokerage Houses, Mutual Funds and Companies that Provide Services Thereto" (the "Provisions") and in its rulings, which are considered a Special Purpose Framework. These policies require management to make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures; however, actual results may differ from such estimates. Monex, S.A.B.'s management, upon applying professional judgment, considers that estimates made and assumptions used were appropriate under the circumstances.

Under accounting criteria A-1 issued by the Commission, Monex, S.A.B. is required to apply Mexican Financial Reporting Standards ("MFRS" or "NIF's) promulgated by the Mexican Board of Financial Reporting Standards (CINIF), except with regard to topics for which the Commission has issued specific accounting guidance on the basis that Monex, S.A.B. and its subsidiaries are subject to its regulations and carry out specialized operations.

Changes in accounting policies-

As of January 1, 2018, Monex, S.A.B. adopted the following standards and improvements to NIF 2018:

According to B-1, the accounting changes are: 1) change in the structure of the economic entity; 2) change in accounting estimate; 3) change in particular rules and, 4) reclassifications, therefore, when they are presented, they will be included in this section.

Modifications of accounting criteria issued by the Commission

Accounting changes resulting from changes or improvements in the NIF

Improvements to NIF 2018 - The following improvements were issued with effect from January 1, 2018, which generate accounting changes:

NIF B-10, *Effects of inflation* - Also requires disclosure of the accumulated inflation percentage for three years, which includes the previous two years and the period referred to in the current consolidated financial statements, that will be used as the basis to classify the economic environment in which the entity will operate in the following year.

NIF C-6, *Property, plant and equipment* and NIF C-8, *Intangible assets* - The depreciation and amortization method based on revenues cannot be used, except where the revenues and the consumption of the economic benefits from the assets follow a similar pattern.

NIF C-14, *Transfer and cancellation of financial assets* - To avoid contradictions in the standard, it is clarified that the transferor should continue recognizing any revenue and loss from impairment originated from the asset transferred up to the degree of its continuous involvement and should recognize any expense related with the associated liability. If the transferred asset continues to be recognized at amortized cost, the associated liability should not be valued at fair value.

Improvements to NIF 2018 - The following improvements were issued that do not generate accounting changes:

NIF B-7, *Business acquisitions* - It is clarified that a contingent liability of a business acquired should be recognized at the purchase date as a provision, if such item represents a present obligation for the business acquired as a result of past events.

NIF B-15, *Translation of foreign currencies* - In financial statements where the functional currency is different from the Mexican peso, the entity should, among others, determine in its functional currency: a) the fair value of the items in which it is applicable, b) conduct impairment tests on the value of the asset and c) determine the deferred tax liabilities or assets, etc.

The significant accounting policies of the Monex S.A.B. are as follows:

Reclassifications - Certain amounts in the consolidated financial statements as of the year ended December 31, 2017 and 2016 have been reclassified to conform to the presentation of the 2018 consolidated financial statements.

Funds available - Consist mainly of bank deposits valued at face value and the income derived therefrom is recognized as earned; foreign currency funds available are valued at fair value using the year end exchange rates.

Acquisitions of foreign currency that will be settled on a date subsequent to the purchase-sale transaction is recognized as restricted funds available (foreign currency receivable). Foreign currency sold is recorded as a credit to funds available (foreign currency deliverable). The offsetting entry is recorded in a debit or credit settlement account when a sale or purchase is performed, respectively.

For consolidated financial statement presentation purposes, foreign currency settlement accounts receivable and payable are offset by contract and term and are presented under other accounts receivable (net) or obligations arising settlement of transactions, as applicable.

Other funds available such as regulatory monetary deposits and other liquid notes are also included in this heading.

In accordance with the General Provisions, a net negative balance resulting from the offsetting balance of foreign currencies to be received with the foreign currencies to be delivered, or from any item within funds available must be presented under "Sundry creditors and other payables".

Margin accounts - Margin accounts (security deposits) for transactions with derivative financial instruments in recognized markets are recorded at face value.

Security deposits are used to ensure compliance with the obligations related to the derivatives executed in recognized markets and refer to the initial margin, and subsequent contributions and withdrawals made during the term of the respective contracts. Yields and commissions that affect margin accounts, other than fluctuations in the prices of derivatives, should be recognized in the consolidated statement of income for the period.

As of December 31, 2018, 2017 and 2016, Monex, S.A.B. held standardized and futures derivatives operations for which deposits of financial assets were recognized (cash margin calls) intended to ensure compliance with the obligations derived from the transactions performed in recognized markets so as to better mitigate the risk of default.

Trading securities - Trading securities represent investments in debt and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes any applicable discount or premium). They are subsequently valued at fair value, determined by using the prices calculated by the price vendor contracted by Monex, S.A.B., in accordance with the Provisions of the Commission. The difference between the cost of investments in debt securities plus their accrued interest and the cost of equity instruments relative to the respective fair values of such instruments is recorded in the consolidated statements of income under the caption "Gains/losses on financial assets and liabilities (net)" and these effects of the valuation will have the character of not realized for distribution to its shareholders, until they are not made.

Fair value is the amount at which an asset may be exchanged or a liability may be settled by informed, willing and interested parties in an arm's length transaction.

Transaction costs incurred in connection with the acquisition of trading securities are recognized in results on the acquisition date.

Cash dividends of share certificates are recognized in the results of the year in the same period in which the right to receive such payment arise.

The exchange gain or loss on foreign currency investments in securities is recognized in the results of the year.

Trading securities also include transactions pending settlement, which refer to sale and repurchase transactions of securities not settled. These transactions are valued and recorded as trading securities, recording the receipt and expense (debit or credit balance) of the securities subject to the transaction against the respective debit or credit settlement account, when the transaction is agreed upon.

The accounting criteria of the Commission allow for certain reclassifications from trading securities to securities available for sale and securities held to maturity classification, conditional upon the prior express authorization of the Commission.

Securities available for sale - Securities available for sale are debt instruments and shares that are not held for purposes of obtaining gains on sales transactions derived from increases in value and in the case of debt instruments, those that Monex, S.A.B. neither intends or is able to hold to maturity and, therefore, represent a residual category, i.e., they are acquired for purposes other than those of trading securities or securities held to maturity because Monex, S.A.B. intends to trade such securities in the future prior to their maturity.

Upon acquisition, the securities are initially recorded at fair value plus the acquisition transaction cost (including the discount or markup, as applicable), and are subsequently valued at fair value.

Monex, S.A.B. determines the increase or decrease in the fair value using prices provided by the price vendor, which uses various market factors for their determination. The yield on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security and is recognized in the consolidated statements of income under "Interest income". Unrealized gains or losses from changes in fair value as reported by pricing vendors are recorded in other comprehensive income under the heading Result from valuation of securities available for sale net of deferred relative taxes, except when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results for the year.

Cash dividends on shares are recognized in results for the year during the same period in which the right to receive the dividend arises.

The accounting criteria of the Commission allow the transfer securities from available for sale to held to maturity, with the prior express authorization of the Commission. At the time of the reclassification the valuation result relative to the transfer date will continue to be reported in stockholders' equity, and should be amortized based on the remaining life of such instrument.

During the year ended December 31, 2017, Monex, S.A.B. carried out reclassifications from the category of "Securities available for sale" to "Securities held to maturity", which are described in Note 6. During the years ended December 31, 2018 and 2016, no reclassifications were made.

Securities held to maturity - Securities held to maturity are those instruments whose payments are fixed or determinable and with a fixed maturity, which Monex, S.A.B. has both the intention and the ability to hold to maturity; these instruments are recorded initially at fair value, plus transaction costs from the acquisition (which includes, as the case may be, the discount or markup). Subsequently they are valued at amortized cost. Accrued interest is recorded in the consolidated statements of income using the imputed interest method or the effective interest method under the heading "Interest income".

The Accounting Criteria issued by the Commission allow for the transfer of securities classified as held to maturity to the category of securities available for sale, provided that there is no intention or capacity to hold them to maturity, as well as reclassifications to the category of securities held to maturity in extraordinary circumstances (for example: a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission.

During the year ended December 31, 2017, Monex, S.A.B. carried out reclassifications from the category of "Securities available for sale" to "Securities held to maturity", which are described in Note 6. During the years ended December 31, 2018 and 2016, no reclassifications were made.

Impairment in the value of a credit instrument – Monex, S.A.B. must evaluate whether there is objective evidence that a credit instrument is impaired as of the balance sheet date.

A credit instrument is deemed to be impaired and an impairment loss is recognized, only if there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the credit instrument, which had an impact on its estimated future cash flows that can be determined reliably. It is highly unlikely that one event can be identified that is the sole cause of the impairment, and it is more feasible that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of the probability that such events might occur.

Objective evidence that a credit instrument is impaired includes observable information such as, among others, the following events:

a) Significant financial difficulties of the issuer of the instrument;
b) It is probable that the issuer of the instrument will be declared bankrupt or another financial restructuring will take place;
c) Noncompliance with the contractual clauses, such as default on payment of interest or principal;
d) Disappearance of an active market for the instrument in question due to financial difficulties, or
e) A measurable decrease in the estimated future cash flows of a group of securities since the initial recognition of such assets, even though the decrease cannot be matched with the individual securities of the group, including:

    i. Adverse changes in the payment status of the issuers in the group, or
    ii. Local or national economic conditions which are correlated with defaults on the securities of the group.

Management has not identified objective evidence of impairment of a credit instrument held as of December 31, 2018, 2017 and 2016.

Repurchase agreements - Sale and repurchase agreements are those in which the buying party acquires for a sum of money the ownership of securities and undertakes, in the agreed-upon term and upon a payment of the same price plus a premium, to transfer ownership of similar securities to the seller. Unless otherwise agreed, the premium is for the benefit of the buying party.

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. However, the economic substance of repurchase transactions is that of a secured financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as collateral in the event of default.

The repurchase transactions are recorded as indicated below:

On the contracting date of the repurchase transaction, when Monex, S.A.B. acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable at fair value, which represents the obligation to repay such cash to the buying party. The account payable is valued during the term of the repurchase transaction at its amortized cost, recognizing the interest in results as they are accrued.

When Monex, S.A.B. acts as the buying party, on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, giving rise to an account receivable at fair value, which is equal to the agreed price, representing the right to recover the cash delivered. The account receivable is valued subsequently during the term of the repurchase agreement at its amortized cost, recognizing the interest on the repurchase agreement.

When the transactions performed are classified as cash-oriented, the seller's intention is to obtain cash financing by using financial assets as collateral while the buying party obtains a return on its investment and, as it does not seek ownership over specific securities, receives financial assets held as collateral which serve to mitigate the exposure to risk face by the party in relation to the selling party. The selling party repays to the buying party the interest calculated based on the agreed rate of the repurchase agreement. Also, the buying party obtains yields on its investment, which is secured by the collateral.

When the transactions performed are considered as securities-oriented, the intention of the buying party is to temporarily access certain specific securities held by the selling party, by granting cash as collateral, which serves to mitigate the exposure to risk faced by the selling party in relation to the buying party. In this regard, the selling party pays the buying party the interest agreed at the repurchase agreement rate for the implicit financing obtained on the cash that it received, in which such repurchase rate is generally lower than that which would have been agreed in a "cash-oriented" repurchase agreement.

Regardless of the economic intent, the accounting for "cash-oriented" or "securities-oriented" repurchase transactions is identical.

Noncash collateral granted and received in repurchase transactions - In relation to the collateral granted by the selling party to the buying party (other than cash), the buying party recognizes the collateral received in memorandum accounts, following the valuation guidelines for the securities established in treatment B-9 "Custody and Management of Assets". The selling party reclassifies the financial asset in its consolidated balance sheets to restricted assets, which follows the valuation, presentation and disclosure standards as applicable.

When the buying party sells or pledges the collateral, the proceeds from the sale are recorded, and a liability for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral) and is subsequently valued at fair value in a sale, and at amortized cost if is considered as a pledge in another repurchase transaction (in which case, any difference between the price received and the fair value of the liability is recognized in results of the year). For purposes of presentation, the liability is offset by accounts receivable referred to as Repurchase agreements, which is generated when the purchases are reported. The debit or credit balance is shown under Repurchase agreements or sold collaterals or pledged as security as appropriate.

Furthermore, if the buying party becomes a selling party due to another repurchase transaction with the same collateral as the initial transaction, the interest on the second repurchase transaction must be recognized in results for the year as earned, based on the liability valued at amortized cost.

Memorandum accounts recognized for collateral received by the buying party are cancelled when the repurchase transaction matures or when the selling party defaults.

For transactions where the buying party sells or pledges the collateral received (for example, when another repurchase or securities loan transaction is agreed), memorandum accounts are used to control such collateral sold or pledged, which is valued using the standards applicable to custody transactions included in Criterion B-9 "Custody and Assets Management".

Memorandum accounts which are recognized for collateral received that in turn was sold or pledged by the buying party are cancelled when the collateral sold is purchased to return it to the selling party, or when the second transaction matures or the other party defaults.

Securities lending - Securities lending is a transaction in which the transfer of securities from the lender to the borrower is agreed, with the obligation to return such securities or other substantially similar on a certain date or at request of the lender, receiving as a consideration a premium. In this operation a collateral or guarantee by the lender to the borrower, other than cash is request and those allowed by current regulations.

The securities lending transactions for legal effects are considered as a sale, where an agreement is set to return the securities object of the operation on a fixed date. However, the economic substance of the securities lending transactions consists in that the borrower can temporarily access to certain types of securities where the collateral served to mitigate the exposure to risk which the borrower faced respect to the lender.

The securities lending transactions are recorded as follows:

On the contracting date of the securities lending, when the Financial Group acts as lender, the entry of the securities object of the loan transferred to the borrower as restricted is recognized in accordance to the valuation, presentation and disclosure accounting criterion.

The premium is initially recorded as a deferred charge, recognizing the receivable account or the cash entry. The amount of the accrued premium is recognized in results of the year through the effective interest method over the effective term of the transaction.

When Monex, S.A.B. acts as the borrower on the contracting date of the securities loan, Monex, S.A.B. records the security subject matter of the loan received in memorandum accounts, following the valuation standards applicable to custody transactions in the accountant Criterion B-9 issued by the Commission.

The premium is initially recorded as a deferred charge, recognizing the account receivable or the cash income.

The premium earned is accrued in the results along the life of the transaction through the imputed interest method or the effective interest rate method.

The security subject matter of the transaction, as well as the collateral pledged are presented as restricted, based on the type of financial assets in question.

The security subject matter received, as well as the collateral received are presented in memorandum account under the heading of "Collateral received".

Derivative instrument transactions- Monex, S.A.B. has two types of transactions with derivative financial instruments:

- Hedging purposes: Its objective is to mitigate the risk of an open risk position through operations with financial derivative instruments.
- Trading purposes - Its objective is different from that of covering open risk positions by assuming risk positions as a participant in the derivatives market.

Monex, S.A.B. initially recognizes all of its derivatives (including those that are part of a hedging relationship) as assets or liabilities (depending on the related rights and/or obligations) in the balance sheet at fair value, which is presumed to be equal to the price agreed in the transaction.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives are valued at fair value without deducting any transactions costs incurred during the sale or any other type of disposal, recognizing the valuation effect in results for the period under "Gains/losses on financial assets and liabilities (net)", except when the derivative financial instrument forms part of a cash flow hedge relationship.

The rights and obligations of derivatives that are traded in recognized markets or stock exchanges are considered to have matured when the risk position is closed, i.e., when an opposite derivative with the same characteristics is traded in such market or stock exchange.

The rights and obligations of derivatives that are not traded in recognized markets or stock exchanges are considered to have matured when they reach their maturity date, when the rights are exercised by either party or when the parties early exercise the rights in accordance with the related conditions and the agreed consideration is settled.

Derivatives are presented in a specific heading of assets or liabilities, depending on whether their fair value (as a result of the rights and/or obligations established) refers to a debit balance or credit balance, respectively. Such debit or credit balances may be offset as long as they comply with the respective offsetting rules.

Monex, S.A.B. presents this item under the caption "Derivatives" (debit or credit balance) on the consolidated balance sheet by segregating derivatives for trading purposes from derivatives for hedging purposes.

Derivatives held for trading

Forward and future contracts for trading:

Forward and future contracts for trading are those that establish an obligation to buy or sell an underlying asset on a future date at a pre-established amount, quality and price on a trading contract. Both forward and futures contracts are recorded by Monex, S.A.B. as assets and liabilities in the consolidated balance sheets at the exchange rate established in the related underlying asset purchase-sale contract, to recognize the right and the obligation to receive and/or deliver the underlying asset, and the right and the obligation to receive and/or deliver cash equivalent to the underlying asset specified in the contract.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

For forward contracts, the exchange difference between the exchange rate agreed in the contract and the monthly forward exchange rate, as well as the valuation effects, are recorded in the consolidated statements of income under "Gains/losses on financial assets and liabilities (net)".

For futures contracts, a margin account is created whose counterparty is a clearing house, so as to minimize counterparty credit risk.

The margin account given in cash, does not form part of the initial net investment of the derivative, which is accounted for separately from the derivative.

For consolidated financial statement classification purposes, with respect to derivative instruments that incorporate both rights and obligations, such as futures, forwards and swaps, such rights and obligations are offset by contract and the resulting net debit or credit balances are recognized a derivative asset or liability, respectively.

Option contracts:

Options are contracts that, in exchange for a premium, grant the right, but not the obligation, to buy or sell a specified number of underlying instruments at a fixed price within a specified period. For the rights that grant the options are divided in purchase options (call) and sale options (put).

The holder of a call has the right, but not the obligation, to purchase from the issuer a specified number of underlying assets at a fixed price (exercise price) within a specified period.

The holder of a put has the right, but not the obligation, to sell a specified number of underlying assets at a fixed price (exercise price) within a specified period.

Options may be exercised at the end of the specified period (European options) or at any time during the period (American options); the exercise price is established in the contract and may be exercised at the holder's discretion. The instrument used to set this price is the reference value or underlying asset. The premium is the price paid by the holder to the issuer in exchange for the rights granted by the option.

Monex, S.A.B. records the premium paid/received for the option on the transaction date as an asset or liability. Any fluctuations in the fair value are recognized in the consolidated statements of income under the heading "Gains/losses on financial assets and liabilities (net)". When an option matures or is exercised, the premium recognized is cancelled against results for the year, also under "Gains/losses on financial assets and liabilities (net)".

Recognized options that represent rights are presented, without offsetting, as a debit balance under the asset line item Derivatives. Recognized options that represent obligations are presented, without offsetting, as a credit balance under the liability line item Derivatives.

Trading option contracts are recorded in memorandum accounts at their exercise price, multiplied by the number of securities, distinguishing between options traded on the stock market from over-the-counter transactions, in order to control risk exposure.

All valuation gains or losses recognized before the option is exercised or before its expiration, are treated as unrealized and are not capitalized or distributed to stockholders until realized in cash.

Swaps:

A swap contract is an agreement between two parties establishing a bilateral obligation for the exchange of a series of cash flows within a specified period and on previously determined dates.

Monex, S.A.B. recognizes in the consolidated balance sheet an asset and a liability arising from the rights and obligations of the contractual terms, valued at the present value of the future cash flows to be received or delivered according to the projection of the implicit future rates to be applied, discounting the market interest rate on the valuation date using curves provided by the price vendor, which are reviewed by the market risk area.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives other than hedging derivatives are valued at fair value without deducting any transaction costs incurred during the sale or any other type of disposal, recognizing the valuation effect in the results of the year.

If the counterparty credit risk of a financial asset related to the rights established in the derivatives is impaired, the book value must be reduced to the estimated recoverable value and the loss is recognized in the results of the year. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the period in which this occurs.

A swap contract may be settled in kind or in cash, according to the conditions established.

The result of offsetting the asset and liability positions, whether debit or credit, is presented as part of the Derivatives line item.

Hedging derivatives

Management enters into transactions with derivatives for hedging purposes using swaps.

Financial assets and liabilities which are designated and fulfill the requirements to be designated as hedged items, as well as financial derivatives which form part of a hedging relationship, are recognized in conformity with the hedge accounting provisions for the recognition of the gain or loss on the hedging instrument and of the hedged item in conformity with that established in Accounting Criterion B-5, Derivatives and hedging transactions, issued by the Commission.

A hedge relationship qualifies for designation as such when all of the following conditions are fulfilled:

- Formal designation and sufficient documentation of the hedging relationship.
- The hedge should be highly effective in achieving the offsetting of the changes in fair value or in the cash flows attributable to the risk covered.
- For cash flow hedges, the forecast transaction proposed for hedging should be very likely to occur.
- The hedge should be reliably measurable.
- The hedge should be valued continuously (at least quarterly).

All the derivatives for hedging purposes are recognized as assets or liabilities (depending on the rights and/or obligations they contain) on the consolidated balance sheet, initially at fair value, which is the price agreed in the transaction.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged and forms part of the caption "Derivatives" on the consolidated balance sheet and the interest accrued is recorded in the consolidated statements of income under the caption "Interest income" or "Interest expense".

Derivatives transactions for hedging purposes are valued at market price and the effect is recognized depending on the type of accounting hedge, as follows:

a. Fair value hedges – Represents a hedge against exposure to changes in the fair value of recognized assets or liabilities or of firm commitments not recognized, or a portion of both, which is attributable to a specific risk and which may affect the results for the period.

The primary position of the risk hedged and the derivative hedge instrument are valued at market price, with the net effect recorded in of results of the period in the heading "Gains/losses on financial assets and liabilities (net)".

In fair value hedges, the adjustment to the book value for the valuation of the hedged item is presented in a separate caption on the consolidated balance sheet.

b. Cash flow hedges – Represents a hedge against exposure to variations in the cash flows of a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability, or with a highly probable event, and which (ii) may affect the result of the period. The hedged derivative instrument is valued at market price. The effective portion of the gain or loss on the hedge instrument is recorded in the comprehensive profit and loss account as part of stockholders' equity and the ineffective portion is recorded in the results for the year as part of the "Gain/loss on financial assets and liabilities".

The effective hedge component recognized in stockholders' equity associated with the hedged item, is adjusted to equal the lower (in absolute terms) of the accumulated gain or loss on the financial hedge derivative since its inception, and the accumulated change in the present value of the future cash flows expected from the hedged item since the inception of the hedge.

Any residual gain or loss on the hedge instrument is recognized in the results for the period.

Monex, S.A.B. suspends hedge accounting when the derivative has matured, when is canceled or exercised, when the derivative is not sufficiently effective to offset the changes in the fair value or cash flows from the hedged item, when it is established that the forecast transaction will not occur, or when it is decided that the hedged designation will be canceled.

When fair value hedge accounting is no longer applied prospectively, any adjustment to the book value for the valuation of the hedged item attributable to the hedged risk, is amortized in the results for the period. The amortization is performed by the straight-line method over the remaining life of the item originally hedged.

When a cash flow hedge accounting is suspended, the accumulated gain or loss related to the effective portion of the hedge derivative that was recognized in stockholders' equity as part of comprehensive income during the period of time that the hedge was effective, remains in stockholders' equity until the effects of the forecast transaction affect results. If it is no longer probable that the forecast transaction will occur, the gain or loss that was recognized in the comprehensive income account is recorded immediately in the results. When the coverage of a forecast transaction is demonstrated to be effective on a prospective basis and subsequently is not highly effective, the accumulated gain or loss for the effective portion of the hedge derivative that was recognized in stockholders' equity as part of comprehensive income during the period that the hedge was effective, is reclassified proportionally to results, when the forecast transaction is affected in the results.

Derivatives packages listed on recognized markets as a single instrument are recognized and valued collectively (i.e., without disaggregating each financial derivative individually). Derivatives packages not listed on a recognized market are recognized and valued on a disaggregated basis for each derivative that comprises such packages.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged, as part of the heading "Derivatives" on the consolidated balance sheet.

Embedded derivatives - An embedded derivative is a component of a hybrid (combined) financial instrument that includes a non-derivative contract (known as the host contract) in which certain cash flows vary in a manner similar to that of a standalone derivative. An embedded derivative causes certain cash flows required by the contract (or all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or index, or other variables allowed by applicable laws and regulations, as long as any non-financial variables are not specific to a portion of the contract. A derivative that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument (i.e. structured operations).

An embedded derivative is separated from the host contract for purposes of valuation and to receive the accounting treatment of a derivative, only if all the following characteristics are fulfilled:

a. The economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;
b. A separate financial instrument that has the same terms of the embedded derivative would comply with the definition of a derivative, and
c. The hybrid (combined) financial instrument is not valued at fair value with changes recognized in the results (for example, a derivative that is not embedded in a financial asset or a financial liability valued at fair value should not be separated).

The effects of the valuation of embedded derivatives are recorded under the same line item in which the host contract is recorded.

A foreign currency embedded derivative in a host contract, which is not a financial instrument, is an integral part of the agreement and therefore clearly and closely related to the host contract provided that it is not leveraged, does not contain an optional component and requires payments denominated in:

- The functional currency of one of the substantial parties to the contract;
- The currency in which the price of the related good or service that is acquired or delivered is regularly denominated for commercial transactions around the world;
- A currency which has one or more characteristics of the functional currency for one of the parties.

There is no established valuation of the embedded derivatives denominated in foreign currency contained in contracts when such contracts require payments in a currency commonly used to purchase or sell nonfinancial items in the economic environment in which the transaction is carried out (for example, a stable and liquid currency commonly used in local transactions, or in foreign trade).

Foreign currency transactions - Foreign currency transactions are recorded at the exchange rate in effect on the transaction date. Assets and liabilities denominated in foreign currency are adjusted at the year-end exchange rates determined and published by Banco de México.

Revenues and expenses from foreign currency transactions are translated at the exchange rate in effect on the transaction date, except for transactions carried out by the foreign subsidiaries, which are translated at the fix exchange rate at the end of each period.

Foreign exchange fluctuations are recorded in the consolidated statements of income of the year in which they occur.

Commissions collected and related costs and expenses - The commissions collected for the initial granting of the loans are recorded as a deferred credit under deferred credits and advance collections, which is amortized against results of the year under Interest income using the straight-line method over the loan term.

The commissions collected for loan restructurings or renewals are added to any commissions recorded at loan origination and are recognized as a deferred credit which is amortized in results using the straight-line method over the new term of the loan.

The commissions recognized after the initial granting of the loans are those incurred as part of the maintenance of such loans, or those collected on loans which were not placed and are recognized in results at the time they are incurred or earned.

Incremental costs and expenses associated with the initial granting of the loan are recognized as a deferred charge, which are amortized to results as Interest expense during the same accounting period in which the revenues from commissions collected are recognized.

Any other cost or expense different from those described above, including those related to promotion, advertising, potential customers, management of existing loans (follow-up, control, recoveries, etc.) and other secondary activities related to the establishment and monitoring of credit policies, is recognized directly in the results of the year as it is accrued and classified in accordance with the nature of the cost or expense.

Performing loan portfolio - Monex, S.A.B. applies the following criteria to classify loans within performing portfolio:

- Loans that are current in the payments of both principal and interest.
- Loans with extension of the loan payment, as well as those loans with payment of principal and overdue interest which had no classified as non-performing portfolio, and
- Restructured or renewed loans, which were previously classified as non-performing loan portfolio, which have evidence of sustained payment.

Non-performing loan portfolio – Composed by credits:

1. If the borrowers are declared bankrupt, except for those loans:

    i. For which Monex, S.A.B. continues to receive payment under the terms of section VIII of Article 43 of the Bankruptcy Law, or
    ii. That are granted under Article 75 in relation to Sections II and III of Article 224 of the above mentioned Law.

2. Loans for which payments of principal, interest or both, have not been received in accordance with the originally agreed terms, considering for this purpose the policies for the transfer to non-performing loan portfolio.

Transfer to non-performing loan portfolio

The unpaid balance in accordance with the payment conditions established in the loan agreement will be recorded as non-performing loans when:

1. It is known that the borrower is declared insolvent, in accordance with the Commercial Bankruptcy Law.

    Notwithstanding the provisions within this section, loans for which the Monex S.A.B. continue receiving payments under terms of section VIII of article 43 of the Commercial Bankruptcy Law, as well as the loans granted under article 75 in relation to sections II and III of article 224 of the aforementioned Law, will be transferred to non-performing loan portfolio when they fall under the conditions set forth in numeral 2 below, or

2. Loans with outstanding principal, interest or both, with the following characteristics:

    a) Loans with a single payment of principal and interest at maturity are classified as non-performing 30 calendar days after the date of maturity.
    b) Loans with a single payment of principal at maturity and with periodic interest payments are classified as non-performing 90 calendar days after interest is due or 30 calendar days after principal is due.
    c) Loans, including housing loans, whose principal and interest payments have been agreed in periodic installments are classified as non-performing 90 calendar days after they become due.
    d) Revolving loans for which the borrower has failed to render payment on two monthly billing periods, or, if the billing period is different from monthly, are 60 or more calendar days overdue.
    e) Immediate collection documents referenced in accounting criteria B-1 "Funds available" will be reported in the non-performing portfolio at the date of the overdraft.

3. Repayments that were not fully settled under the terms originally agreed and present 90 or more days in arrears:

a) Payments for loans acquired from INFONAVIT or FOVISSSTE, based on the respective payment modality (REA or ROA), as well as.

b) Loans made to individuals intended for remodeling or improvement of the home for non-profit-making purposes which are backed by the savings from the housing subaccount of the borrower.

The transfer to non-performing portfolio of the loans referred to in numeral 3 will be subject to the exceptional deadline of 180 or more days in arrears from the date that:

a. The loan resources are used for the purpose for which they were granted;
b. The borrower begins a new employment relationship for which they have a new employer, or
c. The Financial Group has received the partial payment of the respective installment. The exception contained in this subsection will be applicable provided that it refers to loans under the ROA scheme, and each of the installments made during such period represent at least 5% of the payment agreed.

The exceptions will not be mutually exclusive.

In respect of the maturities referred to in paragraphs 2 and 3 of the preceding subparagraph, monthly periods may be used, irrespective of the number of days each calendar month has, in accordance with the following equivalences:

30 days	One month
60 days	Two months
90 days	Three months

Furthermore, in the event that the fixed term expires on a non-business day, this period will be understood to be the next working day.

For loan portfolio acquisitions, in order to determine the days in arrears and the respective transfer to non-performing loan portfolio, any defaults committed by the borrower since the origination of the loan must be considered

Classification of loan portfolio and allowance for loan losses - Monex, S.A.B. has classified its loan portfolio as follows:

a. Commercial: Direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, investment units ("UDIS") or multiples of the minimum wage ("VSM"), together with any accrued interest, which are granted to corporations or individuals with business activities and are used in connection with commercial or corporate activity; includes loans granted to financial entities, other than interbank loans with maturities of less than 3 business days, loans arising from financial factoring, discounts and the assignment of credit rights and leasing transactions executed with such corporations or individuals; loans granted to trustees who act under the protection of trusts, and the credit schemes commonly known as "structured". This classification also includes loans granted to states, municipalities and their decentralized agencies when are subject to qualification in accordance with the applicable provisions.

b. Housing loans: Direct loans denominated in Mexican pesos, foreign currency, UDIS or in VSM, and the interest they generate, granted to individuals and intended for acquisition or construction, remodeling or improvement of homes for non-profit-making purposes; they also include cash loans guaranteed by the home of the borrower and loans granted for such purposes to former employees of Monex, S.A.B.

Monex, S.A.B. recognizes reserves created to credit risks in accordance with such provisions, as follows:

Commercial loan portfolio:

The allowance for loan losses of each loan is determined by applying the following formula:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

Ri =	Amount of reserves to be created for the nth loan.
PIi =	Probability of default of the nth loan.
SPi =	Severity of loss of the nth loan.
EIi =	Exposure to default of the nth loan.

Default Exposure (EI) is the balance of revocable credit lines plus the unused portion of irrevocable credit lines. The Probability of Default (PI) is the probability of customer default, which considers quantitative and qualitative information, Monex, S.A.B. classifies the commercial loan portfolio in groups to calculate the PI. The Loss Severity (SP) is the percentage of the EI that would be lost in the event of loan default and depending on the loan enhancements and portfolio type.

The parameter EI, should calculated each month, the PIi; and the SPi at least each quarter.

a) *The probability of default*

The probability of default of each loan (PI i), is calculated using the following formula:

$$PI_i = \frac{1}{1 + e^{-(500 - TotalCreditScore_i) \times \frac{\ln(2)}{40}}}$$

For purposes of the above:

1. The total credit score of each borrower will be obtained by applying the following:

$$\text{Total CreditScore}_i = \alpha \times (\text{QuantitativeCreditScore}) + (1 - \alpha) \times (QualitativeCreditScore_i)$$

Where:

Quantitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors.
Qualitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors.

α = Is the relative weight of the quantitative credit score.

The Loss Severity (SP_i) for commercial loan portfolio and which lack actual or personal guarantees and those derived from the loan itself will be:

a. 45% to loans which lack actual or personal guarantees and those derived from the loan.
b. 75% to syndicated loans. In those contractually subordinated to those of other creditors for payment prioritization purposes.
c. 100% for loans with payments that are 18 months or more past-due based on the settlement terms under the originally agreed terms.

Monex, S.A.B. may recognize mortgage collateral, personal guarantees, and credit derivatives in the estimation of the Severity of the Loss on the loans, for the purpose of decreasing the loan reserves originated by the loan portfolio rating. In any case, it may elect to not recognize the guarantees if they result in larger loan reserves. For such purpose, the Provisions established by the Commission are applied.

b) *Default exposure*

The default exposure of each loan (EI_i) is determined by considering the following factors:

i) Uncommitted credit lines that can be unconditionally canceled or automatically canceled at any time without giving prior notice.

$$EI\,i = Si$$

ii) For the other lines of credit:

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{AuthorizedLineofCredit}\right)^{-0.5794}, 100\%\right\}$$

Where:

Si: The unpaid balance of the nth loan at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted.

In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet, for loans classified in non-performing portfolio.

Authorized Line of Credit: The maximum authorized amount of the line of loan at the classification date.

The allowance for loan losses of commercial loan portfolio of a Multiple Purpose Financial Entity, in which the institutions held less than 99% of their capital stock, is calculated by multiplying the exposure to default by 0.5% in accordance to the Provisions.

Loans granted under the terms of the Bankruptcy Law

In the case of loans granted under the terms of section II of article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

$$SP_i = Max\ \left(Min\ \left(1 - \frac{CreditEnhancements + AdjustedNetWorth}{Si}, 45\%\right), 5\%\ \right)$$

Where:

Credit Enhancements = The credit enhancements provided pursuant to article 75 of the Bankruptcy Law by applying, as the case may be, the required adjustment factors or discount percentages based on each type of admissible enhancement.

Adjusted Net Worth = Net Worth, as defined by the Bankruptcy Law, after deducting the amount of obligations referred to by section I of article 224 of the aforementioned Law and applying a 40% discount to the resulting amount.

Si = The outstanding balance of loans granted under the terms of section II of article 224 of the Bankruptcy Law at the rating date.

In the case of loans granted under the terms of section III of article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

$$SP_i = Max\left(Min\left(1 - \frac{AdjustedNetWorth}{Si} \; 45\%\right), 5\% \right)$$

In which:

Adjusted Net Worth = Net Worth, as defined by the Bankruptcy Law, by deducting the amount of the obligations referred to by sections I and II of article 224 of that Law and applying a 40% discount rate to the resulting amount.

Si = The outstanding balance of loans granted under the terms of section III of article 224 of the Bankruptcy Law at the rating date.

Housing loan portfolio:

When classifying the housing loan portfolio, Monex, S.A.B. considers the type of loan, the estimated probability of default of the borrowers, the severity of the loss associated with the value and nature of the loan's collateral and the exposure to default.

Furthermore, Monex, S.A.B. rates, calculates and records the allowances for loan losses on the housing loan portfolio as follows:

Due and Payable Amount- Amount which the borrower is obligated to pay in the agreed billing period without considering any previous due and payable amounts that were not paid. If the billing is semi-monthly or weekly, the due and payable amounts of the two semi-monthly payments or four weekly payments in the month, respectively, must be added up so that the due and payable amount reflects a monthly billing period.

The discounts and rebates may reduce the due and payable amount only when the borrower complies with the conditions required in the credit contract for such purpose.

Payment made- Includes total payments made by the borrower in the billing period. Write-offs, reductions, amounts forgiven, rebates and discounts made to the loan or group of loans are not considered as payments. If the billing is semi-monthly or weekly, the two semi-monthly payments or four weekly of a month, respectively, must be added up so that the payment made reflects one full monthly billing period. The variable "payment made" must be greater than or equal to zero.

Credit Balance S_i - The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less any insurance payments which were financed, collections of principal and interest, as well as reductions, amounts forgiven, rebates and discounts granted, as the case may be.

Days in arrears- Number of arrears observed at the calculation date of reserves.

Times: Number of times that the borrower pays the original amount of the loan. This number will be the coefficient resulting from dividing the sum of all the scheduled payments at the time of origination, by the original amount of the loan.

If the loan payments consider a variable component, Monex, S.A.B.'s best estimate will be used to determine the value of the sum of all the scheduled payments that the borrower has to make. The value of such sum cannot be less than or equal to the original amount of the loan.

The total amount of the allowance for loan losses to be established by Monex, S.A.B. will be equal to the allowance for loan losses on each loan, as follows:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

Ri= Amount of allowance for loan losses to be created for the nth loan.
PI_i = Probability of default on the nth loan.
SPi = Severity of the loss on the nth loan.
EIi = Exposure to default on the nth loan.

Evidence of sustained payment:

If loans are recorded in non-performing loan portfolio, Monex, S.A.B. holds them in this classification until there is evidence of sustained payment, as follows:

1. Payment compliance by the borrower without arrears for the total due and payable amount of principal and interest, of at least three consecutive repayments under the loan payment scheme, or in the case of loans with repayments which cover periods longer than 60 calendar days, the settlement of one payment.

   In the case of loans which Monex, S.A.B. has acquired from the INFONAVIT, where the terms that the aforementioned agencies contracted with borrowers must be respected, sustained payment of the loan is deemed to exist when the borrower has covered without any arrears, the total due and payable amount of principal and interest, of at least one repayment of the loans under the Ordinary Repayment Regime (ROA) and three repayments for loans under the Special Repayment Regime (REA).

2. For loan restructurings with periodic payments of principal and interest whose repayments are lower than or equal to 60 days in which the periodicity of payment is modified to shorter periods, the number of repayments equivalent to three consecutive repayments under the original loan payment scheme must be considered. For loans which remain under a single payment scheme for principal at maturity, which are established in numeral 4 below will be applied.

3. In the case of consolidated loans, where two or more loans originated the transfer to non-performing loan portfolio, to determine the required repayments, the original loan payment scheme whose repayments are equal to the longest period in question must be applied.

   In any case, there must be evidence that the borrower has the capacity to pay at the time the restructuring or renewal is performed in order to fulfill the new credit conditions. The factors which must be considered include all of the following: the probability of intrinsic default by the creditor, the collateral established for the restructured or renewed loan, the payment priority in relation to other creditors and the liquidity of the borrower in light of the new financial structure of the loan.

4. In the case of loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, sustained payment of the loan is deemed to exist when either of the following assumptions is fulfilled:

   a. The borrower has covered at least 20% of the original amount of the loan at the time of the restructuring or renewal, or,
   b. The amount of accrued interest was covered in accordance with the restructuring or renewal payment scheme for a period of 90 days.

   The advance payment of the repayments of restructured or renewed loans, other than those with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, is not considered evidence of sustained payment. Such is the case with repayments of restructured or renewed loans which are paid without the calendar day equivalent to the required periods having elapsed pursuant to numeral 1 above.

Distressed portfolio:

Monex, S.A.B. considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as the results of the loan review process, there is significant possibility that the outstanding principal and interest balances of the loan may not be recovered in full in accordance with the terms and conditions originally agreed. Both the performing and non-performing portfolio are likely to be identified as distressed portfolio.

Restructuring processes and renewals **-** A restructuring process is a transaction derived from any of the following situations:

a) The extension of the guarantees covering the loan in question, or

b) The modification of the original loan conditions or payment scheme, including the following:

- The modification of the interest rate established for the remaining loan period;
- The change of currency or unit of account, or
- The concession of a grace period regarding the payment obligations established according to the original loan terms, unless this concession is granted following the conclusion of the originally agreed period, in which case it is considered as a renewal.
- Extension of the loan payment period.

A renewal occurs when the loan balance is settled partially or totally, through an increase in the original amount of the loan, or with the product derived from another loan contracted with the same entity, to which the same borrower is party, a joint obligor of such borrower or another person who due to his property links assumes common risks.

Notwithstanding the above, a loan will not be considered as renewed for the dispositions made during the effective term of a pre-established credit line, as long as the borrower has settled the total amount of the payments which are due and payable under the original conditions of the loan.

The specific standards related to the recognition of restructurings and renewals are as follows:

1. Non-performing loans which are restructured or renewed will remain in the non-performing loan portfolio until there is evidence of sustained payment.
2. Loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as non-performing portfolio until there is evidence of sustained payment.
3. Loans granted under a line of credit, whether revolving or not, which are restructured or renewed at any time, may be kept in the performing portfolio provided that there were elements to justify the payment capacity of the borrower. Additionally, the borrower must have:

   a. Settled the total due and payable interest, and
   b. Total payments required under the terms of the contract at the date of the restructuring or renewal, are covered.

4. In the case of dispositions made under a line of credit, when they are restructured or renewed independently from the credit line supporting them, they must be evaluated in accordance with the provisions based on the characteristics and conditions applicable to the restructured or renewed dispositions. When as a result of such analysis it is concluded that one or more of the dispositions made under a credit line should be transferred to non-performing loan portfolio due to the effect of their restructuring or renewal, and whether individually or collectively, represent at least 25% of the total balance exercised of the line of credit at the date of the restructuring or renewal, such balance, as well as subsequent dispositions, must be transferred to non-performing loan portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to non-performing loan portfolio. Also, the total dispositions made under the line of credit have complied with the due and payable obligations at the date of the transfer to performing loan portfolio.

5. The outstanding loans with characteristics different from those indicated in the numerals 2 to 4 above that are restructured or renewed, without at least 80% of the original term of the credit having elapsed, will be considered to be still valid, only when:

   a) The borrower has settled the total amount of the accrued interest at the date of the renewal or restructuring, and
   b) The borrower has settled the principal of the original amount of the loan, which should have been settled at the date of the renewal or restructuring.

   In case of non-compliance with all the conditions described in the preceding numeral, loans will be considered as non-performing loan portfolio since the time they are restructured or renewal until there is evidence of sustained payment.

6. Performing loans with characteristics different from those established in numerals 2 through 4 which are restructured or renewed during the course of the final 20% of the original loan term, will be considered as performing only when the borrower has:

   a. Settled the total interest accrued as of the date of the renewal or restructuring;
   b. Settled the principal of the original amount of the loan, which should have been settled as of the date of the renewal or restructuring, and
   c. Settled the 60% of the original amount of the loan.

In case of non-compliance with all the conditions described in the preceding numeral, they will be considered as non-performing loan portfolio from the moment they are restructured or renewed until there is evidence of sustained payment, as the case may be.

The requirements referred to the numerals 5 and 6 of subsection a) above, will be considered as fulfilled when, after the interest accrued as of the last cutoff date has been settled, the term elapsed between such date and the restructuring or renewal does not exceed the lower of half the payment period in question or 90 days.

Performing loans with partial periodic payments of principal and interest restructured or renewed on more than one time, may remain in performing loan portfolio if, in addition to the conditions established in numerals 5 or 6 above, as the case may be, Monex, S.A.B. has elements to substantiate the payment capacity of the borrower. Elements must be clearly documented and included in the loan file in the case of commercial loans.

If in a restructuring or renewal, different loans granted to the same entity to the same borrower are consolidated, each of the consolidated loans must be analyzed as if they were restructured or renewed separately and, if as a result of such analysis it is concluded that one or more of such loans would have been transferred to non-performing loan portfolio as a result of such restructuring or renewal, the total balance of the consolidated loan must be transferred to non-performing loan portfolio.

The foregoing shall not applicable to those restructurings which at the transaction date submit payment for the total amount of the principal and interests and only modify one or more of the following original loan conditions:

- Guarantees: only when they involve the extension or substitution of guarantees by others of better quality
- Interest rate: when the interest rate to the borrower is improved.
- Currency or unit of account: Provided that the Exchange rate corresponding to the new currency or unit of account is applied.
- Payment date: Only in the case that the exchange rate does not imply to exceed or modify the periodicity of the payments. In no case shall the change of the payment date must allow the omission of payment in any period.

Other receivables and payable accounts, net - These items primarily represent receivable or payable amounts derived from the purchase-sale of currencies in which immediate settlement was not agreed (value date exchange transactions). These transactions are recorded on the day they are agreed and settled within a period of 24, 48, 72 or 96 hours.

Monex, S.A.B. has a policy of reserving in the results those receivable accounts identified and not identified within 90 days and 60 days after the initial recognition, respectively.

The income is recorded on an accrual basis and the accumulation of accrued income is maintained at the moment in which the debit for the current 90 or more calendar days of non-payment.

Furniture and fixtures, net - Furniture and fixtures are recorded at acquisition cost. The related depreciation and amortization are recorded by applying a percentage determined based on their estimated economic useful life.

Investments in share of associates - Permanent investments made by Monex, S.A.B. in entities where it has neither control, nor joint control, nor significant influence, are initially recorded at acquisition cost. Any dividends received are recognized in current earnings, except when they are taken from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment.

Other assets – Until November 30, 2017, other assets are mainly represented by software, advance payments, operational deposit and intangible assets identified in the acquisition of Tempus and Monex Europe.

The amortization of the software and the assets with finite useful lives is calculated using the straight line method over their estimated economic useful life.

Furthermore, the heading "Other assets" includes financial instruments of the pension and retirement fund held in a trust administrated by Monex, S.A.B. Those investments in the fund are maintained to cover the obligations for severance and seniority premiums of employees.

Investments in securities acquired to cover the severance and seniority premium are recorded at fair value.

For the purposes of presentation in the consolidated financial statements, if the investment in securities acquired to cover the pension plan and seniority premium exceed the liability recognized, such excess will be presented under the heading of "Other assets". If assets are less than related obligations, such balance is included in the heading "Sundry creditors and other payables". As of December 31, 2018, 2017 and 2016, the balance applicable to Monex, S.A.B. is presented by increasing the heading of "Sundry creditors and other payables".

Goodwill - Goodwill was mainly attributable to the excess of the purchase price paid over the fair value of the net assets of Tempus and Monex Europe as of their acquisition date (November 23, 2010 and July 2, 2012, respectively), which is not amortized but is subject to impairment tests at least once a year.

Impairment of long-lived assets in use - Monex, S.A.B. reviews the book value of long-lived assets in use for impairment when there are indicators that the net carrying amounts of the assets may not be recoverable. The impairment is recorded to the extent that the book value of the asset exceeds the recoverable amount, which is defined as the higher of the present value of net future cash flows or the estimated sales price. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period which, if combined with a history or projection of losses, depreciation and amortization charged to results as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors. As of December 31, 2018, 2017 and 2016, the management of the Monex, S.A.B. has not identified impairment of long-lived assets.

Deposits - This heading is comprised of demand deposits, including checking account, funds, saving accounts and current account deposits.

The deposits include, among others, certificates of deposit removable preset days and promissory notes payable at maturity, such deposits shall be broken down into the balance sheet as of the general public and raised through money market transactions, the latter referring to deposits made with other financial intermediaries, as well as treasuries of corporations and government entities.

The debt securities issued will be presented as a separate category, as part of these, bank bonds.

Interest is recognized in results when accrued.

The global account for inactive deposits includes the principal and interest on deposit instruments which do not have a date of maturity, or which, if they do, are renewed automatically, as well as transfers or investments which are overdue or unclaimed, as referred to in article 61 of the Credit Institutions Law.

Issuance of notes payable - Include debt securities issued through a public offering by Monex, S.A.B. and the Bank. Interest is recognized in results when incurred.

Bank loans and other loans - Direct short and long-term loans received from Mexican banks are recorded under this heading, together with loans obtained from development banks. Interest is recognized in results when accrued.

Obligations arising from settlement of transactions - Represent amounts payable for currency purchase-sale transactions in which no immediate settlement is agreed, (foreign exchange trading value date). They are recorded on the day they are negotiated and settled within 24, 48, 72 or 96 hours.

Sundry creditors and other payables - Provisions are recognized when there is a present obligation derived from a past event, for which the use of economic resources is deemed probable, and can be reasonably estimated.

Employee benefits - Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

i. ***Direct employee benefits*** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly commissions, bonus and other incentives.

ii. ***Post-employment benefits*** – Liabilities for seniority premiums, pensions and severance for voluntary or involuntary termination benefits are recorded as accrued, and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

iii. ***Employee benefit from termination*** – The benefits for termination of the employment relationship which do not generate assumed obligations are recorded at the time that: a) Monex, S.A.B. no longer has any real alternative other than to fulfill the payments of such benefits or cannot withdraw an offer or b) Monex, S.A.B. fulfills the conditions established for a restructuring.

iv.

v. ***Statutory employee profit sharing (PTU)*** - PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

As of December 31, 2018, 2017 and 2016, the PTU is determined based on taxable income pursuant to fraction I of article 9 of the Income Tax Law.

Income taxes - Income tax ("ISR") is recorded in results of the year in which incurred. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

Transactions in foreign currencies – Transactions in foreign currencies are recorded at the exchange rate in effect at the date of completion. Monetary assets and liabilities in foreign currencies are valued in Mexican pesos at the Fix exchange rate published by Banco de México at the consolidated financial statements date. Exchange differences are recorded in results.

Financial margin - The financial margin of Monex, S.A.B. is composed of the difference between total interest incomes less interest expense.

Interest income is composed of the yields generated by the loan portfolio, based on the terms established in the contracts executed with the borrowers, the agreed interest rates, the repayment of interest collected in advance, and the premiums or interest on deposits in financial entities, bank loans, margin accounts, investments in securities, repurchase agreements and securities loans, as well as debt placement premiums, commissions charged on initial loan grants, and net equity instrument dividends.

Interest expense is composed of premiums, discounts and interest on deposits with Monex, S.A.B., bank loans and repurchase agreements. The amortization of costs and expenses incurred during the origination of the loan is also included under interest expense.

Both interest income and expense are periodically adjusted based on the market situation and the economic environment.

Loan interest is recognized in the consolidated statements of income as it is accrued and is based on the periods established in contracts executed with borrowers and agreed interest rates, which are normally periodically adjusted in accordance with market and general economic conditions.

Recognition of revenues derived from securities transactions and the result of the purchase-sale of securities - The commissions and fees generated by transactions performed with customers' securities are recorded when the transaction is agreed. The results derived from the purchase-sale of securities are recorded when each transaction is performed.

The gains or losses resulting from currency purchase-sale transactions are recorded in the consolidated statements of income under the "Gains/losses on financial assets and liabilities (net)".

Expenses - Expenses are recognized as they accrue.

Consolidated statements of cash flows - In accordance with Criterion D-4 issued by the Commission, the statement of cash flows shows the sources of cash and cash equivalents, as well as the disbursements to settle obligations.

The consolidated statement of cash flows together with the rest of the consolidated financial statements provides information that allows:

- Analysis of changes in the assets and liabilities of Monex, S.A.B. and in its financial structure.
- Analysis of the amounts and dates of collection and payments to adapt to the circumstances and the opportunities to generate and/or apply cash and cash equivalents.

Information by segments: The accounting policy of Monex, S.A.B. to elaborate the note named Segments Information is to distribute the administrative and promotional expenses based on the income of each year, including the segment of others; so they may not be consistent between each year.

Memorandum accounts -

– *Customer banks and securities held in custody, guarantee and administration:*

Customer's cash and securities held in custody, guarantee and administration by Monex, S.A.B. are recognized at their fair value in memoranda accounts and represent the maximum amount for which Monex, S.A.B. is liable as regards its customers based on future events.

a. Cash is deposited with credit institutions in checking accounts other than those registered in the name of Monex, S.A.B. The checking accounts are destined only to manage the cash of the costumers of Monex, S.A.B.
b. Securities held in custody and administration are deposited with S.D. Indeval, S.A. de C.V. (S.D. Indeval).

Monex, S.A.B. records transactions performed in customers' names when each transaction is agreed, regardless of its settlement date.

– *Contingent assets and liabilities:*

This heading represents considers the amount of the economic sanctions emitted by the Commission or any another administrative or judicial authority for as long as Monex, S.A.B. does not comply with the payment obligation of such sanctions or has not interposed some resource of appeal.

– *Credit commitments:*

This item represents the amounts of letters of credit granted by Monex, S.A.B., which are considered irrevocable commercial credit. It includes the lines granted to clients, not willing.

Items under this account are subject to qualification.

– *Assets in trust or mandate (unaudited):*

Different management trusts are kept to independently account for assets received. Mandates include the declared value of the assets subject to mandate contracts entered into by Monex, S.A.B. In the Mandate is recorder the declared value of the assets established by the mandate contracts celebrated by Monex, S.A.B.

– *Collateral received:*

The balance is composed of all collateral received in repurchase transactions in which Monex, S.A.B. is the buying party.

– *Collateral received and sold or pledged as guarantee:*

The collateral received when Monex, S.A.B. was the buying party, and which was in turn sold by Monex, S.A.B. when it was the selling company, is included.

– *Uncollected interest earned on non-performing loan portfolio:*

Represents the interests accrued not collected of non-performing loan portfolio, as well as the financial revenues accrued not collected.

– *Other record accounts (unaudited):*

This account includes loan amounts by determined level of risk and not qualified, as well as securities and derivative operations.

4. Funds available

As of December 31, 2018, 2017 and 2016, funds available were as follows:

Funds available		2018 Mexican pesos	2018 Foreign currency	2018 Total	2017 Total	2016 Total
Cash		$ 10	$ 44	$ 54	$ 69	$ 82
Deposits in banks		6,805	9,712	16,517	11,969	6,799
Immediate collection documents		-	12	12	14	8
Remittance		-	3	3	3	2
Foreign currency sale from 24 to 96 hours	(1)	-	(13,983)	(13,983)	(20,641)	(12,059)
		6,815	(4,212)	2,603	(8,586)	(5,168)
Restricted funds available:						
Foreign currency purchase from 24 to 96 hours	(1)	-	13,983	13,983	20,641	12,059
Call money		-	-	-	39	-
Regulatory monetary deposits	(2)	229	-	229	229	229
		229	13,983	14,212	20,909	12,288
Total net		$ 7,044	$ 9,771	$ 16,815	$ 12,323	$ 7,120

(1) This item refers to currency purchase-sale transactions to be settled in 24 to 96 hours and which are considered as restricted until their settlement date. As of December 31, 2018, 2017 and 2016, balances denominated in foreign currency and the equivalent amounts in Mexican pesos are comprised as follows:

2018	Dollars	Euros	Pound sterling	Others	Total
Total funds available					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	$ 24,980	$ 278	$ 14	$ (11,290)	$ 13,983
Sale of foreign exchange to delivered in 24 to 96 hours (Mexican pesos)	(13,416)	(363)	(14)	(189)	(13,983)
Total in funds available (Mexican pesos)	$ 11,564	$ (85)	$ -	$ (11,479)	$ -

The exchange rate as of December 31, 2018 was $19.6512. $22.4692 and $25.0474 Mexican pesos per the U.S. dollar, Euro and Pound sterling, respectively.

2017	Dollars	Euros	Pounds sterling	Others	Total
Total funds available					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	$ 19,527	$ 786	$ 236	$ 92	$ 20,641
Sale of foreign exchange to delivered in 24 to 96 hours (Mexican pesos)	(19,648)	(606)	(266)	(121)	(20,641)
Total in funds available (Mexican pesos)	$ (121)	$ 180	$ (30)	$ (29)	$ -

The exchange rate as of December 31, 2017 was $19.6629, $23.6063 and $26.6049 Mexican pesos per the U.S. dollar, Euro and Pound sterling, respectively.

2016	Dollars	Euros	Pounds sterling	Others	Total
Total funds available -					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	$ 11,864	$ 152	$ 18	$ 25	$ 12,059
Sale of foreign exchange to delivered in 24 to 96 hours (Mexican pesos)	(11,753)	(192)	(83)	(31)	(12,059)
Total in funds available (Mexican pesos)	$ 111	$ (40)	$ (65)	$ (6)	$ -

The exchange rate as of December 31, 2016 was $20.6194, $21.7534 and $25.4814 Mexican pesos per one U.S. dollar, Euro and Pound sterling, respectively.

(2) In accordance with the monetary policy established by the Central Bank and in order to regulate its money market liquidity, Monex, S.A.B. must maintain minimum deposits for indefinite periods, which accrue interest at the average bank rate. As of December 31, 2018, 2017 and 2016 these deposits amounted to $229 in the three years. Interest income from these deposits is payable every 28 days by applying the rate established by the Central Bank's regulations.

5. Margin accounts

As of December 31, 2018, 2017 and 2016, the margin accounts are as follows:

	2018	2017	2016
Collaterals delivered as security	$ 795	$ 333	$ 541
Valuation of futures	-	-	181
	$ 795	$ 333	$ 722

As of December 31, 2018, 2017 and 2016, margin accounts for cash collateral submitted in organized operating markets are as follows.

	2018	2017	2016
Scotiabank Inverlat, S.A.	$ 605	$ 236	$ 477
Banco Santander México, .S.A.	107	44	51
ISDA Societe Generale	26	15	-
RJO Brien	57	38	13
	$ 795	$ 333	$ 541

Security deposits cover rate futures operations, IPC futures, DEUA, dollar futures, and national currency and other futures options.

6. Investment in securities

Trading securities - As of December 31, 2018, 2017 and 2016, trading securities were as follows:

	2018				2017	2016
Selling party	Acquisition cost	Interest accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Government securities -						
Treasury bills (CETES)	$ 657	$ -	$ 1	$ 658	$ 1,762	$ 81
Federal Government Development Bonds (BONDES)	204	1	(1)	204	116	97
Bonds M, M0 and M7	103	(1)	-	102	254	301
Federal Government Development Bonds in Udis (UDIBONOS)	138	2	2	142	78	144
Saving Protection Bonds (BPAT's)	666	9	(9)	666	4,404	11,343
United Mexican States Bonds (UMS)	53	-	-	53	4,532	12

	2018				2017	2016
	Acquisition cost	Interest Accrued	Increase (decrease) due to valuation	Total	Total	Total
Private securities -						
Marketable certificates	11,172	42	(53)	11,161	5,050	3,619
Commercial Paper	-	-	-	-	8,344	-
Foreign Station Titles	-	-	-	-	-	3,153
Private bank issued securities -						
Promissory Note with Yield Payable at Maturity (PRLV)	400	-	6	406	22	21
Marketable Bank Certificates	2,137	13	(25)	2,125	3,342	1,908
Certificates of Deposit (CEDES)	10,107	46	(43)	10,110	7,939	1,527
International Government Securities-						
Debt bones (NOTES)	-	-	-	-	-	24
Capital market instruments:						
Shares listed in stock exchange	28	-	(5)	23	21	27
Investments in mutual funds	21	-	1	22	18	95
Value date transactions:						
Government securities -						
United Mexican States Bonds (UMS)	-	-	-	-	(7)	-
Bonds M, M0 and M7	(372)	-	(3)	(375)	(514)	-
Stockholder instruments:						
Shares listed in stock exchange	-	-	-	-	2	-
Restricted in securities lending:						
Treasury bills (CETES)	1,176	-	7	1,183	1,113	-
	$ 26,490	$ 112	$ (122)	$ 26,480	$ 36,476	$ 22,352

Restricted trading securities: As of December 31, 2018, 2017 and 2016, the securities under repurchase agreement at market value are as follows:

	2018	2017	2016
Debt instruments:			
Government securities -			
Treasury bills (CETES)	$ 600	$ 1,714	$ 59
Federal Government Development Bonds (BONDES)	204	101	97
Bonds M, M0 and M7	103	254	301
Federal Government Development Bonds in Udis (UDIBONOS)	66	78	144
Savings Protection Bonds (BPAT'S)	666	4,230	10,433
United Mexican States Bonds (UMS)	32	13	12
Subtotal	1,671	6,390	11,046
Privates securities -			
Marketable Certificates	6,987	4,760	3,255
Commercial Paper	-	3,615	-
Subtotal	6,987	8,375	3,255
Private bank issued securities -			
Marketable Bank Certificates	1,171	2,956	1,908
Certificate of Deposit (CEDES)	5,109	1,377	1,283
Subtotal	6,280	4,333	3,191
Total	$ 14,938	$ 19,098	$ 17,492

As of December 31, 2018, 2017 and 2016, the position in trading securities includes the following securities lending at market value:

	2018	2017	2016
Debt instruments:			
Government securities -			
Savings Protection Bonds (BPAT'S)	$ -	$ -	$ 447
Treasury bills (CETES)	1,183	1,113	-
Total	$ 1,183	$ 1,113	$ 447

This position is considered restricted within trading securities.

As of December 31, 2018, positions greater than 5% of the Bank and Brokerage House net capital in debt securities with a sole issuer (other than government securities) are as follows:

	2018		
Issuer	Weighted average term	Weighted average rate	Current value
NAFI020	5	0.26%	$ 493
NAFI043	55	0.62%	1,083
NAFI198	58	0.56%	988
NAFI367	5	0.27%	493
NAFI933	25	0.28%	492
NAFI645	1	0.20%	395
NAFI543	2	0.28%	490
NAFI285	4	0.28%	490
PEMEX	3,751	10.62%	1,258
SGMEX	350	2.73%	1,967
BANOB	825	8.67%	397
BACOMER	561	8.73%	2,062
FEFA	1,274	8.90%	943
NAFF	2,591	9.32%	1,120
NAFR	871	4.24%	576
BANOBRA	1,152	8.54%	2,011
TFOVIS	10,854	5.40%	2,200
FOVISCB	10,671	5.22%	385
BBVALMX	598	3.54%	295
BSCTIA	37	2.67%	1,967
BANORTE	74	2.90%	3,019
BANAMEX	728	8.67%	301
SHF	1,820	8.99%	393
BCSFB	91	8.41%	407
NAFI645	5	0.95%	593
NAFI543	8	0.88%	491
NAFI285	12	0.86%	490
Total			$ 25,799

Securities available for sale - As of December 31, 2018, 2017 and 2016, the securities available for sale are as follows:

	2018				2017	2016
	Acquisition cost	Interest accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Private securities -						
Marketable Certificates						
PEMEX 13-2 95	$ 451	$ 9	$ (75)	$ 385	$ 429	$ 557
PEMEX3 210121 D2	96	3	2	101	107	110
CEDEVIS 12U 95	-	-	-	-	-	4
CEDEVIS 13U 95	-	-	-	-	-	211
TFOVIS 14U 95	-	-	-	-	-	614
TFOVIS 14-3U 95	-	-	-	-	-	567
UMS22F2 2022F D1	302	3	(12)	293	206	210
CDVITOT9515U	-	-	-	-	-	42
FACILSA9116	-	-	-	-	-	40
PEMEX9510-2	256	10	(1)	265	548	272
PEMEX9511-3	357	3	(22)	338	341	575
TFOVICB9515-2U	-	-	-	-	-	996
TFOVIS9514 2U	-	-	-	-	-	128
	$ 1,462	$ 28	$ (108)	$ 1,382	$ 1,631	$ 4,326

As of December 31, 2018, 2017 and 2016, there were no indicators of impairment in relation to securities available for sale.

Restricted securities available for sale

As of December 31, 2018, 2017 and 2016, the restricted securities available for sale are as follows:

	2018	2017	2016
Private securities -			
Marketeable certificates:			
Commercial paper:			
PEMEX 13-2 95	$ 385	$ 406	$ 557
CEDEVIS 12U 95	-	-	4
CEDEVIS 13U 95	-	-	211
TFOVIS 14U 95	-	-	614
TFOVIS 14-3U 95	-	-	567
UMS22F2 2022F D1	-	207	210
CDVITOT9515U	-	-	42
FACILSA9116	-	-	40
PEMEX9510-2	265	548	272
PEMEX9511-3	338	341	575
TFOVICB9515-2U	-	-	996
TFOVIS9514	-	-	128
Total	$ 988	$ 1,502	$ 4,216

This position is considered restricted within the securities available for sale.

Securities held to maturity -

As of December 31,2018, 2017 and 2016 the securities held to maturity are as follows:

	2018	2017	2016
Private securities -			
Private stock certificates			
95CDVITOT15-2U	$ 24	$ 35	$ -
95CDVITOT15U	61	-	-
95TFOVICB15U	93	97	-
95TFOVS14U	692	761	-
95FOVISCB18U	385	-	-
95CEDEVIS07-2U	68	-	-
95CEDEVIS07-3U	40	-	-
95CEDEVIS12U	3	4	-
95CEDEVIS13U	108	114	-
95PEMEX10-2	269	-	-
95TFOVICB13-3U	28	-	-
95TFOVIS14-2U	112	120	-
95TFOVIS14-3U	475	528	-
95TFOVICB15-2U	942	936	73
Total	$ 3,300	$ 2,595	$ 73

Reclassifications between categories-

Given that during November 2016 the instruments referenced to the investment unit presented an historical impairment in their interest rates, the Commission authorized Banco Monex, through official notice 113-1/14100/2017, dated June 6, 2017, to reclassify the following securities from the category "Available for sale" to "Held to maturity".

Issuer	Securities	% Weighted average rate	Fair value as December 31, 2017
95TFOVICB15-2U	1,789,640	3.44%	$ 863
95TFOVIS14U	1,445,037	2.85%	573
95TFOVIS14-3U	1,299,717	3.00%	528
95TFOVIS14-2U	292,369	3.34%	120
95CEDEVIS13U	434,499	3.27%	114
95TCEDEVIS12U	12,526	3.16%	4
Total			$ 2,202

This reclassification was performed on June 30, 2017. In accordance with the Commission's Provisions, the fair value of the securities at the reclassification date was $2,239 (unaudited), which is presented in stockholders' equity and is amortized over the remaining life of the instruments.

7. Repurchase agreements

As of December 31, 2018, 2017 and 2016 repurchase agreements were as follows:

When Monex, S.A.B. acts as purchaser:

	2018		
	Repurchase agreements	Collateral	Net asset position
Government securities -			
Treasury bills (CETES)	$ 1,003	$ (852)	$ 151
Federal Government Development Bonds (BONDES)	4,044	(3,342)	702
Saving Protection Bonds (BPAT's)	5,758	(5,174)	584
Total	$ 10,805	$ (9,368)	$ 1,437

	2017		
	Repurchase agreements	Collateral	Net asset position
Government securities -			
Federal Government Development Bonds (BONDES)	$ 1,726	$ (1,443)	$ 283
Bonds M, M0 and M7	960	(120)	840
Subtotal	$ 2,686	$ (1,563)	$ 1,123

	2016		
	Repurchase agreements	Collateral	Net asset position
Government securities-			
Federal Government Development Bonds (BONDES)	$ 6,003	$ (3,983)	$ 2,020
Saving Protection Bonds	2,302	(380)	1,922
Subtotal	8,305	(4,363)	3,942
Private securities-			
Marketable Certificates	100	(100)	-
Subtotal	100	(100)	-
Total	$ 8,405	$ (4,463)	$ 3,942

As of December 31, 2018 repurchase transactions closed by Monex, S.A.B., acting as purchaser, were agreed at terms ranging between 2 to 41 days, 4 to 49 days for 2017 and between 3 to 116 days for 2016.

When Monex, S.A.B. acts as purchaser:

	2018	2017	2016
	Cash to be delivered	Cash to be delivered	Cash to be delivered
Government securities -			
Treasury bills (CETES)	$ 600	$ 1,714	$ 59
Federal Government Development Bonds (BONOS)	204	101	97
Federal Government Development Bonds in Udis (UDIBONOS)	66	78	144
Bonds M, M0 and M7	103	256	282
Saving Protection Bonds (BPAT's)	666	4,230	3,727
United Mexican States Bonds (UMS)	33	220	221
Subtotal	1,672	6,599	4,530
Private securities-			
Marketable Certificates	9,857	8,508	7,366
Commercial Paper	-	2,720	-
Subtotal	9,857	11,228	7,366
Private bank issued securities-			
Marketable Bank Certificates	1,174	2,648	1,601
Certificates of Deposit (CEDES)	5,119	1,374	1,351
Subtotal	6,293	4,022	2,952
Total	$ 17,822	$ 21,849	$ 14,848

For the years ended December 31, 2018, 2017 and 2016, accrued interest on sale agreements was $1,013, $1,144 and $572, respectively, and the accrued interest expenses on purchase agreements was $2,036, $2,003 and $899, respectively.

As of December 31, 2018, 2017 and 2016, repurchase transactions closed by Monex, S.A.B., acting as seller, were agreed at terms ranging between 2 to 19 days, 4 to 28 days and 3 to 117 days, respectively.

8. Derivative financial instrument transactions

As of December 31, 2018, 2017 and 2016, the position for transactions with financial derivatives is as follows:

	2018		2017		2016	
	Nominal amount of purchases	Asset position net	Nominal amount of purchases	Asset position net	Nominal amount of purchases	Asset position net
Trading derivatives						
Futures-						
Foreign currency futures	$ 5,307	$ 16	$ 2,890	$ 24	$ 10,554	$ -
Index futures	42	-	-	-	-	-
Forwards-			-	-	-	-
Foreign currency forwards	30,861	1,647	28,749	1,893	29,196	2,112
Indexes forwards	-	-	-	-	-	-
Stock forwards	-	-	-	-	-	2
Options-						
Foreign currency options	42	89	77	94	38	73
Rates options	328	400	63	185	43	91
Index options	3	3	-	-	1	1
Swaps-						
Foreign currency swaps	2,359	164	2,228	192	-	-
Rates swaps	17,230	1,484	9,800	1,099	12,261	1,536
Total trading derivatives	56,172	3,803	43,807	3,487	52,093	3,815
Hedging derivatives						
Rates swaps	518	122	887	133	838	143
Total hedging derivatives	518	122	887	133	838	143
Total position	$ 56,690	$ 3,925	$ 44,694	$ 3,620	$ 52,931	$ 3,958
Trading derivatives						
Futures-						
Foreign currency futures	$ 606	$ 206	$ 1,373	$ 23	$ 4	$ -
Forwards-						
Foreign currency forwards	34,182	604	29,363	704	32,764	779
Indexes forwards	3	-	-	-	-	-
Stock forwards	6	-	-	-	379	-
Securities forwards	-	-	139	-	-	-
Options-						
Foreign currency options	44	81	37	93	47	119
Rates options	571	594	292	332	139	179
Securities options	1	2	-	-	-	-
Index options	1	-	-	-	-	-
Swaps-						
Foreign currency swaps	2,454	259	2,372	336	-	-
Rates swaps	16,956	1,210	9,697	995	12,323	1,598
Total trading derivatives	54,824	2,956	43,273	2,483	45,656	2,675
Hedging derivatives						
Rates swaps	405	9	777	23	704	9
Total hedging derivatives	405	9	777	23	704	9
Total position	$ 55,229	$ 2,965	$ 44,050	$ 2,506	$ 46,360	$ 2,684

For the years ended December 31, 2018, 2017 and 2016, the valuation effect of the trading derivative instruments is reflected in the consolidated statements of income under "Gain/losses on financial assets and liabilities (net)" (See Note 30).

Fair value hedging

Monex, S.A.B. has financial derivatives which are used to hedge variances in the market value of its debt instruments issued by PEMEX, due to movements in the interest rate, and holds hedge instruments intended to cover the interest rates related to two of the most relevant loans.

Following is a list of the hedge transactions held by Monex, S.A.B. as of December 31, 2018:

Hedged position	Designated financial instrument	Market value	Observations
95PEMEX11-3	Interest rate swap which pays fixed rate (7.65%) and receives 28 day TIIE, plus a spread (2.0414%).	23	100% hedging
95PEMEX11-3	Interest rate swap which pays fixed rate (7.65%) and receives 28 day TIIE plus a spread (1.35%) 18.75% of the swap is hedging.	18	18.75% is hedging. The differential is trading.
95PEMEX13-2	Interest rate swap which pays fixed rate (7.19%) and receives 28 day TIIE plus a spread (1.01%). 75% of the swap is hedging.	61	75% is hedging. The remaining 25% is trading.
95PEMEX10-2	Interest rate swap which pays fixed rate (9.1%) and receives 28 day TIIE plus a spread (1.4%).	(7)	100% hedging
AUDI 1	Interest rate swap which pays fixed rate (6.135%) and receives 28 day TIIE.	28	100% hedging
AUDI 2	Interest rate swap which pays fixed rate (6.155%) and receives 28 day TIIE.	10	100% hedging
D1UMS22F2202F	Interest rate swap which pays fixed rate (3.625%) and receives 3-month LIBOR plus spread (0.84%).	(1)	100% hedging

In all cases, the derivative instrument seeks to compensate losses in the market value of the hedged position caused by movements in interest rates. In this way, Management provides stability in the result of these positions and limits the risk of abrupt movements in market rates. As result, if fluctuations in exchange rates can cause a loss, the swap covers the amount lost; and vice versa, when additional earnings are generated in the primary position, these are delivered in the hedging swap and are recognized accordingly (with impact on equity and incomes).

The underlying assets of derivatives closed during 2018 are as follows (unaudited):

Futures	Forwards	Options	Swaps	Notes
IPC	USD/MXN	ORG MXP IPC	IRS-TIIE 28	USD/MXN
USD	EUR/MXN	OTC MXP IPC	IRS-TIIE 91	EUR/MXN
	EUR/USD	OTC USD/MXN	IRS-LIBOR 1M	
	GBP/MXN	OTC EUR/MXN	IRS-LIBOR 3M	
	GBP/USD	IRD CF	IRS-LIBOR 6M	
	CHF/MXN	MXN IPC		
	MXN/JPY	OTC EUR/USD	CCSWAP- TIIE LIB	
	USD/JPY	OTC USD/CAD	CCSWAP Fija-Fija USD/MX	
	SEK/MXN			
	EQ- IPC			
	EQ – Acciones			

The guarantees and collateral received and delivered for the derivative financing transactions as of December 31, 2018, 2017 and 2016, are comprised as follows:

Heading	Type of collateral	Market	Received 2018	2017	2016
Liabilities arising from cash collateral received	Cash	OTC	$ 1,270	$ 4,355	$ 2,815

Heading	Type of collateral	Market	Delivered 2018	2017	2016
Margin accounts	Cash	Organized markets	$ 795	$ 333	$ 722
Other receivables	Securities	OTC	$ 235	$ 99	$ 184

Upon executing transactions with "Over the counter" (OTC) derivatives, Monex, S.A.B. agrees to deliver and/or receive collateral, to cover any exposure to market risk and the credit risk of such transactions. Such collateral is contractually agreed to with each of the counterparties.

As of December 31, 2018, 2017 and 2016, there are no restricted securities delivered as security for derivative transactions.

Management of derivative financial instrument usage policies

The policies of Monex, S.A.B. allow the use of derivatives for hedging and/or trading purposes.

The main objectives of these products are covering risks and maximizing profitability.

The instruments used include: forwards, futures, options, interest rate swaps and currency swaps.

The trading markets are listed and OTC markets and the eligible counterparties may be domestic entities that comply with the 31 requirements established by Banco de Mexico.

The appointment of calculation agents is established in the legal documentation executed with the counterparties. The prices published by price suppliers are used to value derivative instruments in organized markets and are based on the prices generated in derivative markets. OTC derivatives are valued using prices calculated by the derivatives system, using the risk factor information published by the price supplier.

The main terms or conditions of the contracts are based on those of the International Swaps and Derivatives Association, Inc. (ISDA) or the local outline agreement, which is based on the guidelines provided by the ISDA. The specific policies regarding margins, collateral, and lines of credit are detailed in the Derivatives Manual and any changes thereto must be approved by the Risk Committee.

Authorization levels and processes

Per internal regulations, all derivative products or services associated to derivative products traded by Monex, S.A.B. are approved by the Risk Committee. Any amendments or additions to the original authorization of products or services must also be approved by the Risk Committee.

The Risk Committee includes members from all areas that are involved in the operation of the product or service depending on its nature and which are responsible for accounting, legal instruments, tax treatment, risk assessment, etc.

Independent reviews

Monex, S.A.B. is subject to the supervision and oversight of the Commission and the Central Bank, which are exercised through follow-up processes, inspection visits, information and documentation requirements and submission of reports. Similarly, auditors perform periodic reviews.

Generic description of valuation techniques

1. For trading purposes:

   - Organized markets - The valuation is made using the closing price of the respective market and the prices are provided by a price vendor.
   - "Over The Counter" markets (OTC): OTC derivatives executed with customers are valued by the derivatives system using standard methodologies for the various instruments. The information for the valuation is provided by the price vendor.

     The valuation of OTC derivatives that are held with brokers and used to cover those made with customers, are made by the entity designated as the calculation agent for ISDA contract.

   Monex, S.A.B. values all of its positions and records the value obtained in conformity with the respective accounting criteria.

2. Reference variables:

   The most relevant reference variables are exchange rates, interest rates, shares, baskets and share indexes.

3. Valuation frequency:

   Derivative financial instruments for trading purposes are valued daily.

Management of internal and external liquidity sources that may be used for requirements related to derivatives financial instruments

Resources are obtained through the Treasury and the mainly financing resources are:

- Deposits.
- Debt securities.
- Bank loans.
- Cash collateral received.
- Stockholders.

Changes in the exposure to identified risks, contingencies, and known or expected events of derivative financial instruments

In relation to financial instruments held for trading at December 31, 2018, 2017 and 2016, Monex, S.A.B. is not aware of any situations or events, such as changes in the value of the underlying asset or reference variables which imply that the use of derivative instruments differ from those that were originally conceived, that could require Monex, S.A.B. to assume new obligations, commitments or changes in cash flow affecting liquidity (margin calls), or contingencies affecting current or future periods.

The amount of margin calls made during 2018, 2017 and 2016 was necessary to cover contributions in both the organized and the required collateral contracts markets.

As of December 31, 2018, 2017 and 2016, except as mentioned in the previous paragraph, there is no evidence of deterioration in credit risk (counterparty) that requires modifying the carrying amount of derivative financial instruments.

Impairment of financial derivatives -

As of December 31, 2018, 2017 and 2016, there is no indication of impairment in credit risk (counterparty) that requires modifying the carrying amount of financial assets from the rights in derivative financial instruments.

Sensitivity analysis -

Identification of risks - The sensitivity of derivative financial instruments is calculated in accordance with the market value variance according to certain variances in the base scenario. Based on the variances, there are different sensitivities.

The risk factors that may generate losses on transactions with derivative financial instruments due to changes in market conditions are interest rate, exchange rate, and changes in share indexes. A sensitivity analysis shows that the consumption in these risks is not relevant.

The sensitivity is assessed using the effect of variances in risk factors on the market value of the positions in effect at a certain date; such position considers the derivatives with customers and the hedging transactions in spot markets and with OTC derivatives with financial intermediaries, i.e., the net position in terms of delta.

The following chart shows the total sensitivity consumption as of December 31, 2018 (unaudited):

Sensibility analysis	Sensitivity (all factors)
Stage one 1%	(.960)
Stage two 2%	(1.919)

Stress test -

- ***Scenario one*:** In this scenario, the risk factors move as follows:
  - The FX risk factors are multiplied by 1.10, i.e., 10% change.
  - The EQ risk factors are multiplied by 1.20, i.e., 20% change.
- ***Scenario two*:** In this scenario, the risk factors move as follows:
  - The FX risk factors are multiplied by 1.20, i.e., 20% change.
  - The EQ risk factors are multiplied by 1.40, i.e., 40% change.

As of December 31, 2018 the results for these scenarios are as follows and show the impact on results if they occurred (unaudited):

Risk profile	Stress test (all factors)
Stage one	$ (8.726)
Stage two	$ (17.452)

9. Loan portfolio

As of December 31, 2018, 2017 and 2016, the performing and non-performing loan portfolio granted by type of currency is as follows:

	2018		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ 11,188	$ 416	$ 11,604
Loans to financial institutions	1,343	-	1,343
Loans to government entities	1,775	-	1,775
Housing loans-			
Loans acquired from INFONAVIT	698	1	699
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,079	104	7,183
Financial entities	630	-	630
Government entities	697	-	697
Total	$ 23,410	$ 521	$ 23,931

	2017		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ 9,414	$ 120	$ 9,534
Loans to financial institutions	1,571	-	1,571
Loans to government entities	1,001	-	1,001
Housing loans-			
Loans acquired from INFONAVIT	626	4	630
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,247	77	7,324
Loans to financial institutions	525	-	525
Total	$ 20,384	$ 201	$ 20,585

	2016		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ 8,078	$ 55	$ 8,133
Loans to financial institutions	1,435	-	1,435
Housing loans-			
Loans acquired from INFONAVIT	180	6	186
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,799	21	7,820
Loans to financial institutions	720	-	720
Total	$ 18,212	$ 82	$ 18,294

Monex, S.A.B. grants loans guaranteed by the U.S. Ex-Im Bank, as follows:

Definition of Ex-Im Bank - *"The Export-Import Bank of the United States"*, is the U.S. export loan agency. Its mission is to provide financing for the export of U.S. goods and services to international markets.

a) For long-term loans subject to such guarantees, Monex, S.A.B. receives guarantees covering 100% of the Ex-Im Bank, which is documented in an outline agreement.

b) For short-term loans with revolving lines of credit guaranteed with loan insurance policies issued by the Ex-Im Bank to Monex, S.A.B., the policies cover between 90% and 98% of the loan amount.

In the event of default of a loan guaranteed or insured by the Ex-Im Bank, Monex, S.A.B. will claim the settlement and subrogate the collection rights to such bank, which continues collections efforts on the loans.

As of December 31, 2018, 2017 and 2016, the participated portfolio administered by Monex, S.A.B. and non-participated portfolio in foreign currency are as follows:

	2018	2017	2016
Short-term	$ 10	$ 19	$ 19
Medium term	-	1	3
	$ 10	$ 20	$ 22

Housing Loans

Below we show the loans acquired from INFONAVIT through the "Mejoravit" program:

	2018			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	$ 698	42,821	$ 1	60
REA	-	27	-	5
Total	$ 698		$ 1	

	2017			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	$ 625	33,089	$ 3	221
REA	1	24	1	5
Total	$ 626		$ 4	

	2016			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	$ 180	6,454	$ 5	459
REA	-		1	21
Total	$ 180		$ 6	

The National Workers' Housing Fund Institute (INFONAVIT) developed the "Mejoravit Loan Program" which enables certain banks to take part in granting loans known as "Mejoravit" intended for the improvement, remodeling and extension of homes of workers affiliated to this Institute. The involvement of the INFONAVIT in this program focuses on the origination, administration and collection of the loans.

In accordance with the rules established to grant "Mejoravit" loans, the INFONAVIT reviews and approves the financial conditions of the loans and Monex, S.A.B. provides the economic resources to the borrower.

The Mejoravit loans are guaranteed by the balance of the housing subaccount of the certified stakeholders with an irrevocable guarantee trust managed by "Nacional Financiera S.N.C." as trustee of the Trust.

As of December 31, 2018, 2017 and 2016, the non-performing housing portfolio is classified as follows:

Terms	2018	2017	2016
From 181 to 365 days	$ -	$ -	$ 2
From 366 to 2 years	-	4	4
Over 2 years	1	-	-
Total	$ 1	$ 4	$ 6

Restructurings- During the year ended December 31, 2018 Monex S.A.B. restructured 3 loans by $193. For the year ended December 31, 2017 Monex, S.A.B. restructured a commercial loan in the amount of $719. During the year ended 2016 Monex S.A.B. did not carry out any restructuring.

Risk diversification –

As of December 31, 2018, Monex, S.A.B maintains the following credit risk operations in conformity with the general diversification rules established for active and passive transactions by the Provisions, as follows:

- Monex, S.A.B. holds 5 loans granted to debtors or groups of people with common risk, whose individual amount is greater than 10% of the basic capital from the previous quarter. The total amount of said loans is $4,111, 73% of the basic capital from the previous quarter of the Bank.

- The total of loans granted to Banco Monex three main borrowers is $2,920 and represents 51.57% of its basic capital from the previous quarter.

- According to the General Provisions, the limits regarding the diversification of an institution' credit operations are determined according to its fulfillment of capitalization requirements, considering the exceptions established by the General Provisions, these are:

- When granting financing to the same person or group of people with Common Risk, they must be subject to the maximum Financing limit that results from applying the following:

Capitalization level	Maximum financing limit calculated according to Banco Monex basic capital
More than 8% and up to 9%	12%
More than 9% and up to 10%	15%
More than 10% and up to 12%	25%
More than 12% and up to 15%	30%
More than 15%	40%

- The sum of the financing granted to Monex, S.A.B.'s three main borrowers must not exceed 100% of the Bank's basic capital.

- Financing granted to full-service banking institutions will not be subject to maximum financing limits, but is nonetheless subject to the maximum limit of 100% of the basic capital of the lending Bank. In the case of foreign institutions in which foreign financial entities hold equity, the aforementioned limit is applicable to the holding company and its subsidiary institutions taken as a whole.

- The financing granted to the state-owned entities and departments of the Federal Public Administration, including public trusts and the productive entities pertaining to the State, must be subject to the maximum limit of 100% of the basic capital of the lending Bank.

These credit limits must be measured quarterly. The applicable limit is calculated by using the basic capital amount and capitalization ratios of the quarter immediately preceding the date on which the calculation is made. These ratios are published by the Commission for each Institution on the following website: http://www.cnbv.gob.mx.

The Commission may reduce the above limits whenever it considers that an institution's comprehensive risk management is inadequate or its internal control system has certain weaknesses.

Loans to related parties - As of December 31, 2018, loans granted to related parties in accordance with article 73 of the Credit Institutions Law, add a total amount of $899. As of December 31, 2017 and 2016, the total was $1,025 and $251, respectively, which were approved by the Board of Directors.

Policy and methods used to identify distressed commercial loans - Monex, S.A.B. considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as in the process of reviewing the loan, there is significant possibility that no can be recovered in full, both its component of principal and interest in accordance with the terms and conditions originally agreed. Both the performing portfolio as non-performing are likely to be identified as distressed portfolio.

Monex, S.A.B. performs the classification of distressed commercial loans, reporting a total of $521which represents 2% of the total commercial portfolio as of December 31, 2018.

	2018		
	Performing	**Non-performing**	**Total**
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	$ -	$ 416	$ 416
Dollars valued in Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	1	104	105
Total	$ 1	$ 520	$ 521

Policy and methods to identify concentration of credit risk - Concentration risk constitute an essential element in risk management. Monex S.A.B. has policies in place to avoid significant concentrations of credit risks in borrowers or business groups, as well as industries and types of loans.

Furthermore, constant follow-up is provided at the individual level and at the level of loan portfolios to avoid concentrations.

Credit lines unused by customers - As of December 31, 2018, 2017 and 2016, unused credit lines authorized to customers for $8,835, $8,874 and $8,912, respectively.

As of December 31, 2018, 2017 and 2016, aging of non-performing portfolio is as follows:

	2018	2017	2016
From 0 to 90 days	$ 123	$ -	$ -
From 90 to 179 days	10	25	1
From 180 to 365 days	367	170	2
Over 365 days	21	6	79
	$ 521	$ 201	$ 82

10. Allowance for loan losses

As of December 31, 2018, 2017 and 2016, the allowance for loan losses was $427, $357 and $307, respectively, and is assigned as follows:

2018	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	$ 18,267	$ 520	$ 393
Loans to financial institutions	1,973	-	20
Loans to government entities	2,472	-	12
Housing loans-			
Loans acquired from INFONAVIT	698	1	2
Total portfolio	$ 23,410	$ 521	$ 427

2017	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	$ 16,661	$ 197	$ 332
Loans to financial institutions	2,096	-	17
Loans to government entities	1,001	-	5
Housing loans-			
Loans acquired from INFONAVIT	626	4	3
Total portfolio	$ 20,384	$ 201	$ 357

2016	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	$ 15,877	$ 76	$ 287
Loans to financial institutions	2,155	-	18
Housing loans-			
Loans acquired from INFONAVIT	180	6	2
Total portfolio	$ 18,212	$ 82	$ 307

As of December 31, 2018, 2017 and 2016, Monex, S.A.B. maintained an allowance for loan losses equivalent to 82%, 179% and 408%, of the non-performing portfolio, respectively.

The allowance for loan losses resulting from the loan portfolio classification with responsibilities as of December 31, 2018, 2017 and 2016, reported by Monex, S.A.B., is as follows:

	2018		2017		2016	
Degree of risk	Classification of the portfolio by degree of risk	Amount of allowance recorded	Classification of the portfolio by degree of risk	Amount of allowance recorded	Classification of the portfolio by degree of risk	Amount of allowance recorded
A-1	$ 14,076	$ 70	$ 11,094	$ 52	$ 9,134	$ 45
A-2	6,415	69	6,518	76	7,911	96
B-1	2,773	47	1,535	27	838	15
B-2	859	19	528	12	717	16
B-3	484	15	523	15	602	18
C-1	118	7	833	59	32	2
C-2	27	4	50	7	109	15
D	426	193	223	101	106	46
E	2	2	8	8	54	54
Arrendadora Monex	148	1	-	-	-	-
Base rating portfolio	25,328	$ 427	21,312	$ 357	19,503	$ 307
Letter of credit	(1,397)		(727)		(1,209)	
Loan portfolio, net	$ 23,931		$ 20,585		$ 18,294	

Below is the activity of the allowances for loan losses for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Opening balances	$ 357	$ 307	$ 182
Provisions (applications) with debit (credit) to:			
Additions charged to results	191	170	150
Cancelation of allowances (1)	(65)	(49)	(41)
Exchange result	13	(4)	19
Applications	(69)	(67)	(3)
Closing balances	$ 427	$ 357	$ 307

(1) Related to payments on loans granted during 2018, loans which had allowances recorded during previous years were recorded in "Other operating income".

Write-offs –During the year ended December 31, 2018, Monex S.A.B. wrote-off eight commercial loans of $69 against the allowance for loan losses.

During the year ended December 31, 2017 Monex S.A.B. wrote-off five commercial loans of $67 against the allowance for loan losses. During the year ended December 31, 2016 Monex S.A.B. wrote-off the non-performing loan portfolio for $3.

11. Other receivables, net

As of December 31, 2018, 2017 and 2016, the other receivables, are as follows:

	2018	2017	2016
Receivables from liquidation of money market transactions	$ 1,985	$ 3,735	$ 1,128
Receivables from foreign exchange transactions	14,199	15,415	14,593
Receivables from transactions	488	1,475	271
Intercompany administrative services	-	-	1
Employee loans and other debtors	17	24	22
Collateral delivered for derivative financing transactions	235	99	184
Other receivables	212	56	17
	17,136	20,804	16,216
Allowance for doubtful accounts	(150)	(112)	(73)
Total	$ 16,986	$ 20,692	$ 16,143

12. Property, furniture and equipment

As of December 31, 2018, 2017 and 2016, Property, furniture and equipment are as follows:

	2018	2017	2016
Office furniture and equipment	$ 118	$ 124	$ 110
Computers and communications equipment	598	92	96
Vehicles	6	4	8
	722	220	214
Less-			
Accumulated depreciation	(285)	(111)	(119)
Total property, furniture and fixtures (net)	$ 437	$ 109	$ 95

The annual depreciation rates were as follows:

	Percentage
Buildings	5%
Computer and communications equipment	30%
Vehicles	25%
Office furniture and equipment	10%

For the years ended at December 31, 2018, 2017 and 2016, depreciation expense registered in P&L amounted to $36, $31 and $28, respectively.

13. Other assets

As of December 31, 2018, 2017 and 2016, goodwill and other assets were as follows:

	2018	2017	2016
Goodwill:			
Tempus	$ 407	$ 407	$ 407
Monex Europe LTD.	326	326	326
Arrendadora Monex, S.A. de C.V.	33	-	-
Conversion effect	330	354	370
	1,096	1,087	1,103
Deferred charges, prepayments and intangible:			
Other intangible assets arising from the acquisition of Tempus (1)	176	176	176
Other intangible assets arising from the acquisition of Monex Europe (1)	924	635	635
Conversion effect	179	227	205
Intangible assets	1,279	1,038	1,016
Modifications and improvements	291	289	276
Software	98	98	99
Prepayments	166	369	231
Investment projects	230	85	24
Other deferred charges	58	62	46
	2,122	1,941	1,692
Less - accumulated amortization	(304)	(211)	(185)
	1,818	1,730	1,507
Other assets:			
Operational deposit	123	123	123
Management trust (2)	72	100	100
	195	223	223
	$ 3,109	$ 3,040	$ 2,833

(1) As of December 31, 2018, 2017 and 2016 Monex, S.A.B. has identified intangible assets for the acquisition of Tempus and Monex Europe, as follows:

	Tempus	Monex Europe	Total 2018	Total 2017	Total 2016
Licenses	$ 71	$ -	$ 71	$ 71	$ 71
Sales force	42	67	109	109	109
Operating agreements with banks	56	401	457	457	457
Software	7	6	13	13	13
Non-compete agreements	-	161	161	161	161
Total	176	635	811	811	811
Conversion effect			179	226	205
Total			990	1,037	1,016
Accumulated amortization			(65)	(68)	(66)
Total intangibles assets			$ 925	$ 969	$ 950

(2) Management Trust No. F/523 – On May 19, 2010, Monex, S.A.B. started a stock option plan for its key executives, which was approved during a Stockholders' Meeting of the same date. Consequently, Admimonex, executed Management Trust Agreement F/523 with the Bank to grant financing to its executives to enable them to acquire shares representing the common stock of Monex, S.A.B. As of December 31, 2018, the shares deposited in the trust amount to 5,858,788 Series "B" shares of Monex, S.A.B., which were assigned and acquired by executives at that date.

14. Foreign currency position

As of December 31, 2018, 2017 and 2016, foreign currency assets and liabilities of Monex, S.A.B. were as follows:

	Millions of US Dollars			Millions of Euros			Millions of Sterling Pounds			Other foreign currencies in millions of U.S. dollars		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Funds available	USD 871	USD 576	USD 628	€ 74	€ 45	€ 50	£ 96	£ 133	£ 56	USD 4	USD 7	USD 6
Margin accounts	5	5	4	-	-	-	-	-	-	-	-	-
Investment in securities	727	1,116	251	-	-	-	-	-	-	-	-	-
Repurchase agreements	152	124	68	-	-	-	-	-	-	-	-	-
Derivative (assets)	1,977	1,677	-	3	16	-	41	18	77	1	-	-
Performing loan portfolio	460	426	426	-	-	-	-	-	-	-	-	-
Non-performing loan	5	4	1	-	-	-	-	-	-	-	-	-
Other assets	52	48	49	-	-	-	52	51	48	-	-	-
Property, furniture and equipment	-	(1)	-	-	-	-	1	(1)	-	-	-	-
Deferred tax and deferred PTU	(7)	-	-	-	-	-	(1)	-	-	-	-	-
Other receivables	8	66	9	-	-	-	67	90	47	1	1	1
Deposits	(978)	(1,059)	(677)	(59)	(29)	(38)	(1)	(1)	(1)	(4)	(6)	(5)
Liabilities arising from sale and repurchase agreements	(265)	(279)	(86)	-	-	-	-	-	-	-	-	-
Bank and other loans	(19)	(13)	(13)	-	-	-	-	-	-	-	-	-
Collateral sold in guarantee	(42)	(68)	(37)	-	-	-	(69)	(103)	(66)	-	-	-
Derivative (liability)	(1,956)	(1,681)	(4)	(12)	(20)	-	(4)	(13)	(14)	(1)	-	-
Sundry creditors and other payables	(645)	(659)	(491)	(2)	(5)	(4)	(99)	(124)	(76)	-	-	(2)
Collateral sold or given as collateral	(128)	-	-	-	-	-	-	-	-	-	-	-
Deferred credits and prepayments	(4)	(3)	(4)	-	-	-	-	-	-	-	-	-
Asset (liability) position	USD 213	USD 279	USD 124	€ 4	€ 7	€ 8	£ 83	£ 50	£ 71	USD 1	USD 2	USD -
Mexican peso equivalent	$ 4,186	$ 5,486	$ 2,557	$ 90	$ 165	$ 174	$ 2,079	$ 1,330	$ 1,809	$ 20	$ 39	$ -

As of December 31, 2018, 2017 and 2016, the "Fix" (48-hour) exchange rate submitted by Banco de Mexico and used was \$19.6512, \$19.6629 and \$20.6194 per U.S. dollar, respectively.

As of December 31, 2018, 2017 and 2016, the "Euro" exchange rate submitted by Banco de Mexico and used was \$22.46918, \$23.6063 and \$21.7534 per Euro, respectively.

As of December 31, 2018, 2017 and 2016, the exchange rate of the pound sterling published by Banco de Mexico was \$ 25.04742, \$ 26.6049, \$ 25.4814 per pound, respectively.

As of March 29, 2019, the position in foreign currency (unaudited) is similar to that at the end of the year and the "Fix" exchange rate at that date is \$19.3779 per US dollar, \$21.7624 per euro and \$25.1913 per pound sterling.

Banco de Mexico sets the ceilings for foreign currency liabilities and the liquidity ratio that Monex, S.A.B. obtains directly or through its foreign agencies, branches or affiliates, which must be determined daily for such liabilities to enable Monex, S.A.B. to structure their contingency plans and promote longer term funding within a reasonable time frame.

Monex, S.A.B. performs a large number of foreign currency transactions mainly in U.S. dollar, Euro, Sterling pound, Canadian dollar, Japanese yen and other currencies. Given that the parities of other currencies against the Mexican peso are linked to the U.S. dollar, the overall foreign currency position is consolidated into U.S. dollars at each month-end closing.

15. Deposits

As of December 31, 2018, 2017 and 2016, deposits were as follows:

	2018	2017	2016
Demand deposits	$ 18,433	$ 18,585	$ 15,209
Time deposits-			
General public	22,019	18,816	10,733
Money market:			
Deposit certificates	2,434	1,205	434
	42,886	38,606	26,376
Debt securities			
Debt securities (Bonds) (1)	830	331	440
Global account for inactive deposits	3	3	3
Total deposits	$ 43,719	$ 38,940	$ 26,819

(1) Short-term maturities which generated interest at an average 6.58%, 5.60% and 7.33% rate, in 2018, 2017 and 2016, respectively.

16. Bank loans and other loans

As of December 31, 2018, 2017 and 2016, bank loans were as follows:

	2018				2017	2016
	Mexican Pesos	Foreign currency	Rate	Total	Total	Total
Demand deposits-						
"Call Money" received	$ -	$ -		$ -	$ -	$ 344
Total demand deposits	-	-		-	-	344
Short term-						
FIRA	2		8.66%	2	5	50
Clusters	1,262	372	6.70%	1,634	1,080	1,019
Total short-term loans	1,264	372		1,636	1,085	1,078
Short Term-						
Bank Loans	127	-	11.85%	127	-	-
Total short-term loan	127	-		127	1,085	1,078
Total banks loans and other loans	$ 1,391	$ 372		$ 1,763	$ 1,085	$ 1,422

Loans with Development Bank Institutions - Loans are granted by, Nacional Financiera, S.N.C. (NAFIN) and Fideicomisos Instituidos en Relación con la Agricultura (FIRA), which represent a direct obligation for Monex, S.A.B. with these entities. Accordingly, Monex, S.A.B. grants loans in Mexican pesos and U.S. dollars for financial support to their customers.

Credit lines for discounts and loans, granted in Mexican pesos and U.S. dollars by the development funds mentioned above, operate under the authorizations of the internal risk units of Monex, S.A.B. The financial conditions are set under fixed and variable rate programs, both in U.S. dollars and Mexican pesos, and the term is based on the specific program or transaction determined for each project.

As December 31, 2018, 2017 and 2016 the Monex S.A.B. has lines of credit that are not disputed by NAFIN for $367, $910 and $957 respectively, and FIRA for $614, $801 and $137, respectively.

17. **Securitization certificates**

Issuance of Monex, S.A.B.

As mentioned in Note 1, subsection d) Monex, S.A.B. successfully carried out the third Public Offer of Stock Certificates under the ticker symbol MONEX 17, when placing in the market the totality of $1,000 at TIIE28 + 160 bp with a term of 3 years.

On October 18, 2017, the Commission granted Monex, S.A.B. the authorization for a new stock certificate program of up to $4,000 with a term of 5 years.

On October 19, 2017 Monex, S.A.B. successfully completed the fourth Public Offering of Stock Certificates under the ticker symbol MONEX 17-2, when placing on the market all of $500 at a rate TIIE28 + 150 bp for a term of 3 years.

On November 6, 2017, Monex fully redeemed the stock certificates with the ticker symbol MONEX14 issued in the amount of $1,000.

As of December 31, 2018, 2017 and 2016, Monex, S.A.B. he has paid interest for $159, $128 and $114, respectively.

Issuance of the Bank

On July 13, 2018, Monex fully redeemed BMONEX15 stock certificates with the ticker symbol BMONEX15 bond issued for $1,000.

As mentioned in Note 1, subsection d) Monex, S.A.B. through the Bank, made an issuance of stock certificates.

This issuance is the first made by the Bank and was carried out on July 14, 2016 for an amount of $1,000, represented by 10 million stock certificates with a nominal value of 100 pesos each and was authorized by the Commission through an official letter. 153/5535/2017. The term is 1,092 days, equivalent to 3 years and they were placed at ("TIIE")28 + 90 bp.

18. **Comparative maturities of principal assets and liabilities**

The maturities of the significant assets and liabilities held as of December 31, 2018 were as follows:

	6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets:					
Funds available (1)	$ 16,586	$ -	$ -	$ 229	$ 16,815
Margin accounts	795	-	-	-	795
Investment in securities	12,612	3,484	9,097	5,969	31,162
Repurchase agreements	1,437	-	-	-	1,437
Derivatives	1,329	258	1,423	915	3,925
Performing loan portfolio	8,666	1,268	9,435	4,041	23,410
Non-performing loan portfolio	286	88	147	-	521
Other receivable (net)	16,986	-	-	-	16,986
Total assets	58,697	5,098	20,102	11,154	95,051
Liabilities:					
Deposits	43,716	3	-	-	43,719
Securitization certificates	-	-	1,509	-	1,509
Bank loans and other loans	1,634	2	127	-	1,763
Liabilities arising from sale and repurchase agreements	17,822	-	-	-	17,822
Derivatives	922	196	924	923	2,965
Obligations arising from settlement of transactions	15,442	-	-	-	15,442
Liabilities arising from cash collateral received	3,000	-	-	-	3,000
Other accounts payables	2,448	-	-	209	2,657
Total liabilities	84,984	201	2,560	1,132	88,877
Assets less liabilities	$ (26,287)	$ 4,897	$ 17,542	$ 10,022	$ 6,174

(1) Funds available includes Monetary Regulation Deposits with Banco de Mexico. Those deposits as of December 31, 2018, 2017 and 2016 are $229 for the three years. These deposits cannot be freely available.

19. Related party transactions and balances

As of December 31, 2018, 2017 and 2016, Monex, S.A.B. maintains credits with related parties for a total of $899, $392 and $251, respectively.

Management considers that transactions with related parties were performed according to the terms that would be utilized with or between independent parties for comparable transactions.

20. Labor benefits

Under Mexican Labor Law, Monex, S.A.B. is liable for pensions, severance payments and seniority premiums to employees terminated under certain circumstances.

Each year, Monex, S.A.B. records the net periodic cost for defined benefits (PNBD) to create an obligation from seniority premiums, pensions and severance payments as it accrues based on actuarial calculations prepared by independent actuaries, which are based on the projected unit credit method and the parameters established by the Commission. Therefore, the liability is being accrued which at present value will cover the obligation from benefits projected to the estimated retirement date of Monex, S.A.B.'s employees.

As of December 31, 2018, 2017 and 2016, balances and activity reflected in employee benefits, which include, seniority premiums, pensions and severance payments, were as follows:

	2018	2017	2016
Defined benefit obligation	$ 444	$ 475	$ 542
Plan assets at fair value	(175)	(193)	(177)
Underfunded liabilities	269	282	365
Pending items:			
Past cost service	(53)	(80)	(107)
Actuarial income and past cost services not recognized	(7)	(11)	(16)
Defined benefit liability (net)	$ 209	$ 191	$ 242

As of December 31, 2018, 2017 and 2016, the net projected liabilities for severance payments at the end of the employment relationship for reasons other than restructuring amounts to $98, $94 and $74, respectively.

As of December 31, 2017, Management decided to adjust the seniority requirement to receive the retirement pension from 15 to 25 years, as well as the reference salary for the pension calculation. The effect of these adjustments represents a gain of $106, recognized directly in results for the year.

Furthermore, as of December 31, 2017, management decided to change the market rate of government bonds to the market rate of high quality corporate bonds in order to determine the present value of long-term labor liabilities. The effect generated by the change in criterion was $42, recognized in results for the year.

The cost of defined benefits is integrated as follows, according to the concepts that current NIF D-3 requires to disclose:

	2018	2017	2016
Service cost for the year	$ 33	$ (63)	$ 43
Interest net related to PNBD	23	29	25
Recycling of remeasurement of net liability for defined benefits	2	(4)	(1)
Amortization of transition liability, labor cost of past service and accrual losses	-	-	(36)
Recycling of unrecognized gains or losses	-	1	1
Net cost	58	(37)	32
Change in accounting allowance	-	(44)	-
Remeasurement recorded in comprehensive income	(29)	29	1
Gradual recognition in retained earnings	27	27	27
Defined benefits cost	$ 56	$ (25)	$ 60

The economic assumptions used were as follows:

	2018	2017	2016
Discount rate	9.50%	8.50%	8.12%
Expected rate of return of assets	9.50%	8.50%	8.12%
Rate of wage increases	5.00%	4.50%	4.50%

The changes in the liability net related to defined benefits were as follows:

	2018	2017	2016
Opening balance (face value)	$ 191	$ 242	$ 182
Payment of benefits and fund contributions	(39)	(26)	-
Net cost of the period and earnings and losses recognition	57	(25)	60
Defined benefit liability (net)	$ 209	$ 191	$ 242

As of December 31, 2018, 2017 and 2016, the fair value of the assets and their investment structure are integrated as follows:

	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Capital market	$ 42	24%	$ 48	25%	$ 48	27%
Money market	131	75%	145	75%	114	64%
Repurchase market	2	1%	-	-%	15	8%
Total	$ 175		$ 193		$ 177	

As of December 31, 2018, 2017 and 2016, there is no fund created for severance payments at the end of the employment relationship for reasons other than restructuring.

Changes in the present value of the defined benefits obligation:

	2018	2017	2016
Present value of the defined benefits obligation as of January 1	$ 475	$ 542	$ 504
Actual payment of benefits during the year	(54)	(27)	-
Actuarial earning (loss) profit in defined benefit obligation	(49)	23	(7)
Cost of the year	72	(63)	45
Present value of the defined benefits obligation as of December 31, of each year	$ 444	$ 475	$ 542

The main items giving rise to a deferred PTU asset (liability) are:

	2018	2017	2016
Deferred PTU asset:			
Provisions	$ 7	$ 33	$ 11
Labor benefits	20	18	24
Allowance for loan losses	81	36	74
Gain on derivative financial instrument transaction	2	6	30
Other	14	19	18
Total	124	112	157

	2018	2017	2016
Deferred PTU liability:			
Advance payments	(6)	(6)	(7)
Total	(6)	(6)	(7)
Total asset (liability)	$ 118	$ 106	$ 150

The deferred PTU recorded in the results of the period amounted $(12), $44 and $(84) in 2018, 2017 and 2016, respectively.

21. Obligations arising from settlements of transactions

As of December 31, 2018, 2017 and 2016, obligations arising from settlement of transactions are as follows:

	2018	2017	2016
Payables from operations by foreign currency exchange	$ 13,829	$ 10,683	$ 14,011
Payables for settlement of transactions of securities	1,613	3,215	1,128
	$ 15,442	$ 13,898	$ 15,139

22. Sundry creditors and other payables

As of December 31, 2018, 2017 and 2016, sundry creditors and other payables were as follows:

	2018	2017	2016
Employee retirement obligation provision	$ 386	$ 384	$ 419
Investments for pension funds and seniority premium	(177)	(193)	(177)
	209	191	242
Suppliers	116	51	77
Payables from operations (1)	520	432	520
Intercompany payable	-	1	1
Commissions, bounds and other gratifications	472	488	535
Contingent liabilities	170	155	152
Various taxes and social security contribution	32	102	122
Withholding tax	147	73	77
Reclassification of creditor bank balances	(22)	64	103
Funds available overdraft	379	4,710	596
Others sundry creditors	634	441	571
	$ 2,657	$ 6,708	$ 2,996

(1) Based on the internal accounting policy for the cancellation of unidentified customer deposits, whose aging equals or exceeds three years as of the deposit date, as of December 31, 2018, 2017 and 2016 Monex, S.A.B. registered in "other income" amounted to $39, $36 and $42, respectively.

23. Income taxes

Monex, S.A.B. is subject to ISR, in accordance with ISR Law as of December 31, 2018, 2017 and 2016, the rate was at 30% and will continue at the same percentage thereafter.

Deferred taxes are composed as follows:

	2018	2017	2016
ISR:			
Current	$ 467	$ (346)	$ (614)
Deferred	(56)	(70)	295
	$ 411	$ (416)	$ 319

Reconciliation of the accounting tax result - The main items affecting the determination of Monex, S.A.B.'s tax result was the annual adjustment for inflation, provisions, the difference between accounting and tax depreciation and amortization, the allowance for loan losses, provisions created for the expenses of prior years that were settled in the current year and the valuation effect of derivatives.

Tax loss carryforwards – As of December 31, 2018, Monex, S.A.B. has ISR tax loss carryforwards as follows (unaudited):

Company	Amount
AdmiMonex	$ 35
Monex, S.A.B.(Individual)	$ 179

Deferred taxes – As of December 31, 2018, 2017 and 2016, deferred consolidated taxes are composed as follows:

	2018	2017	2016
Deferred ISR asset:			
Provisions	$ 22	$ 98	$ 34
Labor obligations	61	56	70
Gain on derivative financial instrument transaction	6	18	224
Others	461	301	261
Deferred ISR asset	550	473	589
Deferred ISR (liability):			
Prepaid expenses	(16)	(18)	(23)
Loss on derivate financial instruments	(2)	-	-
Others	(152)	(121)	(136)
Deferred ISR liability	(170)	(139)	(159)
Deferred PTU asset	118	106	150
Net deferred taxes	$ 498	$ 440	$ 580

Management does not record a reserve on deferred tax (asset), since it considers a high probability that it can be recovered in accordance with the financial and tax projections.

The deferred tax is recorded in the consolidated statements of income or in the shareholders' equity in accordance with the item that gives origin to it.

Monex, S.A.B. does not consolidate the results of its subsidiaries for tax purposes, the Management of Monex, S.A.B. considers that the effective rate presented individually for each of its main subsidiaries provides information more realistic than if it were presented on a consolidated basis, having subsidiaries abroad with different tax rates.

The reconciliation of the legal ISR and the effective rate of main entities of Monex, S.A.B., expressed as a percentage of profit before ISR are:

	Bank (individually)			Brokerage House (individually)		
	2018	2017	2016	2018	2017	2016
Legal rate	30%	30%	30%	30%	30%	30%
Annual adjustment for inflation	(9%)	(10%)	(1%)	(3%)	(26%)	(2%)
Others	5%	11%	(11%)	4%	26%	14%
Non-deductible expenses	1%	1%	-	2%	-	-
Effective tax rate	27%	32%	18%	33%	30%	42%

Other tax issues:

As of December 31, 2018, 2017 and 2016, the main subsidiaries of Monex, S.A.B. have the following balances for significant tax measures (individually):

	Bank (individually)			Brokerage House (individually)		
	2018	2017	2016	2018	2017	2016
Contributed capital account	$ 3,579	$ 3,414	$ 3,655	$ 667	$ 636	$ 595
Net tax income account	$ 4,203	$ 3,447	$ 3,833	$ 549	$ 545	$ 536

24. Stockholders' equity

As of December 31, 2018, 2017 and 2016, capital stock, at par value, were as follows:

	Number of shares	Amount
Series A Shares	50,000	$ 1
Series B Shares	545,758,505	2,054
	545,758,505	$ 2,055

In the Stockholders' Ordinary Meeting held on April 11, 2018, the following capital movements were agreed upon:

- Carry out the transfer of profit for the year 2017 to the consolidated statements of income of previous years for an amount of $1,102.
- Increase in the legal reserve for 5% of the income recorded in the 2017 consolidated financial statements.
- Decrease of dividends to shareholders for an amount of $250, charged to the "Results of previous years" account.

As of December 31, 2018, 2017 and 2016, the reserve created to repurchase shares is composed as follows:

	2018	2017	2016
Repurchased shares	9,793,080	9,793,080	9,535,305
Market price per share	$ 14.10	$ 15.90	$ 10.00
Market value	$ 138	$ 156	$ 95
Opening balance of reserve	$ 238	$ 241	$ 241
Less:			
Historic value of repurchased shares	-	(3)	-
Balance for repurchased shares	$ 238	$ 238	$ 241

Minimum fixed capital is $50, as represented by 50,000 fully subscribed and paid-in Series "A" shares.

Variable capital is unlimited and represented by ordinary, nominative Series "B" shares at no face value.

Foreign people who exercise authority are prohibited from participating in the Capital Stock of Monex, S.A.B., as well as Mexican financial institutions, even if they form part of Monex, S.A.B. group, unless they act as institutional investors within the meaning of Article 19 of the Law Regulating Financial Groups.

In cases where dividends are distributed prior to the payment of taxes applicable to Monex, S.A.B., such tax must be paid when the dividend is distributed; therefore, Monex, S.A.B. must keep track of profits subject to each rate.

Capital reductions will incur in taxes on the excess of the amount distributed against the capital tax value, as set forth in the Income Tax Law.

Monex, S.A.B. and its subsidiaries, except Banco Monex, must maintain a legal provision from at least 5% of the net profits of each year must be separated and transferred to a capital reserve fund until they equal to 20% of paid-in capital. In the case of the Bank, the applicable legal provision requires the creation of a legal reserve equal to 10% of net profits until reaching 100% of paid-in capital. While these entities exist, this reserve can only be distributed to stockholders as share dividends.

According to the Income Tax Law, in the case of dividend payment by Mexican companies, there is an additional ISR, of 10% on the payment of dividends to individuals and residents abroad, in the case of residents abroad treaties may be applied to avoid double taxation.

25. Earnings per share

Earnings per share related to the years ended as of December 31, 2018, 2017 and 2016 were determined as follows:

	2018	2017	2016
Net income	$ 1,116	$ 1,102	$ 1,071
Weighted average number of ordinary shares	535,965,425	535,965,425	536,223,200
Earnings per share	$ 2.08	$ 2.06	$ 1.98

26. Capital ratio of the Financial Group (latest information submitted to Banco de Mexico) (Unaudited)

As of December 31, 2018, 2017 and 2016, in accordance with the capital requirements in effect applicable to full service banks, Monex Grupo Financiero presents the following capitalization ratio, which exceeds the minimum level required by the authorities:

	2018	2017	2016
Net capital / required capital	1.93%	2.01%	1.85%
Basic capital / assets subject to credit, market and operational risk	15.46%	16.11%	14.77%
Net capital / assets subject to credit risk	20.40%	20.60%	19.26%
Net capital / assets subject to credit, market and operational risk	15.46%	16.11%	14.77%

The capitalization ratio of the Financial Group was updated and submitted to Banco de México for the years 2018, 2017 and 2016, on January 18, 2019, January 22, 2018 and January 20, 2017.

As of December 31, 2018, 2017 and 2016, the net capital used to calculate the capital ratio is as follows:

	2018	2017	2016
Basic capital:			
Stockholder's equity disregarding convertible securities and subordinate debt	$ 6,108	$ 5,661	$ 5,770
Less:			
Organization costs and other intangible	(381)	(264)	(328)
Investment in shares of entities	(58)	(4)	(1,375)
	(439)	(268)	(1,703)
Complementary capital:			
Allowance for loan losses	101	352	298
Total net capital	$ 5,770	$ 5,393	$ 4,365

	2018		2017		2016	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
Market risk:						
Transactions with nominal rate and above par rate in Mexican pesos	$ 1,464	$ 117	$ 1,166	$ 93	$ 1,600	$ 128
Transactions with real rate	1,149	92	1,127	90	1,650	132
Transactions with nominal rate in foreign currency	249	20	584	47	800	63
Transactions with shares and related to shares	141	11	13	1	150	12
Foreign exchange transactions	610	49	320	26	376	30
Transactions in UDIS relating INPC	18	1	18	1	11	1
For impact Gamma	-	-	1	-	-	-
	3,631	290	3,229	258	4,587	366
Credit risk:						
Loan creditors	22,588	1,807	20,248	1,620	18,275	1,462
From repurchase agreements and derivatives counterparties	407	33	521	42	1,350	108
From issuers of debt securities in position	2,863	229	2,304	184	1,475	119
From long-term investment in shares and other assets	891	71	1,019	82	713	57
From guarantees and credit lines and securitization	816	65	686	55	837	66
From collateral issuers and persons received	33	3	17	1	12	1
Transactions with related parties	467	37	498	40	-	-
Due to the credit risk of the counterparty in case of non-compliance with the free delivery mechanisms	77	6	114	9	-	-
Adjustment for credit valuation in Derivatives transactions	140	11	714	57	-	-
	28,282	2,262	26,121	2,090	22,662	1,813
Operational risk:	5,409	433	4,062	325	2,293	183
Total assets at risk	$ 37,322	$ 2,985	$ 33,412	$ 2,673	$ 29,542	$ 2,362

As of December 31, 2018, 2017 and 2016, weighted positions by market risk are as follows:

	2018		2017		2016	
	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement
Market risk	$ 3,631	$ 290	$ 3,229	$ 258	$ 4,587	$ 366
Credit risk	28,282	2,262	26,121	2,090	22,662	1,813
Operational risk	5,409	433	4,062	325	2,293	183
	$ 37,322	$ 2,985	$ 33,412	$ 2,673	$ 29,542	$ 2,362

27. Index of capital consumption (Brokerage House)

As of December 31, 2018, 2017, and 2016, the Brokerage House has the following index of capital consumption (unaudited):

	2018	2017	2016
Capital consumption index	23.68%	20.40%	17.17%
Capitalization rate on assets at credit risk	91.20%	46.83%	49.81%
Capital index on assets in credit, market and operational risk	23.68%	20.40%	17.17%

28. Bank Ratings

As of December 31, 2018, the Bank has been awarded the following ratings:

	Standard & Poor's	Fitch Ratings	HR Ratings
National scale-			
Short- term	mxA-1	F1(mex)	HR1
Long-term	mxA+	A+(mex)	AA-
Financial strength/ perspective			
Outlook	Stable	Stable	Stable
Released date	August 20, 2018	October 10, 2018	October 25, 2018

29. Memorandum accounts

Memorandum accounts are not included in the balance sheet and only the memorandum accounts in which transactions are directly related to the balance sheet are audited, such as: client's banks, clients securities in custody, client repurchase agreements, customer loan securities transactions, client collateral received in guarantee, derivatives purchase transactions, derivatives sale transactions, contingent assets and liabilities and collateral received and sold or pledged as guarantee.

a. ***Trust mandate transactions (unaudited) -***

As of December 31, 2018, 2017 and 2016, Monex, S.A.B. administered the following trusts and mandates:

	2018	2017	2016
Trusts under-			
Administration	$ 128,995	$ 107,979	$ 82,727
Guarantee	5,898	5,760	4,517
Investment	1,690	2,056	1,689
	$ 136,583	$ 115,795	$ 88,933

As of December 31, 2018, 2017 and 2016, the income from the administration of such assets was $131, $118 and $94, respectively.

b. ***Other record accounts (unaudited) -***

As of December 31, 2018, 2017 and 2016, other record accounts have a balance of $33, $7 and $(7), respectively.

30. Gain/losses on financial assets and liabilities (net)

For the years ended December 31, 2018, 2017 and 2016, gain/losses on financial assets and liabilities (net) are as follows:

	2018	2017	2016
Foreign exchange result:			
Valuation	$ 1	$ 22	$ (3)
Realized gains or losses	3,168	2,481	2,465
	3,169	2,503	2,462
Derivatives result:			
Valuation	(168)	510	(181)
Realized gains or losses	2,421	1,632	2,711
	2,253	2,142	2,530
Income from debt securities:			
Valuation	(29)	137	(136)
Realized gains or losses	157	(142)	354
	128	(5)	218
Equity result:			
Valuation	(4)	-	6
Realized gains or losses	6	8	1
	2	8	7
	$ 5,552	$ 4,648	$ 5,217

During the year ended December 31, 2018, Monex S.A.B. does not have any reclassification related to valuation in the year-end results. For the years ended December 31, 2017 and December 31, 2016, Monex, S.A.B reclassified a valuation equivalent to $171 and $71, respectively.

31. Financial margin

As of December 31, 2018, 2017 and 2016, the financial margin was as follows:

	2018	2017	2016
Interest income:			
Investment securities, debt and securities	$ 2,439	$ 2,703	$ 1,387
Bank and other loans	3	3	3
Deposits with financial institutions	496	115	51
Loan portfolio:			
Commercial portfolio	1,718	1,426	944
Housing portfolio	98	57	7
Others	246	301	49
	5,000	4,605	2,441
Interest expenses:			
Interest from repurchase agreements	(2,036)	(1,974)	(899)
Interest on bank and other loans	(128)	(90)	(60)
Demand deposits	(76)	(63)	(51)
Time deposits	(1,121)	(679)	(482)
Securitization certificates	(191)	(216)	(115)
Others	(15)	(10)	(8)
	(3,567)	(3,032)	(1,615)
Total	$ 1,433	$ 1,573	$ 826

32. Segment information

As of December 31, 2018, 2017 and 2016, Monex, S.A.B. identified operating segments within its different business and it considers each as part of its internal structure and with its own profit risks and opportunities. These segments are regularly reviewed in order to assign operating monetary resources and evaluate their performance.

2018	Foreign exchange	International 1	International 2	Derivatives	Banking products	Credit and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	$ 2,576	$ 2,005	$ -	$ 841	$ 130	$ -	$ -	$ -	$ 5,552
Result for Operating Lease	-	-	-	-	-	-	-	75	75
Interest income	-	4	2	(6)	2,357	1,856	-	787	5,000
Interest expense	(6)	(2)	-	-	(2,022)	(1,284)	-	(253)	(3,567)
Allowance for loan losses	-	-	-	-	-	(191)	-	-	(191)
Commission and fee income	86	13	88	-	156	59	269	41	712
Commission and fee expense	(13)	(46)	(1)	(18)	(27)	(44)	-	(113)	(262)
Other operating income (expenses), net	-	(7)	13	-	1	67	(33)	(274)	(233)
Administration and promotion expense	(2,030)	(1,585)	(92)	(627)	(457)	(358)	(181)	(222)	(5,552)
Current and deferred income taxes	(173)	(79)	(2)	(53)	(38)	(30)	(16)	(20)	(411)
Non-controlling interest	-	-	-	-	-	-	-	(7)	(7)
Total	$ 440	$ 303	$ 8	$ 137	$ 100	$ 75	$ 39	$ 14	$ 1,116

2017	Foreign exchange	International 1	International 2	Derivatives	Banking products	Credit and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	$ 2,481	$ 1,927	$ -	$ 237	$ 2	$ -	$ -	$ 1	$ 4,648
Interest income	-	4	3	33	2,661	1,483	-	421	4,605
Interest expense	(1)	-	-	-	(1,957)	(831)	-	(243)	(3,032)
Allowance for loan losses	-	-	-	-	-	(170)	-	-	(170)
Commission and fee income	77	12	110	-	137	38	231	43	648
Commission and fee expense	(15)	(37)	(1)	(10)	(31)	(26)	-	(97)	(217)
Other operating income (expenses), net	-	1	3	-	-	49	-	166	219
Administration and promotion expense	(1,920)	(1,558)	(90)	(197)	(614)	(410)	(174)	(220)	(5,183)
Current and deferred income taxes	(203)	(35)	(8)	(21)	(65)	(43)	(18)	(23)	(416)
Total	$ 419	$ 314	$ 17	$ 42	$ 133	$ 90	$ 39	$ 48	$ 1,102

2016	Foreign exchange	International 1	International 2	Derivatives	Banking products	Credit and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	$ 2,465	$ 1,930	$ -	$ 649	$ 226	$ -	$ -	$ (53)	$ 5,217
Interest income	-	4	3	26	1,324	950	-	134	2,441
Interest expense	(2)	-	-	-	(823)	(593)	-	(197)	(1,615)
Allowance for loan losses	-	-	-	-	-	(150)	-	-	(150)
Commission and fee income	81	11	105	-	140	33	189	35	594
Commission and fee expense	(12)	(29)	(1)	(11)	(30)	(4)	-	(84)	(171)
Other operating income (expenses), net	-	(4)	3	-	-	39	(2)	46	82
Administration and promotion expense	(1,782)	(1,521)	(84)	(516)	(651)	(216)	(145)	(93)	(5,008)
Current and deferred income taxes	(116)	(89)	(9)	(34)	(42)	(14)	(9)	(6)	(319)
Total	$ 634	$ 302	$ 17	$ 114	$ 144	$ 45	$ 33	$ (218)	$ 1,071

Foreign exchange - Purchases and sales currencies, includes intermediation services in the acquisition or sale and international payments.

International 1- International operations that include the results of the operations of Tempus and Monex Europe LTD companies, which include purchase and exchange services and foreign exchange forward transactions in the United States, the United Kingdom and Spain.

International 2- International operations that include the results of the operations of the Monex Securities and Monex Assets companies, which include broker services and investment advice.

Derivatives - Risk management solutions including intermediation services of forwards, cross currency options, interest rate swaps, stock options, notes and structured bonds.

Banking products: Asset management services which includes intermediation services for fixed income investment, stock securities and funds, in the national and international markets.

Credit and deposits - Banking products and services, as well as, lending services and client's deposits.

Trust Services - Trust and representation services.

Others – This segment is including the result obtained in the stock exchange operations carried out by Monex, S.A.B., because the volume of the operations depends on the needs and strategies defined by the Assets and liabilities Committee, so the gains/losses are very volatile during the year.

33. Contingencies and commitments

a) ***Lawsuits*** - Over the normal course of business, Monex, S.A.B. and subsidiaries have been involved in certain lawsuits which are not expected to significantly affect their financial position or future results of operations. Provisions have been recognized for those matters representing probable losses. As of December 31, 2018, 2017 and 2016 Monex, S.A.B. has contingency reserves of $133, $156 and $152 respectively, which are included in "Sundry creditors and other accounts payable". Monex, S.A.B.'s management considers the reserve is reasonable in accordance with its internal and external legal counsel opinion.

b) ***Administered loan portfolio*** - As discussed in Note 9, the portfolio administered by Monex, S.A.B. derived from the sales made and equity held under the outline agreement executed with ExIm-Bank is for the amount to $10, $20 and $22 at December 31,2018, 2017 and 2016, respectively. In relation to this loan portfolio, Monex, S.A.B. has committed to assume all credit risks in the event of noncompliance with the terms agreed with ExIm-Bank regarding the documentation of each loan. However, management considers that the possibility of a refund to ExIm-Bank is unlikely.

34. Comprehensive risk management (unaudited)

a. ***Applicable standards -***

This disclosure is supplemental to the obligation to disclose information on adopted risk management policies, procedures and methodologies, together with information on potential losses by risk and market type.

Management has policies and procedures manuals which follow the guidelines established by the Commission and Central Bank to prevent and control the risks exposure Monex, S.A.B. is incurs based on the transactions it performs.

The assessment of policies, procedures, functionality of risk measurement models and systems, compliance with risk management procedures and assumptions, parameters and methodologies used by risk analysis information systems is carried out by an independent expert, as required by the Commission.

This assessment presented in "Prudential risk management provision" and "Review of risk measurement valuation and procedures model" reports, which are presented to the Board of Directors, Risk Committee and General Management.

b. ***Environment -***

Monex, S.A.B. identifies, manages, supervises, controls, discloses and provides information on risks through its Comprehensive Risk Management Unit (UAIR) and the Risk Committee, which jointly analyze the information received from business units.

To enable it to measure and evaluate the risks resulting from its financial transactions, Monex, S.A.B. has technological tools to calculate the Value at Risk (VaR), while also performing supplemental stress testing. Likewise, Monex, S.A.B. has developed a plan allow operations continuity in the event of a disaster.

The UAIR distributes daily risk reports, together with monthly risk information to the Risk Committee and Audit Committee. Similarly, it presents quarterly risk reports to the Board of Directors.

c. ***Risk management entities -***

The Board of Directors is responsible for establishing risk management policies. However, according to established policies, it delegates responsibilities for implementing risk identification, measurement, supervision, control, information and disclosure procedures to the Risk Committee (RC) and General Management.

The policies approved by the Board of Directors are documented in the Comprehensive Risk Management Manual (MAIR), which includes risk management objectives, goals, procedures and maximum risk exposure tolerances.

The RC holds monthly meetings and ensures that transactions reflect the operating and control objectives, policies and procedures approved by the Board of Directors. Likewise, the RC delegates responsibility for providing comprehensive risk monitoring and follow-up to the Comprehensive Risk Management Unit (UAIR).

In urgent cases and depending on market conditions or the specific needs of different business units, the RC holds extraordinary meetings to determine the increase of established limits or temporary limit excesses.

The Risk Lines Committee holds weekly meetings to evaluate the risk lines used for foreign exchange transactions.

d. ***Market risk -***

Monex, S.A.B. evaluates and provides follow-up on all positions subject to market risks based on Value at Risk models which measure the potential loss of a position or portfolio associated with risk factor movements with a 99% reliance level and a one-day horizon.

The UAIR also prepares a GAP analysis among rates used for assets and liabilities denominated in Mexican pesos and foreign currency. The GAP analysis is represented by assets and liabilities with rates at different moments in time, while considering the characteristics of the respective rates and time frame.

e. ***Liquidity risk -***

The UAIR calculates daily liquidity GAP's (time at which interest or principal is received) based on the cash flows from total financial assets and liabilities of Monex, S.A.B.

Monex, S.A.B. quantifies its liquidity risk exposure by preparing cash flow projections which consider all assets and liabilities denominated in Mexican pesos and foreign currency, together with the respective maturity dates.

The Treasury Department of Monex, S.A.B. is responsible for ensuring the conservation of a prudent liquidity level in relation to Monex, S.A.B.'s needs. In order to reduce its risk level, Monex, S.A.B. keeps call money lines open in U.S. dollars and Mexican pesos with different financial institutions.

Daily, the Treasury Department monitors the liquidity requirement for foreign currency provisions in Circular 3/2015 of the Central Bank.

f. ***Credit risk -***

Monex, S.A.B.'s credit risk is managed in each phase of the credit process: promotion, evaluation, approval, implementation, follow-up, control and recovery.

This risk management is carried out by identifying, measuring, supervising and informing the different corporate bodies and business units of the risks to which the credit portfolios and the individual credits are exposed.

Individual risks are managed by means of expert analysis, and by classifying the portfolio of each borrower and each credit.

For credit portfolios the risk is managed through the establishment and follow-up of criteria such as: concentration limits, financing limits, indicators of portfolio quality, analysis of the evolution of risk indicators and trends.

Furthermore, there is a follow-up methodology in place for the entire portfolio, in which policies and parameters are applied to classify the risk level of the borrowers, and criteria are also established to manage borrowers considered as high risk.

The Recovery Unit plays an active role in the process of risk management and portfolio follow-up, with the aim of minimizing the risks for Monex, S.A.B.

Furthermore, Monex, S.A.B. makes the classification of each customer using the technology established by the Commission, which considers aspects related to financial risk, payment experience and collateral.

As established in the Provisions, Monex, S.A.B. established a maximum credit risk exposure limit equal to 40% of basic capital for an individual or entity or group of entities constituting a joint risk and report it, periodically, to the UAIR, CR and the Board of Directors.

g. ***Operating risk -***

The Comprehensive Risk Management Manual (MAIR) and Operating Risk Management Manual (MARO) establish policies and procedures for monitoring and control of operating risks.

Monex, S.A.B. has implemented procedures to follow up the operational risk, and periodically report the results to the UAIR, the CR and to the Board of Directors.

Monex, S.A.B. has implemented the risks headquarters and controls to get a qualitative qualification of the impact and frequency of the risks.

Through the classification of Risks, catalogues of risks are being integrated to determinate possible losses if such risks come true before the realization of operational risk are identified and the will be recognized in the future.

Risk frequency and impact classifications have been utilized to create risk maps for the different processes implemented by Monex, S.A.B.; these risk maps indicate the tolerance levels applicable to each risk.

Scale	Level
1	Low
2	Medium
3	High

- The maximum tolerance level utilized by Monex, S.A.B. is 3.
- Accordingly, each identified operating risk must be classified at levels 1 and 2 (Low - Medium) of the scale.

General Director of Monex, S.A.B., CR and to the areas involved must be informed immediately, if some identifying operational risks exceed the tolerance levels.

These levels indicate the possible economic loss that could be suffered by Monex, S.A.B. if a given risk materializes.

Monex, S.A.B. has built an historic database with the information of the losses incurred by operational risks. Thus, they will be able to generate quantitative indicators to monitor the operational risk in the operations.

h. ***Legal risk -***

Monex, S.A.B. has established policies and procedures in the MARO and implements the same process as that used for operating risks.

i. ***Technological risk -***

Monex, S.A.B. has policies and procedures for systems operation and development.

Regarding technological risks, Monex, S.A.B. has policies and procedures contained in MARO and implements the same process as that used for operational and legal risks.

j. ***Quantitative information (unaudited)***

a. ***Market risk -***

As of December 31, 2018, 2017 and 2016, the VaR was \$28, \$19 and \$30, respectively (unaudited) and with a 99% reliance for one day. This value represents the maximum loss expected during one day and is situated within the limits established by Monex, S.A.B.

As of December 31, 2018, 2017 and 2016, portfolio concentration by segment was as follows (unaudited):

	2018	2017	2016
Farming	$ 513	$ 660	$ 596
Foods	798	859	513
Automotive	1,062	1,031	1,187
Commerce	2,108	1,498	1,132
Housing construction	486	584	550
Specialized construction	1,184	1,152	1,076
Energy	618	201	-
Pharmacist	18	13	12
Financial	2,122	2,806	2,155
Government	2,472	1,001	-
Hospitality / Restaurants (tourism)	802	618	1,290
Chemistry Industry	170	727	317
Real state	2,626	1,936	1,915
Manufacturing (manufacture of plastic)	192	313	906
Manufacturing (manufacture of electrical and electronic)	9	17	19
Manufacturing (manufacture of concrete products)	1,295	1,126	714
Manufacturing (other)	1,714	1,079	726
Mining and metals	838	779	484
Natural person	1,144	1,117	680
Suppliers (PEMEX)	459	488	597
Services	2,015	2,093	2,371
Transport and telecommunications	432	591	666
Others	854	648	379
Total	$ 23,931	$ 21,337	$ 18,285

No market risk special treatment was identified in this period for securities available for sale.

Market risk statistics

	VaR Minimum	VaR Average	VaR Maximum
Global	20	25	28
Derivatives	8	9	9
MDIN	3	4	5
MDIN Own	0.182	2	3
Treasury	18	19	20
Changes	0.00	0.04	0.07

* The average value refers to the daily exposure of the money market, derivatives and foreign-exchange as of December 31, 2018.

b. ***Credit risk -***

Corporate bonds portfolio.

The credit VaR of the corporate bonds portfolio of the Money market as of December 31, 2018 in Monex, S.A.B. was (1.32%) relative to an investment of $17,333, whereas the credit stress of such portfolio was (3.90%) at the same date. The credit VaR was calculated using the Monte Carlo Simulation method with a confidence level of 99% on a one-year horizon; the stress was obtained by considering the following lower classification of each instrument.

	VaR	Expected loss	Unexpected loss
Maximum	1.51%	0.33%	1.18%
Minimum	1.14%	0.25%	0.89%
Average	1.32%	0.29%	1.03%

Note: The figures presented are expressed in amounts relative to the value of the corporate bonds portfolio, for the daily exposure of December 31, 2018.

Commercial loan portfolio.

Every month the calculation of reserves is made for the commercial loan portfolio, in which the expected loss forms part of the result issued; the methodology applied refers to that established in the Provisions. This method also assigns the degree of risk for the operations.

Expected loss statistics of commercial loan portfolio.

	Minimum	Maximum	Average
Expected loss*	418	684	509
Unexpected loss	106	141	121
Var	524	825	631

* The expected loss statistics refer to the daily exposure of December 31, 2018 for the commercial loan portfolio.

No significant variances were identified in this period in financial revenue or the economic value to report.

c. ***Liquidity Risk -***

Monex, S.A.B. evaluates the expiration of the assets and liabilities of the balance sheet in Mexican pesos and foreign currency. The gap of liquidity in Mexican pesos is as follows (unaudited):

Year	Requirement <=30 days	Requirement <=30 days
2018	$ (10,946)	$ 15,400

The gap of liquidity in U.S. dollars is presented as follows (unaudited):

Year	Requirement <=30 days	Requirement <=30 days
2018	$ (6,912)	$ 2,259

GAP total depreciation

Statically	<=30	<=90	<=180	<=360	<=720	<=1800	>1800	Total*
Minimum	(17,971)	(502)	1,173	2,030	1,952	3,259	1,138	(7,788)
Maximum	(13,584)	696	1,718	3,047	2,552	3,394	1,192	(3,155)
Average	(15,994)	(17)	1,375	2,544	2,305	3,342	1,164	(5,280)

GAP maturity total*

Statically	<=30	<=90	<=180	<=360	<=720	<=1800	>1800	Total*
Minimum	(21,697)	(5,202)	1,545	4,395	6,091	16,397	(7,177)	(588)
Maximum	(16,311)	(3,514)	2,681	4,974	7,891	17,172	(6,484)	3,802
Average	(18,216)	(4,232)	2,106	4,636	7,259	16,749	(6,747)	1,556

* The statistics of the maturity GAP refer to the position of the money market, credit, derivatives and foreign-exchange portfolios of December 31, 2018.

Liquidity or sensitivity analysis considers the asset and liability positions based on an extreme scenario for the assessment of variances in economic value and, in relation to financial revenues, a sensitivity analysis due to interest rate changes.

Repos renewal effect	Amount in tMp	VaR Absolut
Actual Cost	(128)	-
Sensitivity 1	(141)	(13)
Sensitivity 2	(154)	(26)
Stress 1	(167)	(38)
Stress 2	(179)	(51)

Sensitivity 1 = 10%,
Sensitivity 2 = 20%,
Stress 1 = 30%,
Stress 2 = 40%.

Effect of Selling off unusual MD	Amount in tMp
Value of securities	7,492
Sensitivity 1	(1)
Sensitivity 2	(1.3)
Stress 1	(13)
Stress 2	(25)

Sensitivity 1 = 1bp,
Sensitivity 2 = 10bp,
Stress 1 = 100bp,
Stress 2 = 200bp.

Effect of selling unusual Money market	Amount in tMp
Securities' value	16,594
Sensitivity 1	(1)
Sensitivity 2	(10)
Stress 1	(104)
Stress 2	(202)

Sensitivity 1 = 1bp,
Sensitivity 2 = 10bp,
Stress 1 = 100bp,
Stress 2 = 200bp.

Interest paid of deposits	Current MTM	MTM variation
Interest paid (actual)	(75)	-
Sensitivity 1	(83)	(8)
Sensitivity 2	(91)	(16)
Stress 1	(98)	(23)
Stress 2	(107)	(31)

Sensitivity 1 = 10%,
Sensitivity 2 = 20%,
Stress 1 = 30%,
Stress 2 = 40%.

d. ***Operational Risk***

At the monthly CR sessions information is presented on the events related to operational risk which arise in the different business units and are reported by the latter. This information indicates the event and date of occurrence.

Controllership staff prepare a log of these risks used as the basis to begin their quantification, which comprise the database of operational risk events.

Type of Operational Risk	2018-4T			
Materialized events	**Frequency**	**% Total**	**Average impact**	**%Total**
Execution, delivery and process management	1	1%	.291	100%
Events not materialized	**Frequency**	**% Total**	**Average impact**	**%Total**
Execution, delivery and process management	32	39%	0	0%
Incidents in the business and system failures; external events	50	60%	0	0%
Total	83	100%	.291	100%

e. ***Risk policies applied to derivative financial instruments-***

Market risks of transactions involving derivative financial instruments are limited because customer transactions are hedged through organized markets or inverse transactions with financial intermediaries.

These transactions involve a counterpart risk which is analyzed by the credit risk. Transaction amounts and initial margins are authorized and/or ratified by the Lines Committee.

For OTC derivatives transactions with customers, operating lines based on the analysis of the financial situation of each of the partners are determined. The credit risk covers customers requesting margins depending on the situation presenting.

In addition, customers are subject to margin calls at the end of the day or during the day if they face significant valuation losses in their open positions.

For foreign exchange transactions, credit risk is analyzed through the credit evaluation of the customers. The credit lines proposals are submitted to the credit line Committee, which can approve, deny or modify the proposal. Risk control is performed by monitoring the use of the lines and the corresponding payment behavior.

f. ***Detection of transactions with illegal resources –***

Monex, S.A.B. has a Communication and Control Committee which monitors compliance with applicable standards, while also notifying the involved areas and respective authorities of any transactions considered as unusual, significant or worrying according to SHCP provisions.

35. New accounting principles

NIF issued by the CINIF applicable to Monex S.A.B.

Improvements to NIF 2018:

a. With effect from January 1, 2019:

The Improvements to the NIF that generate accounting changes are:

NIF D-5, *Leases* - The accounting recognition for the lessor does not change and only disclosure requirements are added. For the lessee, it introduces a single model for the recognition of leases that eliminates the classification of leases as operating or capitalizable, so it must recognize the assets and liabilities of all leases with a duration greater than 12 months (unless the asset underlying is of low value). Consequently, the most important impact will be an increase in the assets under lease and in the financial liabilities of a lessee when recognizing an asset for the right to use the leased underlying asset and a lease liability that reflects the obligation of lease payments at value I presented. The following aspects should be considered when applying this NIF: a) a lease is defined as a contract that transfers to the lessee the right to use an asset for a specific period of time in exchange for a consideration, therefore, it must be evaluated, at start of the contract, if the right to control the use of an identified asset for a determined period of time is obtained; b) changes the nature of the expenses related to leases, by replacing the operating lease expense in accordance with Bulletin D-5, by an expense for depreciation or amortization of assets for right of use (in operating costs) and an expense for interest on lease liabilities (in the RIF); c) modifies the presentation in the consolidated statement of cash flows by reducing cash outflows from operating activities, with an increase in cash flow outflows from financing activities to reflect the payments of lease liabilities; d) modifies the recognition of the gain or loss when a seller-lessee transfers an asset to another entity and leases that asset back to back.

During 2018 the Commission modified the Provisions with the objective of incorporating the following NIF and indicating that its entry into force will be effective January 1, 2020: B-17 "Determination of fair value", C-3 "Accounts receivable" , C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 "Revenue from contracts with customers", D-2 "Costs from contracts with customers" and D-5 "Leases", issued by the Mexican Council of Financial Information Standards, AC and referred to in paragraph 3 of Criterion A-2 "Application of particular standards".

At the date of issuance of these consolidated financial statements, Monex, S.A.B. is in the process of determining the effects of these new standards on its financial information.

36. Authorization of the issuance of the consolidated financial statements

On March 29, 2019 the issuance of the consolidated financial statements was authorized by Héctor Pío Lagos Dondé, Chief Executive Officer of Monex, S.A.B., Alfredo Gershberg Figot, Chief Financial and Planning Officer, José Luis Orozco Ruíz, Chief Internal Auditor and José Arturo Álvarez Jiménez, Director of Accounting and Tax and by the Board of Directors, who, in addition to the Commission may be modified.

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