

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

Consolidated Financial Statements
for the Years Ended December 31,
2020, 2019 and 2018, and
Independent Auditors' Report
Dated March 26, 2021



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

Independent Auditors' Report and Consolidated Financial Statements for 2020, 2019 and 2018

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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, 2020, 2019 and 2018, 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.

Emphasis of matters

Due to its rapid global expansion and serious health impacts, on March 11, 2020, it was declared a "Global Pandemic" by the World Health Organization (WHO) the new infectious disease caused by SARS-CoV2 coronavirus (COVID-19). In response to this situation, at the governmental, business and individual levels, different containment measures have been established in order to stop the spread of this virus. These measures, coupled with the uncertainty regarding the development and duration of the Global Pandemic, have had impacts on the economic environment of the country, creating a contraction in Gross Domestic Product by 2020 of approximately 8.6%. As mentioned in Note 1 during 2020, the Monex, S.A.B. adopted different special accounting criteria to support bank debtors who were unable to meet their credit commitments, and it also adopted different measures which helped to control and minimize the effects of the Pandemic. Our opinion remains unchanged on this matter.



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. In order to ensure 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 ensure 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 consolidated financial statements 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.
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 accounting records matched with the position reported in the operating system and that it was reconciled with the depository institution Indeval, S.A. (Indeval) as of December 31, 2020.
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, 2020.
6. We verified that the collateral delivered and received in repurchase agreements presented in the consolidated balance sheet matched with the information in the operating system as of December 31, 2020. Also, we confirmed that securities delivered as collateral were restricted within investments in securities.
7. We validated that as of December 31, 2020, 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 proceeds 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, 2020.



Realized gains and losses -

- iv. On a test basis, we noted that the result on sales transactions involving securities and repurchase agreements matched 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.

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:

- I. 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 regarding the methodology and assumptions used.
 - f. We analyzed supporting information provided by Monex, S.A.B.
- II. 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.

Information other than the consolidated financial statements and the Auditor's Report

Management is responsible for this information. Other information comprises the information included in the annual report. The annual report is expected to be available for our reading after the date of this audit report.

Our opinion of the consolidated financial statements will not cover the other information and we will not express any form of assurance about it.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the other information, when available, and when we do so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or if that information's appears to contain a material error. If based on the work we have done, we conclude that there is a material error in the other information, we would have to report that fact. We have nothing to report on this matter.



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 assess 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.



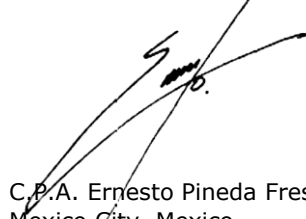
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Monex, S.A.B. to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain 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 26, 2021



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

Consolidated Balance Sheets

As of December 2020, 2019 and 2018
(In millions of Mexican pesos)

Assets	2020	2019	2018
Funds available	\$ 14,759	\$ 18,536	\$ 16,815
Margin accounts	1,957	1,587	795
Investment in securities:			
Trading securities	66,329	34,185	26,480
Securities available for sale	901	1,450	1,382
Securities held to maturity	<u>2,516</u>	<u>3,077</u>	<u>3,300</u>
	69,746	38,712	31,162
Repurchase agreements	1,000	4,509	1,437
Derivatives:			
Trading purposes	6,492	4,626	3,803
Hedging purposes	<u>-</u>	<u>15</u>	<u>122</u>
	6,492	4,641	3,925
Valuation adjustment for hedging financial asset	16	-	-
Performing loan portfolio:			
Commercial loans -			
Commercial or corporate activity	20,602	21,238	18,267
Loans to financial entities	1,548	1,978	1,973
Loans to government entities	<u>1,483</u>	<u>4</u>	<u>2,472</u>
	23,633	23,220	22,712
Housing loans -			
Loans acquired from INFONAVIT	<u>1,102</u>	<u>95</u>	<u>698</u>
Total performing loan portfolio	24,735	23,315	23,410
Non-performing loan portfolio:			
Commercial loans -			
Commercial or corporate activity	491	528	520
Housing loans -			
Loans acquired from INFONAVIT	<u>3</u>	<u>2</u>	<u>1</u>
Total non-performing portfolio	<u>494</u>	<u>530</u>	<u>521</u>
Total loan portfolio	25,229	23,845	23,931
Allowance for loan losses	<u>(973)</u>	<u>(433)</u>	<u>(427)</u>
Loan portfolio (net)	24,256	23,412	23,504
Other receivables (net)	28,160	15,701	16,986
Foreclosed assets	13	-	-
Property, furniture and equipment (net)	744	783	437
Investments in shares of associates	134	135	119
Deferred taxes and PTU (asset)	1,557	1,003	655
Other assets:			
Goodwill	1,138	1,068	1,096
Deferred charges, advance payments and intangibles (net)	2,044	1,868	1,818
Other assets	<u>148</u>	<u>153</u>	<u>195</u>
	3,330	3,089	3,109
Total assets	<u>\$ 151,984</u>	<u>\$ 112,108</u>	<u>\$ 98,944</u>



Liabilities	2020	2019	2018
Deposits:			
Demand deposits	\$ 28,612	\$ 17,725	\$ 18,433
Time deposits -			
General public	12,273	25,060	22,019
Money market	2,700	3,395	2,434
Debt securities	767	877	830
Global account for inactive deposits	<u>3</u>	<u>3</u>	<u>3</u>
	44,355	47,060	43,719
Securitization certificates	1,500	1,518	1,509
Bank loans and other loans:			
Short-term loans	479	1,191	1,636
Long-term loans	<u>78</u>	<u>235</u>	<u>127</u>
	557	1,426	1,763
Liabilities arising from sale and repurchase agreements	50,760	17,531	17,822
Collateral sold or pledged in guarantee:			
Repurchase agreements	592	4,239	33
Securities lending	<u>2,999</u>	<u>-</u>	<u>236</u>
	3,591	4,239	269
Derivatives:			
Trading purposes	5,837	3,506	2,956
Hedging purposes	<u>65</u>	<u>14</u>	<u>9</u>
	5,902	3,520	2,965
Fair value adjustment for financial liability hedge	-	7	-
Other payables:			
Income taxes payable	105	302	144
Employee profit sharing payable	582	446	291
Obligations arising from settlement of transactions	24,071	20,359	15,442
Payables from margin accounts	2	363	12
Liabilities arising from cash collateral received	3,497	2,771	3,000
Sundry creditors and other payables	<u>5,635</u>	<u>2,212</u>	<u>2,657</u>
	33,892	26,453	21,546
Deferred taxes and profit sharing (net)	211	176	157
Deferred charges and income received in advance	<u>396</u>	<u>354</u>	<u>292</u>
Total liabilities	141,164	102,284	90,042
Stockholders' equity			
Contributed capital:			
Capital stock	2,055	2,055	2,055
Additional paid-in capital	<u>763</u>	<u>763</u>	<u>763</u>
	2,818	2,818	2,818
Earned capital:			
Capital reserves	600	533	514
Retained earnings	5,863	4,622	3,812
Result from valuation of securities available for sale	(75)	(62)	(114)
Translation effects of foreign subsidiaries	862	610	668
Result from hedging instruments at fair value	(8)	-	114
Remeasurement of defined employee benefits	<u>(155)</u>	<u>(110)</u>	<u>(56)</u>
Net income	878	1,380	1,116
	7,965	6,973	6,054
Non-controlling interest	<u>37</u>	<u>33</u>	<u>30</u>
Total stockholders' equity	10,820	9,824	8,902
Total liabilities and stockholders' equity	<u>\$ 151,984</u>	<u>\$ 112,108</u>	<u>\$ 98,944</u>

Memorandum accounts

Transactions on behalf of third parties

	2020	2019	2018
Customer current accounts:			
Customer banks	\$ 482	\$ 145	\$ 135
Customer securities:			
Customer securities in custody	71,352	73,456	66,928
Securities received from customers abroad	<u>12,126</u>	<u>10,057</u>	<u>8,652</u>
	83,478	83,513	75,580
Transactions on behalf of customers:			
Customer repurchase agreements	57,982	38,213	26,879
Customer loan securities transactions	-	138	192
Customer collateral received in guarantee	1,573	1,101	9,348
Customer collateral sold or pledged in guarantee	-	156	213
Derivatives purchase transactions:			
Customer futures and advance contracts (notional amount)	44,412	60,384	36,210
Options	20,771	40,605	35,523
Swaps	166,052	165,655	99,682
Derivatives sale transactions:			
Sale transactions of futures and advance contracts (notional amount)	40,501	64,430	34,797
Customer options	26,781	44,931	42,015
Swaps	<u>7,523</u>	<u>-</u>	<u>-</u>
	<u>365,595</u>	<u>415,613</u>	<u>284,859</u>
Total on behalf of third parties	<u>\$ 449,555</u>	<u>\$ 499,271</u>	<u>\$ 360,574</u>

Transactions on own behalf

	2020	2019	2018
Contingent assets and liabilities	\$ 116	\$ 147	\$ 170
Assets in trust or mandate:			
Held in trusts	180,556	153,194	136,583
Custody and management assets	12,199	11,746	9,825
Loan commitments	<u>10,330</u>	<u>11,906</u>	<u>10,844</u>
	203,085	176,846	157,252
Collateral received by Monex, S.A.B.:			
Government debt	52,252	18,687	14,590
Banking debt	11,919	22,341	5,685
Other debt securities	<u>23,798</u>	<u>12,317</u>	<u>7,011</u>
	87,969	53,345	27,286
Collateral received and sold or pledged as guarantee by Monex, S.A.B.:			
Government debt	50,461	14,506	14,782
Banking debt	11,913	21,396	5,685
Other debt securities	<u>21,747</u>	<u>11,540</u>	<u>4,997</u>
	<u>84,121</u>	<u>47,442</u>	<u>25,464</u>
	172,090	100,787	52,750
Uncollected interest earned on non-performing loan portfolio	96	103	53
Other record accounts	<u>199</u>	<u>66</u>	<u>33</u>
Total on own behalf	<u>\$ 375,586</u>	<u>\$ 277,949</u>	<u>\$ 210,258</u>

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, 2020, 2019 and 2018

(In millions of Mexican pesos)

	2020	2019	2018
Gain/losses on financial assets and liabilities :			
Foreign exchange	\$ 3,677	\$ 2,878	\$ 3,169
Derivative instruments	2,789	2,807	2,253
Debt securities	170	535	128
Equity instruments	<u>(9)</u>	<u>26</u>	<u>2</u>
Gain/losses on financial assets and liabilities (net):	6,627	6,246	5,552
Interest income	5,764	6,422	5,000
Interest expense	<u>(3,676)</u>	<u>(4,960)</u>	<u>(3,567)</u>
Financial margin	2,088	1,462	1,433
Allowance for loan losses	<u>(920)</u>	<u>(281)</u>	<u>(191)</u>
Financial margin after allowance for loan losses	7,795	7,427	6,794
Commission and fee income	879	810	712
Commission and fee expense	(291)	(302)	(262)
Results from operating leasing	28	136	75
Participation in the result of unconsolidated subsidiaries and associates	<u>(1)</u>	<u>-</u>	<u>-</u>
Results from operations	8,410	8,071	7,319
Other operating (expense) income	(430)	(22)	(233)
Administrative and promotional expenses	<u>(6,728)</u>	<u>(6,134)</u>	<u>(5,552)</u>
Income before income taxes	1,252	1,915	1,534
Current income taxes	(788)	(762)	(467)
Deferred income taxes (net)	<u>412</u>	<u>230</u>	<u>56</u>
	<u>(376)</u>	<u>(532)</u>	<u>(411)</u>
Net income	<u>\$ 876</u>	<u>\$ 1,383</u>	<u>\$ 1,123</u>
Controlling interest	<u>\$ 878</u>	<u>\$ 1,380</u>	<u>\$ 1,116</u>
Non-controlling interest	<u>\$ (2)</u>	<u>\$ 3</u>	<u>\$ 7</u>

The accompanying notes are part of these consolidated financial statements.



Consolidated Statements of Changes in Stockholders’ Equity

For the years ended December 31, 2020, 2019 and 2018
(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, 2018	\$ 2,055	\$ 763	\$ 514	\$ 3,812	\$ (114)	\$ 668	\$ 114	\$ (56)	\$ 1,116	\$ 30	\$ 8,902
Entries approved by stockholders-											
Transfer of results from prior years	-	-	-	1,116	-	-	-	-	(1,116)	-	-
Capital reserve	-	-	56	(56)	-	-	-	-	-	-	-
Dividends paid	-	-	-	(250)	-	-	-	-	-	-	(250)
Others	-	-	(37)	-	-	-	-	-	-	-	(37)
Total entries approved by stockholders	-	-	19	810	-	-	-	-	(1,116)	-	(287)
Comprehensive income -											
Net income	-	-	-	-	-	-	-	-	1,380	3	1,383
Result from valuation of securities available for sale	-	-	-	-	52	-	-	-	-	-	52
Result from hedging instruments at fair value	-	-	-	-	-	-	(114)	-	-	-	(114)
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(54)	-	-	(54)
Translation effects of foreign subsidiaries	-	-	-	-	-	(58)	-	-	-	-	(58)
Total comprehensive income	-	-	-	-	52	(58)	(114)	(54)	1,380	3	1,209
Balances as of December 31, 2019	2,055	763	533	4,622	(62)	610	-	(110)	1,380	33	9,824
Entries approved by stockholders-											
Transfer of results from prior years	-	-	-	1,380	-	-	-	-	(1,380)	-	-
Capital reserve	-	-	69	(69)	-	-	-	-	-	-	-
Dividends paid	-	-	-	(70)	-	-	-	-	-	-	(70)
Others	-	-	(2)	-	-	-	-	-	-	-	(2)
Total entries approved by stockholders	-	-	67	1,241	-	-	-	-	(1,380)	-	(72)
Comprehensive income -											
Net income	-	-	-	-	-	-	-	-	878	(2)	876
Result from valuation of securities available for sale	-	-	-	-	(13)	-	-	-	-	-	(13)
Result from hedging instruments at fair value	-	-	-	-	-	-	(8)	-	-	-	(8)
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(45)	-	-	(45)
Translation effects of foreign subsidiaries	-	-	-	-	-	252	-	-	-	6	258
Total comprehensive income	-	-	-	-	(13)	252	(8)	(45)	878	4	1,068
Balances as of December 31, 2020	\$ 2,055	\$ 763	\$ 600	\$ 5,863	\$ (75)	\$ 862	\$ (8)	\$ (155)	\$ 878	\$ 37	\$ 10,820

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, 2020, 2019 and 2018

(In millions of Mexican pesos)

	2020	2019	2018
Net income	\$ 876	\$ 1,383	\$ 1,123
Adjustment for items that do not require cash flows:			
Depreciation	342	192	36
Amortization	131	128	93
Current and deferred income taxes	376	532	411
Provisions	642	-	-
Others	-	-	23
Adjustment for items that do not require cash flows	2,367	2,235	1,686
Operating activities:			
Change in margin accounts	(370)	(792)	(462)
Change in investments in securities	(31,021)	(7,466)	9,496
Change in repurchase agreements, net	36,737	(3,362)	(4,341)
Change in derivatives, net	496	(61)	159
Change in hedging instruments	(32)	(264)	19
Change in loan portfolio, net	(844)	92	(3,276)
Change in foreclosed assets (net)	(13)	-	-
Change in other operating assets	(12,873)	1,165	3,637
Change in deposits	(2,705)	3,341	4,779
Change in bank and other loans	(869)	(337)	456
Change in collateral sold or pledged in guarantee	(649)	3,969	(1,896)
Change in other operating liabilities	6,234	4,848	(4,893)
Others	(2)	-	-
Net cash flows from operating activities	(3,544)	3,368	5,364
Investing activities:			
Payments for acquisition of property, furniture and equipment	(387)	(12)	(156)
Proceeds from sale of property, furniture and equipment	85	(525)	64
Payment for acquisition of other permanent investments	-	-	(79)
Payments for acquisition of intangible assets	(185)	(97)	(91)
Proceeds from disposal of subsidiaries and associate companies	-	-	(38)
Other investing activities	-	-	2
Net cash flows from investing activities	(487)	(634)	(298)
Financing activities:			
Repurchase of own shares	(2)	(37)	-
Dividends paid	(70)	(250)	(250)
Interest paid	-	(167)	(195)
Debt payments	(113)	(500)	-
Net cash flows from financing activities	(185)	(954)	(445)
Net (decrease) increase in funds available	(4,216)	1,780	4,621
Effects from changes in value of funds available	259	(59)	(129)
Funds available at the beginning of the year	18,536	16,815	12,323
Funds available at the end of the year	\$ 14,579	\$ 18,536	\$ 16,815

The accompanying notes are part of these consolidated financial statements.



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

Notes to Consolidated Financial Statements

For the years ended December 31, 2020, 2019 and 2018

(In millions of Mexican pesos)

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 2020, 2019 and 2018-

a. *Portfolio Reserve*

During 2020, Banco Monex, S.A., Institution of Multiple Banking, Grupo Financiero Monex (hereinafter "Banco") (indirect consolidated subsidiary), generated a charge in results of \$911 of credit reserves; this amount is 223% higher than the \$282 recorded in this concept in 2019. Of the total credit reserves generated in 2020, \$500 correspond to general additional reserves not directly related to the qualification of the portfolio which were notified to the National Banking and Securities Commission (the "Commission").

b. *Purchase of Arrendadora Monex S.A. de C.V (hereinafter "Arrendadora")*

On July 31, 2019 Monex S.A.B. made a capital contribution of \$152, increasing its participation percentage to 91.29%

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%.

c. *Sale of portfolio to Arrendadora*

On November 30, 2018 Banco Monex sold to Arrendadora 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. Banco has recorded losses of 22.5 million dollars in relation to this loan, which was sold during the year.

d. *Issuance of securitization certificates-*

– Monex, S.A.B.

On June 17, 2019 Monex, S.A.B. successfully made the second Public Offering of securitization certificates under the ticker symbol MONEX 19, by placing on the market \$1,500 at a TIE28 rate for a term of 5 years, based on the program of loan-term securitization certificates.



On October 21, 2019 Monex, S.A.B. prepaid \$500 related to the issuance of securitization certificates made in 2017.

On June 20, 2019, Monex S.A.B. prepaid \$1,000 for the issuance made in 2017 under the ticker symbol MONEX 17.

– Banco

On July 13, 2018, Banco redeemed in full the securitization certificates under the ticker symbol BMONEX15 issued in the amount of \$1,000.

e. ***Disclosures and actions generated by the pandemic, COVID-19 effects***

On March 23, 2020, the General Health Council recognized the COVID-19 disease epidemic in Mexico as a serious priority care disease. Due to the measures adopted in this regard, there are impacts presented on various sectors of the economy. On March 11, 2020 it was declared a Global Pandemic by the World Health Organization, its recent global expansion has motivated a number of measures in the operation of Monex, S.A.B. as follows:

Treasury:

In the case of the General Management of Asset and Liabilities, from a quantitative point of view given to the reduction of fees globally (including the local one) and the positions which were funded generated additional revenues from those budgeted.

From a qualitative point of view, there was a conservative policy on risk-taking and the liquidity of Monex, S.A.B. was prioritized. Therefore, surplus investment in dollars with national banking development and government securities in national currency (which have no credit exposure) continued.

On the other hand, it participated in the temporary liquidity facilities that Banco de México (hereinafter "the Central Bank") granted as part of the mechanisms to promote the healthy development of the market:

- Facility 4 refers to government reporting.
- Facility 5 allows securities lending (the Central Bank lends government securities in exchange for granting eligible securities as collateral).
- Facility 6 allows to report corporate values that are part of the catalogue of eligible titles published by the Central Bank.

Credit Risk:

To mitigate the effects originated by the pandemic derived from COVID-19, Support Programs were implemented for the creditors of the Banco, benefiting 235 customers through restructurings and renewals for a total of \$4,826 integrated as follows: 167 customers are SMEs for \$243 and 68 customers are Corporate for \$4,583. At the end of December 2020 the balance of this portfolio is as follows: 174 customers for a total of \$2,466 (129 customers are SMEs for an amount of \$179 and 45 customers are corporate with an amount of \$2,286).

These support programmers were carried out under special accounting criteria issued by the Commission. Whether these special accounting criteria have not been considered, at the end of December 2020 there would have been an increase in the allowance for loan losses for credit risks of \$23.

Additionally, generic additional reserves of \$500 were established at the end of December 2020 to cover the risks of the loan portfolio.



Risk Management:

Based on the development and implementation of the module of Potential Future Exposure (PFE) / Credit Valuation Adjustment (CVA) from Murex system, both for customers and financial counterparties, UAIR is performing the impact assessment of the CVA component on the MTM (Derivatives Market Valuation) of the Banco derivatives positions, both with customers and with financial counterparties.

UAIR action during COVID-19:

The most important actions taken by the UAIR in the COVID-19 period were as follows:

- a) A timely risk report was generated, which, in addition to the daily report, allowed to monitor the main risk indicators in an Action Group meeting (with the General Management), where credit management and management were importantly seen and the evolution of the result of business units and the main indicators of market risk, liquidity, credit and regulatory.
- b) In addition, strict compliance with risk exposure limits for different business units was maintained, allowing to avoid unwanted surprises in the results of the business round tables.
- c) At all times it is seek to generate timely metrics for those decision-makers for business units.
- d) It participated in the analysis and evaluation of the implementation of the Commission's facilities about various topics, such as credit, liquidity and capitalization.
- e) The UAIR generated the risk dashboard, where the main indicators of profitability and risks for different business units are presented in a summary and in a timely manner.

Human Resources:

Monex, S.A.B has continued its strategy for prevention and control in all its branches in the Mexican Republic, which include:

Information:

- Keep all collaborators informed with reliable and timely data transparency about the virus and pandemic:

Communication campaigns for collaborators, which include subjects on:

- i. The pandemic in general, mode of transmission and symptoms.
 - ii. Prevention measures, hand washing and healthy distance.
 - iii. Home office, tips to carry out the work remotely.
- Contingency Working Group: it was created in order to solve the doubts that arise and carry out the necessary activities to ensure the continuity of business and protect the collaborators.
 - Tracking System: has the objective to keep timely control of both: home office staff, staff who is traveling or is in contact with travelers and positive cases to coronavirus.
 - Hygiene: Continuous cleaning roles with chlorinated water were implemented in working places; as well as a fully clean-up on weekends.
 - Delivery of Kits with mask.
 - Healthcare filter implementation in all branches; as well as sanitizing mats.
 - Psychological support: In the face of the uncertainty and anxiety that pandemic and quarantine may cause, communications on the support they can obtain through the Support Program for the Employee (Orienta PAE) were strengthened; communications about Support Tips will be send right now.

A traffic light system was implemented according to the color of the traffic lights in each branch and the capacity in its facilities defines the percentage of employees who will be able to go to work in a physical manner in order to avoid risks. Currently there are 86% of the employees working from home. Due to financial services must continue to be offered, all necessary actions are being taken to ensure the operation, either remotely, or if not, it is provided from the offices with the necessary hygiene measures to protect the employees.



The protocols established by each government of each state have been followed, in terms of opening and evidence to indicate.

For the Monex, S.A.B the collaborators are very important this is why webinars with mental health issues were carried out in this pandemic, both for the subject of this and for the topic of isolation.

Systems and Technological Development:

The technological infrastructure was designed to be able to operate in case of a contingency, so when the pandemic arrived it pulled over us to work from home, the work of the technology area was oriented to increase the services previously enabled.

The method selected was to work through private virtual networks (VPNs) and enable them both in the central data center and on each of the computers that employees would use at home. The tool had already been selected to work as a team and remotely was Microsoft Teams, so all users were able to use it since day one. It was required a training for the familiarization of the use of this tool, which by being easy to use allowed the smooth operation of the company including virtual meetings through meetings and / or meetings with video calls through Teams.

With around 2,000 VPNs installed, the next step was to work on monitoring and control tools to provide a better service to employees and they can work smoothly. Support for all employees with different knowledge and skill forced the help desk to extend its schedule since very early to late so the volume of calls received could be resolved.

Internally in Monex, S.A.B, there is a Bot chat called ALX, which was programmed to be able to solve all the doubts associated with the new employee work environment and release the calls to the service table. In many cases it was necessary to provide computers to the staff to work from home because they did not have one, or because the computer capacity they had was insufficient to operate with the Monex, S.A.B's systems, this forced the area of preparation and delivery of equipment to not neglect the security settings on each of the new computers.

There was already the mobile version application called MonexNet which is the main tool of operation by the sales force, in this period it became necessary to install it among more personnel who at the moment did not see its use necessary, and being in home was a mandatory tool to continue its commercial productivity.

The approximate value of the investment to support the growth of existing infrastructure and be able to give the service to the demand for use, amounted to \$7, distributed in security products, license programs, increased capacity of communications links and external resources.

Concept	
Consumption use of Azure cloud. Billed as "Overage Azure Services"	\$ 2
Additional external staff for technical support at Torre Monex	
Consumption use of Azure cloud. Billed as "Overage Azure Services"	2
Hire of new links from computing centers to the Azure cloud	
Internet bandwidth increase	
Professional Services	
Resources for attention at Torre Monex, computer delivery and migration virtual desktops.	1
Double RSA factor	1
Forescout security module	1
Total	\$ 7



Comptroller and Anti Money Laundering:

a) Internal Control:

During 2020, taking into account the problems that represented the confinement required by the contingency generated by SARS-CoV-2 (COVID-19), Monex, S.A.B., seek to maintain the service and operation required by our customers, as well as, taking care of the health of its staff, implemented remote working measures, such as the following:

- Exchange Rate Operation: An internal campaign was implemented to verify the beneficiaries of customer transfers to prevent potential external customer fraud.
- Securities operation: Due to the impossibility of recording calls received outside of the premises of Monex, S.A.B., in accordance with the measures implemented to continue with the securities operation and maintain the compliance with instructions, compensatory control activities were established as written confirmations of customers indicating the operations instructed by telephone to the promoters.
- An internal publicity campaign was performed on written media with which customers could instruct their operations.
- A robot was established for sending confirmations to customers, who during the contingency have fully instructed transactions with letter instruction.

It is important to note that customer services had no negative impact due to unavailability of service channels in any of Monex, S.A.B. entities.

b) Security Information:

- Since March 2020, a campaign was launched to assign portable devices for the personnel, configured with internal security measures, for example: VPN, hard drive encryption of the device, preventing a disclosure of information in case of theft or loss of the computer by the personnel.
- Implementation was accelerated and the use of the Microsoft Teams tool was promoted as an Institutional media to carry out videoconferences and allowing communication between personnel and/or service providers, authorities etc.

c) Business Continuity:

In the area of Business Continuity, the Monex, S.A.B., in application of its established Operational Continuity plans, launched as of February 2020 various measures aimed to reduce the impact of the pandemic in the business processes of the organization and safeguard the integrity of its collaborators. Among the main measures adopted are the following:

- Closure of floors in head offices.
- Redistribution of working stations in head office to maintain healthy distance.
- Adherence to government provisions and preventive measures issued in the Daily Official Journal
- Use of the Alternate Operations Center to take care of the healthy distance of personnel which operate critical processes and cannot carry out them at home office.
- Internal publicity campaigns of preventive measures were carried out and recommended by the Ministry of Health.
- Sanitary equipment was distributed to all branches for personnel use during their stay in offices.
- A station for mandatory medical review was established at the head office for personnel who needed to go to work physically.
- The QR code was generated for mandatory access registration to enter the facilities.
- Support for personnel with private transportation to/from offices to avoid the use of public transport.
- Establishment of a health filter with temperature and symptom verification before the access to the facilities.
- Mandatory use of mask at all times within the facilities.
- Periodic sanitization of the facilities.



- Social distancing through staggering personnel attendance.
- A gradual return to facilities program was established according to the contingency traffic light and limits of people in each office.

With the measures taken it was not necessary to declare Operative Contingency for any of the business units, since the impact on the operative, support and business areas were minimal, and the electronic channels of customer service remained operating in an uninterrupted way during the pandemic and as of today.

d) *Anti Money Laundering*

Temporary facilities to receive certain formats such as KYC (Know Your Customer) and visit report, without the signature of customers. Temporary facilities for the validation of homes visited through electronic media such as Google Maps and customer websites.

Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (hereinafter the "Casa de Bolsa") Monex Securities, Inc. (Monex Securities) and Monex Asset Management Inc. (Monex Asset Management).

The growth strategy for 2021 will focus mainly on the growth of the institutional operating table, the promotion of our Monex Investor digital platform, as well as increasing the promotion force for the investment area; and incur in financial equity planning plans using different financial instruments including the use of insurance for such plannings seeking to diversify the equity risk by establishing it in different currencies and in different types of assets.

Measures by COVID-19

The U.S. government began with restrictive policies on March 12. At Monex Securities we implemented home office to all employees since the same day, relying on the contingency plan required by the "Business Continuity Plan (BCP)" regulators. Given the hurricanes that occur in the Houston area constantly, based on past experiences and following the procedures referred to such contingency plan (BCP), it was very easy and quick for us to execute it, because we had not only the necessary equipment, but with the knowledge of how to apply it efficiently so the service was not interrupted or hindered to individual customers, as well as the institutional business and also be able to comply with regulatory guidelines.

Both the operating table (by 8 employees) as the promotion area (conformed by 12 promoters) have the equipment and have access to the necessary services to carry out their tasks at 100%.

Given the above, the impact of operating as a business working from home is very unremarkable and with no real impact.

Impact to the business by COVID-19

a) *Insurance Business*

It is being fully impacted, as insurance companies are not allowing new cases and prospects cannot travel to the United States for testing for such insurance. In this area of business we expect a drop in revenues of about 50% of what was budgeted.

The closure of borders will impact us, both for new customers and current clients who want to deposit more funds, our estimate is an impact of 25% on the revenue of this area. The clients we had to close have not been able to cross the border or have not been able to make a trip to the U.S.A. to transfer the funds they hold to US banks.

b) *New customers*

Not being able to travel prevents promoters from contacting such offerings and creating new opportunity areas.



c) *Current customers*

They have been affected by the exchange rate when buying US dollars in order to increase their investment with us, although the positive market has helped to the reimbursement on their USD investments.

d) *Customers with new deposits*

In terms of managed assets, they have grown by 10% compared to 2019 due to market volatility. As it can see in the financial information despite this period of uncertainty the Casa de Bolsa and its subsidiaries were able to continue to operate and even improved revenue at the end of 2020.

Arrendadora

a) *Health crisis affecting the portfolio during the pandemic months*

The origination of a new portfolio showed a significant decrease, in new applications and in approved applications. In this sense, the growth in the performing loan portfolio has been marginal compared to the previous year, maintaining healthy indicators of default and non-performing loans portfolio (0.06% and 0.10%) respectively at the end of December 2020). Despite being a Limited Company and an unregulated entity, the Arrendadora pleaded to the special provisions published by the Commission with regard to the support of its customers. In this sense, the Arrendadora has offered extensions or re-calendarization of payment of 2 or more months of rent to those customers who request it to meet the payment of their payment rents, this period extends at the end of the original calendar agreed.

b) *Strategy year 2020*

Faced with the uncertainty caused by the pandemic health regarding the behaviour of credit markets and their liquidity, the lessor focused efforts on protecting its balance sheet by maintaining efficient default indicators as possible, given the current environment to the detriment of potential growth in the leased portfolio. The lessor continued to pay attention to new lease applications, priority was given to applications which presented a strong credit risk profile (by sector, liquidity analysis during the pandemic) in this sense, the growth of our portfolio could be considered to have been conservative by favoring the defense of a healthy financial structure.

c) *Detail of supports granted at the end of 2020*

i. Rescheduled income:

Fixed Asset Category	Rescheduled Amount 2020
Transportation equipment	\$ 18
Additional Transportation Equipment	1
Sports Equipment	1
Computer Equipment	1
Furniture and Equipment	-
Kitchen Equipment	5
Specialized Equipment	40
Machinery and Equipment	19
Security Equipment	1
Subtotal	86
Value Added Tax	14
Total	<u>\$ 100</u>



ii. Revenue Recovery

	2021	2022	2023	2024	2025	2026	2027	Amount re- calendarized in 2020
Transportation Equipment	\$ 8	\$ 5	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 18
Additional Transportation Equipment	-	-	1	-	-	-	-	1
Sports Equipment	-	-	1	-	-	-	-	1
Computer Equipment	-	-	1	-	-	-	-	1
Furniture and Equipment	-	-	-	-	-	-	-	-
Kitchen Equipment	-	-	-	4	1	-	-	5
Specialized Equipment	1	3	15	11	3	2	5	40
Machinery and Equipment	-	5	1	2	1	-	10	19
Security Equipment	1	-	-	-	-	-	-	1
Subtotal	10	13	24	17	5	2	15	86
Value Added Tax	2	2	4	3	1	-	2	14
Total	<u>\$ 12</u>	<u>\$ 15</u>	<u>\$ 28</u>	<u>\$ 20</u>	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$ 17</u>	<u>\$ 100</u>

d) *Prevention actions for portfolio impairment*

During the corresponding financial year, the Arrendadora favored those customer who kept up to date in fulfilling their lease and who required additional support in the rescheduling of their payments. As it began to be done since the beginning of the pandemic, daily care and follow-up work has been maintained for our customers both to raise awareness of their ability to pay and immediately respond to any request for an additional extension.

e) *Deferral of income and cost recognition in rescheduled portfolio*

The Arrendadora, in accordance with the applicable regulations based on NIF A2 - *Basic Postulates* (Association of costs and expenses with revenues), performs the recognition of both the revenue and the cost associated with each of the leases in its portfolio, at the same time that each lease is paid by its customers, so that both records are reflected within the same accounting period and avoid a decompensation in results.

The Arrendadora has correctly applied the accounting standard in regard the recognition of the revenue-cost of its current leases, such recognition would not applicable to those leases that have received or receive the aforementioned support via extension or rescheduled of the rent payments.

As pure operating leases, the cost is recognized without deferral via depreciation of the asset and regardless of the deferral of related revenues in these cases.

In this regard and derived from the aforementioned customer support plan derived from the global health emergency, the revenue corresponding to those rescheduled rents which amounted to \$100 at the end of the financial year, has been deferred for recognition as those customers resume their payments in accordance with the calendar that includes the months of extension granted. By contrast, the amortization cost associated with that deferred revenue for those same leases with rescheduled rents amounted to \$52, which was recognized in its entirety within the 2020 financial year.



i. Cost detail recognized by rescheduled leases:

Fixed Asset Category	Rescheduled Amount 2020
Transportation Equipment	\$ 11
Additional Transportation Equipment	1
Sports Equipment	1
Computer Equipment	1
Furniture and Equipment	-
Kitchen Equipment	5
Specialized Equipment	21
Machinery and Equipment	12
Security Equipment	-
Total	<u>\$ 52</u>

Monex Europe Holdings Limited ("Monex Europe")

a) *Assess level of operational disruption*

Following the unprecedented COVID-19 pandemic event of the last year, Executive Management's priority was to implement a stronger business continuity plan. The safety of all external stockholders was the objective of this plan. As part of this plan, Monex Europe ensured that it had a strategy and resources to enable it to work remotely for all the personnel in the UK and abroad (Spain and Holland). This strategy consisted to provide laptops and IT equipment for the personnel who required it and implement alternative supervisory and security systems to ensure the security of clients when executing FX trades and payments.

As a result, Monex Europe continues operate fully and to date, there have been no disruptions to services for customers. All key personnel and heads of departments continue to carry out their duties and teams have available channels to facilitate both internal and external communication.

Executive Management continues monitoring the situation very closely and carry out virtual meetings on a regular basis. Furthermore, in order to provide crucial support to staff members in this times of uncertainty and social distancing, the Executive Management has carry out measures and decision-making that positively impact the quality of life and well-being of personnel. In addition, some virtual social events are organized which staff can attend to interact with each other outside the working environment.

b) *Legal and contractual framework*

The Executive Management is confident that Monex Europe will continue to meet its regulatory and legal obligations under the current business continuity plan. As mentioned above, alternative security measures were implemented to ensure the secure execution of transactions. Compliance, legal and risk departments are functioning as normal without any capacity constraints. The Executive Management is aware of the measures taken by the Financial Conduct Authority and the UK Government to support businesses during the current situation. With this objective, the Executive Management is confident that the organization is in the position to work with the regulators and relevant stakeholders, wherever necessary, to continue operations.



c) *Liquidity and working capital*

The Executive Management is aware that, current economic environment, maintaining sufficient liquidity and working capital is of the most important. For this purpose, Monex Europe has a \$50 million available line of credit with the holding company in Mexico. The Executive Management is confident that in the current scenario, the available resources are sufficient to continue operations for at least the next 12 months.

d) *Access to capital*

Monex Europe has no external debt and covenants. As mentioned above, the organization has access to sufficient liquidity.

e) *Asset valuation*

Executive Management has considered whether there is any indicator of impairment for goodwill and intangible assets, the answer is as follows:

f) *Goodwill:*

Management considers that there are no indicators for impairment resulting from COVID-19. The organization has been working under alternative plans since March 2020 and there has been no disruptions in trading. Due to the countercyclical nature of the business, any volatility in foreign exchange markets continue to represent opportunities for demand of our services as customers seek to protect themselves against foreign exchange risk, as well as capitalize the opportunities that the foreign exchange market may present. As a result, the Executive Management considers that there is no objective evidence to indicate impairment.

g) *Intangible assets other than goodwill:*

This concept represents the development of the internal trading database software. As noted above, there are no disruptions in the trading activities of the company. In addition, there have been no disruptions to the operation or change of use of this software. Executive Management believes there is no objective evidence of impairment.

The impact of COVID-19 on the UK and European economies and markets has been considerable. While most of the impact occurred in the first half of 2020, the volatility in financial markets and uncertainty around the macroeconomic outlook remain elevated. Subsequent COVID-19 waves continue to pose a threat to economic recoveries, which have been pulled over by unprecedented tax and monetary incentives packages. The distribution of vaccine and the safe reopening of economies continue to sit at the top of the priority list. The strains in financial markets have abated substantially reduced since the credit restriction and liquidity crunch witnessed in the first half of the year.

The Executive Management is confident in the resilience of Monex Europe's business and agility to adapt to fast changing environment. The key factors are:

- The majority of the basis cost corresponds to personnel costs, which is largely commission-based. The business will be able to reduce these costs in the worst of economic scenarios.
- The size of work the force of the business puts it in a good position to adapt to changing working environments swiftly. This is evident from the successful roll-out of remote working for all collaborators.
- The key suppliers continue to provide services remotely without disruption.
- A line of credit is available with the holding company from short to medium term.



- Strong measures taken by the UK government to support businesses and collaborators in a time of need.
- The overall quality of life and well-being of employees reinforced by uncomplicated operation and performance resulting from the implementation of remote working.

Tempus Inc. ("Tempus")

Very few businesses will come out unscathed by coronavirus and Tempus is no exception. Since late March and earlier April 2020, Tempus have saw less than half of their average daily transnationality and volume, stressing cash generation during most of the year. Several sectors serviced, like Travel or Imported Foods, came to a complete halt.

Despite the challenges posed by the pandemic, Tempus succeeded in maintaining positive cash flows and a sound level of working capital, implementing measures such as: Restricting forwards facilities to clients; daily client margin calls, and taking advantage of vendors allowing payment deferment..

The combination of initial market volatility and economic environment hit many clients' open forwards positions with market valuation losses. Tempus was able to manage the collection of those losses, and only had to write off few transactions that did not have a material impact in its provision for bad debt, and did not otherwise impacted its P&L. In the very unlikely worst case that all clients default at the same time, Tempus would face a loss of about \$3 million dollars, which is about 20% of Tempus' own cash liquidity.

In mid-March Tempus activated its business continuity plan and 95% of its work force started working from home with little to no difficulties. This work environment remains active and it foresees working in this capacity for a significant portion of 2021.

Tempus finished the year only 2% below in Revenues compared to 2019 but 2% above in terms of Operating Income. The summer months were the hardest, with activity increasing toward the end of the year.

With the objective to protect against further losses from COVID-19, Tempus increased its estimates for credit risks by USD \$250,000 during 2020.

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, 2020, 2019 and 2018 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, 2020, 2019 and 2018 were 11.30%, 15.03% and 15.71%, respectively, accordingly, the economic environment is not inflationary, it was used the value of the Investment Unit (UDI), it's value is denominated by the Central Bank based on inflation, consequently no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2020, 2019 and 2018 were 3.22%, 2.76% and 4.92%, respectively.

December 31,	UDI (in Mexican pesos)	Annual Inflation	Accrued inflation of three previous year
2020	6.6055	3.22%	11.30%
2019	6.3990	2.76%	15.03%
2018	6.2266	4.92%	15.71%



Consolidation of financial statements - The consolidated financial statements include the financial statements of Monex, SAB and those of its subsidiaries over which it exercises control as of December 31, 2020, 2019 and 2018 and for the years then ended, the shareholding percentage in the capital stock of such entities is shown below:

Company	2020	Shareholding percentage 2019	2018	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.
1.1 Cable 4, S.A. de C.V.	66.84%	-	-	Provide advisory and consulting services, software development, information systems, technical support and system maintenance
1.2 Monex ETrust, S.A.P.I. de C.V.	75%	-	-	Develop computer and technological platforms with the objective to offer through electronic media, automatic contract execution services, supervision and control of trust assets, master management of loan portfolios, supervision and marketing control of real estate developments
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 2018. Parent company of Tempus and Monex Europe LTD.
2.1 Tempus Inc. (Tempus)	99.99%	99.99% %	99.99%	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)	99.99%	99.99%	99.99%	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.
2.2.2.2 MonFX Limited	80%	-	-	Indirect subsidiary of Monex, S A B. It does not currently perform operations.
2.2.3 MonexFX PTE Ltd (Monex Singapur)	100%	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.
2.2.5 Monex, S.A. (Monex Luxemburgo)	100%	100%	100%	Indirect subsidiary of Monex, S A B. It does not currently perform operations
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 Banco)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. The Banco 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 Casa de Bolsa)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. The Casa de Bolsa 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)	74.07%	74.07%	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)	99.99%	99.99%	99.99%	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.	91.29%	91.92%	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

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 exchange rate on the date of accrual of revenues, costs and expenses.
- 4) The translation effects are recorded in stockholders' equity.

As of December 31, 2020, 2019 and 2018, the exchange rates used in the translation processes were as follows:

Company	Currency	Exchange rate to translate Mexican pesos		
		2020	2019	2018
Monex Europe Holding LTD. (consolidated)	Sterling pounds	27.2033	24.9837	25.0474
Tempus, Inc. (consolidated)	U.S. dollar	19.9087	18.8642	19.6512
Monex Securities	U.S. dollar	19.9087	18.8642	19.6512
Monex Assets Management	U.S. dollar	19.9087	18.8642	19.6512

As of December 31, 2020, 2019 and 2018 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, Sterling pounds 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 income - 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 of 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 income.

Going concern - The consolidated financial statements have been prepared by the Management under the assumption that Monex, S.A.B. will continue as a going concern.

On March 11, 2020, infectious disease caused by the coronavirus known as COVID-19 was declared a Global Pandemic by the World Health Organization (WHO). Its recent global spread has resulted in the implementation of containment measures in the different geographic areas where Monex, S.A.B., a series of sanitary measures has been implemented by the Mexican authorities and by the governments of the different countries where Monex, S.A.B. operates as a means of halting the spread of the virus. Derived from the uncertainty and duration of this pandemic, Monex, S.A.B. adopted different measures described in Note 1, therefore determined the assumption of continuing as a going concern

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" (hereinafter the "Accounting Criteria") and in its rulings, which are considered to be 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 criterion A-1 issued by the Commission, Monex, S.A.B. is required to apply Mexican Financial Reporting Standards (“IFRS” or “NIFs”) 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-

Improvements to 2020 NIF that generate accounting changes:

NIF D-4, *Income taxes* and NIF D-3, *Employee benefits*- Include paragraphs on uncertain tax treatments when considering the basis used to determine income tax (ISR) and employee statutory profit-sharing (PTU), while also assessing the probability whereby the tax or labor authorities may or may not accept an uncertain tax treatment.

NIF D-4 *Income taxes* - Clarifies the accounting recognition of income taxes incurred by the distribution of dividends as regards, the transactions that generated distributable profits.

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

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 from settlement of transactions, as applicable.

Other funds available such as regulatory monetary deposits and immediate collection documents are also included in this heading.

In accordance with the Accounting Criteria, 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, 2020, 2019 and 2018, 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 to mitigate default risk.



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 markup). Then, they are valued at fair value, applying the prices calculated by the price vendor contracted by Monex, S.A.B., in accordance with the Accounting Criteria established by 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 in the heading of "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 gains 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 issued by 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), which in the same time is the acquisition cost for Monex, S.A.B. Subsequently are 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 related deferred taxes, except when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results of the year.

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

The Accounting Criteria issued by 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 financial years ended December 31, 2020, 2019 and 2018, 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 or trading securities to securities available for sale 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 financial years ended December 31, 2020, 2019 and 2018, 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.

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, 2020, 2019 and 2018.

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. 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 measured at initial price, 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, recording an account receivable measured at initial price, which is equal to the agreed price, representing the right to recover the cash delivered. The account receivable is valued during the term of the repurchase agreement at its amortized cost, recognizing the interest in results as they are accrued.

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 credit risk faced 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 if 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 of 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 Criteria.

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

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 of the year 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 the heading “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 futures contracts for trading:

Forward and futures 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 of 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 heading "Derivatives". Recognized options that represent obligations are presented, without offsetting, as a credit balance under the liability heading "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 at fair value, 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 year 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 heading "Derivatives".

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 heading “Derivatives” on the consolidated balance sheet and the interest accrued is recorded in the consolidated statements of income under the heading “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 of the year.

The primary position of the risk hedged and the derivative hedge instrument are valued at market price, with the net effect recorded in results of the year 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 heading 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 year. 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 other comprehensive profit and loss account as part of stockholders’ equity and the ineffective portion is recorded in the results of 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 of the year.

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 of the year. 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 sheets.

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 credit 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 heading 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 the Central Bank.

Gain and losses 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 the heading “Deferred charges and income received in advance”, which is amortized against results of the year in the heading “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 loan term.

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 occur.

Incremental costs and expenses associated with the initial granting of the loan are recognized as a deferred charge, which are amortized to net 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 not 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 - Integrated 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 previous 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 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 Bankruptcy Law, as well as the loans granted under article 75 in relation to sections II and III of article 224 of the previous mentioned Law, will be transferred to non-performing loan portfolio when they fall under the conditions set forth in the following numeral 2 below, or

2. Repayments that were not fully settled under the terms originally agreed, with the following characteristics:
 - a) Loans with a single payment of principal and interest at maturity present 30 calendar days after the date of maturity.
 - b) Loans with a single payment of principal at maturity and with periodic interest payments present 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 present 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 after 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 when 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 to the following:

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:

- R_i = Amount of reserves to be created for the nth loan.
 PI_i = Probability of default of the nth loan.
 SP_i = Severity of loss of the nth loan.
 EI_i = 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 be calculated each month, the PI_i; and the SP_i at least each quarter.

I. Probability of default

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

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



For purposes of the above:

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

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

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 or more months in arrears based on the originally agreed terms.

Monex, S.A.B. may recognize real guarantees, 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 Accounting Criteria established by the Commission are applied.

II. *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.

$$EI_i = S_i$$

- ii) For the other credit lines:

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

Where:

S_i : 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 Accounting Criteria.

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:

$$SP_i = \text{Max} \left(\text{Min} \left(1 - \frac{\text{Credit Enhancements} + \text{Adjusted Net Worth}}{Si}, 45\% \right), 5\% \right)$$

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 mentioned 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:

$$SP_i = \text{Max} \left(\text{Min} \left(1 - \frac{\text{Adjusted Net Worth}}{Si}, 45\% \right), 5\% \right)$$

Where:

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 the mentioned 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:

R_i = Amount of allowance for loan losses to be created for the nth loan.

PI_i = Probability of default on the nth loan.

SP_i = Severity of the loss on the nth loan.

EI_i = 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, or
 - 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. Performing 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 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 to 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.



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 previous mentioned shall not applicable to those restructurings which at the transaction date submit payment default 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: whenever 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 any case shall the change of the payment date must allow the omission of payment in any period.

Other receivables and payable accounts, net - Mainly 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 present 90 or more calendar days of payment default.

Property, furniture and equipment, net - Property, furniture and equipment 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 - They are mainly represented by software, prepayments, operating deposits and intangible assets generated as part of the of Tempus and Monex Europe acquisitions.

The amortization of the software and the assets with finite useful lives is calculated using the straight-line method recording them in operative expenses, updating their corresponding rates, 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 pension plan and seniority premiums of employees.

Investments in securities acquired to cover pension plan 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, 2020, 2019 and 2018, 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 carrying amount 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, 2020, 2019 and 2018, 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 presented into the consolidated balance sheets 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.

Securitization certificates - Include certificates issued through a public offering by Monex, S.A.B. and the Banco and the interest are recognized in results when incurred.

Bank loans and other loans - Direct short loans received from Mexican banks are recorded under this heading, as well as 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, that probably represents a cash flow of economic resources, 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. **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, 2020, 2019 and 2018, 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 the 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 the Central Bank 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 in accordance with market and general economic conditions.



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:

- Evaluate of changes in the assets and liabilities of Monex, S.A.B. and in its financial structure.
- Evaluate 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 in 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 economic sanctions imposed 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 initiated an 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.

Items under this account are subject to qualification.

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

Different management trusts are kept to independently account for assets in trust received. 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 (Unaudited):*

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, 2020, 2019 and 2018, funds available were as follows:

	2020			2019	2018
Funds available	Mexican pesos	Foreign currency	Total	Total	Total
Cash	\$ 5	\$ 26	\$ 31	\$ 42	\$ 54
Deposits in banks	8,050	5,006	13,056	11,357	16,517
Immediate collection documents	30	7	37	2	12
Remittance	-	-	-	2	3
Auction funds available	705	-	705	300	-
Foreign currency sale from 24 to 96 hours (1)	-	(22,481)	(22,481)	(11,649)	(13,983)
	8,790	(17,442)	(8,652)	54	2,603
Restricted funds available:					
Foreign currency purchase from 24 to 96 hour (1)	-	22,843	22,843	18,043	13,983
Regulatory monetary deposits (2)	39	349	388	439	229
	39	23,192	23,231	18,482	14,212
Total net	\$ 8,829	\$ 5,750	\$ 14,579	\$ 18,536	\$ 16,815



- (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, 2020, 2019 and 2018, balances denominated in foreign currency and the equivalent amounts in Mexican pesos are integrated as follows:

	2020				
	Dollars	Euros	Sterling pounds	Others	Total
Total funds available					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 37,660	\$ 547	\$ 1	\$ (15,365)	\$ 22,843
Sale of foreign exchange to be delivered in 24 to 96 hours (Mexican pesos)	<u>(20,835)</u>	<u>(377)</u>	<u>(15)</u>	<u>(1,254)</u>	<u>(22,481)</u>
Total in funds available (Mexican pesos)	<u>\$ 16,825</u>	<u>\$ 170</u>	<u>\$ (14)</u>	<u>\$ (16,619)</u>	<u>\$ 362</u>

The exchange rate as of December 31, 2020 was \$19.9087, 24.3563 and \$27.2032 Mexican pesos per the U.S. dollar, Euro and Sterling pounds, respectively.

	2019				
	Dollars	Euros	Sterling pounds	Others	Total
Total funds available					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 38,169	\$ 738	\$ 856	\$ (21,720)	\$ 18,043
Sale of foreign exchange to be delivered in 24 to 96 hours (Mexican pesos)	<u>(11,578)</u>	<u>(770)</u>	<u>(871)</u>	<u>1,570</u>	<u>(11,649)</u>
Total in funds available (Mexican pesos)	<u>\$ 26,591</u>	<u>\$ (32)</u>	<u>\$ (15)</u>	<u>\$ (20,150)</u>	<u>\$ 6,394</u>

The exchange rate as of December 31, 2019 was \$18.8642, 21.1751 and \$24.9837 Mexican pesos per the U.S. dollar, Euro and Sterling pounds, respectively.

	2018				
	Dollars	Euros	Sterling pounds	Others	Total
Total funds available -					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 24,980	\$ 278	\$ 14	\$ (11,289)	\$ 13,983
Sale of foreign exchange to be delivered in 24 to 96 hours (Mexican pesos)	<u>(13,416)</u>	<u>(363)</u>	<u>(14)</u>	<u>(190)</u>	<u>(13,983)</u>
Total in funds available (Mexican pesos)	<u>\$ 11,564</u>	<u>\$ (85)</u>	<u>\$ -</u>	<u>\$ (11,479)</u>	<u>\$ -</u>

The exchange rate as of December 31, 2018 was \$19.6512, 22.4692 and \$25.0474 Mexican pesos per one U.S. dollar, Euro and Sterling pounds, 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, 2020, deposits amount to \$39 and 2019 and 2018 these deposits amounted to \$229 in the two 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, 2020, 2019 and 2018, the margin accounts are as follows:

	2020	2019	2018
Collaterals received as security	\$ <u>1,957</u>	\$ <u>1,587</u>	\$ <u>795</u>
	\$ <u>1,957</u>	\$ <u>1,587</u>	\$ <u>795</u>



As of December 31, 2020, 2019 and 2018, margin accounts for collaterals received as a security are as follows.

	2020	2019	2018
Scotiabank Inverlat, S.A.	\$ 1,141	\$ 245	\$ 605
Banco Santander México, S.A.	632	1,193	107
BBVA Bancomer	18	-	-
Goldman Sachs & Co. Llc	7	-	-
Morgan Stanley & Co. Llc	1	-	-
ISDA Societe Generale	87	68	26
RJO Brien	71	81	57
	<u>\$ 1,957</u>	<u>\$ 1,587</u>	<u>\$ 795</u>

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

6. Investment in securities

Trading securities - As of December 31, 2020, 2019 and 2018, trading securities are as follows:

Selling party	2020				2019	2018
	Acquisition Cost	Interest accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Government Securities -						
Treasury Bills (CETES)	\$ 372	\$ -	\$ -	\$ 372	\$ 371	\$ 658
Federal Government Development Bonds (BONDS)	21,090	15	(23)	21,082	7,203	204
Bonds M, M0 and M7	3,276	13	(14)	3,275	164	102
Federal Government Development Bonds in UDIS (UDIBONDS)	79	2	3	84	133	142
Saving Protection Bonds (BPAT's)	8,113	57	(50)	8,120	469	666
United Mexican States Bonds (UMS)	91	-	-	91	69	53
Private Securities -						
Marketable Private Certificates	18,513	63	29	18,605	12,974	11,161
Commercial Paper	-	-	-	-	-	-
Private Bank Issued Securities -						
Promissory Note With Yield Payable at Maturity (PRLV)	-	-	-	-	-	406
Marketable Bank Certificates	8,304	47	21	8,372	8,193	2,125
Certificates of Deposit (CEDES)	6,167	18	(6)	6,179	4,802	10,110
Capital market instruments:						
Shares Listed in Stock Exchange	118	-	(1)	117	53	23
Mutual Funds	51	-	-	51	17	22
Value date transactions:						
Government Securities -						
United Mexican States Bonds (UMS)	-	-	-	-	-	-
Federal Government Development Bonds (BONDS)	-	-	-	-	(280)	-
Bonds M, M0 and M7	-	-	-	-	-	(375)
Stockholder instruments:						
Shares Listed in Stock Exchange	(19)	-	-	(19)	(1)	-
Restricted in securities lending:						
Treasury Bills (CETES)	-	-	-	-	18	1,183
	<u>\$ 66,155</u>	<u>\$ 215</u>	<u>\$ (41)</u>	<u>\$ 66,329</u>	<u>\$ 34,185</u>	<u>\$ 26,480</u>



Restricted trading securities: As of December 31, 2020, 2019 and 2018, from trading securities position, it is reported at market value are as follows:

	2020	2019	2018
Debt instruments:			
Government Securities -			
Treasury Bills (CETES)	\$ 100	\$ 368	\$ 600
Federal Government Development Bonds (BONDS)	15,591	4,443	204
Bonds M, M0 and M7	3,046	155	103
Federal Government Development Bonds in UDIS (UDIBONDS)	19	-	66
Savings Protection Bonds (BPAT's)	6,727	249	666
United Mexican States Bonds (UMS)	34	37	32
Subtotal	<u>25,517</u>	<u>5,252</u>	<u>1,671</u>
Private Securities -			
Marketable Private Certificates	<u>10,780</u>	<u>6,188</u>	<u>6,987</u>
Subtotal	<u>10,780</u>	<u>6,188</u>	<u>6,987</u>
Private Bank Issued Securities -			
Marketable Bank Certificates	8,128	5,966	1,171
Certificates of Deposit (CEDES)	<u>3,909</u>	<u>2,868</u>	<u>5,109</u>
Subtotal	<u>12,037</u>	<u>8,834</u>	<u>6,280</u>
Total	<u>\$ 48,334</u>	<u>\$ 20,274</u>	<u>\$ 14,938</u>

As of December 31, 2020, 2019 and 2018, the position in trading securities includes the following securities lending at market value:

	2020	2019	2018
Debt instruments:			
Government Securities			
Saving Protection Bonds (BPAT's)	\$ 796	\$ -	\$ -
Treasury Bills (CETES)	-	18	1,183
Federal Government Development Bonds (BONDS)	<u>5,490</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,286</u>	<u>\$ 18</u>	<u>\$ 1,183</u>

This position is considered as restricted within trading securities.

As of December 31, 2020, from the position in trading securities, the following securities at fair value are guaranteed with the Central Bank:

	2020
Debt instruments:	
Government values-	
Federal Government Development Bonds (BONDS)	\$ 1
Marketable Certificates (Other)	21
Marketable Bank Certificates	<u>24</u>
Total	<u>\$ 46</u>



As of December 31, 2020, positions greater than 5% of the Banco and the Casa de Bolsa net capital in debt securities with a sole issuer (other than government securities) are as follows:

2020			
Emisora	Plazo promedio ponderado	% tasa promedio ponderado	Valor actualizado
NAFI	257	0.52%	\$ 11,550
CETEM	1,066	5.29%	1,277
PEMEX	894	9.99%	800
DAIMLER	293	3.56%	485
CFE	2,115	8.03%	353
FEFA	1,527	5.19%	2,273
TFOVICB	8,892	2.27%	939
FOVISC	9,879	2.75%	507
BANCOMER	551	3.99%	2,312
BANORTE	43	1.17%	2,792
BSANT	184	4.56%	463
HSBC	717	1.00%	1,268
SCOTIAB	677	0.81%	3,669
VWLEASE	480	5.15%	591
BINBUR	1,274	5.56%	974
BSMX	1,865	5.38%	552
NAFF	3,116	5.75%	368
TFOVIS	8,512	2.37%	1,050
BANOB	1,785	4.52%	1,502
FHIPOCB	10,941	6.53%	398
BLADEX	1,352	5.68%	452
Total			\$ 34,575

Securities available for sale - As of December 31, 2020, 2019 and 2018, the securities available for sale are as follows:

	2020				2019	2018
	Acquisition cost	Interest accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Government Securities						
UMS22F2 2022F D1	\$ -	\$ -	\$ -	\$ -	\$ 293	\$ 293
Private Securities -						
Marketable Bank Certificates						
PEMEX 13-2 95	443	25	(25)	443	441	385
PEMEX3 210121 D2	97	2	2	101	99	101
PEMEX10-295	-	-	-	-	267	265
PEMEX11-395	359	-	(2)	357	350	338
	<u>\$ 899</u>	<u>\$ 27</u>	<u>\$ (25)</u>	<u>\$ 901</u>	<u>\$ 1,450</u>	<u>\$ 1,382</u>

As of December 31, 2020, 2019 and 2018, there were no indicators of impairment in relation to securities available for sale.



Restricted securities available for sale

As of December 31, 2020, 2019 and 2018, the restricted securities available for sale are as follows:

	2020	2019	2018
Private Securities -			
Marketable Private Certificates:			
Commercial paper:			
PEMEX 13-2 95	\$ 442	\$ 441	\$ 385
PEMEX10-295	-	267	265
PEMEX11-395	<u>357</u>	<u>350</u>	<u>338</u>
Total	<u>\$ 799</u>	<u>\$ 1,058</u>	<u>\$ 988</u>

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

Securities held to maturity -

As of December 31, 2020, 2019 and 2018 the securities held to maturity are as follows:

	2020	2019	2018
Private Securities -			
Marketable Private Certificates			
95CDVITOT15-2U	\$ 17	\$ 21	\$ 24
95CDVITOT15U	43	53	61
95TFOVICB15U	78	85	93
95TFOVIS14U	546	619	692
95FOVISCB18U	330	356	385
95CEDEVIS07-2U	34	51	68
95CEDEVIS07-3U	18	29	40
95CEDEVIS12U	3	3	3
95CEDEVIS13U	82	98	108
95PEMEX10-2U	-	269	269
95TFOVICB13-3U	18	23	28
95TFOVIS14-2U	89	100	112
95TFOVIS14-3U	415	478	475
95TFOVICB15-2U	<u>843</u>	<u>892</u>	<u>942</u>
Total	<u>\$ 2,516</u>	<u>\$ 3,077</u>	<u>\$ 3,300</u>

This position is considered as restricted within the securities held to maturity.

7. Repurchase agreements

As of December 31, 2020, 2019 and 2018 repurchase agreements are as follows:

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

	2020		
	Repurchase agreements	Collateral received or sold	Net asset position
Government Securities-			
Federal Government Development Bonds (BONDS)	\$ 2,446	\$ (1,446)	\$ 1,000
Total	<u>\$ 2,446</u>	<u>\$ (1,446)</u>	<u>\$ 1,000</u>



	2019		
	Repurchase agreements	Collateral received or sold	Net asset position
Government Securities -			
Federal Government Development Bonds (BONDS)	\$ 1,176	\$ (668)	\$ 508
Bonds M, M0 and M7	4,000	-	4,000
Savings Protection Bonds (BPAT's)	<u>2,824</u>	<u>(2,823)</u>	<u>1</u>
Total	<u>\$ 8,000</u>	<u>\$ (3,491)</u>	<u>\$ 4,509</u>
	2018		
	Repurchase agreements	Collateral received or sold	Net asset position
Government Securities -			
Treasury Bills (CETES)	\$ 1,003	\$ (852)	\$ 151
Federal Government Development Bonds (BONDS)	4,044	(3,342)	702
Savings Protection Bonds (BPAT's)	<u>5,758</u>	<u>(5,174)</u>	<u>584</u>
Total	<u>\$ 10,805</u>	<u>\$ (9,368)</u>	<u>\$ 1,437</u>

As of December 31, 2020 repurchase transactions performed by Monex, S.A.B., acting as purchaser, were agreed at terms ranging between 4 to 72 days, 2 to 72 days for 2019 and between 2 to 41 days for 2018.

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

	2020	2019	2018
	Cash to be delivered	Cash to be delivered	Cash to be delivered
Derived from Trading Securities:			
Government Securities -			
Treasury Bills (CETES)	\$ 101	\$ 12	\$ 600
Federal Government Development Bonds (BONDS)	15,603	213	204
Bonds de M, M0 y M7	3,047	-	103
Federal Government Development Bonds in UDIS (UDIBONDS)	18	-	66
Saving Protection Bonds (BPAT's)	6,726	-	666
United Mexican States Bonds (UMS)	<u>34</u>	<u>37</u>	<u>33</u>
Subtotal	<u>25,529</u>	<u>262</u>	<u>1,672</u>
Private Securities-			
Marketable Private Certificates	<u>13,792</u>	<u>8,360</u>	<u>9,857</u>
Subtotal	<u>13,792</u>	<u>8,360</u>	<u>9,857</u>
Private Bank Securities-			
Marketable Bank Certificates	7,529	6,003	1,174
Certificates of Deposit (CEDES)	<u>3,910</u>	<u>2,906</u>	<u>5,119</u>
Subtotal	<u>11,439</u>	<u>8,909</u>	<u>6,293</u>
Total	<u>\$ 50,760</u>	<u>\$ 17,531</u>	<u>\$ 17,822</u>

For the years ended December 31, 2020, 2019 and 2018, accrued interest on repurchase agreements are \$1,170, \$1,765 and \$1,013, respectively, and the accrued interest expenses on purchase agreements are \$2,302, \$2,702 and \$2,019, respectively.

As of December 31, 2020, 2019 and 2018, repurchase transactions performed by Monex, S.A.B., acting as seller, were agreed at terms ranging between 4 to 72 days, 2 to 60 days and 2 to 19 days, respectively.



8. Derivative financial instrument transactions

As of December 31, 2020, 2019 and 2018, the position for transactions with financial derivatives is as follows:

	2020		2019		2018	
	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	\$ 1,620	\$ 2	\$ 3,304	\$ 152	\$ 5,307	\$ 16
Index futures	-	-	-	-	42	-
Forwards-						
Foreign currency forwards	42,792	1,949	57,079	2,516	30,861	1,647
Security forwards	-	3	-	-	-	-
Options-						
Foreign currency options	4,876	185	-	57	42	89
Rates options	15,877	133	-	82	328	400
Index options	18	-	-	2	3	3
Swaps-						
Foreign currency swaps	8,224	137	8,485	153	2,359	164
Rates swaps	<u>19,044</u>	<u>4,083</u>	<u>25,059</u>	<u>1,664</u>	<u>17,230</u>	<u>1,484</u>
Total trading derivatives	92,451	6,492	93,927	4,626	56,172	3,803
Hedging derivatives						
Rates swaps	<u>192</u>	<u>-</u>	<u>336</u>	<u>15</u>	<u>518</u>	<u>122</u>
Total hedging derivatives	<u>192</u>	<u>-</u>	<u>336</u>	<u>15</u>	<u>518</u>	<u>122</u>
Total Derivates	<u>\$ 92,643</u>	<u>\$ 6,492</u>	<u>\$ 94,263</u>	<u>\$ 4,641</u>	<u>\$ 56,690</u>	<u>\$ 3,925</u>
	2020		2019		2018	
	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	\$ 625	\$ 95	\$ 7,283	\$ 85	\$ 606	\$ 206
Index futures	13	-	27	-	-	-
Forwards-						
Foreign currency forwards	39,810	941	57,117	1,327	34,182	604
Index forwards	-	-	-	-	3	-
Stock forwards	-	-	-	-	6	-
Securities forwards	53	2	3	-	-	-
Options-						
Foreign currency options	3,300	9	-	13	44	81
Rates options	23,465	7	-	45	571	594
Securities options	-	-	-	-	1	2
Index options	15	-	-	-	1	-
Swaps-						
Foreign currency swaps	8,281	195	8,500	168	2,454	259
Rates swaps	<u>19,538</u>	<u>4,588</u>	<u>25,264</u>	<u>1,868</u>	<u>16,956</u>	<u>1,210</u>
Total trading derivatives	95,100	5,837	98,194	3,506	54,824	2,956
Hedging derivatives						
Rates swaps	<u>257</u>	<u>65</u>	<u>334</u>	<u>14</u>	<u>405</u>	<u>9</u>
Total hedging derivatives	<u>257</u>	<u>65</u>	<u>334</u>	<u>14</u>	<u>405</u>	<u>9</u>
Total Derivates	<u>\$ 95,357</u>	<u>\$ 5,902</u>	<u>\$ 98,528</u>	<u>\$ 3,520</u>	<u>\$ 55,229</u>	<u>\$ 2,965</u>



For the years ended December 31, 2020, 2019 and 2018, the valuation effect of the trading and hedging 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. Also, Monex, S.A.B. holds hedge instruments intended to cover the interest rates related to two of the most relevant loans granted as well as the interest rate of the UMS instrument issued in dollars.

Following is a list of the hedge transactions held by Monex, S.A.B. as of December 31, 2020:

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%).	(5)	100% hedging
95PEMEX13-2	Interest rate swap which pays fixed rate (7.19%) and receives 28 day TIIE plus a spread (1.01%).The 75% of the exchange is hedging.	(44)	75% of the exchange is hedging. The remaining 25% is trading. (+452/602)
AUDI 1	Interest rate swap which pays fixed rate (6.135%) and receives 28 day TIIE.	(12)	100% hedging
AUDI 2	Interest rate swap which pays fixed rate (6.155%) and receives 28 day TIIE.	(4)	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 results).

The underlying assets of derivatives closed during 2020 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	TIIE
	GBP/MXN	OTC EUR/MXN	IRS-LIBOR 3M	IPC
	GBP/USD	IRD CF	IRS-LIBOR 6M	
	CHF/MXN	MXN IPC		
	MXN/JPY	OTC EUR/USD	CCSWAP- TIIE LIB	
			CCSWAP Fija-Fija	
	USD/JPY	OTC USD/CAD	USD/MX	
	SEK/MXN		CCYSWAP EUR/MXN	
	EQ- IPC			
	EQ-Acciones			



The guarantees and collateral received and delivered for the derivative financing transactions as of December 31, 2020, 2019 and 2018, are comprised as follows:

Heading	Type of collateral	Market	Received		
			2020	2019	2018
Liabilities arising from cash collateral received	Cash	OTC	\$ 3,497	\$ 2,771	\$ 3,000

Heading	Type of collateral	Market	Delivered		
			2020	2019	2018
Margin accounts	Cash	Organized markets	\$ 1,957	\$ 1,587	\$ 795
Other receivables	Securities	OTC	\$ 742	\$ 540	\$ 235

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, 2020, 2019 and 2018, 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 national entities that comply with the 31 requirements established by the Central Bank.

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 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 as of December 31, 2020, 2019 and 2018, 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 expected by Monex, S.A.B.’s administration, affecting future reports.

The amount of margin calls made during 2020, 2019 and 2018 was necessary to cover contributions in both the organized and the required collateral contracts markets.



Impairment of financial derivatives -

As of December 31, 2020, 2019 and 2018, 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, 2020 (unaudited):

Sensitivity analysis	Sensitivity (all factors)
Stage one 1%	(0.962)
Stage two 2%	(1.924)

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, 2020 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	\$ (9.620)
Stage two	\$ (19.240)



9. Loan portfolio

As of December 31, 2020, 2019 and 2018, the performing and non-performing loan portfolio granted by type of currency is as follows:

2020			
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	\$ 12,695	\$ 310	\$ 13,005
Loans to financial institutions	1,148	-	1,148
Loans to government entities	1,021	-	1,021
Housing loans-			
Loans acquired from INFONAVIT	1,102	3	1,105
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,907	181	8,088
Loans to financial institutions	400	-	400
Loans to government entities	462	-	462
Total	<u>\$ 24,735</u>	<u>\$ 494</u>	<u>\$ 25,229</u>
2019			
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	\$ 13,989	\$ 407	\$ 14,396
Loans to financial institutions	1,220	-	1,220
Loans to government entities	4	-	4
Housing loans-			
Loans acquired from INFONAVIT	95	2	97
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,249	121	7,370
Loans to financial institutions	758	-	758
Total	<u>\$ 23,315</u>	<u>\$ 530</u>	<u>\$ 23,845</u>
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
Loans to financial institutions	630	-	630
Loans to government entities	697	-	697
Total	<u>\$ 23,410</u>	<u>\$ 521</u>	<u>\$ 23,931</u>



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 up to 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, 2020, 2019 and 2018, the participated portfolio administered by Monex, S.A.B. and non-participated portfolio in foreign currency are as follows:

	2020	2019	2018
Short-term	\$ <u>5</u>	\$ <u>11</u>	\$ <u>10</u>
	\$ <u>5</u>	\$ <u>11</u>	\$ <u>10</u>

Housing Loans

Below are shown the loans acquired from INFONAVIT through the “Mejoravit” program:

	2020			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	\$ 1,102	39,516	\$ 3	248
REA	<u>-</u>	<u>19</u>	<u>-</u>	<u>2</u>
Total	<u>\$ 1,102</u>		<u>\$ 3</u>	
	2019			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	\$ 95	13,484	\$ 2	108
REA	<u>-</u>	<u>14</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 95</u>		<u>\$ 2</u>	
	2018			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	\$ 698	42,821	\$ 1	60
REA	<u>-</u>	<u>27</u>	<u>-</u>	<u>5</u>
Total	<u>\$ 698</u>		<u>\$ 1</u>	

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, 2020, 2019 and 2018, the non-performing housing portfolio is classified as follows:

Terms	2020	2019	2018
From 0 to 180 days	\$ 1	\$ 2	\$ -
From 181 to 365 days	1	-	-
Over 2 years	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 1</u>

Restructurings

At the end of December 2020 Monex, S.A.B. restructured 69 credits for \$3,958. During the financial year ended December 31, 2019 Monex, S.A.B. restructured 5 commercial loans for \$185. For the year ended December 31, 2018 Monex, S.A.B. restructured 3 credits for \$193.

Risk diversification -

As of December 31, 2020, 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 Accounting Criteria as follows:

- Monex, S.A.B. has 1 credit granted to debtors or groups of people with common risk, whose amount is more than 10% of the basic capital of the previous quarter. The amount of such credit is \$995 and is equivalent to 14% of the basic capital of the previous quarter of Monex, S.A.B.
- The sum of the amounts of the loans granted to the three main borrowers is \$1,954 and represents 27% of the basic capital of the previous quarter of the Monex S.A.B.

According to the Accounting Criteria, the limits regarding the diversification of an institution’s credit operations are determined according to its fulfillment of capitalization requirements, considering the exceptions established by the Accounting Criteria, 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’s 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 three main borrowers must not exceed 100% of the Banco 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 the Banco. 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, 2020, loans granted to related parties in accordance with article 73 of the Credit Institutions Law were \$1,548. As of December 31, 2019 and 2018, the total was \$1,158 and \$894, 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 and non-performing portfolio are likely to be identified as distressed portfolio.

Monex, S.A.B. carries out the classification of the distressed commercial loans, reporting a total of \$200, which represents 0.79% of the total commercial portfolio As of December 31, 2019 and 2018, distressed commercial loans amounted to \$193 and \$521.

	2020			2019	2018
	Performing portfolio	Non-performing portfolio	Total	Total	Total
Mexican pesos:					
Commercial loans-					
Commercial or					
corporate activity	\$ 1	\$ 199	\$ 200	\$ 178	\$ 416
Dollars valued in					
Mexican pesos:					
Commercial loans-					
Commercial or					
corporate activity	-	-	-	15	105
Total	\$ 1	\$ 199	\$ 200	\$ 193	\$ 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, 2020, 2019 and 2018, unused credit lines were \$8,804, 9,766, and \$8,835, respectively.



As of December 31, 2020, 2019 and 2018, aging of non-performing portfolio is as follows:

	2020	2019	2018
From 0 to 90 days	\$ 180	\$ 47	\$ 123
From 90 to 179 days	146	87	10
From 180 to 365 days	74	110	367
Over 365 days	<u>94</u>	<u>286</u>	<u>21</u>
	<u>\$ 494</u>	<u>\$ 530</u>	<u>\$ 521</u>

10. Allowance for loan losses

As of December 31, 2020, 2019 and 2018, the allowance for loan losses was \$973, \$433 and \$427, respectively, and is assigned as follows:

2020	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	\$ 20,602	\$ 491	\$ 441
Loans to financial institutions	1,548	-	21
Loans to government entities	1,483	-	8
Housing loans-			
Loans acquired from INFONAVIT	<u>1,102</u>	<u>3</u>	<u>3</u>
Subtotal	24,735	494	473
Additional Generic Reserves	<u>-</u>	<u>-</u>	<u>500</u>
Total portfolio	<u>\$ 24,735</u>	<u>\$ 494</u>	<u>\$ 973</u>
2019	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	\$ 21,238	\$ 528	\$ 412
Loans to financial institutions	1,978	-	20
Loans to government entities	4	-	-
Housing loans-			
Loans acquired from INFONAVIT	<u>95</u>	<u>2</u>	<u>1</u>
Total portfolio	<u>\$ 23,315</u>	<u>\$ 530</u>	<u>\$ 433</u>
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	<u>698</u>	<u>1</u>	<u>2</u>
Total portfolio	<u>\$ 23,410</u>	<u>\$ 521</u>	<u>\$ 427</u>



As of December 31, 2020, 2019 and 2018, Monex, S.A.B. maintained an allowance for loan losses equivalent to 197, 82%, and 82%, of the non-performing portfolio, respectively.

The allowance for loan losses resulting from the loan portfolio assessment as of December 31, 2020, 2019 and 2018, reported by Monex, S.A.B., is as follows:

Degree of risk	2020		2019		2018	
	Portfolio assessment by degree of risk	Amount of allowance recorded	Portfolio assessment by degree of risk	Amount of allowance recorded	Portfolio assessment by degree of risk	Amount of allowance recorded
A-1	\$ 13,381	\$ 71	\$ 14,838	\$ 83	\$ 14,076	\$ 70
A-2	8,732	100	6,620	73	6,415	69
B-1	1,959	33	1,877	32	2,773	47
B-2	594	13	554	12	859	19
B-3	657	23	864	29	484	15
C-1	123	9	146	8	118	7
C-2	9	1	12	2	27	4
D	511	207	460	193	426	193
E	15	15	-	-	2	2
Additional Reserves	-	<u>500</u>	-	<u>-</u>	-	<u>-</u>
Arrendadora	<u>150</u>	<u>1</u>	<u>142</u>	<u>1</u>	<u>148</u>	<u>1</u>
Rating portfolio base	26,131	<u>\$ 973</u>	25,513	<u>\$ 433</u>	25,328	<u>\$ 427</u>
Letter of credit	<u>(902)</u>		<u>(1,668)</u>		<u>(1,397)</u>	
Loan portfolio, net	<u>\$ 25,229</u>		<u>\$ 23,845</u>		<u>\$ 23,931</u>	

The activity of the allowances for loan losses for the years ended December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Opening balances	\$ 433	\$ 427	\$ 357
Provisions (applications) with debit (credit) to:			
Results	911	281	191
Other income	(20)		
Cancellation of allowances (1)	1	(36)	(65)
Exchange result	(2)	(4)	13
Applications	<u>(350)</u>	<u>(235)</u>	<u>(69)</u>
Closing balances	<u>\$ 973</u>	<u>\$ 433</u>	<u>\$ 427</u>

(1) Related to payments on loans granted during 2020, 2019 and 2018, loans which had allowances recorded during previous years and were recorded in "Other income".

Write-offs - During the year ended December 31, 2020 Monex S.A.B punished against the allowance for loan losses for credit risks 34 commercial loans for \$351. During the year ended December 31, 2019 Monex, S.A.B. punished against the allowance for loan losses for credit risks 25 commercial loans for \$235. During the year ended December 31, 2018 Monex S.A.B performed 8 commercial loan write-offs for \$69



Disclosure in the consolidated financial statements by applying the benefit of the special accounting criteria through Office P285/2020 of the Commission

On March 23, 2020, the General Health Council recognized the COVID-19 disease epidemic in Mexico as a serious priority care disease. Due to the measures adopted in this regard, there are impacts presented on various sectors of the economy.

Therefore, the "COVID-19 Support Program" was implemented for those creditors from Monex, S.A.B. These support programs consisted to grant a waiting period of up to 6 months for the payment of the capital and/or interest of the credits.

The following are the special accounting criteria to consider:

1. Credits with one-time principal payment at maturity and periodic interest payments, as well as credits with one-time principal and interest payment at maturity, which are renewed or restructured should not be considered as non-performing loan portfolio in terms of paragraph 79 of criterion B-6 "Loan Portfolio" of the Sole Circular ("CUB"), consisting of:

"Credits with one-time principal payment at maturity, regardless of whether interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as a non-performing loan portfolio as long as there is no evidence of sustained payment, in accordance with paragraph 38 of this criterion".

For that purpose, is required that the new maturity date, which grants the creditor, is not longer than six months from the date on which it maturity.

2. Credits with periodic principal and interest payments, which are object of restructuring or renewal, may be considered as in force by the moment such act is performed, without the requirements result applicable in paragraphs 82 and 84 of Criterion B-6 referred to above, consisting of:

"The credits restructured or renewed, without at least 80% of the original credit period having elapsed, they will be considered as in force, only where:

- a) The creditor shall have covered the entirety of interest accrued as of the date of renewal or restructuring, and
- b) The creditor shall covered the principal of the original amount of the credit, which as of the date of renewal or restructuring should have been covered.

In the case of credits which are restructured or renewed during the course of the final 20% of the original term of the credit, these shall be considered in force only where the creditor has:

- a) Settled all accrued interest at the date of renewal or restructuring;
- b) Covered the principal of the original amount of the credit, which as of the date of renewal or restructuring should have been covered, and
- c) Covered the 60% of the original credit amount"

3. The revolving credits, which are restructured or renewed from April 1 to July 31, 2020, should not be considered as a non-performing loan portfolio in terms of the established in paragraph 80 of Criterion B-6 which requires:

- a) Settlement the entirety of all the enforceable interest, and
- b) Covered the entirety of all payments to which is obligated in terms of the contract as of the date of restructuring or renewal"

4. With regard to the credits referred in numerals 1, 2 and 3 above, they should not be considered as restructured in accordance with paragraph 40 of Criterion B-6, nor should be reported as non-performing loans for the credit reporting societies.



5. In the event of withdrawals, write-offs, bonuses or discounts on the credit balance which have an impact on lower payments for creditors, the establishment of allowance for loan losses for credit risks related to the granting of withdrawals, write-offs, bonuses and discounts may be deferral in the 2020 financial year.
6. The following amendments to the original terms of the credit should not be considered as restructured:
 - a. Interest rate: when the agreed interest rate is improved to the creditor.
 - b. Currency or unit of account: as long as the corresponding rate to the new currency or unit of account is applied.
 - c. Payment date: only if the change that does not involve exceeding or modifying the periodicity of payments. Under no circumstances the change in the payment date should allow the omission of payment in any period.
7. Monex S.A.B. should plead to the following in the current program:
 - a. No contractual modifications should be made which considered explicitly or implicitly the capitalization of interest, nor the collection of any commission arising from the restructuring.
 - b. Previously authorized lines of credit will not be restricted, decreased or cancelled.
 - c. No additional guarantees or replacement will be requested.

Whether the special accounting criteria would not have been considered, at the end of December 2020 reserves would be held on the balance sheet for an amount in SMEs of \$33 (SMEs balance reserves for \$23) and in Corporate of \$458 (corporate balance sheet reserves for \$446) giving a total of \$491 (commercial portfolio reserves in balance sheet at the end of December \$469).

At the end of December 2020, 55 customers continue with the benefit from the Commission's special accounting criteria, of which 47 correspond to SMEs for an amount of \$64 and 8 of Corporate for an amount of \$139 giving a total of \$203.

No special accounting criteria were considered for the Mortgage Portfolio.

11. Other receivables, net

As of December 31, 2020, 2019 and 2018, the other receivables, are as follows:

	2020	2019	2018
Receivables from liquidation of money market transactions	\$ 1,423	\$ 3,099	\$ 1,985
Receivables from 24 to 96 hours on foreign exchange transactions	24,831	11,173	14,199
Receivables from transactions	1,138	943	488
Employee loans and other debtors	55	53	17
Collateral delivered for derivative financing transactions	742	540	235
Other receivables	<u>179</u>	<u>95</u>	<u>212</u>
	28,368	15,903	17,136
Allowance for doubtful accounts	<u>(208)</u>	<u>(202)</u>	<u>(150)</u>
Total	<u>\$ 28,160</u>	<u>\$ 15,701</u>	<u>\$ 16,986</u>



12. Property, furniture and equipment

As of December 31, 2020, 2019 and 2018, property, furniture and equipment are as follows:

	2020	2019	2018
Office furniture and equipment	\$ 134	\$ 131	\$ 118
Computers and communications equipment	166	136	117
Vehicles	5	6	6
Fixed asset (Leasing)	<u>1,156</u>	<u>966</u>	<u>481</u>
	1,461	1,239	722
Less-			
Accumulated depreciation	(230)	(185)	(145)
Accumulated depreciation leasing	<u>(487)</u>	<u>(271)</u>	<u>(140)</u>
Total property, furniture and equipment (net)	<u>\$ 744</u>	<u>\$ 783</u>	<u>\$ 437</u>

The annual depreciation rates were as follows:

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

For the years ended December 31, 2020, 2019 and 2018, depreciation expense recorded to results amounted to \$45, \$41 and \$36 respectively.

13. Other assets

As of December 31, 2020, 2019 and 2018, goodwill and other assets were as follows:

	2020	2019	2018
Goodwill:			
Tempus	\$ 407	\$ 407	\$ 407
Monex Europe LTD.	326	326	326
Arrendadora	33	33	33
Conversion effect	<u>372</u>	<u>302</u>	<u>330</u>
	1,138	1,068	1,096
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)	1,148	1,016	924
Conversion effect	<u>247</u>	<u>168</u>	<u>179</u>
Intangible assets	1,571	1,360	1,279
Modifications and improvements	318	311	291
Software	98	98	98
Prepayments	228	105	166
Investment projects	407	358	230
Other deferred charges	<u>56</u>	<u>68</u>	<u>58</u>
	2,678	2,300	2,122
Less - accumulated amortization	<u>(634)</u>	<u>(432)</u>	<u>(304)</u>
	2,044	1,868	1,818
Other assets:			
Operational deposit	75	77	123
Management trust (1)	<u>73</u>	<u>76</u>	<u>72</u>
	148	153	195
	<u>\$ 3,330</u>	<u>\$ 3,089</u>	<u>\$ 3,109</u>



As of December 31, 2020, 2019 and 2018 intangible assets for the acquisition of Tempus and Monex Europe, are as follows:

Deferred charges, advanced payments and intangibles, net

	Tempus	Monex Europe	Total		
			2020	2019	2018
Licenses	\$ 71	\$ 513	\$ 584	\$ 452	\$ 360
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	1,148	1,324	1,192	1,100
Conversion effect			247	168	179
Total			1,571	1,360	1,279
Accumulated amortization			(70)	(65)	(65)
Total intangibles assets			\$ 1,501	\$ 1,295	\$ 1,214

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 Banco 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, 2020, the shares deposited in the trust amount to 5,825,454 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, 2020, 2019 and 2018, 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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Funds available	USD 1,097	USD 1,574	USD 871	€ 59	€ 73	€ 74	£ 144	£ 114	£ 96	USD 8	USD 7	USD 4
Margin accounts	9	8	5	-	-	-	-	-	-	-	-	-
Investment in securities	1,014	813	727	-	-	-	-	-	-	-	-	-
Repurchase agreements	568	454	152	-	-	-	-	-	-	-	-	-
Derivative (assets)	2,532	3,546	1,977	89	88	3	33	45	41	4	4	1
Deferred credits and prepayments	(7)	(6)	-	-	-	-	-	-	-	-	-	-
Performing loan portfolio	490	458	460	-	-	-	-	-	-	-	-	-
Non-performing loan portfolio	9	6	5	-	-	-	-	-	-	-	-	-
Other Assets	49	49	52	-	-	-	54	54	52	-	-	-
Property, furniture and equipment	-	-	-	-	-	-	1	1	1	-	-	-
Deferred tax and deferred PTU	(9)	(8)	(7)	-	-	-	2	(1)	(1)	-	-	-
Other receivables	37	35	8	-	-	-	351	36	67	2	1	1
Deposits	(1,122)	(1,107)	(978)	(33)	(37)	(59)	(2)	(1)	(1)	(8)	(6)	(4)
Bank loans and other loans	(4)	(12)	(19)	-	-	-	(31)	(20)	-	-	-	-
Collateral sold in guarantee	(17)	(26)	(42)	-	-	-	(95)	(85)	(69)	-	-	-
Derivative (liabilities)	(2,269)	(3,704)	(1,956)	(113)	(120)	(12)	(2)	(2)	(4)	(4)	(4)	(1)
Liabilities arising from sale and repurchase agreements	(475)	(296)	(265)	-	-	-	-	-	-	-	-	-
Sundry creditors and other payables	(1,032)	(1,104)	(645)	(1)	(3)	(2)	(380)	(52)	(99)	-	(1)	-
Collateral sold or pledged in guarantee	(596)	(393)	(128)	-	-	-	-	-	-	-	-	-
Deferred credits and prepayments	-	-	(4)	-	-	-	-	-	-	-	-	-
Asset (liability) position	USD 274	USD 377	USD 213	€ 1	€ 1	€ 4	£ 75	£ 89	£ 83	USD 2	USD 1	USD 1
Mexican peso equivalent	\$ 5,455	\$ 7,112	\$ 4,186	\$ 24	\$ 21	\$ 90	\$ 2,040	\$ 2,224	\$ 2,079	\$ 40	\$ 19	\$ 20



As of December 31, 2020, 2019 and 2018, the “Fix” exchange rate (48-hour) issued by the Central Bank was \$19.9087, 18.8642 and \$19.6512 per U.S. dollar, respectively.

As of December 31, 2020, 2019 and 2018, the “Euro” exchange rate issued by the Central Bank was \$24.3563, \$21.1751, and \$22.4691 per Euro, respectively.

As of December 31, 2020, 2019 and 2018, the “Sterling pounds” exchange rate issued by the Central Bank was \$27.2032, \$24.9837 and \$25.0474 per Sterling pounds, respectively.

As of March 26, 2021, 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 \$20.5677 per US dollar, \$24.2174 per euro and \$29.2769 per Sterling pounds.

The Central Bank 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 deposits within a reasonable time frame.

Monex, S.A.B. performs a large number of foreign currency transactions mainly in U.S. dollar, Euro, Sterling pounds, 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 monthly closing.

15. Deposits

As of December 31, 2020, 2019 and 2018, deposits were as follows:

	2020	2019	2018
Demand deposits	\$ 28,612	\$ 17,725	\$ 18,433
Time deposits-			
General public	12,273	25,060	22,019
Money market:			
Deposit certificates	<u>2,700</u>	<u>3,395</u>	<u>2,434</u>
	43,585	46,180	42,886
Debt securities			
Debt securities (Bonds)	767	877	830
Securitization Certificates	<u>1,500</u>	<u>1,518</u>	<u>1,509</u>
	2,267	2,395	2,339
Global account for inactive deposits	<u>3</u>	<u>3</u>	<u>3</u>
Total deposits	<u>\$ 45,855</u>	<u>\$ 48,578</u>	<u>\$ 45,228</u>

Short-term maturities which generated interest at an average rate of 2.68%, 5.87% and 6.85%, in 2020, 2019 and 2018, respectively.

16. Bank loans and other loans

As of December 31, 2020, 2019 and 2018, bank loans were as follows:

	2020				2019	2018
	Mexican Pesos	Foreign currency	Rate	Total	Total	Total
Short term-						
FIRA	\$ -	\$ -	-	\$ -	\$ -	\$ 2
Clusters	289	80	4.10%	369	1,191	1,634
Interbank loans	<u>110</u>	<u>-</u>	7.49%	<u>110</u>	<u>-</u>	<u>-</u>
Total short-term loans	399	80		479	1,191	1,636
Long Term-						
Bank Loans	<u>78</u>	<u>-</u>	7.87%	<u>78</u>	<u>235</u>	<u>127</u>
Total long-term loans	<u>78</u>	<u>-</u>		<u>78</u>	<u>235</u>	<u>127</u>
Total Bank loans and other loans	<u>\$ 477</u>	<u>\$ 80</u>		<u>\$ 557</u>	<u>\$ 1,426</u>	<u>\$ 1,763</u>



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 for financial support in Mexican pesos and U.S. dollars to its customers for financial support.

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 of December 31, 2020, 2019 and 2018 the Monex S.A.B. has lines of credit that are not disputed by NAFIN for \$2,000, \$367 respectively, and by FIRA for \$1,700, \$1,100 and \$614, respectively.

17. Securitization certificates

Issuance of Monex, S.A.B.

On October 21, 2019, Monex S.A.B. carried out the \$500 advance payment of the issuance of 2017.

On June 20, 2019, Monex S.A.B. carried out the \$1,000 advance payment of the issuance of 2017 under MONEX 17 ticker symbol.

As mentioned in Note 1 on June 17, 2020 Monex, S.A.B. successfully made the second Public Offering of securitization certificates under the ticker symbol MONEX 19, by placing on the market \$1,500 at a TIIE28 rate for a term of 5 years, based on the program of long term securitization certificates.

As of December 31, 2020, 2019 and 2018, Monex, S.A.B. has paid interest for \$122, \$158 and \$143 respectively.

Issuance of the Banco

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

18. Comparative maturities of principal assets and liabilities

The maturities of the significant assets and liabilities held as of December 31, 2020 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)	\$ 14,191	\$ -	\$ -	\$ 388	\$ 14,579
Margin accounts	1,957	-	-	-	1,957
Investment in securities	14,693	5,512	40,721	9,120	69,746
Repurchase agreements	1,000	-	-	-	1,000
Derivatives	1,609	705	2,105	2,073	6,492
Performing loan portfolio	6,323	579	11,968	5,865	24,735
Non-performing loan portfolio	291	-	171	32	494
Other receivable (net)	28,160	-	-	-	28,160
Total assets	68,224	6,496	54,965	17,478	147,163



	6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Liabilities:					
Deposits	44,350	5	-	-	44,355
Securitization certificates	-	-	1,500	-	1,500
Bank loans and other loans	369	1	187	-	557
Liabilities arising from sale and repurchase agreements	50,760	-	-	-	50,760
Derivatives	1,106	296	2,353	2,147	5,902
Obligations arising from settlement of transactions	24,071	-	-	-	24,071
Liabilities arising from cash collateral received	3,497	-	-	-	3,497
Margin account creditors	2	-	-	-	2
Sundry creditors and other accounts payable	5,223	-	-	412	5,635
Total liabilities	<u>129,378</u>	<u>302</u>	<u>4,040</u>	<u>2,559</u>	<u>136,279</u>
Assets less liabilities	<u>\$ (61,154)</u>	<u>\$ 6,194</u>	<u>\$ 50,925</u>	<u>\$ 14,919</u>	<u>\$ 10,884</u>

- (1) Within the account of funds available, Monetary Regulation Deposits with the Central Bank are included. As of December 31, 2020, these deposits amounted to \$39 and for 2019 the deposits amounted to \$229, which cannot be freely available.

19. Related party transactions and balances

As of December 31, 2020, 2019 and 2018, Monex, S.A.B. maintains credits with related parties for a total of \$1,559, \$1,160 and \$899, 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, 2020, 2019 and 2018, balances and activity reflected in labor benefits, which include, seniority premiums, pensions and severance payments, were as follows:

	2020	2019	2018
Defined benefit obligation	\$ 598	\$ 518	\$ 444
Plan assets at fair value	(186)	(192)	(175)
Plan deficit or surplus	-	(4)	-
Underfunded liabilities	412	322	269
Pending amortization items:			
Prior service cost	-	(27)	(53)
Unrecognized actuarial gain or loss and prior service cost	-	(2)	(7)
Defined benefit liability (net)	<u>\$ 412</u>	<u>\$ 293</u>	<u>\$ 209</u>



As of December 31, 2020, 2019 and 2018, the defined benefit liabilities (net) “NDBL” for severance payments at the end of the employment relationship for reasons other than restructuring amounts to \$113, \$108 and \$98 respectively.

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

	2020	2019	2018
Service cost for the year	\$ 37	\$ 34	\$ 33
Interest net related to NDBL	26	24	23
Recycling of remeasurement of net liability for defined benefits	15	3	2
Recycling of unrecognized gains or losses	<u>-</u>	<u>1</u>	<u>1</u>
Net cost	78	62	59
Change in accounting allowance	-	-	-
NDBL remeasurement recorded in comprehensive income	37	51	(29)
Gradual recognition in retained earnings	<u>27</u>	<u>27</u>	<u>27</u>
Defined benefits cost	<u>\$ 142</u>	<u>\$ 140</u>	<u>\$ 57</u>

The economic assumptions used by Monex, S.A.B. were as follows:

	2020	2019	2018
Discount rate	7.75%	8.37%	9.50%
Expected return rate on assets	7.75%	8.37%	9.50%
Rate of wage increases	5.00%	5.00%	5.00%

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

	2020	2019	2018
Opening balance (face value)	\$ 293	\$ 209	\$ 191
Payment of benefits and fund contributions	(23)	(56)	(39)
Net cost of the period and earnings and losses recognition	<u>142</u>	<u>140</u>	<u>57</u>
Defined benefit liability (net)	<u>\$ 412</u>	<u>\$ 293</u>	<u>\$ 209</u>

As of December 31, 2020, 2019 and 2018, the fair value of the assets and their investment structure are integrated as follows:

	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Capital market	\$ 48	26%	\$ 56	29%	\$ 42	24%
Money market	92	49%	126	64%	131	75%
Repurchase market	<u>46</u>	25%	<u>14</u>	7%	<u>2</u>	1%
Total	<u>\$ 186</u>		<u>\$ 196</u>		<u>\$ 175</u>	



As of December 31, 2020, 2019 and 2018, 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:

	2020	2019	2018
Present value of the defined benefits obligation as of January 1	\$ 518	\$ 444	\$ 475
Actual payment of benefits during the year	(48)	(60)	(54)
Actuarial gain (loss) in defined benefit obligation	49	58	(49)
Cost of the year	<u>79</u>	<u>76</u>	<u>72</u>
Present value of the defined benefits obligation as of December 31,	<u>\$ 598</u>	<u>\$ 518</u>	<u>\$ 444</u>

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

	2020	2019	2018
Deferred PTU asset:			
Provisions	\$ 10	\$ 8	\$ 7
Labor benefits	17	21	20
Allowance for loan losses	144	43	81
Gain on derivative financial instrument transaction	74	30	2
Other	<u>18</u>	<u>73</u>	<u>14</u>
Total	263	175	124
Deferred PTU liability:			
Advance payments	<u>(8)</u>	<u>(5)</u>	<u>(6)</u>
Total	<u>(8)</u>	<u>(5)</u>	<u>(6)</u>
Total deferred PTU asset	<u>\$ 255</u>	<u>\$ 170</u>	<u>\$ 118</u>

The deferred PTU recorded in the results of the year amounted \$(85), \$52, \$(12) and in 2020, 2019 and 2018, respectively.

21. Obligations arising from settlements of transactions

As of December 31, 2020, 2019 and 2018, obligations arising from settlement of transactions are as follows:

	2020	2019	2018
Payables from operations by foreign currency exchange from 24 to 96 hours	\$ 22,667	\$ 17,541	\$ 13,829
Payables for settlement of transactions of securities	<u>1,404</u>	<u>2,818</u>	<u>1,613</u>
	<u>\$ 24,071</u>	<u>\$ 20,359</u>	<u>\$ 15,442</u>



22. Sundry creditors and other payables

As of December 31, 2020, 2019 and 2018, sundry creditors and other payables were as follows:

	2020	2019	2018
Employee retirement obligation provision	\$ 598	\$ 489	\$ 384
Investments for pension funds and seniority premium (net)	<u>(186)</u>	<u>(192)</u>	<u>(175)</u>
	412	297	209
Suppliers	42	115	116
Payables from operations (1)	876	338	520
Intercompany payable	-	-	-
Commissions, bounds and other gratifications	463	470	472
Contingent liabilities	662	147	170
Various taxes and social security contribution	38	34	32
Withholding tax	243	227	147
Reclassification of creditor bank balances	-	(19)	(22)
Funds available overdraft	2,470	-	379
Others sundry creditors	<u>429</u>	<u>603</u>	<u>634</u>
	<u>\$ 5,635</u>	<u>\$ 2,212</u>	<u>\$ 2,657</u>

- (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, 2020, 2019 and 2018 Monex, S.A.B. recorded in "Other income" an amount of \$28, \$63 and \$39 respectively.

23. Income taxes

Monex, S.A.B. is subject to ISR, in accordance with ISR Law as of December 31, 2020, 2019 and 2018, the rate was at 30% and will continue for the following years.

	2020	2019	2018
ISR:			
Current	\$ 788	\$ 762	\$ 467
Deferred	<u>(412)</u>	<u>(230)</u>	<u>(56)</u>
	<u>\$ 376</u>	<u>\$ 532</u>	<u>\$ 411</u>

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 financial derivatives instruments.

Tax loss carryforwards - As of December 31, 2020, Monex, S.A.B. has ISR tax loss carryforwards as follows (unaudited):

Company	Amount
Admimonex	<u>\$ 21</u>
Monex, S.A.B.(Individually)	<u>\$ 389</u>



Deferred taxes and PTU - As of December 31, 2020, 2019 and 2018, the consolidated deferred taxes are integrated as follows:

	2020	2019	2018
Deferred ISR asset:			
Provisions	\$ 30	\$ 19	\$ 22
Labor obligations	53	63	61
Gain on derivative financial instrument	228	160	6
Others	<u>978</u>	<u>608</u>	<u>461</u>
Total deferred ISR asset	1,289	850	550
Deferred ISR (liability):			
Prepaid expenses	(24)	(16)	(16)
Loss on derivate financial instruments	-	(1)	(2)
Others	<u>(174)</u>	<u>(176)</u>	<u>(152)</u>
Deferred ISR liability	(198)	(193)	(170)
Deferred PTU asset	<u>255</u>	<u>170</u>	<u>118</u>
Net deferred taxes and PTU	<u>\$ 1,346</u>	<u>\$ 827</u>	<u>\$ 498</u>

Management does not record a reserve on deferred tax (asset), since it considers a high probability that it can be recovered in accordance with its 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, therefore, the management of Monex, S.A.B. considers that the effective rate presented individually from its main subsidiaries, provides more realistic information than if it were presented on a consolidated basis, since it has foreign subsidiaries 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 income before ISR are:

	Banco (standalone entity)			Casa de Bolsa (standalone entity)		
	2020	2019	2018	2020	2019	2018
Legal rate	30%	30%	30%	30%	30%	30%
Valuation of instruments	(1)%	(3)%	(12)%	-	-	-
Annual adjustment for inflation	(4)%	(3)%	(9)%	(7)%	14%	(3)%
Others	2%	3%	17%	6%	(3)%	4%
Non-deductible expenses	<u>-</u>	<u>-</u>	<u>1%</u>	<u>-</u>	<u>2%</u>	<u>2%</u>
Effective tax rate	<u>27%</u>	<u>27%</u>	<u>27%</u>	<u>29%</u>	<u>43%</u>	<u>33%</u>

Other tax issues:

As of December 31, 2020, 2019 and 2018, the main subsidiaries of Monex, S.A.B. have the following balances for significant tax measures (individually):

	Banco (standalone entity)			Casa de Bolsa (standalone entity)		
	2020	2019	2018	2020	2019	2018
Contributed capital account	<u>\$ 3,796</u>	<u>\$ 3,680</u>	<u>\$ 3,579</u>	<u>\$ 707</u>	<u>\$ 686</u>	<u>\$ 667</u>
Net tax income account	<u>\$ 7,083</u>	<u>\$ 5,614</u>	<u>\$ 4,203</u>	<u>\$ 690</u>	<u>\$ 646</u>	<u>\$ 549</u>



24. Stockholders' equity

As of December 31, 2020, 2019 and 2018, capital stock, at par value, were as follows:

	Number of shares	Amount
Fixed capital:		
Series A Shares	50,000	\$ 1
Variable capital:		
Series B Shares	<u>545,758,505</u>	<u>2,054</u>
	<u>545,808,505</u>	<u>\$ 2,055</u>

In the Stockholders' Ordinary Meeting held on April 23, 2020, the following capital movements were agreed upon:

- Carry out the transfer of net income 2019 to "Results from prior years" of \$1,380.
- Increase in the legal reserve for 5% of the net income recorded in the 2019 consolidated financial statements.
- Decree of dividends to stockholders for an amount of \$70, with a charge to "Retained earnings" account from previous years before 2019 following the Commission's recommendation.

As of December 31, 2020, 2019 and 2018, the reserve created to repurchase shares is composed as follows:

	2020	2019	2018
Repurchased shares	13,020,108	12,827,521	9,793,080
Market price per share	<u>\$ 12.13</u>	<u>\$ 12.00</u>	<u>\$ 14.10</u>
Market value	<u>\$ 158</u>	<u>\$ 154</u>	<u>\$ 138</u>
Opening balance of reserve	\$ 202	\$ 238	\$ 238
Less:			
Historic value of repurchased shares	<u>(3)</u>	<u>(36)</u>	<u>-</u>
Balance for repurchased shares	<u>\$ 199</u>	<u>\$ 202</u>	<u>\$ 238</u>

Minimum fixed capital is \$50 (fifty thousand Mexican Pesos), 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 entities that exercise the function of authority may not participate under any circumstance 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 terms 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, 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 Banco, 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, 2020, 2019 and 2018 were determined as follows:

	2020	2019	2018
Net income	\$ 878	\$ 1,380	\$ 1,116
Weighted average number of ordinary shares	<u>532,738,397</u>	<u>532,930,984</u>	<u>535,965,425</u>
Earnings per share	<u>\$ 1.65</u>	<u>\$ 2.59</u>	<u>\$ 2.08</u>

26. Capital ratio of the Financial Group (ICAP) 2020, 2019 and 2018 (latest information submitted to the Central Bank) (Unaudited)

As of December 31, 2020, 2019 and 2018, in accordance with the capital requirements in effect applicable to full service Banco, Monex Grupo Financiero presents the following capitalization ratio, which exceeds the minimum level required by the authorities:

	2020	2019	2018
Net capital / required capital	1.84%	1.89%	1.93%
Basic capital / assets subject to credit, market and operational risk	14.76%	15.10%	15.46%
Net capital / assets subject to credit risk	21.33%	20.18%	20.40%
Net capital / assets subject to credit, market and operational risk	14.76%	15.10%	15.46%

- (1) The capitalization ratio of the Financial Group was updated and submitted to the Central Bank for the years 2020, 2019 and 2018, on January 21, 2021, January 20, 2020 and January 18, 2019 respectively.

As of December 31, 2020, 2019 and 2018, the net capital used to calculate the capital ratio is as follows:

	2020	2019	2018
Basic capital:			
Stockholders' equity disregarding convertible securities and subordinate debt	\$ 7,163	\$ 6,852	\$ 6,108
Less:			
Organization costs and other intangible	(447)	(449)	(381)
Investment in shares of entities	<u>(59)</u>	<u>(58)</u>	<u>(58)</u>
	(506)	(507)	(439)
Complementary capital:			
Complementary preventive allowance	<u>234</u>	<u>153</u>	<u>101</u>
Total net capital	<u>\$ 6,891</u>	<u>\$ 6,498</u>	<u>\$ 5,770</u>



	2020		2019		2018	
	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	\$ 4,040	\$ 324	\$ 1,569	\$ 125	\$ 1,464	\$ 117
Transactions with real rate	958	77	1,135	91	1,149	92
Transactions with nominal rate in foreign currency	606	48	390	31	249	20
Transactions with shares and related to shares	12	1	13	1	141	11
Foreign exchange transactions	253	20	358	29	610	49
Transactions in UDIS relating INPC	12	1	14	1	18	1
For impact Gamma	3	-	1	-	-	-
	<u>5,884</u>	<u>471</u>	<u>3,480</u>	<u>278</u>	<u>3,631</u>	<u>290</u>
Credit risk:						
Loan creditors	20,627	1,652	23,255	1,860	22,588	1,807
From repurchase agreements and derivatives counterparties	2,047	164	1,014	81	407	33
From issuers of debt securities in position	4,353	348	3,796	304	2,863	229
From long-term investment in shares and other assets	1,856	148	1,512	121	891	71
From guarantees and credit lines and securitization	689	55	837	67	816	65
From collateral issuers and persons received	-	-	11	1	33	3
Transactions with related parties	1,769	141	1,323	106	467	37
Due to the credit risk of the counterparty in case of non-compliance with the free delivery mechanisms	75	6	41	3	77	6
Adjustment for credit valuation in derivative transactions	891	71	394	32	140	11
	<u>32,307</u>	<u>2,585</u>	<u>32,183</u>	<u>2,575</u>	<u>28,282</u>	<u>2,262</u>
Operational risk:	<u>8,491</u>	<u>679</u>	<u>7,339</u>	<u>587</u>	<u>5,409</u>	<u>433</u>
Total assets at risk	<u>\$ 46,682</u>	<u>\$ 3,735</u>	<u>\$ 43,002</u>	<u>\$ 3,440</u>	<u>\$ 37,322</u>	<u>\$ 2,985</u>

As of December 31, 2020, 2019 and 2018, weighted positions by market risk are as follows:

	2020		2019		2018	
	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement
Market risk	\$ 5,884	\$ 471	\$ 3,480	\$ 278	\$ 3,631	\$ 290
Credit risk	32,307	2,585	32,183	2,575	28,282	2,262
Operational risk	<u>8,491</u>	<u>679</u>	<u>7,339</u>	<u>587</u>	<u>5,409</u>	<u>433</u>
	<u>\$ 46,682</u>	<u>\$ 3,735</u>	<u>\$ 43,002</u>	<u>\$ 3,440</u>	<u>\$ 37,322</u>	<u>\$ 2,985</u>

Impact in the change of rates from LIBOR to SOFR

Background:

With regard to coverage relationships that are under the scope of this INIF, Monex, S.A.B. must disclose:

- a) How Monex, S.A.B. is managing the transition process to the new interest rates of reference;

For the migration from Libor to SOFR considering the trading positions, together between risks, FO and IT a testing environment was implemented with copies of the position in production, where the corresponding changes were made for the change of Libor rate to OIS rate and were compared between both to see the difference and see the impact that was obtained when the rate was changed. The impact was minimum.

We are in the phase of finishing the configuration to pass to use the SOFR as a curve for the estimation of forward rates and, once the configuration have been obtained in the test browser, we will have an impact calculation on MTM and sensitivities. With IT support, test environment reports are being generated to validate before and after results.



- b) A description of the main assumptions and judgments made by the entity by applying what is stated in this interpretation (such as assumptions and judgments about when the uncertainty arising from changes in reference interest rates will cease to exist);

Since we do not have coverage relationships associated with Libor it was not necessary to make any assumption. Later when we migrate to funding TIE we will review the coverage scheme.

- c) About the reference interest rates involved in the main hedging relationships of Monex, S.A.B.;

Later in Monex, S.A.B., for the Libor rate, the change from TIE to funding TIE will be considered.

- d) The amount of risk exposure that the entity manages that is directly affected by changes in reference interest rates;

The amount exposed to this change is presented in the following table (not audited):

The amount exposed to this change is presented in the following table (not audited):

	Live QTY signed		Valuation		Delta	
	LIBOR	OIS	LIBOR	OIS	LIBOR	OIS
CF	20	20	(1)	(1)	-	-
CS	3,919	3,919	2	2	-	-
FUT	-	-	-	-	-	-
FXD	(461)	(461)	(26)	(26)	-	-
IRS	1,159	1,159	(7)	(7)	-	-
OPT	49	49	1	1	-	-

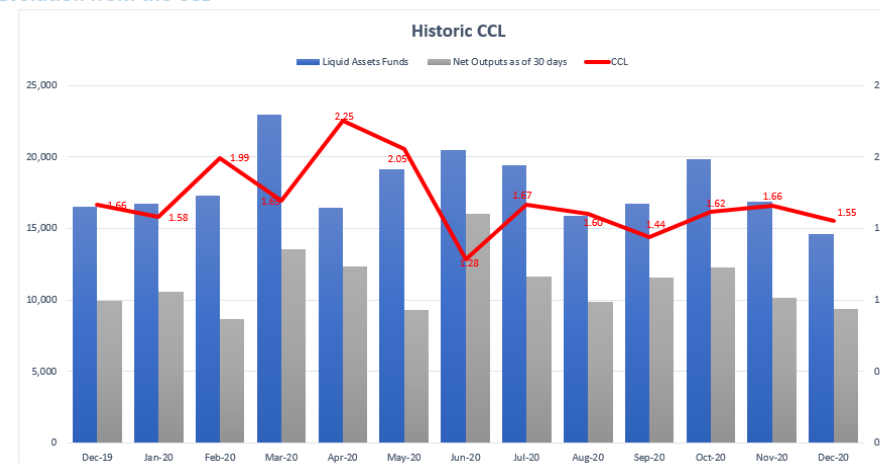
Impact of CVA on MTM

Based on the development and implementation of Murex's PFE/CVA module for clients and financial counterparties, UAIR is conducting the evaluation of the impact of the CVA component on the MTM of Banco derivative positions, with clients and with financial counterparties

With and without facility from ICAP and CCL (Liquidity Coverage Ratio) - Banking Liquidity Regulation Committee:

- a) With facility the ICAP was 14.76%.
b) Without facility the ICAP would have been 14.54%

Evolution from the CCL



Date	CCL C/Facility	CCL S/Facility
01/12/2020	1.80	1.59
02/12/2020	1.47	1.40
03/12/2020	1.90	1.75
04/12/2020	1.72	1.55
07/12/2020	1.92	1.84
08/12/2020	1.64	1.58
09/12/2020	1.82	1.64
10/12/2020	1.91	1.70
11/12/2020	1.91	1.70
14/12/2020	1.71	1.54
15/12/2020	1.57	1.45
16/12/2020	1.70	1.52
17/12/2020	2.01	1.79
18/12/2020	1.45	1.33
21/12/2020	1.46	1.34
22/12/2020	1.93	1.69
23/12/2020	1.41	1.28
24/12/2020	1.38	1.25
28/12/2020	1.51	1.35
29/12/2020	1.50	1.46
30/12/2020	2.02	1.93
31/12/2020	1.55	1.36

- Effects of the facilities published by the Commission:

- a) The facilities only affected the Banco.
b) The facility was that the credits granted from September 24, weigh a factor less than 100%.
c) The effect on ICAP is presented in the note which presents the impact on ICAP (on the part of risk-weighters risk credit to the provisions as of September 24).



27. Index of capital consumption (the Casa de Bolsa)

As of December 31, 2020, 2019, and 2018, the index of capital consumption is as follows (unaudited):

	2020	2019	2018
Capital consumption index	23.16%	25.29%	23.68%
Capital index on assets at credit risk	74.20%	86.41%	91.20%
Capital index on assets at credit, market and operational risk	23.16%	25.29%	23.68%

28. Ratings of Monex S.A.B., the Banco and the Casa de Bolsa

As of December 31, 2020, Monex, S.A.B., the Banco and the Casa de Bolsa has the following ratings:

	Monex S.A.B. Standard & Poor's	Banco Fitch Ratings	Banco HR Ratings
National level-			
Short-term	mxA-1	F1+(mex)	HR1
Long-term	mxA	AA-(mex)	HRAA-
Financial strength/ perspective	Stable	Negative	Stable
Released date	July 16, 2020	October 22, 2020	October 27, 2020
		Casa de Bolsa HR Ratings	Casa de Bolsa Fitch Ratings
Corporate Risk Rating-			
Long term		HR AA-	AA-(mex)
Short term		HR1	F1+(mex)
Perspective		Stable	Negative
Date		October 27, 2020	October 22, 2020

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 were reviewed by external auditors, such as: customer banks, customer securities in custody, customer repurchase agreements, customer loan securities transactions, customer collateral received in guarantee, customer transactions of purchase or sale derivatives, contingent assets and liabilities and collateral received and sold or delivered in guarantee.

- a. **Trust or mandate transactions (unaudited)** - As of December 31, 2020, 2019 and 2018, Monex, S.A.B. administered the following trusts and mandates:

	2020	2019	2018
Trusts under-			
Administration	\$ 174,883	\$ 146,336	\$ 128,995
Guarantee	5,565	5,223	5,898
Investment	<u>108</u>	<u>1,635</u>	<u>1,690</u>
Total transactions under trust or mandate	<u>\$ 180,556</u>	<u>\$ 153,194</u>	<u>\$ 136,583</u>

As of December 31, 2020, 2019 and 2018, the income from the administration of such assets was \$166, \$147 and \$131, respectively.

- b. **Other record accounts (unaudited)** - As of December 31, 2020, 2019 and 2018, other record accounts were \$199, \$66 and \$33, respectively.



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

For the years ended December 31, 2020, 2019 and 2018, the gains/losses on financial assets and liabilities (net) are as follows:

	2020	2019	2018
Foreign exchange result:			
Valuation	\$ 11	\$ 3	\$ 1
Realized gains or losses	<u>3,666</u>	<u>2,875</u>	<u>3,168</u>
	3,677	2,878	3,169
Derivatives result:			
Valuation	(271)	(265)	(168)
Realized gains or losses	<u>3,060</u>	<u>3,072</u>	<u>2,421</u>
	2,789	2,807	2,253
Income from debt securities:			
Valuation	15	58	(29)
Realized gains or losses	<u>155</u>	<u>477</u>	<u>157</u>
	170	535	128
Equity result:			
Valuation	-	7	(4)
Realized gains or losses	<u>(9)</u>	<u>19</u>	<u>6</u>
	(9)	26	2
	<u>\$ 6,627</u>	<u>\$ 6,246</u>	<u>\$ 5,552</u>

During 2020 and 2018 no reclassification is reported at the end of the financial year. During 2019, Monex S.A.B. reclassified a valuation equivalent to \$78, from the comprehensive result to the result of the year, corresponding to Hedging Valuation at Fair Value.

31. Financial margin

As of December 31, 2020, 2019 and 2018, the financial margin was as follows:

	2020	2019	2018
Interest income:			
Investment securities, debt and securities	\$ 3,446	\$ 3,548	\$ 2,439
Bank and other loans	1	-	3
Deposits with financial institutions	286	540	496
Loan portfolio:			
Commercial portfolio	1,647	2,014	1,718
Housing portfolio	59	50	98
Others	<u>325</u>	<u>270</u>	<u>246</u>
	5,764	6,422	5,000
Interest expenses:			
Interest from repurchase agreements	(2,320)	(2,705)	(2,036)
Interest on bank and other loans	(84)	(113)	(128)
Demand deposits	(82)	(107)	(76)
Time deposits	(1,014)	(1,839)	(1,121)
Securitization certificates	(112)	(170)	(191)
Others	<u>(64)</u>	<u>(26)</u>	<u>(15)</u>
	(3,676)	(4,960)	(3,567)
Total	<u>\$ 2,088</u>	<u>\$ 1,462</u>	<u>\$ 1,433</u>



32. Segment information

As of December 31, 2020, 2019 and 2018, Monex, S.A.B. identified operating segments within its different business activities, considering each as part of its internal structure and with its own risks and performance opportunities. These segments are regularly reviewed in order to assign appropriate monetary resources for their operations and evaluate their performance.

2020	Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	\$ 3,419	\$ 2,458	\$ -	\$ 591	\$ 115	\$ -	\$ -	\$ 44	\$ 6,627
Result for operating lease	-	-	-	-	-	-	-	28	28
Interest income	-	7	1	33	3,267	1,769	-	687	5,764
Interest expense	(24)	-	-	(252)	(2,252)	(780)	-	(368)	(3,676)
Allowance for loan losses	-	-	-	-	-	(911)	-	(9)	(920)
Commission and fee income	67	18	171	-	218	53	306	46	879
Commission and fee expense	(16)	(49)	(6)	(22)	(51)	(31)	-	(116)	(291)
Other operating (expenses) income	-	(528)	8	-	2	23	(16)	81	(430)
Participation in the result of unconsolidated subsidiaries and associates	-	-	-	-	-	-	-	(1)	(1)
Administrative and promotional expenses	(2,627)	(2,070)	(122)	(267)	(991)	(93)	(221)	(337)	(6,728)
Current and deferred income taxes	(225)	(2)	(10)	(23)	(85)	(8)	(19)	(4)	(376)
Non-controlling interest	-	-	-	-	-	-	-	2	2
Total general	<u>\$ 594</u>	<u>\$ (166)</u>	<u>\$ 42</u>	<u>\$ 60</u>	<u>\$ 223</u>	<u>\$ 22</u>	<u>\$ 50</u>	<u>\$ 53</u>	<u>\$ 878</u>
2019	Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	\$ 2,902	\$ 2,347	\$ -	\$ 434	\$ 555	\$ -	\$ -	\$ 8	\$ 6,246
Result for operating lease	-	-	-	-	-	-	-	136	136
Interest income	-	5	2	13	3,405	2,114	-	883	6,422
Interest expense	(2)	(1)	-	(368)	(2,625)	(1,520)	-	(444)	(4,960)
Allowance for loan losses	-	-	-	-	-	(281)	-	-	(281)
Commission and fee income	76	14	119	-	171	77	303	50	810
Commission and fee expense	(16)	(62)	(3)	(31)	(39)	(51)	-	(100)	(302)
Other operating (expenses) income	-	18	16	-	2	44	(32)	(70)	(22)
Administrative and promotional expenses	(2,189)	(1,857)	(105)	(36)	(1,086)	(283)	(201)	(377)	(6,134)
Current and deferred income taxes	(218)	(108)	(6)	(4)	(108)	(28)	(20)	(40)	(532)
Non-controlling interest	-	-	-	-	-	-	-	(3)	(3)
Total	<u>\$ 553</u>	<u>\$ 356</u>	<u>\$ 23</u>	<u>\$ 8</u>	<u>\$ 275</u>	<u>\$ 72</u>	<u>\$ 50</u>	<u>\$ 43</u>	<u>\$ 1,380</u>
2018	Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	\$ 2,576	\$ 2,005	\$ -	\$ 841	\$ 130	\$ -	\$ -	\$ -	\$ 5,552
Interest income	-	-	-	-	-	-	-	75	75
Interest expense	-	4	2	(6)	2,357	1,856	-	787	5,000
Allowance for loan losses	(6)	(2)	-	-	(2,022)	(1,284)	-	(253)	(3,567)
Commission and fee income	-	-	-	-	-	(191)	-	-	(191)
Commission and fee expense	86	13	88	-	156	59	269	41	712
Other operating income	(13)	(46)	(1)	(18)	(27)	(44)	-	(113)	(262)
Administrative and promotional expenses	-	(7)	13	-	1	67	(33)	(274)	(233)
Current and deferred income taxes	(2,030)	(1,585)	(92)	(627)	(457)	(358)	(181)	(222)	(5,552)
	(173)	(79)	(2)	(53)	(38)	(30)	(16)	(20)	(411)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(7)</u>
	<u>\$ 440</u>	<u>\$ 303</u>	<u>\$ 8</u>	<u>\$ 137</u>	<u>\$ 100</u>	<u>\$ 75</u>	<u>\$ 39</u>	<u>\$ 14</u>	<u>\$ 1,116</u>



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 and managed portfolios.

Loans 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 its 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, 2020, 2019 and 2018 Monex, S.A.B has contingency reserves of \$117, \$117 and \$133, 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 \$5, \$11, and 10 as of December 31, 2020, 2019 and 2018, 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)

This disclosure is supplemental to the obligation to disclose information on adopted risk management policies, procedures and methodologies, together with the 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. incurs based on the transactions it performed.

The assessment of policies, procedures, functionality of risk measurement models and systems, the 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 is 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.

- a. **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, analyzing 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), also performing supplemental sensitivity analysis and stress testing. In addition, Monex, S.A.B. has developed a plan allowing operations continuity in case of a disaster.

The UAIR distributes daily risk reports and monthly reports risk information to the Risk Committee and Audit Committee. Also presents quarterly risk reports to the Board of Directors.

- b. **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. Also, 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.

- c. **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.

- d. **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, with the respective maturity dates.

The SHCP 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 SHCP monitors the liquidity requirement for foreign currency provisions in Circular 3/2015 of the Central Bank.



- e. **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 that 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, also, is established criteria 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 methodology established by the Commission, which considers aspects related to financial risk, payment experience and collateral.

As established in the Accounting Criteria, Monex, S.A.B. established a maximum credit risk exposure limit equal to 40% of basic capital for an individual entity or group of entities constituting a common risk.

- f. **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. Procedures to follow up operational risk and inform periodically to UAIR, RC and the Board of Directors were established.

Monex, S.A.B. has implemented the risks and control matrices 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 an operational risk identified occurred and the future operational risks.

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 scale 3.
- Accordingly, each identified operating risk must be classified at levels 1 and 2 (Low - Medium) of the scale.

General Director, CR and the areas involved must be informed immediately, if some of the identified 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 monitoring the operational risk in the operations of Monex, S.A.B..

- g. **Legal risk** - Monex, S.A.B. has established policies and procedures in the MARO and implements the same process for legal risks as the used for operating risks.
- h. **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 the used for operational and legal risks.

i. **Quantitative information (unaudited)**

a) **Market risk** -

As of December 31, 2020, 2019 and 2018, the VaR was \$12, \$8 and \$28, respectively (unaudited) 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, 2020, 2019 and 2018, portfolio concentration by segment was as follows (unaudited):

	2020	2019	2018
Farming	\$ 455	\$ 409	\$ 513
Foods	1,076	935	798
Automotive	1,046	1,377	1,062
Commerce	2,106	2,013	2,108
Housing construction	1,052	1,018	486
Specialized construction	468	1,916	1,184
Energy	987	1,088	618
Pharmacist	588	346	18
Financial	2,138	2,244	2,122
Government	1,412	4	2,472
Hospitality / Restaurants (tourism)	1,628	1,231	802
Chemistry Industry	135	149	170
Real state	3,881	2,801	2,626
Manufacturing (manufacture of plastic)	120	238	192
Manufacturing (manufacture of electrical and electronic)	13	28	9
Manufacturing (manufacture of construction products)	456	1,036	1,295
Manufacturing (other)	1,893	2,069	1,714
Mining and metals	317	771	838
Natural person	1,652	523	1,144
Suppliers (PEMEX)	343	241	459
Services	1,714	2,524	2,015
Transport and telecommunications	563	757	432
Others	<u>1,276</u>	<u>127</u>	<u>854</u>
Total	<u>\$ 25,229</u>	<u>\$ 23,845</u>	<u>\$ 23,931</u>



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

Market risk statistics

	VaR Minimum	VaR Average*	VaR Maximum
Global	10	16	22
Derivatives	3	4	6
Money market	3	7	9
Foreign exchange	1	3	7
Treasury	4	13	26
Changes	0.01	0.03	0.05

* The average value refers to the daily exposure of the money market, derivatives and foreign-exchange as of December 31, 2020.

b) **Credit risk** - Corporate bonds portfolio.

The credit VaR of the corporate bonds portfolio of the Money market as of December 31, 2020 in Monex, S.A.B. was (1.14%) relative to an investment of \$23,391, whereas the credit stress of such portfolio was (3.38%) 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	2.10%	0.38%	1.73%
Minimum	1.39%	0.32%	1.05%
Average	1.75%	0.35%	1.40%

Note: The figures presented are expressed in amounts relative to the value of the corporate bonds portfolio, for the daily exposure of December 31, 2020.

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 Accounting Criteria. This method also assigns the degree of risk for the operations.

Expected loss statistics of commercial loan portfolio.

	Minimum	Maximum	Average
Expected loss*	472	717	589
Unexpected loss	116	128	123
Var	600	844	712

* The expected loss statistics unexpected loss and VaR refer to the daily exposure of December 31, 2020 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
2020	\$ 18,437	\$ 35,750

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

Year	Requirement <=30 days	Requirement <=30 days
2020	\$ 273	\$ 494

GAP Repricing total*

Statically	<=30	<=90	<=180	<=360	<=720	<=1800	>1800	Total*
Minimum	(22,585)	11,139	588	3,452	5,471	2,483	(173)	5,409
Maximum	(20,572)	15,866	4,559	4,124	7,035	3,347	1,860	9,234
Average	(21,457)	13,006	2,849	3,849	6,030	2,993	522	7,837

GAP maturity total**

Statically	<=30	<=90	<=180	<=360	<=720	<=1800	>1800	Total**
Minimum	(23,890)	(6,610)	3,295	8,141	13,194	22,704	(14,527)	15,914
Maximum	(22,506)	3,294	10,053	11,516	15,858	30,452	(12,264)	21,715
Average	(23,025)	(1,762)	6,121	9,887	14,962	26,452	(13,607)	19,030

*The statistics of the maturity GAP refer to the position of the money market, credit, derivatives and foreign-exchange portfolios of December 31, 2020.

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 income, a sensitivity analysis due to interest rate changes.

Repurchase agreements renewal effect	Amount	VaR Absolut	Effect of Selling to unusual discounts MD	Amount
Actual Cost	(263)		Value of securities	60,044
Sensitivity 1	(289)	(26)	Sensitivity 1	(13)
Sensitivity 2	(316)	(53)	Sensitivity 2	(125)
Stress 1	(342)	(79)	Stress 1	(1,228)
Stress 2	(368)	(105)	Stress 2	(2,409)
Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.			Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.	
Effect of selling unusual discounts in treasury	Amount	Interest paid on deposits	Current MTM	MTM variation
Securities' value	29,486	Interest paid (actual)	(5)	-
Sensitivity 1	(7)	Sensitivity 1	(6)	(1)
Sensitivity 2	(65)	Sensitivity 2	(6)	(2)
Stress 1	(636)	Stress 1	(6)	(1)
Stress 2	(1,243)	Stress 2	(8)	(3)
Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.		Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.		



d) **Operational Risk**

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

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

Type of Operational Risk		4T-2020		
Materialized events	Frequency	% Total	Average impact	%Total
Internal fraud	3	4%	5.49	100%
Unmaterialized events	Frequency	% Total	Average impact	%Total
Execution, delivery and process management	14	18%	-	0%
Incidents in the business and system failures; external events	58	75%	-	0%
Customers, products and business practices	2	3%	-	0%
Total	77	100%	5.49	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 presented to the credit line Committee, which can approve, deny or modify the proposal. Control of this risk 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. Subsequent events

At the end of 2020, Monex Europe Limited (MEL) keep a legal dispute with a customer. On January 19, 2021, additional evidence was received confirming the materialization and amount of the net contingency by \$446, in accordance with IFRS B-13 *Subsequent events after the reporting period*. This effect was recorded in results as of December 31, 2020.



36. New accounting principles

As of December 31, 2019, CINIF has issued the following NIF and Improvements to NIF that could have an impact on the consolidated financial statements of Monex, S.A.B.

Effective as of January 1, 2021, although early adoption is permitted during 2020:

NIF C-17, *Investment properties* (“NIF C-17”) - In the absence of a NIF that establishes the bases for the accounting recognition of investment properties (held to obtain income or capital appreciation), the Circular 55 issued by the Accounting Principles Commission of the Mexican Institute of Public Accountants, AC, which only allows the acquisition cost model to be used for its valuation. The main change established by NIF C-17 is to establish the possibility that investment properties held for capital appreciation are optionally valued at their acquisition cost or at their fair value. If you choose to apply the fair value model, on each closing date of the financial statements, investment properties must be valued at their fair value, and must be determined based on the provisions of NIF B-17, Determination of fair value. Losses or gains derived from valuation adjustments must be recognized in comprehensive income as Other Comprehensive Income (“OCI”) for the period in which they arise. When the asset is disposed, the OCI should be recycled to results.

This NIF establishes that investment properties must be recognized in the statement of financial position, when the elements of the definition of asset are met; that is, when for the Institution investment properties consider that:

- a) They are an economic resource to which you have a right;
- b) They have the potential to generate economic benefits;
- c) They are under their control; that is to say, it has the ability to direct its use and obtain the future economic benefits derived from them, restricting access to said control and said economic benefits to third parties; Y
- d) It arose as a consequence of past events that affected it economically.

NIF C-22, *Cryptocurrencies* (“NIF C-22”) - Establishes the valuation, presentation and disclosure standards for the recognition in the financial statements of:

- a) Investments in cryptocurrencies;
- b) Accounts receivable and accounts payable denominated in cryptocurrencies;
- c) If applicable, mining expenses to obtain cryptocurrencies;
- d) Cryptocurrencies that are not his property, but that he keeps in his custody.

The initial recognition of cryptocurrencies must be at acquisition cost. Subsequently, at the date of the statement of financial position, they must be valued at their fair value, based on what is established in NIF B-17, Determination of fair value and the effects of the valuation must be recognized in results. However, it should be taken into account that the lack of an active market to trade a cryptocurrency is evidence of the low probability of recovering it, since there is no other way to obtain its economic benefits. Therefore, NIF C-22 requires that a level 1 and, if applicable, Level 2 fair value be used in the valuation of a cryptocurrency only if determined considering what is established in NIF B-17; if these determinations are not possible, the fair value of a cryptocurrency must be considered to be equal to zero.

NIF, which took effect as of January 1, 2021, although early adoption in 2020 was permitted:

Improvements to the 2021 NIF that generate accounting changes:

NIF C-2, *Investment in financial instruments* - Provides the option of valuing investments in negotiable capital instruments through net profit or loss in such a way that subsequent fair value changes affect other comprehensive income (OCI); this option enhances convergence with IFRS 9, *Financial instruments*.

NIF C-19, *Payable financial instruments* and NIF C-20, *Financial instruments for the collection of principal and interest* - a) An entity must separately present the profits or losses derived from the elimination of liabilities and the effects of renegotiating a financial instrument for the collection of principal and interest as part of the results associated with operating activities; b) It is clarified that interest, commissions and other prepaid expenses do not form part of transition costs, and eliminates this item from the standard.



NIF D-5 *Leases* - a) Specifies the differences between disclosures of the expense related to short-term and low-cost leases and for which a right-of-use asset has not been recognized; b) Given that NIF C-17, Investment properties, establishes that a right-of-use asset does not fulfill the definition of an investment property, NIF D-5 eliminates the disclosure in this regard; c) clarifies that the lease liability derived from a sales transaction with a leaseback agreement must include the fixed payments and any estimated variable payments; d) mentions that lease payments must be included in the initial recognition of the net lease investment.

The Improvements to the 2021 NIF include improvements that do not generate accounting changes and which are essentially intended to enhance the accuracy and clarity of regulatory principles.

Homologation of Accounting Criteria by the Commission:

In the Daily Official Journal as of November 9 and December 4, 2020 by an Amendment Resolution, the Commission established that NIF B-17, Fair Value Determination, C-3, Accounts Receivable, C-9, Provisions, Contingencies and Commitments, C-16, Impairment of Receivable Financial Instruments, C-19, Payable Financial Instruments, C-20, Financial instruments to collect principal and interest, D-1, Revenue from contracts with clients, D-2, Costs for contracts with clients and D-5, Leases, issued by the Mexican Financial Reporting Standards Board, A.C. and referred to in paragraph 3 of Criterion A-2 "Application of particular standards", shall enter into force on January 1, 2022.

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

37. Authorization of the issuance of the consolidated financial statements

On March, 26, 2021 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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