

**Holding Monex, S.A.B. de C.V. and
Subsidiaries (Formerly Holding Monex,
S.A.P.I.B. de C.V. and Subsidiaries)**

Consolidated Financial Statements for
the Years Ended December 31, 2013
and 2012, and Independent Auditors'
Report Dated March 18, 2014

Holding Monex, S.A.B. de C.V. and Subsidiaries
(Formerly Holding Monex, S.A.P.I.B. de C.V. and Subsidiaries)

Independent Auditors' Report and Consolidated Financial Statements for 2013 and 2012

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Independent Auditors' Report to the Board of Directors and Stockholders of Holding Monex, S.A.B. de C.V. and Subsidiaries (Formerly Holding Monex, S.A.P.I.B. de C.V. and Subsidiaries)

We have audited the accompanying consolidated financial statements of Holding Monex, S.A.B. de C.V. and subsidiaries (Formerly Holding Monex, S.A.P.I.B. de C.V. and subsidiaries) (Holding Monex), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility in relation to the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting criteria established by the National Banking and Securities Commission of Mexico (the "Commission") set forth in the "General Provisions Applicable to Groups, Credit Institutions and Brokerage Houses, Mutual Funds and Companies that Provide Services Thereto" (the "Provisions"), and for such internal controls as management deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Responsibility of the Auditors

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements 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 Holding Monex internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Holding Monex, S.A.B. de C.V. and subsidiaries (formerly Holding Monex, S.A.P.I.B. de C.V. and subsidiaries) as of December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended, in accordance with accounting criteria of the Commission.

Emphasis of matters

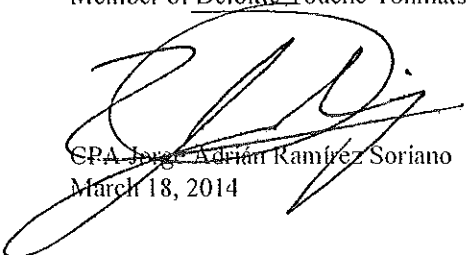
As discussed in Note 1 the following matters had been outstanding during 2013 and 2012. Our opinion is not qualified in respect of these matters.

- a. *Sale of Prestaciones Universales, S.A. de C.V. (Prestaciones Universales) a direct subsidiary of Holding Monex-* On September, 2013, Holding Monex and its subsidiary, Pagos Intermex, S.A. de C.V., executed a purchase-sale contract to sell all the shares representing the capital of Prestaciones Universales to CD Holding Internationale, S.A.S., a French entity.
- b. Furthermore, on August, 2013 Holding Monex changed its commercial portfolio rating model.
- c. *Acquisition of Schneider Foreign Exchange Limited-* Holding Monex acquired in 2012 Schneider Foreign Exchange Limited in a transaction that was accounted for as a business combination.

Other matter

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

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



CPA Jorge Adrián Ramírez Soriano
March 18, 2014

Holding Monex, S.A.B. de C.V. and Subsidiaries
(Formerly Holding Monex, S.A.P.I.B. de C.V. and Subsidiaries)

Consolidated Balance Sheets

As of December 2013 and 2012
(In millions of Mexican pesos)

Assets	2013	2012	Liabilities	2013	2012
Funds available	\$ 9,546	\$ 2,798	Deposits:		
Margin accounts	678	536	Demand deposits	\$ 4,896	\$ 3,460
Investment in securities:			Time deposits-		
Trading securities	12,706	13,700	General public	3,994	878
Securities available for sale	-	15	Money market	1,046	1,559
	12,706	13,715	Debt securities	370	794
Repurchase agreements	11	-		10,306	6,691
Derivatives:	554	449	Securitization certificates	1,002	1,002
Held for trading	554	449	Bank and other loans:		
Performing loan portfolio:			Demand loans	-	2,811
Commercial loans:			Short-term loans	473	337
Commercial or financial activity	2,801	2,721		473	3,148
Financial entities loans	527	647	Creditors under sale and repurchase agreements	8,777	10,804
Government entities loans	34	42	Collaterals sold or pledge in guarantee:		
Housing loans	3,362	3,410	Repurchase	5	9
Total performing loan portfolio	948	1,129	Derivatives	110	75
Non-performing loan portfolio:	4,310	4,539	Securities lending	229	194
Commercial loans -				344	278
Commercial or financial activity	54	38	Derivatives	640	542
Housing loans	1	-	Held for trading	640	542
Total non-performing portfolio	55	38	Other payables:		
Total loan portfolio	4,365	4,577	Income taxes payables	269	103
Allowance for loan losses	(64)	(84)	Employee profit sharing payables	55	19
Loan portfolio (net)	4,301	4,493	Remittances payable	28	27
Other receivables (net)	10,327	10,573	Creditors from settlement of transactions	11,249	6,333
Foreclosed assets (net)	2	2	Sundry creditors and other payables	2,192	1,772
Property, furniture and fixtures (net)	91	94		13,793	8,254
Investments in equity	16	15	Deferred charges and income received in advance	38	25
Deferred taxes (net)	93	114	Discontinued liabilities	-	4,402
Other assets:			Total liabilities	35,373	35,146
Goodwill	684	675	Stockholders' equity		
Deferred charges, advance payments and intangibles (net)	1,227	1,231	Paid-in capital:		
Other assets	73	54	Capital stock	683	683
	1,984	1,960	Additional paid in capital	823	823
Discontinued assets	-	4,199		1,506	1,506
			Earned capital:		
Total assets	\$ 40,309	\$ 38,948	Capital reserves	805	183
			Retained earnings	823	1,098
			Results from valuation of securities available for sale, net	(2)	(2)
			Currency translation adjustment	33	(15)
			Net income	1,771	1,032
				3,430	2,296
			Total stockholders' equity	4,936	3,802
			Total liabilities and stockholders' equity	\$ 40,309	\$ 38,948

Memorandum accounts

Transactions on behalf of third parts

	2013	2012
Customer current accounts:		
Customer banks	\$ 55	\$ 154
Customer securities-		
Values received from customers abroad	5,160	5,307
Customer securities in custody	<u>45,202</u>	<u>41,111</u>
	50,362	46,418
Transactions on behalf of customers-		
Customer repurchase agreements	11,029	11,363
Customer collateral received in guarantee	5,438	5,143
Customer loan securities transactions	143	120
Derivatives purchase transactions:		
Customer futures and advance contracts (notional amount)	19,818	54,407
Purchase options customers	278	1,072
Derivatives sale transactions:		
Sale transactions of futures and advance contracts (notional amount)	14,989	41,618
Customer options	<u>933</u>	<u>2,385</u>
	<u>52,628</u>	<u>116,108</u>
Total	\$ <u>103,045</u>	\$ <u>162,680</u>

Transactions on own behalf

	2013	2012
Transactions on own behalf:		
Contingent assets and liabilities	\$ 7	\$ 42
Loan commitments	2,647	5,930
Goods in trust or mandate:		
Held in trusts	<u>55,860</u>	<u>41,627</u>
	58,514	47,599
Collateral received by Holding Monex	8,801	8,116
Collateral received and sold or pledged as guarantee by Holding Monex	<u>8,768</u>	<u>8,116</u>
	17,569	16,232
Uncollected interest earned on non-performing loan portfolio	7	11
Other record accounts	<u>2,435</u>	<u>2,428</u>
Total	\$ <u>78,525</u>	\$ <u>66,270</u>

The accompanying notes are part of these consolidated financial statements.

Holding Monex, S.A.B. de C.V. and Subsidiaries
(Formerly Holding Monex, S.A.P.I.B. de C.V. and Subsidiaries)

Consolidated Statements of Income

For the years ended December 31, 2013 and 2012
(In millions of Mexican pesos)

	2013	2012
Intermediation income:		
Foreign exchange	\$ 2,910	\$ 2,332
Derivative instruments	431	395
Debt securities	62	225
Capital instruments	<u>2</u>	<u>336</u>
Intermediation income	3,405	3,288
Interest income	1,243	1,217
Interest expense	<u>(759)</u>	<u>(666)</u>
	484	551
Financial margin	3,889	3,839
Provision for loan losses	<u>(38)</u>	<u>(37)</u>
Financial margin after provision for loan losses	3,851	3,802
Commission and fee income	658	636
Commission and fee expense	<u>(238)</u>	<u>(205)</u>
Total operating revenues	4,271	4,233
Other operating (expense) income	(22)	71
Administrative and marketing expense	<u>(3,262)</u>	<u>(2,797)</u>
Income before income taxes	987	1,507
Current income taxes	(191)	(457)
Deferred income taxes (net)	<u>(55)</u>	<u>(32)</u>
	(246)	(489)
Discontinued operations	<u>1,030</u>	<u>14</u>
Net income	<u>\$ 1,771</u>	<u>\$ 1,032</u>

The accompanying notes are an integral part of these consolidated financial statements.

Holding Monex, S.A.B. de C.V. and Subsidiaries
(Formerly Holding Monex, S.A.P.I.B. de C.V. and Subsidiaries)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012
(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	Currency translation adjustment	Net income	Total stockholders' equity
Balances as of December 31, 2011	\$ 683	\$ 823	\$ 149	\$ 685	\$ 154	\$ 13	849	\$ 3,356
Entries approved by stockholders-								
Transfer of prior year result	-	-	42	807	-	-	(849)	-
Dividends declared	-	-	-	(280)	-	-	-	(280)
Repurchase of own shares	-	-	(108)	-	-	-	-	(108)
Transfer to reserve fund for repurchase of own shares	-	-	100	(100)	-	-	-	-
Total entries approved by stockholders	-	-	34	427	-	-	(849)	(388)
Comprehensive income -								
Result from valuation of securities available for sale, net	-	-	-	-	(156)	-	-	(156)
Cumulative effect from conversion of foreign subsidiaries	-	-	-	-	-	(28)	-	(28)
Others	-	-	-	(14)	-	-	-	(14)
Net income	-	-	-	-	-	-	1,032	1,032
Total comprehensive income	-	-	-	(14)	(156)	(28)	1,032	834
Balances as of December 31, 2012	683	823	183	1,098	(2)	(15)	1,032	3,802
Entries approved by stockholders-								
Transfer of prior year result	-	-	22	1,010	-	-	(1,032)	-
Dividends declared	-	-	-	(550)	-	-	-	(550)
Transfer to reserve fund for repurchase of own shares	-	-	600	(600)	-	-	-	-
Total entries approved by stockholders	-	-	622	(140)	-	-	(1,032)	(550)
Comprehensive income -								
Cumulative effect from conversion of foreign subsidiaries	-	-	-	-	-	48	-	48
Adjustment for financial effect from the new methodology of commercial portfolio rating	-	-	-	(135)	-	-	-	(135)
Net income	-	-	-	-	-	-	1,771	1,771
Total comprehensive income	-	-	-	(135)	-	48	1,771	1,684
Balances as of December 31, 2013	<u>\$ 683</u>	<u>\$ 823</u>	<u>\$ 805</u>	<u>\$ 823</u>	<u>\$ (2)</u>	<u>\$ 33</u>	<u>\$ 1,771</u>	<u>\$ 4,936</u>

The accompanying notes are part of these consolidated financial statements.

Holding Monex, S.A.B. de C.V. and Subsidiaries
(Formerly Holding Monex, S.A.P.I.B. de C.V. and Subsidiaries)

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(In millions of Mexican pesos)

	2013	2012
Net income	\$ 1,771	\$ 1,032
Depreciation	28	26
Amortization	39	30
Current and deferred income taxes	246	489
Discontinued operations	(1,030)	(14)
Others	81	(1)
Total	1,135	1,562
Operating activities:		
Change in margin account	(142)	(183)
Change in investments in securities	1,009	(893)
Change in repurchase agreements, net	(2,038)	86
Change in derivatives, net	(7)	(26)
Change in loan portfolio, net	57	(850)
Change in other operating assets	167	3,299
Change in deposits	3,615	2,817
Change in bank and other loans	(2,675)	2,408
Change in collateral sold or pledged in guarantee	67	115
Change in other operating liabilities	5,429	(11,445)
Net cash flows from operating activities	6,617	(3,110)
Investing activities:		
Payments for acquisition of furniture and fixtures	(40)	(30)
Proceeds from disposal of furniture and equipment	3	2
Payments adjustments and improvements	-	(36)
Payments for acquisition of intangible assets	(16)	(668)
Proceeds from disposal of subsidiaries and associated companies	828	-
Payments for acquisition of subsidiaries and associates	-	(326)
Net cash flows from investing activities	775	(1,058)
Financing activities:		
Securitization certificates	-	1,002
Repurchase of own shares	-	(108)
Dividends paid	(620)	(270)
Others	(72)	(42)
Net cash flows from financing activities	(692)	582
Net increase (decrease) in cash	6,700	(3,586)
Effects from changes in value of cash	48	(28)
Funds available at the beginning of the year	2,798	6,412
Funds available at the end of the year	\$ 9,546	\$ 2,798

The accompanying notes are integral part of these consolidated financial statements.

Holding Monex, S.A.B. de C.V. and Subsidiaries
(Formerly Holding Monex, S.A.P.I.B. de C.V. and Subsidiaries)

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(In millions of Mexican pesos)

1. Activities, regulatory environment and significant events

Holding Monex, S.A.B. de C.V. (Formerly Holding Monex S.A.P.I.B. de C.V.) (Holding Monex) 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.

Holding Monex's subsidiaries operate mainly within the financial services industry offering full-banking services, and brokerage services. Up to November 28, 2013, Holding Monex made, through its subsidiary Prestaciones Universales, S.A. de C.V. (Prestaciones Universales), as well as the issuance, distribution and commercialization of various types of prepaid vouchers, coupons, passwords, and prepaid debit issued on paper and through electronic media.

Significant events in 2013 and 2012-

a. *Sale of Prestaciones Universales, a direct subsidiary of Holding Monex-*

On September 12, 2013, Holding Monex and its subsidiary, Pagos Intermex, S.A. de C.V. (Pagos Intermex) executed a purchase-sale contract to sell all the shares representing the capital of Prestaciones Universales to CD Holding Internationale, S.A.S., an entity incorporated according to the laws of France, which is engaged in the issuance of vouchers, prepaid cards and solutions for foodstuffs, education, transportation and other items. The value of the transaction was US\$120 million which was closed on November 28, 2013. This sale is subject to the approval and authorization of the respective regulatory entities.

The transaction generated income from the sale of shares \$1,030, net of taxes and discontinued items, which was recorded under the heading of "Discontinued operations" in the statement of income.

b. *Tax reforms*

On November 1, 2013, Mexican Congress approved a series of tax reforms which are effective starting fiscal 2014. These reforms include amendments to the Income Tax Law, Value Added Tax Law and Federal Tax Code. They also resulted in the elimination of the Business Flat Tax Law and Cash Deposit Tax Law. The main effects of these tax reforms are detailed in Note 23.

c. *Acquisition of Schneider Foreign Exchange Limited (SFE)-*

As part of its business strategy, on July 2, 2012, Holding Monex acquired all outstanding shares of Schneider Foreign Limited (currently doing business as Monex Europe Holdings, Ltd., "Monex Europe"), a UK company engaged in the purchase and sale of foreign currencies and carrying out international payments, domiciled in London. The acquired entity is regulated by the Financial Services Authority as an Authorized Payment Institution below the London and Gales Jurisdiction. Without being a banking institution, is dedicated to trading of foreign currency, payment and transfer of resources according to the instructions of its customers.

The transaction was structured as follows:

- a. On June 8, 2012, Holding Monex issued 10,000,000 traded certificates through a public offering for the total amount of \$1,000 (see Note 17). With that resources and own resources Holding Monex acquired directly the 49.9% of Monex Europe.
- b. Holding Monex acquired 50.10% of remaining capital, through its indirect subsidiary Monex Negocios Internacionales, S.A. de C.V. (Monex Negocios) a direct subsidiary of Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero, S.A. de C.V. (the Bank).
- c. The Commission authorized this transaction through official notice 210-12223/2012 dated June 28, 2012.

Although the final purchase price depends on the financial performance of Monex Europe from March 31, 2012 through March 31, 2015, on July 2, 2012, Holding Monex took control of its operations and, made the first of three payments totaling £32.4 million to the former stockholders. Likewise, the amount of £20.2 million was deposited in an escrow account to cover the liability represented by the following payments. The second payment of £8.6 million was made in May 2013; the final payment will be made in May 2015. The total contribution was £52.6 million.

The fair values of the identified assets of Monex Europe as of July 2, 2012, the acquisition date, are shown below (the exchange rate in effect on that date was 21.4278 Mexican pesos per pound sterling):

Monex Europe (amounts in millions of Pesos)	July 2, 2012
Assets:	
Cash	\$ 395
Accounts receivable	144
Other assets	7
Liabilities:	
Current liabilities	376
Accounts payable	7
Others	1
Total net assets acquired	<u>\$ 162</u>
Estimated price of acquisition in pesos	<u>1,127</u>
Goodwill generated by the acquisition	<u>\$ 965</u>

- d. *Capitalization of Monex USA, Corp., (Monex USA)*- In accordance with management's business strategy, on December 20, 2012 the following transactions were carried out:
 - i. The Bank granted a loan of US 29.9 million to Monex Negocios.
 - ii. With the loan proceeds, Monex Negocios made a capital contribution for such amount to Monex USA.
 - iii. Monex USA settled the total amount of the loan payable to the Bank.

- e. *Sale of shares of the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV)* - During 2012, Holding Monex sold on the Mexican stock market all investments in securities of the BMV that were held as of December 31, 2011. The cumulative sales price of the securities was \$365, while the total historical acquisition cost was \$44, thereby resulting in a profit of \$321, included in "Intermediation result" in the income statement.

2. Basis of presentation

Comparability - The aspects that affected the comparability of the financial statements are as follows:

As discussed in Note 1, Holding Monex sold all the shares of Prestaciones Universales. Accordingly, the operation of Prestaciones Universales is presented in the consolidated financial statements at December 31, 2012 as a discontinued operation.

Discontinued balances - Refer to the adjustments needed to adequately present the consolidated balance sheet as of December 31, 2012, together with the consolidated statements of income for the years ended in 2013 and 2012 derived from the sale of the business segment discussed in Note 1, which was composed by:

- a) As of December 31, 2012, assets of \$4,199 were reclassified to the Discontinued assets heading. This reclassification was primarily based on the accounts receivable from customers due to the issuance of vouchers and payment of advances to affiliated suppliers. Furthermore, the adjustment includes the amount of \$130 million which was recorded for the use of the trademarks of Prestaciones Universales under the heading of "deferred charges, prepaid expenses and intangibles".
- b) As of December 31, 2012, the amount of \$4,402 was reclassified to the heading of Discontinued liabilities. This reclassification was essentially based on the liability of Prestaciones Universales derived from outstanding vouchers (issued on paper and through electronic media) which have yet be exchanged by beneficiaries for goods and services considered as employment benefits. It also includes the liability for the vouchers received by affiliated chains and which have not yet been settled by Prestaciones Universales.
- c) In the results of the year ended December 31, 2012, the amount of \$14 was reclassified to discontinued operations primarily as a result of paid commissions and tariffs, as well as the administrative and promotion expenses of Prestaciones Universales at that date. The adjustment related to collected commissions and tariffs involves the commissions received by Prestaciones Universales for charges involving customers' voucher cards.

Discontinued assets	December 2012
Funds available	\$ 7
Investment in securities	765
Other receivables (net)	3,231
Property, furniture and fixtures (net)	4
Deferred taxes	(32)
Other assets	<u>224</u>
Total	<u>\$ 4,199</u>
Discontinued liabilities	December 2012
Employee profit sharing payables	\$ 6
Outstanding coupons	3,583
Sundry creditors and other payables	<u>813</u>
Total	<u>\$ 4,402</u>

Discontinued result	December 2012
Interest income	\$ 8
Commission and fee income	370
Commission and fee expense	(132)
Other operating expenses	4
Administrative and marketing expense	(230)
Current income taxes	(7)
Deferred income taxes (net)	<u>1</u>
Total	<u>\$ 14</u>

- d) In the results of the year ended December 31, 2013, the amount of \$31 was reclassified to discontinued operations, are as follows:

Discontinued result	December 2013
Interest income	\$ 23
Commission and fee income	323
Commission and fee expense	(83)
Other operating expenses	5
Administrative and marketing expense	(221)
Current income taxes	(8)
Deferred income taxes (net)	<u>(8)</u>
Total	<u>\$ 31</u>

Explanation for translation into English - The accompanying consolidated financial statements has 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 Holding Monex may not conform to accounting principles generally accepted in the country of use.

Monetary unit of the financial statements - The financial statements and notes as of December 31, 2013 and 2012 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

Consolidation of financial statements - The consolidated financial statements include the financial statements of Holding Monex and those of its subsidiaries in which it holds control. The shareholding percentage in their capital stock is shown below:

	Company	<u>Shareholding percentage</u>		Activity
		2013	2012	
1.	Prestaciones Universales, S.A. de C.V. (Prestaciones Universales)	-	100%	Up to November, 2013, direct subsidiary of Holding Monex. The main activity of Prestaciones Universales is the issuance distribution and passwords commercialization of various types of prepaid vouchers, coupons, passwords and prepaid debit issued on paper and through electronic media to be exchanged for goods and services.
2.	Pagos Intermex, S.A. de C.V. ("Intermex")	100%	100%	Direct subsidiary of Holding Monex. Its main activity is to pay remittances sent to individuals in Mexico by their friends and family residing in the United States of America. Payments are mainly accomplished through branches and correspondents in the country
3.	AdmiMonex, S.A. de C.V. ("AdmiMonex")	100%	100%	Direct subsidiary of Holding Monex. It aims to promote, build, organize develop, acquire and participate in the capital stock or assets of every kind of business corporations and partner ships, associations or companies, weather commercial, service or otherwise both domestic and foreign and participate in the management or liquidation.
4.	Monex Grupo Financiero, S.A. de C.V. ("Financial Group")	100%	100%	Direct subsidiary of Holding Monex, 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 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.
4.1	Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (the Bank)	100%	100%	Indirect subsidiary of Holding Monex. The Bank is authorized to perform full-service banking transactions including, among others, granting loans, performing securities transactions, receiving deposits, accepting loans, performing currency purchase-sale transactions and executing trust contracts.
4.1.1	Monex Servicios, S.A. de C.V. (Monex Servicios)	100%	100%	Indirect subsidiary of Holding Monex. Provides supplemental and ancillary services to the Bank as per Article 88 of the Law for Credit Institutions. Monex Servicios is currently sub-leases to the Bank the premises and fixed assets of its 60 branches.
4.1.2	Monex Negocios Internacionales, S.A. de C.V. (Monex Negocios)	100%	100%	Indirect subsidiary of Holding Monex. Holding company
4.1.2.1	Tempus, Inc. (Tempus)	100%	100%	Tempus Inc. and Monex Europe. Indirect subsidiary of Holding Monex. Entity located in Washington, D.C., U.S.A., its activity is the purchase and sale of currencies. Its clients are located mainly in USA.

Company	Shareholding percentage		Activity
	2013	2012	
4.1.2.2 Monex Europe Holdings Limited (Monex Europe LTD)	100%	100%	Indirect subsidiary of Holding Monex. Holding Company of Monex Europe and Schneider, FX, entities located in UK. (Holding Monex owns directly the 49.9% of the shares)
4.1.2.2.1 Schneider Foreign Exchange, Ltd. (Schneider FX)	100%	100%	Indirect subsidiary of Holding Monex. Entity without operations.
4.1.2.2.2 Monex Europe, Ltd. (Monex Europe)	100%	100%	Indirect subsidiary of Holding Monex. Entity located in London. Its activity is the foreign exchange trading in the European market.
4.2 Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (the Brokerage House)	100%	100%	Indirect subsidiary of Holding Monex. The Brokerage House acts as a financial intermediary for transactions involving securities and derivative financial instruments authorized under the Stock Market Law (LMV) and the general provisions issued by the Commission.
4.2.1 Monex Securities, Inc. (Monex Securities)	100%	100%	Indirect subsidiary of Holding Monex. Acts as a stock market intermediary in the U.S. market.
4.2.2 Monex Assets Management, Inc. (Monex Assets)	100%	100%	Indirect subsidiary of Holding Monex. Acts as an investment advisor in the U.S. market.
4.3 Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero, Sociedad Operadora de Sociedades de Inversión (Operadora)	100%	100%	Indirect subsidiary of Holding Monex. Its main activity is to manage mutual funds and to promote its shares.

Significant intercompany balances and transactions have been eliminated.

Permanent investments in entities in which more than 50% equity is held are consolidated in these financial statements because Holding Monex holds a controlling interest.

Translation of financial statements of foreign subsidiaries - To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to accounting criteria of the Commission using the currency in which transactions are recorded. The financial statements are subsequently translated to Mexican pesos using the following methodology:

- a. *Foreign operations whose functional currency is the same as the currency in which transactions are recorded.* These components translate their financial statements using the following exchange rates:
- 1) The closing exchange rate in effect at the balance sheet date for assets and liabilities;
 - 2) Historical exchange rates for stockholders' equity,
 - 3) The rate on the date of accrual of revenues, costs and expenses, and 4) translation effects are recorded in stockholders' equity.

The currency in which transactions are recorded and the functional currency of foreign operations and the exchange rates used in the different translation processes are as follows:

Company	Recording currency	Functional currency	Exchange rate to translate from functional currency to Mexican pesos
Monex Europe Ltd.	Pound sterling	Pound sterling	21.6689
Monex Europe	Pound sterling	Pound sterling	21.6689
Schneider FX	Pound sterling	Pound sterling	21.6689
Tempus	U.S. dollar	U.S. dollar	13.0843
Monex Securities	U.S. dollar	U.S. dollar	13.0843
Monex Assets Management	U.S. dollar	U.S. dollar	13.0843

As of December 31, 2013 and 2012, an analysis of the cumulative translation adjustment is as follows:

	2013	2012
Beginning balance	\$ (15)	\$ 13
Conversion effect of the year -		
Goodwill and intangible assets	28	(60)
Other	<u>20</u>	<u>32</u>
Ending balance	<u>\$ 33</u>	<u>\$ (15)</u>

Holding Monex functional currency is the Mexican peso. Investments in foreign subsidiaries, whose functional currencies are other than the Mexican peso, expose Holding Monex to foreign currency translation risk. In addition, Holding Monex has monetary assets and liabilities denominated in foreign currencies, mainly in U.S. dollars, pounds sterling and euros, resulting in exposure to foreign exchange risks arising from transactions entered into over the normal course of business. (Refer to discussion of comprehensive risk management in Note 32 for further details).

3. Significant accounting policies

The significant accounting policies applied by Holding Monex comply with the accounting criteria established by the Commission in the "General Provisions Applicable to Groups, Credit Institutions and Brokerage Houses, Mutual Funds and Companies that Provide Services Thereto", in its rulings and mandates issued generally and directed to specific issues, which require management to make certain estimates and judgments, to determine the amounts included in the consolidated financial statements and related disclosures. Although the actual results may differ from such estimates, management believes that the estimates and judgments used in the preparation of these consolidated financial statements were appropriate under the circumstances.

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

Changes in the Accounting Criteria of the Commission during 2013

Change of commercial portfolio rating model -

On June 24, 2013, the Commission issued a Ruling to amend the "General provisions applicable to Credit Institutions", which modifies the commercial credit portfolio rating methodology so as to change the methodology currently used to determine the allowance for loan losses from an incurred loss to an expected loss model, which estimates the credit losses of the following 12 months based on the best possible credit information. This modification took effect on the day following its publication.

The new methodology based on the expected loss model considers the following parameters: probability of default, loss severity and exposure at default, while also classifying the commercial portfolio into a series of groups to which different variables will be applied to estimate the probability of default.

As required by the Commission, of Holding Monex was subject to deadline of December 31, 2013 to implement this change of methodology, although early implementation was permitted. Accordingly, on August 31, 2013, Holding Monex created additional reserves of \$135 representing the cumulative financial effect derived from adopting the new methodology. Likewise, based on the specific accounting criterion issued by the Commission in the aforementioned ruling, this effect was recognized in the consolidated balance sheet as an increase to the "Allowance for loan losses" with a corresponding charge was also applied to stockholders' equity under the "Retained earnings" heading.

Management considers that determining the effect of this change at December 31, 2012 was impractical because insufficient calculation data was available.

The significant accounting policies of Holding Monex are as follows:

Recognition of the effects of inflation – Cumulative inflation rates over the three-year periods ended December 31, 2013 and 2012 were 12.26%, in each period. Accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2013 and 2012 were 3.97% and 3.57%, respectively.

Beginning on January 1, 2008, Holding Monex discontinued recognition of the effects of inflation in its financial statements. However, non-monetary assets and liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

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

Foreign currency acquired which it is agreed 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 financial information presentation purposes, foreign currency settlement accounts receivable and payable are offset by contract and term and are presented under other accounts receivable (net) or creditors from settlement of transactions, as applicable.

Other funds available such as correspondent banks and other liquid notes, are also included in this line item.

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

Guarantee 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.

Trading securities - Trading securities represent investments in debt and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes any applicable discount or premium). They are subsequently valued at fair value, determined by a price supplier hired by Holding Monex, in accordance with the Provisions of the Commission. The cost is determined using the average cost method. The difference between the cost of investments in debt securities plus their accrued interest and the cost of equity instruments relative to fair value is recorded in the income statement under the caption "Financial intermediation". The effects of valuation are classified as unrealized and therefore, cannot be distributed to stockholders until the securities are sold.

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.

The transaction costs for the acquisition of trading securities are recognized in results on the acquisition date.

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

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

Trading securities also include transactions pending settlement, which refer to sale and repurchase transactions of securities non settlement. These transactions are valued and recorded as trading securities, recording the receipt and expense (debit or credit balance) of the securities subject to the transaction against the respective debit or credit settlement account, when the transaction is agreed upon.

The accounting criteria of the Commission allow for certain reclassifications in and out of the trading securities 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 derived from increases in value and sale transactions and, in the case of debt instruments, those that the entity does not intend 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 Holding Monex intends to trade such securities in the future prior to their maturity.

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

Holding Monex determines the increase or decrease in the fair value using prices provided by the price supplier, 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 statement of income under "Interest income". Unrealized gains or losses changes in fair values as reported by pricing services are recorded in other comprehensive income under Result from valuation of securities available for sale net deferred relative taxes net, except in the case when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results for the year.

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

The accounting criteria of the Commission allow the transfer of securities classified as available for sale trading held to maturity to Holding Monex does not have the intention or the ability to hold them to maturity, as well as reclassifications of trading securities to available for sale with the prior express authorization of the Commission.

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

A credit instrument is considered 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 very 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 of Holding Monex has not identified objective evidence of impairment of a credit instrument held as of December 31, 2013.

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

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. Notwithstanding, the economic substance of repurchase transactions is that of 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 Holding Monex acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable at fair value, which represents the obligation to repay such cash to the buying party. The account payable will be valued subsequently during the term of the repurchase transaction at its amortized cost, recognizing the interest in results as they are accrued.

When Holding Monex 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 at its fair value, which is equal to the agreed price, representing the right to recover the cash delivered. The account receivable will be valued subsequently during the useful life of the repurchase agreement at its amortized cost, recognizing the interest as they are earned.

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 like isn't looking for on specific securities, receives financial assets held as collateral which serve to mitigate the exposure to risk face by the party in relation to the selling party. The selling party repays to the buying party the interest calculated based on the agreed rate of the repurchase agreement. Also, the buying party obtains yields on its investment, which is secured by the collateral.

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

Regardless of the economic intent, the accounting for "cash-oriented" or "securities-oriented" repurchase transactions are 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 balance sheets to restricted assets, which follows the valuation, presentation and revelation standards as are they are 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 acquired. The debit or credit balance is shown under Repurchase agreements or sold collaterals or pledged as guarantee as appropriate.

Similarly, if the buying party becomes a selling party due to another repurchase transaction with the same collateral as the initial transaction, the interest on the second repurchase transaction must be recognized in results for the year as earned, using the 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.

Derivative instrument transactions (trading purposes) – Holding Monex recognizes all of its derivatives as assets or liabilities (depending on the related rights and/or obligations) in the balance sheet, initially at fair value, which are presumed to be equal to the price agreed in the transaction.

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

Subsequently, all derivatives are valued at fair value without deducting any transactions costs incurred during the sale or any other type of disposal, recognizing the valuation effect in results for the period under Result from intermediation.

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 exercise the rights early in accordance with the related conditions and the agreed consideration is settled.

Forward and future contracts held for trading:

Forward and future contracts held 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 Holding Monex as assets and liabilities in the 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 statement of income under intermediation income.

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 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 and the resulting net debit or credit balances are recognized a derivative asset and 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 buy options (call) and sell options (put).

The holder of a call has the right, but not the obligation, to buy 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.

Holding Monex 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 statement of income under Intermediation income. When an option matures or is exercised, the premium recognized is cancelled against results for the year, also under Intermediation income.

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

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

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

Swaps:

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

Swaps are initially recognized by Holding Monex in the balance sheet as an asset or liability, at fair value, which presumably is equal to the agreed-upon price.

Holding Monex recognizes in the balance sheet an asset and a liability arising from the rights and obligations of the contractual terms, valued at the fair value of the present 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 results of the year. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the period in which this occurs.

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

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

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 an independent derivative. An embedded derivative causes certain cash flows required by the contract (or even all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or index, or other variables allowed by applicable laws and regulations, as long as any non-financial variables are not specific to a portion of the contract. A derivative that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument.

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 results (for example, a derivative that is not embedded in a financial asset or a financial liability valued at fair value should not be separated).

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

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

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

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

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

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

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

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

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

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

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

Performing loan portfolio –Holding Monex has the following criteria to classify the credits as performing portfolio:

- Loans those are current in the payments of both principal and interest.
- Loans that do not demonstrate the characteristics of non-performing portfolio.
- Restructured or renewed loans which have evidence of sustained payment.

Non-performing loan portfolio – Holding Monex applies the following criteria to classify uncollected loans as non-performing:

- Loans with a single payment of principal and interest at maturity are considered past due 30 days after the date of maturity.
- Loans with a single payment of principal at maturity and with periodic interest payments are considered past due 90 days after interest is due or 30 days after principal is due.
- Loans whose principal and interest payments have been agreed in periodic installments are considered past due 90 days after they become due.
- Customer checking accounts showing overdrafts will be reported in the non-performing portfolio at the date of the overdraft.

Restructured non-performing loans will remain classified in the non - performing loan portfolio and until evidence exists of sustained payment. Under the accounting criteria of the Commission, sustained payments are evidenced by compliance with contractual payment terms on at least three consecutive payments.

Renewed loans where the borrower is delinquent on payments of accrued interest and at least 25% of the original loan amount is considered non-performing until proof exists of receipt of payment, as required by the accounting criteria prescribed by the Commission.

Once the portfolio is classified as non-performing, interest no longer accrues. This includes loans which are interest capitalized to the principal.

For accrued but uncollected regular interest on non-performing loans, Holding Monex creates a provision for an amount equal to the outstanding accrued interest when the loan is transferred to the non- performing loan portfolio.

Classification of the loan portfolio and allowance for loan losses - In accordance with the Provisions, the loan portfolio must be classified as commercial, housing loans or consumer loans. As of December 31, 2013 and 2012, Holding Monex has classified its loan portfolio as follows:

- a. Commercial: direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, loans indexed to investment units or changes in minimum wages, together with any interest generated, which are granted to corporations or individuals with business activities, intended for their commercial or financial activity including those given to financial entities discount and rediscount; transactions of factoring operations and leasing operations 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” in which the affected assets to enable individual assessment of the risk associated with the scheme. Also, credits granted to states, municipalities and their decentralized agencies are included when they can be classified in accordance with applicable regulations.
- b. Housing loans: direct loans granted to individuals denominated in Mexican pesos, foreign currency investment units or changes in minimum wages, together with the respective interest granted to individuals, for housing improvements, but not for commercial housing speculation purposes including guaranteed liquidity housing loans and all loans granted to Holding Monex ex-employees.

Holding Monex recognizes reserves created to cover credit risks in conformity with such provisions, based on the following:

Commercial portfolio:

In June 2013, the Commission issued the new regulatory methodology applicable to commercial portfolio credit reserves in line with the criteria recently published by the Basel Committee. This methodology is based on the estimation of expected losses so as to generate reserves instead of considering incurred losses, as was the case under the prior methodology, thereby permitting the early identification of certain sectorial risks.

The Expected Loss (PE) calculation considers the following three elements: $(PE = EI \cdot PI \cdot SP)$, whereby the 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. The Loss Severity (SP) is the percentage of the EI that would be lost in the event of credit default and depending on the warranties and portfolio type. Both items are explained in further detail below.

While the application of this methodology to the commercial portfolio is mandatory in December 2013, early application is nonetheless permitted as of June 2013. Holding Monex exercised this option and applied the new methodology as of August 2013.

This methodology is applicable to Companies and Corporate Offices, Small and Medium Enterprises, Financial and Decentralized Entities.

At August 31, 2013 and based on a specific accounting criterion issued by the Commission, Holding Monex recognized the initial effect of \$135 on stockholders' equity derived from its adoption of this methodology; this effect was recorded under the heading “Result of prior years”. The application of this methodology required the creation of additional reserves.

Commercial portfolio (methodology applied since August 2013)

Before rating the loans included in its commercial credit portfolio, Holding Monex classifies them into one of the following groups, depending on whether they are granted to: a) Financial entities and municipalities; b) Projects with their own payment sources; c) Trustees acting under the auspices of trusts and which are not included in the preceding numeral, as well as “structured” credit schemes; d) Financial entities; e) Companies excluded from the preceding groups and individuals with business activities. In turn, this group is divided into the following sub-groups: b1) Customers with annual net revenues or sales denominated in Mexican pesos less than or equal to the equivalent of 14 million investment units (UDIs) and which can be “certified without delay” which is the case when late payments were not recorded for these borrowers with other institutions during the previous 12 months in credit bureau reports, and when no delays were reported for these customers with Holding Monex according to available information when the rating is determined. Likewise, the category of “certified with delay” can be used when late payments not exceeding one day has been recorded for these borrowers with other institutions during the previous 12 months in credit bureau reports, or when a late payment not exceeding one day was recorded for these customers with Holding Monex according to available information when the rating is determined. b2) Customers with annual net revenues or sales denominated in Mexican pesos equal to or exceeding the equivalent of 14 million UDIs.

Holding Monex rates, creates and records allowances for loan losses for each of the loans included in its commercial loan portfolio. For this purpose, it utilizes the outstanding balance in effect on the final day of each quarter, which is adjusted to the methodology and information requirements established by the Commission.

- a. The allowance for loan losses of each loan will be the result of applying the following expression:

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

Where:

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

PIi =Probability of default of the nth credit.

SPi =Severity of loss of the nth credit.

EIi =Exposure to default of the nth credit.

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

- a) The probability of default

Holding Monex estimates the probability of default of each credit (PI i), using the following formula:

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

For purposes of the above:

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

$$TotalCreditScore_i = \alpha \times (QuantitativeCreditScore_i) + (1 - \alpha) \times (QualitativeCreditScore_i)$$

Where:

Quantitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors established in the Provisions, as is applicable.

Qualitative Credit Score i =Is the score obtained for the nth borrower when evaluating the risk factors established in the Provisions, as is applicable.

α = is the relative weight of the quantitative credit score, calculated as is established by the Provisions.

The PI_i of credits granted to centralized federal, state and municipal entities and political parties is calculated by utilizing Appendix 21 or 22 of the Provisions, as the case may be. The PI_i of loans granted to state-owned financial entities and those outstanding to the federal public administration are calculated by utilizing Appendix 20 of the Provisions.

The PI_i of loans granted to trusts, excluding projects with their own payment source and in which the resources of the trustor(s) can be clearly separated, and "structured" credit schemes in which the affected assets allows to evaluate the related credit risk or resources associated to the scheme concerned can be individually evaluated, is determined by utilizing the following:

- a. The methodology applicable to the underlying loans, when the trust's net worth is composed by loans for which it can provide Holding Monex with sufficient information to allow it to calculate the PI_i of each loan in accordance with the current Provisions;

- b. The methodology detailed in Appendix 21 of the Provisions, whenever the assumptions detailed in the preceding numeral a) are not fulfilled.

In the case of trusts in which the trustor provides explicit or implicit support, but when the mechanisms referred to by the Provisions are not available, or structured schemes for which the risk cannot be individually evaluated, the PI_i is calculated by utilizing the general methodology and considering the trustor(s) as the borrower or, if applicable, the structured scheme's resources and by using the net worth affected by the scheme as a warranty, provided it fulfills the requirements established by Appendix 24 of the Provisions. In order to calculate the PI_i of factoring transactions, Holding Monex determines who is actually exposed to the credit risk. For this purpose, it considers the factor that transfers credit rights to it and which is entitled to receive payment of the respective credit rights from the factoring institution and joint obligor. In this case, the PI_i refers to:

- a) The entity liable for paying the credit rights, depending on the group to which it belongs according to the Provisions.
- b) The PI_i of the entity liable for paying the credit rights can be replaced by the PI_i of the factor when its joint and several liability is established in the document prepared to formalize the factoring transaction.

In any case, only credit rights that are not subject to conditions or controls under which the debtor can contest the payment may be considered.

Holding Monex uses the same PI_i for all the loans of the same borrowers. In the case of there is any joint obligor which responds for the borrower's entire liability, the latter's PI_i can be replaced by that of the joint obligor or guarantor, which is determined by applying the respective methodology.

The reserve percentage is equal to 0.5% of the granted credit or represents a fraction of the total amount of each credit covered by a warranty granted by:

- i. Federal public administration entities under direct budgetary control or programs derived from a federal law forming part of the federal spending budget.
- ii. Public trusts with the capacity of state-owned entities and which form part of the Mexican banking system when the credit is granted, as defined by the Provisions.
- iii. Counter-guarantee trusts.
- iv. The entity "Financiera Rural".
- v. The national infrastructure fund.
- vi. The national fund for agrarian, forestry, fishery and rural warranties.
- vii. Trusts specifically created to share the credit risk with the institutions in which they act as trustor, as well as fiduciary development banking institutions with an express federal government warranty.
- viii. Any entity with an express federal government warranty.

Holding Monex assigns a PI_i of 100 percent to the borrower in the following cases:

- i. When the borrower has a loan with Holding Monex that has been transferred to the overdue portfolio according to the terms of criterion B-6, "Credit Portfolio", of the Accounting Criteria.
- ii. The above treatment is not applicable to obligations that are not recognized by the customer and for which a claim or clarification process exists. Similarly, it is not applicable to amounts of less than 5% of the borrower's total debt with Holding Monex when the rating is determined.
- iii. When it is likely that the debtor will not completely fulfill its credit obligations with Holding Monex; this assumption is fulfilled when:
 - a) Holding Monex determines that the loan payable by the debtor constitute a "distressed portfolio" according to criterion B-6, "Credit Portfolio", of the Provisions, or
 - b) Holding Monex has requested that the debtor file bankruptcy proceedings or the latter decides to do so.

- iv. If, for three consecutive months, Holding Monex fails to report a borrower's credit to the credit bureau or if information related to the balance and behavior of the borrower's payment, which must be sent to the bureau, is not updated.
- v. If differences arise between the items reported by Holding Monex to the credit bureau and the data contained in institutions' files, which indicates the delayed payments of Holding Monex during three consecutive months.
- vi. If Holding Monex fails to report the balances due from federal and municipal entities to the credit bureau during three consecutive months.
- vii. If Holding Monex had access to information that fulfills the maximum aging requirements and definitions detailed in Appendixes 18, 20, 21 and 22 of the Provisions to enable it to estimate the probability of default, but systematically utilized ratings pertaining to the "Without Information" range to obtain a probability of default below the level that which would have been estimated had all available information been utilized.

For the purposes of numerals iii, iv and v, Holding Monex provides credit bureaus with data and information for all the identity records of its borrowers and which are attributable to the same borrower.

As regards the preceding numerals iii, iv, v and vi, once a PI_i of 100 percent has been assigned to the borrower, it must be maintained for a minimum one-year period as of the date on which the record omission or inconsistency is detected or when this information becomes out of date.

b. *Loss severity*

The Loss Severity (SP_i) is 45 percent for credits contained in the commercial loan portfolio and which lack actual or personal guarantees and those derived from the credit itself. Similarly, an SP_i of 75 percent is applied to subordinated and syndicated loans which are contractually subordinated to those of other creditors for payment prioritization purposes. An SP_i of 100 percent is applied to loans with past-due payments of 18 months or more as regards the settlement of the amount due under the originally agreed terms.

Holding Monex applied the terms of the Provisions to loans covered by actual or personal guarantees and those derived from the loan itself.

c. *Default exposure*

The default exposure of each credit (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 the Institutions giving prior notice, as long as they demonstrate that they are providing constant follow-up on the borrower's financial position and that their internal control systems allow the credit line to be canceled if the borrower's credit quality becomes impaired.

$$EI_i = S_i$$

- ii) For the other lines of credit which don't comply with any of the requirements of the paragraph before:

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

Where:

S_i : The unpaid balance of the n th credit at the classification date, which represents the amount of credit effectively 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 which are in overdue portfolio.

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

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

Commercial portfolio (methodology applied until July 31, 2013)

- a. Individual method - For borrowers with balances of over 4,000,000 UDIs, the estimation for the reserve for loan losses entails evaluating:
 - The creditworthiness of the borrower based on the evaluation of 1) the probability of default of the borrower using the proprietary methodology authorized by the Commission for these purposes, or 2) the application of the standard methodology, specifically and independently rating country risk, financial risk, industry risk, and payment experience aspects, as established in those provisions.
 - A differentiation is made between personal, property collateral, and real, property collateral, based on an estimate of probable loss. As a result of the analysis of real collateral, loans are classified into two groups, based on the discounted value of collateral: a) loans fully collateralized and b) loans with an exposed portion.
- b. Non-individualized method - For borrowers with balances less than 4,000,000 UDIs:
 - Parametric calculation of the allowance for loan losses based on the borrower's payment history over the last 12 months and its credit behavior.

The commercial portfolio is rated every quarter and filed with the Commission within the 30 days following the classification date. The allowance for loan losses is recorded based on the balance of the accounts on the last day of each month and rated portfolio as of the latest known quarter, which includes the updated risks as of the current month-end.

Reductions, forgiveness, rebates and discounts on the portfolio, whether full or partial are recorded as a debit to allowance for loan losses. In the event that the reductions exceed the amount is the allowance associated with the credit previously estimates are up to the amount of the difference.

The allowance for loan losses under the individual method is determined by applying the respective percentage to the collateralized portion and, if applicable, to the unsecured portion of the loan, based on the following table:

Individually Commercial Loan portfolio <u>Table of sites within the range of reserves</u>			
Risk level	Low	Intermediate	High
A-1	0.50%	0.50%	0.50%
A-2	0.99%	0.99%	0.99%
B-1	1.00%	3.00%	4.99%
B-2	5.00%	7.00%	9.99%
B-3	10.00%	15.00%	19.99%
C-1	20.00%	30.00%	39.99%
C-2	40.00%	50.00%	59.99%
D	60.00%	75.00%	89.99%
E	100.00%	100.00%	100.00%

Classification is determined according to the last known clarification for each loan in the covered portion and, if exposed, adjusting the intermediate range.

Housing loan portfolio:

When classifying the housing loan portfolio, Holding Monex 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, Holding Monex rates, creates and records the allowances for loan losses on the housing loan portfolio as follows:

Due and Payable Amount- Amount which in accordance with the income statement the borrower has to pay in the billing period agreed, without considering any previous due and payable amounts that were not paid. If the billing is half monthly or weekly, the due and payable amounts of the two half months or four weeks 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 credit or group of credits are not considered as payments.

If the billing is half monthly or weekly, the payments made for the two half months or four weeks 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.

Value of the Home Vi - The value of the home at the time of the credit origination, restated in accordance with the following:

$$\text{Value of Home} = \frac{\text{INPC}_{\text{month of classification}}}{\text{INPC}_{\text{month of origination}}} \times \text{Value of Home at Origination}$$

In any case, the home value at the time of the origination may be restated based on a formal appraisal.

Credit Balance S_i - The unpaid balance at the classification date, which represents the amount of the loan effectively 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 calendar days at the classification date during which the borrower did not fully settle the due and payable amount under the terms originally agreed.

Credit Denomination (MON) - This variable will take the value of one (1) when the housing loan is denominated in UDI's, minimum wages or a currency other than Mexican pesos, and zero when it is denominated in pesos.

Completion of File (INTEXP) - This variable will take the value of one (1) if the selling party of the real estate property participated in obtaining the proof of income or in contracting the appraisal, and zero in any other case.

The total amount of reserves to be created by Holding Monex will be equal to the reserves for each loan, as follows:

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

Where:

R_i = Amount of reserves to be created for the nth credit.

PI_i = Probability of default on the nth credit.

SP_i = Severity of the loss on the nth credit.

EI_i = Exposure to default on the nth credit.

In any case, the amount subject to the classification must not include uncollected accrued interest recorded on the balance sheet, of loans that are classified within nonperforming portfolio.

The consumer loan portfolio related to the program established between the INFONAVIT and Holding Monex and is called "renovating your home". According to the Commission, these loans are classified as housing loans and qualify as consumer loan portfolio

Holding Monex, when classifying the non-revolving consumer credit portfolio, determines the respective allowances for losses as of the classification date of the loans, by considering for such purpose the probability of default, the severity of the loss and the exposure to default, as follows:

The total amount of allowances for loan losses on no revolving consumer portfolio will be equal to the allowances for each loan, as follows:

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

Where:

R_i = Amount of allowances to be created for the nth credit.

PI_i = Probability of default on the nth credit.

SP_i = Severity of the loss on the nth credit.

EI_i = Exposure to default on the nth credit.

The classification and creation of the allowances for loan losses on revolving consumer credit portfolio is made using figures as of the final day of each month and is presented to the Commission at the latest 30 days after the month classified, based on the applicable allowance percentages indicated above.

Holding Monex classified, created and recorded the allowances for loan losses on on revolving consumer loan portfolio, which did not include credit card operations, at the final day of each month, in accordance with the following procedure:

- I. The total portfolio is stratified based on the number of cases of noncompliance reported in each billing period at the classification date regarding the due or minimum payments established by Holding Monex, based on payment history data from at least 9, 13 or 18 periods prior to that date according to the tables below. When the loan has been offered inside the above - mentioned period, management uses the available information at such date.
- II. Reserves are creating applying the reserve percentages detailed below and depending on whether billing periods are weekly, biweekly or monthly, to total unpaid loan balances. Nevertheless, Holding Monex does not include uncollected interest recorded in the consolidated balance sheets accrued by loans forming part of the overdue portfolio; uncollected interest accrued on the overdue portfolio is fully reserved when the respective loans are transferred.

Table applicable for loans with monthly billing:

Number of billing periods that report default (months)	Probability of default	Percentage of severity of the loss	Percentages of allowance for loan losses
0	0.5%		0.5%
1	10%		10%
2	45%		45%
3	65%		65%
4	75%	100%	75%
5	80%		80%
6	85%		85%
7	90%		90%
8	95%		95%
9 or more	100%		100%

The following table is used to assign the appropriate risk level based on percentage ranges of allowance for loan losses:

Risk level	Percentage ranges of Allowances for loan Losses
A	0 to 0.99%
B	1 to 19.99%
C	20 to 59.99%
D	60 to 89.99%
E	90 to 100.99%

Evidence of sustained payment:

When the loans are recorded as past-due and require restructuring, the Financial Group maintains such loans at the level in effect prior to such restructuring, until it obtains evidence of sustained loan payment under the criteria established by the Commission.

Distressed portfolio:

For disclosure proposes in the financial statements, Holding Monex considers commercial loans with C, D and E risk ratings as distressed, without excluding risk rating improvements derived from the loan portion covered by guarantees, as well as renegotiated loans in which debt forgiveness, reductions or rebates are authorized at the end of the agreed period or are payable by individuals or entities classified as undesirable customers.

After procedures to recover impaired loans are exhausted, they are submitted to the board of directors for authorization of write-offs.

Impaired loans are written off and applied to the allowance for loan losses when their recovery is considered to be remote. Any amounts recovered as regards previously written-off loans are recognized in results.

Other receivables accounts, net - These items primarily represent receivable amounts derived from the purchase-sale of currency 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 or 48 hours.

Holding Monex has a policy of reserving those accounts receivable identified and not identified within 90 days and 60 days, following the initial recording, respectively.

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

Other permanent investments - Permanent investments made by Holding Monex 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 - Other assets are mainly represented by software, system developments, prepaid payments, installation expenses incurred for the renovation of new corporates office and intangible assets identified in the acquisition of Tempus and Monex Europe.

Software, system developments and installation expenses are initially recorded at acquisition cost and include costs incurred in the development phase.

The amortization of software and system developments is calculated using the straight line method over their estimated economic useful life.

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

The investments in securities acquired to cover the severance and seniority premium are recorded at market value.

For the purposes of presentation in the 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 it is less, such balance will be presented by decreasing the heading of “Sundry creditors and other accounts payable”. As of December 31, 2013 and 2012, the balance applicable to Holding Monex is presented by decreasing the heading of “Sundry creditors and other accounts payable”.

Goodwill - Goodwill is 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. Holding Monex records the goodwill of the minority interest. During, 2010, management identified certain intangible assets in connection with the acquisition of Tempus, which, during 2013, were allocated to software of \$7, licenses of \$71, sales force of \$42 and operating contracts with banks of \$56. In the case of Monex Europe management identified and assigned values to intangible assets, arising from the acquisition of that entity, which correspond to sales force for \$67, regarding credit institutions for \$401, non-compete agreement for \$161 and software for \$6.

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

Deposits - This heading is composed by call deposits made by the general public, including money market funds, saving accounts and current account deposits. Interest is recognized in results when accrued. The deposits include, among others, certificates of deposit removable preset days and promissory notes payable at maturity, such deposits shall be broken down into the balance sheet as of the general public and raised through market transactions money, 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.

Issuance of Notes payable - Include debt securities issued through a public offering by Holding Monex. Interest is recognized in results when incurred. As such debt was issued by Holding Monex and not by the Bank, management presents such amounts separately from deposits on the balance sheet.

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

Remittances payable - Represent the balance of outstanding remittances payable by Holding Monex, which are paid to beneficiaries in Mexican pesos or U.S. dollars through a network of wire transfer agencies or the petty cash funds delivered to Holding Monex by agencies to settle remittances.

Creditors 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 that are negotiated and settled to within 24 or 48 hours.

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

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

- i. **Direct employee benefits** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing (PTU) payable and incentives (bonds).
- ii. **Employee benefits from termination, retirement and other** - The liability for seniority premium, pensions and severance for termination of the employment relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method using nominal interest rates.
- iii. **Statutory employee profit sharing (PTU)** - Until December 31, 2012 Holding Monex recognized the PTU in its operating results in accordance with Article 127, Paragraph III of the Federal Labor Law ("LFT"); however, on August 30, 2013, was published in the Judicial Weekly of the Federation jurisprudence of the Supreme Court of Justice of the Nation solving court decisions in conflict cuts lower level, which provides that only the patterns obtained their income solely by (i) the administration of income producing real estate or (ii) credit recovery and interest on such property, the right to apply Article 127, Section III of the CFT to determine PTU.

As result of the 2014 Tax Reform, as of December 31, 2013, PTU is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law. Deferred PTU derived from temporary differences between the accounting and tax bases of assets and liabilities is recognized in accordance with the Mexican financial reporting standard (MFRS) D-3 "Employee Benefits". The Financial Group determined and recorded a deferred PTU asset of \$35 with a credit in administration and promotion expenses in the statement of income.

Income tax - Income tax ("ISR") and business flat tax (IETU) are recorded in results of the year in which they are incurred. To recognize deferred income taxes, based on its financial projections, Holding Monex determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. 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.

Management recognizes only the deferred tax asset that is deemed highly probable of realization.

As a result of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is not recognized.

Effects of restatement of net worth - This represents contributed and earned capital restated up to December 31, 2007 using the factor derived from the value of the UDIs. As of 2008, given that Holding Monex operates in a noninflationary environment, the effects of inflation of the period for contributed and earned capital are not recognized.

Financial margin - The financial margin of Holding Monex 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 and repurchase agreements, 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 in Holding Monex, bank loans, repurchase agreements and securities loans. The amortization of costs and expenses incurred during the origination of the loan granting is also included under interest expense.

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

Loan interest is recognized in the 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 according to the market and general economic situation.

Recognition of revenues derived from securities transactions and the result of the purchase-sale of securities - The commissions and tariffs 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 statements of income under the "intermediation result".

Comprehensive income - Comprehensive income presented in the accompanying statements of changes in stockholders' equity is the result of transactions other than those carried out by Holding Monex stockholders during the period and consists of net income and the effect from the valuation of securities available for sale, adjustment for the change of the financial effect from the new methodology of commercial portfolio rating, and the cumulative effects from conversion.

Expenses - Expenses are recognized as they accrue.

Statement of cash flows - In accordance with to C-4 of the criteria of the Provisions, the cash flow statement shows the sources of cash and cash equivalents, as well as the disbursements to settle its obligations.

Cash flow together with the rest of the financial statements provides information that allows for:

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

Memorandum accounts -

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

Customers cash and securities held in custody, guarantee and administration by Holding Monex are recognized at their fair value in memoranda accounts and represent the maximum amount for which the Brokerage House 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 Holding Monex. The checking accounts are destined only to manage the cash of the costumers of Holding Monex.
- b. Securities held in custody and administration are deposited with S.D. Indeval, S.A. de C.V. (S.D. Indeval).

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

- *Contingent assets and liabilities:*

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

- *Credit commitments*

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

Items under this account are subject to qualification.

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

Different management trusts are kept to independently account for assets received. Mandates include the declared value of the assets subject to mandate contracts entered into by Holding Monex.

- *Assets in custody or under administration:*

This account includes the activity of third-party assets and securities received in custody or to be managed by Holding Monex.

- *Collateral received:*

The balance is composed of all collateral received in repurchase transactions in which Holding Monex is the buying party.

– *Collateral received and sold or pledged as guarantee*

Side they were received acting as repurchase Holding Monex and which in turn have been sold by Holding Monex acting as reported are included.

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

Accrued interest is recognized on the date that the credit balance of the amount due is transferred to the non-performing loan portfolio. The interests that are generated by the credits transferred to the non-performing loan portfolio are recorded in the memorandum account.

– *Other record accounts (Unaudited):*

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

4. **Funds available**

As of December 31, 2013 and 2012, funds available were as follows:

Funds available		2013	2012
Cash		\$ 75	\$ 100
Deposits in banks		7,407	5,938
Documents recovered immediately		2	12
Remittance		<u>53</u>	<u>48</u>
		7,537	6,098
Restricted funds available:			
Foreign currency purchase 24 and 48 hours	(1)	9,847	6,193
Foreign currency sale 24 and 48 hours	(1)	(7,938)	(9,593)
Regulatory monetary deposits	(2)	<u>100</u>	<u>100</u>
		<u>2,009</u>	<u>(3,300)</u>
Total net		<u>\$ 9,546</u>	<u>\$ 2,798</u>

- (1) This item refers to currency purchase-sale transactions to be settled in 24 or 48 hours and which are considered as restricted until their settlement date. At December 31, 2013 and 2012, balances denominated in foreign currency (in millions of each currency) and the equivalent amounts in Mexican pesos are composed as follows:

	2013				
	Dollars	Euros	Pounds sterling	Others	Total
Total funds available					
Purchase of foreign Exchange receivable in 24 and 48 hours (Mexican pesos)	\$ 7,839	\$ 1,131	\$ 863	\$ 14	\$ 9,847
Sale of foreign exchange receivable in 24 and 48 hours (Mexican pesos)	<u>(6,259)</u>	<u>(773)</u>	<u>(863)</u>	<u>(43)</u>	<u>(7,938)</u>
Total include in fund available (Mexican pesos)	<u>\$ 1,580</u>	<u>\$ 358</u>	<u>\$ -</u>	<u>\$ (29)</u>	<u>\$ 1,909</u>

The exchange rate as of December 31, 2013 was \$13.0843, \$18.0301 and \$21.6689 Mexican pesos per the U.S. dollar, Euro and pound sterling, respectively.

	2013				
	Dollars	Euros	Pounds sterling	Others	Total
Total funds available					
Purchase of foreign Exchange receivable in 24 and 48 hours (Mexican pesos)	\$ 5,831	\$ 150	\$ 79	\$ 133	\$ 6,193
Sale of foreign exchange receivable in 24 and 48 hours (Mexican pesos)	<u>(9,148)</u>	<u>(183)</u>	<u>(79)</u>	<u>(183)</u>	<u>(9,593)</u>
Total include in fund available (Mexican pesos)	<u>\$ (3,317)</u>	<u>\$ (33)</u>	<u>\$ -</u>	<u>\$ (50)</u>	<u>\$ (3,400)</u>

The exchange rate as of December 31, 2012 was \$12.9658, \$17.1381 and \$21.0681 Mexican pesos per the U.S. dollar, Euro and pound sterling, respectively.

- (2) In accordance with the monetary policy established by the Central Bank and in order to regulate its money market liquidity, Holding Monex must maintain minimum deposits for indefinite periods, which accrue interest at the average bank rate. At December 31, 2013 and 2012, these deposits amounted to \$100. 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, 2013 and 2012, the margin account is as follows:

	2013	2012
Collaterals delivered as guarantee	\$ 654	\$ 601
Valuation of futures	<u>24</u>	<u>(65)</u>
	<u>\$ 678</u>	<u>\$ 536</u>

As of December 31, 2013 and 2012, margin accounts for collateral submitted in organized operating markets are maintained with Scotiabank Inverlat, S.A. for \$406 and \$484, Banco Santander for \$45 and \$71, Lek Securities for \$22 and \$46, respectively and Bancomer BBVA for \$181 as of December 31, 2013.

Guarantee deposits cover rate futures operations, CPI futures, dollar futures, and weight and futures options.

6. Investment in securities

Trading securities - As of December 31, 2013 and 2012, trading securities were as follows:

	2013				2012
	Acquisition Cost	Interest accrued	Increase (decrease) due to valuation	Total	Total
Debt instruments:					
Government securities-					
Treasury bills (CETES)	\$ 126	\$ -	\$ -	\$ 126	\$ 87
Federal Government Development Bonds (BONDS)	1,170	1	(1)	1,170	503
Bonds M, M0 and M7	212	1	(1)	212	782
Federal Government Development in Udis (UDIBONDS)	251	-	-	251	3
Saving protection bonds (BPAT's)	1,129	8	(10)	1,127	2,581
United Mexican States Bonds (UMS)	503	11	(11)	503	566
Private securities-					
Marketable bank certificates	5,092	26	(61)	5,057	4,849
Commercial paper	215	3	(2)	216	303
Foreign station titles	410	1	(8)	403	539
Private bank issued securities-					
Promissory note with yield payable at maturity (PRLV)	1,015	-	4	1,019	957
Marketable certificates	1,366	7	(11)	1,362	766
Certificates of deposit (CEDES)	941	2	(8)	935	1,481
Capital market instruments:					
Shares listed in stock exchange	50	-	1	51	45
Investments in mutual funds	237	-	6	243	200
Value date transactions:					
Government securities-					
Treasury bills (CETES)	-	-	-	-	5
Bonds M, M0 and M7	(5)	-	-	(5)	8
Capital market instruments-					
Shares listed in stock exchange	1	-	-	1	16
Investments in mutual funds	34	-	1	35	9
Total trading securities	<u>\$ 12,747</u>	<u>\$ 60</u>	<u>\$ (101)</u>	<u>\$ 12,706</u>	<u>\$ 13,700</u>

At December 31, 2013 and 2012, the securities under repurchase agreement are as follows:

Selling party	2013	2012
Derived from trading securities:		
Government securities-		
Treasury bills (CETES)	\$ 47	\$ 24
Federal Government Development Bonds (BONDS)	903	503
Bonds M, M0 and M7	155	741
Federal Government Development in Udis (UDIBONDS)	250	2
Savings Protection Bonds (BPAT'S)	385	1,930
United Mexican States Bonds (UMS)	<u>503</u>	<u>386</u>
Subtotal	2,243	3,586
Privates securities-		
Marketable certificates	4,586	4,638
Commercial paper	<u>215</u>	<u>303</u>
Subtotal	4,801	4,941
Private bank issued securities-		
Promissory note with yield payable at maturity (PRLV)	121	549
Marketable bank certificates	668	585
Certificate of deposits (CEDES)	<u>935</u>	<u>1,481</u>
Subtotal	1,724	2,615
Total	<u>\$ 8,768</u>	<u>\$ 11,142</u>

This position is considered restricted within trading securities.

As of December 31, 2013, positions greater than 5% of Holding Monex net capital in debt securities with a single issuer (other than government securities) are as follows:

Issuer	Maturity date	% Rate	Restated valued
TFOVIS 13/2U	2043/07/27	2.7%	\$ 747
BACOMER 21145	2021/04/02	4.0%	518
BACOMER 22224	2022/05/26	5.6%	467
TFOVIS 10/3U	2040/03/27	1.7%	462
SGMEX 12/2	2017/10/11	4.4%	406
TFOVIS 13U	2043/03/27	2.5%	386
RBS556 100217	2017/02/10	4.7%	363
BINTER 14063	2014/01/14	3.6%	352
PEMEX 10/2	2020/01/27	6.9%	303
TFOVIS 12/4U	2042/09/27	2.9%	300
BAINVEX 14023	2014/01/23	3.6%	299
HITOTAL 10U	2041/01/02	1.8%	283
SGMEX 13D	2016/05/16	0.9%	262
PE&OLES 10D	2015/08/12	1.8%	252

7. Repurchase agreements

As of December 31, 2013, repurchase agreements were as follows:

When Holding Monex acts as purchaser:

	2013		
	Cash to receive	Collateral	Net asset position
Government securities-			
Treasury bills (CETES)	\$ 1,020	\$ 1,020	\$ -
Federal Government Development Bonds (BONDS)	2,850	2,850	-
Federal Government Development Bonds (UDIBONDS)	79	79	-
United Mexican States Bonds (UMS)	219	219	-
Subtotal	<u>4,168</u>	<u>4,168</u>	<u>-</u>
Private securities-			
Commercial paper	65	65	-
Marketable certificates	<u>3,543</u>	<u>3,532</u>	<u>11</u>
Subtotal	<u>3,608</u>	<u>3,597</u>	<u>-</u>
Private bank issued securities-			
Certificate of deposits	374	374	-
Marketable bank certificates	<u>298</u>	<u>298</u>	<u>-</u>
Subtotal	<u>672</u>	<u>672</u>	<u>-</u>
Total	<u>\$ 8,448</u>	<u>\$ 8,437</u>	<u>\$ 11</u>

As of December 31, 2012 Holding Monex did not maintain an asset position in repurchase agreements.

When Holding Monex acts as seller:

	2013	2012
	Cash to deliver	Cash to deliver
Derived from trading securities:		
Government securities -		
Treasury bills (CETES)	\$ 48	\$ 24
Federal Government Development Bonds (BONDS)	903	503
Federal Government Development Bonds (UDIBONDS)	155	2
Bonds de M, M0 and M7	250	741
Saving Protection Bonds (BPAT's)	386	1,930
United Mexican States Bonds (UMS)	<u>503</u>	<u>386</u>
Subtotal	<u>2,245</u>	<u>3,586</u>
Private securities-		
Marketable certificates	4,617	4,658
Commercial paper	<u>215</u>	<u>303</u>
	<u>4,832</u>	<u>4,961</u>
Private bank issued securities-		
Promissory note with yield payable at maturity (PRLV)	121	191
Marketable bank certificates	671	585
Certificate of deposits (CEDES)	<u>908</u>	<u>1,481</u>
Subtotal	<u>1,700</u>	<u>2,257</u>
Total	<u>\$ 8,777</u>	<u>\$ 10,804</u>

For the years ended December 31, 2013 and 2012, the interests received on repurchase agreements are \$92 and \$83, respectively, and the interests expenses on repurchase agreements are \$379 and \$501, respectively. As of December 31, 2013, the repurchase transactions performed by Holding Monex, acting as seller, were agreed to under terms ranging from 2 to 31 days and 5 to 32 days acting as purchaser.

8. Derivative financial instrument transactions

As of December 31, 2013 and 2012, the position for transactions with financial derivatives is as follows:

Asset position	2013		2012	
	Nominal amount	Asset position	Nominal amount	Asset position
Futures-				
Foreign currency futures	\$ 9,059	\$ -	\$ 7,015	\$ -
Futures indexes	24	-	-	-
	<u>9,083</u>	<u>-</u>	<u>7,015</u>	<u>-</u>
Forwards-				
Foreign currency forwards	48,541	348	129,529	310
Forwards shares	-	-	1	-
	<u>48,541</u>	<u>348</u>	<u>129,530</u>	<u>310</u>
Options-				
Foreign currency options	10	4	20	6
Options rates	34	48	51	65
Options indexes	9	6	1	2
	<u>53</u>	<u>58</u>	<u>72</u>	<u>73</u>
Swaps-				
Interest rate swaps (IRS)	4,367	148	3,303	66
	<u>4,367</u>	<u>148</u>	<u>3,303</u>	<u>66</u>
Total position	<u>\$ 62,044</u>	<u>\$ 554</u>	<u>\$ 139,920</u>	<u>\$ 449</u>

Liability position	2013		2012	
	Nominal amount	Liability position	Nominal amount	Liability position
Futures-				
Foreign currency futures	\$ 293	\$ -	\$ 1,140	\$ -
Futures indexes	-	-	11	-
	<u>293</u>	<u>-</u>	<u>1,151</u>	<u>-</u>
Forwards-				
Foreign currency forwards	59,542	280	135,013	180
Forwards rates	26	1	-	-
Forward shares	864	-	678	-
Forwards trading	40	-	-	-
	<u>60,472</u>	<u>281</u>	<u>135,691</u>	<u>180</u>
Options-				
Foreign currency options	10	5	21	5
Options rates	23	43	41	59
Options indexes	9	6	2	2
	<u>42</u>	<u>54</u>	<u>64</u>	<u>66</u>
Swaps-				
Interest rate swaps (IRS)	-	305	3,534	296
	<u>-</u>	<u>305</u>	<u>3,534</u>	<u>296</u>
Total position	<u>\$ 60,807</u>	<u>\$ 640</u>	<u>\$ 140,440</u>	<u>\$ 542</u>

For the years ended December 31, 2013 and 2012, the valuation effect of the trading derivative instruments is reflected in the statements of income under "Intermediation result" (see Note 29)

In conformity with the accounting criteria prescribed by the Commission, the valuation effect of futures is presented under "Margin accounts", together with minimum initial contributions, under "Funds available". As of December 31, 2013 and 2012, the gain (loss) on changes in valuation of the trading futures is \$24 and \$(65), respectively.

Derivatives and the underlying assets are as follows:

Futures	Forwards	Options	Swaps	Notes
IPC USD	FX-USD FX-EUR EQ-IPC	ORG MXP IPC OTC MXP IPC OTC USD/MXN	IRS-THE 28 IRS-LIBOR 1M CCSWAP-THE LIB CCSWAP Fija-Fija USD/MX	USD/MXN EUR/MXN
	EQ-Stocks	OTC EUR/MXN		

The guarantees and/or collateral received and delivered for the derivative financing transactions as of December 31, 2013 and 2012, are comprised as follows:

Heading	Type of collateral	Received Market	2013	2012
Sundry creditors and other accounts payable				
Guarantees received	Cash	OTC	\$ <u>502</u>	\$ <u>82</u>
Heading	Type of collateral	Delivered Market	2013	2012
Margin accounts				
Guarantees delivered	Cash	OTC and recognized markets	\$ 654	\$ 601
Other receivables				
Guarantees delivered	Securities	OTC	<u>414</u>	<u>350</u>
Total guarantees delivered			\$ <u>1,068</u>	\$ <u>951</u>

Upon executing transactions with "Over the counter" OTC derivatives, Holding Monex 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, 2013 and 2012, there are no restricted securities delivered as security for derivative transactions.

Management of derivative financial instrument usage policies

The policies of Holding Monex 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 are: forwards, futures, options, interest rate swaps, and currency swaps.

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

In the Risk Committee are present 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

Holding Monex 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, internal and external 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 supplier.
- “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 supplier.

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.

In every case, Holding Monex values 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 financial instruments

Resources are obtained through the Treasury.

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

In relation to financial instruments for trading at December 31, 2013 and 2012, Holding Monex has no situation or event, such as changes in the value of the underlying asset or reference variables, implying that the use of instruments derivatives differ from those that were originally conceived, that could significantly modify their plan and require the Issuer to assume new obligations, commitments or changes in your cash flow so that affected their liquidity (margin calls) , or contingencies and known or anticipated by Management of Holding Monex event that may affect future reports.

The amount of margin calls made during 2013 and 2012 was necessary to cover contributions in both the organized and the required collateral contracts markets.

At December 31, 2013 and 2012, except as mentioned in the previous paragraph, there is no evidence of deterioration in credit risk (counterparty) that requires modifying the carrying amount of financial assets from the rights set forth in the instruments financial derivatives.

Impairment of financial derivatives -

At December 31, 2013 and 2012, 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, as follows:

- 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, 2013 (unaudited):

Sensibility analysis	Sensitivity (all factors)
Stage one 1%	(0.179)
Stage two 2%	(0.359)

Stress Test -

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

As of December 31, 2013 the results for these scenarios are as follows and show the impact on results if they occurred (unaudited):

Risk profile	Stress test (all factors)
Scenario one	\$ 1.80
Scenario two	\$ 3.60

9. Loan portfolio

As of December 31, 2013 and 2012, the performing loan portfolio and non-performing loan portfolio granted by type of currency are as follows:

	2013		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial with guarantee	\$ 1,554	\$ 46	\$ 1,600
Loans to financial institutions	396	-	396
Government entities	34	-	34
Housing loans-			
Housing loans	948	1	949
U.S. dollars converted to Mexican pesos:			
Commercial credits -			
Commercial with guarantee	1,247	8	1,255
Loans to financial institutions	131	-	131
Total	<u>\$ 4,310</u>	<u>\$ 55</u>	<u>\$ 4,365</u>

	2013		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial with guarantee	\$ 1,420	\$ 34	\$ 1,454
Loans to financial institutions	412	-	412
Governmental entities	42	-	42
Housing loans-			
Housing Loans	1,129	-	1,129
U.S. dollars converted to Mexican pesos:			
Commercial credits -			
Commercial with guarantee	1,301	4	1,305
Loans to financial institutions	235	-	235
Total	<u>\$ 4,539</u>	<u>\$ 38</u>	<u>\$ 4,577</u>

Holding Monex grants loans offered by the U.S. Ex-Im Bank, as follows:

Definition of Ex-Im Bank - "*The Export-Import Bank of the United States*", is the US 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 it receives 100% of the Ex-Im Bank guarantee, 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 Holding Monex, 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, Holding Monex will claim the settlement and subrogate the collection rights to such bank, which continues collections efforts on the loans.

At December 31, 2013 and 2012, the portfolio with third party participation administered by Holding Monex and balances denominated in foreign currency and without third party participation are as follows:

	2013	2012
Short-term	\$ 214	\$ 250
Medium term	42	61
	<u>\$ 256</u>	<u>\$ 311</u>

Risk diversification -

As of December 31, 2013 and 2012, Holding Monex had the following credit risk, in compliance with the general rules for the diversification of risks in the conduct of active and passive transactions:

- Holding Monex maintains no loans to debtors or groups of persons representing a common risk and whose individual value is greater than 10% of core capital.
- Holding Monex maintains two loans debtors whose values amount to \$301 and \$263, which represent 14% and 12% of basic capital.
- The amount of credit extended to the three largest borrowers is \$714 and represent 33% of basic capital of Holding Monex.

Loans to related parties - As of December 31, 2013 and 2012, the loan amounts delivered by Holding Monex to related parties in accordance with Article 73 of the Law on Credit Institutions is \$22 and \$528, respectively, which were approved by the Board of Directors.

Policy and methods used to identify distressed commercial loans - Commercial loans are identified as distressed in regard to the individual portfolio rating, by considering quantitative elements when they are unsatisfactory and there are significant weaknesses in cash flow, liquidity, leverage, and/or profitability that may jeopardize the client's ability to continue as a going concern or when it has stopped operating. In general, they refer to borrowers whose portfolio rating is "D" or "E".

Policy and procedures to identify credit risk concentration - Concentration risk is an essential element of risk management. Holding Monex continuously monitors the degree of concentration of credit risk portfolios by economic group.

Credit lines unused by customers - As of December 31, 2013 and 2012, unused credit lines authorized to customers for \$1,281 and \$4,718, respectively.

As of December 31, 2013, aging of non-performing portfolio is as follows:

	2013	2012
From 1 to 179 days	\$ 23	\$ 34
From 180 to 365 days	19	3
Over 365	<u>13</u>	<u>1</u>
	<u>\$ 55</u>	<u>\$ 38</u>

10. Allowance for loan losses

As of December 31, 2013 and 2012, the allowance for loan losses was \$64 and \$84, respectively, and is assigned as follows:

2013	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial with guarantee	\$ 2,801	\$ 23	\$ 48
Loans to financial institutions	527	-	5
Government entities	34	-	3
Housing loans-			
Housing loans	<u>948</u>	<u>1</u>	<u>8</u>
Total portfolio	<u>\$ 4,310</u>	<u>\$ 24</u>	<u>\$ 64</u>
2012	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial with guarantee	\$ 2,721	\$ 38	\$ 67
Loans to financial institutions	647	-	4
Government entities	42	-	3
Housing loans-			
Housing loans	<u>1,129</u>	<u>-</u>	<u>10</u>
Total portfolio	<u>\$ 4,539</u>	<u>\$ 38</u>	<u>\$ 84</u>

As of December 31, 2013 and 2012, Holding Monex maintained an allowance for loan losses equivalent to 267% and 221%, of the non-performing portfolio, respectively.

The allowance for loan losses resulting from the loan portfolio classification with responsibilities as of December 31, 2013 and 2012, reported by Holding Monex, is as follows:

Degree of risk	2013		2012	
	Classification of the portfolio by degree of risk	Amount of allowance recorded	Classification of the portfolio by degree of risk	Amount of allowance recorded
A-1	\$ 2,613	\$ 13	\$ 4,603	\$ 27
A-2	1,615	18	604	5
B-1	954	15	268	13
B-2	85	2	41	3
B-3	159	6	228	24
C-1	66	5	4	2
C-2	9	1	1	1
D	10	4	1	1
E	-	-	9	8
Base rating portfolio	<u>5,511</u>	<u>\$ 64</u>	<u>5,759</u>	<u>\$ 84</u>
Less - Letter of credit	<u>(1,146)</u>		<u>(1,182)</u>	
Loan portfolio, net	<u>\$ 4,365</u>		<u>\$ 4,577</u>	

The portfolio classified with "D" and "E" risk is identified as a distressed portfolio.

Below is the activity of the allowances for loan losses for the years ended December 31, 2013 and 2012:

	2013	2012
Opening balances	\$ 84	\$ 67
Provisions (applications) with a charge (credit) to:		
Results	38	37
Effect by adopting the new methodology for the commercial portfolio	135	-
Exchange result	(1)	(1)
Applications	<u>(192)</u>	<u>(19)</u>
Closing balances	<u>\$ 64</u>	<u>\$ 84</u>

11. Other receivables, net

As of December 31, 2013 and 2012, the other receivables, are as follows:

	2013	2012
Debtors due to liquidation of operations of money market	\$ 1,366	\$ 206
Debtors by foreign exchange transactions 24 or 48 hours	8,025	9,687
Recoverable taxes	1	22
Debtors of operation	682	463
Employee loans and other debits	20	17
Collateral delivered for the derivative financing transactions	414	350
Agency commissions	4	4
Sundry debtors correspondents	36	49
Other debtors	<u>15</u>	<u>4</u>
	10,563	10,802
Allowance for doubtful accounts	<u>(236)</u>	<u>(229)</u>
Total	<u>\$ 10,327</u>	<u>\$ 10,573</u>

12. Property, furniture and fixtures, net

As of December 31, 2013 and 2012, property, furniture and fixtures are as follows:

	2013	2012
Land	\$ 7	\$ 7
Buildings	3	3
Office furniture and equipment	73	96
Computer and communications equipment	107	207
Vehicles	<u>10</u>	<u>17</u>
	200	330
Less-		
Accumulated depreciation	<u>(109)</u>	<u>(236)</u>
Total property, furniture and fixtures (net)	<u>\$ 91</u>	<u>\$ 94</u>

The annual depreciation and amortization rates were as follows:

	Percentage
Buildings	5%
Computer and communications equipment	33%
Vehicles	25%
Office furniture and equipment	10%

For the years ended at December 31, 2013 and 2012, depreciation expense amounted to \$28 and \$26, respectively.

13. Other assets

As of December 31, 2013 and 2012, goodwill and other assets were as follows:

	2013	2012
Goodwill:		
Tempus	\$ 407	\$ 407
Monex Europe Holding	229	229
Conversion effect	<u>48</u>	<u>39</u>
	684	675
Deferred charges, advance payments and intangibles:		
Other intangible assets arising from the acquisition of Tempus (1)	165	163
Other intangible assets arising from the acquisition of Monex Europe (1)	642	625
Brands and patents	79	79
Adjustments and improvements	198	174
Management trust (2)	100	99
Software	25	28
Contracts of agencies, correspondents, and non-compete	97	97
Advance payments	29	4
Investment projects	11	4
Other deferred charges	<u>16</u>	<u>54</u>
	1,362	1,327
Less - Accumulated amortization	<u>(135)</u>	<u>(96)</u>
	1,227	1,231
Other assets:		
Operating deposit	71	49
Interest on contingency fund	<u>2</u>	<u>5</u>
	<u>73</u>	<u>54</u>
	<u>\$ 1,984</u>	<u>\$ 1,960</u>

- (1) As of December 31, 2013 and 2012, Holding Monex has identified intangible assets acquired separately from goodwill for the acquisition of Tempus and Monex Europe, as follows:

	Tempus	Monex Europe	2013	2012
Licenses	\$ 71	\$ -	\$ 71	\$ 71
Sales force	42	67	109	109
Operating agreements with banks	56	401	457	457
Software	7	6	13	13
Non-compete agreements	-	161	161	161
Total	176	635	811	811
Conversion effect	(11)	7	(4)	(23)
Total intangibles assets	\$ 165	\$ 642	\$ 807	\$ 788

- (2) Management Trust No. F/523 – On May 19, 2010, Holding Monex started a stock option plan for its key executives, which was approved by its Stockholders' Meeting of the same date. Consequently, Prestaciones Universales, executed Management Trust agreement F/523 with the Bank to grant financing to its executives to enable them to acquire shares representing the common stock of Holding Monex. The plan authorized a total of 5,083,362 Series "B" shares of Holding Monex, which were allocated for acquisition by these executives. Such Trust was until November 26, 2013 in Prestaciones Universales, which was transferred to AdmiMonex before the sale of the shares of Prestaciones Universales, transaction referred to in Note 1.

14. Foreign currency position

As of December 31, 2013 and 2012, foreign currency assets and liabilities of Holding Monex were as follows:

	Millions of US Dollars		Millions of Euros		Other foreign currencies in millions of U.S. dollars	
	2013	2012	2013	2012	2013	2012
Funds available	USD 682	USD 947	€ 23	€ 12	USD 49	USD 2
Margin accounts	4	5	-	-	-	-
Investment in securities	97	99	-	-	-	-
Repurchase agreements	-	22	-	-	-	-
Derivative (assets)	4,598	8,353	65	10	291	9
Loan portfolio	104	147	-	-	-	-
Other assets	49	47	-	-	69	119
Property, furniture and fixtures	-	-	-	-	1	-
Investments in equity	10	-	-	-	(10)	32
Deferred taxes	(4)	-	-	-	-	-
Deferred charges and advance payments	(1)	-	-	-	-	-
Other receivables	67	36	-	3	143	1
Deposits	(158)	(166)	(9)	(10)	(6)	(1)
Resale agreements	(144)	(80)	(2)	(1)	-	-
Bank and other loans	-	(30)	-	-	-	-
Collaterals	(40)	(52)	-	-	-	-
Derivative (liability)	(4,903)	(8,281)	(65)	(9)	(279)	(9)
Sundry creditors and other payables	(314)	(1,039)	(13)	(3)	(172)	(150)
Asset (liability) position	USD 47	USD 8	€ (1)	€ 2	USD 86	USD 3
Mexican peso equivalent	\$ 615	\$ 104	\$ 18	\$ 34	\$ 1,125	\$ 39

As of December 31, 2013 and 2012, the "Fix" (48-hour) exchange rate submitted by the Central Bank and used was \$13.0843 and \$12.9658 per U.S. dollar, respectively.

As of December 31, 2013 and 2012, the "Euro" exchange rate submitted by the Central Bank and used was \$18.0301 and \$17.1387 per Euro, respectively.

On February 24, 2014, the foreign currency position (unaudited) is similar to the position at the end of the year. The foreign exchange "Fix" at this date is \$13.2090 per U.S. dollar and \$18.1439 per Euro.

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

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

The foreign currency position of the other subsidiaries is insignificant.

15. Deposits

As of December 31, 2013 and 2012, deposits were as follows:

	2013	2012
Demand deposits	\$ 4,896	\$ 3,460
Time deposits-		
General public	3,994	878
Money market:		
Deposit certificates	695	568
Promissory notes with interest payable at maturity (IBMEX) (1)	<u>351</u>	<u>991</u>
	5,040	2,437
Debt securities		
Debt securities (Bonds)	<u>370</u>	<u>794</u>
Total deposits	<u>\$ 10,306</u>	<u>\$ 6,691</u>

(1) Short-term maturities which generated interest at an average 6.6% and 5.4% rate, in 2013 and 2012, respectively.

16. Bank and other loans

As of December 31, 2013 and 2012, bank loans were as follows:

	2013		2012
	Mexican Pesos	Rate	Total
Demand deposits-			
"Call Money" received	\$ -		\$ 2,811
Total demand deposits	-		2,811
Short term-			
FIRA	10	3.78%	10
Clusters	462	3.50%	462
Digital loans	<u>1</u>	<u>4.58%</u>	<u>1</u>
Total short-term loans	<u>473</u>		<u>337</u>
Total interbank loans and other loans	<u>\$ 473</u>		<u>\$ 3,148</u>

Loans with Development Bank Institutions - Loans are granted by, Nacional Financiera (NAFIN) and Fideicomiso of Central Bank (FIRA), which represent a direct obligation for Holding Monex with these entities. Accordingly, Holding Monex grants loans in Mexican pesos and U.S. dollars to their customers for financial support.

Lines of credit 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 Holding Monex. 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.

17. Securitization certificates

As mentioned in Note 1, Holding Monex issued notes in June 2012, in the amount of \$1,000, effective for approximately three years, which pay interest every 28 days at a rate of 28-day Interbank Interest Rate (TIE) plus 280 basis points. As of December 31, 2013 and 2012, Holding Monex had paid \$72 and \$42 respectively, and has recorded accrued interest of \$2 for both years.

18. Comparative maturities of principal assets and liabilities

	6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets					
Funds available (1)	\$ 9,446	\$ -	\$ -	\$ 100	\$ 9,546
Margin accounts	678	-	-	-	678
Investment in securities	12,706	-	-	-	12,706
Derivatives	105	105	258	86	554
Loan portfolio (net)	2,779	98	1,358	66	4,301
Other receivables (net)	<u>10,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,327</u>
Total assets	<u>\$ 36,041</u>	<u>\$ 203</u>	<u>\$ 1,616</u>	<u>\$ 252</u>	<u>\$ 38,112</u>
Liabilities					
Deposits	\$ 10,306	\$ -	\$ -	\$ -	\$ 10,306
Issuance of stock certificates	2	-	1,000	-	1,002
Bank and loans	473	-	-	-	473
Resale agreements	8,777	-	-	-	8,777
Derivatives (liability)	272	24	129	215	640
Remittances payable	28	-	-	-	28
Creditors from settlements of transactions	11,249	-	-	-	11,249
Sundry creditors and other payables	<u>2,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,192</u>
Total liabilities	<u>33,299</u>	<u>24</u>	<u>1,129</u>	<u>215</u>	<u>34,667</u>
Assets less liabilities	<u>\$ 2,742</u>	<u>\$ 179</u>	<u>\$ 487</u>	<u>\$ 37</u>	<u>\$ 3,445</u>

(1) The heading of Funds available includes Monetary Regulation Deposits with Central Bank. Such deposits as of December 31, 2013 and 2012 are \$100, and cannot be disposed of freely.

19. Labor benefits

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

Each year, Holding Monex records the net periodic cost 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 Holding Monex's employees.

As of December 31, 2013 and 2012, Holding Monex amortizes variances based on the pensions and the seniority premiums plan, based on the average remaining years of service of Holding Monex's employees.

As of December 31, 2013 and 2012, balances and activity reflected in employee benefits, which include, seniority premiums and severance payments, were as follows:

	2013	2012
Defined benefit obligation	\$ 321	\$ 320
Plan assets	<u>(158)</u>	<u>(101)</u>
Underfunded status	163	219
Unamortized:		
Unrecognized actuarial profits	<u>(69)</u>	<u>(113)</u>
Net projected liability	<u>\$ 94</u>	<u>\$ 106</u>

As of December 31, 2013 and 2012, the net projected liabilities for severance payments at the end of the employment relationship for reasons other than restructuring are \$63 and \$60, respectively.

Net periodic cost consists of the following:

	2013	2012
Service cost for the year	\$ 32	\$ 32
Financial cost and expected return on plan assets	13	14
Amortization of transition liability	<u>2</u>	<u>8</u>
Net cost	<u>\$ 47</u>	<u>\$ 54</u>

The economic assumptions used were as follows:

	2013	2012
Discount rate	8.18%	6.97%
Expected rate of return of assets	8.18%	6.97%
Rate of wage increases	4.00%	4.00%

The changes in net projected obligations were as follows:

	2013	2012
Opening balance (face value)	\$ 106	\$ 115
Payment of benefits	(59)	(64)
Provision for the year	<u>47</u>	<u>55</u>
Net projected liability	<u>\$ 94</u>	<u>\$ 106</u>

As of December 31, 2013 and 2012, the assets related to the defined benefit plan, were invested as follows:

	2013		2012	
	Amount	%	Amount	%
Capital market	\$ 34	21%	\$ 28	28%
Money market	102	65%	52	51%
Repurchase market	<u>22</u>	14%	<u>21</u>	21%
Total	<u>\$ 158</u>		<u>\$ 101</u>	

As of December 31, 2013 and 2012, 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:

	2013	2012
Present value of the defined benefits obligation as of January 1	\$ 320	\$ 151
Actual payment of benefits during the year	(14)	-
Actuarial loss	(39)	133
Cost of the year	<u>54</u>	<u>36</u>
Present value of the defined benefits obligation as of December 31, of each year	<u>\$ 321</u>	<u>\$ 320</u>

20. Creditors from settlements of transactions

As of December 31, 2013 and 2012, creditors from settlement of transactions are as follows:

	2013	2012
Creditors from settlements of transaction by foreign exchange to 24 and 48 hours	\$ 9,844	\$ 6,193
Creditors for settlement of transactions	<u>1,405</u>	<u>140</u>
	<u>\$ 11,249</u>	<u>\$ 6,333</u>

21. Remittances payable

As of December 31, 2013 and 2012, the payable remittances were as follows:

	2013	2012
Remittances, payable to beneficiaries	\$ 27	\$ 26
Outstanding coupons	<u>1</u>	<u>1</u>
	<u>\$ 28</u>	<u>\$ 27</u>

22. Sundry creditors and other payables

As of December 31, 2013 and 2012, sundry creditors and other payables were as follows:

	2013	2012
Employee retirement obligation provision	\$ 252	\$ 207
Funds	(158)	(101)
	94	106
Suppliers	20	29
Creditors from settlements of transaction by foreign exchange	974	744
Payable commissions, bonus and other gratifications	125	146
Deposits in guarantee	495	394
Contingent liabilities	7	42
Various taxes and social security contribution	69	119
Taxes withheld	35	24
Reclassification of creditors bank balances	182	11
Dividend pending paid	-	70
Monex Europe creditors	71	-
Other sundry creditors	120	87
	<u>\$ 2,192</u>	<u>\$ 1,772</u>

23. Income taxes

Holding Monex is subject to ISR and IETU during December 31, 2013 and 2012.

ISR -The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR Law (2014 Tax Law), the rate will continue at 30% in 2014 and thereafter.

IETU – IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

Then the main tax reforms discussed in Note 1, are identified that affect.

Principal reforms to the Income Tax Law, Business Flat Tax Law, Cash Deposits Tax Law and Value Added Tax Law

a) Income tax

The definitive rate is left at 30%. The scheduled reductions that were to bring the rate to 29% in 2014 and 28% in 2015 and thereafter established in superseded LISR as of 2015 are repealed.

An additional income tax of 10% is established on dividends paid when they are distributed to individuals and residents abroad. The income tax is paid by means of withholding and is considered a final payment owed by the shareholder. In the case of foreigners, the appropriate double taxation treaties may be applied. This tax will be applicable on the distribution of profits generated as of the year 2014.

The deduction of payments to workers which are exempt revenues for them is limited to 47% or 53% subject to certain requirements. Furthermore, the deduction is limited in the same percentages for contributions to pension and retirement funds.

The Social Security fees paid by the employer are considered 100% nondeductible.

Special calculation of the PTU. The base is determined by subtracting the allowable deductions taxable income, without incorporating the PTU in the year paid or tax loss carryforwards.

For credit institutions, rules surrounding the deduction of general loss reserves recognized in accordance with the rules of the Commission were amended. A transitional regime for profits generated in previous years, which limits the deduction to 2.5% of the average portfolio balance in subsequent years, is incorporated.

b) Business Flat Tax and Cash Deposits Tax

The Business Flat Tax Law and the Cash Deposits Tax Law are repealed.

c) Value-Added Tax ("IVA")

The IVA rate is standardized at the national level, therefore the rate in the border zone increased from 11% to 16%.

Regarding the accounting recognition of items included in the Tax Reform 2014 that are related to income taxes, CINIF issued Interpretation 20, "Accounting for Tax Reform 2014" with effect from December 2013.

The current income tax is the greater of ISR and IETU up to 2013.

The provision created in results for ISR is as follows:

	2013	2012
ISR:		
Current	\$ 604	\$ 457
Deferred	55	32
Extraordinary operation income tax(1)	<u>(413)</u>	<u>-</u>
	<u>\$ 246</u>	<u>\$ 489</u>

(1) In relation to the sale of Prestaciones Universales which is mentioned in Nota 1 subparagraph a), for comparable purposes of presentation in the statement of income, the tax caused by the sale of the segment was removed from the income tax and it's presented net of income received in the heading of Discontinued operations

Reconciliation of the accounting tax result - The main items affecting the determination of Holding Monex's tax result were the annual adjustment for inflation, provisions, the difference between accounting and tax depreciation and amortization, the difference between the accounting increase of the preventive credit risk estimate and the respective tax deduction, provisions created for the expenses of prior years that were settled in the current year and the transfer of housing constructor credit portfolio.

Penalty interest for purposes of business flat tax (IETU) - In accordance with the Business Flat Tax Law at December 31, 2012, Holding Monex must consider interest as taxable revenue for purposes of this tax as it is accrued, regardless of whether it is collected or not, which applies both to ordinary and penalty interest. Holding Monex considers all accrued interest, regardless of whether it is ordinary or penalty interest.

Tax loss carryforwards and IETU tax credit - Holding Monex has ISR tax loss carryforwards as follows:

Company	Amount	Año de vencimiento
AdmiMonex	\$ 25	2018
Financial Group	10	2019
Monex Servicios	<u>8</u>	<u>2019</u>
	<u>\$ 43</u>	

At December 31, 2013 and 2012, Holding Monex has no IETU credits.

Deferred taxes - At December 31, 2013 and 2012, deferred taxes are composed as follows:

	2013	2012
Deferred ISR asset:		
Provisions	\$ 90	\$ 40
Labor obligations	28	31
Others	<u>54</u>	<u>91</u>
Deferred ISR asset	172	162
Deferred ISR (liability):		
Prepaid expenses	61	44
Others	<u>18</u>	<u>-</u>
Deferred ISR liability	79	48
Net deferred taxes assets	<u>\$ 93</u>	<u>\$ 114</u>

Holding Monex's management doesn't record a reserve for the deferred income tax asset that they believe will be recovered, based on the financial and tax projections prepared by management.

Deferred taxes are recorded by using results or stockholders' equity as the corresponding account, depending on where the item giving rise to the deferred tax is classified.

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

	Bank		Brokerage House	
	2013	2012	2013	2012
Legal rate	30%	30%	30%	30%
Valuation of investment securities	(1%)	(5)%	-	-
Others	(4%)	7%	(2%)	(5%)
Annual adjustment for inflation	(5%)	-	(1%)	(1%)
Non deductible	<u>1%</u>	<u>-</u>	<u>1%</u>	<u>3%</u>
Effective tax rate	<u>21%</u>	<u>32%</u>	<u>28%</u>	<u>27%</u>

Other tax issues:

As of December 31, 2013 and 2012, the main subsidiaries of Holding Monex have the following balances for significant tax indicators:

	Bank		Brokerage House	
	2013	2012	2013	2012
Contributed capital account	<u>\$ 2,181</u>	<u>\$ 2,098</u>	<u>\$ 542</u>	<u>\$ 521</u>
Net tax income account	<u>\$ 2,119</u>	<u>\$ 2,137</u>	<u>\$ 363</u>	<u>\$ 394</u>

24. Stockholders' equity

As of December 31, 2013 and 2012, capital stock, at par value, was as follows:

	Number of shares
Fixed capital-	
Series A Shares	50,000
Series B Shares	<u>399,950,000</u>
	<u><u>400,000,000</u></u>

During Stockholders' Ordinary General Meetings held on April 22 and December 20, 2013, the Stockholders resolved to pay a cash dividend charged the account "Retained earnings" for \$300 and \$250, respectively.

During Stockholders Meeting minute of April 22, 2013 the stockholders approved the transfer of the capital reserves to retained earnings the amount of \$600, which could be destined to purchased shares through Bolsa Mexicana de Valores, S.A.B. de C.V.

At December 31, 2012 and 2011, the reserve created to repurchase shares is composed as follows:

	2013	2012
Repurchased shares	\$ 7,267,446	\$ 7,266,961
Market price per share	<u>17.90</u>	<u>17.99</u>
Market value	<u>\$ 130</u>	<u>\$ 131</u>
	2013	2012
Balance of reserve at the beginning	\$ 69	\$ 77
Approved capital reserve	600	100
Less:		
Loss of repurchase shares	(1)	-
Historic value of repurchased shares	<u>-</u>	<u>(108)</u>
Balance repurchased share	<u>\$ 668</u>	<u>\$ 69</u>

At December 31, 2013 and 2012, the percentage of the Holding Monex's own shares acquired in relation to its common stock is 1.82%.

Furthermore an increase of capital reserves for \$22 was approved. With this amount Holding Monex complies with the 20% of capital stock, which is the minimum required by the law disposal.

Minimum fixed capital is \$50, as represented by 50,000 fully subscribed and paid-in Series "A" shares. Variable capital is unlimited and represented by ordinary, nominative Series "B" shares at no par value.

Nor the foreign people who exercise authority can't participate in the Capital Stock of Holding Monex, neither the Mexican financial institutions, even whether they are part of the Holding Monex group, unless they act as institutional investors within the meaning of Article 19 of the Law Regulating Financial Groups.

In the case dividends are distributed prior to paying the taxes applicable to Holding Monex, such tax must be paid when the dividend is distributed; therefore, Holding Monex 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.

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

As of January 1, 2014 and according to the amendments to the Law on Income Tax in the case of payment of dividends by Mexican companies, an additional income tax of 10% on dividends paid to physical and people living abroad, if residing abroad may apply treaties to avoid double taxation.

25. Capital ratio (lastest information published by Central Bank) - Unaudited

As of December 31, 2013 and 2012, in accordance with the capital requirements in effect, applicable to full service banks, Holding Monex presents the following capitalization ratio, which exceeds the minimum level required by the authorities:

	2013	2012
Net capital / required capital	221.00%	254.51%
Basic capital / assets subject to credit, market and operational risk	17.71%	20.09%
Net capital / assets subject to credit risk	28.50%	32.74%
Net capital / assets subject to credit, market and operational risk	17.71%	20.38%

The capitalization ratio of Holding Monex was updated and sent to Central Bank on February 11, 2014.

As of December 31, 2013 and 2012, the net capital used to calculate the capital ratio is as follows:

	2013	2012
Basic capital:		
Stockholder's equity disregarding convertible securities and subordinate debt	\$ 3,689	\$ 3,598
Less:		
Organization costs and other intangible	(159)	(499)
Investment in shares of entities	(1,316)	(883)
Investment in shares of financial entities	-	(10)
	<u>2,214</u>	<u>2,206</u>
Complementary capital:		
Allowance for loan losses	<u>16</u>	<u>31</u>
Total net capital	<u>\$ 2,230</u>	<u>\$ 2,237</u>

	2013		2012	
	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	\$ 2,025	\$ 166	\$ 1,808	\$ 145
Transactions with real rate	589	47	671	54
Transactions with nominal rate in foreign currency	217	17	348	28
Transactions with shares and related to shares	116	5	85	7
Foreign exchange transactions	324	26	134	11
Transactions in UDIS relating INPC	<u>8</u>	<u>1</u>	<u>7</u>	<u>-</u>
	3,279	262	3,053	245

	2013		2012	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
Credit risk:				
Deposits and loans	5,048	406	4,194	336
From repurchase agreements and derivatives counterparties	95	6	200	16
From issuers of debt securities in position	828	66	1,023	82
From long-term investment in shares and other assets	1,032	83	839	67
From guarantees and credit lines and securitization	496	40	576	46
Transactions with related parties	2	-	4	-
	<u>7,501</u>	<u>601</u>	<u>6,836</u>	<u>547</u>
Operational risk:	<u>1,298</u>	<u>104</u>	<u>1,093</u>	<u>87</u>
Total assets at risk	<u>\$ 12,078</u>	<u>\$ 967</u>	<u>\$ 10,982</u>	<u>\$ 879</u>

At December 31, 2013 and 2012, weighted positions by market risk are as follows:

	2013		2012	
	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement
Market risk	\$ 3,279	262	\$ 3,053	245
Credit risk	7,501	601	6,836	547
Operational risk	<u>1,298</u>	<u>104</u>	<u>1,093</u>	<u>87</u>
	<u>\$ 12,078</u>	<u>\$ 967</u>	<u>\$ 10,982</u>	<u>879</u>

26. Ratings of the Bank

As of December 31, 2013, the Bank has been awarded the following ratings:

	Standard & Poor's	Fitch Ratings
National level-		
Short-term	mxA-1	F1(mex)
Long-term	mxA+	A+(mex)
Financial strength-		
Perspective	Stable	Stable
Public date	May 31, 2013	November 20, 2013

27. Contingencies and commitments

- a. **Lawsuits** - On the normal course of business, Holding Monex 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, 2013 and 2012, Holding Monex has recorded provisions for the amount \$7 and \$42, respectively, under the heading of "Sundry creditors and other accounts payable" which, based on the opinion of its internal and external legal advisors, the management believes is appropriate.

- b. *Administered loan portfolio* - As discussed in Note 9, the portfolio administered by Holding Monex derived from the sales made and equity held under the outline agreement executed with Exim-Bank and Pefco is for the amount of \$256 and \$311 in 2013 and 2012, respectively. In relation to this loan portfolio, Holding Monex has the commitment 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.
- c. *Connectivity Service contract* - On February 24, 2010, the Bank signed a contract with Metro Net Hosting, S. de R.L. de C.V., to provide connectivity services, Internet access, security equipment, monitoring, execution platforms, storage and restoration of information management applications and databases, among others. The term expires in June of 2015 and is automatically renewable for successive periods of one year. Monthly payments in US dollars, and the approximate annual amount calculated over actual conditions is as shown below:

Period	In millions of American dollars
2014	2.9
2015	<u>1.5</u>
Total	<u>4.4</u>

28. Memorandum accounts

Memorandum accounts are not included in the balance sheet and only the memorandum accounts in which transactions directly related to the balance sheet are recorded, such as customer banks, customer transaction settlements, customer securities in custody, customer repurchase agreements, customer loan securities transactions, customer collateral received in guarantee, customer transactions of purchase or sale derivatives, loan commitments and collateral received and sold or delivered in guarantee were subject to external audit.

a. *Trust mandate transactions (unaudited)* -

Aside from the above memoranda accounts, Holding Monex also has the following:

As of December 31, 2013 and 2012, Holding Monex administered the following trusts and mandates:

	2013	2012
Trusts under-		
Administration	\$ 49,492	\$ 36,223
Guarantee	5,470	4,572
Investment	<u>898</u>	<u>832</u>
	<u>\$ 55,860</u>	<u>\$ 41,627</u>

As of December 31, 2013 and 2012, the income from the administration of such goods was \$47 and \$41, respectively.

b. *Other record accounts (unaudited)* -

As of December 31, 2013 and 2012, other record accounts have a balance of \$2,435 and \$2,428, respectively.

29. Intermediation result

For the years ended December 31, 2013 and 2012, the intermediation result was as follows:

	2013	2012
Foreign exchange result:		
Profit /(loss):	\$ <u>2,910</u>	\$ <u>2,332</u>
	2,910	2,332
Derivatives result:		
Valuation	(64)	(305)
Profit /(loss)	<u>495</u>	<u>700</u>
	431	395
Income from debt securities:		
Valuation	16	(6)
Profit /(loss)	<u>46</u>	<u>231</u>
	62	225
Equity:		
Valuation	2	(6)
Profit /(loss)	<u>-</u>	<u>342</u>
	2	336
	<u>\$ 3,405</u>	<u>\$ 3,288</u>

30. Interest income (expenses)

As of December 31, 2013 and 2012, the financial margin was as follows:

	2013	2012
Interest income:		
Investment securities, debt and equity	\$ 722	\$ 842
Interbank and other loans	15	6
Deposits with financial institutions	43	22
Loan portfolio	390	313
Others	<u>73</u>	<u>34</u>
	1,243	1,217
Interest expenses:		
Interest from repurchase agreements	(379)	(501)
Interest on bank and other loans	(31)	(16)
Demand deposits	(30)	(23)
Time deposits	(237)	(82)
Securitization certificates	(72)	(44)
Others	<u>(10)</u>	<u>-</u>
	(759)	(666)
Total	<u>\$ 484</u>	<u>\$ 551</u>

31. Segment information

As of December 31, 2013, Holding Monex identified operating segments within its different business and it considers each as part of its internal structure and with its own profit risks and opportunities. These segments are regularly reviewed in order to assign operating monetary resources and evaluate their performance.

	Foreign exchange	International	Derivatives	Stock	Banking products	Others	Total
Intermediation result	\$ 2,175	\$ 666	\$ 500	\$ 64	\$ -	\$ -	\$ 3,405
Interest income	-	450	-	331	390	72	1,243
Interest expense	-	-	-	(451)	-	(308)	(759)
Allowance for loan losses	-	-	-	-	(38)	-	(38)
Commission and fee income	70	77	1	112	74	324	658
Commission and fee expense	(14)	(1)	(21)	(11)	(190)	(1)	(238)
Other operating income (expenses), net	-	-	-	2	(25)	1	(22)
Administration and marketing expenses	(1,144)	(386)	(257)	(487)	(279)	(709)	(3,262)
Current income taxes	(67)	(23)	(15)	(29)	(16)	(41)	(191)
Deferred income taxes	(19)	(7)	(4)	(8)	(5)	(12)	(55)
Discontinued operations	-	-	-	-	-	1,030	1,030
Grand total	<u>\$ 1,001</u>	<u>\$ 776</u>	<u>\$ 204</u>	<u>\$ (477)</u>	<u>\$ (89)</u>	<u>\$ 356</u>	<u>\$ 1,771</u>

32. Comprehensive risk management (unaudited)-

a. *Applicable standards-*

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

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

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

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

b. *Environment-*

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

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

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

c. *Risk management entities-*

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

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

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

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

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

d. *Market risk-*

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

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

e. *Liquidity risk-*

The UAIR calculates daily liquidity GAPS (time at which interest or principal is received) based on the cash flows from total financial assets and liabilities of Holding Monex.

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

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

Daily, the Treasury Department monitors the liquidity requirement for foreign currency provisions in Circular 3/2013 of the Central Bank.

f. *Credit risk-*

Holding Monex classifies each customer according to the methodology established by the Commission, which takes into account the client's financial risk, payment experience and guarantees. Together with quarterly credit follow-up evaluations, credit risk concentrations are determined by borrower or risk group, economic activity and state.

As established by the Commission's Banking Ruling, Holding Monex established a maximum credit risk exposure limit equal to 40% of basic capital for an individual or entity or group of entities constituting a joint risk. Furthermore, Holding Monex also complies with the standard applicable to related loans.

When performing customer transactions with over-the-counter derivatives, the risk unit determines transaction lines based on an analysis of the financial situation of each counterpart. The credit risk is covered by requesting margins from customers ranging from 6% to 10% of the transaction amount. Lower percentages must be approved by the Risk Lines Committee, in which case a maximum loss amount is established. Customers are subject to margin calls either during the day or at the daily close whenever significant losses could be generated by the valuation of their open positions.

In the case of exchange transactions, the credit risk is analyzed based on a customer credit evaluation. Line settlement proposals are presented to the Lines Committee, which can either reject or approve them. This risk is controlled by matching the authorized line with that actually utilized.

g. *Operating risk-*

The Comprehensive Risk Management Manual (MAIR) and Operating Risk Management Manual (MARO) establish policies and procedures for monitoring operational risk, and periodically the follow-up on and control of operating risks. The Management of Holding Monex has requested that the Controllershship area implement an operating risk management program, the activities of which should also be made known to the Risk and Audit Committees.

Holding Monex has implemented the risks headquarters and controls to get a qualitative qualification of the impact and frequency of the risks.

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

Risk frequency and impact classifications have been utilized to create risk maps for the different processes implemented by Holding Monex; 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 Holding Monex is 3.
- Accordingly, each identified operating risk must be classified at levels 1 and 2 (Low - Medium) of the established scale.

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

These levels indicate the possible economic loss that could be suffered by Holding Monex if a given risk materializes.

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

h. *Legal risk-*

Holding Monex has established policies and procedures in the MARO and implements the same process as that used for operating risks.

i. *Technological risk-*

Holding Monex has policies and procedures for systems operation and development.

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

j. **Quantitative information (unaudited)**

a) **Market risk-**

At December 31, 2013 and 2012, the VaR was \$6 and \$7, (unaudited) with 99% reliance for one day. This value represents the maximum loss expected during one day and is situated within the limits established by Holding Monex.

At December 31, 2013 and 2012, portfolio concentration by segment was as follows (unaudited):

Portfolio concentration by segment	2013	2012
Farming and cattle-raising	\$ 7	\$ 14
Foods	-	202
Commercial	972	838
Financial	527	646
Industrial	841	818
Real-estate	352	322
Services	335	1,720
Textile	-	13
Individually	<u>1,299</u>	<u>-</u>
Total	<u>\$ 4,333</u>	<u>\$ 4,573</u>

b) **Credit risk-**

At December 31, 2013 and 2012, portfolio concentration by state was as follows:

Portfolio concentration by state	2013	2012
Aguascalientes	\$ 21	\$ 27
Baja California	352	291
Campeche	75	45
Chihuahua	122	118
Chiapas	7	10
Coahuila	104	165
Colima	4	6
Distrito Federal	1,384	1,379
Durango	114	81
Estado de México	227	214
Guerrero	13	11
Guanajuato	177	184
Hidalgo	11	15
Jalisco	230	211
Michoacán	8	12
Morelos	24	36
Nayarit	3	17
Nuevo León	821	826
Oaxaca	7	11
Puebla	26	34
Quintana Roo	9	58
Querétaro	17	28
Sinaloa	38	193
San Luis Potosí	24	32
Sonora	45	62
Tabasco	36	41
Tamaulipas	82	78
Tlaxcala	7	8
Veracruz	145	112
Yucatán	68	79
Zacatecas	120	88
Foreign locations	<u>12</u>	<u>91</u>
Total	<u>\$ 4,333</u>	<u>\$ 4,573</u>

c) **Liquidity risk-**

Holding Monex 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 to 1 day	Requirement from 2 to 7 days	Requirement > 8 days
2013	\$ <u>2</u>	\$ <u>(6)</u>	\$ <u>4</u>

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

Year	Requirement to 1 day	Requirement from 2 to 7 days	Requirement > 8 days
2013	\$ <u>311,215</u>	\$ <u>(191,561)</u>	\$ <u>151,946</u>

d) ***Operating Risk-***

At monthly Risk Committee meetings information on events related to the operating risks reported by different business units is presented. This information indicates the event and date.

Comptroller personnel keep a risk log that is used to quantify risks which are also detailed in the operating risk event database.

k. ***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 counterparty risk which is analyzed by the UAIR based on balance sheet and statement of income information. Transaction amounts and initial margins are authorized and/or ratified by the Lines Committee.

The credit risks of these transactions are controlled by using guarantees and the implementation of daily margin calls or whenever the valuation loss reaches the upper limit authorized by the Lines Committee.

In order to monitor the risks inherent to transactions involving derivative financial instruments, Holding Monex has established the following control measures, among others:

- A Risk Committee, which is informed of these transaction risks.
- An UAIR, which is independent of business areas and permanently monitors risk positions.
- Transactions are primarily performed with financial intermediaries and non-financial customers approved by the UAIR and Lines Committee.
- Maximum amounts or credit limits have been established based on the initial risk classification given to each potential borrower.

l. ***Detection of transactions with illegal resources -***

Holding Monex 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 Treasury Department (SHCP) provisions.

33. Authorization of the Financial Statements

On March 18, 2014, the issuance of the consolidated financial statements was authorized by Héctor Pío Lagos Dondé, Chief Executive Officer of Holding Monex; Álvaro Alberto Calderón Jiménez, Chief Financial Officer; Eduardo Antonio Mújica Dávalos, Chief Internal Auditor and Ricardo Cordero Jurado, Deputy Director of Accounting. These consolidated financial statements are approved by the Board of Directors, where they may be modified.

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