

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

Consolidated Financial Statements for
the Years Ended December 31, 2014,
2013 and 2012, and Independent
Auditors' Report Dated March 17, 2015

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 2014, 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

We have audited the accompanying consolidated financial statements of Holding Monex, S.A.B de C.V. and subsidiaries (Holding Monex), which comprise the consolidated balance sheets as of December 31, 2014, 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 accompanying 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 the management of Holding Monex determine is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these accompanying 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 this risk assessment, the auditor considers internal control relevant to the preparation 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's 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 audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Holding Monex, S.A.B. de C.V. and subsidiaries for the years then ended as of December 31, 2014, 2013 and 2012, have been prepared, in all material respects, in accordance with the accounting criteria of the Commission as set forth in the Provisions.

Emphasis of matters

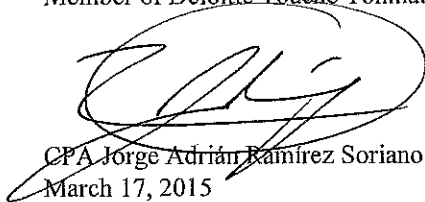
As discussed in Note 1, the following events have occurred. Our opinion is not qualified with respect to these matters.

- a. In September, 2013, Holding Monex and its subsidiary, Pagos Intermex, S.A. de C.V., executed a purchase-sale contract to sell all of its equity shares held in Prestaciones Universales to CD Holding Internationale, S.A.S., a French entity. Such transaction resulted in a gain from the sale of shares of \$1,030 net of taxes, which is presented in discontinued operations.
- b. In August, 2013 Holding Monex changed its commercial portfolio rating model.
- c. *Acquisition of Schneider Foreign Exchange Limited-* In 2012, Holding Monex acquired 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 17, 2015

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

Consolidated Balance Sheets

As of December 2014, 2013 and 2012
(In millions of Mexican pesos)

Assets	2014	2013	2012
Funds available	\$ 6,654	\$ 9,546	\$ 2,798
Margin accounts	522	678	536
Investment in securities:			
Trading securities	14,466	12,706	13,700
Securities available for sale	<u>17</u>	<u>-</u>	<u>15</u>
	14,483	12,706	13,715
Repurchase agreements	3	11	-
Derivatives:	<u>1,890</u>	<u>554</u>	<u>449</u>
Held for trading	1,890	554	449
Performing loan portfolio:			
Commercial loans:			
Commercial or financial activity	6,982	2,801	2,721
Financial entities	888	527	647
Government entities	<u>-</u>	<u>34</u>	<u>42</u>
	7,870	3,362	3,410
Housing loans	<u>161</u>	<u>948</u>	<u>1,129</u>
Total performing loan portfolio	8,031	4,310	4,539
Non-performing loan portfolio:			
Commercial loans -			
Commercial or financial activity	34	54	38
Housing loans	<u>6</u>	<u>1</u>	<u>-</u>
Total non-performing portfolio	40	55	38
Total loan portfolio	8,071	4,365	4,577
Allowance for loan losses	<u>(112)</u>	<u>(64)</u>	<u>(84)</u>
Loan portfolio (net)	7,959	4,301	4,493
Other receivables (net)	12,298	10,227	10,476
Foreclosed assets (net)	1	2	2
Property, furniture and fixtures (net)	88	91	94
Investments in equity instruments	14	16	15
Long-lived assets held for sale	174	-	-
Deferred taxes (net)	105	93	114
Other assets:			
Goodwill	862	784	772
Deferred charges, advance payments and intangibles (net)	1,191	1,227	1,231
Other assets	<u>74</u>	<u>73</u>	<u>54</u>
	2,127	2,084	2,057
Discontinued assets	<u>-</u>	<u>-</u>	<u>4,199</u>
Total assets	\$ 46,318	\$ 40,309	\$ 38,948

Liabilities	2014	2013	2012
Deposits:			
Demand deposits	\$ 7,852	\$ 4,896	\$ 3,460
Time deposits-			
General public	5,483	3,994	878
Money market	936	1,046	1,559
Debt securities	<u>156</u>	<u>370</u>	<u>794</u>
	14,427	10,306	6,691
Securitization certificates	1,970	1,002	1,002
Bank and other loans:			
Demand loans	200	-	2,811
Short-term loans	<u>592</u>	<u>473</u>	<u>337</u>
	792	473	3,148
Creditors under sale and repurchase agreements	8,239	8,777	10,804
Collaterals sold or pledged in guarantee:			
Repurchase	22	5	9
Derivatives	14	110	75
Securities lending	<u>234</u>	<u>229</u>	<u>194</u>
	270	344	278
Derivatives:	<u>1,352</u>	<u>640</u>	<u>542</u>
Held for trading	1,352	640	542
Other payables:			
Income taxes payable	-	269	103
Employee profit sharing payable	73	55	19
Remittances payable	-	28	27
Creditors from settlement of transactions	10,897	11,249	6,333
Sundry creditors and other payables	<u>2,524</u>	<u>2,192</u>	<u>1,772</u>
	13,494	13,793	8,254
Deferred charges and income received in advance	86	38	25
Discontinued liabilities:	<u>-</u>	<u>-</u>	<u>4,402</u>
Total liabilities	40,630	35,373	35,146
Stockholders' equity			
Capital Contributed:			
Capital stock	683	683	683
Additional paid in capital	<u>823</u>	<u>823</u>	<u>823</u>
	1,506	1,506	1,506
Earned capital:			
Capital reserves	392	805	183
Retained earnings	2,970	823	1,098
Results from valuation of securities available for sale, net	-	(2)	(2)
Translation effects of foreign operations	216	33	(15)
Net income	<u>604</u>	<u>1,771</u>	<u>1,032</u>
	4,182	3,430	2,296
Total stockholders' equity	5,688	4,936	3,802
Total liabilities and stockholders' equity	\$ 46,318	\$ 40,309	\$ 38,948

Memorandum accounts

Transactions on behalf of third parties

	2014	2013	2012
Customer current accounts- Client banks	\$ 61	\$ 55	\$ 154
Client securities- Values received from clients abroad	6,002	5,160	5,307
Client securities in custody	<u>49,911</u>	<u>45,202</u>	<u>41,111</u>
	55,913	50,362	46,418
Transactions on behalf of clients- Client repurchase agreements	17,942	11,029	11,363
Client collateral received in guarantee	8,466	5,438	5,143
Client securities lending securities transactions	313	143	120
Derivatives purchase transactions: Client futures and advance contracts (notional amount)	704	19,818	54,407
Client purchase options	-	278	1,072
Derivatives sale transactions: Sale transactions of futures and advance contracts (notional amount)	11,408	14,989	41,618
Client options	<u>147</u>	<u>933</u>	<u>2,385</u>
	38,980	52,628	116,108
Total	\$ <u>94,954</u>	\$ <u>103,045</u>	\$ <u>162,680</u>

Transactions on own behalf

	2014	2013	2012
Transactions on own behalf: Contingent assets and liabilities	\$ 5	\$ 7	\$ 42
Loan commitments	3,407	2,647	5,930
Goods in trust or mandate: Held in trusts	<u>68,528</u>	<u>55,859</u>	<u>41,627</u>
	71,940	58,513	47,599
Collateral received by Holding Monex	16,873	8,801	8,116
Collateral received and sold or pledged as guarantee by Holding Monex	<u>13,546</u>	<u>8,768</u>	<u>8,116</u>
	30,419	17,569	16,232
Uncollected interest earned on non-performing loan portfolio	1	7	11
Other record accounts	<u>2,707</u>	<u>2,435</u>	<u>2,428</u>
Total	\$ <u>105,067</u>	\$ <u>78,524</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

Consolidated Statements of Income

For the years ended December 31, 2014, 2013 and 2012

(In millions of Mexican pesos)

	2014	2013	2012
Intermediation income:			
Foreign exchange	\$ 2,877	\$ 2,910	\$ 2,332
Derivative instruments	179	431	395
Debt securities	296	62	225
Equity instruments	<u>10</u>	<u>2</u>	<u>336</u>
Intermediation income	3,362	3,405	3,288
Interest income	1,279	1,243	1,217
Interest expense	<u>(848)</u>	<u>(759)</u>	<u>(666)</u>
	<u>431</u>	<u>484</u>	<u>551</u>
Financial margin	3,793	3,889	3,839
Provision for loan losses	<u>(48)</u>	<u>(38)</u>	<u>(37)</u>
Financial margin after provision for loan losses	3,745	3,851	3,802
Commission and fee income	561	658	636
Commission and fee expense	<u>(196)</u>	<u>(238)</u>	<u>(205)</u>
Total operating revenues	4,110	4,271	4,233
Other operating income (expense)	169	(22)	71
Administrative and marketing expense	<u>(3,437)</u>	<u>(3,262)</u>	<u>(2,797)</u>
Income before income taxes	842	987	1,507
Equity in income of unconsolidated associate companies	22	-	-
Current income taxes	(263)	(191)	(457)
Deferred income taxes (net)	<u>3</u>	<u>(55)</u>	<u>(32)</u>
	<u>(260)</u>	<u>(246)</u>	<u>(489)</u>
Discontinued operations	<u>-</u>	<u>1,030</u>	<u>14</u>
Consolidated net income	<u>\$ 604</u>	<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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2014, 2013 and 2012
(In millions of Mexican pesos)

	Capital contributed		Earned capital					Total stockholders' equity
	Capital stock	Additional Paid-in capital	Capital reserves	Retained earnings	Result from valuation of securities available for sale, net	Translation effects of foreign operations	Net income	
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)
Other	-	-	-	(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 for 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	683	823	805	823	(2)	33	1,771	4,936

	Capital contributed		Earned capital					Total stockholders' equity
	Capital stock	Additional paid in capital	Capital reserves	Retained earnings	Result from valuation of securities available for sale, net	Currency translation adjustment	Net income	
Entries approved by stockholders-								
Transfer of prior year result	-	-	-	1,771	-	-	(1,771)	-
Repurchase of own shares	-	-	(13)	-	-	-	-	(13)
Release of fund for repurchase of own shares	-	-	(400)	400	-	-	-	-
Total entries approved by stockholders	-	-	(413)	2,171	-	-	(1,171)	(13)
Comprehensive income -								
Net income	-	-	-	-	-	-	604	604
Cumulative effect from conversion of foreign subsidiaries	-	-	-	-	-	183	-	183
Result from valuation of securities available for sale, net	-	-	-	-	2	-	-	2
Other	-	-	-	(24)	-	-	-	(24)
Total comprehensive income	-	-	-	(24)	2	183	604	765
Balances as of December 31, 2014	<u>\$ 683</u>	<u>\$ 823</u>	<u>\$ 392</u>	<u>\$ 2,970</u>	<u>\$ -</u>	<u>\$ 216</u>	<u>\$ 604</u>	<u>\$ 5,688</u>

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2014, 2013 and 2012

(In millions of Mexican pesos)

	2014	2013	2012
Net income	\$ 604	\$ 1,771	\$ 1,032
Depreciation	25	28	26
Amortization	45	39	30
Current and deferred income taxes	260	246	489
Discontinued operations	-	(1,030)	(14)
Equity in income of unconsolidated associate companies	(22)	-	-
Others	68	81	(1)
Total	<u>980</u>	<u>1,135</u>	<u>1,562</u>
Operating activities:			
Change in margin account	156	(142)	(183)
Change in investments in securities	(1,775)	1,009	(893)
Change in repurchase agreements, net	(530)	(2,038)	86
Change in derivatives, net	(624)	(7)	(26)
Change in loan portfolio, net	(3,658)	57	(850)
Change in other operating assets	(2,308)	167	3,299
Change in deposits	4,121	3,615	2,817
Change in bank and other loans	319	(2,675)	2,408
Change in collateral sold or pledged in guarantee	(74)	67	115
Change in other operating liabilities	(547)	5,429	(11,445)
Net cash flows from operating activities	<u>(4,920)</u>	<u>5,482</u>	<u>(4,672)</u>
Investing activities:			
Payments for acquisition of furniture and fixtures	(43)	(40)	(30)
Proceeds from disposal of furniture and equipment	12	3	2
Payments adjustments and improvements	-	-	(36)
Payments for acquisition of intangible assets	(31)	(16)	(668)
Proceeds from disposal of subsidiaries and associate companies	-	828	-
Payments for acquisition of subsidiaries and associates	-	-	(326)
Dividends received	3	-	-
Net cash flows from investing activities	<u>(59)</u>	<u>775</u>	<u>(1,058)</u>
Financing activities:			
Issuance of securitization certificates	1,005	-	1,002
Repurchase of own shares	(13)	-	(108)
Dividends paid	-	(620)	(270)
Interest paid	(68)	(72)	(42)
Net cash flows from financing activities	<u>924</u>	<u>(692)</u>	<u>582</u>
Net (decrease) increase in funds available	<u>(3,075)</u>	<u>6,700</u>	<u>(3,586)</u>
Effects from changes in value of funds available	183	48	(28)
Funds available at the beginning of the year	<u>9,546</u>	<u>2,798</u>	<u>6,412</u>
Funds available at the end of the year	<u>\$ 6,654</u>	<u>\$ 9,546</u>	<u>\$ 2,798</u>

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

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2014, 2013 and 2012

(In millions of Mexican pesos)

1. Activities, regulatory environment and significant events

Holding Monex, S.A.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 a full line of banking services and brokerage services. Up to November 28, 2013, through its subsidiary Prestaciones Universales, S.A. de C.V. (Prestaciones Universales), Holding Monex was also engaged in the issuance, distribution and commercialization of various types of prepaid vouchers, coupons, passwords, and prepaid debit instruments issued on paper cards and through electronic media.

Significant events in 2014, 2013 and 2012-

a. *Sale of subsidiary Monex Servicios and Pagos Intermex.-*

On October 15, 2014, Holding Monex signed a share purchase and transfer contract to sell 100% of the shares held in Monex Servicios, S.A. de C.V. and Pagos Intermex, S.A. de C.V. This transaction is subject to the respective approval by the National Banking and Securities Commission of Mexico (the "Commission"), which, as of December 31, 2014, has not been received yet. The investment is classified in the balance sheet in long-lived assets held for sale.

b. *Securitization certificates*

Holding Monex issued 10,000,000 securitization certificates by public offering completed on November 7, 2014 for the amount of \$1,000. Net proceeds from the securitization certificates issued will be destined for corporate purposes of Holding Monex.

c. *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 of its equity shares held in 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 transaction closed on November 28, 2013 and was valued at US\$120 million. This sale was subject to the approval and authorization of the respective regulatory entities.

The transaction generated a gain on the sale of shares of \$1,030, net of taxes, and was presented under "Discontinued operations" in the statement of income.

d. *Tax reforms-*

On November 1, 2013, the Mexican Congress approved a series of tax reforms which were effective starting January 1, 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 24.

e. *Change of commercial portfolio rating model -*

During 2013, the Commission issued a Ruling 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. As required by the Commission, Holding Monex was subject to a December 31, 2013 deadline 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 applied to stockholders' equity under "Retained earnings".

f. *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 under the London and Gales Jurisdiction. A non-banking institution, Monex Europe is engaged in trading of foreign currency and the payment and transfer of resources in accordance with the instructions of its customers.

The transaction was structured as follows:

- a) On June 8, 2012, Holding Monex issued 10,000,000 securitization certificates through a public offering for the total amount of \$1,000 (see Note 17). With these resources and its own resources, Holding Monex directly acquired 49.9% of Monex Europe.
- b) Holding Monex acquired the remaining 50.10% 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 pending payments. The second payment of £8.6 million was made in May 2013 and the final payment will be made in May 2015. The total consideration 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:	
Funds Available	\$ 395
Accounts receivable	144
Other assets	7
Liabilities:	
Current liabilities	376
Accounts payable	7
Other	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>

The values determinate for each outset are as follows:

Acquisition date goodwill	\$	965
Intangible assets recognized		(635)
Amortization		40
Conversion effect		<u>(44)</u>
Total at December, 31, 2014	\$	<u>326</u>

- g. *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.
- h. *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, which is included in "Intermediation result" in the income statement.

2. Basis of presentation

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

Discontinued balances - The adjustments needed to properly present the consolidated balance sheet as of December 31, 2012 derived from the sale of the business segment discussed in Note 1, was comprised as follows:

- a. As of December 31, 2012, assets of \$4,199 were reclassified to Discontinued assets. This reclassification was primarily comprised of 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 "deferred charges, prepaid expenses and intangibles".
- b. As of December 31, 2012, the amount of \$4,402 was reclassified to Discontinued liabilities. This reclassification was essentially comprised of the liability of Prestaciones Universales derived from outstanding vouchers (issued on paper cards 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	
Employee profit sharing payables	\$ 6
Outstanding coupons	3,583
Sundry creditors and other payables	<u>813</u>
Total	<u>\$ 4,402</u>
Discontinued result	
Interest income	\$ 8
Commission and fee income	370
Commission and fee expense	(132)
Other operating income	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 as follows:

Discontinued result	December 2013
Interest income	\$ 23
Commission and fee income	323
Commission and fee expense	(83)
Other operating income	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, 2014, 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 percentages in their capital stock is shown below:

	Company	2014	Shareholding percentage 2013	2012	Activity
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 commercialization of various types of prepaid vouchers, coupons, passwords and prepaid debit instruments issued on paper cards and through electronic media to be exchanged for goods and services.
2.	Pagos Intermex, S.A. de C.V. ("Intermex")	100%	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 agents in the country.
3.	AdmiMonex, S.A. de C.V. ("AdmiMonex")	100%	100%	100%	Direct subsidiary of Holding Monex. It aims to promote, build, organize, develop, acquire and participate in the capital stock or assets of all types of business corporations and partnerships, associations or companies, whether commercial, service or otherwise, both domestic and foreign and participate in the management or liquidation.
4.	Monex Grupo Financiero, S.A. de C.V. ("Financial Group")	100%	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 the Financial Groups Law (the Law). Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.
4.1	Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (the Bank)	100%	100%	100%	Indirect subsidiary of Holding Monex. The Bank is authorized to perform full-service banking operations including, among others, granting loans, performing securities transactions, receiving deposits, accepting loans, performing currency purchase-sale transactions and executing trust contracts.
4.1.1	Monex Servicios, S.A. de C.V. (Monex Servicios)	100%	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 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%	100%	Indirect subsidiary of Holding Monex. Holding company of Tempus Inc. and Monex Europe.
4.1.2.1	Tempus, Inc. (Tempus)	100%	100%	100%	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 the US.
4.1.2.1.1	Tempus Nevada, Inc.	100%	100%	100%	Indirect subsidiary of Holding Monex. This entity was founded in 2010 in the state of Delaware in the US.
4.1.2.2.2	Monex Canada, Inc.	100%	-	-	Indirect subsidiary of Holding Monex. Entity founded in Toronto, Canada. Currently without operations.

Company		2014	Shareholding percentage 2013	2012	Activity
4.1.2.2	Monex Europe Holdings Limited (Monex Europe LTD)	100%	100%	100%	Indirect subsidiary of Holding Monex. Holding Company of Monex Europe and Schneider, FX, entities located in the UK. (Holding Monex directly owns 49.9% of the shares)
4.1.2.2.1	Schneider Foreign Exchange, Ltd. (Schneider FX)	100%	100%	100%	Indirect subsidiary of Holding Monex. Entity without operations.
4.1.2.2.2	Monex Europe, Ltd. (Monex Europe)	100%	100%	100%	Indirect subsidiary of Holding Monex. Entity located in London. Its activity is 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%	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%	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%	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%	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.

Pursuant to the event discussed in Note 1, subsection a), as of November 2014, Holding Monex recognizes its interest in Monex Servicios and Pagos Intermex based on the equity method. The investment is classified in the balance sheet under long-lived assets available for sale.

Other 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. Because the recording and functional currencies of these entities are the same, the financial statements are subsequently translated to Mexican pesos using the following methodology:

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

At December 31, 2014 the exchange rates used in the different translation processes are as follows:

Company	Currency	Exchange rate to translate from functional currency to Mexican pesos
Monex Europe Ltd. (Consolidated)	Pound sterling	22.9847
Monex Europe	Pound sterling	22.9847
Schneider FX	Pound sterling	22.9847
Tempus, Inc. (Consolidated)	U.S. dollar	14.7414
Monex Canada, Inc.	U.S. dollar	14.7414
Monex Securities	U.S. dollar	14.7414
Monex Assets Management	U.S. dollar	14.7414

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 33 for further details).

3. Summary of 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” (“The Provisions”), in its rulings and mandates issued generally and directed to specific issues, which require management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. Holding Monex’s management, upon applying professional judgment, considers that estimates made and assumptions used were appropriate under the circumstances.

Under accounting criteria A-1 issued by the Commission, 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, Holding Monex was subject to a December 31, 2013 deadline 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 to stockholders’ equity under “Retained earnings”.

Management considers that determining the effect of this change at December 31, 2012 was impractical because insufficient 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, 2014, 2013 and 2012 were 11.62% for 2014, and 12.26% for 2013 and 2012. Accordingly, the economic environment is not inflationary in any such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2014, 2013 and 2012 were 4.08%, 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 valued at face value and the income derived therefrom is recognized as earned, foreign currency funds available are valued at fair value using the year end exchange rates.

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

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

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

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

Collateral is 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 vendor contracted 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 the respective fair values of such instruments is recorded in the income statement under "Intermediation Result". 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.

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

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

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 pending 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 on sales transactions derived from increases in value, in the case of debt instruments, those that Monex Holding 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 vendor, which uses various market factors for their determination. The yield on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security and is recognized in the consolidated statement of income under "Interest income". Unrealized gains or losses from changes in fair value as reported by pricing vendors are recorded in other comprehensive income under Result from valuation of securities available for sale net of related deferred taxes, except when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results 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.

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

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

At December 31, 2014, 2013 and 2012, Holding Monex's management did not reclassify any investment between categories.

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

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

- a) Significant financial difficulties of the issuer of the instrument;
- b) It is probable that the issuer of the instrument will be declared bankrupt or another financial restructuring will take place;
- c) Noncompliance with the contractual clauses, such as default on payment of interest or principal;

- d) Disappearance of an active market for the instrument in question due to financial difficulties, or
- e) A measurable decrease in the estimated future cash flows of a group of securities since the initial recognition of such assets, even though the decrease cannot be matched with the individual securities of the group, including:
 - i. Adverse changes in the payment status of the issuers in the group, or
 - ii. Local or national economic conditions which are correlated with defaults on the securities of the group.

Management has not identified objective evidence of impairment of a debt instrument held as of December 31, 2014.

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 is valued during the term of the repurchase transaction at its amortized cost, recognizing the interest in results as earned.

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 is valued subsequently during the useful life of the repurchase agreement at its amortized cost, recognizing the interest on the repurchase agreement.

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

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

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

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

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

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, based on the liability valued at amortized cost.

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

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

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

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

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

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

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

The rights and obligations of derivatives that are not traded in recognized markets or stock exchanges are considered to have matured when they reach their maturity date, when the rights are exercised by either party or when the parties early exercise the rights 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 Result".

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 or liability, respectively.

Option contracts:

Options, 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 in exchange for a premium rights granted by options are divided in purchase options (call) and sale options (put).

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

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

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

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 consolidated statements 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 result".

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 present value of the future cash flows to be received or delivered according to the projection of the implicit future rates to be applied, discounting the market interest rate on the valuation date using curves provided by the price vendor, which are reviewed by the market risk area.

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

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

If the counterparty credit risk of a financial asset related to the rights established in the derivatives is impaired, the book value must be reduced to the estimated recoverable value and the loss is recognized in 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 standalone derivative. An embedded derivative causes certain cash flows required by the contract (or all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or index, or other variables allowed by applicable laws and regulations, as long as any non-financial variables are not specific to a portion of the contract. A derivative that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument.

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 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 applies the following criteria to classify loans within performing portfolio:

- Loans that 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 that 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 including housing loans whose principal and interest payments have been agreed in periodic installments are considered past due 90 days after they become due.
- Revolving credits for which the borrower has failed to render payment on two monthly billing periods, or, if the billing period is different from monthly, are 60 or more calendar days overdue.
- Customer checking accounts and immediate collection documents will be reported in the non-performing portfolio at the date of the overdraft.

Classification of loan portfolio and allowance for loan losses - In accordance with the Provisions, the loan portfolio are classified as commercial, housing loans and consumer loans. As of December 31, 2014, 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, loans 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, as follows:

Commercial portfolio:

In June 2013, the Commission issued the new regulatory methodology applicable to commercial loan 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: $(PE = EI * PI * SP)$, 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 was mandatory in December 2013, early application is permitted. Holding Monex exercised this option and applied the new methodology as of August 2013.

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

Commercial portfolio

As of December 31, 2014 and 2013, the methodology for rating of commercial portfolio is as follows:

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) States 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 payment 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 a late payment 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.

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 loan (PI i), using the following formula:

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

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 loans 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 borrower can contest the payment may be considered.

Holding Monex uses the same PI_i for all the loans of the same borrows. 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 Provisions.
- 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 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 loans 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 loan (EI_i) is determined by considering the following factors:

- i) Uncommitted credit lines that can be unconditionally canceled or automatically canceled at any time without 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 i 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 Holding Monex held less of 99% of their capital stock, is calculated by multiplying the exposure to default by the 0.5% in accordance to the Provisions.

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 loan or group of loans 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 created by 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 100.00%

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 purposes 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, advance payments, operational deposit and intangible assets identified in the acquisition of Tempus and Monex Europe.

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

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

Investments in securities acquired to cover the severance and seniority premium are recorded at fair 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 assets are less than related obligations, such balance is included in the heading "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 payables".

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.

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

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

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

Financial margin - The financial margin of Holding Monex is composed of the difference between total interest income 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.

Financial margin also includes the profit (loss) and valuation in currencies, derivatives and investments.

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 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 and the net income.

Expenses - Expenses are recognized as they accrue.

Statement of cash flows - In accordance with to D-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:

- 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 -

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

Clients' 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 Holding Monex 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 clients 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 clients' 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. In the Mandate is recorder the declared value of the assets established by the 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*

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

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

Accrued interest is recognized on the date that the credit balance of the amount due is transferred to the non-performing loan portfolio.

– *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, 2014, 2013 and 2012, funds available were as follows:

Funds available	2014			2013	2012
	Mexican pesos	Foreign currency	Total	Total	Total
Cash	\$ 51	\$ 48	\$ 99	\$ 75	\$ 100
Deposits in banks	298	5,353	5,651	7,407	5,938
Documents recovered immediately	1	5	6	2	12
Remittance	-	4	4	53	48
Foreign currency sale 24 and 48 hours (1)	-	(8,733)	(8,733)	(7,938)	(9,593)
	350	(3,323)	(2,973)	(401)	(3,495)
Restricted funds available:					
Foreign currency sale 24 and 48 hours (1)	-	9,398	9,398	9,847	6,193
Regulatory monetary deposits (2)	229	-	229	100	100
	229	9,398	9,627	9,947	6,293
Total net	\$ 579	\$ 6,075	\$ 6,654	\$ 9,546	\$ 2,798

- (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, 2014, 2013 and 2012, balances denominated in foreign currency (in millions of each currency) and the equivalent amounts in Mexican pesos are comprised as follows:

	2014				
	Dollars	Euros	Pounds sterling	Others	Total
Total funds available					
Purchase of foreign exchange receivable in 24 and 48 hours (Mexican pesos)	\$ 8,316	\$ 771	\$ 168	\$ 143	\$ 9,398
Sale of foreign exchange to deliver in 24 and 48 hours (Mexican pesos)	(7,757)	(644)	(176)	(156)	(8,733)
Total include in fund available (Mexican pesos)	\$ 559	\$ 127	\$ (8)	\$ (13)	\$ 665

The exchange rate as of December 31, 2014 was \$14.7414, \$17.8385 and \$22.9847 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)	\$ 7,839	\$ 1,131	\$ 863	\$ 14	\$ 9,847
Sale of foreign exchange to deliver in 24 and 48 hours (Mexican pesos)	(6,259)	(773)	(863)	(43)	(7,938)
Total include in fund available (Mexican pesos)	\$ 1,580	\$ 358	\$ -	\$ (29)	\$ 1,909

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.

	2012				
	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 to deliver in 24 and 48 hours (Mexican pesos)	(9,148)	(183)	(79)	(183)	(9,593)
Total include in fund available (Mexican pesos)	\$ (3,317)	\$ (33)	\$ -	\$ (50)	\$ (3,400)

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, 2014 these deposits amounted to \$229 and for 2013 and 2012, were \$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, 2014, 2013 and 2012, the margin account is as follows:

	2014	2013	2012
Collaterals delivered as security	\$ 650	\$ 654	\$ 601
Valuation of futures	(128)	24	(65)
	\$ 522	\$ 678	\$ 536

As of December 31, 2014, 2013 and 2012, margin accounts for collateral submitted in organized operating markets are maintained with the clearing members.

	2014	2013	2012
Scotiabank Inverlat, S.A.	\$ 152	\$ 406	\$ 484
Banco Santander, S.A.	84	45	71
Lek Securities	-	22	46
BBVA Bancomer	410	181	-
RJO'Brien	4	-	-
	<u>\$ 650</u>	<u>\$ 654</u>	<u>\$ 601</u>

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

6. Investment in securities

Trading securities - As of December 31, 2014, 2013 and 2012, trading securities were as follows:

	2014				2013	2012
	Acquisition Cost	Interest Accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Government securities-						
Treasury bills (CETES)	\$ 282	\$ -	\$ -	\$ 282	\$ 126	\$ 87
Federal Government Development Bonds (BONDS)	1,704	1	(1)	1,704	1,170	503
Bonds M, M0 and M7	373	1	(5)	369	212	782
Federal Government Development in UDIS (UDIBONDS)	398	-	-	398	251	3
Saving protection bonds (BPAT's)	2,621	8	(5)	2,624	1,127	2,581
United Mexican States Bonds (UMS)	151	2	(2)	151	503	566
Private securities-						
Marketable bank certificates	5,600	39	(53)	5,586	5,057	4,849
Commercial paper	83	-	-	83	216	303
Foreign station titles	53	-	(8)	45	403	539
Private bank issued securities-						
Promissory note with yield payable at maturity (PRLV)	140	-	-	140	1,019	957
Marketable certificates	1,077	8	(11)	1,074	1,362	766
Certificates of deposit (CEDES)	1,669	2	(7)	1,664	935	1,481
International Government Securities-						
Debt bones (NOTES)	29	-	-	29	-	-
Capital market instruments:						
Shares listed in stock exchange	48	-	1	49	51	45
Investments in mutual funds	950	-	12	962	243	200
Industry shares commercial and of services	40	-	-	40	-	-
Value date transactions:						
Government securities-						
Treasury bills (CETES)	-	-	-	-	-	5
Bonds M, M0 and M7	(544)	-	(3)	(547)	(5)	8
Federal Government Development in UDIS (UDIBONDS)	(187)	-	-	(187)	-	-
Capital market instruments-						
Shares listed in stock exchange	-	-	-	-	1	16
Investments in mutual funds	-	-	-	-	35	9
Total trading securities	<u>\$ 14,487</u>	<u>\$ 61</u>	<u>\$ (82)</u>	<u>\$ 14,466</u>	<u>\$ 12,706</u>	<u>\$ 13,700</u>

Restricted securities

At December 31, 2014, 2013 and 2012, the securities under repurchase agreement are as follows:

Selling party	2014	2013	2012
Derived from trading securities:			
Government securities-			
Treasury bills (CETES)	\$ 193	\$ 47	\$ 24
Federal Government Development Bonds (BONDS)	1,286	903	503
Bonds M, M0 and M7	134	155	741
Federal Government Development in UDIS (UDIBONDS)	337	250	2
Savings Protection Bonds (BPAT'S)	1,395	385	1,930
United Mexican States Bonds (UMS)	151	503	386
Subtotal	3,496	2,243	3,586
Privates securities-			
Marketable certificates	5,350	4,586	4,638
Commercial paper	82	215	303
Subtotal	5,432	4,801	4,941
Private bank issued securities-			
Promissory note with yield payable at maturity (PRLV)	134	121	549
Marketable bank certificates	852	668	585
Certificate of deposits (CEDES)	1,664	935	1,481
Subtotal	2,650	1,724	2,615
Total	\$ 11,578	\$ 8,768	\$ 11,142

This position is considered restricted within trading securities.

As of December 31, 2014, 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
PE&OLES 10D	12/08/2015	1.82%	\$ 284
SGMEX 13D	16/05/2016	0.95%	295
SGMEX9112-2	11/10/2017	4.18%	492
BINTER 14-2	25/01/2018	4.08%	352
CDVITOT9514U	21/07/2042	2.22%	310
PEMEX 10-2	27/01/2020	5.73%	311
TFOVIS9514-2U	27/03/2044	2.14%	335
TFOVIS 14U	27/12/2043	1.93%	722
TFOVIS9514-3U	27/09/2044	2.80%	779
PEMEX9513-2	12/09/2024	7.07%	848
BANCOMER 22224	26/05/2022	5.01%	474
BANCOMER 21145	02/04/2021	3.56%	516
Total			\$ 5,718

7. Repurchase agreements

As of December 31, 2014 and 2013 Holding Monex has repurchase agreements as the information below. As of December 31, 2012 Holding Monex did not maintain a position in repurchase agreements.

When Holding Monex acts as purchaser:

	2014		
	Cash to receive	Collateral	Net asset position
Government securities-			
Federal Government Development Bonds (BONDS)	\$ 4,256	\$ (4,254)	\$ 2
Federal Government Development Bonds in UDIS (UDIBONDS)	10	(10)	-
Bonds M, M0 Y M7	109	(109)	-
Saving Protection Bonds (BPAT's)	2,968	(2,967)	1
Subtotal	7,343	(7,340)	3
Private securities-			
Private traded certificates	5,270	(5,270)	-
Subtotal	5,270	(5,270)	-
Private bank issued securities-			
Certificate of deposits	755	(755)	-
Marketable bank certificates	163	(163)	-
Subtotal	918	(918)	-
Total	<u>\$ 13,531</u>	<u>\$ (13,528)</u>	<u>\$ 3</u>
	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 in UDIS (UDIBONDS)	79	79	-
United Mexican States Bonds (UMS)	219	219	-
Subtotal	4,168	4,168	-
Private securities-			
Commercial paper	65	65	-
Marketable certificates	3,543	3,532	11
Subtotal	3,608	3,597	11
Private bank issued securities-			
Certificate of deposits	374	374	-
Marketable bank certificates	298	298	-
Subtotal	672	672	-
Total	<u>\$ 8,448</u>	<u>\$ 8,437</u>	<u>\$ 11</u>

When Holding Monex acts as seller:

	2014	2013	2012
	Cash to be delivered	Cash to be delivered	Cash to be delivered
Derived from trading securities:			
Government securities -			
Treasury bills (CETES)	\$ 193	\$ 48	\$ 24
Federal Government Development Bonds (BONDS)	356	903	503
Federal Government Development Bonds in UDIS (UDIBONDS)	337	155	2
Bonds M, M0 and M7	134	250	741
Saving Protection Bonds (BPAT's)	1,123	386	1,930
United Mexican States Bonds (UMS)	<u>151</u>	<u>503</u>	<u>386</u>
Subtotal	2,294	2,245	3,586
Private securities-			
Private certificates	3,211	4,617	4,658
Commercial paper	<u>82</u>	<u>215</u>	<u>303</u>
	3,293	4,832	4,961
Private bank issued securities-			
Promissory note with yield payable at maturity (PRLV)	134	121	191
Marketable bank certificates	849	671	585
Certificate of deposits (CEDES)	<u>1,669</u>	<u>908</u>	<u>1,481</u>
Subtotal	<u>2,652</u>	<u>1,700</u>	<u>2,257</u>
Total	<u>\$ 8,239</u>	<u>\$ 8,777</u>	<u>\$ 10,804</u>

For the years ended December 31, 2014, 2013 and 2012, the interest received on repurchase agreements was \$270, \$154 and \$152, respectively, and the interest expense on repurchase agreements was \$391, \$410 and \$495, respectively.

As of December 31, 2014, the repurchase transactions performed by Holding Monex, acting as seller, were agreed to under terms ranging from 2 to 11 days and 2 to 20 days acting as purchaser.

8. Derivative financial instrument transactions

As of December 31, 2014, 2013 and 2012, the position for transactions with financial derivatives is as follows:

	2014		2013		2012	
	Nominal amount of purchases	Asset position net	Nominal amount of purchases	Asset position net	Nominal amount of purchases	Asset position net
Futures-						
Foreign currency futures	\$ 7,234	\$ -	\$ 9,059	\$ -	\$ 7,015	\$ -
Futures securities	50	-	-	-	-	-
Futures indexes	-	-	24	-	-	-
	<u>7,284</u>	<u>-</u>	<u>9,083</u>	<u>-</u>	<u>7,015</u>	<u>-</u>
Forwards-						
Foreign currency forwards	113,730	1,315	48,541	348	129,529	310
Forwards indexes	9	1	-	-	-	-
Forwards shares	-	-	-	-	1	-
	<u>113,739</u>	<u>1,316</u>	<u>48,541</u>	<u>348</u>	<u>129,530</u>	<u>310</u>
Options-						
Foreign currency options	51	270	10	4	20	6
Options rates	50	83	34	48	51	65
Options indexes	-	-	9	6	1	2
	<u>101</u>	<u>353</u>	<u>53</u>	<u>58</u>	<u>72</u>	<u>73</u>
Swaps-						
Interest rate swaps (IRS)	6,039	221	4,367	148	3,303	66
	<u>6,039</u>	<u>221</u>	<u>4,367</u>	<u>148</u>	<u>3,303</u>	<u>66</u>
Total position	<u>\$ 127,163</u>	<u>\$ 1,890</u>	<u>\$ 62,044</u>	<u>\$ 554</u>	<u>\$ 139,920</u>	<u>\$ 449</u>

	2014		2013		2012	
	Nominal amount of the sales	Asset position net	Nominal amount of the sales	Liability position net	Nominal amount of the sales	Liability position net
Futures-						
Foreign currency futures	\$ 5,050	\$ -	\$ 293	\$ -	\$ 1,140	\$ -
Futures securities	330	-	-	-	-	-
Futures indexes	-	-	-	-	11	-
	<u>5,380</u>	<u>-</u>	<u>293</u>	<u>-</u>	<u>1,151</u>	<u>-</u>
Forwards-						
Foreign currency forwards	115,980	713	59,542	280	135,013	180
Forwards indexes	8	1	26	1	-	-
Forwards shares	325	-	864	-	678	-
Forwards securities	40	1	40	-	-	-
	<u>116,353</u>	<u>715</u>	<u>60,472</u>	<u>281</u>	<u>135,691</u>	<u>180</u>
Options-						
Foreign currency options	60	151	10	5	21	5
Options rates	71	96	23	43	41	59
Options indexes	-	-	9	6	2	2
	<u>131</u>	<u>247</u>	<u>42</u>	<u>54</u>	<u>64</u>	<u>66</u>
Swaps-						
Interest rate swaps (IRS)	6,209	390	-	305	3,534	296
	<u>6,209</u>	<u>390</u>	<u>-</u>	<u>305</u>	<u>3,534</u>	<u>296</u>
Total position	<u>\$ 128,073</u>	<u>\$ 1,352</u>	<u>\$ 60,807</u>	<u>\$ 640</u>	<u>\$ 140,440</u>	<u>\$ 542</u>

For the years ended December 31, 2014, 2013 and 2012, the valuation effect of the trading derivative instruments is reflected in the statements of income under "Intermediation result" (See Note 30)

Derivatives and the underlying assets are as follows:

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

The guarantees and collateral received and delivered for the derivative financing transactions as of December 31, 2014, 2013 and 2012, are comprised as follows:

Heading	Type of collateral	Market	Received		
			2014	2013	2012
Sundry creditors and other accounts payable	Cash	OTC	\$ 1,288	\$ 495	\$ 394
Collaterals sold or pledge in guarantee	Securities	OTC	\$ 14	\$ 110	\$ 75
Heading	Type of collateral	Market	Delivered		
			2014	2013	2012
Margin accounts	Cash	Organized market	\$ 650	\$ 654	\$ 601
Other receivables	Securities	OTC	\$ 821	\$ 413	\$ 350

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, 2014, 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.

Risk Committee

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

Independent reviews

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 vendor.
- “Over The Counter” markets (OTC): OTC derivatives executed with customers are valued by the derivatives system using standard methodologies for the various instruments. The information for the valuation is provided by the price vendor.

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

Holding Monex values all of its positions and records the value obtained in conformity with the respective accounting criteria.

2. Reference variables:

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

3. Valuation frequency:

Derivative financial instruments for trading purposes are valued daily.

Management of internal and external liquidity sources that may be used for requirements related to 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 held for trading at December 31, 2014, 2013 and 2012, Holding Monex reports 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 2014, 2013 and 2012 was necessary to cover contributions in both the organized and the required collateral contracts markets.

At December 31, 2014, 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, 2014, 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.

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, 2014 (unaudited):

Sensibility analysis	Sensitivity (all factors)
Stage one 1%	(0.298)
Stage two 2%	(0.596)

Stress Test -

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

As of December 31, 2014 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	\$ <u>(2.9)</u>
Scenario two	\$ <u>(5.9)</u>

9. Loan portfolio

As of December 31, 2014, 2013 and 2012, the performing loan portfolio and non-performing loan portfolio granted by type of currency are as follows:

		2014		
		Performing	Non-performing	Total
Mexican pesos:				
Commercial loans-				
Commercial with credit enhancement	\$	3,014	\$ 31	\$ 3,045
Loans to financial institutions		888	-	888
Housing loans-				
Housing loans		161	6	167
U.S. dollars converted to Mexican pesos:				
Commercial loans -				
Commercial with credit enhancement		3,968	3	3,971
Total	\$	<u>8,031</u>	<u>40</u>	<u>8,071</u>
		2013		
		Performing	Non-performing	Total
Mexican pesos:				
Commercial loans-				
Commercial with credit enhancement	\$	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 loans-				
Commercial with credit enhancement		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 credit enhancement	\$	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 credit enhancement		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, 2014, 2013 and 2012, the portfolio with third party participation administered by Holding Monex represents 2.5%, 5.8% and 6.7% of the total amount of the loan portfolio, respectively. Balances denominated in foreign currency and without third party participation are as follows:

	2014	2013	2012
Short-term	\$ 186	\$ 214	\$ 250
Medium term	<u>16</u>	<u>42</u>	<u>61</u>
	<u>\$ 202</u>	<u>\$ 256</u>	<u>\$ 311</u>

Risk diversification -

As of December 31, 2014, 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 basic capital.
- Holding Monex maintains one loan debtors whose values amount to \$365, which represent 13% of basic capital.
- The amount of credit extended to the three largest borrowers is \$969 and represent 33% of basic capital of Holding Monex.

Loans to related parties - As of December 31, 2014 and 2013, the loan amounts delivered by Holding Monex to related parties in accordance with Article 73 of the Law on Credit Institutions is \$22 for 2014 and 2013, respectively, and for 2012 \$528 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, distressed loans 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, 2014, 2013 and 2012, unused credit lines authorized to customers for \$1,159, \$1,281, and \$4,718, respectively.

As of December 31, 2014, 2013 and 2012, aging of non-performing portfolio is as follows:

	2014	2013	2012
From 90 to 179 days	\$ 4	\$ 23	\$ 34
From 180 to 365 days	4	19	3
Over 365 days	<u>32</u>	<u>13</u>	<u>1</u>
	<u>\$ 40</u>	<u>\$ 55</u>	<u>\$ 38</u>

10. Allowance for loan losses

As of December 31, 2014, 2013 and 2012, the allowance for loan losses was \$112, \$64 and \$84, respectively, and is assigned as follows:

2014	Performing Portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial with credit enhancement	\$ 6,982	\$ 34	\$ 103
Loans to financial institutions	888	-	6
Government entities			
Housing loans-			
Housing loans	<u>161</u>	<u>6</u>	<u>3</u>
Total portfolio	<u>\$ 8,031</u>	<u>\$ 40</u>	<u>\$ 112</u>
2013	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial with credit enhancement	\$ 2,801	\$ 54	\$ 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>\$ 55</u>	<u>\$ 64</u>
2012	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial with credit enhancement	\$ 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, 2014, 2013 and 2012, Holding Monex maintained an allowance for loan losses equivalent to 280%, 116% 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, 2014, 2013 and 2012, reported by Holding Monex, is as follows:

Degree of risk	2014		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	Classification of the portfolio by degree of risk	Amount of allowance recorded
A-1	\$ 4,078	\$ 18	\$ 2,613	\$ 13	\$ 4,603	\$ 27
A-2	3,356	43	1,615	18	604	5
B-1	1,616	26	954	15	268	13
B-2	133	3	85	2	41	3
B-3	338	11	159	6	228	24
C-1	87	6	66	5	4	2
C-2	13	2	9	1	1	1
D	1	-	10	4	1	1
E	34	3	-	-	9	8
Base rating portfolio	9,656	<u>\$ 112</u>	5,511	<u>\$ 64</u>	5,759	<u>\$ 84</u>
Less - Letter of credit	<u>(1,585)</u>		<u>(1,146)</u>		<u>(1,182)</u>	
Loan portfolio, net	<u>\$ 8,071</u>		<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, 2014, 2013 and 2012:

	2014	2013	2012
Opening balances	\$ 64	\$ 84	\$ 67
Additions in results	48	38	37
Effect due to adoption of new commercial portfolio	-	135	-
Exchange result	4	(1)	(1)
Applications	<u>(4)</u>	<u>(192)</u>	<u>(19)</u>
Closing balances	<u>\$ 112</u>	<u>\$ 64</u>	<u>\$ 84</u>

11. Other receivables, net

As of December 31, 2014, 2013 and 2012, the other receivables, are as follows:

	2014	2013	2012
Debtors due to liquidation of operations of money market	\$ 2,179	\$ 1,365	\$ 203
Debtors by foreign exchange transactions	8,889	8,025	9,687
Debtors of operation	602	600	391
Employee loans and other debtors	10	20	17
Collateral delivered for derivative financing transactions	821	413	350
Agency commissions	-	4	4
Sundry debtors agents	-	36	49
Other debtors	<u>27</u>	<u>-</u>	<u>4</u>
	12,528	10,463	10,705
Allowance for doubtful accounts	<u>(230)</u>	<u>(236)</u>	<u>(229)</u>
Total	<u>\$ 12,298</u>	<u>\$ 10,227</u>	<u>\$ 10,476</u>

12. Property, furniture and fixtures, net

As of December 31, 2014, 2013 and 2012, property, furniture and fixtures are as follows:

	2014	2013	2012
Land	\$ -	\$ 7	\$ 7
Buildings	-	3	3
Office furniture and equipment	84	73	96
Computer and communications equipment	60	107	207
Vehicles	8	10	17
	<u>152</u>	<u>200</u>	<u>330</u>
Less-			
Accumulated depreciation	<u>(64)</u>	<u>(109)</u>	<u>(236)</u>
Total property, furniture and fixtures (net)	<u>\$ 88</u>	<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, 2014, 2013 and 2012, depreciation expense amounted to \$25, \$28 and \$26, respectively.

13. Other assets

As of December 31, 2014, 2013 and 2012, goodwill and other assets were as follows:

	2014	2013	2012
Goodwill:			
Tempus	\$ 407	\$ 407	\$ 407
Monex Europe Holding	326	326	326
Conversion effect	<u>129</u>	<u>51</u>	<u>39</u>
	862	784	772
Deferred charges, advance payments and intangibles:			
Other intangible assets arising from the acquisition of Tempus (1)	186	165	163
Other intangible assets arising from the acquisition of Monex Europe (1)	682	642	625
Brands and patents	40	79	79
Adjustments and improvements	209	198	174
Management trust (2)	100	100	99
Software	25	-	-
Contracts of agencies, correspondents, and non-compete	-	97	97
Advance payments	92	60	54
Investment projects	-	11	4
Other deferred charges	<u>8</u>	<u>6</u>	<u>32</u>
	1,342	1,358	1,327
Less - Accumulated amortization	<u>(151)</u>	<u>(131)</u>	<u>(96)</u>
	1,191	1,227	1,231
Other assets:			
Operating deposit	74	71	49
Interest on contingency fund	-	2	5
	<u>74</u>	<u>73</u>	<u>54</u>
	<u>\$ 2,127</u>	<u>\$ 2,084</u>	<u>\$ 2,057</u>

During the year 2014, Holding Monex's management identified that the goodwill generated on the acquisition of Monex Europe was understated at acquisition, and reclassified the account receivable to the goodwill. Such account receivable was a guarantee deposited in an escrow account for the future payment (May, 2015) to the former shareholders', which, in accordance with the original projections, should be recovered by Monex. The reclassification was made retrospectively.

- (1) As of December 31, 2014, 2013 and 2012, Holding Monex has identified intangible assets for the acquisition of Tempus and Monex Europe, as follows:

	Tempus	Monex Europe	2014	Tota 2013	2012
Licenses	\$ 71	\$ -	\$ 71	\$ 71	\$ 71
Sales force	42	67	109	109	109
Operating agreements with banks	56	401	457	457	457
Software	7	6	13	13	13
Non-compete agreements	-	161	161	161	161
Total	176	635	811	811	811
Conversion effect	10	47	57	(4)	(23)
	186	682	868	807	788
Amortization	(5)	(40)	(45)	-	-
Total intangibles assets	\$ 181	\$ 642	\$ 823	\$ 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 during a 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 held until November 26, 2013 in Prestaciones Universales, which was transferred to AdmiMonex before the sale of the shares of Prestaciones Universales referred to in Note 1.

14. Foreign currency position

As of December 31, 2014, 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		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Funds available	USD 967	USD 682	USD 947	€ 19	€ 23	€ 12	USD 66	USD 49	USD 2
Margin accounts	3	4	5	-	-	-	-	-	-
Investment in securities	67	97	99	-	-	-	-	-	-
Repurchase agreements	23	-	22	-	-	-	-	-	-
Derivative (assets not offset)	2,345	4,598	8,353	31	65	10	27	291	9
Performing loan portfolio	265	104	147	-	-	-	-	-	-
Other assets	49	49	47	-	-	-	70	77	126
Property, furniture and fixtures	-	-	-	-	-	-	1	1	-
Investments in equity	-	10	-	-	-	-	-	(10)	32
Deferred taxes	-	(4)	-	-	-	-	-	-	-
Other receivables	115	67	36	-	-	3	34	135	1
Deposits	(463)	(158)	(166)	(11)	(9)	(10)	(6)	(6)	(1)
Resale agreements	(110)	(144)	(80)	(2)	(2)	(1)	-	-	-
Bank and other loans	(13)	-	(30)	-	-	-	-	-	-
Collaterals	(66)	(40)	(52)	(2)	-	-	-	-	-
Derivative (liability not offset)	(2,897)	(4,903)	(8,281)	(38)	(65)	(9)	(2)	(279)	(9)
Sundry creditors and other payables	(748)	(314)	(1,039)	(1)	(13)	(3)	(91)	(172)	(150)
Deferred charges and advance payments	(1)	(1)	-	-	-	-	-	-	-
Asset (liability) position	USD (464)	USD 47	USD 8	€ (4)	€ (1)	€ 2	USD 99	USD 86	USD 10
Mexican peso equivalent	\$ (6,840)	\$ 615	\$ 104	\$ (71)	\$ (18)	\$ 34	\$ 1,459	\$ 1,125	\$ 130

As of December 31, 2014, 2013 and 2012, the “Fix” (48-hour) exchange rate submitted by the Central Bank and used was \$14.7414, \$13.0843 and \$12.9658 per U.S. dollar, respectively.

As of December 31, 2014, 2013 and 2012, the “Euro” exchange rate submitted by the Central Bank and used was \$17.8385, \$18.0301 and \$17.1381 per Euro, respectively.

On March 17, 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 \$15.4271 per U.S. dollar and \$16.3743 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, Sterling 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, 2014, 2013 and 2012, deposits were as follows:

	2014	2013	2012
Demand deposits	\$ 7,853	\$ 4,896	\$ 3,460
Time deposits-			
General public	5,483	3,994	878
Money market:			
Deposit certificates	655	695	568
Promissory notes with interest payable at maturity (BMONEX) (1)	280	351	991
	<u>14,271</u>	<u>9,936</u>	<u>5,897</u>
Debt securities			
Debt securities (Bonds)	<u>156</u>	<u>370</u>	<u>794</u>
Total deposits	<u>\$ 14,427</u>	<u>\$ 10,306</u>	<u>\$ 6,691</u>

(1) Short-term maturities which generated interest at an average 2.91%, 6.6% and 5.4% rate, in 2014, 2013 and 2012, respectively.

16. Bank and other loans

As of December 31, 2014, 2013 and 2012, bank loans were as follows:

	2014				2013	2012
	Mexican Pesos	Foreign currency	Rate	Total	Total	Total
Demand deposits-						
“Call Money” received	\$ 200	\$ -	2.95%	\$ 200	\$ -	\$ 2,811
Total demand deposits	<u>200</u>	<u>-</u>		<u>200</u>	<u>-</u>	<u>2,811</u>
Short term-						
FIRA	8	-	3.79%	8	10	-
Clusters	398	186	3.03%	584	462	337
Digital loans	<u>-</u>	<u>-</u>		<u>-</u>	<u>1</u>	<u>-</u>
Total short-term loans	<u>406</u>	<u>186</u>		<u>592</u>	<u>473</u>	<u>337</u>
Total interbank loans and other loans	<u>\$ 606</u>	<u>\$ 186</u>		<u>\$ 792</u>	<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 subsection b), Holding Monex issued \$ 10,000,000 marketable certificates by public offering celebrated on November 7, 2014 for the amount of \$1,000 effective for three years, which pay interest every 28 days at a rate of 28-day Interbank Interest Rate (TIE) plus 160 basis points. As of December 31, 2014, Holding Monex had paid \$4, and has recorded accrued interest of \$3.

Holding Monex made its first broadcast in June 2012 in the amount of \$1,000 effective for 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 \$64, \$72 and \$42, respectively, and has recorder accrued interest of \$2 for the three years.

18. Comparative maturities of principal assets and liabilities

As of December 31, 2014 the maturities of principal assets and liabilities are as follows:

	6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets					
Funds available (1)	\$ 6,425	\$ -	\$ -	\$ 229	\$ 6,654
Margin accounts	522	-	-	-	522
Investment in securities	14,483	-	-	-	14,483
Derivatives (assets)	1,134	453	183	120	1,890
Performing loan portfolio (net)	4,346	206	2,006	1,473	8,031
Other receivables (net)	12,298	-	-	-	12,298
Total assets	<u>39,208</u>	<u>659</u>	<u>2,189</u>	<u>1,822</u>	<u>43,878</u>
Liabilities					
Deposits	\$ 14,427	\$ -	\$ -	\$ -	\$ 14,427
Issuance of stock certificates	-	1,002	968	-	1,970
Bank and other loan	784	-	8	-	792
Creditors under sale and repurchase agreements	8,239	-	-	-	8,239
Derivatives (liability)	788	127	197	240	1,352
Creditors from settlements of transactions	10,897	-	-	-	10,897
Sundry creditors and other payables	2,393	-	-	131	2,524
Total liabilities	<u>37,528</u>	<u>1,129</u>	<u>1,173</u>	<u>371</u>	<u>40,201</u>
Assets less liabilities	<u>\$ 1,680</u>	<u>\$ (470)</u>	<u>\$ 1,016</u>	<u>\$ 1,451</u>	<u>\$ 3,677</u>

- (1) The heading of Funds available includes Monetary Regulation Deposits with Central Bank. Such deposits as of December 31, 2014 are \$229, and cannot be disposed of freely.

19. Related party transactions and balances

As is mentioned in Note 1 subsection a), since November 2014, Holding Monex ceased to consolidated it's transactions with its subsidiaries Monex Servicios and Pagos Intermex. Because Holding Monex and such subsidiaries perform operations related to investment in securities, deposits, personal services, correspondents, etc, most of them originate revenues in one entity and expenses in the other entity. Transactions and balances as of December 31, 2014 are as follows:

	2014
Receivable- Derivatives	\$ <u>3</u>
Liabilities- Deposits	\$ <u>30</u>
Payables accounts	\$ <u>4</u>
Revenue- Other products	\$ <u>14</u>
Intermediation result	\$ <u>3</u>
Expenses- Interest	\$ <u>1</u>
Administrative services	\$ <u>63</u>

As of December 2014, 2013 and 2012, Holding Monex had consolidated all its transactions with related parties over which Holding Monex has equity interest greater than 50% and the control.

20. 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, 2014, 2013 and 2012, Holding Monex amortizes variances based on the seniority premiums plan, based on the average remaining years of service of Holding Monex employees.

As of December 31, 2014, 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, 2014, 2013 and 2012, balances and activity reflected in employee benefits, which includes, seniority premiums and severance payments, were as follows:

	2014	2013	2012
Defined benefit obligation	\$ 433	\$ 321	\$ 320
Plan assets	<u>(165)</u>	<u>(158)</u>	<u>(101)</u>
Underfunded status	268	163	219
Unamortized:			
Unrecognized actuarial gains	<u>(137)</u>	<u>(69)</u>	<u>(113)</u>
Net projected liability	\$ <u>131</u>	\$ <u>94</u>	\$ <u>106</u>

As of December 31, 2014, 2013 and 2012, the net projected liabilities for severance payments at the end of the employment relationship for reasons other than restructuring are \$63, \$62 and \$60, respectively.

Net periodic cost consists of the following:

	2014	2013	2012
Service cost for the year	\$ 32	\$ 32	\$ 32
Financial cost and expected return on plan assets	10	13	14
Amortization of transition liability, labor cost and accrual losses	<u>(4)</u>	<u>2</u>	<u>8</u>
Net cost	<u>\$ 38</u>	<u>\$ 47</u>	<u>\$ 54</u>

The economic assumptions used were as follows:

	2014	2013	2012
Discount rate	7.09%	8.18%	6.97%
Expected rate of return of assets	7.09%	8.18%	6.97%
Rate of wage increases	4.00%	4.00%	4.00%

The changes in net projected obligations were as follows:

	2014	2013	2012
Opening balance (face value)	\$ 94	\$ 106	\$ 115
Payment of benefits	-	(59)	(64)
Provision for the year	38	47	55
Other	<u>(1)</u>	<u>-</u>	<u>-</u>
Net projected liability	<u>\$ 131</u>	<u>\$ 94</u>	<u>\$ 106</u>

As of December 31, 2014, 2013 and 2012, the assets related to the defined benefit plan, were invested as follows:

	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Capital market	\$ 45	28%	\$ 34	21%	\$ 28	28%
Money market	110	66%	102	65%	52	51%
Repurchase market	<u>10</u>	6%	<u>22</u>	14%	<u>21</u>	21%
Total	<u>\$ 165</u>		<u>\$ 158</u>		<u>\$ 101</u>	

As of December 31, 2014, 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:

	2014	2013	2012
Present value of the defined benefits obligation as of January 1	\$ 321	\$ 320	\$ 151
Actual payment of benefits during the year	(17)	(14)	-
Actuarial loss	72	(39)	133
Cost of the year	<u>57</u>	<u>54</u>	<u>36</u>
Present value of the defined benefits obligation as of December 31, of each year	<u>\$ 433</u>	<u>\$ 321</u>	<u>\$ 320</u>

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

	2014	2013	2012
Deferred PTU asset:			
Provisions	\$ 26	\$ 10	\$ 1
Labor benefits	14	9	-
Gain on derivative financial instrument transaction	8	13	-
Allowance for loan	5	6	-
Other	-	1	1
Total	<u>53</u>	<u>39</u>	<u>2</u>
Deferred PTU liability:			
Loss on derivative financial instrument transaction	(15)	-	-
Others	(3)	(8)	(4)
Total	<u>(18)</u>	<u>(8)</u>	<u>(4)</u>
Total asset (liability)	<u>\$ 35</u>	<u>\$ 31</u>	<u>\$ (2)</u>

21. Creditors from settlements of transactions

As of December 31, 2014, 2013 and 2012, creditors from settlement of transactions are as follows:

	2014	2013	2012
Creditors from settlements of transaction by foreign exchange	\$ 9,441	\$ 9,844	\$ 6,193
Creditors for settlement of transactions	<u>1,456</u>	<u>1,405</u>	<u>140</u>
	<u>\$ 10,897</u>	<u>\$ 11,249</u>	<u>\$ 6,333</u>

22. Remittances payable

As of December 31, 2014, 2013 and 2012, the payable remittances were as follows:

	2014	2013	2012
Remittances payable to beneficiaries	\$ -	\$ 27	\$ 26
Agencies funds	<u>-</u>	<u>1</u>	<u>1</u>
	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 27</u>

23. Sundry creditors and other payables

As of December 31, 2014, 2013 and 2012, sundry creditors and other payables were as follows:

	2014	2013	2012
Employee retirement obligation provision	\$ 296	\$ 252	\$ 207
Funds	<u>(165)</u>	<u>(158)</u>	<u>(101)</u>
	131	94	106
Suppliers	35	19	29
Creditors from operations	323	759	775
Intercompany payable	4	-	-
Payable commissions, bounds and other gratifications	159	124	-160
Collateral received in derivatives	1,288	495	394
Contingent liabilities	5	7	42
Various taxes and social security contribution	39	34	27
Taxes withheld	62	70	53
Reclassification of creditors bank balances (1)	30	182	11
Dividend payable	-	-	70
Other sundry creditors	<u>448</u>	<u>408</u>	<u>105</u>
	<u>\$ 2,524</u>	<u>\$ 2,192</u>	<u>\$ 1,772</u>

- (1) Based on the internal accounting policy for the cancellation of unidentified customer deposits, whose aging equals or exceeds three years as of the deposit date, during 2014 Holding Monex canceled a balance of \$92 from the balance sheet account denominated "Sundry creditors and other accounts payable" against the account "Other operating income" in the statement of income.

24. Income taxes

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

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 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 Holding Monex.

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 transitory provisions of the income tax law specifying tax rate reductions of 29% to 28%, from 2014 to 2015, were eliminated.

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

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

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 were amended in order to covered with the rules of the Commission. 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:

	2014	2013	2012
ISR:			
Current	\$ 263	\$ 604	\$ 457
Deferred	<u>(3)</u>	<u>55</u>	<u>32</u>
Extraordinary operation income tax(1)	<u>-</u>	<u>(413)</u>	<u>-</u>
	<u>\$ 260</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 valuation of the financial derivatives instruments.

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

Company	Amount	Maturity year
AdmiMonex	\$ 25	2018
Financial Group	10	2019
Monex Servicios	<u>8</u>	2019
	<u>\$ 43</u>	

At December 31, 2014, 2013 and 2012, Holding Monex has no IETU credits.

Deferred taxes - At December 31, 2014, 2013 and 2012, deferred taxes are composed as follows:

	2014	2013	2012
Deferred ISR asset:			
Provisions	\$ 50	\$ 61	\$ 39
Labor obligations	42	19	31
Gain on derivative financial instrument transaction	28	-	-
Others	34	53	90
Deferred ISR asset	154	133	160
Deferred ISR (liability):			
Prepaid expenses	-	(61)	(44)
Others	(84)	(10)	-
Deferred ISR liability	(84)	(71)	(44)
Deferred PTU asset	35	31	(2)
Net deferred taxes assets	\$ 105	\$ 93	\$ 114

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.

The deferred tax is recorded in the statement of income or in the shareholders' equity in accordance input that origin it.

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		
	2014	2013	2012	2014	2013	2012
Legal rate	30%	30%	30%	30%	30%	30%
Valuation of investment securities	(7%)	(1%)	(5%)	6%	-	-
Others	(5%)	(3%)	7%	(2%)	(1%)	(2%)
Annual adjustment for inflation	12%	(5%)	-	(4%)	(1%)	(1%)
Effective tax rate	30%	24%	32%	30%	28%	27%

Other tax issues:

As of December 31, 2014, 2013 and 2012, the main subsidiaries of Holding Monex have the following balances for significant tax measures (individually):

	Bank (individually)			Brokerage House (individually)		
	2014	2013	2012	2014	2013	2012
Contributed capital account	\$ 2,270	\$ 2,181	\$ 2,098	\$ 564	\$ 542	\$ 521
Net tax income account	\$ 2,496	\$ 2,119	\$ 2,137	\$ 500	\$ 363	\$ 394

25. Stockholders' equity

As of December 31, 2014, 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>400,000,000</u>

During Stockholders' Ordinary General Meetings held on April 28 and December 20, 2014, the stockholders resolved to reduce the reserve for repurchase shares, transferring \$400, to retained earnings.

During Stockholders' Ordinary General Meetings held on April 22 and December 20, 2013 the stockholders declared dividends for the amount of \$300 and \$250, respectively, charged to "Retained earnings".

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

At December 31, 2014, 2013, 2012 and 2011, the reserve created to repurchase shares is composed as follows:

	2014	2013	2012
Repurchased shares	8,236,577	7,267,446	7,266,961
Market price per share	\$ <u>12.60</u>	\$ <u>17.90</u>	\$ <u>17.99</u>
Market value	\$ <u>104</u>	\$ <u>130</u>	\$ <u>131</u>
Balance of reserve at the beginning	\$ 668	\$ 69	\$ 77
Movements approved by the stockholders	(400)	600	100
Less:			
Loss of repurchase shares	(1)	(1)	-
Historic value of repurchased shares	<u>(13)</u>	<u>-</u>	<u>(108)</u>
Balance for repurchased shares	\$ <u>254</u>	\$ <u>668</u>	\$ <u>69</u>

Furthermore, as of December 31, 2013 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.

Foreign people who exercise authority are prohibited from participating in the Capital Stock of Holding Monex, as are Mexican financial institutions, regardless of whether they form 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 cases where dividends are distributed prior to the payment of 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.

Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by Holding Monex. Nonresidents may apply treatments to avoid double taxation.

26. Capital ratio (latest information submitted to Central Bank) - Unaudited

As of December 31, 2014, 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:

	2014	2013	2012
Net capital / required capital	199.00%	221.00%	254.51%
Basic capital / assets subject to credit, market and operational risk	15.95%	17.71%	20.09%
Net capital / assets subject to credit risk	22.60%	28.50%	32.74%
Net capital / assets subject to credit, market and operational risk	15.95%	17.71%	20.38%

The capitalization ratio of Holding Monex was updated and submitted to the Central Bank for the years 2014, 2013 and 2012, on February 9, 2014, February 11, 2013 and March 30, 2012, respectively.

As of December 31, 2014, 2013 and 2012, the net capital used to calculate the capital ratio is as follows:

	2014	2013	2012
Basic capital:			
Stockholder's equity disregarding convertible securities and subordinate debt	\$ 4,402	\$ 3,689	\$ 3,598
Less:			
Organization costs and other intangible	(173)	(159)	(499)
Investment in shares of entities	(1,381)	(1,316)	(883)
Investment in shares of financial entities	-	-	(10)
	(2,848)	2,214	2,206
Complementary capital:			
Allowance for loan losses	112	16	31
Total net capital	\$ 2,960	\$ 2,230	\$ 2,237

	2014		2013		2012	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
Market risk:						
Transactions with nominal rate and above par rate in Mexican pesos	\$ 1,897	\$ 152	\$ 2,025	\$ 166	\$ 1,808	\$ 145
Transactions with real rate	275	22	589	47	671	54
Transactions with nominal rate in foreign currency	556	44	217	17	348	28
Transactions with shares and related to shares	90	7	116	5	85	7
Foreign exchange transactions	618	49	324	26	134	11
Transactions in UDIS relating INPC	9	-	8	1	7	-
	<u>3,445</u>	<u>274</u>	<u>3,279</u>	<u>262</u>	<u>3,053</u>	<u>245</u>
Credit risk:						
Deposits and loans	8,303	664	5,048	406	4,194	336
From repurchase agreements and derivatives counterparties	621	48	95	6	200	16
From issuers of debt securities in position	960	79	828	66	1,023	82
From long-term investment in shares and other assets	1,424	114	1,032	83	839	67
From guarantees and credit lines and securitization	598	48	496	40	576	46
Transactions with related parties	-	-	2	-	4	-
	<u>11,906</u>	<u>953</u>	<u>7,501</u>	<u>601</u>	<u>6,836</u>	<u>547</u>
Operational risk:	<u>1,540</u>	<u>123</u>	<u>1,298</u>	<u>104</u>	<u>1,093</u>	<u>87</u>
Total assets at risk	<u>\$ 16,891</u>	<u>\$ 1,350</u>	<u>\$ 12,078</u>	<u>\$ 967</u>	<u>\$ 10,982</u>	<u>\$ 879</u>

At December 31, 2014, 2013 and 2012, weighted positions by market risk are as follows:

	2014		2013		2012	
	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement
Market risk	\$ 3,445	\$ 274	\$ 3,279	\$ 262	\$ 3,053	\$ 245
Credit risk	11,906	953	7,501	601	6,836	547
Operational risk	<u>1,540</u>	<u>123</u>	<u>1,298</u>	<u>104</u>	<u>1,093</u>	<u>87</u>
	<u>\$ 16,891</u>	<u>\$ 1,350</u>	<u>\$ 12,078</u>	<u>\$ 967</u>	<u>\$ 10,982</u>	<u>\$ 879</u>

27. Ratings of the Bank

As of December 31, 2014, 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-		
Outlook	Stable	Stable
Public date	May 9, 2014	January 12, 2015

28. Contingencies and commitments

- a. **Lawsuits** - Over 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, 2014, 2013 and 2012, Holding Monex has recorded provisions for the amount \$5, \$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 \$202, \$256 and \$311 in 2014, 2013 and 2012, respectively. In relation to this loan portfolio, Holding Monex has committed to assume all credit risks in the event of noncompliance with the terms agreed with Exim-Bank regarding the documentation of each loan. However, management considers that the possibility of a refund to Exim-Bank is unlikely.
- c. **Connectivity Service contract** - On February 24, 2010, Holding Monex 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 \$1.5 million of US dollars.

29. 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 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.

In addition to the memorandum accounts mentioned before, there are the following:

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

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

As of December 31, 2014, 2013 and 2012, Holding Monex administered the following trusts and mandates:

	2014	2013	2012
Trusts under-			
Administration	\$ 62,234	\$ 49,492	\$ 36,223
Guarantee	2,239	5,469	4,572
Investment	<u>4,055</u>	<u>898</u>	<u>832</u>
	<u>\$ 68,528</u>	<u>\$ 55,859</u>	<u>\$ 41,627</u>

As of December 31, 2014, 2013 and 2012, the income from the administration of such assets was \$61, \$47 and \$41, respectively.

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

As of December 31, 2014, 2013 and 2012, other record accounts have a balance of \$2,207, \$2,435 and \$2,428, respectively.

30. Intermediation result

For the years ended December 31, 2014, 2013 and 2012, the intermediation result was as follows:

	2014	2013	2012
Foreign exchange result:			
Valuation	\$ 4	\$ -	\$ -
Realized gains or losses	<u>2,873</u>	<u>2,910</u>	<u>2,332</u>
	2,877	2,910	2,332
Derivatives result:			
Valuation	340	(64)	(305)
Realized gains or losses	<u>(161)</u>	<u>495</u>	<u>700</u>
	179	431	395
Income from debt securities:			
Valuation	16	16	(6)
Realized gains or losses	<u>280</u>	<u>46</u>	<u>231</u>
	296	62	225
Equity:			
Valuation	-	2	(6)
Realized gains or losses	<u>10</u>	<u>-</u>	<u>342</u>
	10	2	336
	<u>\$ 3,362</u>	<u>\$ 3,405</u>	<u>\$ 3,288</u>

31. Interest income (expenses)

As of December 31, 2014, 2013 and 2012, the financial margin was as follows:

	2014	2013	2012
Interest income:			
Investment securities, debt and equity	\$ 812	\$ 722	\$ 842
Interbank and other loans	19	15	6
Deposits with financial institutions	41	43	22
Loan portfolio	364	390	313
Others	<u>43</u>	<u>73</u>	<u>34</u>
	1,279	1,243	1,217
Interest expenses:			
Interest from repurchase agreements	(373)	(379)	(501)
Interest on bank and other loans	(30)	(31)	(16)
Demand deposits	(37)	(30)	(23)
Time deposits	(336)	(237)	(82)
Securitization certificates	(72)	(72)	(44)
Others	<u>-</u>	<u>(10)</u>	<u>-</u>
	(848)	(759)	(666)
Total	<u>\$ 431</u>	<u>\$ 484</u>	<u>\$ 551</u>

32. Segment information

As of December 31, 2014, 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.

2014	Foreign exchange	International	Derivatives	Securities	Banking products	Others	Total
Intermediation result	\$ 2,036	\$ 861	\$ 159	\$ 306	\$ -	\$ -	\$ 3,362
Interest income	-	6	-	812	364	97	1,279
Interest expense	-	-	-	(369)	-	(479)	(848)
Allowance for loan losses	-	-	-	-	(48)	-	(48)
Commission and fee income	65	85	-	96	39	276	561
Commission and fee expense	-	(16)	(11)	(36)	(18)	(115)	(196)
Other operating income (expenses)	-	(3)	-	-	-	172	169
Administration and marketing expenses	(1,343)	(605)	(105)	(770)	(255)	(359)	(3,437)
Current income taxes	(103)	(46)	(8)	(59)	(20)	(27)	(263)
Deferred income taxes	1	1	-	1	-	-	3
Equity in income of associated companies	-	-	-	-	-	22	22
Grand total	<u>\$ 656</u>	<u>\$ 283</u>	<u>\$ 35</u>	<u>\$ (19)</u>	<u>\$ 62</u>	<u>\$ (413)</u>	<u>\$ 604</u>
2013	Foreign exchange	International	Derivatives	Securities	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)	-	-	-	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>
2012	Foreign exchange	International	Derivatives	Securities	Banking products	Others	Total
Intermediation result	\$ 2,227	\$ 301	\$ 230	\$ 530	\$ -	\$ -	\$ 3,288
Interest income	-	2	-	843	313	59	1,217
Interest expense	-	(8)	-	(490)	-	(168)	(666)
Allowance for loan losses	-	-	-	-	(37)	-	(37)
Commission and fee income	60	96	1	101	19	359	636
Commission and fee expense	-	(12)	(19)	(47)	(37)	(90)	(205)
Other operating income (expenses)	-	2	-	-	-	69	71
Administration and marketing expenses	(1,210)	(212)	(144)	(777)	(177)	(277)	(2,797)
Current income taxes	(198)	(35)	(23)	(127)	(29)	(45)	(457)
Deferred income taxes	(14)	(2)	(2)	(9)	(2)	(3)	(32)
Discontinued operations	-	-	-	-	-	14	14
Grand total	<u>\$ 865</u>	<u>\$ 132</u>	<u>\$ 43</u>	<u>\$ 24</u>	<u>\$ 50</u>	<u>\$ (82)</u>	<u>\$ 1,032</u>

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

International - International operations includes purchases, sales services and foreign currency forwards in US, London and Spain.

Derivatives - Foreign currency forwards and solutions of risk administration, includes intermediation services of forwards, currency options, interest rate swaps, options shares, notes and structured bonus.

Stock - Securities, administration of services, includes services of intermediation of securities of debt instruments and repurchase agreements, capital markets, international markets, mutual funds and portfolios managed.

Banking products - Operations of banking products, credit grating services, and common representation services.

Others - Includes trust services, deposits, mutual funds, bank and other loans and others.

33. **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.

To enable it to measure and evaluate the risks resulting from its financial transactions, the Financial Group 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.

b. ***Risk management entities-***

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

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

The RC holds monthly meetings and ensures that transactions reflect the operating and control objectives, policies and procedures approved by the Board of Directors. 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.

c. ***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.

d. ***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.

e. ***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 in the Provisions, 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.

f. ***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.

g. ***Legal risk-***

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

h. ***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.

i. ***Quantitative information (unaudited)***

a) ***Market risk-***

At December 31, 2014, 2013 and 2012, the VaR was \$14, \$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, 2014, 2013 and 2012, portfolio concentration by segment was as follows (unaudited):

Portfolio concentration by segment	2014	2013	2012
Farming and cattle-raising	\$ 31	\$ 7	\$ 14
Construction	1,011	-	202
Commercial	912	972	838
Financial	1,235	527	646
Industrial	1,502	841	818
Real-estate	32	383	326
Services	1,688	335	1,720
Textile	-	-	13
Individually	1,391	1,300	-
Corporate	207	-	-
Mining	3	-	-
Mass media information	55	-	-
Transportation and Warehousing	4	-	-
Total	\$ 8,071	\$ 4,365	\$ 4,577

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

Market risk statistics

	VaR Minimum	VaR Average	VaR Máximo
Global	7.52	10.45	13.92
Derivatives	1.26	1.54	2.08
Money Market	8.55	11.39	15.00
Foreign exchange	0.40	0.66	0.99

The average value refers to the daily exposure of the money market, derivatives and foreign-exchange as of December 31, 2014.

b) *Credit risk-*

Corporate bonds portfolio.

The credit VaR of the corporate bonds portfolio of the Money Market as of December 31, 2014 in the Financial Group was -1.155% relative to an investment of \$6.7 billion, whereas the credit stress of such portfolio was -1.619% at the same date. The credit VaR was calculated using the Monte Carlo Simulation method with a confidence level of 99% on a one-year horizon; the stress was obtained by considering the following lower classification of each instrument.

	VaR	Expected loss	Expected non loss
Máximo	(1.50%)	(0.05%)	(1.46%)
Mínimum	(1.16%)	(0.04%)	(1.11%)
Average	(1.37%)	(0.04%)	(1.33%)

Note: The figures presented are expressed in amounts relative to the value of the corporate bonds portfolio, for the daily exposure of December 31, 2014.

Commercial loan portfolio.

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

Expected loss statistics of commercial credit portfolio.

	Minimum	Máximo	Average
Expected loss	82.47	92.21	84.78

- The expected loss statistics refer to the daily exposure of December 31, 2014 for the commercial credit portfolio.

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

At December 31, 2014, 2013 and 2012, portfolio concentration by state was as follows:

Portfolio concentration by state	2014	2013	2012
Aguascalientes	\$ 132	\$ 21	\$ 27
Baja California	470	352	291
Campeche	-	75	45
Chihuahua	10	122	118
Chiapas	3	7	10
Coahuila	58	104	165
Colima	2	4	6
Distrito Federal	3,011	1,416	1,393
Durango	63	114	81
Estado de México	648	227	214
Guerrero	-	13	11
Guanajuato	166	177	184
Hidalgo	21	11	15
Jalisco	513	230	211
Michoacán	-	8	12
Morelos	28	24	36
Nayarit	-	3	17
Nuevo León	1,801	821	826
Oaxaca	4	7	11
Puebla	103	26	34
Quintana Roo	163	9	58
Querétaro	24	17	28
Sinaloa	9	38	193
San Luis Potosí	8	24	32
Sonora	59	45	62
Tabasco	13	36	41
Tamaulipas	384	82	78
Tlaxcala	-	7	8
Veracruz	177	145	112
Yucatán	13	68	79
Zacatecas	136	120	88
Foreign locations	52	12	91
Total	\$ 8,071	\$ 4,365	\$ 4,577

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
2014	\$ 14	\$ (15)	\$ 9

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
2014	\$ (722)	\$ 465	\$ (209)

Liquidity risk statistical.

GAP Total depreciation

Statistical	<=1	<=7	<=30	<=90	<=180	<=360	>360	Total
Mínimum	(8,073)	(6,624)	3,631	1,045	934	239	4,373	(992)
Máximo	(1,888)	(3,782)	4,420	2,203	1,335	344	5,823	3,475
Average	(5,198)	(4,904)	4,021	1,471	1,157	294	4,985	1,825

GAP Maturity total

Total	<=1	<=7	<=30	<=90	<=180	<=360	>360	Total
Mínimum	3,081	(8,707)	(2,328)	(1,287)	(834)	(1,604)	8,780	(992)
Máximo	4,338	(6,396)	(1,445)	443	(128)	(419)	10,687	3,475
Average	3,710	(7,893)	(1,868)	(566)	(508)	(1,066)	10,017	1,825

*The statistics of the maturity GAP refer to the position of the money market, credit, derivatives and foreign-exchange portfolios of December 31, 2014.

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

Repos renewal effect	Amount	Var Absolut	Effect of Selling off unusual MD	Amount
Actual Cost	(23,660)		Value of securities	8,672,867
Sensitivity 1*	(26,026)	(2,366)	Sensitivity 1	(3,025)
Sensitivity 2	(28,392)	(4,732)	Sensitivity 2	(30,141)
Stress 1	(30,758)	(7,098)	Stress 1	(290,205)
Stress 2	(33,124)	(9,464)	Stress 2	(555,517)
Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.			Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.	
Effect of Selling unusual treasury	Amount		Interest paid of deposits	Current MTM
Securities value	2,945,862		Interest paid (actual)	(3,513)
Sensitivity 1	(1,036)		Sensitivity 1*	(3,922)
Sensitivity 2	(10,336)		Sensitivity 2	(4,331)
Stress 1	(101,124)		Stress 1	(4,740)
Stress 2	(197,274)		Stress 2	(5,148)
Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.			Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.	
				Variation
				(409)
				(818)
				(1,227)
				(1,635)

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.

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

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

These transactions involve a counterpart risk which is analyzed by the 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:

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

k. ***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.

34. Reclassification

The financial statements as of December 31, 2013 and 2012 have been reclassified in certain accounts in order to make comparable presentation. Such accounts are "Other receivables" and "Other Assets".

35. Authorization of the Financial Statements

On March 17, 2015, 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; José Luis Orozco Ruíz, Chief Internal Auditor and Ricardo Cordero Jurado, Deputy Director of Accounting and by the Board of Directors, who in addition to the Commission may be modified.

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