





MONEX, S.A.B. DE C.V.

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ANNUAL REPORT

EARLY REPORT FILED IN ACCORDANCE WITH THE APPLICABLE GENERAL PROVISIONS FOR THE ISSUER OF SECURITIES AND OTHER PARTIES INVOLVED IN THE STOCK EXCHANGE MARKET, FOR THE FISCAL YEAR ENDING ON DECEMBER 31, 2016.

NUMBER OF SHAREHOLDERS' EQUITY SHARES: 545,808,505

OUTSTANDING SHARES: 536,223,200

CHARACTERISTICS: Common Shares, "A" and "B" Series, representative of the fixed (without withdrawal right) and variable parts of the shareholders' equity of Monex, respectively (the "Shares").

SERIES: "A" and "B"

TYPE: Registered shares

TICKER SYMBOL: MONEX

SHARES' FACE VALUE: Without face value.

The values have been registered in the National Securities Registry and have been listed as such since the 31st day of December of 2016 in the Mexican Stock Exchange. The registration in the National Securities Registry does not imply the certification of the merits of such securities, the solvency of the Issuer or the exactness and veracity of the information contained in the report, and it does not validate the shares, which may have been issued by infringing the law.

ISSUANCE OF SECURITIZATION CERTIFICATES

Issuance Number: Second

Ticker Symbol: MONEX 14

Issuance's Maturity Term: 1,092 days, that is to say, approximately 3 years.

Date of issue: November 7, 2014

Maturity Date: November 3, 2017

Interests and procedure for calculation:

Counting from the date of issue, and as long they are not fully amortized, Securitization Certificates will cause a gross annual interest on their face value at the rate referred in the paragraph below, which the Common Representative shall calculate with 2 (two) Business Days of anticipation at the beginning of the first period for the payment of interests of 28 days in which the Securitization Certificates will cause interests or the calendar days effectively elapsed until the corresponding Payment Date for the interests (the "Interest Period"), and which shall be informed in writing on that date to the Issuer, and which shall govern during the following Interest Period. The Gross Annual Interest Rate will be calculated by adding 160 (one hundred and sixty) base points to the Reference Interest Rate (that is to say, the Interbank Interest Rate in a 28 day period), capitalized, or, accordingly, the equivalent to the number of natural days effectively elapsed until the Payment Date of the Interests in question (according to the Reference Interest Rate, the Supplement in the section "Interest Rate of Pledge Credits" will be calculated).

Periodicity in the payment of interests: They will be liquidated during the 39 (thirty-nine) periods of 28 (twenty-eight) days' calendar days according to the schedule inserted in the Supplement and the Title supporting the Issuance.

Place and form of payment for the Principal and Interests: The principal and ordinary interests caused by Securitization Certificates will be paid on the corresponding date of payment, through wire transfer, at the Indeval, in their offices located at Avenida Paseo de la Reforma number 255, 3er piso, Col. Cuauhtémoc, 06500, Mexico City, upon delivery of the title or certificate of proof of ownership issued for such purpose by the Indeval. The Indeval will distribute these funds, through wire transfer, to the placing broker.

Voluntary Advanced Amortization: The Issuer will have the right to amortize in full, but not less than all of the Securitization Certificates, on any payment date of the corresponding interests on or after November 4, 2016 (the twenty-sixth period for interest payment), in accordance with the provisions of Section I. "Offer", number 1.30 "Voluntary Advanced Amortization" of the final placement Supplement.

Guarantee: Issue is unsecured, that is to say, Securitization Certificates hold no specific guarantee whatsoever.

Rating granted by Standard & Poor's, México, S.A. de C.V.: 'mxA', This rating indicates that debts rated as "mxA" are more susceptible to the negative effects caused by circumstantial changes or economical conditions than debts graded with higher

qualification. However, the Issuer's ability to pay for the compliance of financial obligations is strong in relation to other Issuers in the national market.

Rating granted by Fitch Mexico, S.A. de C.V.: 'A (mex)' this kind of national ratings indicate a low risk of default expectative in relation to other issuers or liabilities in the same country. However, changes in economic circumstances or situations may affect the ability to pay to a greater extent, than those financial liabilities with higher ratings.

Common Representative: Deutsche Bank México, S.A., Institución de Banca Múltiple, Trust Division

Depository: Indeval, in accordance with the provisions of article 282 and other applicable of the Securities Market Law (*Ley de Mercado de Valores "LMV"*)

Applicable Tax Rules: The retention rate applicable to interests paid in accordance with Securitization Certificates is subject (i) in case of individuals or corporations in Mexico, to the provisions contained in articles 54 and 135 of the Income Tax Law (*Ley del Impuesto sobre la Renta*) and other complementary provisions, and (ii) for individuals or corporations residing outside of Mexico, in accordance with the provisions of articles 153 and 166 of the Income Tax Law and other complementary provisions, depending of the effective benefit of said interests. The aforementioned provisions may be modified in the future for others. THE APPLICABLE TAX RULES MAY VARY DEPENDING ON THE SPECIFIC CHARACTERISTICS OF EACH ISSUE. The Issuer assumes no liability in relation to report all changes in tax provisions applicable throughout the validity of the Program, in relation to the current or future issuances, nor of making gross payments or additional payments in order to cover eventual new taxes. Possible purchasers of Securitization Certificates must consult with their advisers, in relation to all fiscal consequences resulting from the purchasing, maintenance or selling of the Securitization Certificates, including the application of specific rules in relation to its particular situation.

Said securities have been registered in the National Securities Registry and are listed in the Bolsa Mexicana de Valores, S.A.B. de C.V. (the Mexican Stock Exchange), the registration in the National Securities Registry does not imply certification of the quality of such certificates, the Issuer's solvency or the exactness or veracity of the information contained in the report, nor confirms the validity of the acts, which, accordingly, may have been carried out against the law.

Obligations to give, do or not to do in favor of the Holders

Obligations to give and do in favor of the Holders

During the term of the issuing and until the securitization certificates are paid in full, the Issuer is bounded to:

- (a) Keep the registration of Securitization Certificates in the National Securities Registry and listed in the Mexican Stock Exchange.
- (b) In general, comply with all information requirements in accordance with the Securities Market Law, the regulations of the Mexican Stock Exchange, and the Circular Única, including, but not limited to, those related to financial information, filing or disclosing of information or any other report or communication related to the Program and/or Issuance, which the Issuer is obliged to deliver to the CNBV, the Mexican Stock Exchange or the Common Representative. Additionally, the Issuer must deliver to the Common Representative, with prior request in writing, at least once every quarter, a certificate indicating the compliance of the obligations contained in this Supplement and the Title. Likewise, the Issuer must deliver to the Common Representative any report, financial statement or communication related to the Program and/or the Issuance requested by the same in writing, it must act in a reasonable manner, with respect to the financial information of the Issuer.
- (c) Using resources derived from the placement of Securitization Certificates for the purposes established in this Supplement and the Title.

The Issuer assumes no liability in relation to this Supplement and the provisions included in the Title, unless for those derived from the main payment of interests (ordinary, and, in its case, moratorium interests) established in the same, or its obligations contained in this Supplement or in the Title.

Obligations not to do upon the Holders

According to the terms of both issuances of Securitization Certificates described above and until the same have been paid in full, unless the Holders of the majority of Securitization Certificates of each issuance authorize otherwise in writing, Monex is obliged to:

- (a) **Corporate Purpose.** Not change its main corporate purpose or in any other way modify the principal business operations of the company and those of its subsidiaries and neither carrying out investments outside its ordinary course of business.
- (b) **Subsidiaries.** To prevent subsidiaries from entering into agreements imposing restrictions to pay dividends or other distributions in cash to their shareholders, in the understanding that said obligation will not be applicable to legal limitations or restrictions, or which have been ruled through a legal or arbitration process, or through the existence of agreements or instruments executed before the Date of Issue of the Securitization Certificates.
- (c) **Mergers.** The Issuer should not merge (or be consolidated in any other manner), unless it complies with the following requirements: (i) No Advance Maturity has occurred, or any other event, which, through time or notification, may become a Cause for Advanced Maturity, as result from said merger or consolidation, (ii) as result from the merger the credit rating of the Securitization Certificates decreases to that held before the merger takes effect; and (iii) deliver the Common Representative a legal opinion on the sense that the transaction does not affects the terms and conditions of the Securitization Certificates.

- (d) **Payment of Dividends.** In the event that the Issuer is in default of any of its obligations contained in the Title that documents the Second Issuance, the Issuer should not decree the payment of dividends, despite having a recovery period. Upon compensation of said infringement, during or after the recovery period, the Issuer may decree dividends.

The Issuer does not have policies to follow in the decision-making process related to changes in control throughout the validity of the Issuance, considering the participation of holders.

The Issuer does not have policies to follow in the decision-making process with respect to corporate restructuring, including, acquisitions, mergers and demergers during the validity of the issuance, taking into consideration the participation of holders.

The issuer does not have policies to follow in the decision-making process related to the selling or creation of encumbrances on essential assets, throughout the validity of the Issuance, taking into consideration the participation of holders.

Notwithstanding the foregoing, the Issuer has applicable procedures for Acquisitions and Changes in Control, including, mergers, consolidations and other similar transactions, direct or indirect, with respect to the Issuer's Shares, same that have been described to detail in Chapter 4, item d) of this Report.

This report is also available online: www.monexsab.com > Información Financiera> Banco Monex >Reporte Anual.

For the year ending on December 31, 2016

Mexico City, this 28th day of April, 2017

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1 | GENERAL
INFORMATION

GRUPO FINANCIERO
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Monex Grupo Financiero
Mexico

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a) Glossary of terms and definitions

Below, we present a glossary with the definitions of the main terms and abbreviations used in this Annual Report.

“Accounting Criteria”	Means all Financial Reporting Rules applicable in Mexico, and, accordingly, all accounting criteria allowed by the CNBV for financial institutions.
“ALIARSE”	Means “Alianza por la Responsabilidad Social Empresarial” (Alliance for Corporate Social Responsibility).
“AMIB”	Means “Asociación Mexicana de Intermediarios Bursátiles, A.C.” (the Mexican Financial Intermediaries Association).
“AML”	Means “Anti Money Laundering”.
“Annual Report”	Means this document.
“Audited Financial Statements”	Means the consolidated audited financial statements of Monex as of December 31 of 2016, 2015 and 2014.
“Banco Monex” or “The Bank”	Means “Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero”.
“Bancomext”	Means “Banco Nacional de Comercio Exterior, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo” (the National Foreign Trade Bank).
“BMV” or “the Stock Exchange”	Means “Bolsa Mexicana de Valores, S.A.B. de C.V.” (the Mexican Stock Exchange).
“Broker-dealer”	Means a company with authorization from the financial authorities from the United States of America to act as an intermediary in that country.
“Canadian Dollar” or “CAD”	Means the currency used in Canada.
“CEMEFI”	Means “Centro Mexicano para la Filantropía.” (the Mexican Center of Philanthropy).
“Circular de Prácticas de Venta”	Refers to the General Provisions Applicable to Financial Entities and Other Persons Providing Investment Services issued by the CNBV and published in the Federal Official Gazette on January 9, 2015, as amended. (Spanish: Disposiciones de Carácter General Aplicables a las Entidades Financieras y Demás Personas que Proporcionen Servicios de Inversión).
“Circular Única de Bancos” or “CUB”	Means “All General Provisions Applicable to Credit Institutions” issued by the CNBV and published on the Federation’s Official Gazette on December 2, 2005, and all amendments made thereto.

“Circular Única de Casas de Bolsa”	Means “All General Provisions Applicable to Brokerage Firms” issued by the CNBV and published on the Federation’s Official Gazette on September 6, 2004, and all amendments made thereto.
“Circular Única de Emisoras” or “CUE”	Means “All General Provisions Applicable to the Issuers of Securities and other Parties Involved in the Stock Market” issued by the CNBV and published on the Federation Official Gazette on March 19, 2003, and all amendments made thereto.
“CNBV” or “the Commission”	Means “Comisión Nacional Bancaria y de Valores” (the National Banking and Securities Commission).
“COFECE”	Means “Comisión Federal de Competencia Económica” (the Federal Economic Competition Commission).
“CNSF”	Means “Comisión Nacional de Seguros y Fianzas” (the National Insurance and Bonding Commission).
“CONDUSEF”	Means “Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros” (the National Commission for the Protection and Defense of Financial Service Users).
"Dependencia"	Means “Legal Entity” Having the meaning attributed in section 2) The Issuer – b) Business description – iv) Main Clients from Appendix N of the Circular Única de Emisoras.
“DOF”	Means “Diario Oficial de la Federación” (the Federation’s Official Gazette).
“Dollar”, “Dollars” or “USD”	Means the currency used in the United States of America.
“EBITDA”	Means “Earnings Before Interest, Tax, Depreciation and Amortization”.
“ECA’s“	Means “Export Credit Agencies”.
“ETF’s”	Means “Exchange-Traded Funds”, which are traded funds or securities negotiated as individual shares in a given market.
"Comisión de Cambios”"	Means “Commission in charge of issuing the foreign exchange” rules in accordance to which the Banco de Mexico should act.
“External Auditor” or “Deloitte”	Means Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) (member of Deloitte Touche Tohmatsu Limited).
“Euros”	Means the currency used in the European Union.

“Financial Statements”	Means jointly, Audited Financial Statements and Non-Audited Financial Statements.
“FIRA”	Means “Fideicomisos Instituidos en Relación con la Agricultura” (the group of trust funds formed in the Bank of Mexico as trustees, known as Trust Funds Formed in Relation to Agriculture”).
“Forwards”	Means the derivative financial instruments establishing a liability to buy or sell an adjacent product on a future date, in a determined amount, quality and price.
“GDP”	Means “the Gross Domestic Product of Mexico”.
“IPAB”	Means “Instituto para la Protección al Ahorro Bancario” (the Bank Savings Protection Institute).
“INFONAVIT”	Means “Instituto del Fondo Nacional de la Vivienda para los Trabajadores” (the Mexican Federal Institute for Worker’s Housing).
“Indeval”	Means “S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.” (Institution for Securities Deposit).
“INPC”	Means “Índice Nacional de Precios al Consumidor” (the National Consumer Price Index or any index substituting the same).
“IPC”	Means “Índice de Precios y Cotizaciones de la Bolsa” (the Price and Quotation Index).
“ISR”	Means “Impuesto Sobre la Renta” (the Income Tax applicable in accordance with the Income Tax Law).
“Ley Federal de Protección y Defensa al Usuario de Servicios Financieros”	Means “The Federal Law for the Protection and Defense of Financial Service Users”.
“LGO”	Means “Ley General de Organizaciones y Actividades Auxiliares del Crédito” (the General Law of Credit Organizations and Auxiliary Activities).
“LGSM”	Means “Ley General de Sociedades Mercantiles” (the Law of Corporations).
“LIC”	Means “Ley de Instituciones de Crédito” (the Credit Institutions Law).
“LMV”	Means “Ley del Mercado de Valores” (the Securities Market Law).
“LRAF”	Means “Ley para Regular las Agrupaciones Financieras” (the Law for the Regulation of Financial Groups).
“MexDer”	Means “Mercado Mexicano de Derivados, S.A. de C.V.” (Mexican Derivatives Exchange).
“México” or the “Mexican Republic”	Means the United Mexican States.

“Monex Assets Management”	Means Monex Assets Management, Inc.
“Monex Casa de Bolsa” or “Casa de Bolsa”	Means Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (Brokerage Firm).
“Monex Negocios Internacionales”	Means Monex Negocios Internacionales, S.A. de C.V., Banco Monex.
“Monex Europe”	Means Monex Europe Limited.
“Monex Fondos”	Means Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero (Monex Fondos).
“Monex Grupo Financiero” or el “The Financial Group” or the “Group”	Means Monex Grupo Financiero, S.A. de C.V.
“Monex Securities”	Means Monex Securities Inc.
“Monex Servicios”	Means Monex Servicios, S.A. de C.V. (formerly Pagos Dimex, S.A. de C.V.).
“Nafinsa “	Means “Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo” (The National Credit Union, Development Banking Institution).
“NIFs”	Means “las Normas de Información Financiera reconocidas y emitidas por el Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.” (The Financial Reporting Regulations recognized and issued by the Mexican Council for the Research and Development of Financial Reporting Regulations).
“OTC”	Means “Over the Counter”; transactions carried out in non-organized or non-recognized markets.
“Peso”, “Pesos”, “ps.” o “\$”	Means the local currency in Mexico.
“Pound Sterling” or “GBP £”	Means the currency used the United Kingdom and the Commonwealth.
“PRLVs”	Means “Pagarés con rendimiento liquidable al vencimiento” (Promissory note with interest payable at maturity).
“PTU”	Means “la participación de los trabajadores en las utilidades de la empresa” (Workers’ participation in the profits of the Company in accordance with the Federal Labor Law).
“ROAE”	Means “Return on Adjusted Equity”.
“RNV” or the “Registry”	Means “Registro Nacional de Valores” (the National Securities Registry kept by the CNBV).
“S.A.B.”	Means “Sociedad Anónima Bursátil” (Stock Market Company as described in the LMV).
“SEC”	Means “Securities and Exchange Commission”.

“Shares”	Means all shares: ordinary, registered, without face value, from “A” and “B” series, representing the minimum fixed capital stock without right to withdraw (“A” Series) and limited variable capital stock (“B” Series) from Monex.
“Shareholders or Stockholders”	Means the owner of shares representing the Issuer’s shareholders’ equity.
“SHCP”	Means “Secretaría de Hacienda y Crédito Público” (Ministry of Finance and Public Credit).
“SOFOL”	Means “Sociedad Financiera de Objeto Limitado “ (Non-Bank Financial Institution (NBFI)).
“Subsidiary”	Means any corporation in which the Issuer holds the majority of the capital stock or has a significant influence, in accordance with the Circular Única de Emisoras.
“Tempus”	Means Tempus, Inc. and its subsidiary Tempus Nevada, Inc.
“The Issuer” or “Monex”	Means Monex, S.A.B. de C.V.
“TIIE”	Means “Tasa de Interés Interbancaria de Equilibrio” (Interbank Interest Rate).
“UDI” o “UDIs”	Means “Unidades de Inversión” (investment units).
“USA”	Means “the United States of America”.
“UK”	Means “the United Kingdom”.

b) Executive summary

The following summary presents information which has been described in detail in other parts of this Annual Report. Unless otherwise specified, all applicable financial reporting referred in this Annual Report has been prepared in accordance with the Accounting Criteria established by the Commission. Throughout this Annual Report, unless otherwise required by context, the terms “us” “our”, “ours”, “the Issuer” and “Monex”, refer to Monex, S.A.B. de C.V. and its Subsidiaries. Any reference in this Annual Report to activities other than the holding of shares, refer to activities carried out by the Issuer through its Subsidiaries or indirectly, through the subsidiaries of Monex Grupo Financiero.

Our Business

Monex is one of the most dynamic and growing financial services providers in the Mexican market. With more than 31 years of experience, Monex main activities in Mexico and abroad is to provide foreign exchange, payments, banking, and brokerage services. Monex has over 49,200 clients, including large and medium-sized companies, mainly related to foreign trade. Monex has a leading position in foreign exchange and international payments market.

In Mexico, through our salesforce distributed in 36 offices, we offer financial products that satisfy the needs of our clients, from which, the following products stand out:

- Foreign exchange and international payments
- Credit and commercial lines of credit
- Risk management products
- Securities trading services
- Trust services
- Investment funds

Monex is a public company since 2010, whose main subsidiary is Monex Grupo Financiero formed by Banco Monex, Monex Casa de Bolsa (the Brokerage House) and Monex Fondos.

Monex is focused on being the main provider of diverse financial products and services for national and international companies, by establishing long-term relationships with its clients. The personalized attention offered to our clients, as well as the wide experience of our salesforce allows our clients to have access to different specialized products and services that satisfy their needs for banking services and international payments.

Among the competitive advantages of Monex, the following stand out:

- Market leadership in the foreign exchange payment services
- Superior execution and service supported by our leading and scalable information technology and payment platform
- Recurring client base of well established and growing large- and medium- sized corporates served by a specialized salesforce
- Proven track record of expanding product offering and market presence organically and through acquisitions
- Increasingly diversified product portfolio that enhances cross-selling and future growth
- Strong risk management and anti-money laundry controls and corporate governance practices
- Experienced management team

These differentiators in the market have allowed Monex to attract an extensive client portfolio, whose continued demand provides a steady revenue and base for growth.

In addition to our operations in Mexico, Monex has two subsidiaries abroad: Monex Europe (with presence in the UK, Spain, the Netherlands and services in the European Union) and Tempus (United States and Canada). Through these companies Banco Monex has been able to access the international markets, offering foreign exchange and international payment services.

In accordance with the information published by the CNBV and the AMIB, as well as the internal estimates for 2016, we had a 9% participation in the Mexican foreign exchange market (calculation based on our total income)¹ and carried out over 4.3 million transactions for our clients. We have increased and diversified our client portfolio and increased our sources of revenue through the incorporation of new products and banking and non-banking services in our portfolio. We have leveraged our foreign exchange and international payments business to offer currency forwards and Risk Management solutions, as well as traditional banking, trust services, national and international brokerage services, and financial asset management.

We offer our products and carry out our activities through direct and indirect subsidiaries, such as: Monex Grupo Financiero (which owns 99.9% of Monex Casa de Bolsa, Monex Fondos and Banco Monex), Banco Monex (credit institution), Monex Casa de Bolsa (brokerage house), Monex Fondos (company operating investment funds), Tempus and Monex Europe (foreign exchange and international payments companies), Monex Securities (US company which provides international brokerage services) and Monex Asset Management (which provides investment advice in the US). Our main subsidiary is Banco Monex, which represented 86.9% of our net profit for the year ending on December 31, 2016, due to the most of our foreign exchange services are provided through this entity and its subsidiaries.

In 2016, \$2,444² million pesos were earned as revenue coming from operating with over 31,360 clients in the foreign exchange sector in Mexico. The total volume of our foreign exchange transactions and international payments in Mexico with non-government and non-financial clients is equivalent to USD\$ 149 billion. Moreover, 92.9% of our operating volume for foreign exchange came from transactions carried out with corporations, which we consider contributes to the mitigation of our transactional and regulatory risks, including all risks related to frauds and money laundering. Our focus on the foreign exchange and international payments market has allowed us to not only get wide knowledge of our clients and their needs, but also expand the range of services by offering products that become more attractive in the different market segments in which we are involved. Considering the above, we believe that we can anticipate the needs of our clients better than our competitors (mainly, financial institutions that also offer foreign exchange services through commercial banks, in some of which, those services do not constitute their main activity); therefore, we have been able to design solutions with a greater specialization degree.

Based on our experience and market leadership in the foreign exchange and international payments in Mexico, in 2010 we started an international expansion process through the acquisition of Tempus Consulting Inc. (currently Tempus, Inc.), specialists in foreign exchange in the American and Canadian markets.

Subsequently, in 2012 we continued with our international expansion through the acquisition of Schneider Foreign Exchange Limited (currently Monex Europe), specialists in foreign exchange in the UK, through which we have presence in Spain and the Netherlands, having the capacity to offer services in the rest of the European Union.

Our headquarters are located in Mexico City, and we currently have 36 offices within Mexico (same for Monex Grupo Financiero), as well as 4 offices located in the USA (Los Angeles, Washington, D.C., New York and Houston), one office in Canada (Toronto), one office in the UK (London), one office in Spain (Madrid) and one office in the Netherlands (Amsterdam). Our network of branches and offices in Mexico has given us the capacity to have nationwide coverage and presence in the main financial and business centers. From our total revenues as of December 31, 2016, 68% came from our transactions in Mexico and the rest came from abroad.

We conduct our business in Mexico through our highly specialized salesforce of 763 sales executives in Mexico, which proactively look for new business opportunities through the creation of new relationships with new clients and through cross-sales of products from our different business segments. Our sales executives have a solid technological platform, on which we have made substantial investments with the purpose of improving the speed, efficiency, reliability and profitability of our payment processing and offering new solutions for foreign exchange and international payments for our clients.

The profit margin from Banco Monex reflects the strength of our business model and our position as the leader in the Mexican financial sector of the foreign exchange and international payments market. Our return on equity (ROE) for the last three years has been of 11.69% on average. Our ROE increased from 9.90% in 2015 to 14.55% in 2016. Our performance is the result of an effective business model focused on providing efficient and reliable financial services to highly profitable market segments.

As of December 31, 2016, the issuer had assets equivalent to \$80,294 million pesos, liabilities equivalent to \$72,988 million pesos and a shareholders' equity equivalent to \$7,306 million pesos. During the last 3 years, our total operating revenue has grown to a Compound

¹ Market defined as non-financial domestic clients. Source: Monex, based on statistics from the Banco de México.

² Operating income generated only from Foreign Exchange transactions in Mexico (internal figures).

Annual Growth Rate equivalent of 24.7%, from \$4,110 million pesos in 2014, to \$6,316 million Pesos in 2016. Likewise, the consolidated net income grew of a Compound Annual Growth Rate equivalent to 33.2% in the same period, from \$604 million in 2014 to \$1,071 million in 2016.

In Chapter 2 (the Issuer) there is more detailed description of the products and services offered by the subsidiaries of Monex, as well as their growth strategies and competitive skills.

Recent Events

2017

On January 26, 2017, Monex and its main shareholder entered into an Investment Agreement with Ventura Capital Privado, S.A. de C.V. ("Ventura") whereby they agreed that a vehicle organized or administered by Ventura, would invest an amount of up to \$1,500 million pesos through the acquisition and/or subscription of shares representing the capital stock of Monex.

In accordance with the applicable legislation, on the date of this annual report, Monex has delivered the corresponding applications to the SHCP, COFECE and CNBV, all of them are pending to authorize the investment to be carried out by Ventura in Monex in terms of the investment agreement. Such applications are undergoing an authorization process and once they have been authorized, Monex should make the corresponding notifications to stockholders through the BMV.

In May 2017 the agreement was terminated.

2016

Investment Authorization

In late 2016, the CNBV authorized the investment of Monex Europe HOLDINGS Limited in MonFX Pte. Ltd., a new company founded on April 26, 2016, in the Republic of Singapore which is currently a subsidiary of Monex Europe Limited and the corresponding authorizations by the Monetary Authority of Singapore are currently in process.

Change of Corporate Name

Through the agreement reached in the extraordinary general meeting of shareholders held on April 7, 2016, the change of corporate name from "Holding Monex S.A.B. de C.V." to "Monex S.A.B. de C.V." was approved.

Payment of dividends

In the ordinary meeting of shareholders held on April 7, 2016, a decree of dividend for shareholders was agreed for an amount of up to \$250 million Pesos, with charge to the account named "Results from previous years".

Monex Europe starts operating in Amsterdam

Since its acquisition, Monex Europe has experienced growth in both revenues and transactions, which is why in January 2016 it started operating in the new offices in Amsterdam.

2015

Shareholders' equity Increase and dividend payment

In the ordinary shareholders' meeting held on April 13, 2015, the following stockholders' equity movements were agreed:

- The Capital stock was increased by \$1,372 million pesos:
 - a. Capitalization of several ledger accounts, which give a total of \$823 million pesos. Given that those are ledger accounts, no shares must be issued.
 - b. Subscription and payment of shares in their variable portion for an amount of \$549 million pesos, represented by a total of 145,808,505 shares. The above was authorized by the Commission through official communication 153/5296/2015. It is worth mentioning that, due to the subscription of such shares, the shares premium is \$763 million pesos, being the result of the value of each share minus the theoretical value.
- Decree of dividends for shareholders for an amount of \$1,600 million pesos, with charge to the account named "Results from previous years"

Selling of part of Tempus' shares

On October 30, 2015, through a purchase agreement, Monex acquired from Banco Monex 17% of the total shares of Tempus Inc. ("Tempus") (a related party of Banco Monex, SA) (the Bank). The transaction was made at market prices based on an analysis report conducted by an independent consultant. This transaction was authorized by the Commission through Official note No.312-3/14049/2015.

Issuance of Securitization Certificates

Issued by Banco Monex

Banco Monex issued securitization certificates. This issuance is the first that has been carried out by the Bank and took place on July 14, 2015 for an amount of \$1,000 million pesos, represented by 10 million securitization certificates with a par value of 100 pesos each and was authorized by the Commission through official note No. 153/5535/2015. The maturity term is 1,092 days equivalent to 3 years, and placed at TIIE 28 + 90 bp.

Issued by Monex

Monex issued another 10 million securitization certificates through a public offer carried out on the November 7, 2014, with a total amount of \$1,000 million pesos, with a maturity term of 3 years, which was authorized by the Commission through official note No. 153/107488/2014. Interests should be paid every 28 days at a TIIE 28 days + 160 bp. As of December 31, 2016, 2015 and 2014, Monex has paid interests for \$114, \$93 and \$68 million pesos, respectively.

On the other hand, the first issuance of securitization certificates carried out by Monex during 2012 for an amount of \$1,000 million pesos, was paid during July 2015.

2014

Selling of Monex Servicios and Pagos Intermex

On October 15, 2014, Monex signed an acquisition agreement for transferring all shares from Monex Servicios, S.A. de C.V. and Pagos Intermex, S.A. de C.V. to Genera, S.A.B. de C.V. This transaction was authorized by the Commission through official note No. 312-3/13774/2015 on March 27, 2015, the effective date of all legal, accounting and tax purposes. This sale caused a revenue of \$78 million pesos, which was registered in the results statements in the item of "Other income and operating expenses".

Market Opportunity

Our main line of business is the foreign exchange and international payments. This market has been and shall remain being influenced, mainly by the foreign exchange flow. We carry out most of our business activities in Mexico, which has registered a relevant increase on international payments transactions derived from several international free trade agreements, which have contributed to strengthen Mexico's commercial trade.

We consider that the foreign exchange and international payments market in Mexico has an attractive growth potential, and that, as one of the leaders in this business, we are well positioned to benefit from Mexico's economic expansion and the expected growth in the volume of international payments as consequence from this expansion.

Volume of Foreign Exchange Transactions in Mexico

We have seized our experience and offered services to get geographically diversified towards the United States of America, Canada and Europe, where traditional financial institutions are not focused on foreign exchange and international payments as their main financial product. We hope to benefit from the growth in the world's economic activity and international payments through our international subsidiaries. Transactions related to foreign exchange and international payments in Mexico and abroad were equivalent to 68.4% of our total revenue during 2016 and we expect a growing contribution from these transactions.

In addition to all the opportunities that may arise from the foreign exchange market, we also believe that there is an attractive potential growth in our credit services and other traditional banking services. As of December 31, 2016 our net loan portfolio amounts to \$17,987 million Pesos and is formed, mainly by short-term credit lines and commercial credit which are distributed among 317 clients approximately. As the Mexican economy and the manufacturing sector continue growing, we have experienced a significant growth in the demand from our clients for a better access to credit lines and other traditional banking services. We consider that the low penetration of credit in Mexico might benefit the increase in the demand of financial services and help us to expand our loan portfolio.

Our Competitive Skills

We consider that our main competitive skills are as follows:

Leadership in the foreign exchange and international payments market as result of our specialization in products, trademarks, performance capacity and focus on our clients.

According to figures published by the Banco de México in 2016, we had a market share of 9% in the foreign exchange market in Mexico (based on our total profits)³. Moreover, we were able to stand out from our competitors not only because of our service and product portfolio and the personalized advice but also our efficient and reliable transactions carried out through our platform. During 2016 we provided services for over 31,360 companies. We also consider that "Monex" trademark is widely known in the Mexican foreign exchange and international payments market, as a solid institution offering efficient and high-quality services at competitive prices.

³ Market defined as domestic non-financial private clients. Source: Monex, based on statistics from the Banco de México.

During 2016 we carried out over 4.3 million payment transactions for our clients. Our market position allows us to seize scale economies in foreign exchange transactions and international payments and our capitalization and liquidity level allows us to have sufficient funds to efficiently carry out transactions with our counterparts.

We consider that our success is due to our business model which is based on the efficiency of our payment processing, customer service, close long-term relationships and our salesforce which provides high-quality service and attention. All of the above is supported on a solid technological systems platform. Our salesforce team has achieved to create a good reputation by offering efficient and quality services and has also been recognized by offering foreign exchange and international payments services with a high degree of speed and reliability. As of December 31, 2016, we had 763 sales executives, from which, 591 were dedicated to foreign exchange and international payments services. We make a big effort in hiring and keeping the most talented sales executives in the market. Their payment is mainly based on commissions, which help us to keep their interests aligned with ours. These executives decide the price that they offer to each client, based on real-time currency quotes. This helps us to maximize our profitability and to provide personalized services for our clients; as a result, we consider that we make difference from the majority of the largest commercial banks with which we compete in the foreign exchange market.

We seize our leadership position, as well as the knowledge of our trademark and the relationships that we have with our clients in relation to the foreign exchange and international payments services, with the purpose of having a similar positioning in the different markets in which we operate. We consider that we are one of the largest Financial Institutions which offers Dollar forwards in Mexico. Likewise, according to the company *Structured Retail Products*, in 2016 we were one of the largest issuers of structured notes (mainly short-term notes, with capital guarantee in relation to the Peso/Dollar exchange rate), based on the number of notes issued. We consider that we have improved our foreign exchange and international payments line of business in order to offer credit products for medium-sized companies with which we have long-term relationships and knowledge of their transactional performance history and their business activities.

Proven experience in offering products and market presence through self-knowledge and through the acquisitions of other companies.

During the 31 years in which we have operated, we have been able to transform our Company from a foreign exchange brokerage house with domestic transactions, to a holdings company of a financial group and other companies related to the payments market, with presence in over 36 cities in Mexico, with more than 5 regional directions and presence in the USA, Canada and Europe (the United Kingdom, Spain and the Netherlands). In 2003 we started as a regulated financial group and in 2006, through the acquisition of Comerica Bank México, S.A., Institución de Banca Múltiple, we added a credit institution to our group. Our product portfolio has grown in such a manner that we currently have loans and deposits, trust services, brokerage services, risk management products, investment funds, asset management, in addition to our main services, which include foreign exchange and international payment services. We achieved to offer a wide range of products through the combination of internal growth and through successful acquisitions, which we consider a result of the experience of our management team, our reputation within the market and our solid financial presence.

Since 2001, we have acquired seven companies, including CBI Casa de Bolsa, S.A. de C.V. in 2001, Comerica Bank México, S.A., Institución de Banca Múltiple, Prestaciones Universales (which has already been sold), Pagos Intermex, S.A. de C.V. and Pagos Dimex, S.A. de C.V. (which has already been sold) in 2008, Tempus in 2010 (company based in the United States of America) and Schneider Foreign Exchange Limited in 2012 (company based in the United Kingdom). Our international growth has been based in our capability to seize our wide experience in Mexico in order to expand and to diversify our revenue source abroad. Likewise, we achieved to seize synergies, best business practices and cross-selling. In addition to the successful integration of the transactions from these companies to our group, we achieved to foster their growth and increase our product portfolio.

We have been successful in the organic development of new lines of business and launching new products. We also have the capability to identify new and attractive markets and products based on our fast reaction to take advantage of the opportunities.

Investment in Fintech Companies

Since 2016, Monex has invested in three FinTech's companies, with minority interest in the shareholders' equity of these companies, which offer state-of-the-art technology.

Our own processing platform and wide and scalable technology systems

We have made important investments in the past with the purpose of improving the speed, efficiency and profitability of our payment processing platform and offering new foreign exchange services and payments solutions for our clients. Most of the software that we use have been internally developed. For instance, we have a multicurrency digital account through which our clients can carry out foreign exchange transactions, make online payments and hold accounts in Pesos, Dollars, Euros and other four currencies, while at the same time they can earn interests. We consider that our technology systems allow us to stand out from our competitors, offer a higher service level for our clients, optimize the transactional efficiency of our business and guarantee confidentiality in the compliance of all anti money laundering policies.

Highly diversified product and services portfolio, and client data base which offer profit stability and attractive organic growth opportunities

As of December 31, 2016, we offer services for over 49,200 clients (figures calculated based on the number of clients which carried out, at least, one transaction throughout the 12-month period ended on December 31, 2016). Our 10 largest clients represented 11.4% of our profit during the fiscal year 2016 and no client represented more than 5%. Likewise, approximately 26.1% of our revenues during 2016 came from different segments of our main line of business (foreign exchange) in comparison with 22.1% in 2015. We achieved this diversification level through the growth of our banking, brokerage, asset management and investment funds services. Additionally, we have increased our geographical presence, through the internationalization process, having as consequence transactions with the USA, Canada, the United Kingdom, Spain and the Netherlands, through our subsidiaries Tempus and Monex Europe. In 2016, approximately 68% of our profit came from transactions in Mexico and 32% from our international subsidiaries.

We consider that the diversification of clients and products and our geographical diversification have allowed us to have a stable income source and also to broaden our growth opportunities and have solid financial results. Our foreign exchange business has been benefited in volatility periods with greater margins and by higher levels of transactions in economic growth periods. Likewise, our asset management and investment funds allow us to have a stable source of income is fixed commissions that we charge the main of it based on the assets that we manage.

Higher financial return through efficient transactions and careful administration

During 2016 Monex had a ROA of 1.33% and a ROE of 14.66%, we consider that our return rates are due to the efficiency of our business operation, our focus on products and highly profitable client segments, which require lower capital levels and our careful and conservative financial administration. For instance, Banco Monex had a ROA of 1.1% and a ROE of 14.27% in 2016, and a capitalization ratio of 14.77%. As of December 31, 2016, Banco Monex had a past due loan reserves ratio of 0.39% and a⁴ loan risk reserves / loan portfolio ratio of 1.6% according to information published by the CNBV, Banco Monex holds the 14th position within the 47 institutions included in the CNBV's document.

Risk Management and corporate governance controls

An important part of our business philosophy has been keeping solid corporate governance practices and adequate Risk Management controls, which include anti money laundering actions and strict customer selection process and KYC policies ("Know Your Customer"). Since the foundation of Monex Grupo Financiero in 2003 and each of our financial entities, we have been regulated by the CNBV, the SHCP, the Banco de México and the CONDUSEF. We must comply with, among others, anti money laundering regulations which are required in Mexico, same that bound our subsidiaries to comply with:

- The creation and implementation of procedures and policies, including mechanisms to identify and recognize our clients, to prevent and detect actions, omissions or transactions that might foster, assist or in any manner cooperate with any form of terrorist or money laundering activities.
- Implementing procedures for the detection of relevant, unusual or suspicious transactions.
- Reporting relevant, unusual and suspicious transactions to the SHCP through the CNBV

⁴ Refers to the loan risk reserves / the total loan portfolio, same that, according with information from the Commission refers to the application of the grading and provisions methodology in use, taking into consideration default probability, loss severity and exposure at default.

- Establishing a communication and control committee in charge of, among other things, supervising the compliance of anti money laundering.
- We have KYC policies, which include:
 - i. the creation of a client identification dossier
 - ii. the validation of all delivered information and documents
 - iii. the application of our model for ranking the risk level and profile of each client

Additionally, we have several committees that strengthen our corporate governance structure, from which, the following stand out:

- Audit and Corporate Practices Committee of Monex
- Audit Committee (Banco Monex and Monex Casa de Bolsa)
- Risk Management Committee (Banco Monex, Monex Casa de Bolsa and Monex Fondos)
- Credit Committee (Banco Monex)
- Compensation Committee (Banco Monex and Monex Casa de Bolsa)
- Financial Product Analysis Committee (Banco Monex and Monex Casa de Bolsa)
- Communication and Control Committee (Banco Monex, Monex Casa de Bolsa and Monex Fondos)

We are listed in the BMV since 2010. We have implemented certain corporate governance measures, according to public company requirements. According to those measures, 43% from our Board of Directors are independent. Additionally, Monex and our subsidiaries Banco Monex and Monex Casa de Bolsa, have received the following ratings from Fitch Ratings and Standard & Poor's:



Long-Term	Short-Term	Perspective	Long-Term	Short-Term	Perspective	Rating*
'A(mex)'	'F1'	Stable	'mxA'	'mxA-2'	Stable	Monex (NS)
'A+(mex)'	'F1'	Stable	'mxA+ '	'mxA-1'	Stable	Banco Monex (NS)
'A+(mex)'	'F1'	Stable	'mxA+ '	'mxA-1'	Stable	Monex CB (NS)
-	-	-	'BB+'	'B'	Stable	Banco Monex (GS)

* NS: National Scale GS: Global Scale

Our team of experienced management team has been responsible for the historic and profitable growth

We consider that our management team have been responsible for the efficient operation of our different lines of business, our solid financial results and the compliance of our growth plan. Our 9 most experienced directors have an average of 22 years of experience in the financial sector and have been working for us for 14 years in average. Likewise, our management team has proven experience in the successful growth of Monex not only organic but also through diverse acquisitions and integration and optimization of those companies. They also achieved to implement new projects and products.

Héctor Pío Lagos Dondé has been the Chairman of the Board of Directors and Monex's CEO since our foundation and he has overseen our transformation from a Foreign Exchange brokerage house to a regulated financial entity.

We believe that our experienced management team will continue having a fundamental role in the expansion of our financial and non-financial businesses.

Our Strategy

As part of our strategy we intend to keep our leadership in the foreign exchange and international payments sector in Mexico, at the same time, we seek to offer other financial services as part of our diversification strategy with the purpose of improving and increasing our deposits base from our clients and loan portfolio, we intend to continue operating as profitable financial institution. For such purpose, we have developed the following business strategies, which we consider, have allowed us to achieve our growth and profitability goals.

Leverage our experience and our relationships in the foreign exchange and international payments market with the purpose of expanding our client base portfolio

Our focus on customer service, combined with the possibility to maximize profitability in real time has allowed us to offer prices at competitive rates for our clients, obtaining, at the same time, attractive profitability margins. We hope to seize our solid salesforce, developing new relationships with clients and increasing the transactions volume and profits obtained from our Mexican corporate clients. As part of our growth plans, during 2017 we have considered that there is a big potential for our salesforce team to offer risk management products, such as forwards, for our current clients using products related to foreign exchange and international payments. Since only 7.2% of these clients carried out coverage transactions with us since 2016. Likewise, we intend to reinforce our promotion business for larger clients carrying out foreign exchange and higher international payments, with the purpose of increasing our transaction volume and profits.

Diversification of our financial services portfolio offered to our clients

Recently, we have focused on maintaining our position and leadership in services for international companies and continue strengthening our operation in the foreign exchange and international payments market, while at the same time encouraging diversification in our activities with the purpose of finding different and profitable sources of income. In the last years, we have increased our efforts in offering traditional banking products and our private banking services. Through the diversification of transactions, we intend to continue with the existing good relationship with our current clients and develop new relationships with the purpose of increasing our transactions volume and income both in Mexico and with our international subsidiaries. One of our main goals is to continue providing and offering services and products in an efficient way to our clients.

Increase our profit with new and existing clients through cross-selling of our products

We expect to take advantage of our current distribution channels, including our nationwide network of 36 offices in Mexico for cross-selling of our products and increase our market position throughout all our lines of business. Based on the carefully designed compensation scheme, our salesforce team has the incentive of maximizing profit from the existing relationship with our clients. Currently, our foreign exchange and international payments salesforce team receives support from our product specialists in the rest of the financial products; therefore, we can have a better coverage service. As result of the above, we have achieved a high growth in our income due to the placement of these products. Among the products that we consider have the highest potential to be offered through cross-selling to our clients, are risk management products, credit, brokerage service and asset management products.

Based on our market share, we are looking to seize our position in the foreign exchange and international payments market in order to make our loan portfolio business grow.

We consider that our credit business has important growth opportunities. We also believe that our wide client base has given us the opportunity to make our credit portfolio business grow. We have the intention of continue improving our credit product offer and continue expanding our loan portfolio among our potential clients, as we believe that we stand out from our competitors in this market, due to the personalized services that we offer and because we have a better understanding of our clients. With the purpose of achieving the objectives indicated above, we will continue strengthening our trademark, our infrastructure and our wide and specialized salesforce and our existing client portfolio, which will help us to identify client's credit needs. While running a credit analysis, we take into consideration the main activities, which are commonly carried out by our clients, as well as their transactional behavior and their needs. As of December 31, 2016 approximately 1% of our clients had credits granted by our company.

Continue offering the most advanced technological payments processing platform

We consider that we offer an efficient payment platform to our clients, which allows them to carry out foreign exchange and international payments transactions in a quick and reliable way. We have developed our platform internally focusing on improving the experience with the client and with the objective of having a more efficient system for our salesforce. We have the intention of continuing developing our technological infrastructure in order to improve our payment processing platform and the services that we offer to our clients.

Continue growing organically in Mexico and in other foreign markets, and, at the same time, we seek for acquisition opportunities

We believe that there is a high potential to make our business grow in Mexico, in an organic way through the implementation of certain strategies described above. We consider that we are able to replicate our foreign exchange business model in certain international markets, based on the focus on medium-sized companies, which currently have not been able to access to these services, or which receive those services from non-specialized financial companies. By offering personalized services, competitive prices and our advanced online platform, we will be able to attract new clients and increase the volume of our transactions abroad.

Our subsidiaries abroad have experienced a solid growth in the past and we believe that we will continue seizing this growth through additional synergies, implementation of best practices and better operating techniques, as well as a wider related financial product portfolio. In our opinion, the foreign exchange market in the United States, Canada and Europe presents an attractive opportunity for us, being able to share the knowledge we have gained and developed in Mexico and therefore to offer a wider value-added product and service portfolio.

Likewise, we will continue analyzing acquisition opportunities which may increase our market position, improve our product portfolio and give us better access to our clients. Our disciplined focus to analyze, execute and integrate acquisitions has generated growth in the past and has been fundamental in the diversification and growth of our business. The experience of our management team in the integration and optimization of the acquired companies and the flexibility to act rapidly when the opportunity comes are relevant advantages which we will keep applying in the future.

Attracting, developing and keeping talented human resources

Our human capital has been very important since we started operations. Attracting, developing and retaining the most talented resources will continue being one of our main strategies. We have achieved the above, based on the development and implementation of complete training programs, which allow our employees to develop the capabilities needed to offer better services for our clients. Likewise, we have a recruitment program that attracts candidates from the best universities in Mexico, interested in working with us. We have an incentive policy consisting in giving priority to the people that currently work with us at the moment of filling positions, through promotions or by transferring positions. With a monthly rotation of 1.5% for 2016, we believe that we have one of the lowest levels in the industry. And we also consider that we have a very attractive compensation level that allows us to keep our sales force motivated and that their interests are aligned with our objectives. We have been recognized as one of the best companies to work in Mexico, by the Great Place to Work Institute during the last 13 years and we have received special recognition for our efforts to promote gender equality at our company.

In Chapter 2. The Issuer of this Annual Report, there is a more detailed description on the products and services offered by the Issuer's subsidiaries, as well as the strategy growth and the competitive advantage of Monex.

Selected Financial Information

Below, we show a summary with information selected from the last three fiscal years:

Selected Financial Information	2016	2015	2014
Balance Sheet			
Assets	80,294	63,443	46,439
Liabilities	72,988	57,132	40,751
Shareholders' Equity	7,306	6,311	5,688
Income Statement			
Total Operating Revenues	6,316	4,808	4,110
Consolidated Net Income	1,071	625	604
Financial Margin %	17	13	14.7
Information per share			
Earnings per share (Pesos)	1.99	1.17	1.54
Dividends per share (per year)	0.47	4.09	0
Book value per share	13.63	11.77	14.52
Profitability			
ROE %	14.66	9.9	10.62
ROA %	1.33	0.99	1.3

Internal information prepared with figures as of December 31 of 2016, 2015 and 2014. Figures in millions of Pesos.

According to the financial statements, as of December 31, 2016, Monex reported total assets of \$80,294 million Pesos and shareholders' equity of \$7,306 million Pesos. Consolidated net income reached \$1,071 million Pesos, thereby obtaining a Return on Equity of 14.66% during the same period.

Profit from the main lines of business

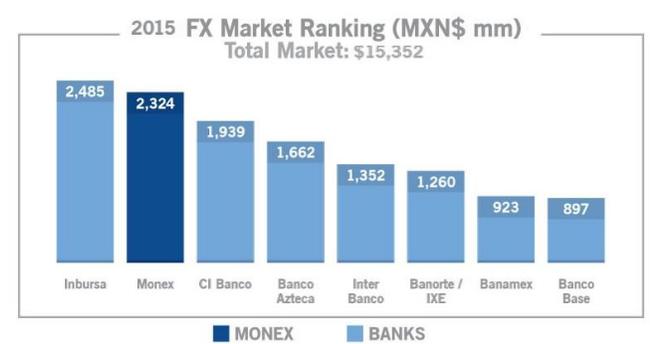
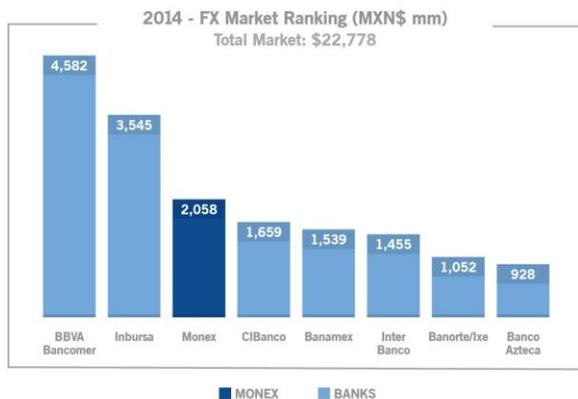
Through its Subsidiaries, Monex has increased diversification in its operating revenues.

For further information and more details on the contribution of each line of business in the Issuer's results, please review Note 31 of the consolidated financial statements for the years ending on December 31 of 2016, 2015 and 2014.

Market Participation

i. Foreign Exchange Income

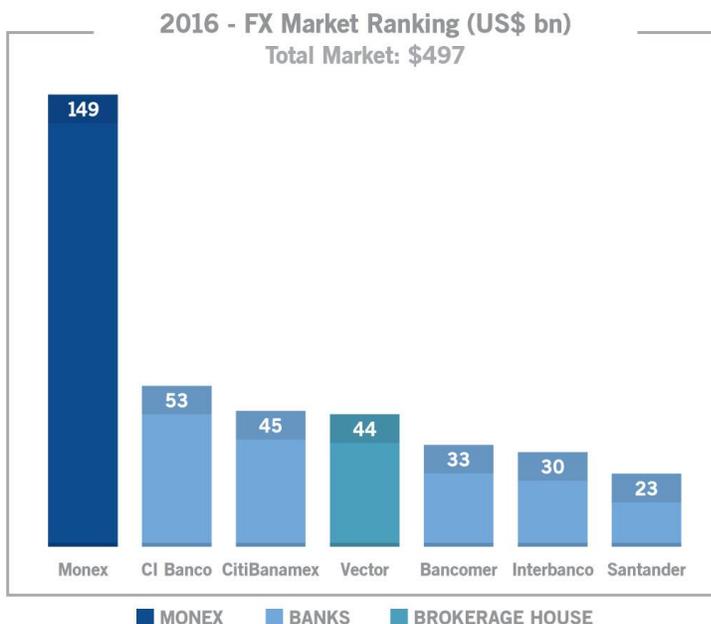
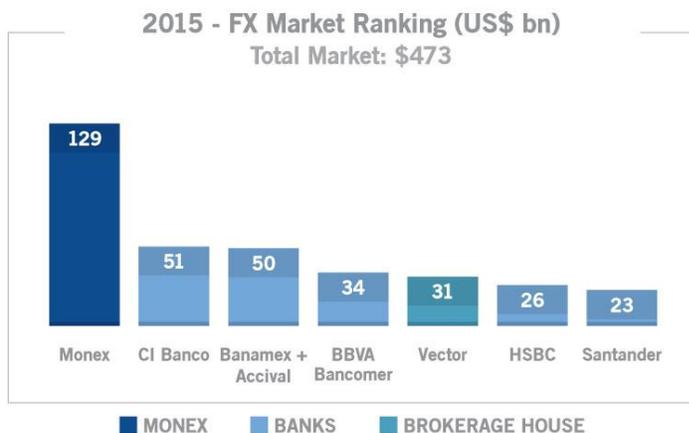
According to internal calculations made with information published by the CNBV, during 2016 we had a market share, calculated based on our total income of \$2,444 million Pesos*, of 9.02% and \$2,324 million Pesos in 2015, which represented 15.14% of the total market, and \$2,058 Pesos in 2014, which represented 9.04% of the total market. Below, we show the income ranking in the foreign exchange market based on detailed information resulting from brokerage transactions, including the section “Información de la Situación Financiera de la Banca Múltiple” taken from the CNBV’s website. Figures were obtained for the years ending on December 31 of 2016, 2015 and 2014.



Source: Monex, based on CNBV's statistics (<http://portafoliodeinformacion.cnbv.gob.mx/bm1/Paginas/infosituacion.aspx>). They are considered as income without currency position valuation.
 (*) Information obtained from the CNBV on January 25, 2017 (information from Banco Monex without Subsidiaries)

ii. Foreign Exchange Market Volume

The total volume of our foreign exchange transactions in Mexico with non-financial and non-governmental clients as of December 31, 2016 was equivalent to USD \$ 149 billion (3,072 billion pesos, at an exchange rate of \$20.6194 pesos per dollar, published by Banco de México on December 31, 2016), and USD \$129 billion (\$2,225 billion pesos at an exchange rate of \$17.2487 pesos per dollar, published by Banco de México on December 31, 2015) in 2015 and USD \$139 billion (\$2,049 billion pesos at an exchange rate of \$14.7414 pesos per dollar, published by Banco de México on December 31, 2014) in 2014, respectively. Below, we show a comparison of the volume of our transactions in the market, defining this market as non-financial private domestic clients, based on statistics from Banco de México:



Source: Information internally compiled based on statistics from Banco de México. Information in billions of US Dollars.

iii. Loan Portfolio

According to audited financial data, the total loan portfolio of Banco Monex as of December of 2016 reached \$18,285 million Pesos, which represented an increase of 46.6% compared to figures in December 2015.

Monex holds the 17th place of all financial banking institutions with loan portfolios in Mexico, according to information published by the CNBV (these figures do not include subsidiaries).

Performance of Monex B shares in the Mexican stock exchange

Below, we show the “B” Series shares performance issued by Monex in the last three years.

Data per share	2016	2015	2014
Minimum	9.55	9.94	12.31
Maximum	11.00	16.50	17.60
Closing Price	10.00	10.20	12.60
Daily Trading Volume	2,425	7,756	8,490
Shares Outstanding *	536.2	536.2	391.7
Market Cap**	5,362	5,470	4,936
Dividend TTM	0.47	4.09	0
Earnings TTM	1.99	1.17	1.54
Book value per share	13.63	11.77	14.52
Price / Earnings	5.03	8.75	8.17
Price/Book	0.73	0.87	0.87
Dividend Yield TTM%	4.66	40.1	0

* Figures in millions of shares

** Figures in millions of Pesos

Monex's Operation

Risk rating



Long-Term	Short-Term	Perspective	Long-Term	Short-Term	Perspective	Rating ***
'A(mex)'	'F1'	Stable	'mxA'	'mxA-2'	Stable	Monex (NS)
'A+(mex)'	'F1'	Stable	'mxA+ '	'mxA-1'	Stable	Banco Monex (NS)
'A+(mex)'	'F1'	Stable	'mxA+ '	'mxA-1'	Stable	Monex CB (NS)
-	-	-	'BB+'	'B'	Stable	Banco Monex (GS)
'A(mex)'	-	-	'mxA'	-	-	MONEX 14 (NS)
'A+(mex)'	-	-	'mxA+'	-	-	BMONEX 15 (NS)

* Ratified by Fitch Ratings on the November 24, 2016

** Ratified by Standard & Poor's Rating Services on the April 29, 2016

*** NS: National Scale GS: Global Scale

c) Risk factors

Investing in our securitization certificates involves some risks. Investors must carefully analyze and take into consideration the following risk factors, in addition to all other information contained in this Annual Report, and in the prospectus, supplements and placement notifications corresponding to each issuance. The occurrence of any of the risks described below may significantly and adversely affect our business, financial condition and/or operating results. Consequently, the price of share may decrease and thus the stockholders' investment may have a negative effect. The risks described below, are those we currently consider as relevant and which might have an effect on us. Our business, financial condition and/or operating results might also be affected due to additional risks, to those that are currently known to us, or which we currently do not considered as relevant.

Risk Factors related to our line of business

Government involvement in our industry and the implementation of restrictive policies related to foreign exchange may have a negative effect in our line of business

A severe depreciation of the Mexican Peso may also result in involvement from the government, having occurred in the past, or in the breaking of foreign exchange markets. Currently, and for many years, the Mexican government has not imposed restriction to the right or capacity of Mexicans or foreigners to exchange Mexican Pesos for US Dollars or to transfer other currencies abroad; however, these measures have been applied in the past and may be implemented in the future. Consequently, the fluctuation of the Mexican Peso before the US Dollar may have a negative effect on us.

Additionally, if the government implements measures, such as fixing the price of the Peso before the US Dollars or other similar measures, the margin charged by us for each transaction may decrease as consequence of the differences between our margins for transactions with fixed and variable exchange rates. This intervention may result in a negative effect on our operating results and our financial position.

Future restrictions on interest rates or changes in loan risk reserves from the Mexican Government may have a negative effect on us

The Ley Federal para la Protección y Defensa de los Usuarios de Servicios Financieros currently does not set a limit on the interest rates that a bank may charge, subject to certain exceptions. However, the possibility of imposing such limits has been and will continue debated by the Congress, Mexican financial authorities and different debtor groups at a conceptual level. If the Mexican Government were able to impose limitations to the amounts, or additional information requirements in relation to these interest rates in the future, on the date of this Annual Report, the Congress and Mexican financial authorities have not proposed specific limits to the interest rates that we might be able to charge. A part of our income and operating cash flow comes from the interest rates that we charge to our clients; therefore, any additional restrictions or information requirements in relation to interest rates may have a significant negative effect on our operating results and financial position.

If the Mexican authorities oblige banking institutions increase their preventive forecast levels for credit risks or modify the way in which forecasts are performed, or change capital requirements, that may cause a significant adverse effect on our operating results and financial position.

We are subject to inspections, reviews, visits and audits from the Mexican authorities, as well as possible sanctions, penalties and other penalizations derived from these inspections and audits, which might have a significant negative effect on the Issuer

We are subject to extensive regulation and supervision by the Mexican financial authorities, such as Banco de México, the CNBV and the SHCP. These authorities are fully authorized to issue guidelines and other regulations affecting and restricting practically all the aspects of our capitalization, organization and transactions, including changes to capital requirements and preventive credit risk forecasts, supervision of compliance with confidentiality regulations, implementation of measures for anti money laundering and the regulation of the terms of our own products, including interest rates and commissions received in exchange of the services we offer. Likewise, the Mexican financial authorities have wide faculties to demand the compliance of applicable regulations, including the imposing of penalties, the requirement of new capital contributions, the prohibition of the payment of dividends to shareholders, the payment of interests per banking notes or the payment of bonuses to employees, or the revoking of authorizations to operate our business (including our authorization to operate as a multiple banking institution or brokerage house). In the event of facing significant financial or insolvency problems, the Mexican financial authorities would have the capability to get involved in our administration and operation.

The Mexican legislation may have a negative effect on the Issuer and its Subsidiaries

We are subject to a wide range of legal provisions related to our organization, transactions, credit and financing activities, capitalization, transactions with related parties, taxing and other matters. All applicable laws and regulations impose several requirements for the Issuer and its Subsidiaries, including the maintenance of minimum capital levels based on the risks of assets and the type of operating risk, preventive forecast for credit risks, the regulation of our commercial practices, regulations related to the selling of investment services, money laundering, charged interest rates, the application of compulsory accounting regulations and tax liabilities. A considerable number of the applicable regulating laws for the Company's regulated Subsidiaries have been subject to substantial modifications in the last years, some of which have had a negative effect on us. Consequently, changes may occur in the applicable legislation or in its interpretation or application of, including tax regulations, which might have a negative effect on our Company and our operating results and financial position.

In virtue of the environment prevailing in the financial service sector, changes may occur in the regulating system or in the interpretation and application of the laws and other legal provisions in the future, which may result in a negative effect on us and our subsidiaries, including our expenses and operating margins, which, in turn, may affect our operating results and financial position.

We are obliged to comply with regulations related to anti money laundering and terrorist activities and other Mexican regulations

Current legislation requires our subsidiaries, among other things, to be able to choose and implement “know your customer” policies and procedures, and report suspicious transactions for significant amounts to the competent authorities. These regulations require specialized systems and highly-trained staff for the supervision and compliance of all provisions, being subject to a higher surveillance level by the authorities.

We have implemented policies and procedures to prevent the occurrence of money laundering and other related activities. Additionally, the staff that we employ to supervise these activities has specialized experience on these topics and each year they take recertification courses. Currently, we fully comply with all applicable laws and regulations, the penalties that have been imposed to us correspond to periods before 2012 and all findings have been fully corrected.

We are subject to judicial procedures, which may have an adverse material effect on our operating results and financial situation if an unfavorable resolution was made

From time to time, we have been and we may be part of judicial, administrative and other legal procedures related to claims derived from our regular business operations. These judicial or administrative procedures are not subjected to certain inherent to these type of processes and unfavorable resolutions, which may be made in the future. We cannot guarantee that these or other judicial or administrative procedures may affect in a relevant manner our capacity to conduct our business in the expected manner or in the event of issuing an unfavorable resolution, it might affect our operating results and financial situation.

According to the Mexican legislation, all the rights from shareholders may be limited, different or less defined than the rights of the same people in other jurisdictions

We are regulated by our By-laws which are subject to the Mexican legislation (including special laws that are not applicable to us as a holding corporation of a financial group). It is possible that some of the provisions that are applicable to us differ from similar regulations from other jurisdictions different to Mexico.

Modifications to tax regulations

Changes in the tax treatment for the financial transactions in different markets, may have an effect on the operating volume that might be carried out by our clients. Undoubtedly, these changes may affect all the competitors, which might, at any given moment, have an impact on the market's general volume.

Implementation of International Financial Regulations

All of the Mexican Issuers, with the exception of financial entities, are obliged to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Monex, by being a financial entity is not obliged to report its results according to the IFRS accounting parameter; however, in order to mitigate this risk, it must prepare an implementation plan for the IFRS, which allows it to comply in due time and proper form when regulations include financial entities, thereby evaluating the impact that its implementation may have in its operating results, balance sheet and statement of changes in stockholders' equity. By virtue that IFRS differ in certain relevant aspects from Mexican NIF and banking regulations, we cannot guarantee that the implementation of an IFRS shall have a negative material effect on operating results, balance sheet and statement of changes in stockholders' equity.

We are vulnerable to distortion and the volatility which currently prevail in global financial markets

During the last years, financial systems have undergone worldwide difficult credit and liquidity conditions, as well as distortions that have resulted in less liquidity, higher volatility, and generalized spreading of financial margins, and in some cases, lack of transparency in interbank rates.

Additionally, several deposit leakages have occurred in several financial institutions, as many institutions have required additional shareholders' equity or have been assisted by governments and a considerable number of credit institutions and institutional investors have decreased or suspended financing for their accredited parties (including other financial institutions).

There's uncertainty in relation to the future financial environment and no guarantee in which moment financial conditions are going to be better. Although recently, certain segments of the global economy have experienced a moderate recovery, we estimate that the adverse conditions that prevail will continue having a negative impact in our business and operating results. The global confidence of investors remains cautious. In case of a financial deceleration, renewed volatility conditions in capital markets or insufficient recovery, the negative effects that financial and market conditions have had on us and other participants in the financial service industry may get worse.

A severe depreciation of the Mexican peso may have a negative effect on the Issuer and its subsidiaries, for instance, by increasing the amount in pesos of their liabilities calculated in foreign exchange and the default rate among its creditors or affecting operating results in dollars. Additionally, any severe depreciation may result, as it has occurred in the past, in the implementation of foreign exchange controls that may affect our capacity to convert pesos into dollars or transfer currencies abroad, which may have an impact on our business and our operating results.

Moreover, in the event of having a sever depreciation or appreciation, the government may intervene, as it has happened in other countries, or in the rupture of international exchange markets. The Mexican government has consistently implemented a series of measures to limit the volatility of the Mexican peso, from auctioning dollars to intervening in interest rates and regulate the coverage of liabilities from Mexican Banks calculated in foreign exchange. However, we cannot guarantee that these measures are effective or that they will be observed, or the way in which these measures will impact the Mexican economy. Currently and for many years, the Mexican government has imposed restrictions on the right or capacity of the Mexican and foreigners to convert pesos in dollars or to transfer other currencies abroad; however, measures have been applied in the past and may be implemented in the future. Consequently, the fluctuation of the Mexican peso against the dollar may have a negative effect for Monex.

We are also exposed to foreign exchange risks as consequence of imbalances between assets and liabilities calculated in foreign currencies and market risks related to our stock market investments and transactions. We are exposed to foreign exchange risks as we keep an open position in relation to currencies different to the Mexican peso, and interest rate risks when we have exposure in the recalculation of interest rates or keep securities causing interests with fixed rates in actual or weighed terms. The exchange rate of the Mexican peso and interest rates in Mexico have been subjected to relevant fluctuations in the last years. Due to the historic volatility of the Mexican peso's exchange rate and interest rates in Mexico, associated risks may be higher than in other countries. Our liabilities in foreign currencies are subjected to regulation by the Banco de México, imposing liquidity requirements in its equivalence in these currencies, depending on the maturity of these liabilities. Although we have followed several Risk Management procedures and policies, including Value at Risk (VaR) limits, coverages and risk analysis, in relation to our brokerage and treasury activities and we are subject to regulations tending to prevent relevant imbalances, we cannot guarantee that we are not going to experience losses in relation to these positions in the future, any of which may have a negative effect on Monex, including our operating results and financial position.

Our Bank, is also exposed to credit risks as part of the ordinary course of our business. To the extent to which any of these risks materializes, our financial margin or the market value of our assets and liabilities may be adversely affected, impacting not only our business but also operating results and financial position.

We operate in a highly competitive market and competition with other financial institutions offering foreign exchange services and commercial banking may have a negative effect on our company

We face significant competition in the foreign exchange and international payments market by commercial banks and also in other areas of our business, both national and international financial institutions. The main financial institutions and commercial banks in Mexico have not been traditionally focused on providing foreign exchange and international payments services for our clients, i.e. medium-sized companies, but they could, in the future.

Likewise, better capitalized companies and larger enterprises carrying out foreign exchange transactions, including commercial banks, may decide to explore the Mexican foreign exchange and payments market. It is possible that all potential competitors, such as commercial banks, have more resources, nationwide coverage and a better known trademark or name. The largest financial institutions may also have, in advance, financial and business relations with companies, with which we currently do business. If commercial banks and financial institutions decided to offer the same services as Monex for international companies, in a more aggressive manner, or they started to offer services related to other financial services, or if they offered more competitive conditions due to the provision of these services (such as lower prices) through the consolidation with other financial services or in any other manner, it is possible that we may face a more competition in profitability as well as a decrease in our capacity to keep and appeal new clients. The majority of commercial banks in Mexico have a higher number of branches, which may result in a competitive advantage for them. It is possible for us to compete against large financial institutions by taking care of huge clients with a higher operating volume.

On the other hand, it is also possible to face an increase in competition, as result of online brokerage, online auctions, and the growing access to updated information related to online prices, or the involvement of other service foreign exchange providers, which in the future may operate online. Any increase in competition and/or the involvement of new participants may have a negative and significant effect on our business, financial condition and results through, among others, a decrease in our client portfolio, and a lower growth in our volume/income in comparison within the market, and a reduction of margins, and therefore, our profits.

The CNBV keeps authorizing the construction of banking institutions from time to time, including niche banks, which are only authorized to carry out a limited number of transactions. It is probable that new banks seek an aggressive expansion of their participation in the Mexican market, which may have a negative effect in our activities and operating results.

Additionally, legal and regulatory reforms in the Mexican banking industry have increased competition among banks and other financial institutions. We believe in the commitment from the Mexican government incrementing reforms in order to accelerate and liberalize the Mexican financial industry, which has been reflected in an increase in competition. To the extent in which the financial sector reform continues, many of the financial institutions with more resources than our company, have explored and will continue exploring the Mexican market in order to compete with us, either by themselves or in collaboration with other Mexican financial institutions. We cannot guarantee that we are going to be capable of competing with the success of these financial institutions, both domestic and international.

It is necessary to hire services from third parties in order to carry out our international payment transactions

We require the participation of third parties abroad in order to provide our international payment services. We currently carry out these activities through foreign correspondent banks, with whom we have entered into agreements, in order to receive their services. We cannot guarantee that in the future there will be third parties willing to provide their services, which we need in order to offer our international payment services.

We are exposed to market risks, related to our foreign exchange line of business

Financial conditions in other parts of the world, local and international markets tend to have a direct effect on the foreign exchange market volatility. During 2014, financial conditions registered a depreciation of 13% in relation to the peso – dollar exchange rate, closing that year with an exchange rate of 14.74 pesos per dollar, according to information published by the Banco de México in the DOF. By 2015, the peso – dollar closed in 17.24, showing an appreciation for the dollar of approximately 15% compared against the closing of the prior year. By the end of 2016, the Mexican peso in relation to the dollar closed in 20.62 pesos per dollar, which represents an appreciation of approximately 16% for the dollar in comparison with the end of the prior year.

To the extent to which significant fluctuations keep happening in the exchange market, particularly between the peso and the dollar our exposure to that risk, which may cause losses or default from our counterparties and have a negative and significant effect on our financial position and operating results. One of the most sensitive market indexes in relation to financial conditions is the exchange rate between the dollar and the euro.

At the end of 2014 the exchange rate of the euro in relation to the dollar was of 1.21 dollars per euro, closing the year with an appreciation of approximately 9% in comparison with the closing of the previous year. For 2015, the dollar showed an appreciation in relation to the euro of almost 10% with an exchange rate of 1.09 dollars per euro as of December 31 of 2015. Lastly, on December 31, 2016, the exchange rate was of 1.05 dollars per euro, which represents an appreciation of the dollar of approximately 3.7% in comparison with the exchange rate from the previous year.

In relation to the pound sterling, on December 31, 2014, it was appreciated by 6% closing the year in 1.56 dollars per pound. By the end of December 2015, the pound sterling – dollar exchange rate was of 1.47, which represented an appreciation of approximately 5.8% for the dollar by the end of 2014. Finally, during 2016, the dollar – pound sterling exchange rate was of 1.24, which represented an appreciation of 15.6% for the dollar in comparison with figures reported at the end of the last year.

2016 was a year with high volatility, caused by several factors, such as the possibility of a strong economic slowdown from China, low oil prices, uncertainty arising in the middle of the year from the United Kingdom's decision of abandoning the European Union and the unexpected triumph of the Republican Candidate Donald Trump as president of the USA. The latter, has caused a sudden change in economic growth hopes worldwide.

Moreover, the USA economy continued recovering; the strength of the labor market, the increase in income and salaries and the expectative of a higher inflation increased the possibility of a faster-paced regulation process of the monetary policy. However, the uncertainty arrival of Donald Trump has caused certain doubts in relation to the sustainability and financial apex of that country, because, on the one hand, the implementation of his economic policies, may boost short-term growth derived from a higher expense and lower taxes, on the other hand they are causing also uncertainty for the investment, inflationary pressures and economic weakness.

During 2016, our economy was benefited from our internal market, particular the consumer goods sector, therefore, the GDP increased by 2.3% and the historic inflation was 3.36%.

The high international volatility, the persisting uncertainty, and the decrease in our credit rating perspective, caused by risk of a decline in our public finance, has caused our currency to become more vulnerable to external factor, therefore, the Mexican Peso suffered a strong depreciation, closing the year in 20.62 per US Dollar, which implies a depreciation of almost 20%.

While Foreign Exchange transactions represent a high profit percentage for us, market volatility may have a positive impact in the margin of our transactions. However, we cannot guarantee that our performance will be the same as before, with such a sustained market volatility.

We are exposed to market risks, related to our financial derivatives line of business

We carry out derivative transactions both for intermediation and coverage purposes. We are subject to market and transaction risks, associated to these transactions, including basis risks (the risk of loss associated with variations in the difference between the asset's return and the financial coverage cost) and the credit risk (the insolvency risk or any other default from the counterparty in a specific transaction in relation to the compliance with their corresponding liabilities, including the granting of sufficient securities).

Additionally, Mexican courts have limited experience handling matters related to transactions with derivatives, as the majority of controversies have been typically solved through negotiations between Mexican financial institutions. Consequently, results from controversies in relation to derivatives in the Mexican Legal System are not fully predictable.

Our capability to adequately supervise, analyze and report all derivatives financial transactions, depends, to a considerable extent, on our information technology systems. This factor may increase even more risks associated to these transactions and may have a significant negative effect on the Issuer, our operating results and our financial position.

We are exposed to market risks caused by our debt investment transactions

Our transactions on own behalf carried out with debt instruments have exposed us to risks related to fluctuations in interest rates. Increases in interest rates in the market may reduce the value of our fixed income instruments, in relation to our transactions with debt instruments, and may cause losses in brokerage activities for us. Likewise, increases on interest rates, or uncertainty in relation to changes in the same, may affect the credit demand, and therefore, the demand for our credits. Additionally, an increase in interest rates in the Mexican market, may cause an increase in our financing cost under circumstances under which we may not be able to reflect them in the price of our credit services. In fact, this situation would reduce the financial margin that we obtain from our credits and may affect our capacity to pay our debts, including the payment of our securities-based loans. However, we have several policies and procedures to cover our market risks, including limitations to the VAR, coverage and risk analysis; although we are not able to guarantee full coverage from these policies and procedures.

We are exposed to the same risks faced by other financial institutions

Frequently, we carry out transactions with our counterparties within the financial service industry, including brokerage houses, commercial banks, investment banks, investment funds, venture capitalists, hedge funds and other institutional clients. Default from certain financial institutions and the financial service industry in general or rumors or questions in relation to their solvency have caused generalized liquidity problems in the markets and may cause losses or default from other financial institutions. A considerable number of the transactions that we currently carry out, have exposed us to relevant credit risks, in case of default from any of our main counterparties. In the last years, the financial stability of several European governments was affected by the European sovereign debt crisis, contributing to volatility of the stock and bond markets.

Currently, the risk of contagion in and abroad Europe remains while a significant number of Financial Institutions throughout Europe are materially exposed to the debt issued by countries subject to considerable financial pressures. Liquidity problems have, and might continue having a negative effect in interbank transactions in general. In case that any of those countries had failed to pay their debt or experienced a significant expansion in their credit margins, the main financial institutions and banking systems throughout Europe may slide. Default from any material financial counterparty, or liquidity problems in the financial service industry in general, may cause a significant negative effect in the Company, our operating results and our financial position.

It is worth mentioning that as of June 23, 2016, a referendum was carried out in the United Kingdom in which the majority of their citizens voted in favor of leaving the European Union ("Brexit"). As result from that vote, a negotiation process has been started, in order to determine the conditions of Brexit, and settle the relationship between the United Kingdom and the European Union.

The Brexit vote effect and the perceptions of the impact of the exit of the United Kingdom from the European Union, may have a negative effect in all commercial and economic activities, as well as market conditions in the United Kingdom, the Eurozone and the rest of the world and may contribute to a worldwide financial stability and affect as result stock and foreign exchange markets, as well as the Mexican Peso. Additionally, Brexit may bring as result, political, legal and economic instability to the European Union.

Possible unfulfillment in the compliance of stock exchange listing requirements and/or the registration in the National Securities Registry RNV

Changes in the requirements established by the CNBV, the BMV, and the RNV in relation to which Monex may not be able to effectively and rapidly adapt, and which may affect the liquidity of our assets.

Absence of a market for registered securities

The lack of liquidity in the securities registered in the RNV and listed in the BMV, reflected in a low or null marketability of the security, represents a risk that may arise. The occurrence of this event fundamentally depends on the low interest of investors or the weakness in the Issuer's fundamentals.

We are exposed to payment risks in relation to our foreign exchange transactions and counterparty risks in our financial transactions with derivatives

We are subject to liquidation risks in our transactions with currencies and counterparty risks in our transactions with derivatives, which we carry out with individuals, companies and financial institutions. We must understand liquidation risks, as the risk of any of our clients, having been previously approved by our risk committee to carry out foreign exchange transactions with our currencies without doing advance payments on derivative funds from that transaction, does not pay the total price of that foreign exchange transaction, made with us, in the agreed moment, which would leave us in an open exchange rate exposure, and probably making that account receivable uncollectible. We must understand counterparty risk as the risk in the derivatives market not being able to pay their contractual liabilities with us, due to changes in market conditions, which may have a negative effect in our counterparties, due to practices or any other reason. Despite the fact that we keep these control mechanisms with the purpose of being protected from those losses, such as continued monitoring of the risk limits of our clients or, their security bonds, we cannot guarantee that the measures are in fact able to give us full protection. These risks may be increased to the extent to which our foreign exchange and derivatives transactions increase, causing losses which may have a negative effect in our operating results and financial position.

The scarcity of foreign currencies in Mexico may reduce the amount of the transactions that we carry out

Banco de México constantly regulates the monetary base in Mexico. Under certain conditions, such as deficits in the balance of payments or scarcity of foreign currencies, the Banco de México may implement measures to reduce the amount of available foreign currencies in the Mexican Economy. In the event of the Mexican Economy experiencing scarcity of foreign currencies, the amount of transactions in foreign currencies that we process may decrease significantly, which may have a negative material effect in our business, financial situation and operating results.

If we are not able to adequately evaluate or monitor credit risks in our client portfolio, we may suffer an increase in outstanding and uncollectible debts

We use different formulas and models to evaluate our possible clients and establish adequate credit limits, but these measures do not eliminate all the risks derived from non-performing credits; thus, it is possible that the models do not prevent us to avoid out risky transactions with our clients. If we are not able to manage our credit risks adequately, our outstanding debt expenses may have a significant increase, in comparison with their condition in the past, which, may cause lower income and may have a negative effect on our operating results and financial positions. We are committed to the construction and preservation of our reserves in our portfolio, however, this does not mean that our reserves are sufficient to cover losses in the event of an increase in outstanding debts.

The downgrade in the credit ranking of our company or any of our subsidiaries may increase our financing, make us give additional bonds or implement protection clauses in our contracts for derivative financial transactions, which may have a negative effect in our financial margins and operating results

Credit ratings affect the cost and all other terms under which we may be able to obtain financing. Rating agencies regularly evaluate our company and their debt ratings are based on a series of factors, including our financial capability, the quality of our credit and the composition of our loan portfolio, the level and volatility of our income, our capital adequacy and leverage ratio, the liquidity of our balance and our capacity to access financing sources, as well as conditions affecting the financing services industry in general.

A downgrade in our credit rating may have a negative effect in the perception of our financial stability and increase our financing costs. Additionally, our creditors and counterparties in financial derivative transactions (and those of our subsidiaries) are sensible to the risk of a downgrade in our rating. Changes in the credit rating of our company or any of our subsidiaries may increase the cost for the obtaining of funds in stock exchange markets or through financing, thereby reducing our liquidity. Any of these results derived from a downgrade in our credit rating, may have a negative effect in our business, financial situation and operating results.

Preventive calculation for credit risks

If the Mexican authorities make banking institutions increase the levels of their preventive calculation for credit risks or modify the way in which that calculation is made, or to modify all minimum capitalization requirements, that may have a negative effect in Monex, including our operating results.

We may request additional equity and we may not be capable of obtaining it in favorable terms

In order to grow, remain being competitive and participate in new businesses or comply with equity adequacy, we may need new capital contributions. Additionally, we may need to obtain additional capital under the assumption that we may incur in significant losses in our loan portfolio, which may result in the reduction of the Issuer's shareholders' equity. Our capability to obtain additional capital is subject to several uncertain factors, including:

- Our future financial condition and our operating results and cash flow
- The obtaining of any sort of corporate or government authorizations
- General market conditions for capital gain activities carried out by commercial banks and other financial institutions
- Financial, political and other type of conditions in Mexico and other places

We may be required to make significant contributions to the Institute for the Protection of Bank Savings (IPAB)

The IPAB is in charge of administrating the protection of bank savings and financial leverage for banks in Mexico. According to Mexican legislation, banks are obliged to make monthly contributions to the IPAB with the purpose of supporting their transactions, for an amount equivalent to a twelfth of 0.4% (annual rate) multiplied by the average of certain liabilities minus the average of other certain assets. The Mexican authorities impose continued supervision mechanisms on institutions with coverage for IPAB funds.

We have contributed to the IPAB \$104.1, \$74.6 and \$56.4 million Pesos in 2016, 2015 and 2014, respectively. If the IPAB reserves are insufficient for the administration of the system for the protection of bank savings and provide sufficient financial leverage to guarantee the operation of those banking institutions with solvency problems, the IPAB has the capability to require the payment of extraordinary contributions to the system's participants, same that we could be obliged to carry out. While we have not been required to make extraordinary contributions to the IPAB in the past, we could be required to make extraordinary contributions in the future. The extraordinary contributions would increase our expenses and could have a negative effect in our Issuer, our operating results and financial position.

Liquidity risks may have a negative and significant effect on our company

A considerable number of Mexican banks have suffered serious liquidity problems in the past. We anticipate that, in the near future, our clients will continue making short-term deposits (specifically, registered deposits), and we intend to keep our focus on the use of bank deposits as the source of our financing. The nature of short-term deposits is that this source, could cause liquidity problems for us in the future, if the deposits volume is below expectations and if it is not renewed. If a considerable number of our clients do not renew their deposits upon maturity of withdraw their deposits, we could suffer a significant negative effect in our operating results and financial position.

We are not able to guarantee that, in the event of a sudden liquidity shortage in the banking system, we would be able to keep our funding levels without incurring in high financing costs, reduction of our financing instruments or in the liquidation of certain assets. Given that we would suffer a negative effect in our operating results and financial position.

While we have not had any significant liquidity problems in the last years, we cannot guarantee that liquidity problems will not affect the Mexican banking system in the future, or that liquidity restriction will not affect us in the future. While we expect to be able to refinance our liabilities, we cannot guarantee that we will be capable of repaying or refinancing our liabilities in all of those cases.

According to the single liabilities agreement, Monex Grupo Financiero is a subsidiary and unlimited company responsible for the compliance of liabilities contracted by its subsidiaries

According to the single liabilities agreement entered into by Grupo Financiero and its financial services subsidiaries in accordance with the provisions of the LRAF, Monex Grupo Financiero is the subsidiary and unlimited responsible of the compliance of the provisions contracted by their subsidiaries as result of their authorized activities and is the direct responsible of certain losses of their subsidiaries, for the total amount of their assets. For such purposes, a subsidiary shall be considered as having losses when:

- i) Its shareholders' equity represents an amount below the amount that our subsidiary requires to keep the minimum paid-in capital accordance with the applicable legislation.
- ii) The shareholders' capital and its reserves are below the amount that our subsidiary is obliged to keep according to the applicable legislation
- iii) Upon consideration of the regulating authority supervising the activities of our subsidiary, if it is insolvent and cannot pay its liabilities.

Additionally, if Banco Monex is considered having losses, the payment of dividends or transference of any financial benefits will be prohibited, as shareholders, from the date in which the IPAB determines the losses of Banco Monex until the date in which we have had paid these losses. Likewise, we are obliged, among other things, to guarantee to the IPAB the payment of such losses. In accordance with the LRAF, Monex Grupo Financiero will be required to grant its shares as bonds as well as the shares of its subsidiaries in favor of the IPAB, with the purpose of guaranteeing the payment of the losses of the Banco Monex. In accordance with the provisions of article 120, penultimate paragraph of the LRAF, shareholders of Monex Grupo Financiero, due to the fact of being the holders of the aforementioned shares, accept that their shares may be granted as bonds in favor of IPAB and that these shares will be transferred in property to IPAB if we are not capable of paying the amounts owed to the IPAB as result of the losses suffered by Banco Monex.

We cannot guarantee that Banco Monex of any other of our subsidiaries will not suffer losses in the future, and if that's the case, that we will have financial resources to cover the losses.

We carry out transactions with related parties that third-parties may consider out of market conditions

We, as a wholly owned company and our subsidiaries have entered into a series of service agreements in which we provide administrative, accounting, financial treasury, legal and other services.

The applicable Mexican legislation with values quotes in the BMV and groups of financial institutions, as well as our By-laws, establish several procedures designed to guarantee that the transactions carried out with and in between our groups of financial subsidiaries and other related parties comply with the terms and conditions of the market in use for this type of transactions, including the approval from our Board of Directors.

It is likely that we will continue carrying out transactions with our subsidiaries or affiliated companies. While the CNBV has not objected our decision regarding to the terms of these transactions, we consider them as “substantially under market conditions” in the past, and we cannot guarantee that the CNBV will agree with any of our future decisions. Additionally, new conflicts of interest may arise among us and any of subsidiaries or affiliated companies in the future, which may or may not be solved in our favor.

We significantly depend on our key directors and if we are not capable of retaining them, we may lose our relationships with our key clients and our business may be affected

We consider that our business and its development depend, in part, on the permanence of our main directors in duties. We don't have life insurance for the key directors in which the Issuer is the beneficiary and we don't sign non-compete clauses with all of them. This implies that not all of the key directors are restricted to switch companies and work for our competitors. Losing the services of key directors could significantly and negatively affect the future performance of our business, strategic relations and everyday situations as well as future growth strategies.

We depend on a trained and motivated salesforce and if we are not capable of attracting and retaining our skilled staff, our business and its financial results may be affected

Our performance highly relies in the way in which salesforce operates, the experience and training of our sales executives is fundamental for the relation with our clients, and therefore, for the success of our business. We don't enter into non-competence agreements with our salesforce and their payment is based on commissions, mainly. We cannot guarantee that we will be capable of keeping our salesforce, mainly if the competence within the sector increases. The loss of sales executives may result in a reduction in profit and a loss in the relations with our clients, serviced by sales executives. Likewise, if we are not capable of attracting and retaining new qualified sales executives and experienced personnel to expand our credit business, our business would suffer significant negative effects in its financial results.

Our and suppliers systems may fail due to factors outside of our control, which may interrupt our service, causing losses to our business and increases in our expenses

We depend on the interrupted efficiency of our computer systems, software, information centers and telecommunication networks, as well as systems owned by third-parties. Our operations and systems, or those from third-parties providing them, may be exposed to damages or interruption, from, among others, fires, natural disasters, electric power outages, telecommunications failure, computer virus or unauthorized access. Defects in our systems or in those of third-parties used by our company, errors or delays in the processing of transactions, telecommunication failures, and violations to security measures resulting in access to private or personal information or any other related difficulties may result in:

- An inefficient calculation of the price of our foreign exchange transactions
- Loss of clients and revenues
- Damage to our business reputation
- Risk of frauds or incurring in other liabilities
- Publicity impact
- Additional operating and development expenses
- Incorrect use of technical and other resources

Some of the services related to our business, such as the development of technology and support on our software applications, hosting and storage of our operating systems have been outsourced with third-party suppliers of these services, which will be difficult to substitute in a fast manner. If suppliers did not want or were not able to supply these services, our business and our transactions would be affected in a negative manner.

Our capability to keep the competitiveness of our company depends on the adequate maintenance of our computer and technology systems. Failure from our part in keeping this technology level may put our position as leader at risk in this sector.

As providers of foreign exchange services as well as other related services, we must be up to date with the best available technology in the market, used by our competitors and respond to the technological advances used by them, including internet-based technologies, with the purpose of keeping and improving our competitive position. It is likely that we will not be able to keep such an advanced technological level and the services to offer in relation to our competitors, which may put our position as leaders at risk.

A higher dependence on technology implies a higher risk of having errors in programming, equipment limitations or other difficulties. These problems may result in a delay or interruption of services, loss or incorrect use of important information and/or failure to satisfy our clients. It is possible that we will not be able to implement new operating software without having problems which may affect our business.

We keep the security systems of our electronic databases; however, we are not immune to problems in our system or violations incurred by computer hackers, viruses or third-parties, which may attempt to illegally access our confidential information. Any malfunction or violation of our security systems allowing access for third-parties to the personal and confidential information of our company or clients may harm our reputation or make us subject to legal procedures or the application of penalties, which may have a monetary negative effect in our results and financial position. Additionally, any malfunction or violation in our security systems may require investment for a considerable amount of resources to be solved and would also result in the interruption of our transactions, specially transfers and electronic payments.

Our organic growth and integration plans for recent and future acquisitions, as well as the expansion of our banking and non-banking services may not be favorably completed

According to the description contained in this Annual Report, we currently have plans and strategies for the expansion and increase of our banking services outside of our foreign exchange and international payment transactions (which represent our main source of income). If these plans or strategies will not be successfully completed, due to the financial environment or causes outside our control, this may bring a negative impact in our business, financial situation and operating results, which, in turn may affect our capability to liquidate our assets. We cannot guarantee that we will successfully implement our expansion plans and strategies.

Likewise, Monex currently has organic growth and integration strategies for the businesses that have been purchased in previous years. Constantly, we analyze other companies and businesses for possible acquisitions, in order to continue our inorganic expansion.

Even though Monex has achieved to merge the companies that it has purchased to our business, we cannot guarantee that future purchases will be successful. The integration of purchased business involves important risks, including:

- That purchased businesses will not reach the expected results
- That savings expected from synergies will not be reached
- Difficulties in the integration of transactions, technologies and control systems
- Possible failure to hire or keep key staff from purchased companies
- Possible failure to achieve expected scale economies
- Unforeseen liabilities
- Antitrust and regulatory provisions
- Difficulties to keep the clients from the purchased companies
- Failure to rapidly modify accounting standards
- The possibility of a deviation of the administration from its everyday activities due to activities and integration of solutions involved in related problems.
- The possible existence of regulatory restrictions, which may prevent us from reaching the benefits expected from the acquisition

The success in the acquisition or at least a part of it, will be subject to a series of political, financial or other type of factors outside our control. Any of these individual or collective factors may have a negative material effect in us.

Failure in the integration of recent or future purchases may bring as result a negative impact on our financial situation and operating results.

We are exposed to risks related to future expansion and strategic acquisitions

In accordance with our business strategies, which include growth through the acquisition of new lines of business, both in Mexico and abroad, we constantly evaluate opportunities to carry out purchases that provide a higher added value for our shareholders' and which are consistent with our business. The implementation of acquisitions may consist in existing assets or transactions, such as the acquisition of Schneider Foreign Exchange, which was made on July of 2012. Derived from our experience, the success of future purchases for Monex or any our subsidiaries or at least, part of them, will be subjected to a series of political, financial or other factors out of our control. If present, any of these factors, individually or collectively, may have a negative material effect on us. The subjects representing a higher exposure to risk, are:

- The time and expenses associated to the identification and evaluation of potential purchases, partners and businesses
- Errors and/or omissions in the calculation and the criteria used for the evaluation of transactions and their market risks
- Incorrect calculation of the return of an investment once the company had been purchased: Example: legal regimes, the opening of new offices, the creation of assets and detailed knowledge of existing liabilities within the company, among others
- Changes in the distribution of Monex's shares as result from the purchase of new companies
- Failure in transactions derived from limited knowledge (lack of market studies and inadequate training) related to new lines of business, markets and countries

Additionally, our capability to benefit from any of these acquisitions will depend on certain extent from the success that we have in the integration of these businesses. The integration of businesses involves important risks, including:

- Difficulties to keep or assimilate employees from purchased businesses
- Difficulties to keep clients from purchased businesses
- Unforeseen difficulties in the integration of transactions and systems
- Failure to rapidly modify accounting standards
- The possibility that the administration may deviate from its everyday activities because of integration and problem-solving activities
- The possible existence of regulatory restrictions preventing us from reaching the expected benefits

Finally, an acquisition may bring as result the loss of key staff and inconsistencies in standards, controls, procedures and policies. Even more, the success in the purchasing or at least part of it, will be subject to a series of political, financial or other factors outside of our control. Any of these individual or collective factors, may have a negative material effect, among others.

Risk Factors related to Mexico and the main countries in which we operate

The Mexican government has had and will continue having a significant influence on the Mexican Economy

Most of our clients, assets and operations are in Mexico. The Mexican Federal Government has had and will continue having a significant influence on the Mexican economy. Consequently, the actions and policies from the Mexican Federal Government in relation to the company, state-owned companies, government-funded financial institutions, may have a significant effect in the private sector and in us in particular, as well as the market conditions, prices and returns on Mexican securities. The Mexican Federal Government occasionally makes significant changes to policies and regulations and may do it again in the future. Measures to control inflation and other regulations and policies has involved, among other measures, increases on interest rates, changes to tax policies, price control, currency devaluation, capital controls and limits to imports.

Therefore, Monex cannot guarantee that these events will not happen again in the future and that the situations that may be caused by them will not affect its financial situation. It's impossible to guarantee that the future political and economic development of Mexico, over which we have no control, will have an unfavorable effect in our financial position or operating results. Specifically, the current government may implement significant changes to the law and other regulations that could affect the political and economic situation of Mexico, which may have a negative effect in Monex. In the event that such affectation would happen the valuation of the assets may be equally affected.

Future restrictions, requirements or modification to the legal framework used by Monex from the Mexican Government may have a negative effect on us

A severe depreciation of the Mexican Peso may also result in the intervention from the government, as it has occurred in the past or in the rupture of international foreign exchange markets. Currently and for many years, the Mexican government has not imposed restrictions to the right or capacity of the Mexican or foreigners to convert dollars to pesos or to transfer other currencies outside of Mexico; however, such measures have been applied in the past and may be applied in the future. Consequently, the fluctuation of the peso in relation to the dollar may have a negative effect in the Company.

Additionally, if the government decides to take measures, such as setting the value of the Peso in relation to the US Dollar or similar measures, the margin collected for each transaction may decrease as consequence of the differences between the margins for the transactions with fixed and variable interest rates. This intervention may result in a negative effect in our operating results and our financial position.

The Mexican Government regulates our transactions. The creation of new regulations may have a negative effect in our results

Monex owns subsidiary financial corporations, therefore, it is subject, including, but not limited to, the LRAF, the LIC, the LMV, LGO, regulations issued by the CNBV and other authorities, as well as other laws and rules applicable to the financial sector. Our transactions with currencies and other transactions are subject to extensive and continued review by the authorities. To date, the SHCP, the CNBV and the CONDUSEF and the Banco de México are the main government entities in charge of supervising financial institutions.

Regulations in force, as well as the manner in which those are interpreted and enforced may be modified and it is also possible that new legal regulations may be issued. These changes may have a negative effect in our operations and results.

If the regulating authorities suspended our licenses or the licenses of our Subsidiaries, we would not be capable of continuing with our business

Monex has received approval from the SHCP and the CNBV to operate under the applicable legislation. In some scenarios, the SHCP or the CNBV are able to revoke authorizations, which will restrict our field of operation in order to continue offering financial services. This would have a substantially negative effect in our transactions, results and financial condition.

Negative financial conditions in Mexico may have a negative effect in us

We control financial institutions in Mexico and a good part of our transactions and assets are in Mexico; therefore, they depend on a considerable extent on the performance of the Mexican economy. Consequently, our business, financial situation and operating results may be affected by general conditions of the Mexican economy, the exchange rate of the Mexican peso in relation to the dollar, the volatility of financial markets, inflation, interest rates, legislation, taxes, social instability and other political, social and economic events, or affecting Mexico, over which we have no control. In the past, Mexico has suffered both long periods of weak economic conditions, such as declines in economic conditions, which have had a negative impact in us. We cannot assume that such conditions will not happen again, or that these conditions will not have a negative impact on our activities, financial situation and operating results.

Historically, Mexico has suffered financial crises caused by both internal and external factors, which have been marked by the exchange rate instability (including devaluations), high inflation indexes, raised interest rates, economic contractions, decrease in cash flow coming from international payments, lack of liquidity in the banking sector and high unemployment indexes. In addition to corruption scandals in different levels of the government, criminal rates and problems related to drug trafficking and organized crime throughout the country have recently increased and may continue increasing in the future. These conditions may have a negative effect in our business, financial situation and operating results, which, in turn may affect the expected financial behavior.

The Mexican government has and will continue influencing the Mexican economy. The measures implemented by the government in relation to the Mexican economy and state-owned companies might continue having a significant effect in the Mexican financial institutions, in addition to affect the market conditions, prices and returns on securities issued by Mexican companies, and cause a decrease in the demand of our products and services. Due to the fact that a considerable amount of our costs and expenses are fixed, we may be incapable of reducing our costs and expenses before the presence of any of such events, which may affect our profit margins, in a significant manner, along with our operating results and financial position.

Events in other countries may have a negative effect in the Mexican economy, the market value of our Shares and our operating results

We are exposed to exchange rate risks each time we have an open position in currencies different to the Mexican Peso, and the risk of interest rates when we have exposure in the revaluation of our interest rates or we keep securities causing interests with fixed interest rates in real and nominal terms. The exchange rate of the Mexican Peso and interest rates in Mexico have been subject to relevant fluctuations in the last years. Due to the historic volatility of the exchange rate of the Mexican Peso and interest rates in Mexico, associated risks may be higher than in other countries. Our liabilities in foreign currencies are subject to regulation from the Banco de México, which imposes liquidity requirements and their equivalence in such currencies, depend on the maturity of liabilities. While we have complied with several procedures and policies related to Risk Management, including limits in VAR (value at risk), coverage and risk analysis, in relation to our brokerage or treasury activities and we are subject to regulations tending to prevent relevant unbalance, we cannot guarantee that we will not experience losses in relation to these positions in the future, which may have a significant negative effect, including our operating results.

The market value of securities in Mexico is influenced by economic and market conditions from developed and less developed countries. Despite the fact that the economic conditions of these countries may vary significantly from the financial situation in Mexico, negative financial conditions may expand to a regional level or the reaction of investors to events in these countries, which have a negative effect in the market value of securities listed in the BMV. For instance, in two recent years, both fixed income securities and variable income securities suffered relevant drops resulting from the events in other countries and markets.

Likewise, in recent years, financial conditions in Mexico have been associated to financial conditions in the USA, China and Europe, derived from international payments and free trade agreements and other similar agreements among Mexico, the USA, the European Union and China, which have caused an increased in the financial activity of these regions.

The Mexican economy is still highly influenced by the economies of the USA and Europe. Considering the above, if all free trade agreements were cancelled, or a similar event occurred, and if the economic conditions of the USA, Europe and China were negative or had a lower growth, it would affect the Mexican economy. These events may have a negative effect in our business, financial situation and our results.

The level and volume of the financial activities between Mexico and the USA depend on a great extent on the NAFTA. Any slowdown in the economies of Mexico and the USA or the commercial relations between Mexico and the USA may have a negative effect in our business, financial situation and results.

On November 8, 2016, the USA had presidential elections, with a result implying a change of administration. During the campaign of the elected candidate, he stated his intentions to renegotiate the NAFTA, leaving open the possibility that the USA would be withdrawn from it. We cannot guarantee or predict the manner in which the new administration will act and the implementation of any measure could have uncertain results or a negative impact in free trade agreements as well as the commercial relations with Mexico.

The recent increase of violence in Mexico has had a negative effect and may continue having a negative effect in the Mexican economy and may have a negative material effect on us

In the past years, Mexico has experienced a substantial increase in violence related to drug trafficking, specifically in the states of the North of Mexico. The increase of violence has had a negative effect on the Mexican economic activity at large. Likewise, social instability in Mexico or social or political development in Mexico or affecting Mexico could have a negative effect on us, including our capacity to operate our business and offer services and our capacity to obtain financing. We cannot guarantee that violence levels in Mexico, over which we have no control, will not increase or decrease and that they will not have additional negative effects on the economy or our company.

Additionally, illegal activities have caused more detailed and wide regulations to prevent money laundering and a higher supervision of these activities by the competent authorities, which has had an impact in the manner in which we carry out our cash transactions in foreign exchange and have resulted in a strengthening of our systems and supervision measures. Our inability to detect and report money laundering activity may result in penalties and have a negative impact in our business, operating results and financial position.

We are subject to fluctuations in interest rates and other market risks which may have a negative and significant effect

Market risks refer to the probability of variations in our financial margin, or in the market value of our assets and liabilities, due to the volatility of interest rates. Changes in interest rates affect, among others, the following areas of our businesses:

- Financial margin
- Volume of granted credits
- The market value of our financial assets
- Profits derived from the sales of credits

Variations in short-term interest rates may affect our financial margin. When interest rates increase, we pay higher interest rates in credits at a variable rate that have been granted to us, while interests obtained by our fixed-rate assets do not increase at the same rate, which may cause an increase in our financial margin at a lower rate, or a decrease in certain sections of our loan portfolio. Variations in interest rates may have a negative effect, reducing growth rates of our financial margin, and even result in losses.

Increases in interest rates may result in a reduction of the number of credits granted by our company. Historically, the sustained raise of interest rates has discouraged debt from clients and has resulted in a higher number of defaults in current credits and a decline in the quality of assets. An increase in interest rates may also cause low pretension from clients to pay or refinance their credits at a fixed rate. Likewise, the increase of interest rates may reduce the value of our assets. We keep a significant loan and securities portfolio with both fixed and variable interest rates.

In the event of a decrease in interest rates, it is likely that our profits derived from investment in securities have been affected, independently from the probable reduction in our financing costs.

The market value of securities at a fixed interest rate generally decreases when interest rates raise. The above, may have a negative effect in our profits or financial situation. Likewise, we may incur in expenses that, at the same time may affect our results, while we implement strategies to reduce our exposure to interest rates in the future. The market value of securities at variable rates may be affected when interest rates increase, due to a delay in the implementation of revaluation strategies or failure to refinance at lower rates.

The increase of interest rates may reduce our profits or liabilities to register losses in the sales of our credits or securities. In recent years, interest rates in Mexico have reached historic lows; however, we cannot guarantee that interest rates will remain low in the future.

The Ley Federal para la Protección y Defensa de los Usuarios de Servicios Financieros currently has not set any limit to the interest rates that the bank is able to charge, with certain exceptions. However, the possibility to impose such limitations has been and will continue being discussed by the Congress, and financial authorities of Mexico as well as several groups of debtors at a conceptual level. While the Mexican Government may be able to set limitations for the amounts or requirements of additional information in relation to such interest rates in the future, to the date of this Financial Report, the Congress and Mexican financial authorities have not proposed specific limits to the interest rates that we may be able to collect. Part of our profit and cash flows are generated by the interest rates that we charge to our clients; therefore, any additional information restrictions or requirements in relation to such rates may have a significant negative effect for Monex.

The volatility of the exchange and interest rates in Mexico may have a negative effect on our business

In the foreign exchange business, it is generally not possible to obtain the corresponding counterpart contribution for each foreign exchange transaction. Consequently, the foreign exchange trading area may sometimes take market positions in currencies as part of the everyday foreign exchange transactions. Additionally, relevant fluctuations in all foreign exchange rates may increase default risks in such instruments related to our counterpart contributions.

As our main activity are the foreign exchange transactions with our clients (a sector that is closely related to exports and imports of the economy as a whole), sudden changes in the exchange rate may affect our transactional volume, and therefore, the financial return of Monex. The operation of Risk Management products will only have consequences in the status of our results, if market and credit risks present in this type of transactions are not properly covered.

A serious devaluation or depreciation of the Mexican peso may have a negative effect for Monex and its subsidiaries, for instance, by increasing the amount in pesos of our liabilities calculated in foreign currency and default rate among our debtors or affecting our operating results in dollars. Additionally, any severe devaluation, as it has happened in the past, may result in the implementation of foreign exchange controls with an impact in our capacity to convert dollars or transfer currencies abroad, which may have a negative impact in our business and operating results.

Also, any drastic devaluation or appreciation, may result in the intervention from the Mexican Government, as it has occurred in other countries or the rupture of international foreign exchange markets. The Mexican Government has consistently implemented a series of measures to limit the volatility of the Mexican Peso, from auctioning dollars to intervening in interest rates and regularly cover the liabilities of Mexican banks calculated in foreign currency. However, we cannot guarantee that such measures will be effected or kept, or the manner in which such measures will have an impact in the Mexican economy. Currently and for many years, the Mexican Government has not imposed restrictions to the right and capacity of Mexican or foreigners to convert pesos to dollars or to transfer other currencies abroad; however, such measures have been applied in the past and may be implemented in the future. Consequently, the fluctuation of the Mexican Peso in relation to the dollar may have a negative effect for Monex.

We are also exposed to foreign exchange risks as consequence of unbalance between our assets and liabilities in foreign currencies and risks related to capital prices in relation to our negotiation investments in the stock exchange market. As a bank, we are also exposed to credit risks, as part of the ordinary course of our business. To the extent to which any of these risks arises, our financial margin or the market value of our assets and liabilities may be affected.

Risk factors related to Shares and the Shares Ownership

Certain provisions in the applicable legislation and our By-laws impose limitations to the transference of our securities and delay or prevent control changes of the Issuer

According to our By-laws and in accordance with the LMV, the purchase of shares granting the Control of the Company by third parties or shareholders, either directly or indirectly, is prevented through the implementation of a measure requiring that the purchase of shares issued by the Company, or securities or instruments issued based on these shares, or the rights on these shares, may only be carried out with the authorization of the Board of Directors, and if the number of shares, or rights on these transactions is intended to be purchased in a single or several actions, without limitation, or by a group of related shareholders acting jointly, represent 10% (ten percent) or more of the shares with right to vote issued by the Company.

All individuals or groups of people holding or increasing their shares in the Company, without a prior public tender for that purchase in accordance with the LMV or by infringing the provisions of it, may not be able to exercise the corporate rights derived from securities with the right to vote, being the Company entitled to abstain from registering these shares in the registry referred to in articles 128 (one hundred and twenty-eight) and 129 (one hundred and twenty-nine) of the Ley General de Sociedades Mercantiles and, if, in these cases the Company will not register, recognize, or give any value whatsoever to the deposit certificates of the shares issued by any credit institution for the deposit of shares in the country or to accredit the right to assist to any general shareholders' meeting.

Consequently, regarding the acquisitions that must be carried out through public tenders for acquisition according to the LMV, the acquirers must be authorized by the Board of Directors for transactions prior to the beginning of the period for the public tender. In any case, acquirers must disclose at all times the existence of this prior authorization procedure by the Board of Directors for any purchasing of shares implying 10% (ten percent) or more of the shares representing the Company's shareholders' equity, unless it refers to the acquirers described in article 57 (fifty-seven) of the LMV, which, for such purposes, must comply with the provisions of articles 366 (three hundred and sixty-six) and 367 (three hundred and sixty-seven) of that legal regulation. The provisions described above may delay or prevent a change in the control of the Issuer or a change in our administration.

The market price of our shares may experience relevant fluctuations in price and volume

The volatility of the market price of our shares may prevent them from being sold at an equal or higher price than paid for their purchasing. The quotation value of our shares may be subject to higher fluctuations as response to a series of factors, such as:

- Significant volatility in the market value and volume of transactions of companies in our sector, which may not necessarily be related to an operating performance
- Financial, legislative and political trends in Mexico, the U.S., Europe and other countries
- General conditions and trends of the sector in which we operate
- The introduction of new products by our company or competitors
- Changes in income and operating results
- Differences between our actual financial and operating results and those expected by investors
- Announcements made by our company or other parties in relation to events affecting our line of business
- Legislation and regulatory changes
- Actions by our competitors
- Perceptions by investor in respect to our Issuer and other similar companies quoting in public markets
- Changes in financial calculations by stock exchange analysts
- Revoking of all or part of our authorizations from the government authorities
- Announcements from our companies in relation to acquisition, key alliances or joint ventures
- Currency devaluation or implementation of change control systems
- Firing or hiring key staff members
- Selling of our shares or issuance of additional shares

Many of these factors are out of our control. Those factors based on the market and sector, globally, may have a significant effect in the market price of our Shares, independently from our operations.

Additionally, although we do not have an intention to do so, in the future, we may issue an additional capital and our main shareholders' may be able to sell their interest in our Company. Investments or sales, or the plans to carry them out, may result in the dilution of the financial or corporate rights of shareholders or may have a negative effect on the market value of our shares.

The relative volatility and lack of liquidity of the Mexican Stock Exchange market may cause a considerable fluctuation in the price and volume of transactions with our Shares

Our shares are listed in the BMV, which is in one of the largest securities markets in Latin America; despite this fact, in terms of market capitalization, it's still one of the markets with less liquidity, particularly in comparison with the USA and Europe. Although several transactions are carried out at the BMV with government securities, a significant part of these transactions are carried out by institutional investors. These market characteristics make our shares difficult to sell and may have a negative effect in the market value of our shares. The exchange volume of securities issued by incorporated companies operating in emerging markets tend to be lower than the exchange volume of securities issued by incorporated companies operating in developed countries.

Acquisitions or attempts by a person or group to purchase a relevant number of shares in our shareholders' equity or entering into voting agreements, must be approved by our Board of Directors, which may delay, obstruct or event prevent the acquisition of shares in our Company, or a relevant part of our shareholders' equity, or a change of control

In accordance with our By-laws, any acquisition of our shares will require a favorable agreement, prior and in writing from our Board of Directors, whereas the number of shares intended to be acquired, in addition to the previously held shares, directly or indirectly, of the possible acquirer, results in a number equal or higher to 10% of the Issuer's shareholders' equity or any other multiple of 10%. Any acquisition or attempt of acquisition of any share by any competitor resulting of shareholder's holdings above 5% of our shareholders' equity, will require a favorable agreement by the Members of the Board.

A prior favorable agreement from the Board of Directors will be required in writing in order to enter into any voting agreement in relation to our shares implying a change of control in the Issuer, a participation of 20% in the Issuer's shareholders' equity or a significant influence on the Issuer. If any acquisition of shares or restricted voting agreements occurred in accordance with the terms of By-laws without complying with the prior and favorable authorization from the Board of Directors (and, accordingly, the public tender in accordance with the provisions of the LMV), the shares subject of acquisitions or the voting agreement:

- i. Will grant to the acquirer all the property rights derived from holding shares to the same extent in which such rights correspond to the rest of the shares.
- ii. Will not grant to the acquirer corporate rights of any kind (including, but not limited to, the right to vote the acquired shares, the right to request or summon a Shareholders' Meeting and any of the rights derived from holding shares without contents or not being of property nature). The above, without prejudice to our Board of Directors, may give the right to agree, among other things, the revision of all completed transactions, or that the acquired shares may be transferred to a third-party approved by the Board of Directors at the reference price determined by the Board of Directors.

Decrease in the required minimum capital or reserves in accordance with the applicable provisions

The Subsidiaries of Monex are subject to certain minimum capitalization and reserve requirements in order to support their transactions in accordance with their Accounting Criteria (or accounting criteria resulting applicable from the Subsidiary in question).

Before any default in the compliance of the required minimum capital, the CNBV may invest in the administration of the Subsidiary in question.

The CNBV may also impose Subsidiary penalties in case of infringing the specific regulation, which is applicable for an amount equivalent to a given percentage of the shareholders' equity paid of the Subsidiary in question.

We are a holding corporation and we depend on dividends and other sources coming from our subsidiaries in order to finance our transactions and, to the extent we decide, pay dividends

We are a holding corporation and we carry out our transactions through financial and non-financial service subsidiaries. Considering the above, our capacity to find new sources to finance our transactions, and, to the extent that we decide, pay dividends, mainly depends on the capacity of our subsidiaries to generate profit and pay dividends. Our subsidiaries are independent entities and different from us. The payment of dividends, contributions, loans and advanced payments from our subsidiaries will be contingent in relation to the profits and payments generated by our subsidiaries are or may be limited by legal, regulatory and contractual restrictions. If any shareholder submits a claim against our company, shareholders may only execute the assets available from our subsidiaries. The payment of dividends by our subsidiaries will also depend on their income and business considerations. Additionally, our right as shareholder to receive any asset from any of our subsidiaries derived from its liquidation or public tender, is effectively subject to any claim from the creditors of our subsidiaries, including commercial creditors.

The declaration of dividends is subject to approval from our shareholders

Our Board of Directors should file our annual audited consolidated financial statements corresponding to the prior year, for their approval by the annual shareholders' meeting of the Corporation. Once our shareholders approve the annual audited financial statements, our shareholders may decide the use of the net profits, if any. Currently, we don't have a dividends policy.

The payment of dividends is subject to the approval by the Shareholders' Meeting of the Company based on the advice of its Board of Directors. While the main shareholders of the Issuer hold the majority of its shares, they will be in conditions to assign the majority of the Board of Directors and decide, as agreements, if the Issuer will pay dividends, and, accordingly, determine the amount of such dividends. Consequently, there might be years in which we don't distribute any dividend and other years in which a substantial part of our profit is distributed. In the latter assumption, our growth potential may be limited. The payment of dividends recommended by our Board of Directors will depend on the number of factors in which operating results are included, the financial situations, cash flow needs, entrepreneurial perspective, financing terms and conditions may limit the payment capacity for dividends and other factors that our Members of the Board and shareholders may take into consideration. In any case, according to the Mexican legislation we can only pay base dividends to annual financial statements that may have been approved by the General Meeting of Shareholders having covered the losses corresponding to prior fiscal years and when the payment of dividends has been expressly approved by our shareholders. The payment of dividends in the past does not guarantee any future payment.

Additionally, the Mexican legislation provides that, before any distribution of dividends, at least 5% of our net income must be assigned to a legal reserve fund, until such fund is equal to at least 20% of the paid capital stock. Additionally, shareholders may determine the additional amounts assigned to the determined reserve funds, including funds for the repurchasing of shares. The remaining balance, if any, may be distributed as a dividend.

Finally, the Issuer and its Subsidiaries, except for the Banco Monex, are subject to the legal provisions requiring that, at least 5% of the net profits of each year are separated and transferred to a capital reserve fund until such fund is equivalent to 20% of the paid shareholders' equity. In the case of the Banco Monex, legal provisions establish the need to build a legal reserve of 10% of the net income and up to 100% of the total of paid capital stock. The last reserve is not susceptible to distribution to shareholders throughout the existence of the aforementioned entities, except for the form of distributing dividends and shares.

Rounded Figures

We have made adjustments for the rounding of some of the figures included in this Annual Report. Such as the result from the above, the figures shown as the total amounts in some charts in this Annual Report may not exactly match the result of the mathematical sum of the foregoing figures.

Industry and Market Data

This Annual Report contains information related to our competitive position and participation in the financial service and the size of the financial services market in Mexico and in other jurisdiction in which we operate. The information on the industry and the market contained in this annual report is based, as the case may be, on independent publications of the industry, government publications, mainly the CNBV and the Banco de México, reports made by specialized companies and other independent published sources. Certain information of the industry and market is based on our estimates, which come and/or derive from our internal research and analysis, as well as from independent sources. Although we believe that these sources are reliable, we have not verified information independently, and we cannot guarantee its accuracy and completeness. The information related to our industry and market intends to be a general guide but is inherently inexact. Although we believe that our estimates were reasonably obtained, investors must not indiscriminately trust it, as they are inherently uncertain.

d) Other securities

The Issuer's Capital Stock

As of December 31, 2016, the capital stock of Monex was represented by 545'808,505 shares, of which, 545'758,505 belong to the B Series representing the variable capital, same that are registered in the capital markets section of the RNV and are listed in the BMV since July 12, 2010, with the ticker symbol "MONEX". It is worth mentioning that upon implementation by Monex the modality of "public limited corporation", the Monex securities supporting the shares were exchanged in Indeval, for new securities that included, in addition to the corporate name "Monex, S.A.B. de C.V.", the By-laws that were modified by virtue of the implementation of the aforementioned modality, same that was authorized by the CNBV, on March 13, 2013; those By-laws are described below.

During 2016, no modifications were made to the total amount of the equity, number and class of shares.

See the cover of this annual report for a more detailed description of the securities issued by Monex and its Subsidiaries.

Monex and its Subsidiaries, during 2016, 2015 and 2014, have completed in a timely manner all reports related to the Mexican legislation required in relation to periodical information and relevant events, both in the BMV and the CNBV, in accordance with the Circular Única de Emisoras, and that the corporation is up to date in the payment of all its liabilities.

Monex does not have securities registered in the RNV or listed in other markets, a part of those described in this Annual Report. Monex and its subsidiaries must deliver quarterly, annual and legal information established in the applicable regulations in relation to issued securities.

e) Material changes to the rights of securities registered in the Registry

As of today, no relevant changes have been made to the rights of any class of security that have been registered in the RNV, with the exception of all matters related to the exchange of securities supporting shares of Monex, derived from modifications made to the By-laws, as result of the implementation of the "public limited corporation" as described above.

Likewise, the corresponding change of the shares of Monex was performed, derived from the change of its name from "Holding Monex" to "Monex".

f) Intended use of proceeds

Debt Issuance:

On the date of this report, Monex has Securitization Certificates registered in the RNV with the ticker symbol MONEX 14, based on the long-term revolving securitization certificates program established by Monex, for an amount of up to \$2,000'000,000.00 or its equivalent in UDIs. The duration of the Program was established for 5 (five) years counting from the day of its authorization.

The first issuance of securitization certificates in support of the Program was carried out on June 8, 2012, for a total amount of \$1,000,000 Pesos represented in 10 million securitization certificates with a par value of \$100.00 Pesos each, with the ticker symbol MONEX 12. During the month of July of 2015, the Issuer liquidated this first Issuance.

On the other hand, on November 7, 2014, in support of the aforementioned program, we carried the second issuance of securitization Certificates with ticker symbol MONEX 14. The Total Amount of the offer amounted to \$1,000'000,000 Pesos distributed in 10 million securitization certificates with a par value of \$100.00 each. The maturity date of this Second Issuance was established for the November 3, 2017.

Net resources obtained from this second issuance may have, including but not limited to, the following uses: for the refinancing of liabilities of Monex and/or the capitalization of any subsidiary of the Issuer with the purpose of strengthening organic and inorganic growth, or, as working capital, as well as the payment of other liabilities without additional cost.

It is worth mentioning that regardless of the use of the resources obtained through the second issuance of securitization certificates, that use must obey the diversification strategies for offered products, as well as the level of the geographical areas in which the Issuer has presence both nationally and internationally, either with a direct impact in relation to organic growth, or, strengthening the performance of both Monex and its subsidiaries.

In relation to the rating given by Standard & Poor's, S.A. de C.V., for the issuance MONEX 14, the rating company gave us a "mxA". This rating indicates that the debt is more susceptible to negative effects caused by circumstantial changes or economic conditions that to debt rated in higher categories. However, payment capacity of the Issuance to comply with its financial commitment over the obligation is strong in relation to other issuers in the domestic market.

Likewise, the rating granted by Fitch México, S.A. de C.V para MONEX 14 was 'A (mex)'. "A" domestic ratings indicate low default risk expectations in relation to other issuers or securities in the same country. However, changes in circumstances and financial conditions may affect payment capacity to a greater extent, in relation to the financial liabilities with a higher rating. Monex, during 2016, 2015 and 2014 has delivered in full and in a timely manner all Mexican legislation reports required in relation to periodical information and relevant events, both before the BMV and the CNBV, in compliance of the Circular Única de Emisoras, and are up-to-date in the payment of all their liabilities.

Monex does not have securities registered in the RNV, or listed in markets different to those indicated in this section.

No resources derived from the issuance of securitization certificates with ticker code "MONEX 14" are pending to be applied. Likewise, there have not been variations in the use of funds obtained through the issuance of securitization certificates specified in the corresponding supplements.

Net resources obtained by Monex from the obtaining of securitization certificates with ticker symbol MONEX 14 are composed as follows:

Concept	Amount*
Issuance Expenses	6.5
Net resources obtained from Allocation	993.5
Gross resources from Securitization Certificates	\$1,000

* Figures in millions of pesos

In relation to the second issuance named MONEX 14 carried out by Monex in support of program described in the section named "Other Securities", net resources obtained from the allocation of Securitization Certificates will be assigned for general corporate uses and purposes of the Issuer.

g) Public documents

In accordance with articles 33 and 34 of the Circular Única de Emisoras, Monex has submitted financial information (monthly, quarterly, and annual financial statements, as well as Audited Financial Statements) and the corporate information (summons for meetings of shareholders, minutes from shareholders' meetings, payments of dividends, repurchasing of shares and other relevant events) in a timely manner. Likewise, Monex has delivered the information required for being a public entity and its Subsidiaries have delivered the corresponding information to the CNBV for being regulated institutions.

This Annual Report, as well as the documents submitted by Monex to CNBV and the BMV with the purpose of obtaining and maintaining the registration for the listing of its securities in the RNV, as well as the authorization for their public tendering, which may be verified with the BMV, at their offices or their webpage (www.bmv.com.mx), or in the CNBV's webpage (www.cnbv.gob.mx), or in Monex, S.A.B.'s webpage (www.monexsab.com).

Copies of these documents may be obtained upon request of any investor through a request made to Monex, at their offices located at Av. Paseo de la Reforma No. 284, piso 12, Colonia Juárez, C.P. 06600., Mexico City, telephone: 5231 0870, e-mail: agershberg@monex.com.mx, headed to: Eng. Alfredo Gershberg Figot, Corporate Director of Planning and Investor Relations.

If you need further information in relation to Monex, you can visit our website www.monexsab.com, in the understanding that the aforementioned webpages are not part of this Annual Report.

monex

Annual report · 2016

2 | THE ISSUER



monex
EUROPE

London, England
monexeurope.com

a) History and development of the Issuer

Company name and business name of the issuer.

We are a public company with variable capital incorporated under the law of Mexico. Our current denomination is Monex, S.A.B. de C.V. and our main brand and trade name is Monex.

By means of extraordinary general meeting of shareholders held on April 7th, 2016, the company name of Holding Monex, S.A.B. de C.V. was changed to Monex, S.A.B. de C.V.

Date, place of incorporation and duration of the issuer.

The Issuer was incorporated on July 10th, 2007 in Mexico City, Mexico. The duration of the Issuer is perpetual.

Address and phone numbers of the headquarters.

Paseo de la Reforma No. 284, level 15 Colonia Juárez, C.P. 06600, Mexico City, Mexico.

Phone: +(5255) 52300200

Description of the development of the Issuer and its Subsidiaries.

Beginning and main business.

Monex started offering services to companies with international businesses both commercial and financial, since 1985 under the name of Casa de Cambio Monex, S.A. de C.V.

Our main business is focused on national and international companies that carry out foreign exchange and international payment services.

Development of the Issuer

By expanding its business areas, Monex has ventured into various businesses which are explained in detail further in this chapter.

Our financial group began operating over 31 years ago, doing business both nationally and internationally, with commercial and financial entities, through Casa de Cambio Monex, S.A. de CV, a company authorized by the SHCP to operate as a foreign exchange brokerage house, in order to provide foreign exchange and international payment services both to individuals and corporations, in an efficient, reliable and high quality way, at competitive prices.

Below is a summary of the most important moments of the Issuer:

- **1985.** Monex began operations under the name of Casa de Cambio Monex, S.A. de C.V.
- **2001.** We acquired CBI Casa de Bolsa, S.A. de C.V., CBI Grupo Financiero, and its subsidiary CBI International Securities, Inc (currently Monex Casa de Bolsa and Monex Securities respectively), a broker dealer registered in the USA.
- **2002.** As part of our strategy to offer asset management services for sale, we obtained authorization for the distribution of investment funds.
- **2003.** As part of our corporate integration, our main shareholders incorporated Monex Grupo Financiero, as a holding company. Also, in the same year, we migrated our foreign exchange and international payment services from Monex Divisas to Monex Casa de Bolsa.
- **2004.** We obtained authorization to operate OTC risk management products.

- **2005.** Monex Financiera, S.A. de C.V., (SOFOL) began operations.
- **2006.** We acquired Comerica Bank Mexico, S.A., Institución de Banca Múltiple (currently Banco Monex), incorporating this company to Grupo Financiero. On the other hand, as part of our investment in state-of-the-art technology and systems, Monex Casa de Bolsa implemented our "Corros Monex" system for electronic transaction in the debt market.
- **2007.** As part of our corporate integration, we merged Monex Financiera with Banco Monex. In the same year, and pursuant to this integration, we constitute Holding Monex, as the holding company and holder of shares of our operating subsidiaries. Also, in this year we migrated our trading transaction, foreign exchange and international payment services from Monex Casa de Bolsa to Banco Monex.
- **2008.** As part of our expansion and growth strategy in the provision of banking and non-banking services, we accomplished the following acquisitions:
 - We acquired all the assets of Intermex Pue, S.A. de C.V. and Girotec, S.A. de C.V., companies dedicated to the remittance business. This business was operated by Pagos Intermex, a subsidiary of Holding Monex (currently Monex S.A.B.) until 2015.
 - We acquired Prestaciones Universales, a company dedicated to the gas vouchers and bank cards issuing business.
- **2010.** We registered our shares with the RNV maintained by the CNBV and listed our shares on the BMV as a Public Company. In that same year, and as part of our strategy to expand our business outside of Mexico, we acquired Tempus, a non-bank independent company incorporated under the laws of the state of Delaware, USA, dedicated to provide foreign exchange and international payment services in the USA, based in Washington DC.
- **June 2012.** Monex obtained authorization for the establishment of a program of long-term securitization certificates under the ticker symbol "Monex 12" for an authorized total amount up to \$2,000 million pesos and carried out an issue for an amount of \$1,000 million at TIIIE28 + 280bp rate for a 3 years period.
- **July 2012.** As part of our expansion strategy outside of Mexico, we acquired Schneider Foreign Exchange Limited, a company incorporated under the law of the United Kingdom, engaged to provide trading, foreign exchange and international payment services in the United Kingdom, with headquarters in London. This company changed its name to Monex Europe, which also has the faculty to offer its services throughout the European Union.
- **December 2012.** Monex USA Corp. and Tempus Consulting Inc. were merged, subsisting Tempus Consulting Inc., which at the same time changed its name to Tempus Inc. Currently, Monex Negocios Internacionales directly owns 100% of Tempus.
- **April 2013.** By resolution of our meeting of shareholders, we changed our name to Holding Monex, S.A.B. de C.V.
- **Noviembre 2013.** Monex sold 100% of the shares of its subsidiary Prestaciones Universales ("Sí Vale") to Holding Internationale SAS ("Groupe Chèque Déjeuner"). The sale of Prestaciones Universales was performed as part of the Issuer's plan to focus its efforts on financial business services.
- **November 2014.** Monex successfully completed the second public offering of securitization certificates under the ticker symbol "MONEX 14", for an amount of \$1 billion pesos at a TIIIE28 + 160bp rate on the market within 3 years period. The Secondary Offering was demanded 1.6 times and had a diversified base of investors, mainly institutionals.
- **April 2015.** Monex and its affiliated company Banco Monex sold 100% of the shares representing its subsidiary Pagos Intermex to Genera S.A.B. de C.V. The sale of Pagos Intermex was due to Monex's strategy of focusing on its core business by concentrating its efforts on financial services to corporations.
- **June 2015.** Monex notified that securitization certificates under the ticker symbol "MONEX 12", issued on June 8th, 2012 for an amount of \$1,000 million pesos, had been totally paid under its terms and conditions.

- **July 2015.** Banco Monex completed the first issuance of securitization certificates identified with a “BMONEX15” ticker symbol for a total amount of \$1,000 million pesos. These certificates are valid for 3 years and they were placed at a TIIE 28 days + 90bp rate.
- **October 2015.** Monex (formerly "Holding Monex") acquired 17% of the total shares of Tempus, Inc. ("Tempus") (a related party of Banco Monex). The transaction was carried out at market prices based on a report analysis conducted by an independent consultant. This operation was authorized by the Commission through Official Note No. 312-3/14049/2015.
- **April 2016.** The change of company name from Holding Monex S.A.B. de C.V. to Monex S.A.B. de C.V. was approved by means of the agreement adopted at an extraordinary general meeting of shareholders.

b) Business overview

Monex Grupo Financiero

As of December 31st, 2016, Monex's main subsidiary is Monex Grupo Financiero, which is conformed by three financial entities: Banco Monex, Monex Casa de Bolsa and Monex Fondos, through which it offers the following products:

- foreign exchange
- digital account
- investment funds
- brokerage service (money markets, capital markets and investment banking)
- trusts services
- risk management products
- international investment
- letters of credit, and
- commercial credits

International Division: Tempus, Inc. and Monex Europe

In April 2010, Monex began the international expansion of its international payments business with the acquisition of Tempus, a leading provider of foreign exchange and international payment services to companies in the USA and Canada. Tempus has three offices in the USA (Washington (headquarters), New York, Los Angeles) and one in Canada (Toronto).

In order to become one of the largest foreign exchange and international payments specialists in the world, in 2012 Monex acquired Schneider Foreign Exchange Limited, a provider of foreign exchange and international payments to large corporations, medium and small enterprises and financial institutions in the United Kingdom. The acquired financial entity changed its name to Monex Europe Limited and is currently an indirect subsidiary of Banco Monex. Monex Europe has offices in London, United Kingdom; Madrid, Spain and Amsterdam, Netherlands.

Following the acquisitions of Tempus and Monex Europe, Monex has become a globally relevant player as a specialist in the foreign exchange and international payments market.

I. Main activity

Over the last few years we have focused on maintaining our leading position in services for international companies and continue to strengthen our foreign exchange and international payment service, while promoting the diversification of our business to have different and attractive sources of revenues. We also have increased our efforts in offering traditional banking products and our private banking services. Through the diversification of transactions, we seek strengthen the relationships with our current clients and develop new clients in order to increase our transactions' volume and revenues in Mexico, the USA, Canada and Europe. One of our main goals is to continue providing services and offering products efficiently to our clients.

To achieve this goal, we organize our business operations in the following activities:

- Foreign exchange transactions and international payments services in Mexico
- Foreign exchange transactions and international payments services In the USA, Canada and Europe
- FX risk management products (derivatives)
- Traditional banking services (focusing on our credit products) and Trust Services, and
- Brokerage service and assets management

Our strategy

As part of our strategy we seek to maintain our leadership in the mexican foreign exchange and international payments market while offering other financial services as part of our diversification strategy with the purpose of improving and increasing our clients deposits and our loan portfolio, seeking to continue operating as a profitable financial institution. For these purposes, we have developed the following business strategies which, we believe, would allow us to achieve our growth and profitability goals.

In order to focus on Monex growth, we group our services into two divisions: Corporate Banking and Private Banking. The following description details our business divisions:

Corporate Banking

We have a diversified range of products for our Corporate Banking services; among others we distinguish:

- Foreign exchange
- Exchange and interest risk management products
- Credit products
- Cash management through our digital account
- Investments in banking and credit instruments
- Funds and savings accounts

During 2016 the number of clients that operate not only foreign exchange and international payments but also credit, derivatives and our electronic banking services has increased.

The coverage that our salesforce offer to clients along with support of product specialists, has allowed us to increase the revenue per client and to retain them through these new services. We have established a monitoring methodology to ensure the proper product offering based on the client needs.

Foreign Exchange Market

Monex started operations with the foreign exchange and international payment business in Mexico, focused mainly on small and medium-sized mexican non-financial companies, mostly related to commercial trade. We are the largest service provider in this field in Mexico based on revenues. In 2016, we carried out a total amount of 4.29 million payment operations (0.88 million international operations and 3.41 million domestic operations).

Due to the relevance of the foreign exchange business at Monex, internal figures show that approximately \$2,444 million pesos were generated from the company's total revenues in 2016 in this business segment, which represents 38.7% of Monex's total revenues in 2016. We will focus the first part of the activities description on the foreign exchange service.

A typical foreign exchange transaction involves the following steps:

- Sales executive quotes, negotiates and closes a telephone transaction with a client
- Sales executive creates a record of the transaction in the system
- The transaction is confirmed to the client by e-mail
- The transaction is verified to ensure its fulfillment with the requirements
- Client delivers funds to one of our banking accounts, either in pesos, dollars or other currencies
- Bank delivers funds to the client's banking account or the corporation indicated by client, either in pesos, dollars or other currencies

Our revenues from foreign exchange transactions depend on the number and size of transactions we process. Our revenue comes from the margin above the cost of foreign exchange transactions, that we charge our clients.

The margin we earn on each foreign exchange transaction is the difference between the exchange rate quoted by our trading desk and the exchange rate we charge our clients, which is determined by each sales executive. Our trading desk provides real-time exchange rates to our sales executive, who have the option of adding the margin to that price. To determine the margin's amount in each transaction, our salesforce take into consideration the currency in question, the size of the transaction, the volatility and our costs of providing additional services, such as the transfer of funds and delivery. Our salesforce also use our information system to determine the appropriate margin for each transaction. Generally, high volatility increases our earnings due to higher operating margins.

Currently, very few trading transactions and foreign exchange are processed through Internet. In our opinion, clients give greater importance to the relationship they have with the supplier and to the quality of the service provided to them, rather than to the price, particularly for small and medium-sized enterprises, where foreign exchange transactions are small. However, we will continue to consider appropriate technology and strategies to anticipate changes in clients' demand, which will allow us to operate more efficiently.

We maintain long-term relationships with our clients, whose continuous foreign exchange needs allow us to have a stable operations base. Currently, the volume traded by foreign exchange with companies is approximately 91.9% and with financial clients and individuals of approximately 8.1%. We are not involved in transactions with proprietary positions, although we take intraday positions, regarding the processing transactions of our clients. Our foreign exchange and international payment service in Mexico are carried out through Banco Monex.

Currently, our strategy to maintain our market positioning, consists in maintaining operation facilities with important banks worldwide, as well as an active and constant participation, with the purpose of offering the best prices to our clients. These synergies have allowed us to place ourselves in an important ranking mainly for foreign banks which allow us to use excellent technological instruments with exclusive prices.

International expansion

We contemplate the possibility of investing in other complementary businesses in order to achieve access to new market segments and geographic regions such as the acquisitions of Tempus and Schneider Foreign Exchange Limited, which allowed us to venture the foreign exchange market of the USA, Canada and Europe, as well as to achieve greater customer scope.

Through these subsidiaries we attempt to serve the corporate clients with the dedication of a single contactpoint to satisfy all their trading and payment needs. Relationship managers are experienced industry professionals, both at Tempus and Monex Europe, focused on the understanding of all aspects of the business, as well as relevant knowledge of foreign exchange operation and international payments services to meet the payment needs of the clients.

Tempus

Tempus is focused on serving around 2,800 corporate clients through our offices in the USA (one office in Los Angeles, one in Washington, DC and one in New York), and an office in Toronto, Canada. Its main business is to process transactions between the USA and Canada. In 2016, it processed over \$1.5 billion dollars in import and export operations. Tempus provides only the foreign exchange operation service therefore, concentrates all its resources in being a specialist in this area offering services that allows it to stand out in the market.

Monex Europe

Monex Europe is a company incorporated under the laws of the United Kingdom (England and Wales) and operates as an Authorised Payment Institution. Monex Europe is engaged in foreign exchange transactions, international payment services and money transfers, being authorized to operate as such, under the heading of Money Remittances, issued by the Financial Services Authority ("FSA").

In 2016, the internal figures reflect that the operating revenues amounted to \$1,563 million pesos, which represents a 44.2% of growth compared to the revenues in 2015.

Our office in London remains as the operation' headquarter and this year contributed with 96% of net income. In our office in Madrid there are already 12 people integrated to the team, we notice a significant increase in the number of transactions and we are currently in the process of consolidating our position in that country. In our Amsterdam office, we currently have 10 employees and the plan is to increase the team in the near future.

Monex Europe allows us to offer international payment services to all the countries of the European Union.

Other Financial Products and Services

Risk management products

Within our risk management products division, we offer options, forwards, swaps, futures, among others, with the following underlying assets:

- nominal interest rates
- real interest rates
- shares
- certificates of participation (COP) on shares, currencies, prices or stock indexes

In this matter, Monex is oriented to cover the investment needs and hedge of clients, both individuals and corporations.

Within the derivatives operation, there are several structured products tailored to the client's need for hedge.

In 2016, the structured notes amounted to a total of 2,175 "J's" and 398 "F's" issues for a notional of \$73,408 million pesos (certificates of deposit and bank bonds), which places us as the main issuer in Mexico.

In addition, a total of 31,335 derivative transactions related to the peso-dollar exchange rate were made in both recognized and "OTC" markets during 2016, which amounted to a total of \$10.741 million dollars.

Regarding the issuance of structured products, in 2016 in the city of Boston, USA; Structured Retail Products rewards Banco Monex for the fifth consecutive year as the main issuer of structured notes in Mexico, this time the awards are:

- Best Distributor in Mexico
- Best Distributor in Latin America

Banking Products

Credit Loans

In 2016 we continued our strategy of increasing the granting of loans to our clients and the deposit. These traditional banking services are a fundamental part of the revenue diversification strategy in addition to our core business of foreign exchange and international payment services.

Banco Monex's credit activity continues to be mainly focused on financing the working capital and capital investment needs of companies. We get benefit of the relationships and knowledge that we have of our clients through the transactionality in foreign exchange and international payments to identify new opportunities in the credit business. We maintain a conservative granting loans culture, giving priority to a moderate risk profile without neglecting the growth rates that we have set for the portfolio. The duration of our loan portfolio remained stable around 2,5 years, with 49% of the portfolio showing maturities of less than 1 year. The chart below shows the performance of the performing loan portfolio and non-performing loan portfolio in the last 3 years.

Date	Performing Loan Portfolio	Non-Performing Loan Portfolio	TOTAL	Increase
Dec. 2016	18,212	82	18,294	46.6%
Dec. 2015	12,363	118	12,481	54.6%
Dec. 2014	8,031	40	8,071	84.9%

Internally compiled with amounts as of December 31st, 2016, 2015 and 2014. Figures in millions of Mexican pesos.

At the end of 2016, our total loan portfolio reflected a balance of \$18,294 million pesos, showing an increase of 46.6% compared to 2015. This variation is the result of the continuous progress in the penetration of our clients portfolio with the credit product, as well as Monex's participation in syndicated transactions with other banks.

The "Mejoravit" program, created by INFONAVIT, began to be offered in August 2016 and reflected the balance of \$180 million pesos at the end of December. It is expected to continue growing during 2017.

Monex's origination policies and strategies are consistent with Banco Monex's capabilities and takes into consideration the industry, segment, type of credit, maximum levels of granting by type of credit, as well as the type of allowed transactions.

Given the profile of our market, a significant proportion of our loans are granted to medium-sized corporations with a manufacturing, commercial or financial sector, seeking in most cases to add credit risk mitigators.

The main risk mitigators used are the following:

- Insurance and guarantees issued by ECAs (Export Credit Agencies) from developed countries (i.e., Export-Import Bank of the United States, "Ex-Im Bank", etc.)
- Private credit insurance
- Guarantees and / or government agencies programs and / or development bank institutions of Mexico (FIRA, Nafinsa, Bancomext, etc.)
- Inventory guarantees
- Liquid guarantees
- Mortgage guarantees
- Stock market pledge
- Committed cash flow guarantees

Monex has a credit manual that contains the processes, methodologies and additional information for the origination and administration of the credits. Monex's lending activity is conservative, with a greater emphasis on a moderate risk profile than on accelerated portfolio growth.

Different types of loan and credit we provide can be broken down as follows:

Product	Information as of December 31 th ,
	2016
Loans with other guarantees	12,172
Real Estate Loans	2,422
Loans with pledge of securities	1,552
Nafin Clusters (Supply Chains)	1,034
Non-Nafin Clusters (Supply Chains)	508
Foreign exchange Liquidity Loans	321
Infonavit Loans "Mejora tu Hogar"	180
Eximbank-guaranteed loans	23
Performing Portfolio	18,212
Non-Performing Portfolio	82*
Total Loan Portfolio	\$18,294

Internally compiled with amounts as of December 31th, 2016. Figures in millions of Mexican pesos.
* Includes AdmiMonex portfolio

Deposits

One of the Monex deposits strategies is the costs reduction by the internet concentration of the receipt and delivery, and/or referenced deposits in other banks, providing attractive yield rates in return.

We offer our clients the services of funds concentration, investment, foreign exchange trading and international payments dispersion as an integral cash management solution.

As of December 31th, 2016, demand deposits amounted to \$26,819 million pesos, which represented a 52.2% growth compared to the figure reported in 2015, which was \$17,616 million pesos and \$14,427 million pesos in 2014.

Currently we offer three deposits products:

- Digital account (cash deposit on demand agreement)
- Certificates of deposit
- Promissory notes with yield payable at maturity (PRLV). This service has limited distribution and is not available to general public

Demand deposits

E-banking (Electronic banking)

The main objective of the E-banking and deposits department is to define and develop value added and innovative solutions in terms of functionality to meet the new market needs and the commercialization of use of all means of access to e-services.

Monex deposits business has focused on the digital account product. Deposits balances in this product grew 81.8% in 2016.

Digital Account Demand Deposits as of				
December 31, 2016	December 31, 2015	December 31, 2014	Increase 2016	Increase 2015
15,209	8,366	7,852	81.8%	6.5%

Internally compiled with amounts as of December 31th, 2016, 2015 and 2014. Figures in millions of Mexican pesos.

Monex Digital Account is a multi-currency account that pays attractive yields in return on average monthly balances in pesos and dollars. It allows, through e-banking, the management of resources in national currency or other currencies, transfers in Mexico or other countries, using the facilities of dispersion of funds in an individually or massively manner. The types of clients who operate with Monex digital account are corporations, individuals and persons with corporate activities.

The digital account has the following characteristics:

- Deposit on demand agreement
- Order generation for cash withdrawals, Sistema de Pagos Electrónicos Interbancarios "SPEI" ("Interbank Electronic Payments System), Sistema de Pagos Electrónicos Interbancarios en dólares "SPID" ("Electronic Interbank Payment System in Dollars") or e-transfer for deposits
- Multi-currency operation, being able to maintain balance in the main currencies
- Yield performance rates in main currencies
- Federal Tax Payment
- Identification services of depositors for resources concentration
- Foreign exchange trading
- No administration fees or minimum balance requirements

In addition, we have the Monex HUB (Host to Host) service that allows accounts registration to transfer, receive and execute transfer instructions of our clients automatically through their ERP.

Monex Certificate of Deposit (term deposits)

The "Monex Certificate of Deposit" is a product launched onto the market in 2011. This product is a traditional certificate of deposit in pesos and dollars, which main feature is its attractive yield rate of return. The product has had a good acceptance among our clients showing a balance at the end of 2016 of \$11,167 million pesos.

The deposits due to this product as of December 31th, 2016, 2015 and 2014 is presented below.

	CEDES Deposits				
	December 31 th , 2016	December 31 th , 2015	December 31 th , 2014	Increase 2016	Increase 2015
General public	10,733	4,984	5,483	115.3%	-9.1%
Money market	434	2,033	656	-78.6%	209.9%
Total term	11,167	7,017	6,139	59.1%	14.30%

Internally compiled with ruled figures. Information as of December 31th, 2016, 2015 and 2014.

The digital account is the key account for foreign exchange, forwards and loans, and has had a great acceptance among our clients.

Trust services

During 2016, Monex continued consolidating its image on the market as a proactive and reliable trustee, which allowed us to increase operating revenues by 31.3% over the previous year. The trust services and the common representative's operating revenue in 2016 was \$189 million pesos.

The trust service division in 2016 signed 684 new trusts for a total revenue of \$94 million pesos and more than \$88,932 million pesos in asset management. We also continue providing execution services and securities management in stock market pledge agreements, maintaining us as market leader; real estate valuation, mandates, conditional deposits and other trust services.

Common Representation

Monex' Common Representation service purpose is to supervise the fulfillment of the obligations assumed by each related party in an agreement, with the purpose of safeguarding and facilitating the exercise of each holders' rights.

The Common Representation service continues to be the characteristic product in this area. Our participation in 618 issuances allowed us to have the leadership as a Common Representative at the end of 2016 with a 45.6% of market share of the new issuances, and placed us as the only Common Representative in the market which maintained its rating higher than the standard with stable outlook after the amendment of the Circular Única de Emisoras.

Private Banking and Markets

Through this division, Monex seeks to focus on wealth management, investment funds, and private assessment. The experience and technical knowledge of our team of directors grounds the high versatility in financial solutions that Monex offers its clients.

We seek to capitalize the relationship that our salesforce has with corporations, as well as with owners and directors to improve Monex's position in the Private Banking business.

Private Banking

In Private Banking we are dedicated to offering a specialized and personalized service to our clients. This involves attending their investments according to different risk profiles, offering a wide range of products and services. In addition, we support them in defining their succession plans, through the use of Trusts services and structures that fit their personal and family needs.

In investment funds we offer our clients an open brokerage house services, since we have our own funds and those we co-distribute from third parties. This allows the client to focus on his investments with us and access to the best investment funds that exist in the market, without paying additional commissions.

In structured notes and derivative operations we are market leaders, due to the Monex heritage, where knowledge of the foreign exchange market is very important to offer this type of products, based on exchange rates or interest rates, in accordance with the volatility of the markets.

We developed a promotional tool named MONEX INVEST. Which is a simulator through a tablet, which allows the client to know several investment alternatives, either with portfolios integrated by investment funds both own and third parties with discretionary and non-discretionary management, as well as discrete portfolios integrated with different products, helping to establish the best alternative according to each client's investment profile.

With the change of the investment services regulations, better known as "Circular de Practicas de Venta", we have generated policies, processes and compliance controls, as well as the constant salesforce training, in order to safeguard the interests in information of our clients, generating transparency and trust.

Capital Markets

The capital market area at Monex Casa de Bolsa is responsible for executing the trading of securities listed on the BMV. These orders can be carried out independently or through third parties.

We have specialized in the securities intermediation quoted in the Sistema Internacional de Cotizaciones "SIC" ("International Quota System") and, in particular, in the operation and hedge of instruments known as ETFs.

The total amount traded in 2016 was \$61,921 million pesos, which represented an increase of 7.4% compared to 2015. The volume operated was 918 million shares, which represented a decrease of 12.5% compared to 2015, there were 542 thousand registered transactions that represented an increase of 4.8% in respect to the previous year. The total amount traded in the global market (SIC) was \$42,709 million pesos, which represented an increase of 17.2% over 2015.

Our strategy in 2017 will be focused on the following lines:

- To promote participation in repurchase funds
- To continue providing liquidity to the global market and, thereby, to increase our participation in the market
- To implement and promote the securities lending, aiming to make Monex a lender

Brokerage Services

We offer national brokerage services in a variety of shares and investment companies listed on the BMV, in addition to a range of debt securities, including government and private securities. We also offer international brokerage services with stocks and debt securities, as well as investment funds and securities denominated in different currencies and listed on different international markets.

Domestic brokerage services are offered through Monex Casa de Bolsa and international brokerage services are provided through Monex Securities. The internal figures reflect as of December 2016 revenues of \$475 million pesos in this segment.

Monex Securities is a member of the National Association of Securities Dealers and is registered with the SEC as a Houston-based brokerage house.

Investment Funds

Monex Casa de Bolsa provides the opportunity, through products managed by Monex Fondos, to acquire an investment funds that offer products according to the different terms, as well as the risk profile of each investor.

The Funds are managed by a group of professionals dedicated to optimize the invested resources, which maximizes the yield portfolios. They are responsible for diversifying resources through investments in different types of assets, such as debt securities (government, state and private) and shares, among others.

Monex's attractive yields and expert advisors help the investor finds the ideal strategy to achieve all its goals.

The investment funds managed for Monex's clients are six: MONEX28, MONEXCP, MONEXM +, MONEXMP, MONEXCR and MONEXIN.

Below are some of the most outstanding achievements of Monex Fondos:

- Monex investment funds showed an outstanding growth rate of 23.8% at the end of 2016, a higher growth than the 5.23% registered in the industry. In 2016 we achieved a growth of 12.9% in our funds revenue
- MONEX28 was recognized as the "Best Short-Term Debt Fund" in the Morningstar Awards 2015. The purpose of the Morningstar Awards is to select the funds that have contributed higher value to investors not only in 2015 but also in the last three years
- MONEXM + and MONEXCP allowed, despite the high volatility of the markets, to generate attractive yields for investors, which represented a growth of 30% and 27% in assets respectively, making them good alternatives for uncertainty moments in the markets. This demonstrates the excellent management of these funds throughout the year
- The versatility of MONEXIN made possible to get benefit of the market opportunities in a timely manner, generating high returns to investors and therefore an increase of 105% in assets

In addition to the funds Monex operates, Casa de Bolsa co-distributes 18 funds from six different investment funds brokerage, mainly to grant the investor the facility to invest in debt and equity abroad. In 2016, the management of third-party funds showed a growth rate of 0.07%, generating revenues in 2016 of \$7 million pesos.

Monex funds are also distributed by O'Rourke y Asociados(an independent distributor based in Jalisco), Mas Fondos (a distributor with an advanced business model focused on small investors) and Kuspit. We will continue searching additional intermediaries to carry out this distribution.

During 2016, average total assets were \$8,606 million pesos (\$8,094 million pesos of Monex funds and \$512 million pesos of co-distributed funds). On the other hand, the average net assets of own funds showed a growth of 3.0% in 2016.

In the same year, according to internal data, the revenues from the operation of our investment funds and asset management were \$94 million pesos, which represented an increase of 2.4% compared to figures reported in 2015.

Asset Management

Monex Asset management offers a specialized administration in the management of resources, optimizing the risk-performance ratio according to the profile of each client. Investors grant a mandate to the Asset Management department, through Monex Casa de Bolsa, to manage its resources according to the level of risk and investment policies. Resources are managed according to an investment methodology, risk controls and a decision-making process conducted by a multi-disciplinary committee.

Currently Asset Management carries out the resources of the clients through five portfolios or investment strategies:

- i) *Debt*: Consists of a conservative strategy since 100% is invested in debt certificates. This investment strategy offers attractive yields and a minimum risk, which is why it is mainly recommended for investors with a conservative profile whose safety preferences predominate over those of performance.
- ii) *Conservative*: Unlike the Debt strategy, the Conservative strategy refers to a moderate level of risk, in which at least 85% of resources are invested in debt instruments and up to 15% in capital markets. This strategy is recommended for investors who are willing to accept marginal risk in exchange for higher yields.
- iii) *Patrimonial*: This strategy invests at least 70% of the resources in debt instruments, while the investment in capital markets must be minimum 5% and maximum 30%. Unlike the two previous strategies, the Equity portfolio offers more attractive yields since it has a medium risk exposure.
- iv) *Growth*: This strategy invests at least 55% of resources in debt instruments, while capital markets investment must be at least 15% and a maximum of 45%. For this type of strategy, exposure to risk is classified as high, and is in line with the yields obtained from such investment.
- vi) *Monex Intelligence*: It is a dynamic global asset allocation strategy that seeks to identify trends by adapting to them with agility, and is focused on clients looking for widely diversified portfolios and, therefore, get benefit of global investment, in order to obtain attractive yields in dollars. Assignment of assets is done through a mathematical model provided by the Spanish company ETS which is operated by the Monex Asset Management. This strategy allows us to participate in upward market trends and reduce the impact of unstable and / or bearish markets.

Although the investment strategies described above offer attractive yields linked to the risk profile of each of the clients, the Asset Management area also offers the option of managing tailored made portfolios.

From their inception and until December 31th, 2016 all strategies have exceeded their benchmark indexes.

The year 2016 was characterized by significant levels of volatility and uncertainty in the markets, as well as by repeated corrections of the IPC, as a result of the market volatility.

As of December 31th, 2016, the aforementioned strategies had a total amount of \$2,334 million pesos in assets under management.

The Asset Management area closed 2016 with a growth in assets of 8.1% in relation to 2015. Despite this increase, revenues decreased by 4.3% in the same period, due to the decrease in commissions and since the new funds were credited practically at the end of the year.

Institutional Savings

Institutional Savings is an area specialized in the integral administration of funds and savings accounts, pension plans and labor savings schemes implemented by companies, for the benefit of its employees. We offer them the strategic investment and professional management of the individual accounts of the participants of these plans (record keeping).

Institutional Savings has been consolidated among the suppliers of this type of financial services, as an option of experience and proven quality, offering differentiated solutions for its service and low costs. It also supports companies in the proper implementation of their social welfare plans that allow them to get benefit of the tax incentives for companies and their employees, as well as a personalized strategy in the investment of the resources contributed to these plans.

We provide the necessary technology solution to the companies by accessing a specialized platform for managing individual accounts, in a reliable way and online.

The specialized development provided by Monex about the specific tasks of the integral administration required by these plans represent an efficient solution due to its low cost and high performance restricted for most companies due to the expensive investment of both human and economic resources.

With its service model, it contributes to reducing the use of human and financial resources that companies have to allocate to the management of their funds and saving accounts, thus transferring administrative burden in the area of Institutional Savings. This allows us to continue offering to the participants with security and transparency through our online platform, the personalized consulting of account statements and online reports, giving certainty that the savings and their management is much more transparent through the management provided by Monex.

In a few years, we have reached to provide, at national level, the comprehensive management of funds and savings accounts of important domestic and foreign companies.

Over 12 years of providing clients with timely advice, investment of resources and management of individual accounts, Institutional Savings has gradually positioned itself in this market, reaching 1,150 clients with 225,000 individual accounts managed.

The experience and the rate of growth of the area, allows us to have as a perspective to increase both the number of contracts and individual accounts in a relevant percentage in relation to 2016.

In Institutional Savings we aim to become the most competitive financial option in providing the professional services of investment and administration of the resources coming from the plans of social welfare and schemes of labor savings implemented by the companies, offering our clients the following competitive advantages:

- Personalized service and attention
- State-of-the-art technology that allows clients to have an agile and practical query of diverse reports (presenting balances and online movements)
- Competitive yields in investment funds
- Advisory on the design, implementation and start-up plans in the company

International investments

Monex Securities is a subsidiary of Monex Casa de Bolsa and is a USA registered broker dealer liquidating and operating through Pershing LLC (a subsidiary of the Bank of New York). This financial intermediary is incorporated in the state of Delaware and its offices are located in Houston, Texas. This intermediary provides personalized financial advice, offering financial products and services under the USA regulatory framework and is authorized to trade, in multiple markets, investment instruments denominated in various currencies in the form of corporate, sovereign or quasi-sovereign debt, shares, options, structured notes and mutual funds, both domestic and international.

At the close of 2016, Monex Securities had 928 clients.

Monex Asset Management Inc. is a Registered Investment Advisor (RIA) recognized in Texas and is a subsidiary of Monex Casa de Bolsa, headquartered in Houston, Texas. This company has the faculty to provides financial advisory services or securities investment, analysis and issuance of investment recommendations, promote or commercialize market securities and manage portfolios by making investment decisions in the name and on behalf of third parties. We currently offer diversified portfolios with three different risk profiles through ETFs and / or mutual funds, both domestic and international.

Money Market and Treasury

The Money Market and Treasury areas have redesigned their architecture according to international standards. The objective of this new step was to have a new structure that allowed a more efficient of assets and liabilities management (ALM), besides of greater precision, transfer pricing by business units, as well as the expected profitability of each product (greater efficiency in the destination and use of capital).

The transfer pricing by business units is in under development, as well as the expected profitability of each product, this will be a big step for Monex in terms of maturity of its platform.

On the other hand, a new business unit called Trading was developed at the trading desk, which broadens and diversifies the source of income through directional and tactical strategies in this market as a complement to the traditional risk positions.

This is a very relevant step since cyclical and counter-cyclical market strategies (rate rises) are added, improving the risk positions and obtaining profits as well, when rate rises with no need to be long solely in the market.

The Institutional Sales area has been consolidated as a new business model, redefining the hedging strategy in the different sectors and clients of highly specialized wholesale market.

The sample of competition in this sector is based on the investment recommendations ("trade-ideas") based on the macro and technical of the local market of government debt with tactical profile looking for generation of ALPHA in their portfolios.

The premises of our proposal to compete are: a good reading of market opportunities, flawless performance, absolute discretion, competitive price, all supported by more specialized analysis of the different kinds of assets and their performance in the market. The profitability of this business unit is very high and the revenues are interesting since it is pure intermediation. However, there is much to be done in terms of market share, client and product diversification.

In 2016, a new version of our central operating platform (MUREX) was implemented for the money market, derivatives and treasury market trading desks. This effort was completed in August after more than a year of development. This new version aims to provide greater speed and volume capacity in operations management, as well as the benefits of better quality and use of information by having a much more robust database.

In 2017, this new version of the platform will allow us to improve the quality of management information (MIS), by having more sophisticated tools for making business decisions and markets with greater opportunity and a more efficient use of the capital resources in relation to the different kinds of risks in the market.

Integral Risk Management

Organizational Structure of Risk Management

The "risk management" function is delegated to a Risk Committee appointed by the Board of Directors of Banco Monex, Monex Casa de Bolsa and Monex Fondos, which has the support of the Integral Risk Management Unit. We believe that risk management is a competitive element of a strategic nature, which ultimate purpose is to maximize the value generated for the Monex's shareholder. Risk management is defined, in a conceptual and organizational sense, as the integral treatment of the different quantifiable risks (market risk, liquidity risk, credit risk, operational risk, legal risk and technological risk) that we are exposed to in the normal course of our activities. Managing the inherent risks in our business is essential to understanding and determining our financial situation and creating long-term value.

The Risk Committee is directly dependent on the Board of Directors of each financial entity belonging to Monex Grupo Financiero and its responsibilities, among others, are:

- I. To submit the Integral Risk Management manual to the Board of Directors for its approval
- II. To approve the general criteria to identify, measure, limit, monitor, control, report and disclose the different type of risk to which we are exposed
- III. To designate the responsible person for the Integral Risk Management Unit
- IV. To review and approve the individual risk decisions for each business unit, as well as the reports, parameters and models used for the measurement of risks
- V. To approve the models proposed by the Integral Risk Management Unit to value the different type of risks
- VI. To verify the compliance with the risk exposure limits in each business unit
- VII. To approve temporary exceptions to risk limits when deemed appropriate to the market conditions

We have a Risk Committee at Banco, Casa de Bolsa and Monex Fondos. The members corresponding to our main subsidiary (Banco) are:

RISK MANAGEMENT COMMITTEE

Mauricio Naranjo González
Corporate Banking Managing Director
(Participates with voice and vote)
CHAIRMAN

Hernando Carlos Luis Sabau García
Deputy Director
(Participates with voice and vote)

Moisés Tiktin Nickin
Asset Management and Markets Managing Director
(Participates with voice and vote)

David Aaron Margolin Schabes
Independent Director
(Participates with voice and vote)

Grocio Soldevilla Canales
Corporate Director of Risk Management
(Participates with voice and vote)

José Luis Orozco Ruiz
Director of Internal Audit
(Participates with voice but without vote)

Erik A. García Tapia
Corporate Legal Subdirector
(Not a member of the Committee)
SECRETARY OF THE COMMITTEE

The Integral Risk Management Unit is responsible for identifying, measuring, limiting, monitoring, controlling, reporting and disclosing all types of risks in our business units, as well as preparing the executive reports to the CEO, other business units' directors, the Risk Committee, the Audit Committee and the Board of Directors.

Integral Risk Management involves both the compliance with the regulations on Integral Risk Management matter and the regulations established by the Issuer, which ultimate objective is the generation of value for its shareholders, maintaining a conservative profile regarding the risks exposure in the organization.

The recognition of fundamental precepts is essential for the efficient and effective integral risks management, both quantifiable discretionary (credit, market and liquidity) and non-discretionary, operational risk (technological and legal), and under the premise of satisfying basic identification processes, measurement, monitoring, limitation, control and disclosure.

The Bank's risk management framework begins with the Board of Directors, whose main responsibility is the approval of the objectives, guidelines and policies related to this subject, as well as the determination of the risk exposure limits, supported by the constitution of the Assets and Liabilities Committee and the Risk Committee.

Also, we have a technical manual for Integral Risk Management that describes the valuation models, aimed to:

- Carry out the market valuation of the transactions and / or instruments held by different business units
- Determine the profits or losses by flow and the surplus value or disability, derived from the valuation to market

The market value of a position reflects the potential loss or gain that would occur if it decided to close the position on the valuation date. The most important elements for valuation are:

- Risk factors affecting the instruments value
- The financial characteristics of the instruments
- Mathematical procedures to calculate the instruments price

The evaluation of the financial results implies to recognize the profit or loss realized (flow of resources) for each business unit and, on the other hand, the variation in the market value of the positions (valuation result). This information is used by the heads of the business units to determine their profitability, and by risks area to establish "stop loss" limits, or to compare the assumed risk with the efficiency obtained.

Even though each business unit knows the daily and accumulated monthly results generated by its operations and the market value of its positions, the Integral Risk Management Unit permanently supervises the consistency of the procedures used with the accounting criteria established by the authorities.

The importance of risk management products to the financial position and results of the Issuer

The Issuer uses hedging risk management products to manage its exposure to market risks, particularly the exchange rate and interest rate risk, and maintaining them within the guidelines set by the Board of Directors and the applicable regulation.

The risk management products operation with certain counterparties may involve margin calls in certain circumstantial, which must be hedged with cash and / or highly liquid securities. The Issuer cannot anticipate possible losses arising from the use of risk management products as these can be the result of a wide variety of factors related to significant changes in the exchange rate, interest rates, capital markets and perception of sovereign risk, among others.

The Issuer is authorized to operate exchange risk, rate risk and IPC management products.

a) Normative

This section is included in addition to the obligation to disclose information regarding its policies, procedures, methodologies adopted for the risk management, as well as information on potential losses by of risk and market.

The administration board has manuals on policies and procedures that follow the guidelines established by the CNBV and the Banco de México to prevent and control the risks to which the Bank is exposed through the operations it carries out.

Assessments of policies and procedures, functionality of risk measurement models and systems used, the compliance with risk measurement procedures to carry out the risk measurement, as well as the assumptions, parameters and methodologies used in the information processing systems for the risk analysis, are entrusted to an independent expert, as established by the regulations issued for this purpose by the CNBV.

The results of the evaluations are presented in the reports entitled "*Risk management prudential regulation*" and "*Review of valuation models and risk measurement procedures*", which are submitted to the Board of Directors, the Risk Committee and to the CEO.

b) Environment

The Issuer identifies, measures, monitors, controls, discloses and reports its risks via the Integral Risk Management Unit and the Risk Committee, jointly analyzing the information provided by the business areas.

The Issuer has technological instruments for the calculation of Value at Risk (VaR) to carry out the measurement and evaluation of the risks taken in its financial transactions, completing the evaluation with the analysis of sensitivity and stress testing. In addition, there is a plan that aims to allow the continuity of operations in the event of a disaster.

The Integral Risk Management Unit distributes daily risk reports and monthly presents information on the risk situation to the Risk and Audit Committee and, on a quarterly basis, presents executive risk reports to the Board of Directors.

c) Responsible Divisions for risk management

The responsibility for establishing risk management policies rests with the Board of Directors. The Board of Directors also delegates to the Risk Committee and to the CEO the responsibility of implementing the procedures for identification, measurement, supervision, control, information and disclosure of risks, in accordance with established policies.

The policies approved by the Board of Directors are documented in the "Integral Risk Management Manual", which includes the objectives, goals and procedures for risk management and the maximum tolerances of risk exposure.

The Risks Committee conducts its monthly meetings and supervises that the operations comply with the objectives, policies and procedures of operation and control approved by the Board of Directors. The Risk Committee, in its turn, delegates to the Integral Risk Management Unit responsibility to carry out the integral monitoring and follow-up of the risks.

For emergencies, such as temporary authorizations to exceed these limits, extraordinary meetings of the Risk Committee are held depending on the market conditions or specific needs of the different business units.

Risk lines for the foreign exchange operations are evaluated on a weekly basis at the Risk Lines Committee sessions.

d) Organizational Structure of the Risk Management

The main purpose of the Risk Management Committee is to manage the risks to which the Issuer is exposed and to ensure that the operations are carried out in accordance with the objectives, guidelines and policies for comprehensive risk management, as well as the global limits of risk exposure that have been previously approved by the Board of Directors of the Issuer, at the proposal of the aforementioned Committee.

In addition to the above, the Risk Management Committee will be responsible for approving:

- I. Specific limits of risk exposure and levels of risk tolerance
- II. The methodology and procedures to identify, measure, monitor, limit, control, inform and disclose the different type of risk transactions, products and services that the Issuer intends to offer to the market
- III. It shall have the power to appoint and remove the person responsible of the Integral Risk Management Unit

The Risk Management Committee shall report to the Board of Directors of the Issuer:

- I. The risk profile and the negative effects that could occur in the Issuer's operation
- II. The result of the effectiveness tests of the business continuity plan
- III. Any non-observance of the limits established by abovementioned administrative division and corrective actions implemented and proposed by the Issuer's CEO

The permanent members of our Risk Committee are described in Section 4 "Management - Managers and Shareholders".

e) General internal control

Derivative transactions in OTC and organized markets are governed by the following set of regulations issued by Banco de México, CNBV, MexDer and Asigna of the BMV. The function of Internal Audit is to verify the proper and correct compliance with these provisions.

- Internal Regulation of the Derivatives Market (MexDer)
- Internal Regulation of Asigna
- General provisions issued by the CNBV (Circular Única de Emisoras)
- Additional amendments to any of the above regulations
- Circular 4/2012 of the Banco de México
- Ley del Mercado de Valores

Likewise, Monex Casa de Bolsa and Banco Monex staff must at all times comply with the following regulations:

- Policy and Procedures Manual for derivative transactions in organized and OTC markets
- Code of Ethics of Monex Grupo Financiero
- Code of Ethics of the stockmarket community

The need to evaluate transactions with derivative financial instruments arises since it is an important risk management instrument for Monex Casa de Bolsa, Banco Monex and the clients. A reliable and representative sample is extracted from the universe of derivative transactions that are agreed in recognized and OTC markets, the analysis and evaluation of that sample allows us to conclude whether the transactions are correct, efficient, timely and secure.

Currently MexDer transactions are electronic, being concentrated on the Electronic Trading System, Registration and Allocation "SENTRA-Derivados". Traders enter their positions and the system does not reveal their identity, which makes it an anonymous market. Once the transaction is agreed upon, MexDer sends the data to the Compensation Chamber (Asigna), and at that moment it becomes the counterparty assuming the credit risk.

To be able to conclude whether the derivative transaction is efficient, timely and reliable, the operation of each market must comply in a reasonably correct manner with the established in the manual and with the applicable disposals.

f) Risk Control Function:

The risk control activities mainly consist of:

- To supervise compliance with the policies and procedures approved by the Risk Committee
- To propose to the Risk Committee, for its authorization, the methodology to identify, measure, supervise, limit, monitor, report and disclose the different risks and the procedure for determining the limits of risk exposure
- To monitor market, credit and liquidity exposure on a daily basis. Also, monitor the market risk of the Brokerage House and the Bank in an intraday way
- To monitor compliance with global and specific exposure limits, as well as levels of risk tolerance
- To promote an integral risk management
- To report to the Risk Committee, the CEO and the Board of Directors regarding:
 - The global exposure by type of risk, as well as the specific of each business unit. Reports should include sensitivity analyzes and tests under different scenarios, including extreme ones
 - Deviations from the established risk exposure limits
 - Proposals for corrective actions required as a result of an observed deviation
 - The historical evolution of the risks assumed by the institution
- To investigate and document the causes of deviations from the established risk exposure limits, informing in a timely manner the Risk Committee, the CEO and the Internal Auditor
- Propose to the CEO and to the heads of business units the reduction in risk exposure to make it compatible with the limits previously approved by the Board of Directors
- Propose to the derivatives operations area the closing of client positions, if they do not constitute guarantee calls
- Determine the amount of the derivatives line, as well as the initial guarantee percentages for each client
- Enter into the corporate system the information of the line of derivatives in pesos, the percentage of initial guarantees and the nature of the client (if he is a hedge or speculator)

Likewise, the following areas comply with the activities described below:

Accounting - Its function is to comply with the derivatives accounting rules, based on the criteria established by the CNBV, specifically in Articles 138, 141 and 170 of the Circular Única de Casas de Bolsa and B-5 "Derivative financial instruments and hedging transactions" of the Circular Única de Bancos. In addition, it seeks to obtain in a daily manner the accounting valuation of the transactions, based on the transaction information generated by the MXG 2000 system and to verify daily its records versus those of the operators and comparing both bases.

Guarantees - The operation and control manuals include written procedures that allow to define, where appropriate, the guarantees to be established in this type of operations, as well as the procedure of margin calls.

Legal - Its task is to review the content of the intermediation framework agreement, securities bonds, among others, in order to reduce the legal risk to which the Brokerage House is exposed, as well as the contracts that the clients sign to operate derivatives at Banco Monex and the International Swaps and Derivatives Association, Inc. (ISDA) contracts signed by Banco Monex with financial counterparties. It will also be responsible for the preparation and custody of the minutes of the Board of Directors meeting and the minutes of the Integral Risk Management Committee.

Transactions with Derivative Financial Instruments

Overriding trading policies for risk management products

The Issuer's policies allow the use of derivative financial products for hedging and / or negotiation purposes. The main objectives of the operation of these products are the hedge of risks and the maximization of profitability.

The instruments used are: forwards, futures, options, interest rate swaps and foreign exchange swaps.

Trading markets are listed on organized and OTC markets where eligible counterparties may be nationals that meet the requirements established by the Banco de México.

The designation of calculation agents is established on the legal documentation signed with the counterparties. For the valuation of derivative instruments in organized markets, we use the prices published by the prices providers, which the source is generated in the derivatives stock exchanges. For the valuation of the OTC derivatives, the prices are calculated by the derivatives system, using the information of the risk factors published by the price provider.

The main conditions or terms of the contracts are based on the International Swaps and Derivatives Association, Inc. (ISDA) or the local framework contract, based on the guidelines outlined in the ISDA. The specific policies for margins, collateral and lines of credit are detailed in the Derivatives Manual and any changes thereto must be approved by the Risk Committee.

Banco Monex and Monex Casa de Bolsa act as an intermediary in the market for risk management products, with the following objectives:

- Provide services to clients, for whom operations represent financial instruments that enable them to manage the risk they are exposed to
- Cover the market risk of the transactions carried out by the different business units
- Comply with risk limits at all times

Monex negotiates risk management products at the following markets:

- 1) OTC markets
- 2) MexDer
- 3) CME Group

The instruments used are:

Risk management products in OTC markets:

- Foreign exchange forward
- Forward rates and stock indexes
- Nominal interest rate swaps, with a nominal interest rate as a reference
- Subyacent European options on exchange rate
- American options on exchange rate

Risk management products in recognized markets:

- Stock index futures
- Euro and dollar futures in MexDer
- Foreign exchange futures traded on the Chicago Mercantile Exchange
- Options on the price index and quotes
- Options on Euro and dollar in MexDer
- Options Rates

The general and particular policies of our activities with derivative financial instruments are contained in the single derivative manual. In general terms, we can point out that the objectives of operating derivative financial instruments are the transactions coverage we carry out with clients, as well as the interest coverage rate and exchange rate risk of active or passive positions held in the different business units. These products are traded on OTC markets and in organized markets and are documented in contract frameworks, based on the clauses mentioned in the International Swaps and Derivatives Association, Inc. (ISDA).

All counterparties wishing to trade derivatives, being financial or non-financial clients, must be approved by the Lines Committee or by the Credit Committee. The back-office area controls strictly all the transactions conditions, through their validation and monitoring of confirmations and strict application of the regulation of derivatives, the points required by the Banco de México.

The internal control procedures for managing the risk exposure are detailed in the derivatives manual and the risk manual, and comply with the current legislation on derivatives. The valuation and risk models used for derivatives at Monex are periodically audited by an external auditor and are a part of the internal audit plan of the relevant area.

Regarding to the guarantees management received from clients and those delivered to organized exchanges and financial counterparties, this monitoring is performed daily by the operational control area. The guarantees funding provided by Monex for these operations is carried out by the treasury department, through an adequate process of optimization of liquidity needs.

Given the nature and characteristics of the derivative financial instruments we operate at Monex, these transactions are subject to market risk, credit risk, liquidity risk and operational risk. The positions of derivative financial instruments are exposed to the following risk factors:

- Exchange rate
- Interest rates, mainly in pesos and dollars
- Exchange rate volatility
- Interest rates volatility
- IPC

The sensitivity and stress analysis of financial derivative transactions considers jointly the transactions we make with our clients, the transactions we carry out with financial intermediaries and those carried out at MexDer and the Chicago Mercantile Exchange.

Operational Strategies

Trading

By strategic policy of Monex, transactions with risk management products are only carried out as a hedge to the transactions carried out by clients with this kind of instruments.

The proprietary positions are allowed only with special authorization of the Risk Committee. In this case, the way potential losses are estimated over a given period of time is by calculating the value at risk "VaR", which mainly reflects the volatilities of risk factors and the sensitivities of positions to changes in risk factors such as delta, gamma, rho, etc.

The Value at Risk measures the maximum potential loss that the position can experience in a certain period of time with a certain level of confidence. For example, if the value at risk with 99% confidence at one day is \$100 pesos, the above means that the estimated loss for the next day with a 99% probability is at most \$100 pesos.

As a complementary measure to the Value at Risk, the sensitivity and stress analysis of risk management products is performed. This process has the following stages:

- a) Identification of the risk factors that affect the market value of the positions
- b) Risk factors are defined depending on the nature of risk management products in particular and financial in general. Considering the characteristics of these, the risk factors that are affected by the stress and sensitivity scenarios are defined
- c) Definition of the sensitivity and stress scenarios previously approved by the Risk Committee
- d) The stress analysis is performed for different variations in risk factors, considering probable variations (variations based on risk factors), possible and stress, which implies higher levels for risk factors
- e) In the same way, the sensitivity analysis is performed considering lower variations in risk factors, either in base points or percentages established for this effect. The above parameters are established considering past events in financial markets that have been experienced
- f) Revaluation of the position with the new risk factors, where the change in the market value of such changes is measured
- g) Once the appropriate risk factor and the stress parameters to be used are defined, the effect of these changes in market value or capital gains or losses on the business units and on the Issuer level is evaluated. The stress results are compared daily with the limits established for this effect by the Risk Committee

Hedge

The sensitivity and stress of hedging risk management products are performed in conjunction with sensitivity and stress for the underlying assets or benchmark variables. Considering the parameters previously determined, its effect is assessed on the market value of products for risk management and the original or underlying position being hedged.

In addition to this activity, hedge effectiveness is performed by comparing the variations in the valuation of the risk management product against variations in the ablation of the underlying asset. With this procedure, the effectiveness of hedging is being periodically measured.

Counterparts

Clients authorized to operate with by the Lines Committee or the credit risk area. It will not be possible to carry out operations with individuals and / or corporations that have not previously been authorized by the corresponding instances, and with financial intermediaries (banks or brokerage houses), who do not get authorization from the Banco de México to carry out operations of products of risks management.

For each entity authorized as counterparty (intermediaries or clients) of the Bank and of the Brokerage House, the credit risk area or the Credit Lines Committee determines the line of operation and the maximum loss amount, according to the case, expressed in pesos; the first, it limits the net amount of the position (to avoid risk of high concentration) and the second, the maximum loss that Monex can have with that counterpart at any point of time before making a margin call. These amounts are ratified at the next session of the corresponding Risk Committee.

The clauses of the corresponding contracts include the designation of calculation or valuation agents, which are negotiated in a particular way with each counterparty.

Main terms of contracts and policies for margins and lines of credit

Any individual or legal entity acting as client of the Brokerage House and the Bank in the operations of OTC risk management products shall follow the procedure established in the flow to contact the clients, in addition to complying with the following requirements, before carrying out any operation:

1. To sign the deposit agreement, loans and foreign exchange transactions and the framework agreement for risk management products with Banco Monex. To have signed the framework agreement for risk management products, the supplement and the annexes, as well as have signed the brokerage agreement (CIB, for its acronym in Spanish) with the Brokerage House.
2. To deliver all the documentation required for the hiring and for the corresponding loan study.
3. To have an operation line or maximum loss amount, as well as the initial margin percentage determined by the Risk Department and ratified by the Risk Committee or determined by the Lines Committee, for those with zero margin.

If the client wishes to operate OTC risk management products, the Risk Department defines the information that the promoter will request from the client and performs the credit analysis.

OTC risk management products

- All clients may carry out transactions, provided that the net amount of the operations in force does not exceed the operation line ratified by the Risk Committee or as long as the amount of the loss does not exceed the maximum loss amount authorized by the Risk Committee
- Clients must provide initial guarantees for each operation, in cash for the Bank's case and in securities eligible for Brokerage House, following the procedure established for the guarantees management. For these purposes, the Risk Department presents to the Risk Committee a report with all authorized lines of credit and transactions and the percentages of initial margins determined
- Clients must comply with the OTC risk management product warranty control procedure authorized by the Risk Committee. This mechanism allows us to ensure that the customer has covered daily the losses generated in each operation and not incurred in default

The margin policy is determined on a case-by-case basis. The minimum margin in risk management products is 5%, and may be up to 10%. In these cases, the authorized lines are not of credit, but of transaction. Only in exceptional cases, a margin of zero with a maximum loss or margin less than 5% is authorized by the Lines Committee.

To reduce credit risk in these operations, Monex has established a daily or even intraday margin calls scheme, which avoids default in the transactions to be carried out by Monex and, at the same time, represents an effective means of prevention against significant movements in the financial market and adverse in risk factors.

Risk management products in recognized markets

- All clients may carry out transactions, without exceeding the limit of transaction set by the liquidating partner
- Clients must provide minimum initial contributions for each transaction, either in cash or in value, which are established by the clearing and settlement chamber
- Clients must be subject to the contribution control mechanism defined by the settlement partner, which allows the Bank and the Brokerage House to ensure that the client will cover daily the losses generated in each operation and that no default is incurred

The Credit Lines Committee has the following functions directly related to the operation of risk management products:

1. Be informed of changes in the financial situation of clients
2. Authorize exceptions to the percentages of initial margins for the operations of risk management products
3. Authorize extension to the lines of operation

Designation of Calculation Agents

The designation of calculation agents is established in the legal documentation signed with the counterparties. For the valuation of derivative instruments in organized markets, the prices published by the price provider are used, the source of which is generated in the derivatives exchanges. For the valuation of the OTC derivatives, the prices are calculated by the derivatives system, using the information of the risk factors published by the price provider.

The main conditions or terms of the contracts are based on the International Swaps and Derivatives Association, Inc. (ISDA) or the local framework contract, based on the guidelines outlined in the ISDA. The specific policies of margins, collateral and credit lines are detailed in the derivative manual and any changes thereto must be approved by the Risk Committee.

Processes and authorization levels

In terms of internal regulations, all derivative financial products or services associated with derivative products that are marketed by Monex are approved by the Risk Committee. Those products or services that undergo modifications or additions to their original authorization also require the approval of the Risk Committee, where all the areas that participate in the operation of the product or service are present, depending on its nature, including the ones responsible for accounting, legal instrumentation, tax treatment, risk assessment, among others.

Description of Valuation Techniques

The Issuer is under the supervision and observation of the Commission and Banco de México, exercised through follow-up processes, inspection visits, information and documentation requirements and reporting. In addition, periodic reviews are carried out by internal and external auditors.

Derivative financial instruments for trading purposes:

OTC Markets. The valuation of the OTC derivatives carried out with clients, are performed by the derivative system, using the standard methodologies for the different instruments. Inputs for valuation are provided by the price provider.

Organized Markets. The valuation is made at the closing prices of the market in question, provided by the price provider.

The valuation of the OTC derivatives made with financial intermediaries and used to hedge those that are made with the clients, are made by the entity designated as calculation agent in the corresponding agreement of International Swaps and Derivatives Association, Inc. (ISDA). In all cases, the Issuer performs the valuations of its positions and the value obtained is recorded, according to the accounting criteria for this purpose.

- Financial instruments for hedging purposes. The valuation of the derivatives for hedging purposes is carried out in accordance with the guidelines and policies indicated in the accounting criteria which form part of the Provisions
- Reference variables. The most relevant reference variables are exchange rates, interest rates, stocks, baskets and stock indexes
- Valuation frequency. The frequency with which derivative financial products are valued for trading purposes is daily. It has also been established that derivative financial products for hedging purposes are valued at the end of each month

Internal and External Liquidity Sources

There has been no need to use external sources of liquidity to cover the margin requirements that may arise both in the operations of MexDer and in Chicago Mercantile Exchange.

Financial counterparties are used to cover transactions opened with clients, which have negotiated lines of credit under various contracting conditions.

The transactions with clients are mostly agreed with an initial margin, which displays a spread of guarantees (collected - contributed) so that we normally have cash surpluses for this concept. There are, of course, special cases and clients that have negotiated an initial margin of 0% with a maximum loss, i.e. once the maximum loss amount is exceeded, contributions of collateral are required.

Market risk

We are exposed to foreign exchange risk with respect to our trading and foreign exchange transactions with our clients. To ensure that fluctuations in the exchange rate do not affect our income, we have policies that allow us to identify exposure to foreign exchange risk and implement daily limits to such risk. To ensure that open positions are not held for hours and non-business days, we require all our current assets and current liabilities to be hedged or protected in accordance with exposure limits during such non-working hours and days.

Our exposure to market risk derives mainly from our operations with our proprietary position in debt instruments (mainly government securities). Our exposure to market risk depends on various financial market conditions. We control market risk by the daily valuation of our positions, using the Value-at-Risk (VaR) method in conjunction with the stress analysis, in accordance with certain parameters approved by the Risk Committee. The total Value at Risk (VAR) of Banco Monex at the close of 2016 was \$29.5 million pesos. For the current position in the Treasury portfolio was of \$18.7 million pesos, portfolio MDIN of \$15.2 million pesos, MDIN PROP portfolio of \$1.3 million pesos, portfolio Derivatives of \$5.3 million pesos and changes of \$0.27 million pesos, in a period of 1 business day, using a confidence level of 99%. In case of any excess over these limits, this situation is immediately reported to those responsible for each business unit. During 2016, Banco Monex's average Value at Risk for transactions in the treasury portfolio, MDIN, MDIN PROP portfolio and derivatives of \$24.5 million pesos, \$5.4 million pesos, \$2 million pesos and \$3.5 million pesos, respectively. As of December 31st, 2016, we were not significantly exposed to market risk in our other business areas.

Liquidity risk

Liquidity risk is related to our ability to finance our obligations in reasonable market terms, as well as to carry out our business plans with stable sources of financing. Factors that influence liquidity risk may be external, such as liquidity crises, or internal, like excessive concentrations of close positions. We are sometimes forced into early or forced sales of debt instruments at unusually low prices to meet financial needs or to acquire or hedge a closing position. As of December 31st, 2016, we maintain a significant portfolio of liquid assets, which allows us to be well above the regulatory limit of the liquidity ratio.

During 2016, our main liquidity source were repurchase agreements and the holding of a portfolio of liquid assets, aimed at maintaining assets that are easily realizable, that can be sold at reasonable prices in conditions of unexpected outflows of client resources and that allows us to fulfill in a comfortable way with the coefficient of liquidity. A significant rise in interest rates may mean a decrease in the value of our repurchase position and thereby restrict access to short-term capital to finance intermediation. To control liquidity risk, we monitor and measure the associated risk (GAP) to assets and liabilities denominated in pesos, foreign currency or UDIs and evaluate the diversification of our sources of funding. Given our conservative nature, and the fact that we operate primarily with very liquid government instruments, we believe that liquidity risk is minimal, in the event of a significant change in interest rates.

Additionally, the liquidity hedge ratio is monitored daily, which compares the amount of liquid assets against the net outflows of resources in the following 30 days, according to CNBV regulation, based on the criteria indicated by Basel.

Credit risk

Credit risk is defined as the potential losses caused by the total or partial default of a debtor or a counterparty in its obligations to us.

Our credit risk in foreign exchange transactions is considered as liquidation or closing risk and in our operation of derivative financial instruments as counterparty risk. The first risk refers to the risk that certain clients, whom we pre-approved a line in the Lines Committee to carry out trading and exchange of currencies, do not liquidate or close the corresponding transaction, leaving us exposed to exchange rate positions open the possibility of not being able to collect them. Counterparty risk refers to the risk that our counterparties in the operation of financial derivative instruments cannot meet their contractual obligations due to changes in market conditions that have a negative impact on such counterparties. Our exposure to liquidation or closing risk and counterparty risk is calculated through the mark-to-market of the open positions of each client or counterparty and the potential loss of expected maturity of each open transaction, that is calculated daily with the methodology known as Montecarlo. In order to reduce and monitor risk, we require that each client or counterparty that enters into transactions with us has a risk limit (which considers the credit risk of each client or counterparty) and, in case of transactions with instruments derivatives, make guarantees deposits.

The risk limit for each counterpart is established by our Line Sub-Committee through the analysis and study of the financial information of the counterparty. The risk limit of each counterpart is updated in our system whenever there are changes in the amount of the lines. The risk is also monitored on a daily basis by the Integral Risk Management Unit, considering the foreign exchange and derivative operations of each counterparty. We usually request guarantees deposits when entering into forward transactions or options with counterparties. When long-term rate operations are carried out, a maximum loss amount is established that, in case of being exceeded by the impairment, customers are requested to provide guarantees in cash.

The minimum guarantee deposit established by our Risk Committee is 5% of the face value of the transaction. As of December 31th, 2016, there were no reserves for expenses related to our overdue portfolio associated with our settlement or closing risk and counterparty risk. These risks may increase as our foreign exchange and derivative operations grow and due to the conditions of the markets in which we operate.

We are also subject to credit risk in our financing transactions. Regarding the short-term loans insured or guaranteed by ExIm Bank, we are subject to credit risk of the debtor 2% of each contract (which represents the uninsured portion that we retain) for the financed american export of agricultural raw materials or 10% of each credit (representing the unsecured portion that we retain) for any other product export. All exposure to credit risks requires approval by our Credit Risk Sub-Committee. Our credit risk sub-committee establishes the risk exposure limit through the analysis and study of the financial information of all our potential clients. Once such limit is established, exposure to credit risk is monitored on a weekly basis and each time the client carries out an operation and is reviewed against the risk limit approved for that client.

Credit risk in the corporate bonds position is controlled by explicit limits to the holding of corporate bonds and securitized bonds authorized by the Risk Committee. This limit is monitored by the Integral Risk Management Unit and presented to the Risk Committee.

Operational Risk

Operational risk is defined as the risk of a loss arising from internal processes, personnel or inadequate or failure in internal systems, or external events. This definition includes legal risk but excludes reputational risk and strategic risk.

We have established policies and procedures designed to improve our processes and to mitigate operational risk.

We control our operational risk through our internal control system, which includes maintaining and reviewing a system error log, monitoring and recording legal risks, crossing information regarding the validity of information used to follow up on the markets, internal information crossing before preparing risk reports and daily crossing of information regarding the accuracy of the operations documentation.

For the money, foreign exchange and derivatives markets, the Integral Risk Management Unit has established operational risk indicators that are monitored on a daily basis, allowing to identify the potential operational risks that could materialize in losses for the Issuer or for clients.

Summary with Quantitative Information of Derivative Financial Instruments with figures as of December 31th, 2016, 2015 and 2014
(figures in millions of Mexican pesos)

Kind of Derivative value or contract	Purposes of hedging or negotiation	Value of the underlying asset / reference variable	Notional Amount / Nominal Value			Fair value			Nominal maturity amount	Collateral / lines of credit / securities given as guarantee
			2016	2015	2014	2016	2015	2014		
Futures	Negotiation	CME MXUSD	450,000	628,000	541,000	-8,721	-14,033	-12,210	450,000	Cash
		IPC MEX FUT	456	3,496	3,303	2	-45	152.07	456	Cash
		MXD EURMXP	0	0	3,600	0	0	-1,437	0	Cash
		MXD USD-MX	489,840	299,740	107,090	189,609	8,455	-103,321	489,840	Cash
		M24	0	0	50,000	0	0	1,200	0	Cash
		M24MDIN	0	729	-330,000	0	2,673	-12,850	0	Cash
Forward	Negotiation	EUR/MXN	-3,990	-1,002	-3,275	-177	691	316	-3,990	Cash
		EUR/USD	56	-18	122	-928	1,713	955	56	Cash
		MXN IPC	0	-21	412	0	21	20	0	Cash
		USD/MXN	-168,909	-351,745	-173,375	-188,461	122,159	254,528	-718,909	Cash
		GBP/USD	0	-87	0	70	-80	0	0	Cash
		GBP/MXN	0	0	0	-345	0	0	0	Cash
		CEMEX CPO	0	-55	-15,330	0	783	190	0	Cash
		94BINTER13	0	-100,142	-100,791	0	59	109	0	Cash
		94BINTER14	-50,181	-50,527	-50,564	25	23	43	-50,181	Cash
		94BINTER14-2	-138,430	-138,978	-143,569	68	64	160	-138,430	Cash
		95TFOVIS14-3U	0	0	-1,786	0	0	9	0	Cash
		95CDVITOT15-2U	-51,777	-6,005	0	-471	115	0	-51,777	Cash
		MBONOS241205	-46,515	0	0	359	0	0	-46,515	Cash
		WALMEX V	0	0	-24,776	0	0	-645	0	Cash
		91BLADEX12	0	0	-28,315	0	0	7	0	Cash
		95PEMEX10-2	0	0	0	1	0	0	0	Cash
		91ARRENCB16	-1,248	0	0	0	0	0	-1,248	Cash
MBONOS421113	-89,790	0	0	2,008	0	0	-89,790	Cash		
91ACTINVR14	-1,458	0	0	0	0	0	-1,458	Cash		
Options	Negotiation	EUR/MXN	-80	-36	-75	724	116	-60	-80	Cash
		EUR/USD	0	0	0	0	0	0	0	Cash
		MXN IPC	-8,200,579	0	-1,460	767	0	-15	-8,200,579	Cash
		USD/MXN	-9,649	14,899	-52,516	-46,969	48,245	-118,449	-9,649	Cash
		MXD DÓLAR	-600	-10	0	-246	-6	0	-600	Cash
		NAFRAC	-2,462	0	0	218	0	0	-2,462	Cash
Caps Floors	Negotiation	TIE28 UHABMES	-4,515,397	-1,143,603	-1,433,879	-87,221	-28,559	-21,083	-4,515,397	Cash

SWAPS	Negotiation	Received	12,261	6,921	6,039	1,536	295	221	12,261	Cash
	Hedge		838	0	0	143	0	0	838	Cash
	Negotiation	Delivered	-12,323	-7,102	-6,209	-1,598	-476	-391	-12,323	Cash
	Hedge		-704	0	0	-9	0	0	-704	Cash

Internally compiled in thousands of original currency for the notional amount and in thousands of Mexican pesos for the amount of the fair value. Bank and Brokerage House information as individual entities respectively. The fair value is comprised by the valuation of the instruments (including the premium).

Impact on Cash flow as of December 31th, 2016, 2015 and 2014 (Figures in millions of Mexican pesos)

Description	2016	2015	2014
Future Cash flows	959.70	321.52	(836.70)
Forwards Cash flows	(44.14)	230.55	949.97
Options Cash flows	174.04	184.41	(20.96)
Swaps Cash flow	(77.01)	(55.15)	68.89
Total Cash Flows	1,012.59	681.33	161.20

Internally compiled regarding the format Chart 1 Summary of derivative financial instruments with figures as of December 31, 2016, 2015 and 2014

Sensitivity analysis

The sensitivity methodology allows to estimate the effect of variations in the levels of the most important risk factors on the market value (profits and losses) of the positions held in different business areas. This represents the potential loss in the value of the positions, if the risk factors change in the percentages determined by the Risk Committee. The sensitivity analysis is complemented by stress analysis, which assesses the potential impact on the market value (potential impairment) of the positions of the risk management products and their corresponding hedges, if applicable, produced from very important movements in risk factors.

In terms of the use of risk management products, these can be trading or hedge. When traded, the valuation changes over time, which may represent losses or gains, reflected in the results of the Issuer. In the risk management products operated by the Bank with other counterparties, a threshold is established which implies that only when the accumulated impairment of the open positions of risk management products exceeds the mentioned amount, positions are discarded and the loss is covered with its own resources or, as may be the case, guarantees are provided even for the excess of the loss relative to the threshold.

When operating a hedge risk management product, it is about that product being a mirror of what you want to hedge. The joint valuation involves performing both the valuation of the risk management product and the asset or liability being hedged.

Periodically an efficiency test is performed, comparing the variations in the valuation of the asset or liability against the variations in the valuation of the product of risk management. These joint changes are reflected in the income statement, so that any loss in one position would be offset by the gain in the hedge and vice versa.

The following is a sensitivity analysis with internal figures for transactions with derivatives instruments as of December 31th, 2016:

TRANSACTIONS WITH DERIVATIVES					
Underlying USD/MXN	Delta	VAR	Flows	Valuation	Total
Forwards Cash	(2,063)	-	-	(7,220)	(7,220)
Forwards Delivery	(41,536)	-	(182,442)	212,703	30,261
Spot + Overnight	43,594	-	-	(6,901)	-6,901
OTC Options	(4)	-	3,423	14,385	17,808
Imp Not Options	-	-	-	-	-
SWAPS					
IRS	3	-	-	3,447	3,447
CS	196	-	-	10	10
Total	190	-	(179,019)	216,424	37,405

Internally compiled with figures as of December 31th, 2016

TRANSACTIONS WITH DERIVATIVES					
	Delta	VAR	Flows	Valuation	Total
Underlying EURO/USD					
Forwards Cash	-	-	-	-	-
Forwards Delivery	58.190	-	(354)	(2,000)	(2,355)
Spot + Overnight	-	-	2,758	-	2,758
Options	-	-	-	-	-
Total	58	-	2,404	-2,000	403
Underlying EURO/MXN					
Forwards	(3,937)	-	27,548	1,872	29,420
Spot + Overnight	6,795	-	(30,839)	1,440	(29,398)
Options	(2,473)	-	0	688	688
Total	385	-	-3,291	4,000	710
Underlying IPC					
OTC Options	-	-	(407)	(288)	(695)
Naftac Options	(11)	-	206	(221)	(15)
Total	(11)	-	(201)	(509)	(710)
Underlying other currencies					
FXD					
GBP/USD	-	-	1	(12)	(12)
GBP/MXN	-	-	(14)	(14)	(27)
USD/CAD	-	-	-	(7)	(7)
Total	-	-	(13)	(33)	(46)
Grand Total	-	-	(180,120)	217,882	37,762

Internally compiled with figures as of December 31th, 2016

TRADING TRANSACTIONS WITH DERIVATIVES				
Underlying USD/MXN	Delta	Flows	Valuation	Total
Forwards Delivery	(379,397)	98,725	(181,099)	(82,375)
Spot + Overnight	40,057	-	(762)	(762)
Peso Futures (CME)	(22,010)	(43,261)	41,466	(1,795)
DEUA Futures (MexDer)	493,596	89,823	(27,174)	62,649
DEUA Options (MexDer)	(279)	(53)	140	88
OTC Options	(119,741)	(37,192)	38,569	1,377
SWAPS				
IRS	8	81	(265)	(184)
CS	(11,690)	27,535	(934)	26,601
Total	544	135,658	(130,059)	5,600

Internally compiled with figures as of December 31th, 2016

TRADING TRANSACTIONS WITH DERIVATIVES				
	Delta	Flows	Valuation	Total
Underlying EURO/USD				
Euro Futures (CME)	-	-	-	-
Total	-	-	-	-
Underlying IPC				
IPC Futures (Mexder)		83	(1)	81
Naftrac	-	-	0	0
Total		83	(1)	81
SWAPS				
IRS TIIE	35	7,625	4,247	11,873
Caps TIIE	(2)	(181)	(477)	(658)
Total	3-	7,444	3,770	11,215
Grand Total	-577	143,185	(126,290)	16,896

Internally compiled with figures as of December 31th, 2016

LIMITS WITH DERIVATIVES			
	Limit	Use	Available
VAR	7,000	(5,360)	1,640
Stop Loss	6,000	54,657	60,657
Stress Test	14,000	(5,376)	8,624

Internally compiled with figures as of December 31th, 2016

The following chart shows the total consumption of sensitivity as of December 31th, 2016:

Sensitivity analysis	Sensitivity (all factors)
Scenario one (1%)	\$0.49 million pesos
Scenario two (2%)	\$0.52 million pesos

Stress Test

Scenario One: In this scenario, the risk factors move as follows:

- The FX risk factors are multiplied by 1.10, ie change 10%
- The EQ risk factors are multiplied by 1.20, ie change 20%

Scenario Two: In this scenario, the risk factors move in the following way:

- The FX risk factors are multiplied by 1.20, ie change 20%
- The EQ risk factors are multiplied by 1.40, ie change 40%

The results for these scenarios as of December 31th, 2016 are as follows, which show the impact on results if they occurred (unaudited):

Risk Profile	Stress test (all factors)
Scenario one (1%)	\$(5.4) million pesos
Scenario two (2%)	\$(10.8) million pesos

The sensitivity analysis estimates the effect on the market value derived from changes in risk factors, which are stressed in different magnitudes.

The following chart shows a summary of the effect of the sensitivity and stress analysis of the derivatives position at the close of December 2016:

Scenarios				
Stress test (mp)	Delta	A (10%)	B (20%)	C (70%)
MXN/USD	731	(3,470)	(6,940)	(24,290)
EUR/USD	58	(127)	(253)	(887)
EUR/MXN	385	(1,675)	(3,350)	(11,724)
Stress test (mp)	Delta	A (20%)	B (40%)	C (70%)
IPC	(11)	(104)	(209)	(365)
Total		(5,376)	(10,752)	(37,266)

Internally compiled with figures as of December 31th, 2016

Scenarios				
Sensitivity (mp)	Delta	A (1%)	B (2%)	C (7%)
MXN/USD	731	(151)	(302)	(1,056)
EUR/USD	58	(248)	(25)	(89)
EUR/MXN	385	(84)	(167)	(586)
Sensitivity (mp)	Delta	A (2%)	B (4%)	C (7%)
IPC	(11)	(10)	(21)	(37)
Total		(493)	(515)	(1,768)

Internally compiled with figures as of December 31th, 2016

As of December 31th, 2016, the Bank had derivatives (interest rate swaps) for hedging purposes, periodically analyzing hedging efficiency, which at the end of 2016 were as follows:

CODESA

Dec 30 th , 2016						
SCENARIO	P. DERIVATIVE	P. HYPOTHETICAL	Δ P. DERIVATIVE	Δ P. HYPOTHETICAL	RATIO	.80 <COEF.<1.25?
MTM	16,054,815	-16,054,815				
+1%	16,118,196	-16,118,196	63,381	-63,381	100%	CASH
-1%	15,991,408	-15,991,408	-63,408	63,408	100%	CASH

AUDI

Dec 30 th , 2016						
SCENARIO	P. DERIVATIVE	P. HYPOTHETICAL	Δ P. DERIVATIVE	Δ P. HYPOTHETICAL	RATIO	.80 <COEF.<1.25?
MTM	33,404,637	-40,008,383				
+1%	33,507,283	-40,117,619	102,646	-109,236	94%	CASH
-1%	33,301,914	-39,899,064	-102,723	109,319	94%	CASH

PEMEX 11-3

Dec 30 th , 2016						
SCENARIO	P. DERIVATIVE	P. HYPOTHETICAL	Δ P. DERIVATIVE	Δ P. HYPOTHETICAL	RATIO	.80 <COEF.<1.25?
MTM	41,964,559	-39,488,934				
+1%	42,137,430	-39,668,116	172,871	-179,182	96%	CASH
-1%	41,791,573	-39,309,630	-172,986	179,304	96%	CASH

PEMEX 13-2

Dec 30 th , 2016						
SCENARIO	P. DERIVATIVE	P. HYPOTHETICAL	Δ P. DERIVATIVE	Δ P. HYPOTHETICAL	RATIO	.80 <COEF.<1.25?
MTM	51,578,806	-32,965,145				
+1%	51,769,907	-33,172,056	191,101	-206,912	92%	CASH
-1%	51,387,554	-32,758,063	-191,252	207,082	92%	CASH

PEMEX 10-2

Dec 30 th , 2016						
SCENARIO	P. DERIVATIVE	P. HYPOTHETICAL	Δ P. DERIVATIVE	Δ P. HYPOTHETICAL	RATIO	.80 <COEF.<1.25?
MTM	-9,499,855	14,210,964				
+1%	-9,442,719	14,149,142	57,136	-61,821	92%	CASH
-1%	-9,557,019	14,272,815	-57,164	61,851	92%	CASH

Risk policies in derivatives

The market risk in derivative transactions is limited due to the fact that transactions with clients are hedged in organized markets or through reverse transactions with financial intermediaries.

These transactions involve counterparty risk, analyzed by the Integral Risk Management Unit, based on the information in the consolidated balance sheet and in the income statements. The operating amounts, as well as the initial margins, are authorized and / or ratified by the Lines Committee.

The credit risk of these operations is controlled through the guarantee scheme and the implementation of margin calls on a daily basis or when the valuation loss reaches a maximum amount authorized by the Lines Committee.

To monitor the risks inherent in derivative financial transactions, Banco Monex has established, among others, the following control measures:

- A Risk Committee that is informed of the risks in these operations
- A Integral Risk Management Unit, independent of business areas, which monitors day-to-day exposures to different types of risk
- The transactions are carried out mainly with financial intermediaries and non-financial clients approved by the Integral Risk Management Unit and by the Lines Committee
- There are maximum amounts or credit limits according to an initial risk rating given to each possible borrower, which limits the maximum amount that can be operated

Hedging risk management products

Sensitivity is assessed through the effect of changes in risk factors on the market value of the positions in force at a given date. This position considers the derivative financial instruments operated with the clients and the hedging operations made in the spot markets and with OTC derivatives with financial intermediaries, ie the net position in terms of delta.

Non-hedge risk management products

It is important to mention that, according to the Monex strategic policy, operations with risk management products are only carried out as a hedge to the operations carried out by clients with this type of instruments.

The proprietary positions are allowed only with special authorization of the Risk Committee. In this case, the way potential losses are estimated over a given period of time is by calculating the "Value at Risk", which mainly reflects the volatilities of risk factors and the sensitivities of positions to changes in risk factors such as delta, gamma, rho, among others.

The value at risk measures the maximum potential loss that the position can experience in a certain period of time with a certain level of confidence. For example, if the value at risk with 99% confidence at one day is \$100 pesos, the above means that the estimated loss for the next day with a 99% probability is at most \$100 pesos.

As a complementary measure to the Value at Risk, the sensitivity and stress analysis of risk management products is performed. This process has the following stages:

- a) Identification of the risk factors that affect the market value of the positions
- b) Risk factors are defined depending on the nature of risk management products in particular and financial in general. Considering the characteristics of these, the risk factors that are affected by the stress and sensitivity scenarios are defined
- c) Definition of the sensitivity and stress scenarios previously approved by the Risk Committee
- d) The stress analysis is performed for different variations in risk factors, considering probable variations (variations based on risk factors), possible (increasing base levels by 50%) and stress, which implies higher levels for risk factors
- e) In the same way, the sensitivity analysis is performed considering minor variations in risk factors, either in base points or percentages established for this effect. The above parameters are established considering past events in financial markets that have been experienced
- f) Revaluation of the position with the new risk factors, where the change in the market value of such changes is measured
- g) Once the appropriate risk factor and the stress parameters to be used are defined, the effect of these changes in market value or capital gains or losses on the business units and on the Institutional level is evaluated. The results of stress are compared daily with the limits established for this effect by the Risk Committee

Climate change

Due to the nature of Monex's business (financial services rendering), there are no environmental risks or effects resulting from climate change that could have a significant effect on our business. Likewise, and for the reason above mentioned, there are no significant indirect consequences on market trends that Monex can face, arising from climate change.

Technology

The Corporate Systems and Technological Development Division is responsible for providing and supplying the various requirements, implementations and improvements to Monex's technology and communications services both in Mexico and abroad, through the design of processes and global trends that allow Monex to provide the necessary instruments to be able to count on a high competitive level with regard to the different financial groups that offer services similar to Monex.

The aforementioned processes and trends cover not only the Financial Group but also all its subsidiaries.

Currently, the Issuer has 65 employees assigned in the Information Technology unit and 109 external employees. We estimate that our technological infrastructure can process an average of 3.2 million national and international transactions per month. The receipt of resources in national payment services is carried out through SPEI in national currency and SPID for dollars, international payment services are applied through the Society for Worldwide Banking Financial Telecommunication (SWIFT).

In order to offer the best level of service in each of its functions, the Corporate Systems and Technological Development Division organizes its internal structure and processes aligned with the best practices worldwide. They have specialized areas and are focused on the functions required in this direction:

- System development and integration
- Infrastructure and telecommunications management
- Project management
- Quality assurance
- Monitoring and support of productive systems

In keeping with the various changes that Monex has implemented in order to offer mainly financial services to companies with national and international transactions, during 2016 significant investments were made in the improvement of our data center, achieving the opportunity to update hardware and telecommunication technology resources as well as new support agreements offered to us, which is reflected in a better performance, support and service for the systems.

At the same time, during 2016, several “in-house technology” projects were developed that have allowed the modeling of the various requisitions of the business units that integrate Monex, as well as being able to optimize the resources available to the Information Technology Unit and focus on the constant improvements demanded by the technological world.

The philosophy and fundamental pillar through which Monex has carried out all the technological innovations is to be at the forefront and in sync with the demands of the financial world. This has allowed us, with the use of multiple instruments, to offer our clients high availability in services and to our personnel to increase productivity in all areas.

Our priority has always been compliance with the prevention of money laundering, during 2016 we worked permanently on the instruments of analysis and detection.

The ability to optimize compliance with internal control and the relevant regulation, as well as facilitating access to necessary input in decision-making, accounting, business management, and customer knowledge are a part of the main objectives around which the Information Technology Unit works.

Finally, the clients' and internal users' need to access services at any time and in any place, has led Monex to continue to the forefront by developing applications that allow access to these services from any mobile device including tablets and smartphones.

Systems Management

Monex has always been characterized by an innovative technological platform that promotes accelerated and robust growth, using state-of-the-art technology and developing products and / or instruments that become a differentiator within the industry in which it participates. This infrastructure is based on the principle of economies of scale, centralizing the common services and processes and particularizing through the experts the services that make the differentiator before the competition.

Monex has a central system called *Monexnet* in which the promotion areas have the ability to operate in real time the various transactions of all products. This real-time operation facilitates immediate access to the best market prices, allowing us to offer greater benefits and business opportunities for our clients.

In 2016, we carried out several improvements to the *Monexnet* system that will help the promotion areas to carry out their activities more efficiently. This system is based on a dispersion module that transmits the transaction to the country of destination and makes the reconciliation with the bank movements made by the client to cover its transaction. We consider that it is a great differentiator within the sector. Monex has a contingency plan called *Business Continuity Plan* with which the Issuer is able to operate on a regular basis the different businesses it serves.

Additionally, in 2016 we carried out improvements and implementations to the existing phases of this program in order to increase the security of the information with which the different users and decision makers operate. Similarly, to continue the operation, an alternate data center has been prepared and redundant voice and data services have been installed that allow Monex to continue working with a minimum delay in operation.

The security of information and transactions of our clients is another of the tasks of high priority that attends the Technology Unit, so that in 2011, Monex was certified in the international standard of information security ISO27001. In 2016, this certificate was endorsed by carrying out activities such as continuous improvement and various measures in the prevention of any type of "attack" that could jeopardize the operation and information of our clients.

II. Distribution channels

Geographical Diversification

As of December 31st, 2016, we had a salesforce composed of 763 sales executives in Mexico dedicated to the attention and attraction of new clients. Geographically this force is distributed in 5 regional directions in 36 offices over 36 cities, covering the main cities of the country.

Through our Tempus subsidiary, we have presence in the USA (Los Angeles, Washington, D.C. and New York) and Canada (Toronto). As of 2016, Tempus had 45 sales executives in both countries. Likewise, our Monex Europe subsidiary has a presence in the United Kingdom with a London office and 52 sales executives; In Spain, with an office in Madrid with 10 sales executives and in the Netherlands with an office in Amsterdam with 9 sales executives.



Sales (Mexico)

The promotion of our services is carried out through our offices. Each of them has its own salesforce and client portfolio and generates its own revenue. Through our offices network, we are able to have a local presence, which allows us to provide personalized services. We hire our sales executives locally and we believe that this strengthens our presence and competitive position. We encourage our salesforce to familiarize themselves with our clients and their companies, so that they could provide personalized services according to the needs of each one.

Our salesforce is compensated mainly through commissions per transactions and in some cases for obtaining new accounts. Commissions are determined based on revenues generated from clients' transactions assigned to a specific sales executive, less related costs. In addition, we pay a portion of the commissions on a deferred manner based on the recurring revenue generated, which we believe gives the incentive to our salesforce to stay close to their client in order to increase recurring revenue generated by each client.

Our salesforce has the power to take price decisions, depending on each client, ensuring the maximized profits in each transaction, while remaining competitive in terms of price and services provided. Our salesforce uses our information system to help in determining the profitability of each transaction. We believe that this approach allows us to provide our clients with a more personalized service than our competitors. We also consider that the structure motivates our salesforce to enter into transactions with their clients at attractive prices, as well as contributes to the formation of long-term and profitable relationships with our clients, increasing our foreign exchange volume operated. Our compensation structure and our promotional activities are designed to support our recruitment tasks and our business. We believe that the size we have achieved in our client portfolio and volume of operations is directly related to the efforts of our salesforce.

During the last two years we have strengthened the areas of credit, derivatives and cash management, in order to offer these services to clients who have operated foreign exchange services with us.

In the credit business, we offer various products that are tailored to the financing needs of our clients, get benefit of the knowledge of the transactions they carry out and have credit specialists who support the salesforce.

With the aim of offering the clients the possibility of hedging their exchange rate risks, Monex has strengthened the risk management products area, offering forwards, futures and options. Due to the type of clients that we attend, foreign exchange hedging is a natural service for the client, since a client that participates in international trade, needs to cover its exchange risk. Moreover, with the incursion of the credit business, the demand for interest rate hedging instruments has gradually increased. Monex has achieved a good penetration in the risk management products market for end consumers, both in terms of exchange rates and interest rates.

As part of the funding strategy to further increase our loan portfolio, Monex has strengthened the range of electronic banking services, which are highly valued by our business customers. Our ability to raise both pesos and other currencies and complement with a very agile electronic banking service has allowed us with widely support our growth in the loan portfolio.

In terms of additional service channels, we have a call center and our operation via web. Through the call center, clients have foreign exchange and international payment services as well as transfers and investment options. For online transactions, we have a multi-currency digital account through which our clients can carry out foreign exchange trade transactions, make payments online and maintain accounts in pesos, dollars, euros and other four currencies, while they can obtain interest.

The call center is focused on the attention of small volume clients in foreign exchange and brokerage service, allowing to handle in an agile and profitable manner the transactions of the clients of this segment.

As of December 31th, 2016, the Corporate Banking Division had 107 specialists. The number of sales executives dedicated to foreign exchange and international payment services was 591.

III. Patents, licenses, trademarks and other agreements

Intellectual property

We have the "Monex" brand registered with the Instituto Mexicano de la Propiedad Industrial. We believe that our brand is essential to our operations since the products that carry it are easily identified by our clients, who associate it with a strong institution, personalized service, flexibility to meet the clients' needs, as well as fast and efficient execution of operations.

We also own the following domain names used for our business, www.monex.com.mx and www.monexsab.com.mx.

Below is a summary of the trademarks registered by Monex Grupo Financiero:

Trademarks Registered by Monex Grupo Financiero					
Brand Number	317497	650403	746660	781541	912246
Distinctive Sign	"Monex"	"Monex" (and design)	Monex1	"Monex" (and design)	"Tu Futuro. Nuestro Presente"
Class	35 y 36	36	35	35	41
Ant-Class	58				
Renew before	February 13, 2026	November 10, 2019	February 26, 2022	February 26, 2022	November 21, 2025
Brand Number	913382	1051845	1115577	1116855	1152426
Distinctive Sign	"Monex" (and design)	"Cuenta DigitalMonex" (and design)	"Fondos Verdes Monex"	"Fondos Verdes Monex"	Invermonex3
Class	36	36	36	36	36
Renew before	February 22, 2025	April 16, 2018	July 22, 2019	July 22, 2019	March 16, 2020
Brand Number	1170451	1170452	1170453	1170454	1170455
Distinctive Sign	Monex (and design)	Monex (and design)	Monex (and design)	Monex (and design)	Monex (and design)
Class	36	36	36	36	36
Renew before	May 18, 2020	May 18, 2020	May 18, 2020	May 18, 2020	May 18, 2020
Brand Number	1170947	1170948	1170949	1170950	1170951
Distinctive Sign	Monex (and design)	Monex (and design)	Monex (and design)	Monex (and design)	Monex (and design)

Class	35	35	35	35	35
Renew before	May 18, 2020	May 18, 2020	May 18, 2020	May 18, 2020	May 18, 2020
Brand Number	1187160	1187161	1214836	1214837	1214838
Distinctive Sign	"Monex Net"	"Monex Net"	Gift Card Monex (and design)	Gift Card Monex (and design)	Gift Card Monex (and design)
Class	35	36	35	35	35
Renew before	October 4, 2020	October 4, 2020	December 21, 2020	December 21, 2020	December 21, 2020
Brand Number	1218563	1218564	1218565	1234194	3885346
Distinctive Sign	Gift Card Monex (and design)	Gift Card Monex (and design)	Gift Card Monex (and design)	E-TRAVEL MONEX (and design)	MONEX (and design)
Class	36	36	36	35	36
Renew before	December 21, 2020	December 21, 2020	December 21, 2020	September 14,2020	10/03/2020 Registered trademark in USA
Brand Number	1604564	1604565	1710290	1694760	1694761
Distinctive Sign	Monex Travel	Monex Travel	Monext	Multicrédito digital Monex	Crédito Digital Monex
Class	35	39	36	36	36
Renew before	October 26, 2025	October 26, 2025	September 12, 2026	July 26, 2026	July 26, 2026
Brand Number	1699665	3882534			
Distinctive Sign	Monex Pay (and design)	MONEX			
Class	36	36			
Renew before	August 15, 2026	10/03/2020 Registered trademark in USA			

Brands Requested by Monex Grupo Financiero					
Brand Request Number	1449480	1842144	1842146		
Distinctive Sign	Cuenta Digital (and design)	Solución Digital Pyme	Paquete Digital Pyme		
Class	36	36	36		
Date of presentation	January 20, 2014	January 26, 2017	January 26, 2017		
	In annulment trial against denial in trademark registration				

Commercial Notices registered by Monex Grupo Financiero					
C.N. Number	25574	25575	32252	32253	33967
Distinctive Sign	"Monex Institución Cambiaria"	"Monex es Sinergia Financiera"	"Monex Institución Cambiaria"	"Monex es Sinergia Financiera"	"Tu Futuro. Nuestro Presente"
Class	35	35	36	36	36
Renew before	February 26, 2022	February 26, 2022	February 26, 2022	February 26, 2022	February 22, 2025
C.N. Number	47341	60686	60687	79939	79940
Distinctive Sign	"Cuenta Digital Monex"	"Cheque de viajero electrónico Monex"	"Cheque de viajero electrónico Monex"	"Trabajas duro por el dinero, lo justo es que el dinero haga lo mismo por ti"	"Trabajas duro por el dinero, lo justo es que el dinero haga lo mismo por ti"
Class	36	35	36	35	36
Renew before	April 16, 2018	September 14, 2020	September 14, 2020	November 13, 2023	November 13, 2023

C.N. Number	79941	79942	81729	83681	87272
Distinctive Sign	“Trabajas duro por el dinero”	“Trabajas duro por el dinero”	“Trabajamos para que tu dinero trabaje”	“Trabajamos para que tu dinero trabaje”	“Agilidad para que el dinero trabaje”
Class	35	36	36	35	35
Renew before	November 13, 2023	November 13, 2023	March 10, 2024	May 7, 2024	March 19, 2025
C.N. Number	87273				
Distinctive Sign	“Agilidad para que el dinero trabaje”				
Class	36				
Renew before	March 19, 2025				

Commercial Notices Requested by Monex Grupo Financiero					
C.N. Number request	87617				
Distinctive Sign	Cuenta Digital				
Class	36				
Date of presentation	January 20, 2014				
	In annulment trial against denial in trademark registration				

Trade Names Registered by Monex Grupo Financiero				
Brand Number	20983			
Distinctive Sign	"Monex"			
Class	36			
Renew before	September 14, 2025			

Brands Registered by Holding Monex, S.A.B. de C.V.						
Brand Number	Reg. No. TMA914817	Reg. No. 662779	Reg. No. 961020	Reg. No.	Reg No. 302016015122	Reg. No. 3523495
Distinctive Sign	"Monex" & Design	"Monex"	"Monex"	"Monex"	"Monex"	"Monex"
Class	36	36	36	36	36	36
Renew before	September 22, 2030 Registered trademark in Canada	August 15, 2024 Registered trademark in Switzerland	August 15, 2024 Registered trademark in Belgium	September 16, 2024 Registered trademark in Italy	Registered trademark in Germany	August 18, 2024 Registered trademark in Spain

Brands Requested by Monex, S.A.B. de C.V.							
Brand Number	Req. No. 87169815						
Distinctive Sign	"Monex"						
Class	36 Brand requested in USA at September 13, 2016						

Brands Registered by Casa de Cambio Monex, S.A. de C.V.							
Brand Number	Reg. No. 2864091						
Distinctive Sign	"Monex"						
Class	36						
Renew before	July 20, 2024 Brand registered in USA						

Registration of work on behalf of BANCO MONEX, S.A.				
Title:	Operational Data Store.	Accumulated Net Portfolio		
Industry:	Software	Software		
Registration No.:	03-2010-122113151400-01	03-2010-122010342800-01		

We have no other relevant intellectual property rights, nor are we the licensees of intellectual property owned by third parties, except for the licenses for the use of software that in the ordinary course of our business we have acquired and keep in force.

Relevant contracts:

1. Alestra, S. de R.L. de C.V. - Agreement for the Provision of Services of the Data Center held on December 17th, 2015.

For details of the agreements and contingencies see Note 32 to the audited financial statements for the years ended in December 31th, 2016, 2015 and 2014 and the Independent Auditors' report attached in section 6 "Annexes" of this Annual Report.

IV. Main clients

We have a great clients diversity in each of the products we offer. Our main clients are in the sectors of financial and insurance services, manufacturing industries and commerce, among others. As of the date of this Annual Report, we have no dependence on any of our clients, understanding as dependency one of the following:

- When the loss of such clients would adversely affect our results of operations or financial condition
- When sales to any client represent 10% or more of our total consolidated revenue

V. Applicable legislation and tax status

General

Monex is a holding company of financial and non-financial corporations, authorized for such purposes by SHCP to own all but two shares of the Monex Grupo Financiero capital stock. Our business is mainly conducted by our subsidiaries, which, at the date of this Annual Report, include Monex Grupo Financiero, which in its turn owns 99.9% of Monex Casa de Bolsa, Monex Fondos and Banco Monex, besides of six investment funds.

Our Subsidiaries as financial entities are strictly regulated and are subject to periodic reviews of the SHCP, the Banco de México and under the supervision and monitoring of the CNBV. Our Subsidiaries are also obliged to provide periodic financial reports (monthly, quarterly and annual), delivered in a timely manner to aforementioned authorities.

Our operations, as a financial group, must comply with the LRAF, the corresponding rules issued by SHCP and certain standards issued by the CNBV.

Monex Casa de Bolsa is regulated mainly by the LMV, the Circular Única de Casas de Bolsa and the rules issued by the CNBV, as well as the rules issued by the Banco de México in the exercise of certain faculties, such as those related to operations with currencies and the self-regulation rules issued by AMIB.

Monex Fondos and our investment funds are subject to the Ley de Fondos de Inversión, to the corresponding regulations established by the CNBV, as well as to the self-regulation rules issued by the AMIB.

Banco Monex is subject to the LIC, Circular Única de Bancos and other rules issued by the Banco de México and the CNBV.

The SHCP, either directly or through the CNBV, as the case may be, exercises extensive supervision over financial groups and their subsidiaries. As a result of this supervision, we and each of our subsidiaries must provide financial and legal reports and other information on a regular basis to the CNBV. Additionally, in accordance with the laws and regulations applicable to us and our subsidiaries, the SHCP and CNBV are, in certain cases, authorized to impose fines, penalties or other types of sanctions for the violation of those laws and rules. The competence of the SHCP and CNBV would enable them to submit, as well as to our financial subsidiaries, an intervention and order our liquidation, if applicable.

Monex Securities, Inc. and Monex Assets Management are subject to federal and state laws regulating the USA financial intermediaries as well as standards set by the Financial Industry Regulatory Authority (FINRA), The New York Stock Exchange and the SEC applicable to financial intermediaries.

Tempus is an indirect subsidiary of Banco Monex, incorporated under the laws of the District of Columbia in the USA, which engages in foreign exchange, international payment services and money transmission transactions, which is why it is required to operate as such ("money transmitter"), of state licenses in the USA. It currently has 46 licenses and as it opens or intends to open new markets, if necessary in accordance with local regulations, it obtains licenses in different jurisdictions, which may differ in requirements and authorizations from one to another, in addition to making the corresponding renewals with the required frequency according to the applicable regulations.

While Tempus has the ability to offer services throughout the USA given the licenses it maintains, the physical presence is in the cities of Washington, DC, Los Angeles and New York, in addition to the establishment and startup of the subsidiary Monex Canada in Toronto, Ontario in Canada.

At the federal level in the USA, Tempus is registered with the FinCEN (Financial Crimes Enforcement Network) under the US Department of the Treasury, as a money services business (MSB), if applicable, and therefore, the Bank Secrecy Act (BSA), contained in the Code of Federal Regulations (CFR), which requires, among other things, that each service company develops, implements and maintains a risk-based system with an anti-money laundering (AML) program, thereby fully complying with.

Tempus also owns another 100% direct subsidiary, Tempus Nevada, Inc., a company incorporated under the laws of the State of Delaware in the USA and authorized to operate exclusively in the State of Nevada, USA, due to the regulation applicable in that State which does not allow direct operation by Tempus.

With respect to Monex Canada, it is authorized by the Office of the Superintendent of Financial Institutions (OSFI), dependency of the Ministry of Finance of Canada.

Monex Europe Limited is an indirect subsidiary of Banco Monex and is a company incorporated under the laws of the United Kingdom (England and Wales) which operates as an Authorised Payment Institution engaged in foreign exchange transactions, international payment services and money transmission, reason why it has to operate as such, under the heading of "money remittances", authorization from the Financial Conduct Authority (FCA), that regulates the financial services industry in the United Kingdom under the Payment Services Regulations 2012.

Monex Europe Limited has formed a wholly-owned subsidiary incorporated in England and Wales under the number 08357567. This entity is known as Monex Europe Markets Limited and has, both with the authorization by the CNBV for its constitution and with the corresponding FCA for its operation with registration number 596146. Monex Europe also has branches in Spain and the Netherlands.

In addition to the specific laws and regulations mentioned above and the one described below, we are subject to Mexican tax laws and regulations and other laws generally applicable to Mexican companies.

Mexican Companies Controlling Financial Institutions

The Decree published in January 2014 has amended, added and derogated various financial provisions in the financial matter and issued the Ley para Regular las Agrupaciones Financieras.

The holding companies transactions controlling financial institutions are generally limited to the holding of shares representing the capital stock of their subsidiary financial entities. Those subsidiary companies may include retirement fund managers, general deposit warehouses, brokerage houses, foreign exchange bureaus, banking institutions, surety institutions, insurance institutions, companies operating the investment companies, distributors of corporate shares of investment and multiple purpose financial corporations. A financial group may be formed with at least two of the designated financial entities.

As members of a financial group, those companies may enter into transactions between them, they may use any facility of the members of the group, except for the facilities of the offices for public acquisition resources through deposits of money. Under no circumstances may operations carried out by the financial entities belonging to the group be carried out through the offices of the holding company.

As a general rule, financial holding companies may only acquire and manage the shares of their subsidiaries, and may not directly carry out financial services, including, for example, banking or brokerage services. The parent company may only contract direct or contingent liabilities, and give its properties as a guarantee when dealing with the liability agreement; of operations with the Fondo Bancario de Protección al Ahorro or with the protection and guarantee fund provided in the LMV, and with the authorization of the Banco de México, in the case of the issue of subordinated bonds of forcible conversion to securities representing their capital and obtainment of short-term credits, as long as the placement of shares is made by reason of the incorporation or merger of holding companies or the entities that comprise it or them.

The holding companies controlling financial entities are also restricted in the ways of investing their capital stock and any reserve of it, in the understanding that such investments are limited to the capital stock of their subsidiary financial entities, their real estate and other assets necessary to conduct their business, Mexican government bonds and capital stock of foreign financial corporations.

Pursuant to Article 119 of the LRAF, each holding company and its financial entities must enter into a liability agreement, by virtue of which the holding company will be liable with no limits for the subsidiary losses of each and every one of those entities.

If the equity of the parent company is not enough to fulfill the responsibilities that, with respect to the financial entities forming part of the group are presented simultaneously, those liabilities will be covered, firstly, with respect to the credit institution that, if applicable, belongs to the group and, subsequently, pro rata with respect to the other entities forming part of the group until the assets of the parent company are exhausted. For this purpose, the ratio between the represented percentages in the capital of the parent company, its participation in the capital of the entities in question shall be considered. For these purposes, a financial entity belonging to a financial group shall be deemed to have losses when the assets of that entity are not sufficient to cover its payment obligations.

The companies controlling financial entities may be supervised either by the CNBV or by the CNSF, depending on which of these committees supervises the financial entity that is part of the financial group. For these purposes, brokerage houses and banks are supervised by the CNBV, therefore we are supervised by the CNBV.

The CNBV or the CNSF may, as the case may be, if a company controlling financial companies violates the laws and regulations that are applicable to it, intervene in the administration of the controlling company. If such violations do not cause a material adverse effect on the financial situation of that company, the CNBV or the CNSF, as the case may be, may carry out an "administrative intervention" in order for the financial controller to implement the recommendations of the CNBV or the CNSF. If the violations of that company affect the financial situation or the solvency of the controlling company or jeopardize the interests of the public, the CNBV or the CNSF, as the case may be, may implement a "managerial intervention" by virtue of which the financial controller shall have the widest powers to redirect the operations of that company.

Failure by the controlling companies to comply with the rules applicable to them shall be punished by a fine imposed by the CNBV and the CNSF, in their respective jurisdictions, up to five percent of the paid-in capital of the company in question, and must be notified to the Board of Directors of the offender.

The CNBV has issued rules that establish certain accounting principles applicable to financial holding companies and the presentation of the financial statements of the parent company, which vary in certain aspects of the Accounting Criteria.

Mexican Brokerage Houses

Authorized Mexican brokerage houses may only carry out those activities for which they are expressly authorized by the LMV and other applicable regulations. A Mexican brokerage house may, among others, based on the provisions of article 171 of the LMV:

- (i) To act as an intermediary in the securities market and carry out activities related to debt securities or assets registered in the RNV carried by the CNBV
- (ii) To provide custody services
- (iii) To act as trustee
- (iv) To act as a subscriber or placing agent
- (v) To enter into contracts for risk management products or optional securities
- (vi) To operate with foreign exchange currencies
- (vii) To act as common representative of bondholders and other securities under applicable law

Mexican law also provides for certain restrictions applicable to brokerage houses, generally, they may not, among other things, grant credits or loans with guarantee of:

- (i) subordinated obligations by credit institutions, brokerage houses or financial group holding companies
- (ii) rights over trusts, mandates or commissions which, in turn, aim the liabilities referred to in subsection (i) above

- (iii) shares representing the capital stock of credit institutions, brokerage houses or financial group holding companies owned by any person holding five percent or more of the capital stock of the credit institution, brokerage house or controlling company in question

Brokerage houses, regardless of having the minimum capital stock, must maintain a global capital in relation to the risks incurred in their operation, which may not be less than the amount that results from summing up the capital requirements for each type of risk, in terms of the Provisions of a general nature issued by the CNBV, subject to the agreement of its Board of Governors.

The global capital will be the one obtained according to the established by CNBV itself in the mentioned dispositions.

The Mexican brokerage houses are supervised by the SHCP, the CNBV and the Banco de México.

The CNBV is the dependence of the federal public administration empowered to authorize the operation, merger and reorganization of brokerage houses and may, in the cases contemplated by the LMV, revoke the authorization to Mexican brokerage houses.

The CNBV is broadly empowered to request information, carry out audits and inspection and surveillance visits, make recommendations or even apply preventive and corrective measures to brokerage houses. This competence also empowers the CNBV to declare managerial intervention of brokerage houses when, in its opinion, there are irregularities of any kind that affect its stability, solvency or liquidity and jeopardize the interests of its clients or creditors, with the consequent designation of the person who is in charge of the administration of the intermediary in question with the character of interventor-manager with general powers to direct the business of the brokerage house and to suspend the authority of the Board of Directors or of the assembly of shareholders of the brokerage house.

The CNBV may additionally impose penalties on Mexican brokerage house in case of non-compliance with applicable regulations. In addition to the imposition of penalties on brokerage houses, the CNBV may also impose fines and demand, including criminal matters, from brokerage houses that perform prohibited acts.

The Banco de México has a minor role in the supervision and regulation of Mexican brokerage houses. However, there are regulations applicable to their transactions, including, without limitation, those relating to operations involving risk management products, foreign exchange transactions and all transactions related to securities.

Like the holding companies of financial corporations, the CNBV has issued specific rules and regulations with respect to the Accounting Criteria applicable thereto, as well as with other rules that regulate the registration, valuation and disclosure in its financial statements.

Banks

Authorized Mexican banks may only carry out those activities for which they are expressly authorized by the LIC and other applicable regulations. A Mexican bank may carry out all the active, passive and service operations established by the LIC itself, as well as certain transactions regulated by the LMV and by the Ley General de Títulos y Operaciones de Crédito.

According to applicable regulations, Mexican banks must meet certain capital requirements, which are determined based on the market valuation and credit risk of their operations. The capital may not be less than the result of summing up the corresponding capital requirements for each type of risk.

The Mexican banks are supervised by the SHCP, the CNBV and the Banco de México.

The CNBV is the dependence of the federal public administration empowered to authorize the operation, merger and reorganization of the banks and may, in the cases provided by the LIC, revoke the authorization to the banks, being able to execute their powers, as the case may be, directly or through the CNBV.

The CNBV is broadly empowered to request information, carry out inspection visits, audits and make recommendations to banks. This competence also empowers the CNBV, if its recommendations are not followed, to designate an intervening official to implement those recommendations. In addition, if the bank carries out activities that the CNBV deems objectionable, the CNBV may designate an interventor-manager with general powers to direct the business of the bank and suspend the authority of the Board of Directors or even of the bank shareholders' meeting.

The CNBV may additionally impose penalties on Mexican banks in case of non-compliance with applicable regulations. In addition to the imposition of fines on banks, the CNBV may also impose fines and demand, including criminal matters, to bank officials carrying out prohibited acts.

The Banco de México has a primary function in the establishment of rules regarding its supervision and regulation.

As for companies controlling financial companies, the CNBV has issued rules that establish certain accounting principles applicable to banks, which vary in certain aspects of the Accounting Criteria, increasing the information and detail that the information to be presented to the Authorities, including the financial statements, must contain.

Investment Funds

Monex Fondos is an investment fund operating company organized under the Ley de Fondos de Inversión.

The six investment funds managed by Monex Fondos are also organized under the Ley de Fondos de Inversión.

The General Provisions applicable to investment funds and the individuals who rendered them services were published on November 24, 2014.

The "Decree whereby diverse financial provisions are reformed, added and repealed and the Law to Regulate Financial Groups is issued", published in the DOF on January 10th, 2014, amended, among others, The Ley de Fondos de Inversión, which created a new social subtype of corporations, being those defined as the investment funds.

Pursuant to this law, investment funds will have as their purpose the acquisition and sale of assets subject to investment with resources from the placement of the shares representing their capital stock among the investing public, as well as the contracting of services with third parties for the operation and distribution of such shares. Investment fund traders could generally provide asset management, share distribution, valuation, deposit and custody, accounting and other related services of mutual funds. Investment services may be provided to investment funds by Mexican banks, brokerage houses or specialized third parties. The services of provisioning of prices or qualification may be provided by third parties.

The CNBV is the main authority empowered to inspect and supervise investment fund operation companies, as well as third parties that operate, manage and distribute their shares, among others. Likewise, the CNBV is empowered to authorize the formation of Mexican investment fund managers, revocation of the authorization to operate, approval of transfer of shares, establishment of capital requirements, to authorize the designation of sales executives, accounting policies and to oversee all of its financial performance. The CNBV is also empowered to issue, and has issued, rules establishing accounting procedures applicable to investment fund managers and rules governing the presentation of their financial statements.

The CNBV may also regulate, if it considers it appropriate, the suspension of the activities of the managers of investment fund traders, including their removal and order the managerial intervention.

Activities for the Prevention, Detection and Reporting of Operations with Resources of Illicit Origin

The prevention of operations with resources of illicit origin and terrorist financing in Financial Institutions are governed by the General regulations referred to in Article 115 of the LIC, Article 212 (formerly 52 Bis 4) of the LMV, Article 95 of the Ley General de Organizaciones y Actividades Auxiliares de Crédito and Article 91 of the Ley de Fondos de Inversión. In addition to compliance with current regulations, Monex has established policies and procedures in line with international best practices in respect of Prevention Of Money Laundering And Terrorist Financing (PLD-FT).

It also has manuals of identification and knowledge of the client and a Code of Ethics governing the conduct of employees, officers, partners and advisers of the company.

Monex has a Compliance Officer, certified in PLD-FT matters before the CNBV and also certified before ACAMS (organization authorized in the USA to certify Compliance Officers as PLD-FT specialists). Also, the Head of the Prevention of Money Laundering Office has both certifications.

In compliance with the relevant regulations, the Internal Auditor of Monex is certified in matters of PLD-FT before the CNBV.

There are electronic records of each client and KYC questionnaires ("know your customer") electronically and access to the history of operations and movements of clients in all services provided by Monex. In all cases, the clients' domicile is verified through a visit, and in the case of high risk clients, this verification is also done by a third party.

Since 2014 we implemented a permanent program to update client records. All files are updated at least every 3 years (every six months in the case of high-risk clients). The accounts with not updated files in the established deadlines are blocked, and cancelled if not updated within the following 6 months.

Also, Monex has specialized monitoring systems for the detection of possible unusual operations, which generate alerts, subsequently verified by the staff of the PLD Unit; a new monitoring system called the Oracle Financial System AML (OFSA - "Mantas") was implemented in Monex in mid-2015, a system used by the main global banks and replacing the SAS_AML monitoring system that we had implemented until June 30, 2015.

We also have an international funds transfer monitoring system that allows us to identify patterns of atypical or unusual behavior between payers and beneficiaries. On the other hand, international transfers received are reviewed online, before crediting the accounts, in order to validate the consistency of the transaction according to the clients' profile, and data integrity (name of originator, etc.).

At the operational level, pre-registration of recipients of payments is carried out in each account and the relationship between the customer and the recipient is captured, as well as the reason of payment.

According to the general regulations issued by the SHCP regarding the prevention of operations with resources of illicit origin, there is a Communication and Control Committee, which meets monthly, to know and analyze the operations that, due to their characteristics, are unusual. Likewise, this Committee knows and monitors the activities carried out in the field of LDP.

As a best practice, there is a Customer Acceptance Committee that reviews the admission requests of prospects that represent a higher than average risk in relation to PLD-FT. The Committee is composed of first level directors of the Issuer.

Since 2015, a differentiated course on LDP-FT was implemented, in coordination with the ABM, which content was adapted to the risk level of the personnel functions, achieving a 100% coverage of the employees of the issuer. Likewise, and as part of our efforts to create a corporate culture of compliance, we implemented a national awareness campaign, supported by electronic and print media.

In addition, the Internal Audit area conducts self-assessments to staff as part of its annual review program for the different business areas and support of the Issuer.

We regularly receive supervisors from the CNBV, who review us exclusively in this matter. The latest revision to our LDP-FT processes concluded without any comments or recommendations by the authority. All observations and recommendations from past reviews have been resolved.

During the last ten years, as a best practice, offices of recognized prestige have carried out reviews of actions in the prevention, detection and reporting matter of operations with resources of illicit origin. Monex was able to obtain the ISO 9001:2000 certificate for the first time since 2007 and has ratified it during these years in its processes of prevention, detection and reporting of operations with resources of illicit origin.

In 2016, we contracted the professional services of a highly prestigious international consultancy company called Promontory Financial Group (PFG), which made international best practice recommendations to our LDP processes, which have been implemented to date, to be a reference in Mexico in the prevention of operations with resources of illegal origin.

Some of the implemented processes recommended by PFG were the following:

- Risk management model that evaluates:
 - The inherent risk of the institution from the clients, products, services and geographies in which Monex operates
 - The effectiveness of the controls that mitigate the risks considering the level of corporate governance, the processes that are carried out in the 1st and 2nd line of defense, such as monitoring systems
 - The incorporation of a risk matrix that identifies the residual risk in which the institution is located
- Automated system of classification of clients by their level of risk considering factors such as location of the client's domicile, activity performed, expected transactionality, destination and origin of international transfers, among others. This system classifies clients into four levels of risk: low, medium, high and very high
- Compliance testing and / or quality assurance function, implemented since the second half of 2016, which permanently evaluates compliance with PLD policies and procedures

Amendments to tax laws

The main tax reforms and obligations in this area to which the Issuer is subject are described in Note 23 of the audited financial statements for the years closed as of December 31th, 2016, 2015 and 2014 and in the independent auditors' report contained in chapter 6 "Annexes" of this Annual Report.

Due to the nature of Monex's business (financial services provision) there are no provisions on climate change that could have a material impact on the business of the Issuer.

VI. Human resources

As of December 31th, 2016, Monex had a total of 2,232 employees, of which approximately 6.1% were temporary and 3.8% unionized employees.

During 14 consecutive years, through Monex Grupo Financiero, we have received recognition from the Great Place to Work Institute as one of the Best Companies to Work for in Mexico. In addition, Grupo Financiero Monex has also received recognition as one of the Best Companies to Work for Women for its gender equity practices and recognition as One of the Best Companies to Work in the Financial Sector, occupying the 4th place.

For 16 years it runs a program of Addictions Free Company for which it also receives an annual recognition.

We have implemented Corporate Social Responsibility practices and for 13 years our financial group has been granted with the Socially Responsible Company Award by the Centro Mexicano para la Filantropía (CEMEFI) and the Alianza por la Responsabilidad Social Empresarial (ALIARSE). In order to grant this badge, CEMEFI carries out an analysis of the information proving the 120 indicators of Corporate Social Responsibility; as well as the results of the diagnosis on the performance of our company in four basic areas such as Quality of Life in Business, Business Ethics, Community Linkage, Care and Environmental Preservation. Likewise, on four occasions it has received the Recognition of Best Practices of Social Responsibility.

Since 2005 Monex has voluntarily subscribed to the "Global Compact", which is an initiative of the United Nations (UN), in which it makes explicit its commitment to respect the principles of the compact; as they coincide with our corporate values, publishing annually in the Global Compact portal a report explaining how they ensure compliance with the principles of the Compact within the organization.

Since 2014 Monex Grupo Financiero has received the Distintivo Empresa Familiarmente Responsable, implemented by the Secretaría del Trabajo y Previsión Social to recognize those work centers that implement and promote internally practices and policies to enable people to develop in a comprehensive way: at work, in their family environment and in a professional way. We have the badge for our corporate and 20 branches.

Since 2007 Monex has been certified in quality under ISO 9001 in its version 2008 and is the only Mexican financial group to have certified the key processes of prevention, detection and reporting of operations with resources of illicit origin and comprehensive management of risks in all the national and international financial products of the group. In 2011, it was certified in Information Security under the ISO 27001 standard and was the first Mexican financial group certified under the new 2013 version, with the scope: "The information security management system for the protection of confidentiality, integrity and availability of Grupo Financiero Monex's customer information in its information systems". Both standards contemplate a single integral quality management system and security of the information renewed in 2016.

VII. Environmental performance

Considering that we are a company dedicated, mainly, to the provision of services, our affectation to the environment is not a considerable risk. However, we are committed to respecting the environment, and for this reason we encourage the Issuer to carry out the following practices:

- Waste separation: the facilities have trash cans adapted to separate the residues in organic and inorganic
- Battery disposal campaign: a permanent campaign of battery waste is carried out, which consists of collecting them in containers and then taking them to special containers
- Recycling of paper: we have paper containers which is collected by a company that recycles it
- Recycling: glasses made with recycled paper are used in each of the cafeteria areas
- Energy saving: lights off after 8:00 p.m.
- Environment: reforestation campaign is carried out annually with an average of more than 1,000 trees planted per year in the municipalities of Naucalpan, Tlalnepantla and in the Forest of Chapultepec
- Carbon footprint measures

We are convinced that one way to contribute to the development of Mexico is through actions aimed at protecting and improving the environment, a practice also aligned with the corporate strategy of the business.

As part of our corporate responsibility statement, we take care of the environment through the reforestation of different areas.

As mentioned above, there are no relevant, current or potential impacts of climate change on the Issuer's business.

VIII. Market information

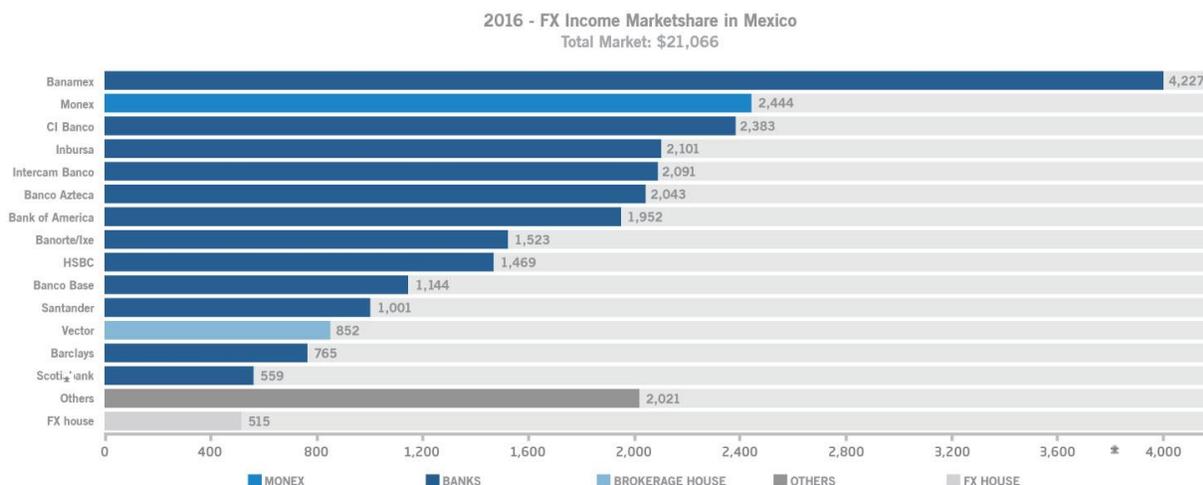
We have focused on providing our clients with competitive products in the market. Over 31 years of experience have positioned us as one of the major player in the Mexican financial sector. Our strategy is based on continuing to provide value-added services to our clients. Undeniably, our leadership in services to international companies is a benchmark of our capabilities. We have identified business opportunities that allow us to expand our product and service offer in a strategic way.

Among our main objectives is the expansion of operations at international level and that is why the acquisition of Tempus and Monex Europe offer us a firm entry to the USA and Europe markets. Both companies have a market view that provides a particular analysis that helps to understand the dynamics of the foreign exchange markets. Through our Subsidiaries we strengthen our market leadership characterized by one of its main strengths, which is to meet and satisfy the needs of our clients supported by systems and controls that assure us the efficiency of our operations inside and outside the country, a global vision and a solid intention to participate in the international markets.

Market share

Below are the charts with the market share by foreign exchange income in Mexico as of December 31th, 2016:

Accumulated 2016 Market Share ⁵



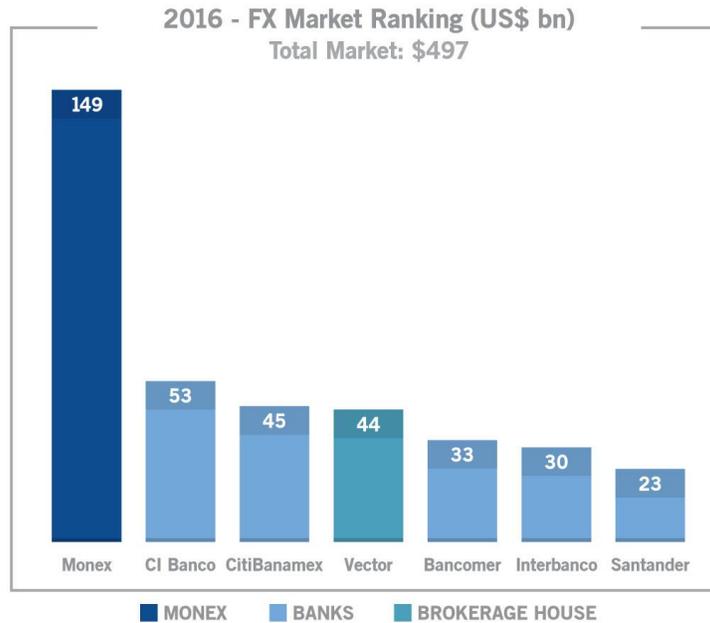
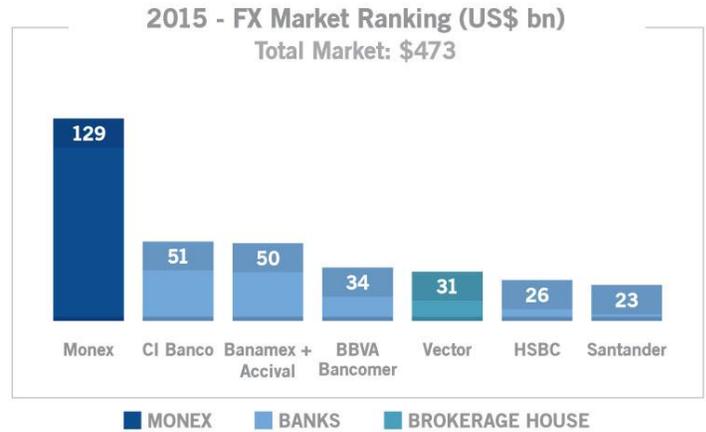
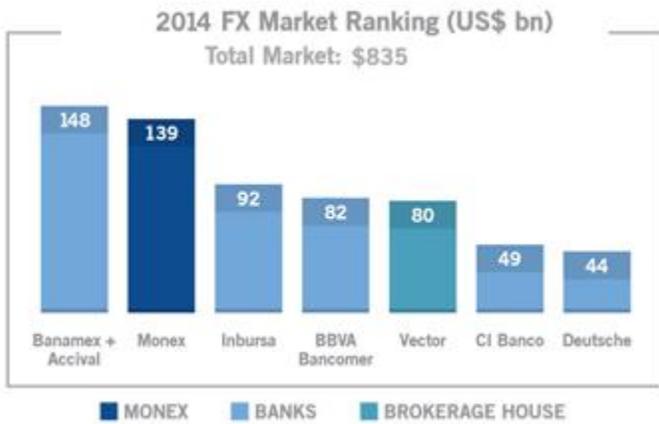
* Foreign exchange brokerage house

Source: chart compiled by Monex based on CNBV information, the figures are in millions of Mexican pesos for Bank without subsidiaries. Charts made with valuation and without derivatives in the Brokerage House, except for Vector.

⁵ Market share may vary based on the mix of proprietary position and customer position

Volume operated in foreign exchange

The total volume of our foreign exchange and international payment services transactions in Mexico with non-financial and non-government clients as of December 31th, 2016 was equivalent to \$149 billion dollars (3,077 billion pesos, an exchange rate of \$20.6194 pesos per dollar, published by Banco de México on December 31th, 2016), during the years 2015 and 2014 this volume was equivalent to \$129 billion (\$2,230 billion pesos, exchange rate \$17.2487 pesos per dollar, published by the Banco de México on December 31th, 2015) and \$139 billion (\$2,050 billion pesos, exchange rate \$14.7414 pesos per dollar, published by the Banco de México on December 31th, 2014), respectively. Below is a comparison of the volume traded in the Exchange Market, defined as non-financial private clients, based on the Banco de México statistics:



Source: internally compiled based on the Banco de México statistics, information in billions of dollars.

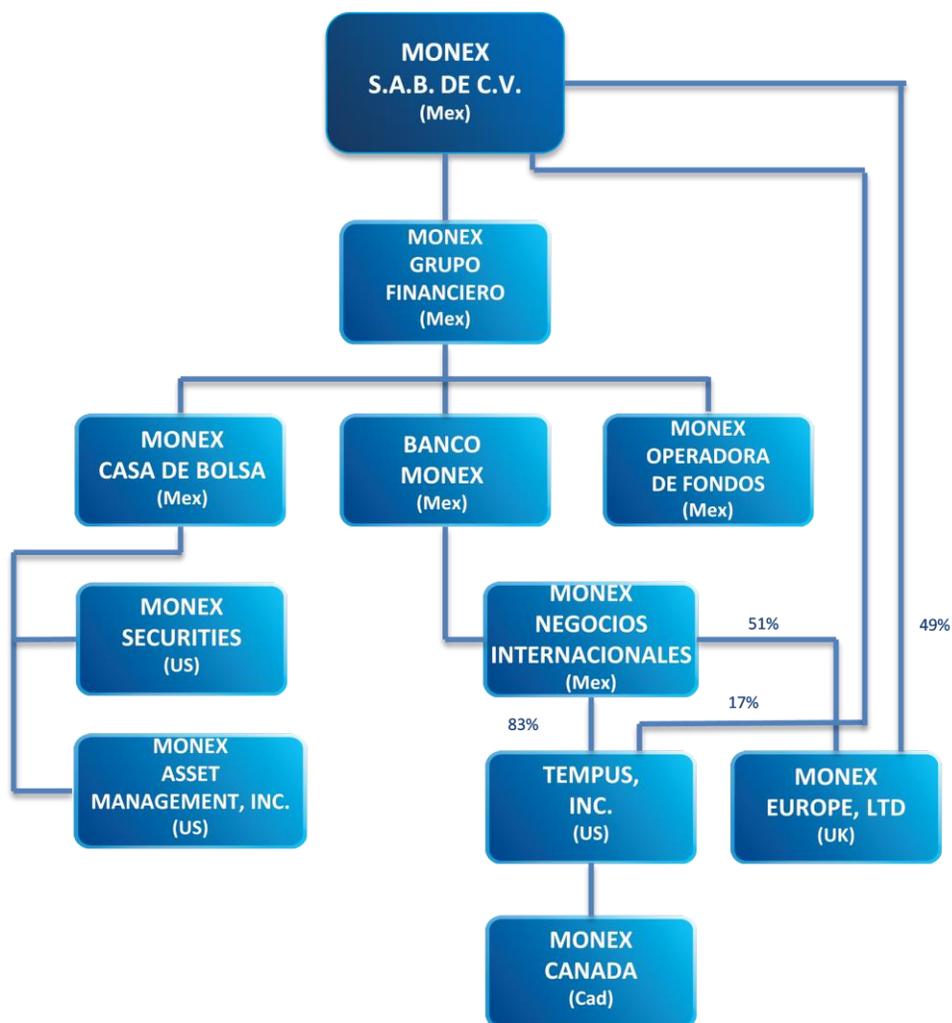
Position of Banco Monex in Loan Portfolio (net)

According to audited financial data and information obtained from the Commission (located in the statistical bulletins, in its turn located within the multiple banking information portfolio), Banco Monex's total credit portfolio amounted in December 2016 to \$18,285 million pesos, showing an increase of 46.6% compared to December 2015.

IX. Corporate structure

Monex is a controlling shareholder, with one direct subsidiary as of December 31th, 2016: Monex Grupo Financiero. In its turn, Monex Grupo Financiero has three subsidiaries, which are: (i) Banco Monex, (ii) Monex Casa de Bolsa, and (iii) Monex Fondos.

Below is the organizational chart of the most representative entities of the Issuer:



The following chart shows the main activities of each of our main subsidiaries as of the date of this Annual Report, as well as the percentage of participation (direct or indirect) of the Issuer in each of them:

Company	Issuer's Participation	Activity
Monex Grupo Financiero	100%	Direct subsidiary of Monex. Established on May 23 rd , 2003, it is authorized by the SHCP to operate as a financial group under the form and terms established by the LRAF. Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and loses incurred by each of its subsidiaries.
Banco Monex	100%	Indirect subsidiary of 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.
Tempus	100%	Indirect subsidiary of Monex. Entity located in Washington D.C. in the USA, whose purpose is the foreign exchange service. Its customers are mainly located in the USA.
Monex Europe	100%	Indirect subsidiary of Monex. Parent company of Monex Europe and Schneider FX (Monex directly owns 49.9% of the shares).
Monex Casa de Bolsa	100%	Indirect subsidiary of Monex. The Brokerage House acts as a financial intermediary for transactions involving securities and derivative financial instruments authorized under the terms of the LMV and the general provisions issued by the Commission.
Monex Securities	100%	Indirect subsidiary of Monex. Acts as a stock market intermediary in the USA market.
Monex Asset Management	100%	Indirect subsidiary of Monex. Acts as an investment advisor in the USA market.
Monex Fondos	100%	Indirect subsidiary of Monex. Its main activity is to manage mutual funds and to promote its shares.

(1) For additional information see Chapter 3 "Financial Information" - "Consolidation of Financial Statements" of this Annual Report.

X. Main assets description

Offices

Nationally, Monex has a 36 offices strategically located to serve the different segments of the Mexican market:

- Our corporate offices are in the capital of the country, on Paseo de la Reforma Avenue. "Monex Tower" has more than 10 thousand square meters and an investment of more than \$10 million dollars focused on furniture, equipment and technological infrastructure according to business needs and security requirements
- Tempus has branches in the USA (Los Angeles, Washington DC and New York) and Canada (Toronto)
- Monex Europe with branches in London, Madrid, and Amsterdam
- Monex Securities has offices in Houston, Texas, USA

All our offices, both domestic and abroad are leased.

Insurance

As of the date of this Annual Report, all our assets are insured by a multiple business policy.

Guarantees

As of the date of this Annual Report, all our assets are free of encumbrances.

Acquisition and Sale of Properties

As of the date of this Annual Report Monex does not own any real estate.

XI. Legal, administrative or arbitration proceedings

We are party to various judicial, administrative or arbitral proceedings that are incidental to the ordinary course of our business. We believe that such judicial, administrative or arbitral proceedings do not represent a contingent that could have a material adverse effect on our financial position or income statement. Likewise, we are not under the assumptions established in Articles 9 and 10 of the Ley de Concursos Mercantiles

XII. Shares representing the capital stock

The following is information related to our capital stock. The description is not intended to be complete and is completely qualified in reference to our articles of incorporation.

Capital stock subscribed and paid

We are a public stock company with variable capital stock. Our capital stock has a fixed part and may have a variable part. As of the date of this Annual Report, our subscribed and paid-in capital stock consists of 50,000 shares representing the fixed portion of the capital stock, Series "A" and 545,758,505 shares representing the variable portion of the Series "B", without expression of nominal value. No portion of the subscribed and paid capital stock has been paid in kind.

Subject to the limitations provided in the following paragraph, shares may be issued to, be paid by or held by both Mexicans and foreign investors. Under the LMV and our articles of incorporation, the Issuer may acquire its own shares.

The following is a summary of the capital stock of the Issuer for the last three years:

	Number of shares as of December 31 th ,		
	2016	2015	2014
Fixed Capital -			
Series "A" shares	50,000	50,000	50,000
Series "B" shares	545,758,505	545,758,505	399,950,000
Total	545,808,505	545,808,505	400,000,000

Source: Internally compiled with figures reported as of December 31th, 2016, 2015 and 2014.

Note: The various movements in the Issuer's capital stock are included in Note 24 of the consolidated financial statements for the years closed as of December 31th, 2016, 2015 and 2014 and independent auditors' report, contained in the chapter 6 "Annexes" of this Annual Report.

As of December 31th, 2016, the Issuer did not maintain open positions in financial derivative instruments settled in kind, the underlying of which were shares of the Issuer or ordinary participation certificates on those shares.

Repurchased shares

As of December 31th, 2016, 2015 and 2014, the reserve created to repurchase shares is composed as follows:

	2016	2015	2014
Repurchased shares	9,535,305	9,517,088	8,236,577
Market price per share (pesos per share)	\$ 10.00	\$ 10.20	\$ 12.60
Market value (millions of pesos)	\$ 95	\$ 97	\$ 104
Balance of the reserve at the beginning (millions of pesos)	\$ 241	\$ 254	\$ 668
Movements approved by the shareholders	-	-	-400
Less:			
Loss of repurchase shares	-	(15)	(1)
Historic value of repurchased shares		2	(13)
Balance for repurchased shares	\$ 241	\$ 241	\$ 254

Source: Internally compiled with figures reported as of December 31th, 2016, 2015 and 2014. Figures in millions of Mexican pesos.

As provided in the LMV, the Issuer's articles of incorporation provide the possibility of Monex repurchasing its shares on the BMV at the effective market price.

The repurchase of shares may be carried out with a charge to the Issuer's stockholders' equity, in which case it may hold such shares in its own possession without the need to reduce the capital stock or, with a charge to the capital stock of Monex, in which case it will be converted into unsubscribed shares held in treasury. In any case, the repurchase of shares must be carried out in accordance with the provisions of article 56 of the LMV.

Summary of Statutory and Legal Provisions

Changes in capital stock, preference rights and redemption

The capital stock of Monex may be increased or decreased as decided by the Extraordinary General Meeting of Shareholders, as regards the fixed portion of the capital stock, but in the case of the issue of shares that constitute the variable part of the capital stock, it is to be decided by the Ordinary General Meeting of Shareholders.

Increases or decreases in the fixed or variable portions of the capital stock must be recorded in the Capital Variation Register Book. In accordance with applicable laws, Monex's articles of incorporation provide that changes in the variable portion of the capital stock do not require a change to the articles of incorporation or registration in the Registro Público de la Propiedad y el Comercio. However, resolutions of the shareholders deciding such changes in the capital stock must be registered before a Notary Public. No new shares may be issued unless the existing shares are fully subscribed and paid.

Since its incorporation, there have been some events that have modified its capital stock, on the one hand, the first and significant capital increase agreed at an extraordinary General Meeting of Shareholders on July 20th, 2007 and, later, at the ordinary and extraordinary general meeting of shareholders on April 28th, 2010, a reduction and a subsequent capital increase were agreed upon, giving as a result the current capital stock of the Issuer, which was not modified after the adoption of the modality of Public Stock Company. Monex does not currently hold open positions in risk management products liquidable in kind, which underlying assets are shares representing Monex's capital stock or ordinary share certificates.

In the event of an increase in our capital stock, whether in the fixed or variable part, the shareholders have a preemptive right to subscribe the shares, which is limited in the following terms: "This right will not be applicable due to the merger of the Company, in the conversion of obligations, in the replacement of proprietary shares under the terms of Article 56 (fifty-six) of the LMV and the articles of incorporation and for the public offering of shares under the terms of Article 53 (fifty-three) of the LMV.

The period to exercise the preemptive right will be determined by the Meeting of Shareholders approving the increase in the respective capital, provided that the period cannot be less than 15 (fifteen) calendar days following the publication in the DOF and in a newspaper of greater circulation in the Mexico City. Pursuant to the applicable legislation, the preemptive right cannot be waived in advance, nor be subject to assignment or represented by an instrument that may be negotiable separately from the respective share title.

The shares representing the capital stock may be reimbursed. The Issuer may amortize shares with distributable profits without reducing the capital stock, observing the provisions of clause ninth of the articles of incorporation of Monex.

Variable capital

Pursuant to Article 50 of the LMV and Monex's articles of incorporation, shares representing the variable portion of the capital stock will not grant their shareholders the right to withdraw referred to in Article 220 of the LGSM.

Cancellation of Registration at RNV

If Monex decides to cancel the registration of its shares in the RNV or if the CNBV orders such cancellation, the Issuer must make a public offer to purchase the shares owned by the minority shareholders (with the understanding that the reference offer will be directed only to those shareholders, and leaving expressly excluded the shareholders who have control of the Issuer in terms of the LMV) at a price higher than (i) the average price of trading on the BMV during 30 days in which those shares have been quoted, prior to when public offer was made; or (ii) the carrying amount of such shares as determined in the most recent financial information submitted to the CNBV and BMV for its registration. Shareholders who have control of the Issuer will be subsidiarily responsible with the Issuer in terms of the LMV in respect of the corresponding public offering.

Pursuant to the applicable regulations and Monex's articles of incorporation, if the Company is unable to purchase all shares held by minority shareholders on the occasion of the public offering, it must establish a trust and contribute to it the amount necessary to buy, at the same price offered in the public offer, all the shares that were not bought during the offer. The referred trust must remain in force for at least six months.

In any case, the cancellation of the registration of the Shares of the Issuer in the RNV and the carrying out of the corresponding public offer, they will be subject to the provisions in the LMV and the articles of incorporation of Monex.

Registration and Transfer

Shareholders may hold their shares either directly, in the form of securities, or indirectly, in the form of book entry through brokerage houses, banks, other financial entities or entities approved by the CNBV that have accounts in the Indeval, or participate in the Indeval.

Indeval will issue registration certificates on behalf of any shareholder who requests it. The Issuer maintains a Register of Shareholders and only those persons registered in that Registry, and those who hold the certificates issued in their name as direct shareholders or through any participant of Indeval, will be recognized as shareholders by Monex. The transfer of shares deposited with Indeval must be registered in the form of book entries, according to the LMV.

Shareholders' Meeting and Voting Rights

The General Meetings of Shareholders may be ordinary or extraordinary. At each Meeting each one of the shareholders has the right to grant one vote for each share. Shareholders may vote through power forms drawn up by the Issuer and make it available to them in terms of the provisions of Article 49 of the LMV.

Extraordinary General Meetings are those convened to resolve on the matters provided for in Article 182 of the LGSM and consider: the extension of the duration of the Issuer or its early voluntary dissolution; The increase or decrease in the fixed portion of the capital stock; Changes in corporate purpose or nationality; Merger or transformation into another type of company; Issuance of preferred shares; Amendments to the articles of incorporation; Cleavage; The reimbursement of shares with retained earnings and the voluntary cancellation of the registration of shares in the RNV or at any other stock exchange (except for automated trading systems).

The Ordinary General Meetings are those convened to discuss any of the matters provided for in article 181 of the LGSM, article 47 of the LMV and any other that is not reserved for the Extraordinary General Meetings. The Ordinary General Meetings must be held at least once a year during the first four months following the end of each fiscal year in order to (but not limited to): discuss and approve the annual reports of the Members of the Board and the Audit and Corporate Practices Committee; Discuss and approve, if applicable, the distribution of profits of the previous year; Appoint the members of the Members of the Board, the Audit and Corporate Practices Committee and any other Special Committee created by the shareholders of Monex, as well as to determine the corresponding compensation; Determine the maximum amount of resources earmarked for the repurchase of shares, among other matters.

In order to be able to participate in a General Meeting, the shareholders must be registered in the Register of Shareholders, or provide evidence regarding the ownership of those shares.

The quorum for Ordinary Meetings of Shareholders is at least 50% of the capital stock and resolutions may be adopted by a majority of the shares present. If a quorum is not observed, a subsequent Meeting may be convened in which resolutions may be adopted by a majority of the shares present, regardless of the number of shares represented in the Meeting.

The quorum for Extraordinary Meetings of Shareholders is at least 75% of the capital stock, but if a quorum is not present a subsequent Meeting may be convened. The quorum for the subsequent meeting is at least 50% of the capital stock. Resolutions at an Extraordinary General Meeting may be adopted by a vote of at least 50% of the capital stock, including any Extraordinary General Meeting convened to continue with a Meeting previously postponed for lack of a quorum.

The Meetings of Shareholders may be convened by: the Board of Directors, the Chairman of the Board of Directors or by the Committees that carry out the Corporate Practices and Audit functions, as well as by 25% (twenty five percent) of the Directors of the Company or the Secretary of the Board of Directors, or by the legal authority, if shareholders owning voting shares, even in limited or restricted form, representing at least 10% (ten per cent) of the capital stock have requested a Meeting to be convened to the Board of Directors and, after having made the corresponding request to the Board of Directors to hold the Meeting, the Board of Directors does not comply with the shareholder's request, if no Ordinary Meeting of Shareholders has been held for two consecutive years, or if no Meeting during that period has resolved those matters that must be decided at the Ordinary General Meeting of Shareholders, in accordance with the LGSM.

The announcement for the Meetings will be carried out through the publication of a notice in one of the newspapers of greater circulation in the Mexico City, always with an anticipation of at least 15 (fifteen) calendar days to the date appointed for the Meeting. The announcement must contain the Agenda, i.e. the list of matters that must be dealt on the Meeting, as well as the date, place and time, in which it shall take place, and must be signed by the person or persons who convocate it, meaning that if done by the Board of Directors, the name of the Secretary of the Board or of the delegate designated by the Board of Directors for such purpose shall suffice. From the moment the convocation for a certain Meeting of Shareholders is published, the information and available documents related to each of the established points in the agenda must be available to the shareholders at the Issuer's offices, immediately and free of charge..

In order to be admitted to a Meeting, shareholders must obtain their admission card in terms of Monex's articles of incorporation and the provisions of the LMV. A shareholder may be represented by a power of attorney granted in the special format as provided in Article 49 of the LMV. The Minutes of the Meetings of Shareholders must be signed by the Chairman and the Secretary of the Meeting and must be transcribed in the corresponding Meetings Book of Minutes or, if this is not possible, the Minutes must be notarized. Resolutions adopted at Extraordinary Meetings of Shareholders must be registered before a notary public and registered with the Registro Público de Comercio.

Dividends and Liquidation

Prior to the distribution of dividends, 5% of our net profits must be allocated to the legal reserve fund until such fund includes an amount equivalent to 20% of our capital stock. Additional amounts may be allocated to form other reserve funds, as determined by the shareholders, including amounts that the shareholders allocate to the repurchase of shares. The remaining balance, if any, may be distributed as dividends. Dividends corresponding to shares of which they are not holders will be payable through Indeval against the delivery of the corresponding coupons, if any.

Dividends can only be distributed if the losses of the previous fiscal years have been amortized.

Some of Monex's Subsidiaries may be subject to restrictions that limit them in their ability to distribute dividends. For example, in accordance with the LMV, Monex Casa de Bolsa, cannot pay the dividends until their financial statements have been approved by the CNBV, otherwise Monex may be liable for reimbursement of the amounts that have been paid.

Upon dissolution, one or more liquidators shall be appointed by the Extraordinary General Meeting of Shareholders convened to deal with dissolution matters. All subscribed and paid shares will have the right to participate proportionately in any distribution after liquidation.

Purchase of Shares by our Subsidiaries

According to Monex's articles of incorporation, legal entities controlled by the Issuer may not directly or indirectly acquire shares representing Monex's capital stock or securities representing such shares, except for the acquisitions carried out through investment companies and those that may be carried out by any of its Subsidiaries, acting solely and exclusively, to be legally qualified for it, with the character of fiduciary of the trusts to which article 57 of the LMV makes reference.

Other provisions

Duration

In accordance with Monex's articles of incorporation, the company's duration is perpetual.

Right of Separation and Rights of Protection to Minorities

If shareholders approve any change in corporate purpose, nationality or type of company, any shareholder who has voted against such amendment shall have the right to separate from the company and receive the book value of his / her shares, as included in the last statement of income approved by the shareholders, provided that the request has been made within 15 (fifteen) days following the one of postponement of the meeting at which that decision was approved.

Based on the LMV, the articles of incorporation include a series of protections for minority shareholders. These protections include provisions to allow that: holders of at least 10% of the subscribed and paid shares to convene to hold Meetings of Shareholder in which they are entitled to vote; Holders of at least 15% of the subscribed and paid shares may initiate a civil liability action against the Monex Directors and members of the Audit Committee; Holders of at least 10% of the shares entitled to vote and represented at a Shareholders' Meeting, may request that those matters that have not been duly informed are postponed; And holders of at least 20% of the shares may legally oppose any resolution adopted by the General Meeting of Shareholders, also subject to various conditions.

Under the LMV, Monex is also subject to different corporate governance requirements, including maintaining one or more Committees that carry out activities in matters of Auditing and Corporate Practices, exclusively composed of independent Directors, besides of an External Auditor.

Actions against the Directors-General and members of the the Board of Directors

Procedures against any Director or any member of our Committees may be initiated as a result of resolutions adopted at Ordinary Meetings of Shareholders. If the shareholders decide to initiate such processes, any person against whom it starts immediately ceases the exercise of his / her commission. In addition, shareholders representing at least 15% of our shares may initiate civil actions directly against any Director or Committee member, provided that (i) the claiming shareholders have not voted against the exercise of that action against a Director, or a member of the respective Committee and (ii) the demand comprises the total amount of the liabilities in favor of Monex the company and not only the personal interest of the promoters.

Any proceeds of such action that are recovered will be for our benefit and not for the direct benefit of the shareholder who initiated the proceeding.

Conflicts of interest

Any shareholder who votes on matters in which he / she has a conflict of interest may be liable for losses or damages caused to Monex, provided that such procedure could not have been approved without the vote of that shareholder. In addition, any member of the Board of Directors or member of our Audit Committee who has any conflict of interest must make it publicly known and refrain from deliberating or voting in relation to that matter. Non-compliance by a member of the Board of Directors or member of the Audit Committee with these obligations may result in that Director being liable for any damages or losses that may arise. Pursuant to the LMV, the Audit Committee has to express an opinion on transactions with related parties and such transactions must be authorized by the Board of Directors.

Opposition to resolutions adopted by Shareholders

Shareholders holding 20% of the shares representing the capital stock have the right to legally oppose any resolution adopted by the shareholders, provided that the conditions set forth in article 13, section V, of the LMV and article 201 of The LGSM are satisfied.

Regulation on Foreign Investment

Foreign investment in the capital stock of Mexican companies is governed by the Ley de Inversión Extranjera and its Regulations. The Comisión Nacional de Inversión Extranjera and the Registro Nacional de Inversiones Extranjeras are the entities in charge of applying the Ley de Inversión Extranjera and its Regulation.

In general, the Ley de Inversión Extranjera allows foreign entities to acquire up to 100% of the capital stock of Mexican companies, except for those that are dedicated to certain restricted areas or industries.

Loss of Shareholder Capacity

As required by applicable law, Monex's By-laws provide that after having acquired shares, foreign investors are obligated to (i) be considered as Mexican with respect to the shares they hold, as well as any property, rights, concessions, contributions or interests of Monex or the rights and obligations deriving from the contracts concluded with the Federal Government, and (ii) not invoke the protection of their government. If a shareholder invokes the protection of his / her government in violation of this obligation, his / her shares will become part of the assets of the Federal Government of Mexico.

Information to Shareholders

The LGSM stipulates that companies, through their Board of Directors, must submit annually a report to their Shareholders at a Meeting that includes:

- A report by the Directors on the progress of the Issuer during the previous fiscal year, as well as on the policies followed by the Directors.
- A report explaining the main accounting and information policies and criteria followed for the compilation of financial information; A statement showing the financial situation of the Issuer at the end of the fiscal year; A statement showing the results of the company's operations during the preceding fiscal year, as well as changes in the financial position of the Issuer and in the items that compose the Company's equity during the previous fiscal year.
- The notes necessary to complete or clarify the financial information mentioned above; And a report compiled by the legal entity providing the external audit services, regarding the veracity, sufficiency and reasonableness of the information submitted by the Board of Directors.

Additionally, the LGSM requires that the information referred to the matters to be discussed at the Shareholders' Meetings be made available to them from the date on which the convocation to the Meeting is published.

Major Shareholders

No person or group of persons maintains control of Monex. Members of the Lagos family who are shareholders of Monex do not have agreements of any kind to make decisions in the same sense, and therefore do not constitute a group of persons in the terms of the LMV. The future constitution of a group of people under the LMV by some members of the Lagos family who are shareholders of Monex could maintain control of Monex under the terms of the LMV itself. The rest of the shareholding is distributed among more than 150 shareholders with various participation percentages.

The Chairman of the Board currently owns 50.2972% of the shareholders' equity, and since the incorporation of the Issuer these percentages have not varied by more than two percentage points. There are two persons with a kinship between them and the Chairman of the Board whose shareholding is 17.7185% each. No relevant director has more than 1% of the capital stock of the Issuer.

Monex Ordinary and Extraordinary Meeting of Shareholders held on April 28th, 2010, it was agreed, among others, the establishment of a plan or fund in terms of the regulations of Articles 366 and 367 of the LMV.

XIII. Dividends

In the last three fiscal years, the Issuer has decreed dividends for the amounts described below:

Date	Total Dividend (pesos)	Dividend per share (pesos)
2014 ⁶	\$0	0
April 13 th , 2015	\$1,600'000,000.00	4.090503285093
April 7 th , 2016	\$250'000,000.00	0.466180297654255

Through the Board of Directors, the dividend payments will be approved, after analysis and presentation. The payments of dividends decreed by the Issuer shall be carried out on the business days and places determined by the ordinary shareholders' meeting or by the Board of Directors, if so authorized by the Meeting of Shareholders, and shall be communicate through a notice published in at least one newspaper of wide circulation of the registered office. Dividends not collected within a period of five (5) years from the date they are due shall be deemed waived and prescribed in favor of the Issuer. If the payment of dividends is determined in the future, the decree and payment of dividends to the shareholders of Monex will be subject to the approval thereof by a shareholders' meeting of Monex.

By ordinary annual general meeting of shareholders of Monex held on April 13th, 2015, it was resolved to decree the payment of a dividend to the shareholders in an amount of \$1,600,000,000.00. Likewise, it was resolved that the indicated dividend be paid in cash in a single exhibition, in proportion to its shareholding and through the Indeval.

By ordinary annual general meeting of shareholders of Monex held on April 7th, 2016, it was resolved to decree the payment of a dividend to the shareholders in an amount of \$250,000,000.00. Likewise, it was resolved that the indicated dividend be paid in cash in a single exhibition, in proportion to its shareholding and through the Indeval.

The detail of the dividends decreed during the three years presented in the report can be found in Note 24 of the audited financial statements for the years closed on December 31th, 2016, 2015 and 2014 and the Independent Auditors' Report, in chapter 6 "Annexes" of this Annual Report.

⁶ No dividends were paid during fiscal year 2014

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INFORMATION

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a) Selected financial information

This chapter contains consolidated financial information for each of the indicated periods. The financial information presented below is denominated in millions of pesos. This information should be read jointly with our Financial Statements, its notes and the information provided in the "Comments and Analysis of Management on Financial Condition and Operation Results" section of this Annual Report. Our consolidated income statement for the years ended December 31, 2016, 2015 and 2014; our consolidated balance sheet for the years ended December 31, 2016, 2015 and 2014 has derived from our audited Consolidated Financial Statements, included in this Annual Report in the "Annexes" section, which have been prepared in accordance with the Accounting Criteria of the CNBV.

Significant Events 2016, 2015 and 2014

In order to compare the selected financial information included in this chapter, there is a summary below of the significant events contained in the Note 1 of the Audited Financial Statements for the years ended December 31st, 2016, 2015 and 2014, attached to this Annual Report.

i. Sale of shares of Tempus

On October 30th, 2015, through a share purchase-sale contract, Monex, S.A.B. acquired 17% of the total shares of Tempus Inc. ("Tempus") (a related party of Banco Monex, S.A) (the Bank). The transaction was carried out at market prices based on a study prepared by an independent consultant. This transaction was authorized by the Commission through Document No.312-3/14049/2015.

ii. Issuance of securitization certificates (see Note 17 of the Audited Financial Statements)

Bank Issuance

Banco Monex, subsidiary of Monex, issued securitization certificates. That issuance is the first public offering made by the Bank and it took place on July 14th, 2015 for the amount of \$1,000 million pesos, which is represented by 10 million securitization certificates with a face value of 100 pesos each. The securitization certificates were authorized by the Commission through Document No. 153/5535/2015. The securitization certificates were issued for a period of 1,092 days, which is equal to 3 years and placed at the Interbanking Interest Rate of Balance ("TIIE" for its acronym in Spanish) 28 day rate + 90 bp.

Monex Issuance

Monex issued a second securitization certificates for 10 million through a public offering that took place on November 7th, 2014 for the amount of \$1,000 million pesos, with a maturity of 3 years. The interests will be paid every 28 days at a TIIE 28 day rate + 160 bp. As of December 31st, 2016, 2015 and 2014, Monex has paid interests for \$114, \$93 and \$68 million pesos, respectively.

On the other hand, the first securitization certificates issued by Monex of \$1,000 million pesos during 2012 were paid during July 2015.

iii. Sale of subsidiary Monex Servicios and Pagos Intermex

On October 15th, 2014, 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. to Genera, S.A.B. de C.V., which was subject to the regulatory authorization as of December 31st, 2014. This transaction was authorized by the Commission through Document No. 312-3/13774/2015 dated as of March 27th, 2015, on which date the sale became effective for legal, accounting and tax purposes. The transaction generated a gain for \$78, and was presented under "Other operating income and expenses", in the income statement.

Changes in accounting policies

Note 3 included in the Audited Financial Statements for the years ended December 31st, 2016, 2015 and 2014 containing the different changes to the NIFs published by the CINIF, and applicable to Monex. As a result, it generates accounting changes, besides several amendments in this regulation applicable for the analyzed years in this document.

New accounting statements

The modifications detail is found in Note 35 of the Audited Financial Statements for the years ended December 31st, 2016, 2015 and 2014 and independent auditor's report contained in chapter 6 "Appendix" of this Annual Report.

Selected Financial Statements

Following there is an extract of the Audited Financial Statements for the years ended December 31st, 2016, 2015 and 2014.

Income Statements

Concept	Figures for the years ended as of December 31 st of:		
	2016	2015	2014
Foreign exchange Income	2,462	3,373	2,877
Other intermediation income	2,755	497	485
intermediation Income	5,217	3,870	3,362
Interest income (net)	826	660	431
Financial margin	6,043	4,530	3,793
Provision for loan losses	(150)	(76)	(48)
Financial margin after provision for loan losses	5,893	4,454	3,745
Commission and fee (net)	423	354	365
Total operating revenues	6,316	4,808	4,110
Other operating income (net)	82	159	169
Administrative and promotional expenses	(5,008)	(4,026)	(3,437)
Income before income taxes	1,390	941	842
Equity in income of unconsolidated associates	-	8	22
Current income taxes	(614)	(400)	(263)
Deferred income taxes (net)	295	76	3
Consolidated Net Income	\$1,071	\$625	\$604

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos

Balance sheets

Concept	Figures for the years ended as of December 31 st :		
	2016	2015	2014
Assets			
Funds available	7,120	5,878	6,654
Margin Accounts	722	380	522
Investments in securities and repurchase agreements	30,693	26,737	14,486
Derivatives	3,958	1,401	1,890
Loan Portfolio (net)	17,987	12,299	7,959
Other receivables (net)	16,143	13,849	12,298
Long-lived assets held for sale	-	-	174
Deferred taxes and profit sharing (asset)	716	317	181
Other assets	2,955	2,582	2,275
Total Assets	80,294	63,443	46,439
Liabilities			
Deposits	26,819	17,616	14,427
Securitization certificates	2,001	2,007	1,970
Bank and other loans	1,422	880	792
Liabilities arising from sale and repurchase agreements	14,848	17,069	8,239
Collaterals sold or pledged in guarantee	3,470	2,152	270
Derivatives	2,684	1,050	1,352
Other Liabilities	21,744	16,358	13,701
Total Liabilities	72,988	57,132	40,751
Stockholders' equity			
Capital contributed	2,818	2,818	1,506
Earned capital	4,488	3,493	4,182
Total Stockholders' equity	7,306	6,311	5,688
Total Liabilities + Stockholders' equity	\$80,294	\$63,443	\$46,439

Internally prepared with figures as of the 31st of December 2016, 2015 and 2014. Figures in million pesos.

Loan Portfolio

Following the performing and non-performing portfolio as of December 31st, 2016, 2015 and 2014 is shown:

Date	Performing Portfolio	Non-Performing Portfolio	Total
Dec. 2016	18,212	82	18,294
Dec. 2015	12,363	118	12,481
Dec. 2014	8,031	40	8,071

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos

As of December 31st, 2016, Monex maintains the following credit risk operations, in conformity with the general diversification rules established for active and passive transactions by the CUB, as follows:

- Monex has granted eight loans to borrowers or groups of individuals or entities with a common risk, the individual amount of which exceeds 10% of the basic capital. The joint commitment of these loans in the quarter before is equal to \$4,803, 115% of Monex basic capital
- The total of the loans granted to Monex three main borrowers is \$2,235 and represents 53.6% of its basic capital.

Memorandum accounts

Figures for the years ended as of December, 31 st :			
Transactions on behalf of third parties	2016	2015	2014
Total on behalf of third parties	118,926	97,771	94,954
Transactions on own behalf	2016	2015	2014
Total transactions on own behalf	192,256	148,351	107,693

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos

Dividends

In the last three accounting periods, the Issuer has declared dividends for the amounts described as follows:

Date	Total Dividend (Pesos)	Dividend per share (Pesos)
2014 ⁷	-	-
April 13 th , 2015	1'600,000,000.00	\$4.090503285093
April 7 th , 2016	250',000,000.00	\$0.4661802976542553

⁷ Dividends were not paid during the accounting period of 2014

Monetary unit of the financial statements

The financial statements and notes as of December, 31st, 2016, 2015 and 2014 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 Monex and those of its subsidiaries over which it exercises control, the shareholding percentage participation in their capital stock is shown below:

Company	Shareholding			Activity
	2016	2015	2014	
1. Pagos Intermex, S.A. de C.V. (Intermex)	-	-	100%	Previously provided services of payment remittances sent to individuals in Mexico by their friends and family residing in the USA. Payments are mainly accomplished through branches and agents in the country.
2. AdmiMonex, S.A. de C.V. (AdmiMonex)	100%	100%	100%	Direct subsidiary of 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.
3. Monex Grupo Financiero, S.A. de C.V. (Financial Group)	00%	100%	100%	Direct subsidiary of Monex. Established on May 23 rd , 2003, it is authorized by the SHCP to operate as a financial group under the form and terms established by the LRAF. Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.
3.1 Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero	100%	100%	100%	Indirect subsidiary of 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.

3.1.1 Monex Servicios, S.A. de C.V. (Monex Servicios)	-	-	100%	Previously provided supplemental and ancillary services to Banco Monex as per article 88 of the LIC. (On March 27 th , 2015 the sale of this Company was concluded)
3.1.2 Monex Negocios Internacionales, S.A. de C.V. (Monex Negocios)	100%	100%	100%	Indirect subsidiary of Monex. Parent company of Tempus and Monex Europe LTD.
3.1.2.1 Tempus Inc. (Tempus)	100%	100%	100%	Indirect subsidiary of Monex. Entity located in Washington D.C. in the USA, whose purpose is the foreign exchange service. Its customers are mainly located in the USA.
3.1.2.1.1 Tempus Nevada, Inc.	100%	100%	100%	Indirect subsidiary of Monex. Entity founded in 2010 in the State of Delaware in the USA. Currently without operations.
3.1.2.1.2 Monex Canada, Inc.	100%	100%	100%	Indirect subsidiary of Monex. Entity founded in Toronto, Canada. Currently without operations.
3.1.2.2 Monex Europe Holdings Limited (Monex Europe LTD)	100%	100%	100%	Indirect subsidiary of Monex. Parent company of Monex Europe and Schneider FX (Monex directly owns 49.9% of the shares).
3.1.2.2.1 Schneider Foreign Exchange Limited (Schneider FX)	100%	100%	100%	Indirect subsidiary of Monex. Entity without operations.
3.1.2.2.2 Monex Europe Limited (Monex Europe)	100%	100%	100%	Indirect subsidiary of Monex. Entity located in London, United Kingdom. Its activity is the foreign exchange service in the European market.
3.1.2.2.3 Monex Europe Markets Limited	100%	100%	100%	Indirect subsidiary of Monex. Entity dedicated to operate derivatives in the European market.
3.2 Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero	100%	100%	100%	Indirect subsidiary of Monex. The Brokerage House acts as a financial intermediary for transactions involving securities and derivative financial instruments authorized under the terms of the LMV and the general provisions issued by the Commission.

3.2.1 Monex Securities, Inc. (Monex Securities)	100%	100%	100%	Indirect subsidiary of Monex. Acts as a stock market intermediary in the USA market.
3.2.2 Monex Assets Management, Inc. (Monex Assets)	100%	100%	100%	Indirect subsidiary of Monex. Acts as an investment advisor in the USA market.
3.3 Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero, Sociedad Operadora de Sociedades de Inversión (la Operadora)	100%	100%	100%	Indirect subsidiary of Monex. Its main activity is to manage mutual funds and to promote its shares.
4. Servicios Complementarios Monex, S.A. de C.V. (Servicio: Complementarios)	100%	100%	100%	Direct subsidiary of Monex. Currently without operations.

Translation of financial statements of foreign subsidiaries

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

- i. The closing exchange rate, in effect at the balance sheet date for assets and liabilities,
- ii. Historical exchange rates, for stockholder's equity, and
- iii. The rate on the date of accrual of revenues, costs and expenses,
- iv. Translation effects are recorded in stockholder's equity

As of December 31st, 2016, 2015 and 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		
		2016	2015	2014
Monex Europe LTD (Consolidated)	Pound Sterling	25.4814	25.4366	22.9847
Monex Europe	Pound Sterling	25.4814	25.4366	22.9847
Schneider FX	Pound Sterling	25.4814	25.4366	22.9847
Monex Europe Markets LTD	Pound Sterling	25.4814	25.4366	22.9847
Tempus Inc. (Consolidated)	Dollar	20.6194	17.2487	14.7414
Monex, Canada, Inc.	Dollar	20.6194	17.2487	14.7414
Monex Securities	Dollar	20.6194	17.2487	14.7414
Monex Assets Management	Dollar	20.6194	17.2487	14.7414

As of December 31st, 2016, 2015 and 2014 Monex’s functional currency is the Mexican peso. Investments in foreign subsidiaries, whose functional currencies are other than the Mexican peso, expose Monex to foreign currency translation risk. In addition, Monex has monetary assets and liabilities denominated in foreign currencies, mainly in Dollar, Pound Sterling and Euros, resulting in exposure to foreign exchange risks arising from transactions entered into over the normal course of the business, as it is mentioned in Note 34 of the Audited Financial Statements included in chapter 6 “Appendix” attached to this Annual Report.

Securitization certificates

Banco Monex issuance–Securitization certificates BMONEX15

As it is mentioned in Note 1 section b) of the Audited Financial Statements for the years ended as of December 31st, 2016, 2015 and 2014, included in chapter 6 “Annexes” of this Annual Report, Monex, through Banco Monex, executed an issuance of securitization certificates.

That issuance is the first public offering made by the Bank and it took place on July, 14th, 2015 for the amount of \$1,000 million pesos, which is represented by 10 million securitization certificates with a face value of 100 pesos each. The securitization certificates were issued for a period of 1,092 days, which is equal to 3 years and placed at the Interbank Interest Rate (“TIIE” for its acronym in Spanish) 28 day rate + 90 bp.

Monex Issuance

As previously mentioned in “Significant Events” section, Monex issued a second securitization certificates for 10 million through a public offering which took place on November 7th, 2014, for the amount of \$1,000 million pesos, for a period of 3 years. The interests will be paid every 28 days at a TIIE of 28 days rate+ 160 bp. As of December 31st, 2016, 2015 and 2014, Monex has paid interests for \$114, \$93 and \$68 million pesos, respectively.

On the other hand, the first issuance of securitization certificates Monex issued during 2012 for an amount of \$1,000 million pesos were paid during July 2015.

Related party transactions and balances

As of December 31st 2016, 2015 and 2014, Monex maintained loans amounts with to related parties for the amount of \$251, \$207 and \$22 million pesos, respectively.

As of December 31st, 2016, 2015 and 2014, Monex had consolidated all its transactions with related parties over which Monex has equity interest greater than 50% and the control. As it is mentioned in Note 1 section c) of the Audited Financial Statements for the years ended as of December 31st, 2016, 2015 and 2014, including in the chapter 6 “Annexes” of this Annual Report, since November, 2014 Monex ceased consolidate its transactions with its subsidiaries Monex Servicios and Pagos Intermex. Because Monex and such subsidiaries, perform operations, related to investment in securities, deposits, personal services, correspondents, most of them originate revenues in one entity and expenses in the other entity, transactions and balances as of December 31st, 2014 are as follows:

Concept	2014
Receivable:	
Derivatives	\$3
Liabilities:	
Deposits	\$30
Payable accounts	4
Revenue:	
Other products	\$14
Intermediation results	3
Expenses:	
Interest	\$1
Administrative services	63

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

Stockholders' equity

Monex capital stock as of December 31st, 2016, 2015 and 2014, at par value, is integrated as follows:

	Number of shares as of December the 31 st ,		
	2016	2015	2014
Fixed Capital -			
Series "A" Shares	50,000	50,000	50,000
Series "B" Shares	545,758,505	545,758,505	399,950,000
Total	545,808,505	545,808,505	400,000,000

Internally prepared with figures as of December 31st, 2016, 2015 and 2014.

The stockholders' Ordinary General Meeting of April 7th, 2016, agreed the following movements:

- Transfer the net result of 2015, for the amount of \$625 million pesos to the "Retained earnings".
- Declared of dividends to shareholders in the amount of \$250 million pesos, under the account " Retained earnings"

At December 31st of 2016, 2015 and 2014 the stockholders' equity is described as follows:

Stockholder's Equity	2016	2015	2014
Capital contributed:			
Capital stock	2,055	2,055	683
Additional paid-in capital	<u>763</u>	<u>763</u>	<u>823</u>
	2,818	2,818	1,506
Earned Capital:			
Capital reserves	408	377	392
Retained earnings	2,318	1,974	2,970
Results from valuation of securities available for sale, net	(170)	(13)	-
Translation effects of foreign subsidiaries	750	530	216
Result from hedging instruments at fair value	130	-	-
Remeasurement of defined employee benefits	(19)	-	-
Net income	<u>1,071</u>	<u>625</u>	<u>604</u>
	4,488	3,493	4,182
Total stockholders' equity	<u>\$ 7,306</u>	<u>\$ 6,311</u>	<u>\$ 5,688</u>

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos

The movements detail in the Stockholders' equity of the Issuer is in Note 24 of the independent auditors' Report and Audited Financial Statements for the years ended in 2016, 2015 and 2014 included in chapter 6 "Annexes" of this Annual Report.

Uncertain factors or events that can make the information presented may not be indicative of further performance of the Issuer

(See chapter 1 "General Information") – "Risk Factors".

b) Financial information by Business Line, Geographical Zone and Exporting Sales

See Note 31 - "Segment Information" of the Audited Financial Statements for the years ended in 2016, 2015 and 2014, included in chapter 6 "Appendix" of this Annual Report.

c) Relevant credit report

The Issuer holds credits with banks and other Institutions, which consist of Supply Chain Financing (clusters), and NAFIN's digital credit, as well as financing facilities for agricultural, rural and fishing sector of Mexico (FIRA). Likewise, Monex has "Call money" transactions and interbanking credit facilities, which are mainly used for the short-term funding and banking leveling market.

No need had yet arisen to use external sources of liquidity, to cover the margin requirements that may arise in both MexDer and CME operations. Financial counterparties are used to cover open trades with client, which we have credit facilities negotiated under various contracting conditions.

Transactions with clients are mostly agreed with an initial margin, which yields a spread of guarantees (collected - provided), therefore there are normally cash flow surpluses due to this concept. There are, special cases and clients that have negotiated an initial margin of 0% with a maximum loss, which means that once the maximum loss amount is reached we request contribution of guarantees.

It is important to mention that the resources are obtained through the areas of the Treasury and the deposits of clients represent our main source of liquidity.

Demand deposits are our lowest cost financing source compared to others alternatives. Our financing strategy is based on increasing financial sources of low-cost financing through new banking products and commercial campaigns aimed at increasing the volume of deposits by our customers, as well as expanding our clients base. Under our financing strategy, we achieved to increase our deposits by approximately 52.2% in 2016 compared to 2015.

In order to reduce our liquidity risk, we hold credit facilities on demand (*call money*) with certain financial institutions, as well as short- and long-term financing. We have access to long-term financing through bank debt, issuance of securitization certificates, certificates of deposit, structured bonds and promissory notes with yield payable at maturity in the local market.

As of December 31, 2016, Banco Monex did not have any relevant credit to be disclosed as a debtor.

The following chart indicates the composition, amounts and maturity dates of short and long term financing as of the December 31st, 2016, 2015 and 2014:

	Figures for the years ended as of December the 31 st :		
	2016	2015	2014
Demand deposits-			
"Call money" received	344	-	200
Total demand deposits	344	-	200
Short term-			
FIRA	50	22	8
Clusters	1,019	838	584
Digital loans	9	20	-
Total short-term loans	1,078	880	592
Total bank loans and other loans	\$1,422	\$ 880	\$ 792

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

Loans with Development Bank Institutions – Loans are granted by Nacional Financiera (NAFIN) and Fideicomiso of Banco de México (FIRA), which represent a direct obligation for the Issuer with these entities. Accordingly, the Issuer grants loans in Mexican pesos and Dollars to their customers for financial support.

Lines of credit for discounts and loans, granted in Mexican pesos and Dollars by the development funds mentioned above, operate under the authorizations of the internal risk units of the Issuer. The financial conditions are set under fixed and variable rate programs, both in Dollars and Mexican pesos, and the term is based on the specific program or transaction determined for each project.

- Operation cash flow and other liquidity sources are estimated to be enough to cover our liquidity necessities for the following twelve months, including our investments budget.
- As part of our assets and liabilities management strategy, we constantly monitor our exposure to foreign currencies, with the purpose of minimizing the exchange rates fluctuation, and the effect that might have on our results. Banco de México's regulations require that we must keep open positions in foreign currency for an amount not higher than a specific level regarding to the basic capital (Tier 1), as well as a limit regarding the liabilities denominated in foreign currency with an adjusted maturity date. As of December 31st, 2016 we complied with such regulatory requirements.

Monex has a credit facility with Banco Monex, of which the obligations of Do's and Don'ts are as follows:

- I. Obligations to do:
 - a. Financial Information. In case THE BANK requests from any of the CO-BORROWERS their quarterly financial statements within 45 (forty-five) days following the end of the corresponding quarter and the internal annual financial statements within 60 (sixty) days following the closing of the accounting period and the audited financial statements within 120 (one hundred and twenty) days after the closing of the accounting period, which should be completed and correct in all substantial aspects and should be compiled with sufficient and reasonable detail.
 - b. Compliance with the Law: Authorizations. To comply with all applicable laws, rules, regulations and legal dispositions.
 - c. Compliance with obligations with third parties. To carry out and comply with all present and future obligations arising from any contractual agreed with any third party.
 - d. Reports and inspections. THE CO-BORROWERS are obligated to provide to THE BANK upon request, all documents and information regarding the use and destination of the Credit. THE CO-BORROWERS agree and accept henceforth that THE BANK, through the intermediary of persons they instruct for the purpose, may carry out inspections in the company and request for data or documents strictly related to this operation, upon request made by THE BANK with five business days in advance.
 - e. Core business; Operations: Existence. To carry out the performance of its corporate purpose in a continuous and consistent manner, with sound commercial practices; to keep operating in accordance with its corporate purpose and core business; to obtain, maintain and carry out all required conservatory acts related to the authorizations, concessions, permits, licenses for which it currently or in the future is a holder, dealer or authorized user necessary for the fulfillment of its corporate purpose.
 - f. Taxes. To present all tax obligations that are required to be submitted in any jurisdiction, in accordance with applicable legislation and pay all taxes that are legally due to be paid pursuant to such tax obligations and any other taxes, contributions, charges or duties imposed on it or to its properties assets or income in or before the date in which these taxes, contributions, charges or duties are payable in accordance with applicable legislation.
 - g. Notifications. THE CO-BORROWERS undertake to notify in writing to THE BANK, within the terms and conditions established in each case on the following:
 - (i) At the latest within 5 (five) calendar days following the occurrence of any act or event that constitutes or over the course of time may constitute a Cause of Maturity (specifying that it is a "Notification of Anticipated Maturity"); except for those causes of anticipated maturity that are related with non-compliance of any of the payment obligations to their respective position, which must be immediately notified.
 - (ii) At the latest within 5 (five) calendar days following any event of THE CO-BORROWER non-compliance or cause of failure under any contractual obligation agreed with any third party at that date.
 - (iii) At the latest within 3 (three) business days following the notification: (i) any claim, action, litigation, procedure, resource or arbitration before any administrative or judicial authority, and arbitral entity, national or foreign; (ii) any labor dispute that affects or may affect the business, operations, or properties of THE CO-BORROWER and; (iii) any other liability or contingent responsibility conducted by THE CO-BORROWER.

Each notification made under conditions of this section, must be accompanied by a report issued by a responsible officer of any of THE CO-BORROWERS, establishing the details of the event referred in the notification and the acts that THE CO-BORROWER propose to carry out to remedy it.

- h. Priority. To ensure that their obligations under the Credit and Promissory notes constitute at all times direct and non-subordinated obligations of THE CO-BORROWER, and that they have a priority of payment, at least at the same level and priority and preference with respect to the payment of any other obligations, present or future, direct non-guaranteed and non-subordinated of THE CO-BORROWER derivative from any liability to their respective charge.
- i. Destination of Resources. To allocate the amount of the Credit solely for the stipulated in the agreement.
- j. Information. THE CO-BORROWERS undertake to provide THE BANK with all additional information in writing that they are required in terms properly indicated by THE BANK.

II. Obligations not to do:

- a. To authorize any merge, consolidation, spin-off, liquidation, reorganization, or dissolution without previous notification in writing to THE BANK.
- b. To pay any type of dividend being in a non-compliance of any obligation, agreement, contract or convention with THE BANK.
- k. To amend its bylaws or allow any of its subsidiaries to amend its bylaws in such a way that a cause of anticipated maturity occurs or may occur under this agreement.
- l. To modify in any manner its usual way to perform the activities permitted for its corporate or business purposes without previous consent in writing from THE BANK.

d) Comments and Analysis of the Management on the Operation Results and Financial Situation of the Issuer

The following section has been prepared based on our Audited Financial Statements and the rest of the financial information included in this Annual Report. The potential investors should read the following analysis of the administration on our operation results and financial situation together with the “Selected Financial Information” and our Audited Financial Statements, which are part of this Annual Report.

This section contains projections that reflect our plans, estimates and considerations, which involve risks, uncertainties and suppositions. Our real results may substantially differ from those anticipated in our forward-looking statements or future estimates. Factors that could make or contribute to these differences include, among others, those detailed later and in other sections of this Annual Report, particularly in the “Risk Factors” section. It is important that investors carefully consider the information included in this section and the “Risk Factors” section (Chapter 1: General Information) before investing in the Issuer.

I. Operating income

The following chart shows our Consolidated Income Statements, prepared according to the accounting criteria of CNBV, for the years ended as of December 31st, 2016, 2015 and 2014.

Concept	Figures for the years ended as of December 31 st :		
	2016	2015	2014
Intermediation results			
Foreign exchange	2,462	3,373	2,877
Derivative instruments	2,530	594	179
Debt securities	218	(118)	296
Equity instruments	7	21	10
Intermediation income	5,217	3,870	3,362
Interest income	2,441	1,710	1,279
Interests expense	(1,615)	(1,050)	(848)
Financial margin	6,043	4,530	3,793
Provision for loan losses	(150)	(76)	(48)
Financial margin after provision for loan losses	5,893	4,454	3,745
Commission and fee income	594	528	561
Commission and fee expense	(171)	(174)	(196)
Total operating revenues	6,316	4,808	4,110
Other operating income (expenses)	82	159	169
Administrative and promotional expenses	(5,008)	(4,026)	(3,437)
Income before income taxes	1,390	941	842
Equity in income of unconsolidated associates	-	8	22
Current income taxes	(614)	(400)	(263)
Deferred income taxes (net)	295	76	3
Consolidated Net Income	\$1,071	\$625	\$604

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

Total operating revenue as of December 31st, 2016 ascended to \$6,316 million pesos, that is a growth of 31.4 % compared to the reported total operating revenue as of the closing of 2015. In 2015, total operating revenue reached \$4,808 million pesos which represented a growth of 17% compared to the same figure reported in 2014.

The Financial Margin ascended to \$6,043 million pesos as of December 31st 2016, higher figure by 33.4%, compared to the prior same period. Likewise, this margin reached \$4,530 million pesos at the end of December 2015, which represented an increase of 19.4% compared to the same period in 2014.

Related to the administrative and promotional expenses, these are shown in the section "Administrative and Promotional Expenses" of this Annual Report.

Finally, Monex reports a Consolidated Net Income of \$1,071 million pesos as of December 2016, which represent an increase of 71.4%. For December 2015 Consolidated Net Income ascended to \$625 million pesos, 3.5% higher to the result achieved in 2014.

Note: Previous paragraphs figures should be read together with the “Operation Results by Business Segments” section of this Annual Report, where more details are shown.

Operation Results by Business Segments

	2016							Total
	Foreign exchange	International	Derivatives	Banking products	Credit and Deposits	Trust Services	Others	
Intermediation results	2,480	1,930	582	225	-	-	-	5,217
Interest income	-	7	36	1,392	954	-	52	2,441
Interest expense	-	-	-	(1,014)	(593)	-	(8)	(1,615)
Allowance for loan losses	-	-	-	-	(150)	-	-	(150)
Commission and fee income	82	116	-	139	40	189	28	594
Commission and fee expenses	(6)	(30)	(11)	(40)	-	(1)	(83)	(171)
Operating Income	\$2,556	\$2,023	\$607	\$702	\$251	\$188	\$(11)	\$6,316
Other operating income (expenses), net	-	(1)	-	-	41	(7)	49	82
Administrative and promotional expense	(1,995)	(1,606)	(470)	(589)	(198)	(150)	-	(5,008)
Current and deferred income taxes	(172)	(98)	(22)	(35)	(29)	(10)	47	(319)
Net Income	\$389	\$318	\$115	\$78	\$65	\$21	\$85	\$1,071

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

2015

	Foreign exchange	International	Derivatives	Banking Products	Credit and Deposits	Trust Services	Others	Total
Intermediation results	2,284	1,282	400	(96)	-	-	-	3,870
Interest income	-	8	24	1,110	549	-	19	1,710
Interests expense	-	-	-	(661)	(385)	-	(4)	(1,050)
Allowance for loan losses	-	-	-	-	(76)	-	-	(76)
Commission and fee income	76	88	-	145	42	143	34	528
Commission and fee expense	-	(23)	(9)	(41)	(3)	(1)	(97)	(174)
Operating Income	\$2,360	\$1,355	\$415	\$457	\$127	\$142	\$(48)	\$4,808
Other operating income (expenses), net	-	4	-	2	-	(6)	159	159
Administrative and promotional expense	(1,941)	(1,052)	(349)	(439)	(116)	(129)	-	(4,026)
Current and deferred income taxes	(145)	(106)	(23)	(7)	(3)	(3)	(37)	(324)
Equity in income of unconsolidated associate companies	-	-	-	-	-	-	8	8
Net Income	\$274	\$201	\$43	\$13	\$8	\$4	\$82	\$625

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

	2014							
	Foreign exchange	International	Derivatives	Banking Products	Credit and Deposits	Trust Services	Others	Total
Intermediation results	2,030	867	158	307	-	-	-	3,362
Interest income	-	6	35	820	383	-	35	1,279
Interest expense	-	-	-	(445)	(403)	-	-	(848)
Allowance for loan losses	-	-	-	-	(48)	-	-	(48)
Commission and fee income	66	85	-	171	69	129	41	561
Commission and fee expense	-	(16)	(11)	(36)	(18)	(4)	(111)	(196)
Operating income	\$2,096	\$942	\$182	\$817	\$(17)	\$125	\$(35)	\$4,110
Other operating income (expenses), net	-	(3)	-	2	-	(2)	172	169
Administrative and promotional expense	(1,733)	(742)	(150)	(726)	(23)	(109)	-	(3,437)
Current and deferred income taxes	(112)	(61)	(10)	(28)	(2)	(4)	(43)	(260)
Equity in income of unconsolidated associate companies	-	-	-	-	-	-	22	22
Net Income	\$251	\$136	\$22	\$65	\$4	\$10	\$116	\$604

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

Segment Information

At the end of December 2016, the foreign exchange business increased in operating income by 8.3% approximately, compared to the 2015 figures. This growth resulted, mainly, due to higher volatility of foreign exchange in 2016, which had an impact on this product margin.

At the same time, this segment represented 40.5% of the total operating income in 2016 equivalent to \$ 2,556 million pesos (internal figures).

The International business (Monex Europe and Tempus, subsidiaries of the Bank) had a 49.3% and 58.2% growth in operating income and net Income, respectively, compared to the figures disclosed at the end of December 2015.

Intermediation results

The performance of the intermediation results are **explained below**:

As of December 31, 2016, it was mostly integrated by:

- Foreign exchange result shows a balance of \$2,462 million pesos that represents 47.2% of the intermediation results.
- Income from derivatives increased from \$594 million pesos in 2015 to \$2,530 million pesos in 2016, which represents a growth of 325.9% mainly due to the increase of trading profits.
- Income from debt securities decreased from \$132 million pesos in the valuation and increased to \$468 million pesos in trading profits, both results compared to the same period of previous year.

The intermediation results of all segments in 2016 increased by 34.8%, from \$3,870 million pesos in 2015 to \$5,217 million pesos in 2016. In 2015, it presented an increase of 15.1%, from \$3,362 million pesos in 2014 to \$3,870 million pesos at 2015.

Financial Margin

The financial margin as of December 31, 2016, reached a balance of \$826 million pesos, \$166 million pesos more compared to the fiscal year 2015, which represents a 25.1% increase; mostly integrated as follows:

Interest income:

- Interest generated by market transactions (Investments in operations, securities, debt and equity) represent 56.8% of the total interest income account equivalent to \$1,387 million pesos
- Interest generated from the Loan Portfolio represents 39% with a balance of \$951 million pesos
- Deposits with financial institutions represent 2% with a balance of \$51 million pesos

Interest expenses:

- The interest from market operations (repurchase agreements) show a balance of \$899 million pesos, which represents 55.7% of the total
- Interest generated and paid for Deposits represent 33% with a balance of \$533 million pesos
- Securitization certificates interest reached a balance of \$115 million pesos, which represents 7.1% of the total
- Interest on short term loans represent 3.7% of the total, equivalent to \$60 million pesos

Allowance for loan losses

The allowance for loan losses increased 97.4%, from \$76 million pesos in 2015 to \$150 million pesos in December 2016.

Administrative and promotional expenses

The administrative and promotional expenses are integrated mainly by remunerations and employee benefits, technology, taxes and rights, professional fees, leasing, depreciations and amortizations, maintenance, promotion and publicity, contributions to IPAB and other general expenses. In 2016, 2015 and 2014, the administrative and promotion expenses performed as following:

- The administrative and promotional expenses increased by 24.4%, from \$4,026 million pesos in 2015 to \$5,008 million pesos in 2016, mainly due to remunerations and employees' benefits that increased by \$806 million pesos compared to 2015.
- In 2015 administrative and promotional expense increased 17.1%, from \$3,437 million pesos in 2014 to \$4,026 million pesos in 2015, mainly due to remunerations and employees' benefits that increased by \$605 million pesos compared to 2014. Additionally, professional fees presented an important decrease by \$46 million pesos compared to 2014.

The following chart shows the administrative and promotional expenses for the years ended December 31st 2016, 2015 and 2014.

Years ended December 31 st	2016		2015		2014
		Change (%)		Change (%)	
Remunerations and employee benefits	3,755	27.3%	2,949	25.8%	2,344
Technology	387	14.2%	339	17.3%	289
Taxes and rights	129	(1.5)%	131	(19.6)%	163
Professional fees	151	17%	129	(26.3)%	175
Leasing	154	38.7%	111	12.1%	99
Depreciations	28	7.7%	26	4%	25
Amortizations	38	0%	38	(15.5)%	45
Maintenance	23	4.5%	22	(15.4)%	26
Promotion and publicity	75	2.7%	73	14.1%	64
Contributions to IPAB	104	38.7%	75	33.9%	56
Others	164	23.3%	133	(11.9)%	151
Total	\$5,008	24.4%	\$4,026	17.1%	\$3,437

Internally prepared with figures as of December 31st 2016, 2015 and 2014. Figures in million pesos.

2016

Remunerations and employee benefits in 2016 increased by 27.3% compared to 2015 that balance resulted in \$3,755 million pesos in 2016. The above it is mainly because of the increasing in the salesforce commissions and productivity bonuses, especially in Monex Europe.

Leasing expenses increased by 38.7%, from \$111 in 2015 to \$154 in 2016, mostly due to exchange rate fluctuation.

Contributions to IPAB increased by 38.7% compared to previous year, passed from \$75 million pesos in 2015 to \$104 million pesos in 2016, this is mainly because of the growth in deposits, which represents a fundamental part of the IPAB fee calculation.

Professional fees expenses increased by 17%, passing from \$129 million pesos during 2015 to \$151 million pesos in 2016.

2015

Remunerations and employee benefits in 2015 increased by 25.8% compared to 2014. That balance resulted in \$2,949 million pesos in 2015. This increase was mainly because of the salesforce commission growth and the productivity bonuses especially in Monex Europe due to the appraisal of Pound Sterling, which represented a 38% increase of the total balance.

Technology expenses increased 17.3% from \$289 million pesos in 2014 to \$339 million pesos in 2015, mostly due to the following expenditures:

- Tecnomedia Applications: Group of developers, support, monitoring and PLD for \$13 million pesos
- Data Center: For \$13 million pesos, mostly due to the growth in storage capacity and improvement in communication, as well as exchange rate variation of services hired in Dollars
- Oracle: Increase in services hired for \$6 million pesos

Contributions to IPAB increased by 33.9% compared to the previous year from \$56 million pesos in 2014 to \$75 million pesos in 2015, this is mainly explained by the growth in demand deposits of \$3,189 million pesos, which represents a fundamental part of the IPAB fee calculation.

Professional fees expenses showed a decrease of 26.3%, from \$175 million pesos during 2014 to \$129 million pesos in 2015.

Promotion and publicity expenses increased 14.1%, from \$64 million pesos in 2014 to \$73 million pesos in 2015, due mainly to a publicity campaign strengthening and Monex Europe publicity expenditure for \$6 million pesos.

2014

Remunerations and employee benefits increased by 4% in 2014 compared to 2013 (\$2,263 million pesos). Also, the technology expenses during 2014 were \$280 million pesos higher figure in 3% compared to 2013, both items increased due to the generalized increase in the inflation effects, which ascended approximately to 4%.

Professional fees expenses increased by 41% compared to 2013, passing from \$124 million pesos in 2013 to \$175 million pesos in 2014, due to the expenses related to the sale of Pagos Intermex and Monex Servicios, and some legal topics contracted during 2014.

Promotion and publicity expenses increased 19%, passing from \$54 million pesos during 2013 to \$64 million pesos in 2014, previously information explained by the publicity campaign strengthening launched in 2013.

Contributions to IPAB increased by 115% compared to the previous year, passing from \$26 million pesos in 2013 to \$56 million pesos in 2014, due to a change in the methodology for the fees calculation in 2014. Also, it was because of an increase in the item of banking liabilities and the decrease of the financing granted to the Banking Institutions.

II. Financial Condition, Liquidity and Capital Resources

Balance Sheet

We show below the Consolidated Audited Balance Sheet as of December 31st, 2016, 2015 and 2014 in million pesos.

Concept	Figures for the years ended as of December 31 st :		
	2016	2015	2014
Assets			
Funds available	7,120	5,878	6,654
Margin accounts	722	380	522
Investments in Securities and Repurchase agreements	30,693	26,737	14,486
Derivatives	3,958	1,401	1,890
Loan portfolio (net)	17,987	12,299	7,959
Other receivables (net)	16,143	13,849	12,298
Long-lived assets held for sale	-	-	174
Deferred taxes and profit sharing (asset)	716	317	181
Other assets	2,955	2,582	2,275
Total Assets	80,294	63,443	46,439
Liabilities			
Deposits	26,819	17,616	14,427
Securitization certificates	2,001	2,007	1,970
Bank and other loans	1,422	880	792
Liabilities arising from sale and repurchase agreements	14,848	17,069	8,239
Collaterals sold or pledged in guarantee	3,470	2,152	270
Derivatives	2,684	1,050	1,352
Other Liabilities	21,744	16,358	13,701
Total Liabilities	72,988	57,132	40,751
Stockholders' Equity			
Capital contributed	2,818	2,818	1,506
Earned capital	4,488	3,493	4,182
Total Stockholders' equity	7,306	6,311	5,688
Total Liabilities + Stockholders' equity	\$80,294	\$63,443	\$46,439

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

Assets

The funds available account is represented by the banks balances and the foreign exchange currencies that would be collected from the client and delivered to them, being their counterparty, other accounts receivable and obligations arising from settlement of transactions respectively.

The aforementioned account performed as follows:

In 2016 this account increased by 21.1%, from \$5,878 million pesos in 2015 to \$7,120 million pesos in 2016. In 2015, this figure decreased by 11.7% approximately, from \$6,654 million pesos in 2014 to \$5,878 million pesos in 2015.

Regarding the position of the FX net currencies, their performance for the last three periods was as follows: at the end of 2016, it did not present a net amount of FX currencies, in 2015 the net amount reached \$75 million pesos of FX currencies receivable and in 2014 there was a balance of \$665 million pesos which represents the FX net currencies to be received from clients.

The banks' balance increased from \$5,675 million pesos in 2015 to \$6,799 million pesos in 2016, which represented an increase of \$1,124 million pesos. In 2015 the balance increased from \$5,651 million pesos in 2014 to \$5,675 million pesos, which represented an increase of \$24 million pesos during 2015.

The margin accounts increased \$342 million pesos in 2016, which represents a growth of 90% compared to 2015. As of December 2015 this figure decreased \$142 million pesos compared to 2014.

Securities investments increased \$2,984 million pesos at the end of 2016, from \$23,767 million pesos in 2015 to \$26,751 million pesos in 2016. In 2015 this figure increased 64% or \$9,284 million pesos compared to 2014.

The repurchase agreements account increased 32.7% in 2016, from \$2,970 million pesos in 2015 to \$3,942 million pesos in 2016. In 2015 this item had a considerable increase of \$2,967 million pesos compared to the closing of 2014.

The derivatives account increased \$2,557 million pesos in 2016, which represents a growth of 182.5% compared to 2015. In 2015, this figure decreased \$489 million pesos compared to 2014.

As of December 2016, other receivables increased by 16.6% compared to December 2015, which represents an increase of \$2,294 million pesos, compared to the previous year. This variation is mainly comprised of: i) receivables from foreign exchange transactions increased \$4,852 million pesos, ii) receivables from of money market transactions decreased by \$2,193 million pesos. In 2015, it increased 12.6% compared to 2014, which represents an increase of \$1,551 million pesos. Moreover, it is important to mention that this account includes pending foreign exchange transactions to be paid by customers.

As of December 2016, 2015 and 2014 the performing loan portfolio balance reaching \$18,212 million pesos, \$12,363 million pesos and \$8,031 million pesos respectively, which represents an increase of 47.3% in 2016 compared to 2015; as well as an increase of 53.9% in 2015 compared to 2014. These variations are mainly comprised of:

- An increase of \$4,979 million pesos in 2016 and \$3,916 million pesos in 2015 in the commercial loans portfolio.
- An increase of \$171 million pesos in 2016, as well as a decrease of \$152 million pesos in 2015 in the housing loans.
- An increase of \$699 million pesos and \$568 million pesos for 2016 and 2015 respectively, in the loans to financial entities.

It is important to point out that the housing loans are entirely represented by a program launched by INFONAVIT called "Mejoravit" in 2016 and approximately 6,454 accredited accounts as of December 31, 2016.

Non-performing portfolio decreased \$36 million pesos in 2016 compared to 2015. In 2015, it increased by \$78 million pesos compared to 2014. On the other hand, the allowance for loan losses ascended to \$307 million pesos in December 2016, higher figure in 68.7% compared to 2015. In 2015 this figure increased 62.5%, from \$112 million pesos in 2014 to \$182 million pesos in 2015.

The allowance for loan losses increased 68.7% from \$182 million pesos in 2015 to \$307 million pesos in December 2016, due to the growth of \$5,813 million pesos in the loan portfolio in the same period.

Liabilities

Deposits increased by \$9,203 million pesos in December 2016 compared to December 2015, mainly due to the increasing on demand deposits. In December 2015 it increased 22.1% or \$3,189 million pesos compared to December 2014.

Bank and other loans increased from \$880 million pesos in 2015 to \$1,422 million pesos in 2016, which represents a growth of \$542 million pesos. As of December 31, 2015, this account increased 11.1% compared to December 2014.

Liabilities arising from sale and repurchase agreements as of December 2016 decreased by \$2,221 million pesos compared to 2015. In 2015 this account increased 107.2% or \$8,830 million pesos compared to 2014.

Collaterals sold or pledged in guarantee as of December 2016, increased \$1,318 million pesos, from \$2,152 million pesos in 2015 to \$3,470 million pesos in 2016. In 2015, there was a considerable increase of 697% compared to 2014, due to the increase in the repurchase agreements.

As of December 2016, derivatives increased \$1,634 million pesos compared to 2015. Also, as of December 2015 there was a decrease of 22.3%, compared to 2014.

Other accounts payable in December 2016 increased by \$5,278 million pesos or 32.8% compared to December 2015. This amount is mainly comprised of an increase of \$2,310 million pesos in obligation arising from settlement of transactions, an increase of \$1,265 million pesos in liabilities arising from cash collateral received and an increase of other payables for \$1,526 million pesos. Likewise, at the end of December 2015 there was 19% increase compared to 2014.

Stockholders' equity

The Stockholders' equity in 2016 ascended to \$7,306 million pesos, which represented a growth of 15.8% compared to 2015.

The earned capital in 2016 increased by \$995 million pesos or 28.48% compared to 2015, variation mainly due to:

- 71.4% increase of the net income as of December 31, 2016, which resulted in \$1,071 million pesos
- An increase due to the translation effects of foreign subsidiaries (Monex Europe and Tempus) of \$220 million pesos, caused by the appreciation of the Pound Sterling and the US Dollars compared to the Mexican Peso
- An increase of \$344 million pesos in retained earnings account, derived mainly from a transfer of profits obtained in 2015 to the retained earnings account of \$625 million pesos
- Valuation of securities available for sale of \$170 million pesos, which reduces the earned capital

The capital contributed remained unchanged in 2016. In 2015 this item indicated a total of \$2,818 million pesos, increasing \$1,312 million pesos, which represents a growth of 87.1% compared to 2014.

Summary of derivative financial instrument transactions

Asset position	2016		2015		2014	
	Asset		Nominal	Asset	Nominal	Asset
	Nominal amount of purchases	Position net	Amount of purchases	Position net	Amount of purchases	Position net
Futures -						
Foreign currency futures	10,554	-	5,686	-	7,234	-
Futures securities	-	-	-	-	50	-
Futures Indexes	-	-	3	-	-	-
	10,554	0	5,689	-	7,284	-
Forwards-						
Foreign currency forwards	29,196	2,112	19,942	932	113,730	1,315
Forwards indexes	-	-	7	-	9	1
Forwards shares	-	2	-	1	-	-
	29,196	2,114	19,949	933	113,739	1,316
Options-						
Foreign currency options	38	73	15	79	51	270
Rates options	43	91	44	94	50	83
Options indexes	1	1	-	-	-	-
	82	165	59	173	101	353
Swaps-						
Rates swaps	12,261	1,536	6,921	295	6,039	221
	12,261	1,536	6,921	295	6,039	221
Hedging derivatives-						
(1)						
Rates swaps	838	143	-	-	-	-
	838	143	-	-	-	-
Total position	\$52,931	\$3,958	\$32,618	\$1,401	\$127,163	\$1,890

(1) In 2016 hedging derivatives (rate swaps) started to be used.

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

Our liquidity management seeks to ensure that, even under adverse conditions, we will have sufficient liquidity and access to the necessary financing to cover our payments transactions related to the foreign exchange trading, our clients' needs, liabilities dues, requirements of working capital, as well as to continue the expansion to other financial services and the geographic expansion of our services in Mexico and abroad.

Our liquidity risk come from the payment needs of our clients and the financing of our investment, credit and treasury activities and includes the risk of not being capable to liquidate a position on time at an adequate price and the risk of having to pay liabilities, particularly those related to deposits from our clients, abruptly and/or anticipated. We quantify our exposure to liquidity risk projecting future cash flows, considering all the assets and liabilities in pesos and in foreign currencies and taking into consideration the maturity terms. Our treasury department is in charge to ensure the maintenance of adequate liquidity levels in order to cover

any foreign exchange transactions and withdrawals of deposits, payments of other liabilities in their maturity date, granting loans and fulfill working capital needs, in compliance with the regulatory reserves and coefficients of internal and regulatory liquidity in all relevant aspects.

Our funding strategy consists of:

- To increase clients' deposits by the penetration in more than 49,200 current commercial relationships, whom a great proportion has different sizes of business, derived from reciprocity of the variety of services provided by Banco Monex among them
- To increase the term of deposits, in order to improve the mix of different investment instruments and investment horizons
- To diversify the funding through Banks and other entities
- To diversify the alternatives of funding with those available in the market that are eligible for the activities of our credit clients
- To issue the long-term securitization certificates in order to improve the mix and available alternatives to fund the loan portfolio

Additionally, Basilea III frame seeks to establish a liquidity coverage ratio, or "LCR," and a stable net financing ratio, or "NSFR". The LCR requires that we maintain sufficient high-quality liquid assets to cover net cash outflows that could result in a stress scenario. The NSFR will establish a minimum amount of stable financing that we have to maintain based on the liquidity of our assets during a period of one year.

The cash flow statement presents the capacity of the Issuer to generate cash and cash equivalents, as well as the way the Issuer uses those cash flows to cover its needs. The cash flow jointly with the rest of the financial statements provides information that allows:

- To evaluate the changes in assets and liabilities of the Issuer and its financial structure.
- Evaluate both amounts and dates of receivables and payments, in order to adapt them to circumstances and opportunities of generation and/or application of cash and cash equivalents.

Cash Flow Statements

In the following chart we present the Consolidated Cash Flow Statements with audited figures for the years that ended as of December 31st, 2016, 2015 and 2014, in million pesos.

Concept	Figures for the years ended as of December 31 st :		
	2016	2015	2014
Net Income :	1,071	625	604
Depreciation	28	26	25
Amortization	37	38	45
Current and deferred income taxes	319	324	260
Equity in income of unconsolidated associate companies	-	(8)	(22)
Others	1	5	68
Adjustment for items that do not require cash flows	1,456	1,010	980
Operating activities:			
Change in margin account	(342)	142	156
Change in investments in securities	(3,141)	(9,303)	(1,775)
Change in repurchase agreements, net	(3,193)	5,863	(530)
Change in derivatives, net	(789)	187	(624)
Change in hedging instruments	(4)	-	-
Change in loan portfolio, net	(5,688)	(4,340)	(3,658)
Change in assigned assets	6	(7)	(1)
Change in other operating assets	(2,609)	(1,799)	(2,302)
Change in deposits	9,203	3,189	4,121
Change in bank and other loans	542	88	319
Change in collateral sold or pledged in guarantee	1,318	1,882	(74)
Change in other operating liabilities	4,756	2,211	(547)
Net cash flows from operating activities	59	(1,887)	(4,915)
Investing activities:			
Payments for acquisition of property, furniture and fixtures	(52)	(33)	(43)
Proceeds from sale of furniture and fixtures	13	11	12
Payments for acquisition of intangible assets	(81)	(22)	(31)
Proceeds from disposal of subsidiaries and associate companies	-	246	-
Dividend received	-	16	3
Purchase of investment in shares	(9)	-	-
Additional paid in acquisition of subsidiary	-	(35)	-
Net cash flows from investing activities	(129)	183	(59)

Financing Activities:

Debt payment	-	(1,000)	-
Issuance of securitization certificates	-	1,000	1,000
Subscription of shares	-	1,312	-
Repurchase of own shares	-	(15)	(13)
Dividends paid	(250)	(1,600)	-
Interest paid	(114)	(93)	(68)
Net cash flows from financing activities	(364)	(396)	919
Net increase (decrease) in funds available	1,022	(1,090)	(3,075)
Effects from changes in value of funds available	220	314	183
Funds available at the beginning of the year	5,878	6,654	9,546
Funds available at the end of the year	\$7,120	\$5,878	\$6,654

Internally prepared with figures as of December 31st 2016, 2015 and 2014. Figures in million pesos.

Our main liquidity sources have been historically integrated in (1) interbanking lines to carry out payment transactions, (2) daylight repurchase agreements transactions with the Central Bank of Mexico, (3) deposits, mainly demand and time deposits, (4) bank loans and other loans, including *call money* and issuance of interbanking paper, and (5) the proper generation of business cash flow.

Liquidity Sources

The following chart shows the composition of our liquidity sources as of December 31st, 2016, 2015 and 2014

Concept	2016	2015	2014
Demand deposits	15,209	8,366	7,852
Time Deposits -			
General public	10,733	4,984	5,483
Money market:			
Deposit certificates	434	2,033	656
Promissory Notes with Interest Payable at Maturity (BMONEX) (1)	-	2,149	280
	26,376	17,532	14,271
Debt Securities (Bonds)-	440	81	156
Global account of inactive deposits	3	3	-
Total deposits	\$26,819	\$17,616	\$14,427

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

- (1) Short-term maturities which generated interests at an average 7.33%, 3.43% and 2.91% rate, in 2016, 2015 and 2014, respectively.

Below is a brief description of our deposit products:

- Demand deposits: Digital Account is a multicurrency demand deposit account with attractive yields over monthly average balances in Mexican pesos and US Dollars, which allows to carry out transfers in Mexico and other countries through electronic banking.
- Time Deposits. Deposit Certificates, a product that allows the investment in term (up to 360 days) and offers attractive yields based on term and amount invested with monthly interest payment, both in Mexican pesos and US Dollars (CEDEs). Through Banking bonds and Deposit Certificates, we issue Structured Notes. These instruments represent an investment alternative with lower risk compared to the other products, due to having in some cases, totally or partially hedged capital; Promissory Notes with Yield Payable at Maturity (PRLV), is a product used for short- and medium-term financing with interbanking market.
- Banking loans and loans from other Institutions: Supply chain financing and NAFIN's digital credits, financing facilities for agricultural, rural and fishing sectors of Mexico (FIRA). "Call money" and interbanking credit facilities, which are mostly used for a short-term funding and banking leveling market.

There has been no necessary to use external sources of liquidity to cover the margin requirements that may arise both in MexDer and CME operations.

Financial counterparties are used to cover open trades with clients and credit facilities are approved under different agreement conditions.

Transactions with clients are mostly agreed with an initial margin, which yields a spread of guarantees (collected - provided), therefore there are normally cash flow surpluses due to this concept. There are, special cases and clients that have negotiated an initial margin of 0% with a maximum loss, which means that once the maximum loss amount is reached we request contribution of guarantees.

It is important to mention that the resources are obtained through the areas of the Treasury and the deposits of clients represent our main source of liquidity.

Demand deposits are our lowest cost financing source compared to others alternatives. Our financial strategy is based on increasing financial sources of low-cost financing through new banking products and commercial campaigns aimed at increasing the volume of deposits by our customers, as well as expanding our clients base. Under our financing strategy, we achieved to increase our deposits by approximately 52.2% in 2016 compared to 2015.

In order to reduce our liquidity risk, we hold credit facilities on demand (*call money*) with certain financial institutions, as well as short- and long-term financing. We have access to long-term financing through bank debt, issuance of securitization certificates, certificates of deposit, structured bonds and promissory notes with yield payable at maturity in the local market.

The following chart shows the elements, amounts, maturity dates and short and long term financing as of December 31st, 2016, 2015 and 2014.

Concept	2016	2015	2014
Demand deposits-			
“Call money” received	344	-	200
Total demand deposits	344	-	200
Short term-			
FIRA	50	22	8
Clusters	1,019	838	584
Digital loans	9	20	-
Total short-term loan	1,078	880	592
Total bank and other loans	\$1,422	\$880	\$792

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

We estimate that cash flow transactions and other liquidity sources will be sufficient to cover our liquidity needs over the next twelve months, including our investment budget.

As part of our assets and liabilities management strategy, we constantly monitor our exposure to foreign currencies, with the purpose of minimizing the exchange rates fluctuation, and the effect that it might have on our results. Banco de México’s regulations require us to maintain open positions in foreign currency for an amount not greater than a specific level with respect to the basic capital (Tier 1), as well as a limit established with in relation to the liabilities denominated in foreign currency with an adjusted maturity date. As of December 31, 2016, we complied with these regulatory requirements.

Issuance of securitization certificates

The detail of the Issuance that has been carried out by the Issuer on their own (MONEX 14), and by their subsidiaries as well (BMONEX15) is described in Note 1 and Note 17 of the Independent auditors’ report and consolidated financial statements 2016, 2015 and 2014 attached to this Annual Report.

Indebtedness Level

Banks abroad loans (do not include accrued interests). As of December 31st, 2016, 2015 and 2014, Banco Monex did not maintain loans with Banks abroad.

Loans with Development Banking Institutions – It refers to loans granted by Nacional Financiera, S.N.C. (NAFIN) and Fideicomiso of Banco de México (FIRA), which represent a direct obligation of Banco Monex with these entities. Thus, Banco Monex grants loans in Mexican Pesos and U.S. Dollars to their clients 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 and viability under internal risk units of Monex. The financial conditions are set under fixed and variable rate programs, both in Dollars and Mexican pesos, and the term is based on the specific program determined for each project.

Income Taxes

Monex is subject to ISR. In conformity with ISR Law, as of 2016, 2015 and 2014, the rate was at 30% and will continue at the same percentage thereafter.

The main tax amendments that have taken place during the periods included in this Annual Report, as well as the main tax items are described in Note 23 of the Independent auditors' report and Audited Financial Statements for the years ended as of December 31st. 2016, 2015 and 2014, included in chapter 6 "Appendix" of this Annual Report.

Reconciliation of the accounting tax result – The main items affecting the determination of Monex tax result were: the annual adjustment for inflation, provisions, the difference between accounting and tax depreciation and amortization, the provision for loan losses, provisions created for the expenses of prior years that were settled in the current year and the valuation effect of derivatives.

Tax loss carryforwards and IETU tax credit –As of December 31st, 2016 Monex has the following ISR tax loss carryforwards as follows:

	<u>Amount</u>
AdmiMonex	33
Monex, S.A.B. (individually)	36

Other tax issues:

As of December 31st, 2016, 2015 and 2014 the main subsidiaries of Monex, have the following balances for significant tax measures (individually):

Concept	Bank (individually)			Brokerage House (individually)		
	2016	2015	2014	2016	2015	2014
Contributed capital account	\$3,655	\$2,931	\$2,270	\$595	\$576	\$564
Net tax income account	\$3,833	\$2,741	\$2,496	\$536	\$473	\$500

Internally prepared with figures as of December 31st, 2016, 2015 and 2014. Figures in million pesos.

III. Internal Control

Currently, the Financial System requires security, reliability and effectiveness in the information flows generated, based on an adequate control environment and the timely compliance with the applicable legal framework. In that sense, Financial System members should offer a reliable and timely technology and operation platform, based on an effective compliance environment. At Monex we have an internal control system, through which we carry out the adequate inherent risk management to the ordinary performance of our activities, through the design and the implementation of effective controls.

The internal control system at Monex is strengthened by the corporate governance and other controls, such as: the Board of Directors, the Audit Committee, the Risks Management Committee, the Communication and Control Committee, the internal Auditing department, among others.

Below is the integration of the Board of Directors and the most relevant committees:

Monex Board of Directors

PROPRIETARIES

Héctor Pío Lagos Dondé **Chairman**
 Georgina Teresita Lagos Dondé
 Mauricio Naranjo González **Vice Chairman**
 Moisés Tiktin Nickin

ALTERNATES

Patricia García Gutiérrez
 Jorge Hierro Molina
 Fernando Nieto Castilla
 José Luis Rosiñol Morando

INDEPENDENT PROPRIETARIES

David Aarón Margolin Schabes
 Hernando Carlos Luis Sabau García
 Jorge Jesús Galicia Romero

ALTERNATES

José Luis Fernández Prieto
 Manuel Alberto Martí Flores
 Manuel Galicia Alcalá

SECRETARY

Jacobo Guadalupe Martínez Flores

PRO-SECRETARY

Erik Alberto García Tapia

Audit and Corporate Practices Committee of Monex

PRESIDENT OF THE COMMITTEE

David Aaron Margolín Schabes

Independent Director

Hernando Carlos Luis Sabau García

Independent Director

Jorge Galicia Romero

Independent Director

SECRETARY

Jacobo Guadalupe Martínez Flores

Secretary of the Management Board

The internal control system implemented is based on the COSO methodology and complies with the regulatory control and compliance requirements established by the different regulatory entities such as CNBV and Banco de México.

The internal control is a process that involves all members of the organization without exception, which was designed to provide a reasonable level of support regarding to the achievement of the objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial information
- Compliance with applicable laws and regulations

At Monex we have an appropriate Internal Control System in accordance with Monex's strategies and objectives, based on the following pillars, which ensure the identification, quantification and control of the different operational risks in the transactions at the different markets in which Monex is involved, and ensure compliance with the applicable law.

- a. We have policies, procedures and controls aimed at:
 - The identification, evaluation, and mitigation of risks
 - A proper processing of transactions (authorization, documentation, record and settlement)
 - Generation of truthful, reliable and timely information with appropriate communication channels, which allows conducting, managing and control of transactions
 - Assets safekeeping (security and custody of assets, information security and backup, operating limits and assets assurance)
 - Permanent compliance observance with internal and external regulations applicable to our activities
 - Avoidance or prevention of conflict of interests
 - Efficient and effective anti-money laundering and fraud prevention measures
- b. Staff structures, positions, functions and responsibilities have been defined, considering the segregation and delegation principles of duties and responsibilities. The relevance of these principles consists of clearly delimiting personnel duties and responsibilities, avoiding possible conflicts of interest.
- c. Implementation of a secure and efficient IT platform for the continuous support of business, operational and information generation processes.
 - The change management and tracking control process was implemented, in a centralized tool for the release of components to the Monex production systems
 - Indicators were installed to improve the ability to screen and detect problems in applications in order to increase their availability
 - The telephone infrastructure was reinforced against technological obsolescence risks and new services such as videoconferencing and monitoring were implemented to the entire network without relying on travel times and computer equipment support in the Headquarters.
 - The network infrastructure was updated to support the new voice services (IP telephony), data (WEB and mobile applications) and video (regional videoconferencing system) and to increase the availability of the network services and thus the availability of the applications

- d. Establishment and dissemination of a corporate culture based on ethical values as a framework of the relationships with clients, suppliers, employees, authorities and society in general. The most important items are:
- To act in compliance with applicable regulations and in accordance with sound market practices
 - To ensure the clients' interests in order to generate confidence among them by means of a transparent, impartial and good faith performance
 - To provide the market with truthful and timely information in order to generate confidence in our counterparties
 - To safeguard clients' information and not to use or disclose privileged information
- e. Independent processes for monitoring and evaluating the functioning and design of existing control schemes and timely response of the areas responsible for attention to identified shortcomings.

Finally, in accordance with the relevant dispositions in the matter, each year the CEO has informed in writing to the Audit Committee and the Board of Directors, about the proper functioning of the internal control system of the Issuer.

e) Estimate, provisions or critical account reserves

Contingencies and y commitments undertaken

1. **Lawsuits** –Over the normal course of business, Monex and subsidiaries have been involved in certain lawsuits, which are not expected to significantly affect their financial position or future results of operations. Provisions have been recognized for those matters representing probable losses. As of December 31st, 2016, 2015 and 2014 Monex has contingency reserves for \$152, \$21 and \$5, respectively, which are included in "Sundry creditors and other accounts payable". Monex management considers the reserve is reasonable in accordance with its internal and external legal counsel opinion.
2. **Administered loan portfolio** - As it is mentioned in Note 9 of the Audited Financial Statements the portfolio administered by Monex, derived from the sales made and equity held under the outline agreement executed with Ex-Im Bank and Pefco, is for the amount of \$22, \$206 and \$202 at December 31st, 2016, 2015 and 2014, respectively. In relation to this loan portfolio, Monex, has committed to assume all credit risks in the event of noncompliance with the terms agreed with Ex-Im Bank, regarding the documentation of each loan. The Management considers that the possibility of a refund to ExIm-Bank is unlikely.
3. **Connectivity service contract** - On December 17th, 2015, Monex through its subsidiary Monex Grupo Financiero, signed a contract with Alestra, S. de R.L. de C.V., for the provision of connectivity services; access to the Internet; security equipment; monitoring; platform execution; storage and restoration of information; management of applications and databases, among others. It will last 5 years. The estimated amount to be paid for the 5 years of service is \$135.

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4 | MANAGEMENT

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a) External auditors

The Issuer's audited financial statements for the years ended in 2016, 2015 and 2014 have been audited by Galaz, Yamazaki, Ruiz Urquiza S.C. (member of Deloitte Touche Tohmatsu Limited), according to the established in their report attached herein. No other audit firm has been contracted during the last 3 accounting periods. Likewise, Deloitte has not issued any financial statements with qualified, negative opinions or adverses during the last 3 accounting periods.

The Board of Directors is the body in charge to designate and to contract the external auditors, seeking to designate professional audit firms with considerable prestige at an international level. During the accounting periods ended December 31st, 2016, 2015 and 2014 the services provided by the external auditors to the Issuer, for other different than auditing of financial statements concepts, were the following: In 2016, the review of the advisory services and recommendations about the fiscal and financial credit structure, for an amount of \$2 million pesos and also a project for the structuring of the Middle and Back Office areas for an amount of \$5.2 million pesos, this project will conclude in August 2017. In 2015, the following projects were carried out: Consolidated financial statements limited review as of March 31st, 2015 for an amount of \$1.2 million pesos (ii) Conceptual analysis and review of financial information of the placement prospectus in accordance with article 84 of the Circular Única de Emisoras for an amount of \$300 thousand pesos, representing 13.3% and 3.3%, respectively. In 2014, (i) Services for the project of regulatory reporting validators for an amount of \$650 thousand pesos representing 7.6%, respectively, of the total fees of the External Auditors of the Issuer for the financial statements review.

Each service requested to Deloitte has been approved by the Board of Directors, according to our policies and procedures. Therefore, the relationship is cordial and of mutual respect, always giving a value added in all the services provided us.

Contracting Auditor Procedure

The Audit Committee carries out the necessary inquiries and evaluations to propose the external auditor and additional services to those derived from the financial statements audit of Monex. It is worth mentioning that in the relevant evaluations, it is considered as essential that the external auditor satisfies the requirements legally established in Chapter III, Section II of the Circular Única de Emisoras, Articles 189 to 195. This proposal is submitted to the Board of Directors for its approval and designation.

Once the auditor has been designated, the CEO should inform the CNBV in writing, no later than 15 business days following to the external auditor's designation, providing an authenticated copy by the Secretary of the Board of Directors, regarding the agreement by which that body approves the contracting.

b) Operations with related parties and interest conflict

As of December 31st, 2016, loans granted to related parties in accordance with article 73 of Ley de Instituciones de Crédito (LIC) for a total of \$251 million pesos, \$207 million pesos in 2015, and \$22 million pesos in 2014, which were approved by the Board of Directors.

In order to the Issuer and its Subsidiaries carry out transactions between related companies such as investments in securities, deposits, granted service, among others, most of them originate revenues in one entity and expenses in the other entity. Transactions and balances with companies that consolidate were eliminated and those that do not consolidate remain.

Transactions and debts with related companies maintained by the Issuer are included in Note 19 to the audited financial statements for the years ended December 31st, 2016, 2015 and 2014 and Independent auditors' report, contained in chapter 6 "Annexes" of this Annual Report.

The Administration considers that transactions carried out with related parties were determined considering prices and amounts of the intercompany services they had used with or between independent parties in comparable transactions.

c) **Managers and stockholders**

As of December 31st, 2016, Monex' management is entrusted to the Board of Directors and the CEO. The Board of Directors was designated on April 17th, 2017 and is composed by seven principal members, with their respective alternate members who, if appropriate, were designated, of which three advisers are independent principal members according to the by-laws and to the LMV; Likewise, there is a Secretary and a Pro-Secretary of the Board of Directors, in the understanding that none of them takes part of this Management board. The members are designated or ratified annually at the Ordinary General Meeting of Shareholders. Any shareholder or group of shareholders who individually or jointly represent 10% of the capital stock have the right to designate a member of the Board and its respective alternate.

The Board should meet whenever it is convened by its Chairman, Secretary or Pro-Secretary, by 25% or more of the members of the Board, or by any of the Issuer's Committees. Resolutions taken at Board meetings are valid, provided that a majority of the directors without conflicts of interest in the resolution vote in favor at the meeting. If required, the Chairman may cast his decisive vote.

In accordance with the provisions of Sixteenth Clause of Monex by-laws, this Board shall have the broadest faculties to carry out the corporate purpose and to lead and manage the Company.

In an enunciative and non-restrictive manner, the Board of Directors shall have the following powers and competencies:

- General power of attorney for lawsuits and enforced collections
- General power of attorney for management acts
- General power of attorney for Ownership Acts
- General power of attorney to grant and underwrite credit securities
- Faculty to designate the CEO, who could be not a member
- Faculty to grant general or special powers and revoke them
- The exclusive faculty to determine the sense in which the corresponding shares votes owned by the Issuer, must be cast in the Ordinary, Extraordinary and Special General Meetings of Shareholders of the companies in which it holds the majority of the shares and to designate the respective special attorney
- The Board of Directors will require the prior authorization of the Ordinary General Meeting of Shareholders to approve the acquisition or disposal of shares, or exercise of the right of withdrawal, in the following cases:
 - i. When the acquisition value of another company shares, in case of one or several simultaneous or successive acquisitions exceed 20% of stockholders' equity, according to the last Company Balance Sheet
 - ii. When the disposal value of shares of another company, in case of one or more simultaneous or successive disposals, exceed 20% of the stockholders' equity, according to the last Issuer Balance Sheet
 - iii. When the exercise of the withdrawal right in the companies of variable capital represents, in case of one or various simultaneous or successive acts, the refund of shares, which value exceeds 20% of the stockholders' equity, according to the last Issuer Balance Sheet.

Through Ordinary General Meeting of Shareholders Meeting held on April 17th, 2017, the appointment and ratification of the Board of Directors was approved, as follows:

PRINCIPAL	ALTERNATES
<p>Héctor Pío Lagos Dondé Chairman ⁸ Georgina Teresita Lagos Dondé Mauricio Naranjo González Vice Chairman Moisés Tiktin Nickin</p> <p style="text-align: center;">INDEPENDENT PRINCIPAL</p> <p>David Aarón Margolin Schabes Hernando Carlos Luis Sabau García Jorge Jesús Galicia Romero</p> <p style="text-align: center;">SECRETARY</p> <p>Jacobo Guadalupe Martínez Flores</p>	<p>Patricia García Gutiérrez Jorge Hierro Molina Fernando Nieto Castilla José Luis Rosiñol Morando</p> <p>José Luis Fernández Prieto Manuel Alberto Martí Flores Manuel Galicia Alcalá</p> <p style="text-align: center;">PRO-SECRETARY</p> <p>Erik Alberto García Tapia</p>

The Secretary and Pro-Secretary are not part of the Board of Directors.

Directors' Resumme

Héctor Pío Lagos Dondé is the Chairman of the Board of Directors and CEO of Monex since 1985. Prior to Monex, he served as an associate consultant for McKinsey and Company. He is also a member of the Board of Directors of different companies, including BMW and MexDer. Mr. Lagos is a Public Accountant at Instituto Tecnológico Autónomo de México and a MBA from Stanford University.

Georgina Teresita Lagos Dondé is a member of Monex and Banco Monex Boards of Directors. Member of the Board of Directors of Monex Grupo Financiero. Mrs. Lagos holds a degree in Communication Sciences from Universidad Anáhuac and a Master's Degree in Comparative Politics from New York University.

Mauricio Naranjo González is the Corporate Banking Managing Director and CEO of Monex Grupo Financiero. He has more than 26 years of experience in the financial sector. Previously, he held various positions in IXE, CNBV and Banco de Mexico. He holds a Bachelor's degree in Economics from ITAM and a PhD in Economics from the University of California, Berkeley.

Moisés Tiktin Nickin is the Asset Management and Markets Managing Director and CEO of Banco Monex. Previously, he was de CEO of Monex Casa de Bolsa and he held various positions at Valorum and Valores Finamex. Mr. Tiktin holds a Bachelor's degree in Economics from ITAM and a Master's degree in Economics from the University of Chicago.

Patricia García Gutiérrez is Deputy General Director of Personnel and Corporate Affairs. Mrs. García Gutiérrez holds a Bachelor's Degree in Computer Systems and Computer Science from Universidad Iberoamericana and a Master's Degree in Systems, Planning and Computer Science from the same University.

Jorge Hierro Molina is the Operation and Finance Managing Director. Prior joining Monex, he served as Chief Financial Officer (CFO) for Latin America at Citibank, and previously he held several senior management positions within Banamex. He holds a Bachelor's degree in Economics from ITAM and is a PhD candidate from the Massachusetts Institute of Technology (MIT).

⁸ Héctor Pío Lagos Dondé is the beneficiary of more than 10% of the capital stock of the Issuer and is considered as a shareholder that exercises significant influence, in addition to exercising control or power of command over the Issuer.

Fernando Nieto Castilla is Executive Director of Credit of Banco Monex. Prior to Monex, he held management positions in financial institutions such as BBVA and Visa International. He holds a Bachelor's degree in Civil Engineering from UNAM and a Master degree in Administration from ITAM.

José Luis Rosiñol Morando is Executive Director of Corporate Banking. Prior to joining our group, he collaborated in Casa de Bolsa Santander. He holds a Bachelor's degree in Administration from Colegio de Enseñanza Técnica y Superior and a Master degree in Administration from ITESM.

David Aaron Margolín Schabes is Independent Director of Monex. Prior to Monex, he held various directive positions in Banco de Mexico as well as in Grupo Financiero Banorte. He holds a Bachelor's degree of Actuary from the UNAM and a Master degree in Operational Research from Cornell University in New York, USA.

Hernando Carlos Luis Sabau García is partner of SAI Consultores, S.C. since 1999, previously he held various positions in financial institutions. He holds a bachelor's degree in Actuary from UNAM and a Master degree in Econometrics from the University of Manchester, and a PhD in Econometrics from the National University of Australia.

Jorge Jesús Galicia Romero is partner at Galicia Alcalá y Asociados, S.C. since 1984, also consultant and legal representative of important Mexican companies. He holds a J.D. from Universidad Iberoamericana.

Additional information of Directors and Relevant Directors of the Issuer:

MONEX S.A.B. DE C.V. DIRECTORS	COMPANY OF WHICH HE/SHE IS A MEMBER OF THE BOARD OF DIRECTORS	RELATIONSHIP WITH THE ISSUER
Héctor Pío Lagos Dondé	i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. v) ADMIMONEX, S.A. de C.V. vi) Monex Negocios Internacionales, S.A. de C.V. vii) Servicios Complementarios Monex, S.A. de C.V. viii) VZ Comm S.A. de C.V.	DIRECT INDIRECT INDIRECT INDIRECT DIRECT DIRECT DIRECT NO
Georgina Teresita Lagos Dondé	i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero.	DIRECT INDIRECT INDIRECT INDIRECT
Mauricio Naranjo González	i) Monex Grupo Financiero, S.A. de C.V./ Director General ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. v) ADMIMONEX, S.A. de C.V. vi) Monex Negocios Internacionales, S.A. de C.V. vii) Servicios Complementarios Monex, S.A. de C.V.	DIRECT INDIRECT INDIRECT INDIRECT DIRECT DIRECT DIRECT
Moisés Tiktin Nickin	i) Monex Grupo Financiero, S.A. de C.V.	DIRECT INDIRECT

	<ul style="list-style-type: none"> ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. / DIRECTOR GENERAL iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. v) ADMIMONEX, S.A. de C.V. vi) Monex Negocios Internacionales, S.A. de C.V. vii) Servicios Complementarios Monex, S.A. de C.V. 	<p>INDIRECT</p> <p>INDIRECT</p> <p>DIRECT</p> <p>DIRECT</p> <p>DIRECT</p>
David Aarón Margolín Schabes	<ul style="list-style-type: none"> i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. v) AFORE INVERCAP 	<p>DIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p> <p>NO</p>
Hernando Carlos Luis Sabau García	<ul style="list-style-type: none"> i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. v) MexDer, Mercado Mexicano de Derivados. vi) Asigna, Compensación y Liquidación. vii) Contraparte Central de Valores. viii) Operadora de Fondos Nafin. 	<p>DIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p>
Jorge Jesús Galicia Romero	<ul style="list-style-type: none"> i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. 	<p>DIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p>
Patricia García Gutiérrez	<ul style="list-style-type: none"> i) Monex Grupo Financiero, S.A. de C.V. / DGA DE PERSONAL Y ASUNTOS CORPORATIVOS. 	<p>DIRECT</p>
Jorge Hierro Molina	<ul style="list-style-type: none"> i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero./ DGA DE OPERACIÓN Y FINANZAS iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. 	<p>DIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p>
Fernando Nieto Castilla	<ul style="list-style-type: none"> i) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero / DIRECCIÓN EJECUTIVA DE CRÉDITO. 	<p>INDIRECT</p>
José Luis Rosiñol Morando	<ul style="list-style-type: none"> i) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero/ DIRECTOR EJECUTIVO DE NEGOCIOS EMPRESARIALES, JEFATURA REGIONAL NORTE. 	<p>INDIRECT</p>
José Luis Fernández Prieto	<ul style="list-style-type: none"> i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. 	<p>DIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p>

	<ul style="list-style-type: none"> iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. v) Más Radio Telecomunicaciones, S.A.P.I. de C.V. vi) Easylease Mexicana, S.A. de C.V. vii) Imagen Comunicación en Radio S.A. de C.V. viii) Factor Circulo, S.A. de C.V. ix) Servicios Next, S.A. de C.V. x) Presencia Comercializadora Altavista, S.A. de C.V. xi) Next Marketing, S.A. de C.V. 	<p>INDIRECT</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p> <p>NO</p>
Manuel Galicia Alcalá	<ul style="list-style-type: none"> i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero. 	<p>DIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p> <p>INDIRECT</p>

Beneficiary Shareholders with more than 10% of the Issuer’s capital stock:

- a. Héctor Pío Lagos Dondé
- b. Georgina Teresita Lagos Dondé
- c. Francisco Lorenzo Lagos Dondé

Shareholders exercising significant influence:

- a. Héctor Pío Lagos Dondé

Shareholders exercising control or power of command over the Issuer:

- a. Héctor Pío Lagos Dondé

The Chairman of the Board currently owns 50.2972% of the capital, and these percentages have not varied by more than two percentage points since the incorporation of the Issuer. There are two persons with a kinship relationship with the Chairman of the Board whose shareholding is 17.7185% each. No relevant director has more than 1% of the capital stock of the Issuer.

There are no Directors with shareholding in aggregate form that have an individual holding greater than 1% and less than 10%.

Significant changes over the last 3 years in the percentage of ownership held by the main current shareholders: Georgina Teresita Lagos Dondé and Francisco Lorenzo Lagos Dondé, in May 2014 went from 3.7566% to 17.7185% of share ownership derived from a succession.

The Issuer is not controlled directly or indirectly by another company, by a foreign government or by any other single or group of people.

To date, the Issuer does not have any commitment that could mean a change of control of its shares.

Compensation fees to Directors and Executive Administration

By resolution adopted by the Annual Stockholders' Ordinary General Meeting of the Issuer held on April 7th, 2016, it was established that each member of the Board of Directors will receive as a compensation for each session attended, consisting of a gold coin (centenario).

In 2016, the total amount of benefits of any nature received by directors of the Board, relevant directors and related individuals from the Issuer and its Subsidiaries during the last fiscal year was \$71.7 million pesos.

- The amount of compensation paid to directors in Mexico was \$2.4 million pesos and to relevant directors of the Issuer was \$69.3 million pesos, including salaries, compensation bonus and legal benefits.
- There is no additional pension or retirement plan besides of the Monex's pension plan for this group of directors and relevant Directors
- The relevant directors receive a monthly salary with benefits and a four-month bonus, with the exception of the CEO, who receives a half-yearly bonus
- There is a "Code of Ethics" and a "Remuneration Manual" of Banco Monex and Monex Casa de Bolsa.

Executive Directors' Stock Option Plan (ESOP) of the Issuer

The Ordinary and Extraordinary General Meeting of Shareholders Meeting of the Issuer, held on April 28th, 2010, agreed, among others, the establishment of a plan or fund, in terms of Articles 366 and 367 of the LMV ("Stock Option Plan").

On May 19th, 2010, Prestaciones Universales (as Trustor) and Banco Monex (as Trustee) entered into a management trust agreement identified as F/523 (the "Trust"), with the purpose of such Trust to serve as an incentive mechanism in pro of executives of the Issuer or any of its Subsidiaries (the "Executives"). In accordance to the purposes of the Trust, it will get capital shares representing the capital stock of the Issuer through subscription and payment at the value determined by the Stockholders' Meeting or, at quotation of shares in the BMV for their subsequent release in pro of the executives benefited, after the proper reimbursement of the shares by the beneficiaries, at the cost determined by the technical committee of the Trust at the moment of their accession to the Trust.

The Trust technical committee for the Stock Option Plan consists of the number of principal and alternates members determined by Prestaciones Universales, which composition has not changed. The technical committee has the faculty to instruct Banco Monex, as a trustor, on the form and terms to manage and investment of the assets of the Trust, as well as for the decision on the designation, of Executives benefited from the Stock Option Plan, such as the amounts of shares to be assigned and the dates on which they will have the opportunity to reimburse their cost to the Trust.

In order to comply with the Trust purposes, it acquired, as soon as our shares were listed on the BMV, i.e. on July 12th, 2010, the total of 5,883,362 shares representing the Issuer's capital stock on behalf of the Executives. The Executives have a fixed term of three years, to reimburse the Trust, in up to three different annual opportunities throughout the term, up to 100% of the amount paid for the shares acquired by the Trust.

As a result of the transfer of all the shares representing the capital stock of Prestaciones Universales by the Issuer, and since this company was no longer a part of Monex, Prestaciones Universales ceded to AdmiMonex the total of its trust rights derived from this Trust, on November 26th, 2013.

The Trust can, at any time and previous directions of its technical committee, to acquire more shares representing our capital stock.

Stock Option Plan

The general terms and conditions of the Stock Option Plan, are the following:

- The Trust Technical Committee will determine who will be considered as "Executives Directors" in order to participate in the Stock Option Plan, as well as the number of shares corresponding to each one and the dates on which they can reimburse up to 100% (one hundred percent) of the cost determined to them
- The number of shares initially authorized for its application to the Stock Option Plan is 5,083,362 shares, which were paid by the Trust on behalf of the Executives at a price of \$20.0 each, being provided for in the Stock Option Plan that the acquisition cost for subsequent purchases may be (i) at the value determined by the shareholders' meeting of the Issuer, or (ii) at the market price reflected in the shares quotation in the BMV on the day the Trust acquires them on behalf of an Executive Directors
- The technical committee should determine the amount to be subscribed and paid or acquired in the market on behalf of each Executive Directors and the form and terms in which each of them will proceed to reimburse the cost of their subscription or acquisition and, as the case may be, the premiums they apply in accordance with the deed of accession to the corresponding Trust
- Only those Executives Directors who work for the Issuer or its Subsidiaries and who are designated by the Trust technical committee, may participate in the Stock Option Plan; If any Executive Directors ceases to be employed of the Issuer or any of its subsidiaries, it loses all the rights under the Stock Option Plan and the Trust and, the corresponding shares will be sold to cover any outstanding reimbursement owed by that Executive and the remainder will be allocated to future purchases or the available shares will be allocated for that purpose without being sold, according to the Stock Option Plan. In the event of death, the successors of the Executive Directos shall be entitled to receive the shares previously released by the Executive that have not been delivered and shall be entitled to reimburse an number of shares proportional to the time elapsed between the date of allocation of the shares and the date of death, and
- The Trust technical committee is empowered to solve all matters not specifically contemplated in the Stock Option Plan.

Technical Committee Meetings and Accession Agreements

To date, the trust technical committee has held, among others, four specific meetings, through which it:

- I. Designated Executives deserving Shares
- II. Determined the number of Shares to be subscribed by those Executives Directors
- III. Established the redemption value of Shares
- IV. Established in each case three delivery dates so that the Executives Directos could (without obligation) reimburse up to 100% (one hundred percent) of the determined value of the assigned Shares on each date, to be transferred to them
- V. Has not determined, to date, the existence or establishment of a subscription premium of the Shares

Corporate Practices and Audit Committee

Our Corporate Practices Committee was created due to the adoption of the stock market monitoring regime, in accordance with the provisions of articles 15 and 19 of the LMV, (the "Stock Option Plan"), it has been assigned the functions of audit provided in article 42 of the LMV and has 6 members, who have been holding that position for a year. The members of this Committee have been designed by our Meeting of Shareholders and due to their work experience in the financial system, we consider those members as financial experts.

CHAIRMAN OF THE COMMITTEE

David Aarón Margolin Schabes
Independent Director

Hernando Carlos Luis Sabau García

Independent Director

Jorge Galicia Romero

Independent Director

SECRETARY

Jacobo Guadalupe Martínez Flores
Secretary of the Board of Directors

The members of the Corporate Practices and Audit Committee are Independent Directors of the Issuer, in accordance with the LMV.

The main obligations of this Committee include:

- I. The compilation of our annual reports and their presentation to the Board of Directors for approval
- II. Review and opinion of transactions with related parties
- III. The recommendation on hiring of third party experts to express an opinion on transactions with related parties
- IV. The recommendation to the Board of Directors about independent auditors
- V. The review of our financial statements prior to their publication
- VI. Periodic evaluation of our internal control mechanisms
- VII. Periodic evaluation of our compliance with generally accepted accounting criteria
- VIII. The salary package or integral remunerations of relevant executives

It is worth mentioning that the External Auditor is the firm Galaz Yamazaki, Ruiz Urquiza, S.C. (Member of Deloitte Touche Tohmatsu Limited).

It is important to mention that the different financial entities belonging to Monex Grupo Financiero have, in compliance with the regulations applicable to such financial intermediaries, the Communication and Control Committee and the Risk Committee.

d) **By-laws and other agreements**

The By-laws in force to date of this Annual Report, are the following:

MONEX, S.A.B. DE C.V.
CHAPTER I
NAME, REGISTERED OFFICE, NATIONALITY
PURPOSE AND DURATION

CLAUSE ONE. **Name.** The name of the Company is "MONEX". This name shall be followed by the words "Sociedad Anónima Bursátil de Capital Variable" (Variable Capital Stock Market Company) or its abbreviation "S.A.B. de C.V."

CLAUSE TWO. **Registered Office.** The registered office of the Company is in Mexico City, Federal District, but it may establish offices and branches anywhere else in the Mexican Republic and agree on elected domiciles, the foregoing without implying a change of its registered office.

CLAUSE THREE. **Nationality.** The Company is of Mexican nationality and any foreigner that acquires an interest or equity interest in the Company at the time of the organization of the Company or any time thereafter, will be deemed for such mere fact as Mexican with respect to his interest or equity interest in the Company, and it will be understood that he agrees not to invoke the protection of its government, under the penalty, in the event of breach of this agreement, of waiving said interest or equity interest for the benefit of the Mexican Nation.

The foreign shareholders of the Company formally agree with the Secretaría de Relaciones Exteriores to be considered as nationals with respect to the shares issued by the Company that they may acquire or hold, and with respect to the property, rights, concessions, interests, or equity interests held by the Company, or the rights and obligations arising from agreements with Mexican authorities to which the Company is a party, and thus not to invoke the protection of their Governments, under penalty, in the event of breach of this agreement, of losing the shares they acquired for the benefit of the Nation.

CLAUSE FOUR. **Purpose.** The purpose of the Company is to promote, form, organize, use, acquire, and participate in the capital stock or equity of all kinds of business or civil corporations, partnerships, or companies, whether commercial, of services, or any other nature, both national and foreign, and to participate in their management or liquidation.

CLAUSE FIVE. **Acts Related to its Corporate Purpose.** For the fulfillment of the purpose mentioned in the clause above, the Company may carry out the following activities:

(a) buy, sell, transfer, encumber, and in general, trade in any way shares, equity interests, rights, and interests in commercial, civil and any other type of legal persons, national and foreign, and acquire its own shares under the terms of the respective laws;

(b) receive from other companies and persons, and provide to other companies and persons, any service necessary for the fulfillment of their purposes or corporate purposes, such as, among others, management, financial, treasury, audit, marketing, preparation of balance sheets and budgets, preparation of programs and manuals, analysis of results of operation, assessment of information regarding productivity and potential financing, preparation of analyses regarding capital availability, technical assistance, advising, or consulting services.

(c) obtain, acquire, develop, market, improve, use, grant, and receive licenses, or use under any legal title all kinds of patents, marks, certificates of invention, trade names, utility models, industrial designs, industrial secrets, and any other industrial property rights, as well as copyrights, options thereon, and preference, whether in the United Mexican States or abroad;

(d) obtain all kinds of loans or credits; issue and, where applicable, make a public and/or private offering of shares, debentures, convertible debentures, bonds, stock exchange certificates, including any other securities, negotiable instrument, or equivalent instrument, regardless of the law that regulates them, with or without the grant of specific collateral with a pledge, mortgage, trust, or under any other legal title, and grant any type of financing or loan to business or civil corporations, companies, and institutions with which the Company has business relations or interests, whether it receives or not specific collateral or personal guarantees.

(e) grant and receive all kinds of personal guarantees, collateral, and guarantees of debentures or negotiable instruments of companies, partnerships, and institutions in which the Company has an interest or participation, or with which the Company has business relationships, constituting itself as surety, joint and several obligor, and/or guarantor of such persons or any third party;

- (f) sign, issue, draw, and guarantee all types of negotiable instruments, regardless of their name and the law that regulates them, and accept and endorse them;
- (g) execute any type of derivate transactions, provided that such transactions are for hedging purposes;
- (h) make, oversee, or hire, on its own account or through third parties, all kinds of constructions, buildings, facilities for offices or establishments;
- (i) carry out on its own account or for the account of third parties, training and development programs, as well as research works.
- (j) act as a commission agent, agent, or representative of any person or company involved in management or business activities allowed by the laws of the United Mexican States;
- (k) lease or grant in lease or gratuitous bailment; acquire, possess, swap, sell, transfer, dispose of, or encumber the ownership or possession of all kinds of personal and real property, as well as other real or personal rights thereon, necessary or advisable for its corporate purpose or for the operations or corporate purposes of the business or civil corporations, partnerships, and institutions in which the Company has an interest or participation of any nature;
- (l) acquire its own shares in terms of the Ley del Mercado de Valores and applicable general provisions;
- (m) issue unsubscribed shares for their offering to the public in terms of Article 53 (fifty-three) of the Ley del Mercado de Valores or any provision that substitutes it, pursuant to the procedure set forth in these Bylaws and in the applicable law; and
- (n) in general, execute and carry out all related, accessory, or incidental acts, agreements, and operations, necessary or advisable for the fulfillment of the purposes mentioned above.

CLAUSE SIX. **Duration.** The duration of the Company is perpetual.

CHAPTER II CAPITAL STOCK AND SHARES

CLAUSE SEVEN. **Capital Stock.** The capital of the Company is variable represented by ordinary, registered shares with no par value. The minimum fixed portion of the capital stock without right of withdrawal is \$50,000.00 (FIFTY THOUSAND PESOS 00/100 Mexican Currency), represented by 50,000 (FIFTY THOUSAND) ordinary, registered Series "A" shares with no par value, fully subscribed and paid. The variable portion of the capital stock shall be unlimited and it shall be represented by ordinary, registered Series "B" shares with no par value. All shares shall be of equal value and shall confer to their holders the same rights within each Series, and they shall be fully paid in cash at the time of their subscription.

All shares of the capital stock shall be freely subscribed in terms of the Ley de Inversión Extranjera, its regulations, and other applicable statutory provisions.

Under Article 54 (fifty-four) of the Ley del Mercado de Valores, prior approval of the Comisión Nacional Bancaria y de Valores, the Company may issue shares without voting rights, and also with the limitation of other corporate rights, and different restricted voting shares or those provided by Articles 112 (one hundred twelve) and 113 (one hundred thirteen) of the Ley General de Sociedades Mercantiles. At the time in which the shares without voting rights or limited or restricted voting shares are issued, the General Shareholders' Meeting that resolves their issue shall determine the applicable rights. Where appropriate, shares issued pursuant to this paragraph shall be of a Series different from the other shares representing the capital stock of the Company.

CLAUSE EIGHT. **Increases and Decreases.** The variable capital of the Company may be increased or decreased without need for amending the Bylaws, with the only formality of the increases or decreases being resolved at an Ordinary General Shareholders' Meeting and that such minutes are notarized with a notary public, without need for amending these Bylaws or registering the official transcript of the respective instrument in the applicable Registro Público de Comercio. Decreases and increases in the capital stock arising from the purchase and offering of shares referred to by Article 56 (fifty-six) of the Ley del Mercado de Valores and Clause Ten of these Bylaws shall not require a resolution of the Shareholders' Meeting or resolution of the Board of Directors.

The minimum fixed capital of the Company may not be increased or decreased unless resolved by the Extraordinary General Shareholders' Meeting and with the consequent amendment of the Bylaws, and in the event of a decrease, the provisions of Article 9 (nine) of the Ley General de Sociedades Mercantiles shall be complied, if the decrease in the capital is to reimburse to the shareholders their contributions or to release them from the obligation to make payments of their subscription value not paid yet.

Every increase or decrease in the capital stock shall be recorded in the book that the Company shall keep to that effect. No increase in the capital stock may be decreed if all shares previously issued by the Company are not fully subscribed and paid.

In the case of an increase in capital resulting from the capitalization of paid-in capital, retained earnings, reserves, or any other equity accounts, the shareholders may participate in the increase in proportion to the number of their shares. Given that the share certificates of the Company have no par value, the issue of new certificates will not be required in these cases.

In the event of a decrease in the capital stock through a reimbursement, the amount thereof shall remain at the disposal of the applicable Shareholders, and such reimbursement shall not bear any interest.

Under Article 50 (fifty) of the Ley del Mercado de Valores, shareholders holding shares of the variable portion of the capital stock of the Company shall have the right of withdrawal referred to by Article 220 (two hundred twenty) of the Ley General de Sociedades Mercantiles.

In an increase in the capital stock, all shareholders shall have a preemptive right in proportion to the number of their shares to subscribe those issued or made outstanding. The right conferred in this paragraph shall be exercised within fifteen calendar days from the date on which the applicable notices are published in the Diario Oficial de la Federación and in another wide circulation newspaper in Mexico City, Federal District. This right shall not be applicable by reason of (i) the merger of the Company, (ii) in the conversion of debentures, (iii) in the repurchase of own shares in terms of Article 56 (fifty-six) of the Ley del Mercado de Valores and these Bylaws, (iv) for a public offering of shares in terms of Article 53 (fifty-three) of the Ley del Mercado de Valores, and (v) in the event of an increase in capital resulting from the capitalization of paid-in capital, retained earnings, reserves, or any other equity accounts. Given that the share certificates of the Company have no par value, the issue of new certificates will not be required in these cases.

If any shares are remain unsubscribed after the term during which the shareholders had the preemptive right conferred in this Clause expires, the shares in question may be offered to any person for their subscription and payment in the conditions and terms provided by the Meeting that decreed the increase in capital, or in the conditions and terms provided by the Board of Directors or the Delegates appointed by the Meeting to that effect, with the understanding that the price at which the shares are offered to third parties may not be lower than the price at which the shares were offered to the shareholders of the Company for subscription and payment.

The Company may also issue unsubscribed shares composing the capital stock, which shall be kept at the Company's treasury to be delivered to the extent that they are subscribe.

Additionally, the Company may issue unsubscribed shares to be offered to the public, provided that they are kept in custody by a securities depository and provided that the conditions provided to that effect in Article 53 (fifty-three) of the Ley del Mercado de Valores are met. For purposes of the above, Article 143 (one hundred thirty-two) of the Ley General de Sociedades Mercantiles shall not be applicable.

The General Shareholders' Meeting may resolve to reduce the capital stock by proportionally affecting all shareholders, in such a way that after the reduction, the shareholders maintain the same percentages with respect to the total capital stock they had at the date of the reduction, without need for any ballot to assign the shares to be redeemed.

In no event may the capital stock be decreased to less than the legal minimum.

CLAUSE NINE. **Redemption of Shares.** The Company may redeem shares with distributable profits without decreasing the capital stock. The Extraordinary General Shareholders' Meeting that resolves the redemption, in addition to observing the applicable provisions of Article 136 (one hundred thirty-six) of the Ley General de Sociedades Mercantiles, shall observe the following specific rules:

I. The Meeting may resolve to redeem shares to all the shareholders on a pro-rata basis, in such a way that after the redemption the shareholders have the same percentages with respect to the total capital stock they had prior to the redemption, without need for cancelling share certificates, as such certificates have no par value, and without need for a ballot for assigning the shares to be redeemed, notwithstanding that the Meeting determined a particular price.

II. If the Meeting resolves that the redemption of shares will be made by acquiring such shares through a stock exchange, the Meeting or, where appropriate, the Board of Directors, shall approve the system for the withdrawal of shares, the number of shares to be redeemed, and the person appointed as stock broker or buying agent.

III. Except as provided in section two above, and if the Meeting determined a particular price for the redemption, the shares to be redeemed will be assigned, in any case, by ballot in the presence of a Notary or Public Attestor, with the understanding that such ballot shall be made in any case separately with respect to each Series of the capital stock, in such a way that shares of all Series are proportionally redeemed, so that such series will represent, after the redemption, the same percentage with respect to the total capital stock they represented prior to the redemption. The certificates of the redeemed shares in the case referred to by this section three shall be null and void.

CLAUSE TEN. Purchase of Own Shares. The Company may acquire shares of its own capital stock through the Stock Exchange in terms of Article 56 (fifty-six) of the Ley del Mercado de Valores, and the prohibition provided in the first paragraph of Article 134 (one hundred thirty-four) of the Ley General de Sociedades Mercantiles shall not apply, provided that the acquisition is made charged to equity, in which case such shares may be held by the Company without need for a decrease in the capital stock, or charged to the capital stock, in which case they shall be converted into unsubscribed shares that will be kept by the treasury without need for a resolution of the Meeting.

The Ordinary General Shareholders' Meeting shall expressly indicate, for each year, the maximum amount of resources that may be used to acquire its own shares, with the only limitation that (i) the sum of the resources that may be used for such purpose may in no event exceed the total balance of net income of the Company, including retained earnings; (ii) the Company, where appropriate, has to be in good standing with the payment of obligations arising from debt securities registered with the Registro Nacional de Valores; and (iii) the acquisition and transfer of shares or securities representing such shares in no event shall exceed the percentages referred to by Article 54 (fifty-four) of the Ley del Mercado de Valores or fail to meet the listing maintenance requirements of the applicable stock exchange. On its part, the Board of Directors shall appoint to that effect the person or persons responsible for the acquisition and offering of own shares. As long as the Company holds the shares, such shares may not be represented or voted at Shareholders' Meetings of any kind or corporate or economic rights of any type exercised.

Own shares belonging to the Company or, where appropriate, treasury shares, without prejudice to the provisions of the Ley General de Sociedades Mercantiles, may be offered to the investing public, and the applicable increase in capital stock shall not require a resolution of the Shareholders' Meeting of any type or resolution of the Board of Directors. For the purposes of the provisions of this paragraph, the provisions of Article 132 (one hundred thirty-two) of the Ley General de Sociedades Mercantiles shall not apply.

The acquisition and transfer of shares provided in this Clause, the reports on such transactions that must be submitted to the Ordinary General Shareholders' Meeting, the financial reporting standards, and the form and terms in which such transactions must be informed to the Comisión Nacional Bancaria y de Valores, to the applicable stock exchange, and to the investing public, shall be subject to the terms of the Ley del Mercado de Valores and to the general provisions issued by the Comisión.

As provided by Article 366 (three hundred sixty-six) of the Ley del Mercado de Valores, the related persons of the Company and trustees of trusts created with the purpose of establishing employee stock option plans and retirement funds, seniority premiums, and any other fund with similar purposes, created directly or indirectly by the Company, may only transfer or acquire from the Company shares of its capital stock or securities representing it, by public offering or auction authorized by the Comisión Nacional Bancaria y de Valores, except in the cases provided in Article 367 (three hundred sixty-seven) and 365 (three hundred sixty-five) of the Ley del Mercado de Valores and other applicable provisions.

CLAUSE ELEVEN. Acquisition by Subsidiaries. Legal persons Controlled (as such term is defined in Clause Twelve below) by the Company may not acquire, directly or indirectly, shares of the capital stock of the Company or securities representing such shares. Acquisitions through investment companies and those carried out by any of its Subsidiaries, where such Subsidiaries act solely and exclusively in the capacity as trustees of the trusts referred to by Article 57 (fifty-seven) of the Ley del Mercado de Valores are excluded from the prohibition above.

CLAUSE TWELVE. Acquisition of Shares and Change of Control.

Definitions. For purposes of this Clause Twelve, the terms below shall have the following meaning:

“Shares” means any and all shares representing the capital stock of the Company, regardless of their class, series, or name, or any negotiable instrument, securities, or right (detachable or not, represented or not by any instrument, or resulting from conventional or contractual provisions and not from any instrument) or instrument issued or created on the basis of such shares, including ordinary participation certificates, certificates of deposit, or negotiable instruments with respect thereto, regardless of the law that regulates them or the market where they are offered or were executed or granted, or that confer any right on these shares or is convertible into, or may be exchanged for, such shares, including instruments and derivative transactions, options, optional instruments, or any similar or equivalent right or instrument, or any whole or partial right with respect or related to shares of the capital stock of the Company.

“Voting Agreement” means any agreement, verbal or written, regardless of its name, as a result of which voting mechanisms or partnership agreements, or joint votes, are created or adopted, which imply a change in the Control of the Company, a 20% Interest, or Significant Influence in the Company.

“Affiliate” means any company that Controls, is controlled by, or is under common Control with, any Person.

“Competitor” means any Person engaged, directly or indirectly, by any means and through any entity, vehicle, or agreement, mainly or sporadically to any activity it carries out, at any time during its existence, the Company or any of its Subsidiaries, and that represent 5% (five percent) or more of the gross revenues at a consolidated level of the Company and its Subsidiaries, with the understanding that the Board of Directors of the Company may on a case-by-case basis agree on exemptions to the concept of Competitor, by resolutions adopted under the terms of these Bylaws.

“Consortium” means the group of legal persons, of any nature, whatever their name, and regardless of the jurisdiction in which they are organized, related with each other by one or more natural persons that, forming or not a Group of Persons, have Control of the first persons, provided that the concept of legal persons shall be understood to include trusts or similar agreements.

“Control”, “Controlling”, or “Controlled” means the capacity of a Person or Group of Persons, of any nature, whatever their name, and regardless of the jurisdiction in which they are organized, of performing any of the following acts (i) impose, directly or indirectly, decisions or determinations at General Shareholders’ Meetings, of partners, or equivalent bodies, or appoint or remove a majority of the Directors, managers, or equivalent persons of the Company, (ii) maintain the ownership of Shares or rights with respect to such shares that allow to exercise, directly or indirectly, the vote with respect to more than 50% (fifty percent) of the capital stock of the Company, (iii) direct or otherwise determine, directly or indirectly, the management, strategy, or main policies of the Company, whether through the ownership of shares, by contract, or otherwise.

“Business Group” means the group of legal persons, of any nature, whatever their name, and regardless of the jurisdiction in which they are formed, organized under direct or indirect participation plans in the capital stock, or otherwise, in which one same legal person maintains Control of the other legal persons, provided that the concept of legal persons shall be understood to include trusts or similar agreements.

“Group of Persons” means the Persons with agreements, of any nature, verbal or written, to make decisions in one same direction or to act together. It is presumed, unless otherwise proven, that a “Group of Persons” is created by:

- (i) the persons with a relationship by consanguinity, by affinity, or legal relationship up to the fourth degree, spouses, and concubine;
- (ii) the legal persons, of any nature, whatever their name, and regardless of the jurisdiction in which they are organized, forming part of one same Consortium or Business Group and the person or group of persons controlling such legal persons, provided that the concept of legal persons shall be understood to include trusts or similar agreements.

“Significant Influence” means the ownership of rights that allow to exercise, directly or indirectly, through any means, the right to vote with respect to at least 20% (twenty percent) of the capital stock of a legal person, provided that the concept of legal persons shall be understood to include trusts or similar agreements.

“20% Interest” means the ownership or holding, individual or joint, directly or indirectly, through any legal person, trust, or equivalent, vehicle, entity, company, Consortium, Group of Persons, or Business Group, or other form of economic or commercial partnership, of any nature, whatever their name, whether they legally exist or not, and organized under the laws of any jurisdiction, of at least 20% (twenty percent) of the capital stock or equivalent of a legal person.

“Person” any natural or legal person, corporation, investment company, trust or its equivalent, vehicle, entity, company, or any other form of economic or commercial partnership, or any of the Subsidiaries or Affiliates thereof, of any nature, whatever their name, whether they legally exist or not, and organized under the laws of any jurisdiction, or any Consortium, Group of Persons, or Business Group acting or that intend to act in concert, jointly, or in a coordinated manner for the purposes of this Clause.

“Related Persons” means the Persons that, with respect to the Company, fall within the scope of the following events:

(i) the Persons that Control or have a Significant Influence or 20% Interest in any legal person that forms part of the Business Group or Consortium to which the Company belongs, as well as the directors, managers, or relevant officers of the Persons forming part of such Consortium or Business Group;

(ii) the Persons with management power, of any nature, with respect to a Person that forms part of the Consortium or Business Group to which the Company belongs;

(iii) the spouse, concubine, or persons with a relationship by consanguinity or legal relationship up to the fourth degree, with natural persons that fall within the scope of subsections (i) and (ii) above, as well as the partners of, or co-owners together with, the natural persons mentioned in such subsections or with whom they have business relationships;

(iv) the legal persons that form part of the Consortium or Business Group to which the Company belongs;

(v) the legal persons over which any of the persons referred to by subsections (i) to (iii) above have Control or Significant Influence.

“Subsidiary” means any company with respect to which a Person owns a majority of the shares of its capital stock or with respect to which a Person has the right to appoint a majority of the members of its board of directors (or equivalent management body) or its manager.

Approval to Acquire Shares by the Board of Directors.

Any and all acquisitions of Shares, of any nature and whatever their name, intended to be carried out under any title or means, whether in one act or a series of acts without any time limitation between such acts, including for such purposes mergers, consolidations, or other similar transactions, direct or indirect, by one or more Persons, Related Persons, Group of Persons, Business Group, or Consortium, shall require for their validity the prior and written affirmative vote of the Board of Directors, each time that the number of Shares to be acquired, added to the Shares of its previous shareholding, directly or indirectly through any means, results in a number equal to or greater than 10% (ten percent) of the Company’s capital stock.

Any acquisition or attempt to acquire any Share, of any nature and whatever its name, intended to be carried out under any title or means, whether in one act or a series of acts without any time limitation between such acts, including for such purposes mergers, consolidations, or other similar transactions, directly or indirect, regardless of the percentage of capital stock outstanding that such acquisition or attempt of acquisition represents, by any Competitor, above 5% (five percent) of the capital stock, shall require the favorable resolution of the Board of Directors as provided in this Clause Twelve.

The prior favorable resolution of the Board of Directors shall be required for either an acquisition of Shares within or outside a stock exchange, directly or indirectly, in one or several transactions of any legal nature, simultaneous or successive, without any time limitation between such transactions, in Mexico or abroad.

The prior favorable resolution of the Board of Directors shall also be required, in writing, for the execution of any Voting Agreement. For such purposes, the Person that individually, or jointly with the Related Persons in question, or the Group of Persons, Business Group, or Consortium that intends to carry out the acquisitions (including mergers, consolidations, or similar transactions), or to execute any Voting Agreements, shall comply with the following:

1. The written request for approval shall be submitted by the interested party or parties for consideration of the Board of Directors. Such request shall be addressed and irrefutably delivered to the Chairman of the Board of Directors, with a copy to the Secretary, at the

Company's address. The aforementioned request shall contain the following information:

- (i) the number and class or series of Shares that the Person or Persons in question and/or any Related Person to such Person(s) or the Group of Persons, Business Group, or Consortium (A) is the owner or co-owner, whether directly or through any Person or Related Person, and/or (B) with respect to which it has, shares, or enjoys any right, whether by contract or otherwise, including any Voting Agreement;
- (ii) the number and class or series of Shares to be acquired, whether directly or indirectly, by any means, or that are subject to any Voting Agreement;
- (iii) the number and class or series of Shares with respect to which it is planned to share any right, whether by Voting Agreement, contract, or any other means;
- (iv) (A) the percentage of Shares referred to by subsection (i) above represents all Shares issued by the Company, (B) the percentage of Shares referred to by subsection (i) above represents the applicable class or series of Shares, (C) the percentage of Shares referred to by subsections (i), (ii), and (iii) above represents all Shares issued by the Company, and (D) the percentage of Shares referred to by subsections (i), (ii), and (iii) above represents the applicable class or series of Shares;
- (v) the identity and nationality of the Person(s), Group of Persons, Consortium, Business Group that intends to acquire the Shares or to execute the relevant Voting Agreement, with the understanding that if any of them is a legal person, investment company, trust or equivalent entity, or any other vehicle, entity, company, or form of economic or commercial partnership, of any nature, whether it legally exists or not, and under the laws of any jurisdiction, shall specify the identity and nationality of the partners or shareholders, grantors and beneficiaries or their equivalent, beneficiaries, members of the technical committee or its equivalent, successors, manager or its equivalent, members or associates, and the identity and nationality of the Person(s) Controlling, directly or indirectly, the legal person, investment company, trust or equivalent entity, vehicle, entity, company, or economic or commercial partnership, of any nature, whether it legally exists or not, and organized under the laws of any jurisdiction in question, until the person or natural persons Controlling or holding any right, interest, or ultimate interest, of any nature, in the legal person, trust or equivalent entity, vehicle, entity, company, or economic or commercial partnership, of any nature, whether it legally exists or not, and organized under the laws of any jurisdiction in question, is identified;
- (vi) the reasons and purposes for acquiring the Shares subject of the approval requested or executing the relevant Voting Agreement, specifically mentioning if its purpose is to acquire, directly or indirectly, (A) additional shares to those mentioned in the request for approval, (B) a 20% Interest, (C) the Control of the Company, or (D) Significant Influence in the Company;
- (vii) if it is, directly or indirectly, a Competitor of the Company or of any Subsidiary or Affiliate of the Company and it has authority to acquire the Shares or to execute the Voting Agreement in question, as provided in these Bylaws and in the applicable law; if so, if it is in the process of obtaining any consent or approval, of which person, and the terms and conditions in which it expects to obtain such consent or approval; it shall further specify if the Person(s) that intends to acquire the Shares in question has Related Persons that may be considered a Competitor of the Company or of any Subsidiary or Affiliate of the Company, or if they have any economic or business relationship with a Competitor or any interest or participation either in the capital stock or in the management, direction, or operation of a Competitor, directly or through any Person or Related Person;
- (viii) the origin of the economic resources it plans to use to pay the price of the Shares subject of the request; if the resources come from any financing, the petitioner shall specify the identity and nationality of the Person providing such funds, the financial statements, or proof of solvency of the Person providing the resources, and it shall deliver, together with the request for approval, the documentation signed by that Person reflecting a commitment by such Person, not subject to any condition, and the evidences and explains the terms and conditions of such financing, including any security it agrees to create. The Board of Directors may request the creation or grant of (A) a bond, (B) guarantee trust, (C) irrevocable letter of credit, (D) deposit, or (E) any other security, up to an amount equal to 100% (one hundred percent) of the price of the Shares to be acquired or subject matter of the Voting Agreement in question, appointing the Company or its shareholders, through the Company, as beneficiaries, with the purpose of ensuring payment of damages that the Company or its shareholders may suffer due to misrepresentations in the information submitted or as result of the request or due to any act or omission of the petitioner, directly or indirectly;

(ix) if it has received economic resources, as a loan or otherwise, from a Related Person or Competitor or if it has facilitated economic resources through a loan or otherwise to a Related Person or Competitor, with the purpose of paying the price of the Shares or executing the transaction or Voting Agreement in question;

(x) the identity and nationality of the financial institution that will act as intermediary, in the event that the acquisition in question is made through a public offering;

(xi) if appropriate, in the event of a public offering, a copy of the Draft informational brochure or similar document it plans to use for the acquisition of the Shares or in relation to the transaction or Voting Agreement in question, complete as of such date, and a statement with respect to if such draft has been approved by or submitted for approval of the competent authorities (including the Comisión Nacional Bancaria y de Valores; and

(xii) an address in Mexico, Federal District, to receive notifications and notices in relation to the request submitted.

Where the Board of Directors so determines, due to the impossibility of knowing certain information upon receiving the respective request, that such information may not be disclosed yet or for other reasons, the Board of Directors may exempt the petitioner from complying with one or more of the aforementioned requirements.

2. Within 8 (eight) business days from the date on which the request for approval referred to by paragraph 1 above is received, the Chairman or the Secretary shall call the Board of Directors to consider, discuss, and resolve on such request for approval. The notices of meeting for the meetings of the Board of Directors shall be made in writing and sent by the Chairman or the Secretary to each regular and alternate Director, at least with the anticipation provided in these Bylaws, by certified mail, private courier, fax, or email, to their addresses or places that such Directors designated in writing to be called to the matters referred to by this Clause. The notices of meeting shall specify the time, date, and place for the meeting and the respective Agenda.

3. The Board of Directors shall resolve every request for approval submitted pursuant to the terms of this Clause of the Bylaws within 90 (ninety) calendar days from the date on which the request is submitted, provided that and as from the date on which the request contains all information requested under this Clause. If the Board of Directors does not resolve within the aforementioned 90 (ninety) calendar day term, the request for approval shall be deemed denied.

The Board of Directors may request to the Person that intends to acquire the Shares in question or to execute the applicable Voting Agreement, the additional documentation and necessary clarifications within 15 (fifteen) calendar days from the date on which the request for approval is submitted, as well as any meetings to resolve on the request for approval that was submitted, with the understanding that the terms mentioned in this provision shall not run, and the request shall not be deemed completed, until the Person that intends to acquire the Shares in question submits all additional information and makes all clarifications requested by the Board of Directors.

4. To consider a meeting of the Board of Directors legally convened by virtue of first or subsequent call, to transact any business related to any request for approval or Voting Agreement referred to by this Clause, the attendance of at least 75% (seventy-five percent) of its regular members or respective alternates shall be required, with the understanding that the absence of the Chairman of the Board of Directors shall not be an impediment for holding the meeting, provided that the quorum provided herein exists. The resolutions shall be valid when adopted by 75% (seventy-five percent) of the members of the Board of Directors. The meetings of the Board of Directors shall be called and the resolutions shall be adopted only in relation to the request for approval referred to by this Clause (or parts of such request for approval).

5. In the event that the Board of Directors approves the acquisition of Shares proposed or the execution of the Voting Agreement proposed, and such acquisition, transaction, or Voting Agreement implies (i) the acquisition of a 20% or higher Interest, (ii) a change of Control, or (iii) the acquisition of Significant Influence, notwithstanding that such approval was granted, the person that intends to acquire the Shares in question, or to execute the Voting Agreement, shall make a public offering for 100% (one hundred percent) minus one of the Shares outstanding, at a price payable in cash not below the price higher of the following:

(i) the carrying amount per Share, according to the last quarterly financial statements approved by the Board of Directors and submitted to the Comisión Nacional Bancaria y de Valores or to the relevant stock exchange;

(ii) the highest closing price per Share with respect to transactions in stock exchanges, published on any of the 365 (three hundred sixty-

five) days prior to the date on which the request was submitted or of the approval granted by the Board of Directors pursuant to this provision; or

(iii) the highest price paid with respect to the purchase of any Shares, at any time, by the Person that, individually or jointly, directly or indirectly, has the intention to acquire the Shares, or intends to execute the Voting Agreement, subject matter of the request approved by the Board of Directors, plus, in each such cases, a premium equal to 20% (twenty percent) with respect to the price per Share payable in relation to the acquisition that is the subject matter of the request, with the understanding that the Board of Directors may increase or decrease the amount of such premium, considering the opinion of a highly recognized investment bank.

The public offering referred to in this Clause shall be completed within 90 (ninety) days from the date on which the acquisition of Shares, or the execution of the Voting Agreement in question, is approved by the Board of Directors as provided in this Clause.

The price paid for each Share shall be the same, regardless of the class or series of Shares in question, except for the Person or Persons that execute agreements with the acquirer or acquirers in question in terms of Article 100 (one hundred) of the Ley del Mercado de Valores that impose affirmative or negative covenants on such shareholders for the benefit of the acquirer or the Company and provided that such agreements are approved by the Board of Directors of the Company and disclosed to the investing public.

If the Board of Directors receives, on or before the completion of the acquisition or execution of the Voting Agreement in question, an offer from a third party, reflected in a request to acquire the relevant Shares (including through a merger, consolidation, or similar transaction), in better terms for the shareholders or holders of Shares of the Company, the Board of Directors shall have the authority to consider and, where appropriate, authorize such second request, keeping on hold the approval previously granted, and submitting both requests to the Board of Directors for consideration, so that the Board of Directors may approve the request it may deem appropriate, with the understanding that any approval shall be without prejudice of the obligation of making a public offering pursuant to the terms of this Clause and the applicable law.

6. The acquisitions of Shares that do not involve (A) the acquisition of a 20% or higher Interest, (B) a change of control, (C) the acquisition of Significant Influence, may be recorded in the Company's Share Register, once they are duly approved by the Board of Directors and once such acquisitions are completed. The acquisitions, or Voting Agreements, that involve (A) the acquisition of a 20% or higher Interest, (B) a change of control, (C) the acquisition of Significant Influence, shall not be recorded in the Company's Share Register until the Board of Directors approves them and the public offering referred to by this section concludes. Therefore, in this case, the corporate rights arising from the Shares may not be exercised until the public offering in question concludes.

7. The Board of Directors may deny its approval for the acquisition of Shares requested or for the execution of the Voting Agreement proposed, in which case it will indicate to the petitioner in writing the basis and reasons for denying the approval; additionally, it may indicate the terms and conditions pursuant to which it might approve the acquisition of Shares requested or for the execution of the Voting Agreement proposed. The petitioner shall be entitled to request and have a meeting with the Board of Directors, or with an ad-hoc committee appointed by the Board of Directors, to explain, extend, or clarify the terms of its request, and to express its position through a written document submitted to the Board of Directors.

General Provisions.

For the purposes of this Clause Twelve, it shall be understood that Shares that belong to the same Person are the Shares owned by the Person, plus the Shares (i) held by any Related Person or (ii) held by any legal person, trust, or equivalent or similar entity, vehicle, entity, company, or economic or commercial partnership, of any nature, and organized under the laws of any jurisdiction, where such legal person, trust or equivalent entity, vehicle, entity, economic or commercial partnership, whether they legally exist or not, is Controlled by the aforementioned Person. Also, where one or more Persons intend to acquire Shares in concert, jointly, or in a coordinated manner, in a series of acts, regardless of the legal act that gives rise to it, shall be considered one single Person for the purposes of this Clause Twelve. The Board of Directors, taking into consideration the definitions contemplated by this Clause Twelve, shall determine if one or more Persons that intend to acquire Shares, or execute Voting Agreements, must be considered as a single Person for the purposes of this Clause Twelve. Any de facto or de jure information in the possession of the Board of Directors may be considered in such determination.-

In assessing the requests for approval referred to by this Clause Twelve, the Board of Directors shall take into account the factors it may deem pertinent, considering the interests of the Company and its shareholders, including financial, market, business, factors, moral and economic solvency of potential acquirers, the origin of the resources that the potential acquirer may use for the acquisition, potential conflicts of interest, the protection of minority shareholders, the expected benefits for the future development of the Company, the impact

on the Company's plans and budgets, the quality, accuracy, and veracity of information referred to by this provision that the potential acquirer submits, the feasibility of the offer, the identity and credibility of the offerors (to the extent it is determinable and without any liability for the Directors or for the shareholders), the reasons for the execution and term of the Voting Agreement, the sources of financing of the offer, and the completion term, and other advisable.

If any acquisitions of Shares or execution of Voting Agreements restricted in this Clause Twelve are performed without observing the requirement to obtain the prior and written favorable approval of the Board of Directors (as well as, where appropriate, the public offering in question), the Shares subject of such acquisitions or of the Voting Agreement (i) shall grant to the acquirer of Shares the property rights arising from the ownership of the Shares to the extent that such rights correspond to the rest of the shares of the capital stock of the Company, and (ii) shall not grant to the acquirer corporate rights of any kind (including, without limitation, the right to vote the Shares acquired, the right to request Shareholders' Meetings to be called, and any other rights arising from the ownership of the Shares that are not property rights or have property content.

The approvals granted by the Board of Directors as provided in this Clause Twelve will no longer be effective if the information or documentation on which such approvals granted relied on are not or cease to be true and/or legal.

If the provisions of this Clause Twelve are not complied, the Board of Directors may resolve, among others, the following actions (i) to reverse the executed transactions, with mutual restitution between the parties, where possible, and without breaching the provisions of the Ley del Mercado de Valores, or (ii) to transfer the Shares subject of the acquisition to an interested third party approved by the Board of Directors, at the minimum reference price that the Board of Directors may determine.

The provisions of this Clause shall not be applicable to (i) the acquisitions or transfers of Shares by probate, whether by inheritance or legacy, or (ii) the acquisition or transfer of Shares, or any agreement or settlement, (1) by the Person or Persons having, jointly, Control of the Company or Significant Influence in the Company, immediately prior to the date on which this Clause is adopted by the company, (2) by any legal person, trust or its equivalent entity, vehicle, entity, company, or other form of economic or commercial partnership, whether it legally exists or not, under the Control of the Person or Persons in question referred to in subsection (1) above, (3) by probate of the Person or Persons referred to by subsection (1) above, (4) by the lineal ascendants or descendants up to the third degree of the Person or Persons referred to by subsection (1) above, (5) by the Person or Persons referred to by subsection (1) above, where they acquire Shares of any company, trust or equivalent entity, vehicle, entity, company, form of economic or commercial partnership, whether they legally exist or not, of any nature, and organized under the laws of any jurisdiction, ascendants or descendants referred to by subsections (3) or (4) above, and (6) by the Company or its Subsidiaries, or by trusts created by the Company or its Subsidiaries, or by any other Person Controlled by the Company or by its Subsidiaries, or (iii) the transfer to a trust of control or option for employees, or similar vehicle by the shareholders.

The Provisions of this Clause Twelve shall be applied in addition to the laws and general provisions on mandatory acquisitions of securities in the markets in which the Shares or other securities issued in relation to such Shares or rights arising therefrom are listed; if this Clause contravenes, in whole or in part, such laws or general provisions, the provisions of the law or general provisions on mandatory acquisitions of securities shall apply.

This Clause Twelve shall be registered in the Registro Público de Comercio of the registered office of the Company and it shall expressly refer to the provisions therein in the share certificates representing the capital of the Company, so it may be opposable to any third party.

This Clause Twelve may only be eliminated from the Bylaws or amended by favorable resolution of the shareholders holding, at least, 85% (eighty-five percent) of the Shares outstanding at the time the elimination or amendment in question is approved and provided that the shareholders holding, at least, 85% (eighty-five percent) of the Shares outstanding at the time of the vote did not vote against the elimination or amendment.

CLAUSE THIRTEEN. Cancellation of Registration. As long as the shares of the Company are registered with the Registro Público de Comercio in terms of the Ley del Mercado de Valores and the general provisions issued by the Comisión Nacional Bancaria y de Valores, in the event of cancellation of the registration of the Company's shares with such Registry, whether at the request of the Company or by resolution adopted by the Comisión Nacional Bancaria y de Valores in terms of the Law, the Company agrees to make a public offering under Article 108 (one hundred eight) of the Ley del Mercado de Valores, which shall be exclusively addressed to the shareholders or holders of negotiable instruments representing such shares, that do not form part of the group of persons that control the Company: (i) at the date of the request of the Comisión Nacional Bancaria y de Valores in relation to the cancellation of the registration by resolution of such Commission; or (ii) at the date on which the offer becomes effective in accordance with the resolution adopted by the Extraordinary

General Shareholders' Meeting with the affirmative vote of the holders of shares with or without voting rights, representing ninety-five percent of the capital stock in relation to the voluntary cancellation of the registration.

The Company shall transfer to a trust, for the period it may deem convenient, but at least for 6 (six) months from the date of the cancellation, the necessary resources to buy at the same price of the public offering the shares of the investors that did not participate in such offering, in the event that, once the public offering is made and prior cancellation of the registration of shares of capital stock of the Company or other securities issued based on those shares in the Registro Público de Comercio, the Company failed to acquire 100% (one hundred percent) of the capital stock paid.

The aforementioned public offering shall be made at least at the price that is the higher of: (i) the quoted value and (ii) the book value of the shares or securities representing such shares according to the last quarterly report submitted to the Commission and to the stock exchange before the offering started, which may be adjusted when such value is modified according to criteria applicable to the determination of relevant information, in which case, the most recent information that the Company has shall be considered, accompanied with a certificate from an authorized officer of the Company in relation to the determination of such book value.

For the purposes above, the quoted value shall be the weighted average price per volume of the transactions executed during the last 30 (thirty) days during which the shares of the Company or securities representing such shares were traded, prior to the beginning of the offering, during a period that may not exceed 6 (six) months. If the number of days during which such shares or securities representing such shares were traded, during the aforementioned period, is lower than 30 (thirty), the days during which they were actually traded will be taken into account. If there was no trading during such period, the book value will be taken into account.

It will not be necessary to make the public offering if the consent of the all the shareholders is proven for the respective cancellation. The Comisión Nacional Bancaria y de Valores may authorize the use of a different base for determining the price of the offer in accordance with the Company's financial position, provided that Company has the Board of Directors' approval, prior hearing the opinion of the committee that performs duties relating to corporate practices, containing the reasons why it is considered warranted to set a different price, supported by a report from an independent expert.

In any case, the voluntary cancellation of the registration of the shares of the Company with the Registro Público de Comercio requires, in addition to any other requirement indicated in the Ley del Mercado de Valores and other applicable provisions to the that effect: (i) the prior approval of the Comisión Nacional Bancaria y de Valores and (ii) the resolution of the Extraordinary General Shareholders' Meeting adopted with a minimum voting quorum of 95% (ninety-five percent) of the capital stock.

CLAUSE FOURTEEN. Share Certificates. The shares of the Company shall be represented by share certificates or provisional certificates, consecutively numbered, which shall be signed by two Directors with handwritten signatures in terms of the applicable legal provisions. All share certificates and provisional certificates mentioned shall be issued in accordance with the requirements provided in Articles 125 (one hundred twenty-five), 127 (one hundred twenty-seven), and other related articles of the Ley General de Sociedades Mercantiles and they shall invariably contain the text of Clauses Four, Five, and Twelve of these bylaws.

Each share is indivisible, therefore, if two or more persons own the same share, a common representative shall be appointed as provided by Article 122 (one hundred twenty-two) of the Ley General de Sociedades Mercantiles. If the appointment of the common representative is not made, the Company shall consider as such the person whose name appears first in the Share Register kept by the Company in terms of Article 128 (one hundred twenty-eight) of said Law.

All transfers of shares shall be considered unconditional and without any reservation against the Company, hence the person acquiring one or several shares shall assume all rights and obligations of the former holder with respect to the Company.

Final share certificates may have numbered coupons attached, which will facilitate the collection of dividends to their holders when dividends are declared.

In the event of loss, destruction, or theft of the share certificates or provisional certificates, the owner may request the issue of new certificates or provisional certificates subject to the provisions to that effect of the Ley General de Títulos y Operaciones de Crédito. Expenses originated by reason of the issue of the new share certificate or provisional certificate shall be borne by the interested party.

Under Article 282 (two hundred eighty-two) of the Ley del Mercado de Valores, the Company may issue multiple certificates or one single certificate that complies with the provisions of said Article and the other applicable provisions of the Ley del Mercado de Valores. Such certificate shall not require any attached coupons. In such a case, certificates representing shares shall be issued indicating that they are deposited in the relevant securities depository institutions, without need for including the name, address, or nationality of the holder in the certificate.

CLAUSE FIFTEEN. Share Register. The Company shall keep a Share Register in terms of Articles 128 and 129 of the Ley General de Sociedades Mercantiles, and the person that appears registered as owner in such Share Register shall be considered as such.

Said register shall be kept by: (i) the Secretary of the Board of Directors of the Company, and the Assistant Secretary shall cover his absences, (ii) any securities depository institution, (iii) a credit institution, or (iv) the person that may be appointed by the Board of Directors to act for and on behalf of the Company as registrar agent. If the Board of Directors fails to expressly appoint a registrar, the Share Register shall be kept by the Secretary of the Board of Directors and, in his absences, the Assistant Secretary.

The person in charge of the Share Register shall not be required to record the transfers and conversions of shares or the creation of property rights, attachments, or other liens thereon.

The Share register shall remain closed during the periods from five business days prior to each Shareholders' Meeting up to and including the date on which the Meeting is held; therefore, during such periods no registration shall be made in the Register or any certificates or records issued.

With respect to shares issued by the Company that, if applicable, are deposited in an authorized securities depository institution, their registration in the Share Register shall be integrated with (i) the record of deposit issued by such securities depository institution for each Shareholders' Meeting, and (ii) the lists issued by the depository entities to supplement such records, with data corresponding to the respective holders, as provided by Article 290 (two hundred ninety) of the Ley del Mercado de Valores.

The Company shall only consider the person who appears registered in the Share Register as the legitimate holder of the shares.

CHAPTER III

MANAGEMENT

CLAUSE SIXTEEN. Board of Directors. The Company's Management shall be entrusted to a Board of Directors and to a Chief Executive Officer, who shall perform their duties as provided by the Ley del Mercado de Valores.

The Ordinary General Shareholders' Meeting shall appoint or elect the members of the Board of Directors by a majority of votes. The Board of Directors shall be composed of a minimum number of 5 (five) directors and a maximum number of 21 (twenty-one) directors, of which at least 25% (twenty-five percent) shall be independent, as the Meeting that appoints or ratifies them may determine, in terms of the Ley del Mercado de Valores. For each regular director, the Meeting may appoint its respective alternate. The foregoing with the understanding that alternate directors of independent directors shall have the same capacity.

The Directors may not be (i) persons disqualified by law to exercise trade; or (ii) persons who performed the position of External Auditor of the Company or of any of the legal persons that compose the business group or consortium to which it belongs, during the 12 (twelve) months immediately preceding the date of the appointment.

Regular directors and, where appropriate, their respective alternates, shall mutually inform each other regarding the businesses transacted during the meetings of the Board of Directors they attend.

The members of the Board of Directors need not be shareholders; additionally, they shall meet the requirements mentioned in the Ley de Mercado de Valores. Holders of shares with voting rights, including limited or restricted voting rights, that individually or jointly represent at least 10% (ten percent) of the capital stock of the Company shall be entitled to appoint at a General Shareholders' Meeting a Regular member of the Board of Directors and, where appropriate, its respective Alternate, and to revoke the appointment of the Regular or Alternate member previously made. In this case, said shareholder or group of shareholders will not be able to exercise its voting rights to appoint Regular Directors and their Alternates whose election corresponds to a majority. If any shareholder or group of shareholders representing, at least, 10% (ten percent) of the ordinary shares of the capital stock, exercises the right to appoint a Regular director and its Alternate, the majority shall only be entitled to appoint the number of remaining Directors whose appointment corresponds to such

majority. Such Directors may only be revoked by the other shareholders, when the appointment of all the other Directors is also revoked. Furthermore, the foregoing shall be valid unless the removal is for cause as provided in the Ley del Mercado de Valores.

Directors shall be elected for a period that will end when a new Ordinary General Meeting resolves on the new appointments, meeting that shall be held by April 30 of the year following their appointment, and they shall continue performing their duties up to 30 (thirty) calendar days even if the term for which they were appointed ends or for resigning their position if no substitute is appointed or if such substitute does not take office.

The Board of Directors may appoint provisional Directors, without the participation of the Shareholders' Meeting, where any of the events mentioned in the paragraph above or in the last paragraph of Article 155 (one hundred fifty-five) of the Ley General de Sociedades Mercantiles occurs. The Shareholders' Meeting of the Company shall ratify such appointments or appoint substitute Directors at the Meeting following the occurrence of such event.

The Directors of the Company may be reelected and they shall receive the compensation that the General Shareholders' Meeting may determine. The appointed Alternate Directors shall substitute their respective absent Regular Directors.

The Board of Directors shall appoint a Secretary and, where appropriate, an Assistant Secretary, who shall not form part of said corporate body; they shall only be subject to the obligations and responsibilities provided in the Ley del Mercado de Valores.

CLAUSE SEVENTEEN. Guarantee and Liability. The members of the Board of Directors shall not be required to grant any guarantee to guarantee the performance of the duties they may assume in the performance of their positions, unless the Shareholders' Meeting that appointed them expressly establishes such obligation.

Where appropriate, the guarantee will not be returned to the Directors until the accounts corresponding to the period during which they served in such capacity are duly approved by the General Meeting.

The members of the Board of Directors and, where appropriate, the Secretary or Assistant Secretary thereof, shall be subject to the liability regime provided in Article 33 of the Ley del Mercado de Valores. The Company, in any case, shall indemnify and hold the members of the Board of Directors and the Secretary and Assistant Secretary harmless from any liability incurred in the legal performance of their office, even that resulting from breach of duty of due diligence, and it shall cover the amount of the indemnity for damages caused by their actions to the Company or legal persons controlled by the Company or in which it has a significant influence, unless in the event of (i) willful misconduct or bad faith; (ii) breach of duty of loyalty; or (iii) illegal acts due to acts, events, or omissions referred to by Articles 34 (thirty-four), 35 (thirty-five), and 36 (thirty-six), and other related articles of the Ley del Mercado de Valores or other laws. For such purpose, the Company will grant advances for the defense costs of the person in question in any type of legal proceeding.

For the purposes of the provisions of the Ley del Mercado de Valores, it shall not be considered that a business opportunity corresponding to the Company or legal persons controlled by the Company or in which it has a significant influence is used or exploited where a member of the Board of Directors, directly or indirectly, carries out activities in the ordinary or customary course of business of the Company or of the legal persons controlled by the Company or in which it has significant influence, given that, if such members are elected by the Shareholders' Meeting, it shall be considered that they have the Company's necessary waiver for all legal purposes.

CLAUSE EIGHTEEN. Offices and Auxiliary Bodies. The Company's Board of Directors and its Chairman and of the Committees shall be elected by the Shareholders' Meeting. The Board of Directors may also appoint one or more Vice-chairmen. The aforementioned officers shall remain in office for one year and continue in office even where the such term ends or if they resign, up to 30 (thirty) calendar days if there is no appointment of a substitute or until such substitute takes office. One same person may hold more than one office. The Chairman shall be, in any case, a regular member of the Board of Directors and he must be Mexican. Any officer may be appointed or removed from office without cause by resolution of the Board of Directors.

Persons with honorability, technical quality, and satisfactory credit history, as well as with broad knowledge and experience on financial, legal, or administrative matters, shall be appointed as Directors of the Company. Any vacancy related to any position, except, of course, that of Director, may be filled by appointment of the Board of Directors at any Meeting it may hold.

The Board of Directors, for the performance of its duties, shall be assisted by one or more committees created to that effect. The Committee or Committees that carry out activities related to Corporate Practices and Auditing shall be exclusively composed of independent directors in terms of Article 25 (twenty-five) of the Ley del Mercado de Valores and by a minimum of 3 (three) members appointed by the Board of

Directors, at the proposal of its Chairman. As long as the Company is controlled by a person or group of persons holding fifty percent or more of the capital stock, the Corporate Practices Committee shall be composed of, at least, a majority of independent directors, provided that such circumstance is disclosed to the public.

Where, by any cause, there is no minimum number of members of the Committee to perform Audit duties and the Board of Directors has not appointed provisional directors as provided by Article 24 (twenty-four) of the Ley del Mercado de Valores, any shareholder may request the Chairman of such Board to call a General Shareholders' Meeting, within three calendar days, so that such meeting may make the respective appointment. If the call is not made within the aforementioned term, any shareholder may resort to the judicial authority of the company's registered office so the authority may make the call. If the Meeting does not convene or convened does not make the appointment, the judicial authority of the company's registered office, at the request and proposal of any shareholder, shall appoint the applicable Directors, who shall serve until the General Shareholders' Meeting makes the final appointment.

CLAUSE NINETEEN. Calls. The Board of Directors shall convene in an ordinary meeting at least once every three months in Mexico City or anywhere else in the Mexican Republic indicated to that effect, and on the dates set by the Board for such purpose. Such meetings shall be called by at least 25% (twenty-five) percent of the members of the Board, by the Chairman thereof, or by any of the Committees of the Company, or by the Secretary or Assistant Secretary of said collegiate body. Likewise, the external auditor of the Company may be called to the meetings of the Board of Directors, as a guest with voice but without vote. The above in terms of Article 27 (twenty-seven) of the Ley de Mercado de Valores.

Without contradicting the above, the Board of Directors shall convene, at least, four times during each fiscal year.

In addition to the ordinary meetings referred to above, the Board of Directors shall always convene whenever its members are called, by any means with documentary record, to that effect at least 5 (five) calendar days in advance, by the Chairman of the Board of Directors or by the Chairman of any of the Committees that perform Corporate Practices and/or Audit duties, and by the members representing, at least, 25% (twenty-five percent) of the Directors of the Company, including electronic means or via fax (for which acknowledgment of receipt shall be required), by certified mail, by any specialized courier with a reliable tracking system, or by messenger, at least 5 (five) calendar days prior to the date on which the meeting is to be held. The notice of meeting shall be delivered to the Directors of the Company at the address or email account that the Secretary has recorded for such purpose and it shall contain the agenda, date, time, and place for the Meeting.

The members of the Committees shall be called to all Meetings of the Board, to which they may attend with voice but without vote. The Company's external auditor may be called to the meetings of the Committees or of the Board of Directors, in the capacity of a guest with voice but without vote, and it shall refrain from being present with respect to those businesses of the agenda in which it has a conflict of interest or which might compromise his independence.

Notice of meetings for the Meetings of the Board of Directors shall contain the agenda for the respective meeting.

The notice of meeting requirement may be omitted in case of an emergency, provided that all regular members of the Board are present and that the businesses to be transacted in the applicable agenda are unanimously approved.

CLAUSE TWENTY. Quorum and Minutes. Each Regular Director shall be entitled to one vote at the Meetings of the Board of Directors. Alternate Directors shall only have the right to vote when they attend and act in the absence of the Regular Directors that they respectively substitute. The attendance of a majority of Directors with voting rights shall be required for a Meeting of the Board of Directors to be deemed legally convened. The decisions of the Board of Directors shall be valid when adopted, at least, by a majority of the Directors with a right to vote present at the legally convened Meeting in question. In the event of a tie, the Chairman will decide with a casting vote.

The Directors shall be required to expressly refrain from participating in the deliberation and voting of any business implying a conflict of interest for them, and they shall inform such situation to the Chairman and to the Secretary of the Board of Directors. Moreover, they shall keep strictly confidential all such acts, incidents, or events that are not made public and any deliberation at a meeting of the Board. The minutes of the Meetings of the Board of Directors shall be signed by the Chairman and the Secretary of the Board in question, and by the member or members of the Committees that attended the meeting.

CLAUSE TWENTY-ONE. Meetings without Convening. As provided in the last paragraph of Article 143 (one hundred forty-three) of the Ley General de Sociedades Mercantiles, the Board of Directors may validly adopt resolutions without the need for their members personally convening at a formal meeting. Resolutions adopted in lieu of a meeting shall be approved, in all cases, by the affirmative vote of all regular members of the body in question or, in case of a definitive absence or disability of any member, by the affirmative vote of the respective alternate member, in accordance with the following provisions:

I. The Chairman, on his own initiative or at the request of any 2 (two) regular members of the Board of Directors shall communicate to all regular members or, where appropriate, alternates of the corporate body in question and other Committees of the Company, verbally or in writing and by the means he may deem convenient, the resolutions intended to be adopted in lieu of a meeting and the reasons that justify them. The Chairman shall also provide to all of them, if they so request, all documentation and clarifications required to that effect. The Chairman may be assisted by one or more members of the Board or of the Committees of the Company that he may determine, their alternates, or the Secretary, or, otherwise, the Assistant Secretary, to make such communications.

II. In the event that all regular members of the Board or of the Committees of the Company or, where appropriate, the alternates whose vote is required, verbally state to the Chairman or to the members that assist him, their consent to the resolutions submitted for their consideration, they shall confirm in writing their consent no later than the second business day following the date on which they stated such consent in the manner provided in the third section below. The written consent shall be sent to the Chairman and to the Secretary by mail, email, fax, telegram, or courier service, or via any other means that guarantee that such consent is received within 2 (two) business days.

III. For purposes of the provisions of Section II above, the Chairman shall send, in writing, to each member of the body in question, whether directly or through the persons assisting him, a formal draft of the minutes containing the agreements or resolutions intended to be adopted in lieu of a meeting and any other documentation deemed necessary, so that, if applicable, once the modifications required are made, the relevant draft minutes may be sent to the Chairman and to the Secretary, duly signed in agreement at the bottom by each member of the Board or of the Committees of the Company, as the case may be.

IV. Once the Chairman and the Secretary receive the written confirmations of all members of the body in question, they shall immediately proceed to record the approved minutes in the applicable minute's book, which shall include all resolutions adopted and which shall be legalized with the signature of the Chairman and the Secretary. The date of the minutes shall be the date on which the verbal or written consent of all relevant members was obtained, even if the written confirmations are not received at that time, same that upon receipt shall be integrated into a file that the Company shall keep to that effect. Moreover, written comments made, if any, by the members of the Committee of the Company to which the relevant draft resolutions correspond shall be integrated into such file.

CLAUSE TWENTY-TWO. Duties and Authority. The Board of Directors shall be responsible for the following:

- I. Establish general strategies for conducting the Company's business and legal persons controlled by the Company.
- II. Monitor the management and direction of the Company and of the legal persons controlled by the Company, considering the relevance of the latter in the financial, administrative, and legal position of the company, and the performance of the relevant officers.
- III. Approve, with the prior opinion of the competent committee:
 - a) The policies and guidelines for the use or enjoyment of the assets composing the property of the Company and of the legal persons controlled by the Company, by related persons.
 - b) The transactions, each transaction with related persons individually, that the company or legal persons controlled by the Company plans to execute.

The transactions mentioned below shall not require the approval of the Board of Directors provided that they abide by the policies and guidelines that the Board may approve to that effect:

 1. The transactions that, given their amount, lack relevance for the Company or legal persons controlled by the Company.
 2. The transactions carried out between the Company and the legal persons controlled by the Company or in which it has significant influence or between any of the above, provided that:
 - i) They form part of the ordinary or customary course of business.

ii) They are considered executed at market prices or supported on valuations made by external specialized agents.

3. The transactions executed with employees, provided that they are executed under the same conditions as with any other client or as a result of general labor benefits.

c) The transactions executed, whether simultaneously or successively, which given their characteristics may be considered a single transaction and which the Company or the legal persons controlled by Company plan to execute within a fiscal year, when they are unusual or non-recurring, or, if their amount represents, based on amounts corresponding to the closing of the immediately preceding quarter, any of the following events:

1. The acquisition or transfer of assets with a value equal to or greater than 5% (five percent) of the consolidated assets of the Company.

2. The grant of guarantees or the assumption of liabilities in a total amount equal to or greater than 5% (five percent) of the consolidated assets of the Company.

Investments in debt securities or bank instruments are excepted, provided that they are made in accordance with the policies that the Board may approve to that effect.

d) The appointment, election, and, where appropriate, removal of the Chief Executive Officer of the Company and his comprehensive compensation, as well as the policies for the appointment and comprehensive compensation of the other relevant officers.

e) The policies for granting credits, loans, or any type of credit or guarantees to related parties.

f) The waivers so that a Director, relevant officer, or person with management authority, make take advantage of business opportunities for himself or for the benefit of third parties, corresponding to the company or to the legal persons controlled by the Company or in which it has significant influence. The waivers for transactions whose amount is lower than the one mentioned in subsection c) above, may be delegated to any of the committees of the Company in charge of the duties related to Audit or Corporate Practices.

g) The guidelines on internal control and internal audit of the Company and of the legal persons controlled by the Company.

h) The accounting policies of the Company, in accordance with accounting principles recognized or issued by the Comisión Nacional Bancaria y de Valores through general provisions.

i) The Company's financial statements.

j) The hiring of a legal person that provides external audit services and, where appropriate, additional or supplementary services to those of external audit services.

Where the resolutions of the Board of Directors do not agree with the opinions provided by the applicable Committee, such Committee shall order the Chief Executive Officer to disclose such circumstance to the investing public, through the stock exchange in which the shares of the Company or securities representing them are listed, in accordance with the terms and conditions provided by such stock exchange in its internal regulations.

IV. Submit to the General Shareholders' Meeting held by reason of the closing of the fiscal year:

a) The reports referred to by Article 43 (forty-three) of the Ley del Mercado de Valores.

b) The report that the Chief Executive Officer prepares as provided by Article 44 (forty-four), Section XI, of the Ley del Mercado de Valores, accompanied with the report of the external auditor.

c) The opinion of the Board of Directors on the contents of the report of the Chief Executive Officer referred to in the paragraph above.

d) The report referred to by Article 172 (one hundred seventy-two), subsection b), of the Ley General de Sociedades Mercantiles that includes the main accounting and financial policies and criteria followed in the preparation of financial information.

e) The report relating to the operations and activities in which it participated.

V. Follow up the main risks to which the Company and the legal persons controlled by the Company are exposed, identified on the basis of the information submitted by the Committees, the Chief Executive Officer, and the legal person that provides the external audit services, as well as accounting, internal control and internal audit services, registry, filing, or information, of the Company and the legal persons controlled by the Company, which may be carried out through the Committee that performs Audit duties.

VI. Approve information and communication policies with Shareholders and the market, and with the Directors and relevant officers, to comply with the provisions of the Ley del Mercado de Valores.

VII. Determine the applicable actions to correct irregularities it is aware of and implement the applicable corrective actions.

VIII. Establish the terms and conditions that the Chief Executive Officer will follow in the exercise of this power of acts of ownership.

IX. Instruct the Chief Executive Officer to disclose to the public the relevant events it is aware of. The above without prejudice to the duty of the Chief Executive Officer referred to by Article 44 (forty-four), Section V, of the Ley del Mercado de Valores.

X. Others provided by Law or in these bylaws.

The Board of Directors shall be responsible for monitoring compliance with the resolutions of the Shareholders' Meetings, which it may do through the Committee that performs Audit duties.

The Board of Directors shall have the broadest authority for the fulfillment of the corporate purpose and to direct and manage the Company.

It shall act, including, but not limited to, with the following powers of attorney and authority:

A) General power of attorney for litigation and collections, with all general and special authorities that require a special power or clause under the Law, in terms of the first paragraph of Article 2554 (two thousand five hundred fifty-four) of the Civil Code for the Federal District and related codes in the other States, including the authority mentioned in Article 2587 (two thousand five hundred eighty-seven) of the same law.

Among others, the following authorities are mentioned without limitation:

- I. To file and withdraw from all kinds of proceedings, including *amparo* proceedings.
- II. To settle.
- III. To submit to arbitration.
- IV. To prepare and answer interrogatories.
- V. To challenge.
- VI. To assign property.
- VII. To receive payments.
- VIII. To file complaints and criminal complaints and withdraw therefrom where allowed by Law.

B) The power of attorney referred to in the subsection above shall be exercised before individuals and all kinds of administrative or judicial authorities, including federal or local authorities, and before Local or Federal Boards of Conciliation and Arbitration and Labor Authorities.

C) General power of attorney for acts of administration in terms of the second paragraph of said Article 2554 (two thousand five hundred fifty-four) of the Civil Code for the Federal District and related codes in the other States.

D) General power of attorney for acts of ownership in terms of the third paragraph of the same Article 2554 (two thousand five hundred fifty-four) of the Civil Code for the Federal District and related codes in the other States.

E) Power to grant and sign negotiable instruments under Article 9 (nine) of the Ley General de Títulos y Operaciones de Crédito, exclusively for the fulfillment of the corporate purpose.

F) Authority to appoint the Chief Executive Officer, who may or may not be a shareholder.

G) Power to grant general or special powers of attorney and to revoke such powers of attorney.-

- H) The exclusive authority to determine the direction in which the votes corresponding to the shares held by the Company must be cast at the Ordinary and Extraordinary Shareholders' Meetings of the companies in which it holds a majority of the shares and to appoint the respective special attorney-in-fact.
- I) The authority to appoint the officers, employees, managers, and attorney-in-fact of the Company, in terms of the Ley del Mercado de Valores, to whom he shall indicate their duties, obligations, and compensation.
- J) Establish or close offices, branches, or agencies.
- K) Acquire shares, interests, and securities issued by third parties and exercise the voting rights on such shares or interests of other companies.
- L) Execute, amend, terminate, and rescind agreements.
- M) Accept on behalf of the Company mandates of natural or legal persons, Mexican or foreign.
- N) Open bank and investment accounts and withdraw deposits therefrom, and appoint authorized persons to use the corporate signature, to make deposits into such accounts and withdraw deposits therefrom, and to issue all kinds of instructions, with the limitations that may be established by the Board.
- O) Create collateral and personal guarantees and transfer assets to trusts to guarantee the Company's obligations and to act as surety, guarantor, or joint and several debtor, and in general, bound to perform the obligations of third parties and establish collateral and transfer assets to trusts to ensure performance of such obligations.
- P) Call Shareholders' Meetings and execute the resolutions adopted thereat.
- Q) Execute any legal act and adopt any decision that may be necessary or advisable for the fulfillment of the corporate purposes.
- R) Those provided in the Ley del Mercado de Valores.
- S) Approve the terms and conditions of the settlement whereby the amount of damages is settled in a liability proceeding; the lack of such formality shall be cause for relative nullity as provided by the provisions of Article 38 (thirty-eight) of the Ley del Mercado de Valores.
- T) Under Article 47 (forty-seven) of the Ley del Mercado de Valores, the Board of Directors shall require prior authorization of the Ordinary General Shareholders' Meeting to approve the transactions that the Company or the legal persons controlled by the Company intend to carry out, during a fiscal year, where they represent 20% (twenty percent) or more of the consolidated assets of the Company on the basis of figures corresponding to the closing of the immediately preceding quarter, regardless of the form in which they are executed, whether simultaneously or successively, but that given their characteristics they may be considered as a single transaction.

CLAUSE TWENTY-THREE. Chairman and Vice-chairman. The Chairman of the Board of Directors shall chair the Shareholders' Meetings and the Meetings of the Board, he will be the Board representative, execute the resolutions of the Meetings and of the Board of Directors, unless the Meetings or the Board of Directors appoint 1 (one) or more Delegates to execute such resolutions, he will oversee in general corporate transactions, in strict compliance with these bylaws, the regulations, and the resolutions and provisions of the Meetings, the Board, and the Law, and he will sign, jointly with the Secretary, the minutes of the Meetings and of the Board. In the event of a temporary or definitive absence of the Chairman, his duties shall be performed with the same authority by 1 (one) of the Vice-chairmen; in the absence of the Vice-chairman or Vice-chairmen, a majority of the Directors shall appoint the person who will temporarily substitute the Chairman of the Board, who shall be Mexican and from among those appointed by a majority of the ordinary shares.

CLAUSE TWENTY-FOUR. Secretary. The Secretary shall have the authority assigned by the Board and he shall keep the minutes book and he will record and sign with the Chairman all the minutes of the Shareholders' Meetings in one book and all meetings of the Board of Directors in another book. In his absence, the Assistant Secretary, if any, shall perform his duties, and in the absence of the Assistant Secretary, the person that the incumbent Chairman appoints.

CLAUSE TWENTY-FIVE. Committees. In addition to the Board of Directors and without detriment of the provisions of Clause Twenty-Seven below, the Company may and shall, where appropriate and in compliance with the provisions of the Ley del Mercado de Valores and other applicable laws, have intermediate Management bodies, which shall be called Committees. The appointment of the members of the Committees shall be made by resolution of the Board of Directors.

The Committees shall invariably operate as collegiate bodies and they shall be composed of a minimum of 3 (three) members. They will validly operate with the attendance of a majority of their members, and their resolutions shall be adopted by a majority of votes; the Chairman of each Committee shall have a casting vote.

The Board of Directors shall elect from among the members of the Committees the person who shall preside them, who shall receive the name of Committee Chairman. The Committees, through their Chairman, shall inform about their activities to the Board of Directors with the periodicity provided by Law and, otherwise, if no periodicity is provided by the Law, with the periodicity that the Board of Directors may determine or where significant events or acts for the Company occur that, in the opinion of the Board of Directors or Chairman of the Committees, warrant such report.

The duty of the Committees shall be to resolve issues that maintain the development, security, and oversight of the Company's activities in accordance with the guidelines provided by the Board of Directors, which in no event shall include the authorities reserved by law or the Bylaws to any other body of the Company.

CLAUSE TWENTY-SIX. Chief Executive Officer. The Chief Executive Officer shall be responsible for management duties and, specifically those related to the administration, direction, and execution of the Company's businesses and of the legal persons controlled by the Company; for such purpose, he shall abide by the strategies, policies, and guidelines approved by the Board of Directors.

The Chief Executive Officer, for the performance of his duties, shall have the broadest authority to represent the Company in acts of administration and litigation and collections, including special authorities that require a special clause under the laws. With respect to acts of ownership, the Chief Executive Officer shall have authority in the terms and conditions that the Board of Directors of the Company may determine.

Without prejudice to the above, the Chief Executive Officer shall:

I. Submit to the Board of Directors for approval, the business strategies of the Company or of the legal persons controlled by the Company, on the basis of the information provided by the latter.

II. Comply with the resolutions of the Shareholders' Meetings and of the Board of Directors, in accordance with the instructions that, if any, the Meeting or such Board may issue.

III. Propose to the Committee performing duties related to audit matters, the guidelines of the internal control and internal audit system of the Company and legal persons controlled by the Company, and execute the guidelines approved by the Board of Directors of the Company to that effect.

IV. Sign the Company's relevant information, in conjunction with the relevant officers responsible for preparing such information, within the scope of his authority.

V. Disseminate relevant information and events that must be disclosed to the public, abiding by the provisions of the Ley del Mercado de Valores.

VI. Comply with the provisions relating to the execution of acquisition and offering transactions of the Company's own shares.

VII. Carry out, on his own account or through the authorized delegate, within the scope of his authority or as per instructions of the Board of Directors, the applicable corrective and responsibility actions.

VIII. Verify, where applicable, that contributions of capital are made by the shareholders.

IX. Comply with the legal and statutory requirements provided with respect to dividends paid to shareholders.

X. Ensure that the Company's accounting, booking-keeping, filing, or information systems are maintained.

XI. Prepare and submit to the Board of Directors the report referred to by Article 172 (one hundred seventy-two) of the Ley General de Sociedades Mercantiles, except for the provisions of subsection b) of said article.

XII. Establish mechanisms and internal controls that allow to verify that the acts and operations of the Company and of the legal persons controlled by the company complied with the applicable law, and follow up the results of such mechanisms and internal controls and take the measures that result necessary, where appropriate.

XIII. Carry out the actions of responsibility under the Ley del Mercado de Valores and these bylaws against related persons or third parties that presumably caused damage to the Company or the legal persons controlled by the Company or in which it has significant influence, except if the damage caused is not relevant according to the Board of Directors' resolution and prior opinion of the Audit Committee.

The Chief Executive Officer, for the performance of his duties and activities, and for the due performance of the obligations, shall be assisted by the relevant officers appointed to that effect and by any employee of the Company or of the legal persons controlled by the Company.

The appointment of the Chief Executive Officer of the Company and of the officers holding positions two hierarchical levels below the Chief Executive Officer, shall be held by persons with credit and honorability eligibility.

The reports related to the financial statements and financial, administrative, economic, and legal information referred to by Article 104 (one hundred four) of the Ley del Mercado de Valores shall be signed, at least, by the Chief Executive Officer and other incumbent relevant officers of the finance and legal or equivalent departments, within the scope of their respective authority. Furthermore, this information must be submitted to the Board of Directors for consideration and, where appropriate, approval, with the supporting documentation.

The Chief Executive Officer is hereby released from the liability consisting of indemnifying damages caused to the Company or the legal persons controlled by the Company or in which it has a significant influence, for lack of diligence arising from the acts it carries out or ceases to carry out, provided that (i) such acts are not fraudulent or acts in bad faith; (ii) breach of the duty of loyalty; (iii) illegal acts by reason of acts, events, or omissions referred to by Articles 35 (thirty-five), Sections III to VII, and 36 (thirty-six) and other applicable articles of the Ley del Mercado de Valores or other laws, or (iv) the acts fall within the scope of Article 46 of the Ley del Mercado de Valores.

CHAPTER IV OVERSIGHT

CLAUSE TWENTY-SEVEN. Audit and Corporate Practices Committee. The Board of Directors, for the performance of its duties regarding oversight matters, shall have the support of the Committee or Committees that develop activities related to Corporate Practices and Audit. Such Committees shall be composed of independent Directors and a minimum of 3 (three) members appointed by the Board of Directors, as provided by Article 25 (twenty-five) of the Ley del Mercado de Valores. Such committees of the Company shall be responsible for the development of the following activities:

A) In relation to corporate practices:

1. Provide an opinion to the Board of Directors regarding matters within the scope of their authority under the Ley del Mercado de Valores.
2. Request the opinion of independent experts when deemed convenient, for the proper performance of their duties or where required under the Ley del Mercado de Valores or general provisions.
3. Call Shareholders' Meetings and have the items deemed pertinent included in the agenda of such meetings.
4. Assist the Board of Directors in the preparation of the reports referred to by Article 28 (twenty-eighth), Section IV, subsections d) and e) of the Ley del Mercado de Valores with respect to the main accounting and financial reporting policies and criteria and the report regarding the operations and activities in which it intervened while performing its duties pursuant to these bylaws and the Ley del Mercado de Valores.
5. Other provided in the Ley del Mercado de Valores or in these Bylaws.

Additionally, the Committee Chairman shall include in the report referred to by Article 43 (forty-three) of the Ley del Mercado de Valores, regarding corporate practices, the following:

- I. Make observations with respect to the performance of the relevant officers;
- II. Review transactions with related parties during the reporting period, detailing the characteristics of material transactions;
- III. Propose the comprehensive fees, compensation, and remuneration packages of the Chief Executive Officer and other relevant officers of the Company, as provided in Article 28 (twenty-eight), Section III, subsection d) of the Ley del Mercado de Valores;
- IV. Analyze and give its opinion on the waivers to be granted by the Board of Directors so that a Director, relevant officer, or person with management power in terms of the Ley del Mercado de Valores may take advantage of business opportunities for himself or in favor of third parties, pursuant to the terms of Article 28 (twenty-eight), Section III, subsection f) of the Ley del Mercado de Valores.

B) In relation to audits:

1. Provide an opinion to the Board of Directors regarding matters within the scope of their authority under the Ley del Mercado de Valores.
2. Assess the performance of the legal person that provides external audit services, and analyze the reports or opinions prepared and signed by the external auditor. For such purpose, the committee may require the presence of such auditor when it deems it convenient, without prejudice to meeting with the auditor at least once a year.
3. Discuss the financial statements of the Company with the persons responsible for their preparation and review, and based on that discussion, recommend or not their approval to the Board of Directors.
4. Inform the Board of Directors about the condition of the internal control and internal audit system of the Company or of the legal persons controlled by the Company, including any irregularities detected, if any.
5. Prepare the opinion referred to by Article 28 (twenty-eight), Section IV, subsection c) of the Ley del Mercado de Valores with respect to the contents of the report submitted by the Chief Executive Officer and submit such opinion for the consideration of the Board of Directors for its later submission to the Shareholders' Meeting, supported, among other elements, on the report of the external auditor. Such opinion shall indicate, at least:
 - (i) If the accounting and financial reporting policies and criteria observed by the Company are appropriate and sufficient considering the particular circumstances of the Company.
 - (ii) If such policies and criteria have been consistently applied in the information submitted by the Chief Executive Officer.
 - (iii) If, as a result of subsections (i) and (ii) above, the information submitted by the Chief Executive Officer reasonable reflects the financial position and results of the Company.
6. Assist the Board of Directors in the preparation of the reports referred to by Article 28 (twenty-eight), Section IV, subsections d) and e) of the Ley del Mercado de Valores.
7. Monitor that the transactions referred to by Articles 28 (twenty-eight), Section III and 47 (forty-seven) of said Law are carried out in compliance with the provisions of such articles and the policies arising therefrom.
8. Request the opinion of independent experts when deemed convenient, for the proper performance of their duties or where required by the general provisions issued to that effect.
9. Request to the relevant officers and other employees of the Company or of the legal persons controlled by the Company, reports relating to the preparation of financial information and any other type deemed necessary for the performance of their duties.

10. Investigate any potential non-compliance they are aware of regarding the operations, operating guidelines and policies, internal control and internal audit system, and accounting records, whether of the Company or of the legal persons controlled by the Company, for which they shall make an analysis of the documentation, records, and other evidentiary proof, to the extent required for such oversight.

II. Receive comments from the shareholders, directors, relevant officers, employees, and, in general, from any third party, with respect to the matters referred to by the section above, and carry out the actions that, in their opinion, are applicable in relation to such comments.

11. Request regular meetings with the relevant officers, as well as the delivery of any type of information related to the Company's internal control and internal audit or the legal persons controlled by the Company.

12. Inform the Board of Directors about material irregularities detected by reason of the performance of their duties and, where appropriate, the corrective measures adopted or propose those that should be applied.

13. Call Shareholders' Meetings and request to include the items deemed pertinent in the agenda of such Meeting.

14. Monitor that the Chief Executive Officer complies with the resolutions of the Shareholders' Meetings and of the Board of Directors of the Company, in accordance with the instructions that, if any, the Meeting or such Board may issue.

15. Supervise that mechanisms and internal controls are in place that allow to verify that the acts and operations of the Company and of the legal persons controlled by the company abide by the applicable law, and implement methodologies that allow to review compliance with the foregoing.

17. Other provided in these Bylaws and in the Ley del Mercado de Valores. Additionally, the Committee Chairman shall include in the report referred to by Article 43 (forty-three) of the Ley del Mercado de Valores, regarding audit matters, the following:

I. The status of the internal control and audit system of the Company and legal persons controlled by the Company and, where appropriate, a description of its deficiencies and deviations, as well as the aspects that require improvement, taking into account the opinions, reports, communications, and the external audit report, and the reports issued by the independent experts that provided their services during the period covered by the report;

II. Reference to and follow-up of the preventive and corrective actions implemented based on the results of investigations related to the non-compliance with the operating and bookkeeping guidelines and policies, whether of the Company or of the legal persons controlled by the Company;

III. The assessment of the performance of the legal person that provides external audit services, and of the external auditor in charge of the audit and its independent status;

IV. A description and assessment of additional or supplementary services that, if any, are provided by the legal person in charge of conducting the external audit, as well as those provided by the independent experts;

V. The main results of the reviews to the financial statements of the Company and of the legal persons controlled by the Company;

VI. A description and the effects of the changes in the accounting policies approved during the applicable period covered by the annual report;

VII. The measures adopted as a result of the observations it may deem relevant, made by shareholders, directors, relevant officers, employees, and in general any third party, with respect to the accounting, internal controls, and matters related to the internal or external audit, or arising from complaints related to events deemed irregular in the management; and

VIII. The follow-up of the resolutions of the Shareholders' Meetings and meetings of the Board of Directors.

For the preparation of the reports referred to by this clause, and for the opinions mentioned in Article 42 (forty-two) of the Ley del Mercado de Valores, the Audit Committee shall hear the relevant officers; in the event of any difference of opinion between the Audit Committee and the relevant officers, such differences shall be included in such reports and opinions.

CLAUSE TWENTY-EIGHT. External Auditor. The Company shall have an external auditor, who may be called to the meetings of the Board of Directors, in the capacity of a guest with voice but without vote, and it shall refrain from being present with respect to those businesses of the Agenda in which it has or may have a conflict of interest or which might compromise his independence. The external auditor shall be appointed and, where appropriate, removed by the Board of Directors of the Company. The external auditor of the Company shall issue his report on the financial statements, report that shall be prepared on the basis of auditing standards and Financial Reporting Standards.

CHAPTER V SHAREHOLDERS' MEETINGS

CLAUSE TWENTY-NINE. Types of Meetings. The General Shareholders' Meeting is the supreme body of the Company; it may resolve and ratify all act and operations of the Company.

Resolutions adopted in lieu of a Meeting, by the unanimous vote of the Shareholders representing all shares of the capital stock, shall have for all applicable legal purposes the same effect as if adopted at a General Meeting, provided that they are confirmed in writing. General Shareholders' Meetings may be Ordinary or Extraordinary.

Ordinary Meetings, which shall convene at least once a year within four months from the end of each fiscal year, shall be those whose purpose is to hear any of the businesses mentioned in Article 181 of the Ley General de Sociedades Mercantiles: to approve the transactions that the Company or the legal persons controlled by the Company intend to carry out, during a fiscal year, where they represent 20% (twenty percent) or more of the consolidated assets of the Company on the basis of figures corresponding to the closing of the immediately preceding quarter, regardless of the form in which they are executed, whether simultaneously or successively, but that given their characteristics they may be considered as a single transaction under Article 47 (forty-seven) of the Ley del Mercado de Valores, and those that are not exclusively reserved for Extraordinary Meetings under the applicable law and/or these Bylaws, taking into account the report of the applicable Committee of the Company at all times.

Extraordinary Meetings, which may convene at any time, shall be those whose purpose is (i) to hear any of the businesses indicated in Article 182 (one hundred eighty-two) of the Ley General de Sociedades Mercantiles, taking into account the report of the applicable Committee of the Company at all times; (ii) to hear and, where appropriate, approve the cancellation of the registration of the shares of the Company with the Registro Público de Comercio; (iii) those called in relation to increases in capital in terms of Article 53 (fifty-three) of the Ley del Mercado de Valores; and (iv) those called for the other businesses that require a special quorum under the applicable law and/or these Bylaws.

CLAUSE THIRTY. Calls. Except as provided in Article 185 (one hundred eighty-five) of the Ley General de Sociedades Mercantiles, the Shareholders' Meetings shall be called at any time by the Board of Directors, the Chairman of the Board of Directors, or by the Committees that perform Corporate Practices and Audit duties, and by 25% (twenty-five percent) of the Directors of the Company or the Secretary of the Board of Directors, or by the judicial authority, if applicable. Shareholders holding shares with voting rights, even in a limited or restricted manner, representing at least 10% (ten percent) of the capital stock, may request the Chairman of the Board of Directors or of the Committees that perform duties related to Corporate Practices and Audit matters, at any time, to call a General Shareholders' Meeting pursuant to the terms mentioned in Article 50 (fifty), Section II, of the Ley del Mercado de Valores.

The call for the Meetings shall be made through a publication of a notice in one of the newspapers of wide circulation in Mexico City, Federal District, always 15 (fifteen) calendar days in advance, at least, to the date set for the Meeting. Such notice shall contain the Agenda, that is, the list of businesses to be transacted at the Meeting, as well as the date, place, and time for the Meeting, and it shall be signed by the person(s) calling the it, with the understanding that if the Board of Directors is calling the Meeting, the name of the Secretary of such body or of the delegate appointed to that effect by the Board of Directors for such purposes shall suffice. Available information and documents related to each of the items set forth in the agenda shall be available, immediately and free of charge, to the shareholders at the offices of the Company as form the publication of the notice of meeting for a certain Shareholders' Meeting.

CLAUSE THIRTY-ONE. Quorum and Special Rights. To consider an Ordinary General Meeting legally convened by virtue of first call, at least half the capital stock shall be represented. In the case of a second or subsequent call, the Ordinary General Meeting shall be deemed legally convened whatever the number of shares represented.

Resolutions of the Ordinary General Meeting shall always be adopted, at least, by a majority of votes present for such resolutions to be valid.

To consider an Extraordinary General Meeting legally convened by virtue of first call, at least 75% (seventy-five percent) the capital stock shall be represented. In the case of a second or subsequent call, to consider the Extraordinary General Meeting legally convened, at least 50% (fifty percent) of the capital stock shall be represented.

Resolutions of the Extraordinary General Meeting shall always be adopted by the affirmative vote of the number of shares representing, at least, half the capital stock, for such resolutions to be valid, unless these Bylaws provide a higher percentage.

Shareholders shall have the following rights, in addition to any other right granted in these Bylaws:

Shareholders holding shares with voting rights, even in a limited or restricted manner, representing at least 10% (ten percent) of the capital stock, individually or jointly, may request to postpone the vote of any business with respect to which they consider they are not well informed, abiding by the terms and conditions mentioned in Article 50 (fifty), Section III, of the Ley del Mercado de Valores.

Shareholders with voting rights, even in a limited or restricted manner, individually or jointly representing at least 20% (twenty percent) of the capital stock, may judicially oppose the resolutions of general meetings, with respect to which they have voting rights, provided that the requirements of Article 201 (two hundred one) of the Ley General de Sociedades Mercantiles are met, in terms of Article 51 (fifty-one) of the Ley del Mercado de Valores.

Except as provided in Clause Seventeen of these bylaws, holders of shares with voting rights, even in a limited or restricted manner, or without voting rights, that individually or jointly represent at least 5% (five percent) of the capital stock, may directly exercise a civil liability action against the Company's managers in terms of Article 38 (thirty-eight), Section II, of the Ley del Mercado de Valores, and provided that the requirements provided in Article 163 (one hundred sixty-three) of the Genera are met.

CLAUSE THRITY-TWO. Totalitarian Meetings. Ordinary or Extraordinary General Shareholders' Meetings may be legally held without need for a previous call and their resolutions will be valid provided that all shares are represented at the time of the voting, as provided by Article 188 (one hundred eighty-eight) of the Ley General de Sociedades Mercantiles.

CLAUSE THIRTY-THREE.- Proxies. Shareholders may be represented at Meetings by proxies appointed by proxy, with the understanding that the members of the Board of Directors may not exercise such mandate.

In addition to the foregoing, shareholders may be represented at Meetings by proxies who evidence their legal capacity through a power of attorney granted in the forms prepared by the Company, that: (i) clearly indicates the name of the Company, and the respective agenda, without including businesses under the general or equivalent item, and (ii) contains a space for the instructions indicated by the person granting such power in relation to the exercise of such power.

The Company shall make available to stock market brokers that evidence that they represent the shareholders of the Company, during the term referred to by Article 49 (forty-nine) of the Ley del Mercado de Valores, the forms of the proxy, so they can send them on time to their principals.-

The Secretary of the Board of Directors shall be required to ensure the provisions above are observed and to inform about such situation to the meeting, which shall be recorded in the respective minutes.

To attend to the General Meetings, the Shareholders shall obtain their respective admission cards at the address of the Company, during business days and hours and in advance as the corresponding notices of meetings may indicate, against delivery of a certificate stating that their shares are deposited with any bank in the country or abroad. For shares deposited with any Depository Institution, admission cards shall be issued against delivery to the Company of the aforementioned certificate and, if applicable, the supplementary list, as provided in the Ley del Mercado de Valores.

CLAUSE THIRTY-FOUR.- Development of Meetings. Meetings may be chaired by the Chairman of the Board of Directors or, in his absence, by the Director authorized to that effect by such Board to substitute the Chairman in his duties, or in the absence of both, by the person appointed by the Shareholders present or represented at the Meeting.

The Secretary of the Board shall act as Secretary and, in his absence, the person appointed by the Shareholders present or represented at the Meeting.

At the beginning of each Meeting, the chair shall appoint 2 (two) inspectors of election to determine the number of shares present and the percentage representing the capital stock. All minutes of the Shareholders' Meetings shall be ordinary or extraordinary and they shall be signed by the Chairman and by the Secretary of the Meeting. The minutes shall be recorded in the applicable book. Where meeting minutes cannot be recorded in the applicable book, such minutes shall be notarized with a public attestor.

The minutes of Extraordinary Shareholders' Meetings shall be notarized with a public attestor and registered in the Registro Público de Comercio of the registered office.

CLAUSE THIRTY-FIVE.- Fiscal Years. Fiscal years shall consist of one year from January 1 (first) to December 31 (thirty-first) of each year.

CHAPTER VI FISCAL YEARS, FINANCIAL INFORMATION PROFITS AND LOSSES

CLAUSE THIRTY-SIX. Financial Statements. The Board of Directors shall be responsible for the preparation of the financial statements as from the closing of each fiscal year and shall contain all information required by Article 172 (one hundred seventy-two) of the Ley General de Sociedades Mercantiles. The financial statements shall be prepared within 3 (three) months from the closing of every fiscal year and they shall be submitted, together with all supporting documentation, to the shareholders, as provided by Article 173 of the Ley General de Sociedades Mercantiles.

CLAUSE THIRTY-SEVEN- Profit. The net income of each fiscal year, prior approval of the financial statements that show such net income by the Shareholders' Meeting, after deducting the applicable legal amounts of (i) income tax, (ii) employee profit sharing, and (iii) amortization of loss carryforwards, shall be distributed as follows:

1. 5% (five percent) shall be separated to create the Legal Reserve until said reserve amounts to 20% (twenty percent) of the capital stock, as provided by Article 20 of the Ley General de Sociedades Mercantiles.
2. The amount determined by the General Shareholders' Meeting to create one or several contingency, reinvestment, redemption, or reserve funds shall be separated, including the amounts applied to create or increase the amount to acquire own shares referred to by Article 56 (fifty-six) of the Ley del Mercado de Valores.
3. The rest shall be applied as resolved by the Ordinary Shareholders' Meeting or distributed among the Shareholders in proportion to the number of their shares if fully paid, or otherwise, to the amount paid for such shares.

The payment of dividends declared by the Company shall be made on the business dates and places that the Ordinary Shareholders' Meeting may determine, or the Board of Directors if such body was authorized to that effect by the Shareholders' Meeting, and shall be published in a notice in at least one wide-circulation newspaper in the registered office.

The dividends not collected within 5 (five) years from the date on which they are payable shall be deemed waived and assigned in favor of the Company.

CLAUSE THIRTY-EIGHT. Loss. The Shareholders shall be liable for the Company's losses in proportion to the shares they hold, but their liability is limited to the payment of the capital stock. Consequently, holders of paid-up shares shall not be liable for corporate obligations.

CHAPTER VII DISSOLUTION, LIQUIDATION AND SEPARATION

CLAUSE THIRTY-NINE. Dissolution. The Company shall be dissolved in the cases provided in Article 229 of the Ley General de Sociedades Mercantiles or by resolution adopted at an Extraordinary General Shareholders' Meeting.

CLAUSE FORTY. Liquidation. Once the Company is dissolved, it will be liquidated. For such purpose, the same Extraordinary General Shareholders' Meeting that resolves or recognizes the dissolution shall appoint a liquidator by a simple majority vote, who shall have, in the opinion of the Meeting, sufficient technical capacity, honorability, and satisfactory credit history. Such liquidator, who may be a legal person, shall have the powers and duties determined by the Ley General de Sociedades Mercantiles for liquidators, as well as those granted by the Shareholders' Meeting, if any.

CLAUSE FORTY-ONE. Revocation of the Resolution for Dissolution. The Extraordinary General Shareholders' Meeting may revoke the resolution for dissolution where the causes that gave rise to the dissolution cease to exist.

CLAUSE FORTY-TWO. Liquidator. During the period of liquidation, the Meeting shall convene and operate in the same terms provided by these Bylaws.

The liquidators shall assume the duties that in the ordinary course of the Company correspond to the Board of Directors, but with the special modalities imposed by the liquidation status.

The liquidator or liquidators of the Company shall proceed to liquidate the Company and distribute its proceeds among the Shareholders in proportion to the number of their shares, as provided by Article 248 (two hundred forty-eight) of the Ley General de Sociedades Mercantiles.

In general terms, the rules provided by Chapters X and XI of the Ley General de Sociedades Mercantiles shall be followed for the dissolution and liquidation of the Company.

CHAPTER VIII APPLICABLE LAW AND JURISDICTION

CLAUSE FORT-THREE. Applicable Law. The Company shall be governed by these Bylaws, the Ley del Mercado de Valores, the Ley General de Sociedades Mercantiles, and by any other applicable law, as regards to matters not contemplated by these Bylaws.

CLAUSE FORTY-FOUR. Jurisdiction. For everything related to the construction and compliance with these bylaws, the shareholders submit to the jurisdiction of the competent courts of the Federal District, waiving any other jurisdiction that may correspond to them by virtue of their present or future domiciles.

e) Other corporate governance practices

The Meeting of Shareholders may designate, for each Principal Director, the respective alternate. The foregoing, in the understanding that the alternate Directors of independent Directors must have the same character. The members of the Board of Directors will not need to be shareholders and must to comply with the requirements set forth in the LMV.

As of the date, the Board of Directors is composed of 7 Principal Directors, of which 3 are independent. 4 of the Directors have their respective Alternate Directors. The three Independent Principal Directors have Alternate Directors.

Corporate governance practices Controls

An integral part of our philosophy business has been to maintain solid corporate governance practices, adequate risk management controls, including anti-money laundering practices and rigorous customer selection processes ("know your customer" policies). Since the incorporation of Monex Grupo Financiero in 2003 and since the incorporation of each of the financial institutions that comprise it, we have been subject to the supervision of the CNBV, the SHCP, Banco de México and CONDUSEF. We must comply, among others, with the regulations on money laundering that are enforceable in Mexico, which oblige our Subsidiaries to comply with:

- The creation and implementation of procedures and policies, including mechanisms to identify and knowing our customers, to prevent and detect actions, omissions or operations that could favor, assist or cooperate in any way with terrorist activities or money laundering.
- To implement procedures to detect relevant, unusual or suspicious operations.

- To Report relevant, unusual and suspicious transactions to the SHCP, through the CNBV.
- To establish a Communication and Control Committee responsible for, among others, monitoring compliance with anti-money laundering regulations.
- We have customer knowledge policies that include, among others: (i) integration of a customer identification file, (ii) validation of the information and documentation delivered, and (iii) qualify the profile and level of risk of each customer.

Additionally, we have several intermediate management bodies or committees that strengthen our corporate governance structure, highlighting the following:

- Monex's Audit and Corporate Practices Committee, which meets quarterly.
- Audit Committee (Banco Monex and Monex Casa de Bolsa), which meets on a monthly basis.
- Risk Management Committee (Banco Monex, Monex Casa de Bolsa and Monex Fondos), which meets monthly.
- Credit Committee (Banco Monex), which meets at least once a month.
- Compensation Committee (Banco Monex and Monex Casa de Bolsa), which meets on a quarterly basis.
- Financial Products Analysis Committee (Monex Bank and Casa de Bolsa). The regular sessions of the Committee shall be held quarterly and in extraordinary fashion when convened by its Chairman or Secretary.
- Communication and Control Committee (Banco Monex, Casa de Bolsa and Monex Fondos). The regular sessions of the Committee should be held at intervals of no more than one calendar month and no less than ten days and in extraordinary fashion when convened by its Chairman or Secretary.

On April 7th, 2016, at our Ordinary General Meeting of Shareholders, the members of our Board of Directors were designated and ratified.

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5 | STOCK MARKET



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a) Shareholding structure

Monex has no convertible bonds or CPOs on shares. The company has no registered American Depositary Receipts (ADRs). The information on shareholders' equity is included in Chapter 2. The issuer, subsection b. Business Description, section XII. Shareholders' Equity of this report.

b) Share performance in the Stock Market

The Monex's shares of series "B" are traded on the BMV under the ticker symbol "MONEX". The following information details the performance of share based on the information available from the beginning of its quotation.

Share performance at the closing of the last 6 months

Date	Maximum	Minimum	Closing	Volume
jul-16	11.00	10.30	10.30	11,750
aug-16	10.30	9.99	10.30	1,016,070
sep-16	11.00	10.00	10.00	320,405
oct-16	10.90	10.00	10.90	14,710
nov-16	11.00	10.10	10.10	89,419
dec-16	10.00	9.55	10.00	114,091

Share performance at the closing of the last 8 quarters

Date	Maximum	Minimum	Closing	Volume
1T15	12.29	10.88	12.29	1,194,732
2T15	16.50	11.00	11.50	221,783
3T15	12.17	10.70	10.70	1,519,559
4T15	11.00	9.94	10.20	187,401
1T16	11.00	9.90	10.02	131,477
2T16	11.00	9.65	10.40	1,070,423
3T16	11.00	9.99	10.00	1,348,225
4T16	11.00	9.55	10.00	218,220

Share performance at the closing of the last 5 fiscal years

Date	Maximum	Minimum	Closing	Volume
2012	20.00	16.90	17.99	7,115,256
2013	19.00	15.05	17.90	1,650,413
2014	17.60	12.31	12.60	3,056,541
2015	16.50	9.94	10.20	3,123,474
2016	11.00	9.55	10.00	2,768,345

Source: Bloomberg and Infosel Financiero

c) Market Maker

As of December 31st, 2016, the issuer with ticker symbol "MONEX" series "B" had not hired any services from a Market Maker. However, Monex Casa de Bolsa operates the Repurchase Fund of the Issuer in accordance with the regulations of Circular Única de Emisoras.

Coverage of Security Analysis

In accordance with the regulations of section VIII of article 4.033.01 of the current Reglamento Interior de la Bolsa, since the first quarter of 2014, the company Prognosis Economía Finanzas e Inversiones, S.C. ("PROGNOSIS") has been in charge of performing the coverage analysis of the Monex's securities.



Prognosis

**Prognosis Economía Finanzas e
Inversiones, S.C.**
("PROGNOSIS")
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Annual report · 2016

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T E M P U S

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

Consolidated Financial
Statements for the Years
Ended December 31, 2016,
2015 and 2014, and
Independent Auditors' Report
Dated March 17, 2017

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

**Independent Auditors' Report and
Consolidated Financial Statements for 2016,
2015 and 2014**

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

Opinion

We have audited the financial statements of Monex, S.A.B. de C.V. (Formerly Holding Monex, S.A.B de C.V.), and Subsidiaries (Monex, S.A.B.), which comprise the consolidated balance sheets as of December 31, 2016, 2015 and 2014, and the related consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

We obtained sufficient and appropriate evidence in relation to the financial information of the entities or business activities within Monex, S.A.B. to express an opinion about the consolidated financial statements. We are responsible for our audit opinion.

Other matter

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Processing of accounting-financial information

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

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

1. We identified the manual processes applied by management for the processing of the accounting-financial information.
2. We identified and evaluated the controls implemented by management to assure the completeness, accuracy, cutoff and presentation of the financial information.
3. We performed substantive audit procedures over the most vulnerable areas in order to obtain reasonable assurance about their accounting recognition.
4. We reviewed the Management's controls related to the authorization and recording of journal entries.
5. We reviewed the operating reconciliation between the accounting and operating systems.

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

b) Management of securities transactions

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

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

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

1. We inquired and obtained evidence about the flow of transactions with the personnel involved in such processes to ascertain the flow of the operation from origination until its recording in the accounting records.
2. We identified the manual procedures in the determination and recording of the valuation, interest and the gain or loss on sale.

3. We reviewed the controls implemented by management in each stage of the investment in securities operation, such as in the confirmation and settlement of the investments. We also obtained evidence about whether the controls were operating over the course of the year.
4. We validated that the security position in the accountant records matched with the position reported in the operating system and that it was reconciled with the depositary institution Indeval, S.A. (Indeval) as of December 31, 2016.
5. We checked that the collateral delivered in repurchase agreements presented in the financial statement matched with the information in the operating system. Also, we confirmed that such position was restricted within investments in securities.
6. We recalculated the investment in securities' valuation validated in the preceding point, using the market price reported by the price supplier Valuación Operativa y Referencias del Mercado, S.A. de C.V. (Valmer) as of December 31, 2016.
7. On a test basis, we validated that as of December 31, 2016, receivables and payables from repurchase agreements, recorded in the accounting records matched the purchases and sales from repurchase agreements in the operating system. We also confirmed such transactions with Indeval and their settlement on the date of maturity.
8. We reviewed that the interest recorded for one month matched with the interest that was accrued in securities transactions and repurchase agreements.
9. We validated that the result from sales transactions involving securities matched with the differential between cash flow received less their cost and their valuation. We also noted that there were no balances recorded for this item outside the profit and loss account.
10. We reviewed the reconciliation between the daily information prepared by management and what was recorded in the period from January to December.
11. The detailed procedures performed for each type of revenue are illustrated below:

Interest income -

- i. For interest on securities transactions and repurchase agreements, we noted that the information provided matches that recorded in books on an accrual basis.

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

Income from valuation -

- ii. We recalculated the valuation of the securities position based on the market price reported by the price supplier Valmer as of December 31, 2016.
- iii. Revenues from gains on sale - We noted that the result on sales transactions involving securities and repurchase agreements matched with the differential between cash flow received less their cost and their valuation, and observed that there were no balances recorded for this item outside the profit and loss account.

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

- c) Goodwill of Tempus, Inc.

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

Our procedures addressing this key audit matter included the following:

1. We involved internal specialists from our valuation area and conducted a technical analysis of the calculations prepared for the value estimate and those used in the impairment test, as well as the results obtained, including:
 - a. We ascertained the methodologies which use a revenue approach (cash flows) and a market approach (public companies and transactions).
 - b. We confirmed that the assumptions and methodologies were accepted under the standard. For this reason we made adjustments to Monex, S.A.B.'s valuation (in cash flows we eliminated a tax benefit and in transactions we eliminated the nonbinding offer).
 - c. We estimated a discount rate range using a WACC methodology. We have a lower range and the rate calculated by the preparer, because we did not consider a risk premium specific to Monex, S.A.B.
 - d. We recalculated the models to check the arithmetic and asked Monex, S.A.B. to make the respective changes.
 - e. We compared consistency with previous years.
 - f. We analyzed supporting information provided by Monex, S.A.B.
2. If applicable, we conducted a sensitivity exercise on the most relevant valuation projections and/or assumptions which might have a greater impact on the conclusion of the impairment test.

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

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

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

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

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

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

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

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

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

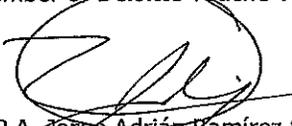
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Monex, S.A.B.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Monex, S.A.B.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Monex, S.A.B. to cease to continue as a going concern.

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

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

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

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



C.P.A. Jorge Adrián Ramírez Soriano
Mexico City, Mexico

March 17, 2017

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

Consolidated Balance Sheets

As of December 2016, 2015 and 2014
(In millions of Mexican pesos)

Assets	2016	2015	2014	Liabilities	2016	2015	2014
Funds available	\$ 7,120	\$ 5,878	\$ 6,654	Deposits:			
Margin accounts	722	380	522	Demand deposits	\$ 15,209	\$ 8,366	\$ 7,852
Investment in securities:				Time deposits -			
Trading securities	22,352	22,264	14,466	General public	10,733	4,984	5,483
Securities available for sale	4,326	1,503	17	Money market	434	4,182	936
Securities held to maturity	73	-	-	Debt securities	440	81	156
	<u>26,751</u>	<u>23,767</u>	<u>14,483</u>	Global account for inactive deposits	3	3	-
Repurchase agreements	3,942	2,970	3		<u>26,819</u>	<u>17,616</u>	<u>14,427</u>
Derivatives:				Securitization certificates	2,001	2,007	1,970
Trading purposes	3,815	1,401	1,890	Bank and other loans:			
Hedging purposes	143	-	-	Demand loans	344	-	200
	<u>3,958</u>	<u>1,401</u>	<u>1,890</u>	Short-term loans	1,078	880	592
Performing loan portfolio:					<u>1,422</u>	<u>880</u>	<u>792</u>
Commercial loans -				Liabilities arising from sale and repurchase agreements	14,848	17,069	8,239
Commercial or corporate activity	15,877	10,898	6,982	Collaterals sold or pledged in guarantee:			
Loans to financial entities	2,155	1,456	888	Repurchase	3,058	2,101	22
	<u>18,032</u>	<u>12,354</u>	<u>7,870</u>	Derivatives	-	42	14
Housing loans	180	9	161	Securities lending	412	9	234
Total performing loan portfolio	<u>18,212</u>	<u>12,363</u>	<u>8,031</u>		<u>3,470</u>	<u>2,152</u>	<u>270</u>
Non-performing loan portfolio:				Derivatives:			
Commercial loans -				Trading purposes	2,675	1,050	1,352
Commercial or corporate activity	76	106	34	Hedging purposes	9	-	-
Housing loans	6	12	6		<u>2,684</u>	<u>1,050</u>	<u>1,352</u>
Total non-performing portfolio	<u>82</u>	<u>118</u>	<u>40</u>	Other payables:			
Total loan portfolio	<u>18,294</u>	<u>12,481</u>	<u>8,071</u>	Income taxes payable	214	145	45
Allowance for loan losses	(307)	(182)	(112)	Employee profit sharing payable	227	119	73
Loan portfolio (net)	<u>17,987</u>	<u>12,299</u>	<u>7,959</u>	Obligation arising from settlement of transactions	15,139	12,829	10,897
Other receivables (net)	16,143	13,849	12,298	Liabilities arising from cash collateral received	2,815	1,550	1,288
Foreclosed assets (net)	2	8	1	Sundry creditors and other payables	2,996	1,470	1,236
Property, furniture and fixtures (net)	95	84	88		<u>21,391</u>	<u>16,113</u>	<u>13,539</u>
Investments in shares of associates	25	16	14	Deferred taxes and profit sharing (liability)	136	113	76
Long-lived assets held for sale	-	-	174	Deferred charges and income received in advance	217	132	86
Deferred taxes and profit sharing (asset)	716	317	181	Total liabilities	<u>72,988</u>	<u>57,132</u>	<u>40,751</u>
Other assets:				Stockholders' equity			
Goodwill	1,103	986	862	Capital contributed:			
Deferred charges, advance payments and intangibles (net)	1,507	1,312	1,136	Capital stock	2,055	2,055	683
Other assets	223	176	174	Additional paid-in capital	763	763	823
	<u>2,833</u>	<u>2,474</u>	<u>2,127</u>		<u>2,818</u>	<u>2,818</u>	<u>1,506</u>
Total assets	<u>\$ 80,294</u>	<u>\$ 63,443</u>	<u>\$ 46,439</u>	Earned capital:			
				Capital reserves	408	377	392
				Retained earnings	2,318	1,974	2,970
				Results from valuation of securities available for sale, net	(170)	(13)	-
				Translation effects of foreign subsidiaries	750	530	216
				Result from hedging instruments at fair value	130	-	-
				Remeasurement of defined employee benefits	(19)	-	-
				Net income	1,071	625	604
					<u>4,488</u>	<u>3,493</u>	<u>4,182</u>
				Total stockholders' equity	<u>7,306</u>	<u>6,311</u>	<u>5,688</u>
				Total liabilities and stockholders' equity	<u>\$ 80,294</u>	<u>\$ 63,443</u>	<u>\$ 46,439</u>

Memorandum accounts

Transactions on behalf of third parties

	2016	2015	2014
Customer current accounts-			
Client banks	\$ 10	\$ 22	\$ 61
Client securities-			
Client securities in custody	53,162	47,045	49,911
Values received from clients abroad	<u>8,723</u>	<u>7,121</u>	<u>6,002</u>
	61,885	54,166	55,913
Transactions on behalf of clients-			
Client repurchase agreements	32,528	22,872	17,942
Client securities lending securities transactions	243	235	313
Client collateral received in guarantee	12,072	9,447	8,466
Collateral pledged as guarantee by client	394	291	-
Derivatives purchase transactions:			
Client futures and advance contracts (notional amount)	379	301	704
Derivatives sale transactions:			
Sale transactions of futures and advance contracts (notional amount)	11,341	10,363	11,408
Client options	<u>74</u>	<u>74</u>	<u>147</u>
	57,031	43,583	38,980
Total	<u>\$ 118,926</u>	<u>\$ 97,771</u>	<u>\$ 94,954</u>

Transactions on own behalf

	2016	2015	2014
Contingent assets and liabilities	\$ 152	\$ 73	\$ 5
Goods in trust or mandate:			
Held in trusts	88,933	78,600	68,528
Custody and management assets	7,879	2,879	2,626
Loan commitments	<u>10,471</u>	<u>8,361</u>	<u>3,407</u>
	107,435	89,913	74,566
Collateral received by Monex, S.A.B.	44,695	29,306	16,873
Collateral received and sold or pledged as guarantee by Monex, S.A.B.	<u>36,477</u>	<u>26,020</u>	<u>13,546</u>
	81,142	55,326	30,419
Uncollected interest earned on non-performing loan portfolio	19	6	1
Other record accounts	<u>3,660</u>	<u>3,106</u>	<u>2,707</u>
Total	<u>\$ 192,256</u>	<u>\$ 148,351</u>	<u>\$ 107,693</u>

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Income

For the years ended December 31, 2016, 2015 and 2014

(In millions of Mexican pesos)

	2016	2015	2014
Gain/losses on financial assets and liabilities, net:			
Foreign exchange	\$ 2,462	\$ 3,373	\$ 2,877
Derivative instruments	2,530	594	179
Debt securities	218	(118)	296
Equity instruments	7	21	10
Intermediation income	<u>5,217</u>	<u>3,870</u>	<u>3,362</u>
Interest income	2,441	1,710	1,279
Interest expense	<u>(1,615)</u>	<u>(1,050)</u>	<u>(848)</u>
	<u>826</u>	<u>660</u>	<u>431</u>
Financial margin	6,043	4,530	3,793
Provision for loan losses	<u>(150)</u>	<u>(76)</u>	<u>(48)</u>
Financial margin after provision for loan losses	5,893	4,454	3,745
Commission and fee income	594	528	561
Commission and fee expense	<u>(171)</u>	<u>(174)</u>	<u>(196)</u>
Total operating revenues	6,316	4,808	4,110
Other operating income (expenses)	82	159	169
Administrative and promotional expenses	<u>(5,008)</u>	<u>(4,026)</u>	<u>(3,437)</u>
Income before income taxes	1,390	941	842
Equity in income of unconsolidated associates	-	8	22
Current income taxes	(614)	(400)	(263)
Deferred income taxes (net)	<u>295</u>	<u>76</u>	<u>3</u>
	<u>(319)</u>	<u>(324)</u>	<u>(260)</u>
Consolidated net income	<u>\$ 1,071</u>	<u>\$ 625</u>	<u>\$ 604</u>

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2016, 2015 and 2014

(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 subsidiaries	Result from hedging instruments at fair value	Remeasurement of defined employee benefits	Net income	
Balances as of December 31, 2013	\$ 683	\$ 823	\$ 805	\$ 823	\$ (2)	\$ 33	\$ -	\$ -	\$ 1,771	\$ 4,936
Entries approved by stockholders -										
Transfer of prior year results	-	-	-	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
Translation effects 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	683	823	392	2,970	-	216	-	-	604	5,688
Entries approved by stockholders -										
Transfer of prior year results	-	-	-	604	-	-	-	-	(604)	-
Subscription of shares	549	763	-	-	-	-	-	-	-	1,312
Dividends declared	-	-	-	(1,600)	-	-	-	-	-	(1,600)
Capitalization accounts	823	(823)	-	-	-	-	-	-	-	-
Repurchase of own shares	-	-	(15)	-	-	-	-	-	-	(15)
Total entries approved by stockholders	1,372	(60)	(15)	(996)	-	-	-	-	(604)	(303)
Comprehensive income -										
Net income	-	-	-	-	-	-	-	-	625	625
Translation effects of foreign subsidiaries	-	-	-	-	-	314	-	-	-	314
Result from valuation of securities available for sale, net	-	-	-	-	(13)	-	-	-	-	(13)
Total comprehensive income	-	-	-	-	(13)	314	-	-	625	926
Balances as of December 31, 2015	2,055	763	377	1,974	(13)	530	-	-	625	6,311
Entries approved by stockholders -										
Transfer of prior year results	-	-	-	625	-	-	-	-	(625)	-
Capital reserve	-	-	31	(31)	-	-	-	-	-	-
Dividends paid	-	-	-	(250)	-	-	-	-	-	(250)
Total entries approved by stockholders	-	-	31	344	-	-	-	-	(625)	(250)
Comprehensive income -										
Net income	-	-	-	-	-	-	-	-	1,071	1,071
Result from valuation of securities available for sale, net	-	-	-	-	(157)	-	-	-	-	(157)
Result from hedging instruments at fair value	-	-	-	-	-	-	130	-	-	130
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(19)	-	(19)
Translation effects of foreign subsidiaries	-	-	-	-	-	220	-	-	-	220
Total comprehensive income	-	-	-	-	(157)	220	130	(19)	1,071	1,245
Balances as of December 31, 2016	\$ 2,055	\$ 763	\$ 408	\$ 2,318	\$ (170)	\$ 750	\$ 130	\$ (19)	\$ 1,071	\$ 7,306

The accompanying notes are part of these consolidated financial statements.

Monex, S.A.B. de C.V.
(Formerly Holding Monex, S.A.B. de C.V.) and Subsidiaries
Consolidated Statements of Cash Flows

For the years ended December 31, 2016, 2015 and 2014

(In millions of Mexican pesos)

	2016	2015	2014
Net income	\$ 1,071	\$ 625	\$ 604
Depreciation	28	26	25
Amortization	37	38	45
Current and deferred income taxes	319	324	260
Equity in income of unconsolidated associate companies	-	(8)	(22)
Others	1	5	68
Adjustment for items that do not require cash flows	1,456	1,010	980
Operating activities:			
Change in margin account	(342)	142	156
Change in investments in securities	(3,142)	(9,303)	(1,775)
Change in repurchase agreements, net	(3,193)	5,863	(530)
Change in derivatives, net	(789)	187	(624)
Change in hedging instruments	(4)	-	-
Change in loan portfolio, net	(5,688)	(4,340)	(3,658)
Change in assigned assets	6	(7)	(1)
Change in other operating assets	(2,609)	(1,799)	(2,302)
Change in deposits	9,203	3,189	4,121
Change in bank and other loans	542	88	319
Change in collateral sold or pledged in guarantee	1,318	1,882	(74)
Change in other operating liabilities	4,576	2,211	(547)
Net cash flows from operating activities	59	(1,887)	(4,915)
Investing activities:			
Payments for acquisition of property, furniture and fixtures	(52)	(33)	(43)
Proceeds from sale of furniture and fixtures	13	11	12
Payments for acquisition of intangible assets	(81)	(22)	(31)
Proceeds from disposal of subsidiaries and associate companies	-	246	-
Dividends received	-	16	3
Purchase of investment in shares	(9)	-	-
Additional paid in acquisition of subsidiary	-	(35)	-
Net cash flows from investing activities	(129)	183	(59)
Financing activities:			
Debt payment	-	(1,000)	-
Issuance of securitization certificates	-	1,000	1,000
Subscription of shares	-	1,312	-
Repurchase of own shares	-	(15)	(13)
Dividends paid	(250)	(1,600)	-
Interest paid	(114)	(93)	(68)
Net cash flows from financing activities	(364)	(396)	919
Net increase (decrease) in funds available	1,022	(1,090)	(3,075)
Effects from changes in value of funds available	220	314	183
Funds available at the beginning of the year	5,878	6,654	9,546
Funds available at the end of the year	\$ 7,120	\$ 5,878	\$ 6,654

The accompanying notes are part of these consolidated financial statements.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2016, 2015 and 2014
(In millions of Mexican pesos)

1. Activities, regulatory environment and significant events

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

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

During 2016, the financial uncertainty caused by, among other factors, the change in the presidency of the United States of America, had a negative effect on the exchange rate, resulting in a strong depreciation of the Mexican peso against the US dollar of 16% during 2016. The exchange rate went from \$17.24 pesos to one US dollar at December 2015 to \$20.61 at December 31, 2016.

Significant events in 2016, 2015 and 2014-

a. *Sale of shares of Tempus-*

On October 30, 2015, through a share purchase-sale contract, Monex, S.A.B. acquired 17% of the total shares of Tempus Inc. ("Tempus") (a related party of the Banco Monex, S.A.) (the Bank). The transaction was carried out at market prices based on a study prepared by an independent consultant. This transaction was authorized by the Commission through Document No. 312-3/14049/2015.

b. *Issuance of securitization certificates (See Note 17) -*

Monex, S.A.B. through the Bank made a public offering of securitization certificates under the ticker symbol "BMONEX15", which were registered with the National Securities Registry and listed with the Mexican Stock Exchange under the program created for long-term revolving securitization certificates for an amount of up to \$8,000.

Likewise, on November 7, 2014, Monex, S.A.B. issued 10,000,000 securitization certificates by public offering through Document celebrated the same day, for the amount of \$1,000. Net proceeds from the securitization certificates issued will be destined for corporate purposes of Monex, S.A.B.

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

On October 15, 2014, Monex, S.A.B. 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. to Gentera, S.A.B. de C.V., which was subject to the regulatory authorization as of December 31, 2014. This transaction was authorized by the Commission through Document No. 312-3/13774/2015 dated as of March 27, 2015, on which date the sale became effective for legal, accounting and tax purposes. The transaction generated a gain for \$78 and was presented under "Other operating income and expenses" in the statement of income.

2. Basis of presentation

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 Monex, S.A.B. 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, 2016, 2015 and 2014 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 Monex, S.A.B. and those of its subsidiaries over which it exercises control.

The shareholding percentage in their capital stock of such entities is shown below:

Company	Shareholding			Activity
	2016	2015	2014	
1. Pagos Intermex, S.A. de C.V. (Intermex)	-	-	100%	Previously provided services of payment 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.
2. AdmiMonex, S.A. de C.V. (AdmiMonex)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. It aims to promote, build, organize, develop, acquire and participate in the capital stock or assets of all types of business corporations and partnerships, associations or companies, whether commercial, service or otherwise, both domestic and foreign and participate in the management or liquidation.
3. Monex Grupo Financiero, S.A. de C.V. (Grupo Financiero)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. established on May 23, 2003. It is authorized by the Treasury Department of Mexico (SHCP) to operate as a financial group under the form and terms established by the Financial Groups Law (the Law). Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.
3.1 Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (el Banco)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. The Bank is authorized to perform full-service banking operations including, among others, granting loans, performing securities transactions, receiving deposits, accepting loans, performing currency purchase-sale transactions and executing trust contracts.
3.1.1 Monex Servicios, S.A. de C.V. (Monex Servicios)	-	-	100%	Previously provided supplemental and ancillary services to the Bank as per Article 88 of the Law for Credit Institutions.
3.1.2 Monex Negocios Internacionales, S.A. de C.V. (Monex Negocios)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Parent company of Tempus and Monex Europe LTD.
3.1.2.1 Tempus, Inc. (Tempus)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity located in Washington, D.C., U.S.A., whose purpose is the purchase and sale of currencies. Its customers are mainly located in the United States.
3.1.2.1.1 Tempus Nevada, Inc.	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity founded in 2010 in the state of Delaware in the United States. Currently without operations.
3.1.2.1.2 Monex Canadá, Inc.	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity founded in Toronto, Canada. Currently without operations.
3.1.2.2 Monex Europe Holdings Limited (Monex Europe LTD)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Parent Company of Monex Europe and Schneider, FX, entities located in the United Kingdom (Monex, S.A.B. directly owns 49.9% of the shares)
3.1.2.2.1 Schneider Foreign Exchange Limited (Schneider FX)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity without operations.
3.1.2.2.2 Monex Europe Limited (Monex Europe)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity located in London. Its activity is purchase and sales of currencies in the European market.
3.1.2.2.3 Monex Europe Markets Limited	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity is dedicated to purchase and sales of currencies in the European Market.
3.2 Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (la Casa de Bolsa)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. The Brokerage House acts as a financial intermediary for transactions involving securities and derivative financial instruments authorized under the Stock Market Law (LMV) and the general provisions issued by the Commission.
3.2.1 Monex Securities, Inc. (Monex Securities)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Acts as a stock market intermediary in the U.S. market.
3.2.2 Monex Assets Management, Inc. (Monex Assets)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Acts as an investment advisor in the U.S. market.
3.3 Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero, Sociedad Operadora de Sociedades de Inversión (la Operadora)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Its main activity is to manage mutual funds and to promote its shares.
4. Servicios Complementarios Monex, S.A. de C.V. (Servicios Complementarios)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. Currently without operations.

Significant intercompany balances and transactions have been eliminated.

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

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. As the recording and functional currency 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, and
- 3) The rate on the date of accrual of revenues, costs and expenses.
- 4) Translation effects are recorded in stockholders' equity.

At December 31, 2016, 2015 and 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		
		2016	2015	2014
Monex Europe Ltd. (Consolidated)	Pound sterling	25.4814	25.4366	22.9847
Monex Europe	Pound sterling	25.4814	25.4366	22.9847
Schneider FX	Pound sterling	25.4814	25.4366	22.9847
Monex Europe Markets LTD.	Pound sterling	25.4814	25.4366	22.9847
Tempus, Inc. (Consolidated)	U.S. dollar	20.6194	17.2487	14.7414
Monex Canada, Inc.	U.S. dollar	20.6194	17.2487	14.7414
Monex Securities	U.S. dollar	20.6194	17.2487	14.7414
Monex Assets Management	U.S. dollar	20.6194	17.2487	14.7414

At December 31, 2016, 2015 and 2014 Monex, S.A.B.'s functional currency is the Mexican peso. Investments in foreign subsidiaries, whose functional currencies are other than the Mexican peso, expose Monex, S.A.B. to foreign currency translation risk. In addition, Monex, S.A.B. has monetary assets and liabilities denominated in foreign currencies, mainly in U.S. dollars, Pounds sterling and Euros, resulting in exposure to foreign exchange risks arising from transactions entered into over the normal course of business. (Refer to discussion of comprehensive risk management in Note 34 for further details).

3. Summary of significant accounting policies

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

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

Changes in accounting policies-

Modification of accounting criteria issued by the Commission

On November 9, 2015, a series of modifications involving the accounting criteria applied by credit institutions was published in the Federal Official Gazette. These modifications are intended to modify the accounting criteria utilized by credit institutions to reflect the transactions they perform so as to ensure reliable financial information. These modifications took effect on January 1, 2016.

The most significant changes are detailed below:

- a. The net asset derived from defined employee benefits must be presented in the balance sheet under the "Other assets" heading.
- b. Applicable regulations established by the Central Bank must be followed in the classification as "Funds available" for currency purchases that are not considered to be derivative instruments.
- c. If offsetting receivable and deliverable currencies results in a negative balance, this item must be presented under the heading of "Other payables".
- d. If an item of restricted quick assets indicates a negative balance, it must be presented under the heading "Other payables". The presentation of the negative balance of restricted quick assets was not previously required.

Loan portfolio

- e. The definition of the term "Renewal" has been modified in Accounting Criterion B-6, Loan Portfolio, such that it is now considered as a transaction in which the credit balance is partially or totally settled, through the increase of the original loan amount or based on the proceeds generated by another loan contracted with the same entity, in which the same borrower, the joint obligor of that borrower or another individual or entity with equity links constitute common risks.
- f. "Housing loans" are classified as those utilized for housing remodeling or improvement and which are backed by the savings deposited in the borrower's housing subaccount, as well as those with a warranty granted by a development bank or a public trust constituted by the Federal Government for economic development purposes.
- g. Loans derived from transactions involving financial factoring, discounts and the assignment of credit rights have now been included within the definition of "Commercial Loans".
- h. A loan is not considered to have been renewed based on the provisions that take effect during the period of a pre-established credit line, as long as the borrower has settled all due payments according to the original credit conditions.
- i. When utilized amounts are restructured or renewed independently of the underlying credit line, the characteristics and conditions applicable to the restructured or renewed amount or amounts must be evaluated.

If this evaluation concludes that one or more amounts granted under the terms of a credit line must be transferred to the non-performing portfolio based on their restructuring or renewal and when they individually or jointly represent at least 40% of the total credit line amount utilized at the restructuring or renewal date, this balance and the previously utilized amounts must be transferred to the non-performing portfolio until such time as evidence is obtained regarding the sustained payment of the amounts that gave rise to the transfer to the non-performing portfolio. Likewise, all the amounts utilized under the terms of the credit line must have fulfilled the respective obligations at the date of the transfer to the performing portfolio.

- j. In the case of loans acquired from the INFONAVIT in which the terms contracted by the latter with borrowers must be respected, sustained loan payment is deemed to exist when the borrower has settled without delay the total due amount of principal and interest based on a single payment in the case of loans contracted under the Ordinary Payment Regime (ROA) and three payments in the case of loans contracted under the Special Payment Regime (REA).
- k. The restructuring of loans with principal and interest payments that must be settled in periods equal to or less than 60 days and for which the payment frequency is reduced to shorter periods, must consider the number of payments equal to three consecutive payments under the original loan payment scheme.
- l. Assumptions have been established for determining the sustained payment of loans with a single principal payment at maturity, regardless of whether interest is paid periodically or at maturity. These assumptions are as follows:
 - i. The borrower has settled at least 20% of the original loan amount when the restructuring or renewal takes place, or
 - ii. The interest accrued according to the 90-day restructuring or renewal payment scheme has been settled.
- m. In the case of consolidated loans, if two or more loans have resulted in the transfer of the total consolidated loan balance the non-performing portfolio, the number of payments required for sustained payment purposes must be based on the original loan payment scheme in which payments must be made over a longer period. The total balance of the restructuring or renewal was previously subject to the treatment applied to the worst of the loans.
- n. The advance settlement of restructured or renewed loan payments other than those with a single principal payment at maturity are not considered as sustained payment, regardless of whether interest is paid periodically or at maturity. This is the case of restructured or renewed loan payments that are made before the equivalent number of calendar days of loans with payments covering periods of more than 60 calendar days has elapsed.
- o. The extension of the loan payment period has been included as a restructuring situation.
- p. Recognition and valuation standards have been included for transactions involving financial factoring, discounts and the assignment of credit rights.
- q. Commissions and tariffs other than those collected for loan granting purposes must be recognized in results on the date when they are incurred. If a commission or tariff payment is partially or totally received prior to the accrual of the respective income, this advance must be recognized as a liability.
- r. The requirement whereby customer checking account overdrafts must be reported as non-performing portfolio has been eliminated.
- s. The non-performing portfolio will include payments that have not been fully settled according to the original agreed terms and have been outstanding for 90 or more days and when the respective loans involve those granted by the INFONAVIT under the REA or ROA modalities. It will also include loans granted to individuals for housing remodeling or improvement, but not for commercial speculation, and which are backed by the borrower's savings deposited in the housing subaccount.
- t. The transferred loans referred to in the preceding point to the non-performing portfolio will be subject to an exceptional default period of 180 or more days as of the date on which:
 - i. Loan resources are available for the purpose for which they were granted,
 - ii. The borrower has a new labor relationship and therefore has a new employer, or
 - iii. The partial settlement of a given payment has been received. The exception contained in this numeral will be applicable to loans contracted under the ROA scheme, as long as the payments made during this period represent at least 5% of the agreed payment.

- u. Loans with a single principal payment at maturity, regardless of whether interest is paid periodically or at maturity, will be considered as non-performing portfolio until such time as evidence of sustained payment is obtained.
- v. Loans granted under the terms of a credit line, whether revolving or otherwise, and which are restructured or renewed at any time can be maintained in the performing portfolio as long as elements justifying the borrower's payment capacity are obtained. Furthermore, the borrower must have:
 - i. Settled all payable interest;
 - ii. Settled all amounts payable under the terms of the contract at the restructuring or renewal date.
- w. The amounts utilized under the terms of a credit line that are restructured or renewed independently of the underlying credit line, must be evaluated based on the characteristics and conditions applicable to the restructured or renewed amounts.

When this evaluation concludes that one or more amounts utilized under the terms of a credit line must be transferred to the non-performing portfolio due to their restructuring or renewal and when they individually or jointly represent at least 25% of the total utilized amount of the credit line at the restructuring or renewal date, this balance and any subsequent utilized amounts must be transferred to the non-performing portfolio until evidence of the sustained payment of the amounts that gave rise to the transfer to the non-performing portfolio is obtained, and when the total amounts utilized under the terms of the credit line have fulfilled the obligations in effect at the date of their transfer to the performing portfolio.

- x. The requirement whereby the borrower must have settled all accrued interest at the renewal or restructuring date in order to consider the loan as performing will be deemed to have been fulfilled when, having settled the interest accrued at the most recent cutoff date, the period elapsed between that date and the restructuring or renewal date does not exceed the lesser of half of the current payment period and 90 days.
- y. Performing loans with partial principal and interest payments that are restructured or renewed on more than one occasion may remain in the performing portfolio if elements exist to justify the borrower's payment capacity. In the case of commercial loans, these elements must be properly documented and included in the loan file.
- z. If different loans granted by the same entity to the same borrower are consolidated due to restructuring or renewal, each of the consolidated loans must be analyzed, as though individually restructured or renewed. If this analysis concludes that one or more of these loans would have been transferred to the non-performing portfolio based on the restructuring or renewal, then the total consolidated loan balance must be transferred to the non-performing portfolio.
- aa. The following items have been included as regards the presentation standards applicable to the balance sheet and statement of income:
 - i. Housing loans acquired from the INFONAVIT must be segregated within the performing portfolio under the ordinary portfolio and extended portfolio headings.
 - ii. The amount of loans derived from transactions involving financial factoring, discounts and assignment of credit rights must be presented net of the respective appraisal percentage guarantee.
 - iii. Commissions received prior to the accrual of the respective income must be presented under the heading of "Deferred charges and advance payments".
 - iv. The financial income generated by transactions involving financial factoring, discounts and the assignment of credit rights will be considered as interest income.

- bb. Disclosure standards include new requirements, as follows:
- i. Breakdown of the performing restricted and unrestricted portfolio for the medium-income and residential housing, low-income housing, remodeling or improvement with a guarantee from the housing subaccount and loans acquired from the INFONAVIT, which in turn are divided into the ordinary portfolio and extended portfolio.
 - ii. The total amount and number of loans acquired from the INFONAVIT and transferred to the non-performing portfolio, as well as the total amount of loans that were not transferred to the non-performing portfolio, divided into loans that the entity has acquired from the INFONAVIT under the REA or ROA payment modalities and the loans granted to individuals for housing remodeling or improvement, but not for commercial speculation, and which are backed by the borrower's savings deposited in the housing subaccount.
 - iii. The main characteristics of the loans acquired from the INFONAVIT, describing at least those related to their classification as extended portfolio, ROA and REA, and those related to the assignment of these loans.
 - iv. A description of the obligations and rights maintained by the INFONAVIT as regards the portfolio acquired by the entity.
 - v. The identification by loan type for the medium-income and residential housing, low-income housing portfolio, remodeling or improvement with a guarantee based on the housing subaccount and loans acquired from the INFONAVIT, of the non-performing portfolio balance as of the date on which it was classified as such for the following periods: from 1 to 180 calendar days, from 181 to 365 calendar days, from 366 calendar days to 2 years and more than two years past due.
 - vi. The total amount of housing loans backed by the housing subaccount divided into the performing and non-performing loan portfolio, while specifying the percentage represented by these loans as regards to total housing loans.
 - vii. The total accrued restructured or renewed amount by loan type, distinguishing between the amounts derived from the application of consolidated loans which, as the proceeds of a restructuring or renewal, were transferred to the non-performing portfolio of the restructured loans that were not subject to non-performing loan portfolio transfer criteria.
- cc. Different modifications have been made to the balance sheet presentation to incorporate performing and non-performing housing in the loan portfolio in the following segments: medium-income and residential housing, low-income housing, loans acquired from the INFONAVIT, and home remodeling or improvement with a warranty granted by a development bank or public trusts.
- dd. Related parties are now considered as the individuals or entities which, directly or indirectly, through one or more intermediaries have significant influence over, are significantly influenced by or are subject to the significant joint influence of the entity, as well as the joint control agreements in which the entity participates.
- ee. As a modification to Accounting Criteria C-4, Information by segments, the purchase-sale of currencies is included within the Treasury and investment banking transactions segment.
- ff. The balance sheet must present the following items as a liability under the heading of "Global account for inactive deposits": the principal and interest of deposit instruments without maturity dates or, when having a maturity date are automatically renewed, together with transfers or the expired, unclaimed investments referred to by article 61 of the Law on Credit Institutions. At December 31, 2016 and 2015, Monex, S.A.B. presents in its balance sheet the balance corresponding to this account.
- gg. As part of earned capital presented in the Consolidated Statements of Changes in Stockholders' Equity, a heading denominated "Remeasurement of defined employee benefits" has been added as part of the implementation of NIF D-3, *Employee Benefits*. At December 31, 2016, Monex, S.A.B. presents in its balance sheet the balance corresponding to this account.

hh. The heading "Provided guarantors" has been added to memorandum accounts at the end of the balance sheet.

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

As of January 1, 2016, Monex, S.A.B. adopted the following improvements to NIF D-3, *Employee Benefits* which could have an effect on Monex, S.A.B.'s financial statements:

In January 2015, the CINIF issued a series of modifications to NIF D-3, *Employee Benefits*. These modifications took effect as of January 1, 2016.

The main modifications resulting from the application of this new NIF D-3 on the financial information of Monex, S.A.B. are as follows:

- Liability discount rate - Defined-Benefit Obligation (OBD)
 - The discount rate used to calculate the OBD must be determined by using the market rate of high quality corporate bonds, as long as there is a deep market for them. The market rate of federal government bonds must otherwise be utilized.
- Recognition of actuarial gains and losses
 - The use of a corridor to defer actuarial gains and losses has been eliminated.
 - The accrued balance of accrued gains and losses at December 31, 2016 will be recognized within stockholders' equity and the liability at January 1, 2016.
 - The actuarial gains and losses generated as of January 1, 2016 will be treated as the remeasurement of defined employee benefits, which will be recognized in stockholders' equity and the liability.
- Amortization of actuarial gains and losses
 - The actuarial gains and losses recognized within stockholders' equity must be recycled to results during the Remaining Labor Life of the Plan.
- Return expected from plan assets
 - The return expected from plan assets must be estimated by utilizing the liability discount rate instead of the return rate expected for the fund.

Derived from the implementation of NIF D-3, on December 31, 2015, the Commission issued a series of temporary articles in relation to the "Ruling that modifies the general provisions applicable to credit institutions", which was published in the Federal Official Gazette on November 9, 2015.

These temporary articles establish that credit institutions may recognize the entire plan modification balance (past service) and the accrued balance of the unrecognized plan gains and losses for entities that did not utilize the corridor approach before December 31 of each year.

If opting to gradually apply the aforementioned balances, institutions must begin their recognition of these balances in 2016 by recognizing 20% of this amount that year, followed by an additional 20% each subsequent year until reaching 100% within a maximum five-year period.

Regarding the remeasurement of the gains or losses generated by the defined benefit plan that must be recognized at the end of each period, as well as their recycling to results of the year, institutions must calculate the total amount of plan gains or losses; i.e., based on the sum of plan gains or losses, while excluding those that were not recognized in the balance sheet.

Institutions that decide to exercise this option must notify the Commission no later than January 31, 2016. Monex, S.A.B. applied this option and reported to the Commission within the time limit set.

Likewise, if deciding to recognize all or part of the remnant effect before the end of the established periods, institutions must inform the Commission within 30 calendar days following the date on which the respective accounting movement is performed. Entities may recognize such amounts ahead of time, as long as they recognize at least 20% of the total remnant amount during the year in question.

Credit institutions that had opted to apply any of the above options must disclose the effects resulting from this decision in the public financial information reports prepared for 2016 and until the year in which the progressive recognition of the aforementioned effects concludes.

In this regard, the initial effect resulting from the application of NIF D-3 in subsequent years derived from the accrued balance of unrecognized actuarial losses and the past service labor cost at December 31, 2016 is \$154. This balance will be recognized in Earned capital under the "Remeasurement of defined employee benefits" and "Results of prior years" headings, respectively, as of 2016, by recognizing 20% of the accrued balance during that year, together with an additional 20% in each subsequent year until reaching 100% within a remaining four-year period.

Furthermore, the accrued balance of unrecognized actuarial losses at December 31, 2016 will be recycled to results during the period of the Remaining Labor Life of the Plan, which fluctuates between 10 and 20 years depending on the benefit in question.

The actuarial determination is made by a discount rate of corporate bonds and is pending the probable existence of deep market.

The following improvements were issued which do not generate accounting changes:

NIF C-19, *Financial Instruments Payable (FIP)* - Clarifications are made with regard to: i) the definition of transaction costs, ii) when amortization of the transaction costs should be recalculated, iii) the entity should demonstrate, as support for its accounting policy, that it complies with the conditions for designating a financial liability at fair value through net income or loss, and iv) disclosing the gain or loss when an FIP is derecognized and the fair values of significant long-term fixed-rate liabilities. Furthermore, an appendix is incorporated as support in the determination of the effective interest rate.

NIF C-20, *Financial Instruments Receivable* - Changes are incorporated to clarify and explain various concepts due to the issuance of the new NIF related to financial instruments and the final issuance of IFRS 9, *Financial Instruments*. The most important of these include: transaction costs and related amortization, effective interest rate, impairment, foreign-currency instruments, reclassification between fair value debt instruments and financial instruments receivable, the value of money over time and disclosure of qualitative and quantitative information.

The financial effects for the adoption of NIF D-3 are those mentioned above. The improvements to NIF C-19 and NIF C-20 did not have significant effects on their financial information.

Changes to accounting estimates applicable in 2015

Methodology for determining the allowance for loan losses for loans granted under the terms of the Bankruptcy Law

On August 27, 2015, the Commission issued a Ruling to modify the Provisions, which defines the period during which credit institutions may continue to utilize the methodology established for calculating allowances for loan losses for loans granted to borrowers that have declared bankruptcy based on a prior restructuring plan. This ruling establishes that once an agreement has been reached between the borrower and its acknowledged creditors, or the borrower's insolvency is determined in accordance with the Bankruptcy Law, the aforementioned methodology may no longer be applied.

The Ruling also states that authorization can be requested from the Commission to continue using the methodology established for calculating allowances for loan losses for loans granted to borrowers that have declared bankruptcy with a previous restructuring plan for a period not exceeding six months following the adoption of the agreement.

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

Reclassifications - Certain amounts in the consolidated financial statements as of and for the years ended as of December 31, 2015 and 2014 have been reclassified to conform to the presentation of the 2016 consolidated financial statements.

Recognition of the effects of inflation - Cumulative inflation rates over the three-year periods ended December 31, 2016, 2015 and 2014 were 9.57%, 10.18% and 11.62%, respectively. Accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2016, 2015 and 2014 were 3.36%, 2.13% and 4.08%, respectively.

Beginning on January 1, 2008, Monex, S.A.B. suspended the 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 obligations arising settlement of transactions, as applicable.

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

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

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

Trading securities - Trading securities represent investments in debt and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes any applicable discount or premium). They are subsequently valued at fair value, determined by using the prices calculated by the price vendor contracted by Monex, S.A.B., in accordance with the Provisions of the Commission. The difference between the cost of investments in debt securities plus their accrued interest and the cost of equity instruments relative to the respective fair values of such instruments is recorded in the income statement under the caption "Gains/losses on financial assets and liabilities (net)". 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 the results of the year in the same period in which the right to receive such payment arise.

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

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

The accounting criteria of the Commission allow for certain reclassifications from trading securities to securities available for sale and securities held to maturity classification, conditional upon the prior express authorization of the Commission. As of December 31, 2016, 2015 and 2014, no reclassifications were made.

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

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

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

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

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

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

At December 31, 2016, 2015 and 2014, no reclassifications were made in this regard.

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

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

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

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

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

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

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

The repurchase transactions are recorded as indicated below:

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

When Monex, S.A.B. acts as the buying party on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, recording an account receivable 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 consolidated balance sheets to restricted assets, which follows the valuation, presentation and disclosure standards as applicable.

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

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.

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

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

The securities lending transactions are recorder as follows:

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

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

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

The premium is initially recorded as a deferred charge, recognizing the account receivable or the cash income. The premium earned is accrued in the results along the life of the transaction through the imputed interest method or the effective interest rate method.

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

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

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

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

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

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

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

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

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

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

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

Derivatives held for trading

Forward and future contracts:

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

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

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

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

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

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

Option contracts:

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

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

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

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

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

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

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

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

Swaps:

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

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

Monex, S.A.B. 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 the results of the year. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the period in which this occurs.

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

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

Hedging derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded derivatives - An embedded derivative is a component of a hybrid (combined) financial instrument that includes a non-derivative contract (known as the host contract) in which certain cash flows vary in a manner similar to that of 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 (i.e. structured operations).

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

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

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

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

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

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

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

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

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

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

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 the results of the year as it is accrued and classified in accordance with the nature of the cost or expense.

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

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

Non-performing loan portfolio - Monex, S.A.B. applies the following criteria to classify uncollected loans as non-performing:

1. If the borrowers are declared bankrupt, except for those loans:
 - i. For which Monex, S.A.B. continues to receive payment under the terms of section VIII of Article 43 of the Bankruptcy Law, or
 - ii. That are granted under Article 75 in relation to Sections II and III of Article 224 of the above mentioned Law.
2. Loans with outstanding principal, interest or both, with the following characteristics:
 - a) Loans with a single payment of principal and interest at maturity are classified as non-performing 30 calendar days after the date of maturity.
 - b) Loans with a single payment of principal at maturity and with periodic interest payments are classified as non-performing 90 calendar days after interest is due or 30 calendar days after principal is due.
 - c) Loans, including housing loans, whose principal and interest payments have been agreed in periodic installments are classified as non-performing 90 calendar days after they become due.
 - d) Revolving loans for which the borrower has failed to render payment on two monthly billing periods, or, if the billing period is different from monthly, are 60 or more calendar days overdue.
 - e) Immediate collection documents referenced in accounting criteria B-1 "Funds available" will be reported in the non-performing portfolio at the date of the overdraft.
3. Repayments that were not fully settled under the terms originally agreed and present 90 or more days in arrears:
 - a) Payments for loans acquired from INFONAVIT, based on the respective payment modality (REA or ROA), as well as
 - b) Loans made to individuals intended for remodeling or improvement of the home for non-profit-making purposes which are backed by the savings from the housing subaccount of the borrower.

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

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

These exceptions will not be mutually exclusive.

In the case of loan portfolio acquisitions, to determine the days in arrears and the respective transfer to non-performing portfolio, any defaults which the borrower has presented since the start must be taken into account.

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

- a. **Commercial:** Direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, investment units ("UDIS") or multiples of the minimum wage ("VSM"), together with any accrued interest, which are granted to corporations or individuals with business activities and are used in connection with commercial or corporate activity; includes loans granted to financial entities (other than interbank loans with maturities of less than 3 business days), loans arising from financial factoring, discounts and the assignment of credit rights and leasing transactions executed with such corporations or individuals; loans granted to trustees who act under the protection of trusts, and the credit schemes commonly known as "structured" in which the affected assets to enable individual assessment of the risk associated with the scheme. Also, are included loans granted to states, municipalities and their decentralized agencies, as well as those in charge of the Federal Government with a guaranty established by the Federation, included in the SHCP and the Central Bank.
- b. **Housing loans:** Direct loans denominated in Mexican pesos, foreign currency, UDIS or in VSM, and the interest they generate, granted to individuals and intended for acquisition or construction of homes for non-profit-making purposes which have a mortgage guarantee on the home of the borrower. Home loans are also deemed to include those intended for the remodeling or improvement of homes which are backed by the savings from the housing subaccount of the borrower, or which have a guarantee granted by a development bank institution or a public trust established by the Federal Government for economic development. They also include loans granted for such purposes to former employees of the entities and those cash loans guaranteed by the home of the borrower.

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

Commercial loan portfolio:

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

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

Where:

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

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

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

a) *The probability of default*

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

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

For purposes of the above:

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

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

Where:

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

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

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

b) *Loss Severity*

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

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

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

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 Monex, S.A.B. giving prior notice.

$$EI_i = Si$$

- ii) For the other lines of credit:

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

Where:

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

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

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

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

Loans granted under the terms of the Bankruptcy Law

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

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

In which:

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

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

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

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

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

In which:

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

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

Housing loan portfolio:

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

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

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

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

Payment made- Includes total payments made by the borrower in the billing period. Write-offs, reductions, amounts forgiven, rebates and discounts made to the loan or group of loans are not considered as payments.

If the billing is semi-monthly or weekly, the two semi-monthly payments or four weekly of a month, respectively, must be added up so that the payment made reflects one full monthly billing period. The variable "payment made" must be greater than or equal to zero.

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

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

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

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

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

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

Where:

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

PI_i = Probability of default on the nth loan.

SP_i = Severity of the loss on the nth loan.

EI_i = Exposure to default on the nth loan.

Evidence of sustained payment:

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

1. Payment compliance by the borrower without arrears for the total due and payable amount of principal and interest, of at least three consecutive repayments under the loan payment scheme, or in the case of loans with repayments which cover periods longer than 60 calendar days, the settlement of one payment.
In the case of loans which Monex, S.A.B. has acquired from the INFONAVIT, where the terms that the aforementioned agencies contracted with borrowers must be respected, sustained payment of the loan is deemed to exist when the borrower has covered without any arrears, the total due and payable amount of principal and interest, of at least one repayment of the loans under the Ordinary Repayment Regime (ROA) and three repayments for loans under the Special Repayment Regime (REA).
2. For loan restructurings with periodic payments of principal and interest whose repayments are lower than or equal to 60 days in which the periodicity of payment is modified to shorter periods, the number of repayments equivalent to three consecutive repayments under the original loan payment scheme must be considered. For loans which remain under a single payment scheme for principal at maturity,

which are established in numeral 4 below will be applied.

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

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

4. In the case of loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, sustained payment of the loan is deemed to exist when either of the following assumptions is fulfilled:
 - a. The borrower has covered at least 20% of the original amount of the loan at the time of the restructuring or renewal, or,
 - b. The amount of accrued interest was covered in accordance with the restructuring or renewal payment scheme for a period of 90 days.

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

Distressed portfolio:

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

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

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

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

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

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

1. Non-performing loans which are restructured or renewed will remain in the non-performing loan portfolio until there is evidence of sustained payment.
2. Loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as non-performing portfolio until there is evidence of sustained payment.
3. Loans granted under a line of credit, whether revolving or not, which are restructured or renewed at any time, may be kept in the performing portfolio provided that there were elements to justify the payment capacity of the borrower. Additionally, the borrower must have:
 - a. Settled the total due and payable interest, and
 - b. Total payments required under the terms of the contract at the date of the restructuring or renewal, are covered.
4. In the case of dispositions made under a line of credit, when they are restructured or renewed independently from the credit line supporting them, they must be evaluated in accordance with the provisions based on the characteristics and conditions applicable to the restructured or renewed dispositions. When as a result of such analysis it is concluded that one or more of the dispositions made under a credit line should be transferred to non-performing loan portfolio due to the effect of their restructuring or renewal, and whether individually or collectively, represent at least 25% of the total balance exercised of the line of credit at the date of the restructuring or renewal, such balance, as well as subsequent dispositions, must be transferred to non-performing loan portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to non-performing loan portfolio. Also, the total dispositions made under the line of credit have complied with the due and payable obligations at the date of the transfer to performing loan portfolio.
5. Performing loans with characteristics different from those included in numerals 2 through 4 before, those which are restructured or renewed, without at least 80% of the original loan term, will still be considered as performing, only when:
 - a. The borrower has settled the total amount of the accrued interest at the date of the renewal or restructuring, and
 - b. The borrower has settled the principal of the original amount of the loan, which should have been settled at the date of the renewal or restructuring.

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

6. Performing loans with characteristics different from those established in numerals 2 through 4 which are restructured or renewed during the course of the final 20% of the original loan term, will be considered as performing only when the borrower has:
 - a. Settled the total interest accrued as of the date of the renewal or restructuring;
 - b. Settled the principal of the original amount of the loan, which should have been settled as of the date of the renewal or restructuring, and
 - c. Settled the 60% of the original amount of the loan.

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

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

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

the payment capacity of the borrower. Elements must be clearly documented and included in the loan file in the case of commercial loans.

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

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

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

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

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

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

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

Other assets - 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 administered by Monex, S.A.B. Those investments in the fund are maintained to cover the obligations for severance and seniority premiums of employees.

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

For the purposes of presentation in the financial statements, if the investment in securities acquired to cover the pension plan and seniority premium exceed the liability recognized, such excess will be presented under the heading of "Other assets". If assets are less than related obligations, such balance is included in the heading "Sundry creditors and other payables". As of December 31, 2016, 2015 and 2014, the balance applicable to Monex, S.A.B. is presented by increasing 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 - Monex, S.A.B. reviews the book value of long-lived assets in use for impairment when there are indicators that the net carrying amounts of the assets may not be recoverable. The impairment is recorded to the extent that the book value of the asset exceeds the recoverable amount, which is defined as the higher of the present value of net future cash flows or the estimated sales price. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period which, if combined with a history or projection of losses, depreciation and amortization charged to results as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors.

Deposits - This heading is comprised of 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.

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

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

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

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

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 commissions, bonus and other incentives.
- 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. As result of the 2014 Tax Reform, as of December 31, 2016, 2015 and 2014, PTU is determined based on taxable income, according to Section I of Article 9 of the Income Tax Law. 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.

PTU and deferred PTU is presented in the consolidated statement of income under "Administrative and promotional expenses".

Income taxes - Income Tax ("ISR") is recorded in the results of the year in which it is incurred. In order to recognize deferred income tax, financial and tax projections are used to determine whether Monex, S.A.B. and its subsidiaries will incur ISR so as to recognize the respective deferred tax. Monex, S.A.B. determines deferred tax by considering temporary differences, tax losses and tax credits from the initial recognition of these items and until the end of each period. The deferred tax derived from temporary differences is recognized by utilizing the assets and liabilities method, which matches the accounting values of assets and liabilities. This comparison generates deductible and accruable temporary differences. The tax rate is then applied to the items that will be subsequently reversed. The amounts derived from these three items relate to the recognized deferred tax asset or liability.

Deferred tax is recorded on results or stockholders' equity depending on the item giving rise to prepaid tax (deferred).

In accordance with NIF D-4 "Taxes on income", for purposes of presentation on the balance sheet, Monex, S.A.B. offsets the deferred tax liabilities and assets only when it has the right to offset the balances with the same tax authority.

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

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

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

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

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

Recognition of revenues derived from securities transactions and the result of the purchase-sale of securities - The commissions and 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 "Gains/losses on financial assets and liabilities (net)".

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 Monex, S.A.B.'s stockholders during the period and consists of the effect from the valuation of securities available for sale, the cumulative effects from conversion and the net income.

Earnings (losses) per share - Basic earnings (losses) per share are calculated by dividing the consolidated net income (loss) by the weighted average number of ordinary shares outstanding during the year.

Expenses - Expenses are recognized as they accrue.

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

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

- Analysis of changes in the assets and liabilities of Monex, S.A.B. and in its financial structure.

- Analysis of the amounts and dates of collection and payments to adapt to the circumstances and the opportunities to generate and/or apply cash and cash equivalents.

Memorandum accounts -

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

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

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

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

- *Contingent assets and liabilities:*

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

- *Credit commitments:*

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

Items under this account are subject to qualification.

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

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

- *Collateral received:*

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

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

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

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

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

- *Other record accounts (Unaudited):*

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

4. Funds available

As of December 31, 2016, 2015 and 2014, funds available were as follows:

Funds available	2016			2015	2014
	Mexican pesos	Foreign currency	Total	Total	Total
Cash	\$ 43	\$ 39	\$ 82	\$ 39	\$ 99
Deposits in banks	210	6,589	6,799	5,675	5,651
Immediate collection documents	3	5	8	4	6
Remittance	-	2	2	6	4
Foreign currency sale in 24 to 96 hours (1)	-	(12,059)	(12,059)	(9,720)	(8,733)
	256	(5,424)	(5,168)	(3,996)	(2,973)
Restricted funds available:					
Foreign currency purchase in 24 to 96 hours (1)	-	12,059	12,059	9,645	9,398
Regulatory monetary deposits (2)	229	-	229	229	229
	229	12,059	12,288	9,874	9,627
Total net	\$ 485	\$ 6,635	\$ 7,120	\$ 5,878	\$ 6,654

- (1) This item refers to currency purchase-sale transactions to be settled in 24 to 96 hours and which are considered as restricted until their settlement date. At December 31, 2016, 2015 and 2014, balances denominated in foreign currency and the equivalent amounts in Mexican pesos are comprised as follows:

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

The exchange rate as of December 31, 2016 was \$20.6194, \$21.7534 and \$25.8414 Mexican pesos per the U.S. dollar, Euro and Pound sterling, respectively.

	2015				
	Dollars	Euros	Pounds sterling	Others	Total
Total funds available					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 9,014	\$ 439	\$ 130	\$ 62	\$ 9,645
Sale of foreign exchange to delivered in 24 to 96 hours (Mexican pesos)	(9,032)	(457)	(140)	(91)	(9,720)
Total included in funds available (Mexican pesos)	\$ (18)	\$ (18)	\$ (10)	\$ (29)	\$ (75)

The exchange rate as of December 31, 2015 was \$17.2487, \$18.7493 and \$25.4366 Mexican pesos per the U.S. dollar, Euro and Pound sterling, respectively.

	2014				
	Dollars	Euros	Pounds sterling	Others	Total
Total funds available					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 8,316	\$ 771	\$ 168	\$ 143	\$ 9,398
Sale of foreign exchange to delivered in 24 to 96 hours (Mexican pesos)	(7,757)	(644)	(176)	(156)	(8,733)
Total included in funds 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.

- (2) In accordance with the monetary policy established by the Central Bank and in order to regulate its money market liquidity, Monex, S.A.B. must maintain minimum deposits for indefinite periods, which accrue interest at the average bank rate. At December 31, 2016, 2015 and 2014 these deposits amounted to \$229 in the three years. Interest income from these deposits is payable every 28 days by applying the rate established by the Central Bank's regulations.

5. Margin accounts

As of December 31, 2016, 2015 and 2014, the margin account is as follows:

	2016	2015	2014
Collaterals delivered as security	\$ 541	\$ 383	\$ 650
Valuation of futures	181	(3)	(128)
	<u>\$ 722</u>	<u>\$ 380</u>	<u>\$ 522</u>

As of December 31, 2016, 2015 and 2014, margin accounts for collateral submitted in organized operating markets are maintained with the cleaning members.

	2016	2015	2014
Scotiabank Inverlat, S.A.	\$ 477	\$ 325	\$ 152
Banco Santander Mexico, S.A.	51	27	84
BBVA Bancomer, S.A.	-	-	410
RJO Brien	13	31	4
	<u>\$ 541</u>	<u>\$ 383</u>	<u>\$ 650</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, 2016, 2015 and 2014, trading securities were as follows:

	2016				2015	2014
	Acquisition cost	Interest Accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Government securities -						
Treasury bills (CETES)	\$ 81	\$ -	\$ -	\$ 81	\$ 87	\$ 282
Federal Government Development Bonds (BONDS)	97	-	-	97	2,908	1,704
Bonds M, M0 and M7	301	1	(1)	301	994	369
Federal Government Development Bonds in Udis (UDIBONDS)	144	-	-	144	382	398
Saving Protection Bonds (BPAT's)	11,339	58	(54)	11,343	6,760	2,624
United Mexican States Bonds (UMS)	12	-	-	12	259	151
Private securities -						
Marketable certificates	3,651	16	(48)	3,619	4,870	5,586
Commercial Paper	-	-	-	-	175	83
Foreign Station Titles	3,156	-	(3)	3,153	50	45
Private bank issued securities -						
Promissory Note with Yield Payable at Maturity (PRLV)	21	-	-	21	1,821	140
Marketable Certificates	1,945	15	(52)	1,908	1,529	1,074
Certificates of Deposit (CEDES)	1,595	4	(72)	1,527	2,459	1,664
International Government Securities- Debt bones (NOTES)	24	-	-	24	20	29

	2016			2015	2014
	Acquisition Cost	Interest Accrued	Increase (decrease) due to valuation	Total	Total
Capital market instruments:					
Shares listed in stock exchange	27	-	-	27	49
Investments in mutual funds	91	-	4	95	962
Industry Shares Commercial and of Services	-	-	-	-	40
Value date transactions:					
Government securities - Bonds M, M0 and M7	-	-	-	(72)	(547)
Federal Government Development Bonds in Udis (UDIBONDS)	-	-	-	(90)	(187)
Total trading securities	<u>\$ 22,484</u>	<u>\$ 94</u>	<u>\$ (226)</u>	<u>\$ 22,352</u>	<u>\$ 22,264</u>

Restricted trading securities

At December 31, 2016, 2015 and 2014, the securities under repurchase agreement are as follows:

	2016	2015	2014
Debt instruments:			
Government securities -			
Treasury bills (CETES)	\$ 59	\$ 53	\$ 193
Federal Government Development Bonds (BONDS)	97	1,380	1,286
Bonds M, M0 and M7	301	859	134
Federal Government Development Bonds in Udis (UDIBONDS)	144	324	337
Savings Protection Bonds (BPAT'S)	10,433	5,177	1,395
United Mexican States Bonds (UMS)	12	259	151
Subtotal	<u>11,046</u>	<u>8,052</u>	<u>3,496</u>
Privates securities -			
Marketable Certificates	3,255	3,831	5,350
Commercial Paper	-	175	82
Subtotal	<u>3,255</u>	<u>4,006</u>	<u>5,432</u>
Private bank issued securities -			
Promissory Note with Yield Payable at Maturity (PRLV)	-	1,366	134
Marketable Certificates	1,908	1,166	852
Certificate of Deposit (CEDES)	1,283	2,459	1,664
Subtotal	<u>3,191</u>	<u>4,991</u>	<u>2,650</u>
Total	<u>\$ 17,492</u>	<u>\$ 17,049</u>	<u>\$ 11,578</u>

At December 31, 2016, 2015 and 2014, the position in trading securities includes the following securities lending at market value:

	2016	2015	2014
Debt instruments:			
Government securities -			
Federal Government Development Bonds (BONDS)	\$ 447	\$ 1,412	\$ -
Capital market instruments:			
Shares listed in stock exchange	-	-	234
Total	<u>\$ 447</u>	<u>\$ 1,412</u>	<u>\$ 234</u>

This position is considered restricted within trading securities.

As of December 31, 2016, positions greater than 5% of the Bank and Brokerage House net capital in debt securities with a sole issuer (other than government securities) are as follows:

	2016		
Issuer	Maturity date	% Rate	Restated valued
SGMEX	453	2.59%	\$ 2,052
BINTER	538	6.74%	347
CEDEVIS	8,778	3.29%	240
FEFA	1,692	7.34%	344
TFOVICB	10,371	3.77%	1,474
PEMEX	2,024	9.47%	1,514
TFOVIS	9,962	3.31%	1,603
NAFI265	12	1.14%	3,092
NAFF	2,435	7.68%	281
MULTIVA	1,013	7.41%	301
BACOMER	1,832	6.57%	1,528
CABEID	1,045	4.91%	598
BINTER	353	6.63%	189
BMONEX	559	7.07%	18
CDVITOT	9,760	3.86%	69
Total			<u>\$ 13,650</u>

Securities available for sale - As of December 31, 2016, 2015 and 2014, the securities available for sale are as follows:

	2016				2015	2014
	Acquisition cost	Interest accrued	Increase (decrease) due to decrease	Total	Total	Total
Debt instruments:						
Government securities -						
TREASURY NOTES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17
Private securities -						
Marketable Certificates						
PEMEX 13-2	614	13	(70)	557	40	-
PEMEX 210121 D2	107	3	-	110	-	-
CEDEVIS9512U	4	-	-	4	4	-
CEDEVIS9513U	208	3	-	211	219	-
TFOVIS9514U	640	-	(26)	614	632	-
TFOVIS9514-3U	583	-	(16)	567	608	-
UMS22F22022FDI	209	2	(1)	210	-	-
CDVITOT9515U	42	-	-	42	-	-
FACILSA9116	40	-	-	40	-	-
PEMEX9510-2	293	10	(31)	272	-	-
PEMEX9511-3	631	4	(60)	575	-	-
TFOVICB9515-2U	1,033	-	(37)	996	-	-
TFOVIS9514	131	-	(3)	128	-	-
	<u>\$ 4,535</u>	<u>\$ 35</u>	<u>\$ (244)</u>	<u>\$ 4,326</u>	<u>\$ 1,503</u>	<u>\$ 17</u>

As of December 31, 2016, 2015 and 2014 the securities available for sale didn't show signs of impairment.

Restricted securities available for sale

As of December 31, 2016, 2015 and 2014, the restricted securities available for sale are as follows:

	2016	2015
Private securities -		
Marketable Certificates		
PEMEX 13-2 95	\$ 557	\$ 40
CEDEVIS 12U 95	4	4
CEDEVIS 13U 95	211	219
TFOVIS 14U 95	614	632
TFOVIS 14-3U 95	567	608
UMS22F2 2022F D1	210	-
CDVITOT9515U	42	-
FACILSA9116	40	-
PEMEX9510-2	272	-
PEMEX9511-3	575	-
TFOVICB9515-2U	996	-
TFOVIS9514	128	-
Total	<u>\$ 4,216</u>	<u>\$ 1,503</u>

At December 31, 2014 were not restricted securities available for sale.

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

Securities held to maturity -

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

	2016
Private securities -	
Marketable Certificates:	
TFOVICB9515-2U	\$ <u>73</u>
Total	\$ <u>73</u>

As of December 31, 2015 and 2014 there were not securities held to maturity.

This position is considered restricted within the securities held to maturity

7. Repurchase agreements

As of December 31, 2016, 2015 and 2014 repurchase agreements were as follows:

Acts as purchaser:

	2016		
	Repurchase agreements	Collateral	Net asset position
Government securities -			
Federal Government Development Bonds (BONDS)	\$ 6,003	\$ (3,983)	\$ 2,020
Saving Protection Bonds (BPAT's)	<u>2,032</u>	<u>(380)</u>	<u>1,922</u>
Subtotal	8,305	(4,363)	3,942
Private securities -			
Marketable Certificates	<u>100</u>	<u>(100)</u>	<u>-</u>
Subtotal	100	(100)	-
Total	<u>\$ 8,405</u>	<u>\$ (4,463)</u>	<u>\$ 3,942</u>
	2015		
	Repurchase agreements	Collateral	Net asset position
Government securities -			
Treasury bills (CETES)	\$ 1	\$ -	\$ 1
Federal Government Development Bonds (BONDS)	816	-	816
Bonds M, M0 and M7	113	(113)	-
Federal Government Development Bonds in UDIS (UDIBONDS)	30	(1)	29
Saving Protection Bonds (BPAT's)	<u>1,938</u>	<u>(1)</u>	<u>1,937</u>
Subtotal	2,898	(115)	2,783
Private securities -			
Marketable Certificates	<u>182</u>	<u>(3)</u>	<u>179</u>
Subtotal	182	(3)	179
Private bank issued securities -			
Promissory Note with Yield Payable at Maturity (PRLV)	57	(57)	-
Certificates of Deposit	9	(2)	7
Marketable Certificates	<u>2</u>	<u>(1)</u>	<u>1</u>
Subtotal	<u>68</u>	<u>(60)</u>	<u>8</u>
Total	<u>\$ 3,148</u>	<u>\$ (178)</u>	<u>\$ 2,970</u>

	2014		
	Repurchase agreements	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 and M7	109	(109)	-
Saving Protection Bonds (BPAT's)	2,968	(2,967)	1
Subtotal	<u>7,343</u>	<u>(7,340)</u>	<u>3</u>
Private securities-			
Marketable Certificates	5,270	(5,270)	-
Subtotal	<u>5,270</u>	<u>(5,270)</u>	<u>-</u>
Private bank issued securities-			
Certificates of Deposit	755	(755)	-
Marketable Certificates	163	(163)	-
Subtotal	<u>918</u>	<u>(918)</u>	<u>-</u>
Total	<u>\$ 13,531</u>	<u>\$ (13,528)</u>	<u>\$ 3</u>

As of December 31, 2016 the repurchase transactions performed by Monex, S.A.B., acting as purchaser, were agreed at terms ranging between 3 to 116 days and between 2 to 20 days for 2015 and 2014.

Acts as seller:

	2016	2015	2014
	Cash to be delivered	Cash to be delivered	Cash to be delivered
Government securities -			
Treasury bills (CETES)	\$ 59	\$ 53	\$ 193
Federal Government Development Bonds (BONDS)	97	1,379	356
Federal Government Development Bonds in Udis (UDIBONDS)	144	324	337
Bonds M, M0 and M7	282	858	134
Saving Protection Bonds (BPAT's)	3,727	5,178	1,123
United Mexican States Bonds (UMS)	221	260	151
Subtotal	<u>4,530</u>	<u>8,052</u>	<u>2,294</u>
Private securities-			
Marketable Certificates	7,366	3,861	3,211
Commercial Paper	-	178	82
Subtotal	<u>7,366</u>	<u>4,039</u>	<u>3,293</u>
Private bank issued securities-			
Promissory Note with Yield Payable at Maturity (PRLV)	-	1,366	134
Marketable Certificates	1,601	1,169	849
Certificates of Deposit (CEDES)	1,351	2,443	1,669
Subtotal	<u>2,952</u>	<u>4,978</u>	<u>2,652</u>
Total	<u>\$ 14,848</u>	<u>\$ 17,069</u>	<u>\$ 8,239</u>

For the years ended December 31, 2016, 2015 and 2014, accrued interest on sale agreements was \$591, \$458 and \$270, respectively, and the accrued interest expenses on purchase agreements was \$920, \$571 and \$391, respectively.

As of December 31, 2016, 2015 and 2014, the repurchase transactions performed by Monex, S.A.B., acting as seller, were agreed at terms ranging between 3 to 117 days, 4 to 106 days and 2 to 11 days, respectively.

8. Derivative financial instrument transactions

As of December 31, 2016, 2015 and 2014, the position for transactions with financial derivatives is as follows:

	2016		2015		2014	
	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	\$ 10,554	\$ -	\$ 5,686	\$ -	\$ 7,234	\$ -
Futures securities	-	-	-	-	50	-
Futures indexes	-	-	3	-	-	-
Forwards-						
Foreign currency forwards	29,196	2,112	19,942	932	113,730	1,315
Forwards indexes	-	-	7	-	9	1
Forwards shares	-	2	-	1	-	-
Options-						
Foreign currency options	38	73	15	79	51	270
Rates options	43	91	44	94	50	83
Options indexes	1	1	-	-	-	-
Swaps-						
Rates swaps	12,261	1,536	6,921	295	6,039	221
Total trading derivatives	52,093	3,815	32,618	1,401	127,163	1,890
Hedging derivatives						
Rates swaps	838	143	-	-	-	-
Total hedging derivatives	838	143	-	-	-	-
Total position	\$ 52,931	\$ 3,958	\$ 32,618	\$ 1,401	\$ 127,163	\$ 1,890

	2016		2015		2014	
	Nominal amount of the sales	Liability position net	Nominal amount of the sales	Liability position net	Nominal amount of the sales	Liability position net
Futures-						
Foreign currency futures	\$ 4	\$ -	\$ 56	\$ -	\$ 5,050	\$ -
Futures securities	-	-	-	-	330	-
Forwards-						
Foreign currency forwards	32,764	779	25,431	443	115,980	713
Forwards indexes	-	-	7	-	8	1
Forwards shares	379	-	295	-	325	-
Forwards securities	-	-	5	-	40	1
Options-						
Foreign currency options	47	119	14	31	60	151
Rates options	139	179	72	101	71	96
Options indexes	-	-	-	-	-	-

	2016		2015		2014	
	Nominal amount of the sales	Asset position net	Nominal amount of the sales	Liability position net	Nominal amount of the sales	Liability position net
Swaps-						
Rates swaps	12,323	1,598	7,102	475	6,209	390
Total trading derivatives	45,656	2,675	32,982	1,050	128,073	1,352
Hedging derivatives						
Rates swaps	704	9	-	-	-	-
Total hedging derivatives	704	9	-	-	-	-
Total position	\$ 46,360	\$ 2,684	\$ 32,982	\$ 1,050	\$ 128,073	\$ 1,352

For the years ended December 31, 2016, 2015 and 2014, the valuation effect of the trading derivative instruments is reflected in the statements of income under "Gain/losses on financial assets and liabilities (net)" (See Note 29)

Fair value hedging

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

Following is a list of the hedge transactions held by Monex, S.A.B. as of December 31, 2016:

Hedged position	Designated Financial Instrument	Market value
95PEMEX11-3	Interest rate swap which pays fixed rate (7.65%) and receives 28 day TIE, plus a spread (2.041%).	\$ 25
95PEMEX11-3	Interest rate swap which pays fixed rate (7.65%) and receives 28 day TIE plus a spread (1.35%).	\$ 17
95PEMEX13-2	Interest rate swap which pays fixed rate (7.19%) and receives 28 day TIE plus a spread (1.01%).	\$ 52
95PEMEX10-2	Interest rate swap which pays fixed rate (9.1%) and receives 28 day TIE plus a spread (1.4%).	\$ 9
AUDI 1	Interest rate swap which pays fixed rate (6.135%) and receives 28 day TIE.	\$ 24
AUDI 2	Interest rate swap which pays fixed rate (6.155%) and receives 28 day TIE.	\$ 8
CODESA	Interest rate swap which pays fixed rate (5.355%) and receives 28 day TIE	\$ 16

In every case the risk to be covered is market rate; i.e., the changes in the values of the positions for interest rate movements. Every month, the gain or loss on all the hedge derivatives is recorded (affecting stockholders' equity and results).

Derivatives and the underlying assets are as follows:

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

The guarantees and collateral received and delivered for the derivative financing transactions as of December 31, 2016, 2015 and 2014, are comprised as follows:

Heading	Type of collateral	Market	Received		
			2016	2015	2014
Sundry creditors and other accounts payable	Cash	OTC	\$ 2,815	\$ 1,550	\$ 1,288
Collaterals sold or pledge in guarantee	Securities	OTC	\$ -	\$ 42	\$ 14

Heading	Type of collateral	Market	Delivered		
			2016	2015	2014
Margin accounts	Cash	Organized market	\$ 541	\$ 383	\$ 650
Other receivables	Securities	OTC	\$ 184	\$ 471	\$ 821

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

As of December 31, 2016, 2015 and 2014, there are no restricted securities delivered as security for derivative transactions.

Management of derivative financial instrument usage policies

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

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

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

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

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

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

Authorization levels and processes

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

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

Independent reviews

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

Generic description of valuation techniques

1. For trading purposes:

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

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

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

2. Reference variables:

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

3. Valuation frequency:

Derivative financial instruments for trading purposes are valued daily.

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

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

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

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

In relation to financial instruments held for trading at December 31, 2016, 2015 and 2014, Monex, S.A.B. is not aware of any situations or events, such as changes in the value of the underlying asset or reference variables which imply that the use of derivative instruments differ from those that were originally conceived, that could require Monex, S.A.B. to assume new obligations, commitments or changes in cash flow affecting liquidity (margin calls), or contingencies affecting current or future periods.

The amount of margin calls made during 2016, 2015 and 2014 was necessary to cover contributions in both the organized and the required collateral contracts markets.

At December 31, 2016, 2015 and 2014, except as mentioned in the previous paragraph, there is no evidence of deterioration in credit risk (counterparty) that requires modifying the carrying amount of derivative financial instruments.

Impairment of financial derivatives -

At December 31, 2016, 2015 and 2014, 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 following chart shows the total sensitivity consumption as of December 31, 2016 (unaudited):

Sensitivity analysis	Sensitivity (all factors)
Stage one 1%	(0.49)
Stage two 2%	(0.52)

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, 2016 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>(5.4)</u>
Scenario two	\$ <u>(10.8)</u>

9. Loan portfolio

As of December 31, 2016, 2015 and 2014, the performing loan portfolio and non-performing loan portfolio granted by type of currency are as follows:

	2016		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial	\$ 8,078	\$ 55	\$ 8,133
Loans to financial institutions	1,435	-	1,435
Housing loans-			
Housing loans	180	6	186

	2016		
	Performing	Non-performing	Total
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial	7,779	21	7,820
Loans to financial institutions	<u>720</u>	<u>-</u>	<u>720</u>
Total	<u>\$ 18,212</u>	<u>\$ 82</u>	<u>\$ 18,294</u>
	2015		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial	\$ 4,646	\$ 55	\$ 4,701
Loans to financial institutions	984	-	984
Housing loans-			
Housing loans	9	12	21
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial	6,252	51	6,303
Loans to financial institutions	<u>472</u>	<u>-</u>	<u>472</u>
Total	<u>\$ 12,363</u>	<u>\$ 118</u>	<u>\$ 12,481</u>
	2014		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial	\$ 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	<u>3,968</u>	<u>3</u>	<u>3,971</u>
Total	<u>\$ 8,031</u>	<u>\$ 40</u>	<u>\$ 8,071</u>

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

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

- a) For long-term loans subject to such guarantees, Monex, S.A.B. receives guarantees covering 100% of the Ex-Im Bank, which is documented in an outline agreement.
- b) For short-term loans with revolving lines of credit guaranteed with loan insurance policies issued by the Ex-Im Bank to Monex, S.A.B., the policies cover between 90% and 98% of the loan amount.

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

At December 31, 2016, 2015 and 2014, the portfolio with third party participation administered by Monex, S.A.B. denominated in foreign currency are as follows:

	2016	2015	2014
Short-term	\$ 19	\$ 198	\$ 186
Medium term	<u>3</u>	<u>8</u>	<u>16</u>
	<u>\$ 22</u>	<u>\$ 206</u>	<u>\$ 202</u>

Housing Loans

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

	2016			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	\$ 180	6,454	\$ 5	459
REA	<u>-</u>		<u>1</u>	<u>21</u>
Total	<u>\$ 180</u>		<u>\$ 6</u>	
	2015			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	\$ 9	790	\$ 11	1,085
REA	<u>-</u>		<u>1</u>	<u>68</u>
Total	<u>\$ 9</u>		<u>\$ 12</u>	
	2014			
	Performing	Number of loans	Non-performing	Number of loans
Housing loans				
ROA	\$ 161	26,023	\$ 6	1,085
REA	<u>-</u>		<u>-</u>	<u>68</u>
Total	<u>\$ 161</u>		<u>\$ 6</u>	

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

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

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

As of December 31, 2016, 2015 and 2014, the non-performing housing portfolio is classified as follows:

Terms	2016	2015	2014
From 1 to 180 days	\$ -	\$ -	\$ 4
From 181 to 365 days	2	8	2
From 366 to 2 years	<u>4</u>	<u>4</u>	<u>-</u>
Total	<u>\$ 6</u>	<u>\$ 12</u>	<u>\$ 6</u>

Risk diversification -

At December 31, 2016, Monex, S.A.B. maintains the following credit risk operations in conformity with the general diversification rules established for active and passive transactions by the Provisions, as follows:

- Monex, S.A.B. has granted eight loans to borrowers or groups of individuals or entities with a common risk, the individual amount of which exceeds 10% of its basic capital. The joint commitment of these loans in the quarter before is equal to \$4,803, 115% of Monex, S.A.B. basic capital.
- The total of the loans granted to Monex, S.A.B. three main borrowers is \$2,235 and represents 53.6% of its basic capital.

According to the Provisions, the limits applicable to the diversification of Monex, S.A.B.'s credit operations are determined according to its fulfillment of capitalization requirements, while considering the exceptions established by the Provisions, as follows:

- When granting financing to the same individual or entity or group of individuals or entities with a common risk, Monex, S.A.B. is subject to the maximum financing limit obtained by applying the following:

Capitalization level	Maximum financing limit calculated according to the bank's basic capital
More than 8% and up to 9%	12%
More than 9% and up to 10%	15%
More than 10% and up to 12%	25%
More than 12% and up to 15%	30%
More than 15%	40%

- The sum of the financing granted to Monex, S.A.B.'s three main borrowers must not exceed 100% of its basic capital.
- Financing granted to full-service banking institutions is subject to maximum financing limits, but is nonetheless subject to the maximum limit of 100% of the basic capital of the lending Monex, S.A.B. In the case of foreign institutions in which foreign financial entities hold equity, the aforementioned limit is applicable to the holding company and its subsidiary institutions taken as a whole.
- The financing granted to the state-owned entities and departments of the Federal Public Administration, including public trusts and the productive entities pertaining to the State, must be subject to the maximum limit of 100% of the basic capital of the lending Monex, S.A.B.

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

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

Loans to related parties - As of December 31, 2016, 2015 and 2014 the loan amounts delivered to related parties in accordance with Article 73 of the Law on Credit Institutions are \$263, \$207 and \$22 respectively, which were approved by the Board of Directors.

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

Monex, S.A.B. performs the classification of distressed commercial loans, reporting a total of \$142 which represents 1% of the total commercial portfolio as of December 31, 2016.

	2016		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans- Commercial	\$ 75	\$ 46	\$ 121
Dollars valued in Mexican pesos:			
Commercial loans- Commercial	-	21	21
Total	<u>\$ 75</u>	<u>\$ 67</u>	<u>\$ 142</u>

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

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

Credit lines unused by customers - As of December 31, 2016, 2015 and 2014, unused credit lines authorized to customers for \$8,912, \$6,908, and \$1,159, respectively.

As of December 31, 2016, 2015 and 2014, aging of non-performing portfolio is as follows:

	2016	2015	2014
From 90 to 179 days	\$ 1	\$ 98	\$ 4
From 180 to 365 days	2	10	4
Over 365 days	<u>79</u>	<u>10</u>	<u>32</u>
	<u>\$ 82</u>	<u>\$ 118</u>	<u>\$ 40</u>

10. Allowance for loan losses

As of December 31, 2016, 2015 and 2014, the allowance for loan losses was \$307, \$182 and \$112, respectively, and is assigned as follows:

2016	Performing Portfolio	Non-performing portfolio	Assigned allowance
Commercial loans- Commercial	\$ 15,877	\$ 76	\$ 287
Loans to financial institutions	2,155	-	18
Housing loans- Housing loans	<u>180</u>	<u>6</u>	<u>2</u>
Total portfolio	<u>\$ 18,212</u>	<u>\$ 82</u>	<u>\$ 307</u>

2015	Performing Portfolio	Non-performing portfolio	Assigned allowance
Commercial loans- Commercial	\$ 10,898	\$ 106	\$ 171
Loans to financial institutions	1,456	-	8
Housing loans- Housing loans	9	12	3
Total portfolio	<u>\$ 12,363</u>	<u>\$ 118</u>	<u>\$ 182</u>
2014	Performing Portfolio	Non-performing portfolio	Assigned allowance
Commercial loans- Commercial	\$ 6,982	\$ 34	\$ 103
Loans to financial institutions	888	-	6
Housing loans- Housing loans	161	6	3
Total portfolio	<u>\$ 8,031</u>	<u>\$ 40</u>	<u>\$ 112</u>

As of December 31, 2016, 2015 and 2014, Monex, S.A.B. maintained an allowance for loan losses equivalent to 374%, 154% and 280%, of the non-performing portfolio, respectively.

The allowance for loan losses resulting from the loan portfolio classification with responsibilities as of December 31, 2016, 2015 and 2014, reported by Monex, S.A.B., is as follows:

Degree of risk	2016		2015		2014	
	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	\$ 9,134	\$ 45	\$ 6,397	\$ 32	\$ 4,078	\$ 18
A-2	7,911	96	4,483	55	3,356	43
B-1	838	15	2,046	34	1,616	26
B-2	717	16	269	7	133	3
B-3	602	18	353	12	338	11
C-1	32	2	91	7	87	6
C-2	109	15	6	1	13	2
D	106	46	72	28	1	-
E	54	54	10	6	34	3
Base rating portfolio	19,503	<u>\$ 307</u>	13,727	<u>\$ 182</u>	9,656	<u>\$ 112</u>
Less - Letter of credit	(1,209)		(1,246)		(1,585)	
Loan portfolio, net	<u>\$ 18,294</u>		<u>\$ 12,481</u>		<u>\$ 8,071</u>	

Below is the activity of the allowances for loan losses for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Opening balances	\$ 182	\$ 112	\$ 64
Provisions (applications) with debit (credit) to:			
Additions charged to results	150	76	48
Cancellation of allowances (1)	(41)	-	-
Exchange result	19	11	4
Applications	(3)	(17)	(4)
Closing balances	<u>\$ 307</u>	<u>\$ 182</u>	<u>\$ 112</u>

(1) Related to payments on loans granted during 2016, loans which had allowances recorded during previous years and this year has recorded in "Other operating income".

11. Other receivables, net

As of December 31, 2016, 2015 and 2014, the other receivables, are as follows:

	2016	2015	2014
Receivables from liquidation of money market transactions	\$ 1,128	\$ 3,321	\$ 2,179
Receivables from foreign exchange transactions	14,593	9,741	8,889
Receivables from transactions	271	347	610
Intercompany administrative services	1	-	-
Employee loans and other debtors	22	22	10
Collateral delivered for derivative financing transactions	184	471	821
Other receivables	17	9	19
	<u>16,216</u>	<u>13,911</u>	<u>12,528</u>
Allowance for doubtful accounts	<u>(73)</u>	<u>(62)</u>	<u>(230)</u>
Total	<u>\$ 16,143</u>	<u>\$ 13,849</u>	<u>\$ 12,298</u>

12. Property, furniture and fixtures, net

As of December 31, 2016, 2015 and 2014, property, furniture and fixtures are as follows:

	2016	2015	2014
Office furniture and equipment	\$ 110	\$ 97	\$ 84
Computer and communications equipment	96	71	60
Vehicles	8	8	8
	<u>214</u>	<u>176</u>	<u>152</u>
Less-			
Accumulated depreciation	<u>(119)</u>	<u>(92)</u>	<u>(64)</u>
Total property, furniture and fixtures (net)	<u>\$ 95</u>	<u>\$ 84</u>	<u>\$ 88</u>

The annual depreciation and amortization rates were as follows:

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

For the years ended at December 31, 2016, 2015 and 2014, depreciation expense amounted to \$28, \$26 and \$25, respectively.

13. Other assets

As of December 31, 2016, 2015 and 2014, goodwill and other assets were as follows:

	2016	2015	2014
Goodwill:			
Tempus	\$ 407	\$ 407	\$ 407
Monex Europe LTD.	326	326	326
Conversion effect	<u>370</u>	<u>253</u>	<u>129</u>
	1,103	986	862
Deferred charges, prepayments and intangible:			
Other intangible assets arising from the acquisition of Tempus (1)	176	176	176
Other intangible assets arising from the acquisition of Monex Europe (1)	635	635	635
Conversion effect	<u>205</u>	<u>161</u>	<u>57</u>
Intangible assets	1,016	972	868
Adjustments and improvements	276	217	209
Software	99	56	25
Prepayments	231	199	137
Investment projects	24	6	-
Other deferred charges	<u>46</u>	<u>13</u>	<u>8</u>
	1,692	1,463	1,247
Less - accumulated amortization	<u>(185)</u>	<u>(151)</u>	<u>(111)</u>
	1,507	1,312	1,136
Other assets:			
Operational deposit	123	76	74
Management trust (2)	<u>100</u>	<u>100</u>	<u>100</u>
	<u>223</u>	<u>176</u>	<u>174</u>
	<u>\$ 2,833</u>	<u>\$ 2,474</u>	<u>\$ 2,172</u>

- (2) As of December 31, 2016, 2015 and 2014 Monex, S.A.B. has identified intangible assets for the acquisition of Tempus and Monex Europe, as follows:

	Tempus		Monex Europe		Total		
	2016	2015	2016	2015	2016	2015	2014
Licenses	\$ 71	\$ -	\$ 71	\$ 71	\$ 71	\$ 71	\$ 71
Sales force	42	67	109	109	109	109	109
Operating agreements with banks	56	401	457	457	457	457	457
Software	7	6	13	13	13	13	13
Non-compete agreements	-	161	161	161	161	161	161
Total	176	635	811	811	811	811	811
Conversion effect			205	161	205	161	57
Total			1,016	972	1,016	972	868
Amortization			(66)	(63)	(66)	(63)	(45)
Total intangibles assets			\$ 950	\$ 909	\$ 950	\$ 909	\$ 823

- (1) Management Trust No. F/523 – On May 19, 2010, Monex, S.A.B. started a stock option plan for its key executives, which was approved during a Stockholders' Meeting of the same date. Consequently, Admimonex, executed Management Trust agreement F/523 with the Bank to grant financing to its executives to enable them to acquire shares representing the common stock of Monex, S.A.B. At December 31, 2016, the shares deposited in the trust amount to 8,598,660 Series "B" shares of Monex, S.A.B., which were assigned and acquired by executives at that date.

14. Foreign currency position

As of December 31, 2016, 2015 and 2014, foreign currency assets and liabilities of Monex, S.A.B. were as follows:

	Millions of US Dollars			Millions of Euros			Millions of Pounds Sterling			Other foreign currencies in millions of U.S. dollars		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Funds available	USD 628	USD 722	USD 967	€ 50	€ 23	€ 19	£ 56	£ 53	£ 39	USD 6	USD 7	USD 5
Margin accounts	4	5	3	-	-	-	-	-	-	-	-	-
Investment in securities	251	95	67	-	9	-	-	-	-	-	-	-
Repurchase agreements	68	8	23	-	-	-	-	-	-	-	-	-
Derivative (assets not offset)	-	1,496	2,345	-	-	31	77	21	17	-	-	1
Performing loan portfolio	426	388	265	-	-	-	-	-	-	-	-	-
Other assets	49	48	49	-	-	-	48	45	47	-	-	-
Other receivables	9	40	115	-	-	-	47	18	22	1	-	-
Deposits	(677)	(368)	(463)	(38)	(27)	(11)	(1)	(1)	(1)	(5)	(7)	(5)
Liabilities arising from sale and repurchase agreements	(86)	(51)	(110)	-	(2)	(2)	-	-	-	-	-	-
Bank and other loans	(13)	(11)	(13)	-	-	-	-	-	-	-	-	-
Collaterals	(37)	(10)	(66)	-	-	(2)	(66)	(43)	(57)	-	-	-
Derivative (liability not offset)	(4)	(1,581)	(2,897)	-	(18)	(38)	(14)	-	(1)	-	-	(1)
Sundry creditors and other payables	(491)	(635)	(748)	(4)	-	(1)	(76)	(27)	-	(2)	-	-
Deferred credits and prepayments	(4)	(2)	(1)	-	(3)	-	-	-	-	-	-	-
Asset (liability) position	USD 123	USD 144	USD (464)	€ 8	€ (18)	€ (4)	£ 71	£ 66	£ 66	USD -	USD -	USD -
Mexican peso equivalent	\$ 2,536	\$ 2,484	\$ (6,840)	\$ 174	\$ (337)	\$ (71)	\$ 1,809	\$ 1,679	\$ 1,517	\$ -	\$ -	\$ -

As of December 31, 2016, 2015 and 2014, the "Fix" (48-hour) exchange rate submitted by the Central Bank and used was \$20.6194, \$17.2487 and \$14.7414 per U.S. dollar, respectively.

As of December 31, 2016, 2015 and 2014, the "Euro" exchange rate submitted by the Central Bank and used was \$21.7534, \$18.7493 and \$17.8385 per Euro, respectively.

As of December 31, 2016, 2015 and 2014, the "Pound Sterling" exchange rate submitted by the Central Bank and used was \$25.4814, \$25.4366 and \$22.9847 per Pound Sterling, respectively.

On March 17, 2016, the foreign currency position (unaudited) is similar to the position at the end of the year. The foreign exchange "Fix" at this date is \$19.1170 per U.S. dollar, \$20.5202 per Euro and \$23.6277 per Pound Sterling.

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

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

15. Deposits

As of December 31, 2016, 2015 and 2014, deposits were as follows:

	2016	2015	2014
Demand deposits	\$ 15,209	\$ 8,366	\$ 7,852
Time deposits-			
General public	10,733	4,984	5,483
Money market:			
Deposit certificates	434	2,033	656
Promissory Notes with Interest Payable at Maturity (BMONEX) (1)	-	2,149	280
	<u>26,376</u>	<u>17,532</u>	<u>14,271</u>
Debt securities			
Debt securities (Bonds)	<u>440</u>	<u>81</u>	<u>156</u>
Global account for inactive deposits	<u>3</u>	<u>3</u>	<u>-</u>
Total deposits	<u>\$ 26,819</u>	<u>\$ 17,616</u>	<u>\$ 14,427</u>

(1) Short-term maturities which generated interest at an average 7.33%, 3.43% and 2.91% rate, in 2016, 2015 and 2014, respectively.

16. Bank and other loans

As of December 31, 2016, 2015 and 2014, bank loans were as follows:

	2016			2015	2014
	Mexican Pesos	Foreign currency	Rate	Total	Total
Demand deposits-					
"Call Money" received	\$ 344	\$ -	5.68%	\$ 344	\$ 200
Total demand deposits	<u>344</u>	<u>-</u>		<u>344</u>	<u>200</u>
Short term-					
FIRA	50	-	5.84%	50	8
Clusters	759	260	4.49%	1,019	584
Digital loans	9	-	5.10%	9	-
Total short-term loans	<u>818</u>	<u>260</u>		<u>1,078</u>	<u>592</u>
Total bank loans and other loans	<u>\$ 1,162</u>	<u>\$ 260</u>		<u>\$ 1,422</u>	<u>\$ 792</u>

Loans with Development Bank Institutions - Loans are granted by, Nacional Financiera, S.N.C. (NAFIN) and Fideicomiso of Central Bank (FIRA), which represent a direct obligation for Monex, S.A.B. with these entities. Accordingly, Monex, S.A.B. grants loans in Mexican pesos and U.S. dollars 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 Monex, S.A.B. The financial conditions are set under fixed and variable rate programs, both in U.S. dollars and Mexican pesos, and the term is based on the specific program or transaction determined for each project.

17. Securitization certificates

Issuance of the Bank

As mentioned in Note 1 subsection b) Monex, S.A.B. through the Bank made a public offering of securitization certificates.

The Bank made its first public offering of securitization certificates on July, 14, 2015, for the amount of \$1,000, which is represented by 10 million securitization certificates with a face value of 100 pesos each. The issuance was authorized by the Commission through Document No. 153/5535/2015. The securitization certificates were issued for a period of 1,092 days, which is equal to three years, and placed at the Interbank Interest Rate (TIE) 28-day rate + 90 basis points.

Issuance of Monex, S.A.B.

As mentioned in Note 1 subsection b), Monex, S.A.B. issued 10 million of 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-days TIE plus 160 basis points.

As of December 31 de 2016, 2015 and 2014 Monex, S.A.B. has paid interest for the amount of \$114, \$93 and \$68, respectively.

On the other side of the first issuance of securitization certificates which made Monex, S.A.B. during 2012 for the amount of \$1,000, they were settled during July, 2015.

18. Comparative maturities of principal assets and liabilities

As of December 31, 2016 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)	\$ 6,891	\$ -	\$ -	\$ 229	\$ 7,120
Margin accounts	722	-	-	-	722
Investment in securities	3,318	3,883	13,398	6,152	26,751
Repurchase agreements	3,942	-	-	-	3,942
Derivatives	1,337	656	1,084	881	3,958
Performing loan portfolio	7,575	551	7,273	2,813	18,212
Other receivables (net)	16,143	-	-	-	16,143
Total assets	39,928	5,090	21,755	10,075	76,848
Liabilities:					
Deposits	26,789	30	-	-	26,819
Issuance of securitization certificates	-	-	2,001	-	2,001
Bank and other loans	1,363	13	46	-	1,422
Liabilities arising from sale and repurchase agreements	14,848	-	-	-	14,848
Derivatives	798	177	902	807	2,684
Obligations arising from settlement of transactions	15,139	-	-	-	15,139
Liabilities arising from cash collateral received	2,815	-	-	-	2,815
Other accounts payables	2,754	-	-	242	2,996
Total liabilities	64,506	220	2,949	1,049	68,724
Assets less liabilities	\$ (24,578)	\$ 4,870	\$ 18,806	\$ 9,026	\$ 8,124

The heading of Funds available includes Monetary Regulation Deposits with Central Bank. Such deposits as of December 31, 2016 are \$229, and cannot be disposed of freely.

19. Related party transactions and balances

As of December 31, 2016, 2015 and 2014 Monex, S.A.B. maintained loans amounts with to related parties for the amount of \$251, \$207 and 22 respectively.

As of December 31, 2016, 2015 and 2014 Monex, S.A.B. had consolidated all its transactions with related parties over which Monex, S.A.B. has equity interest greater than 50% and the control. As is mentioned in Note 1 subsection c), since November 2014, Monex, S.A.B. ceased to consolidate its transactions with its subsidiaries Monex Servicios and Pagos Intermex. Because Monex, S.A.B. and such subsidiaries perform operations related to investment in securities, deposits, personal services, correspondents, 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>
Gain/losses on financial assets and liabilities (net)	<u>\$ 3</u>
Expenses- Interest	<u>\$ 1</u>
Administrative services	<u>\$ 63</u>

20. Labor benefits

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

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

As of December 31, 2016, 2015 and 2014, balances and activity reflected in employee benefits, which include, seniority premiums and severance payments, were as follows:

	2016	2015	2014
Defined benefit obligation	\$ 542	\$ 504	\$ 433
Plan assets	<u>(177)</u>	<u>(170)</u>	<u>(165)</u>
Underfunded status	365	334	268
Unamortized:			
Past service cost	(107)	(143)	(130)
Past services not recognized	<u>(16)</u>	<u>(9)</u>	<u>(7)</u>
Net projected liability	<u>\$ 242</u>	<u>\$ 182</u>	<u>\$ 131</u>

Net periodic cost for defined benefits consists of the following:

	2016	2015	2014
Service cost for the year	\$ 43	\$ 40	\$ 32
Interest net related to PNBD	25	14	10
Recycling of remeasurement of net liability for defined benefits	(1)	-	-
Amortization of transition liability, labor cost of past service and accrual losses	(36)	(3)	(4)
Recycling of unrecognized gains or losses	<u>1</u>	<u>-</u>	<u>-</u>
Net cost	32	51	38
Remeasurement recorded in comprehensive income	1	-	-
Gradual recognition in retained earnings	<u>27</u>	<u>-</u>	<u>-</u>
Defined benefits cost	<u>\$ 60</u>	<u>\$ 51</u>	<u>\$ 38</u>

The economic assumptions used were as follows:

	2016	2015	2014
Discount rate	8.12%	7.57%	7.09%
Expected rate of return of assets	8.12%	7.57%	7.09%
Rate of wage increases	4.50%	3.50%	4.00%

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

	2016	2015	2014
Opening balance (face value)	\$ 182	\$ 131	\$ 94
Net cost of the period and profit losses recognition	60	51	38
Other	<u>-</u>	<u>-</u>	<u>(1)</u>
Net projected liability	<u>\$ 242</u>	<u>\$ 182</u>	<u>\$ 131</u>

As of December 31, 2016, 2015 and 2014, such assets were invested as follows:

	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Capital market	\$ 48	27%	\$ 33	19%	\$ 45	28%
Money market	114	64%	137	81%	110	66%
Repurchase market	<u>15</u>	8%	<u>-</u>	-	<u>10</u>	6%
Total	<u>\$ 177</u>		<u>\$ 170</u>		<u>\$ 165</u>	

As of December 31, 2016, 2015 and 2014, 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:

	2016	2015	2014
Present value of the defined benefits obligation as of January 1	\$ 504	\$ 433	\$ 322
Actual payment of benefits during the year	-	(22)	(17)
Actuarial (loss) profit in defined benefit obligation	(7)	23	71
Cost of the year	<u>45</u>	<u>70</u>	<u>57</u>
Present value of the defined benefits obligation as of December 31, of each year	<u>\$ 542</u>	<u>\$ 504</u>	<u>\$ 433</u>

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

	2016	2015	2014
Deferred PTU asset:			
Provisions	\$ 11	\$ 23	\$ 26
Labor benefits	24	18	14
Gain on derivative financial instrument transaction	74	13	8
Allowance for loan	30	17	5
Other	<u>18</u>	<u>11</u>	<u>-</u>
Total	157	82	53
Deferred PTU liability:			
Loss on derivative financial instrument transaction	-	(12)	(15)
Prepayments	<u>(7)</u>	<u>(4)</u>	<u>(3)</u>
Total	<u>(7)</u>	<u>(16)</u>	<u>(18)</u>
Total asset (liability)	<u>\$ 150</u>	<u>\$ 66</u>	<u>\$ 35</u>

The deferred PTU recorded in the results of the period amounted \$(84), \$(31) and \$4 in 2016, 2015 and 2014, respectively.

21. Liabilities arising from settlements of transactions

As of December 31, 2016, 2015 and 2014, creditors from settlement of transactions are as follows:

	2016	2015	2014
Creditors from operations by foreign exchange	\$ 14,011	\$ 9,670	\$ 9,441
Creditors for settlement of transactions of securities loan	<u>1,128</u>	<u>3,159</u>	<u>1,456</u>
	<u>\$ 15,139</u>	<u>\$ 12,829</u>	<u>\$ 10,897</u>

22. Sundry creditors and other payables

As of December 31, 2016, 2015 and 2014, sundry creditors and other payables were as follows:

	2016	2015	2014
Employee retirement obligation provision	\$ 419	\$ 352	\$ 296
Funds	<u>(177)</u>	<u>(170)</u>	<u>(165)</u>
	242	182	131
Suppliers	77	47	35
Creditors from operations	520	453	323
Intercompany payable	1	-	4
Payable commissions, bounds and other gratifications	535	299	159
Contingent liabilities (1)	152	73	5
Various taxes and social security contribution	122	25	39
Taxes withheld	77	59	62
Reclassification of creditors bank	103	54	30
Cash overdraft	596	-	-
Others sundry creditors	<u>571</u>	<u>278</u>	<u>448</u>
	<u>\$ 2,996</u>	<u>\$ 1,470</u>	<u>\$ 1,236</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, at December 31, 2016 and 2015 and 2014 Monex, S.A.B. canceled a balance of \$42, \$31, and 92 respectively, recognized in "Other operating income" in the statement of income.

23. Income taxes

Monex, S.A.B. is subject to ISR, in conformity with ISR Law as of December 31, 2016, 2015 and 2014, the rate was at 30% and will continue at the same percentage thereafter.

Deferred taxes are composed as follows:

	2016	2015	2014
ISR:			
Current	\$ (614)	\$ (400)	\$ (263)
Deferred	<u>295</u>	<u>76</u>	<u>3</u>
	<u>\$ 319</u>	<u>\$ (324)</u>	<u>\$ (260)</u>

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

Tax loss carryforwards and IETU tax credit - As of December 31, 2016, Monex, S.A.B. has ISR tax loss carryforwards as follows:

Company	Amount
AdmiMonex	<u>\$ 33</u>
Monex, S.A.B.(Individually)	<u>\$ 36</u>

PTU and deferred taxes - At December 31, 2016, 2015 and 2014, PTU and deferred taxes are composed as follows:

	2016	2015	2014
Deferred ISR asset:			
Provisions	\$ 34	\$ 70	\$ 50
Labor obligations	70	53	42
Gain on derivative financial instrument transaction	224	38	28
Others	<u>261</u>	<u>137</u>	<u>34</u>
Deferred ISR asset	589	298	154
Deferred ISR (liability):			
Prepaid expenses	(23)	(13)	-
Others	<u>(136)</u>	<u>(147)</u>	<u>(84)</u>
Deferred ISR liability	(159)	(160)	(84)
Deferred PTU asset	<u>150</u>	<u>66</u>	<u>35</u>
Net deferred taxes (net)	<u>\$ 580</u>	<u>\$ 204</u>	<u>\$ 105</u>

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

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

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

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

	Bank			Brokerage House		
	2016	2015	2014	2016	2015	2014
Legal rate	30%	30%	30%	30%	30%	30%
Valuation of investment securities	6%	6%	(7%)	-	3%	6%
Annual adjustment for inflation	(1%)	(3%)	12%	(2%)	(2%)	(4%)
Non deductible	(17%)	(4%)	-	14%	13%	(4%)
Others	-	1%	(5%)	-	-	2%
Effective tax rate	<u>18%</u>	<u>30%</u>	<u>30%</u>	<u>42%</u>	<u>44%</u>	<u>30%</u>

Other tax issues:

As of December 31, 2016, 2015 and 2014, the main subsidiaries of Monex, S.A.B. have the following balances for significant tax measures (individually):

	Bank (individually)			Brokerage House (individually)		
	2016	2015	2014	2016	2015	2014
Contributed capital account	<u>\$ 3,655</u>	<u>\$ 2,931</u>	<u>\$ 2,270</u>	<u>\$ 595</u>	<u>\$ 576</u>	<u>\$ 564</u>
Net tax income account	<u>\$ 3,833</u>	<u>\$ 2,741</u>	<u>\$ 2,496</u>	<u>\$ 536</u>	<u>\$ 473</u>	<u>\$ 500</u>

24. Stockholders' equity

As of December 31, 2016, 2015 and 2014, capital stock, at par value, was as follows:

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

The Stockholders' Ordinary General meeting of April 7, 2016, agreed the follows movements:

- Transfer the net result of the year of 2015, for the amount of \$625 to the "Retained earnings".
- Declared of dividends to shareholders in the amount of \$250, under the account "Retained earnings".

At December 31, 2016, 2015 and 2014, the reserve created to repurchase shares is composed as follows:

	2016	2015	2014
Repurchased shares	9,535,305	9,517,088	8,236,577
Market price per share	\$ <u>10.00</u>	\$ <u>10.20</u>	\$ <u>12.60</u>
Market value	\$ <u>95</u>	\$ <u>97</u>	\$ <u>104</u>
Balance of reserve at the beginning	\$ 241	\$ 254	\$ 668
Movements approved by the stockholders	-	-	(400)
Less:			
Loss of repurchase shares	-	(15)	(1)
Historic value of repurchased shares	<u>-</u>	<u>2</u>	<u>(13)</u>
Balance for repurchased shares	\$ <u>241</u>	\$ <u>241</u>	\$ <u>254</u>

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 Monex, S.A.B., as are Mexican financial institutions, regardless of whether they form part of Monex, S.A.B. group, unless they act as institutional investors within the meaning of Article 19 of the Law Regulating Financial Groups.

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

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

Monex, S.A.B. and its subsidiaries, except 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.

25. Earnings per share

Earnings per share related to the years ended as of December 31, 2016, 2015 and 2014 were determined as follows:

	2016	2015	2014
Net income	\$ 1,071	\$ 625	\$ 604
Weighted average number of ordinary shares	<u>536,223,200</u>	<u>536,241,417</u>	<u>391,713,423</u>
Earning per share	<u>\$ 1.98</u>	<u>\$ 1.17</u>	<u>\$ 1.54</u>

26. Capital ratio of the Bank (2016 and 2015 corresponds to latest information submitted to Central Bank and 2014 to definitive information submitted to Central Bank) (Unaudited)

As of December 31, 2016, 2015 and 2014, in accordance with the capital requirements in effect applicable to full service banks, Monex, S.A.B. presents the following capitalization ratio, which exceeds the minimum level required by the authorities:

	2016	2015	2014
Net capital / required capital	1.85%	2.08%	1.99%
Basic capital / assets subject to credit, market and operational risk	14.77%	16.62%	15.95%
Net capital / assets subject to credit risk	19.26%	24.43%	22.60%
Net capital / assets subject to credit, market and operational risk	14.77%	16.62%	15.95%

The capitalization ratio of the Bank was updated and submitted to the Central Bank for the years 2016, 2015 and 2014, on January 20, 2017, January 18, 2016 and February 9, 2015, respectively.

As of December 31, 2016, 2015 and 2014, the net capital used to calculate the capital ratio is as follows:

	2016	2015	2014
Basic capital:			
Stockholder's equity disregarding convertible securities and subordinate debt	\$ 5,770	\$ 5,746	\$ 4,402
Less:			
Organization costs and other intangible	(328)	(44)	(173)
Investment in shares of entities	<u>(1,375)</u>	<u>(1,254)</u>	<u>(1,381)</u>
	(1,703)	(1,298)	(1,554)
Complementary capital:			
Allowance for loan losses	<u>298</u>	<u>176</u>	<u>112</u>
Total net capital	<u>\$ 4,365</u>	<u>\$ 4,624</u>	<u>\$ 2,960</u>

	2016		2015		2014	
	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	\$ 1,600	\$ 128	\$ 2,402	\$ 192	\$ 1,897	\$ 152
Transactions with real rate	1,650	132	1,940	155	275	22
Transactions with nominal rate in foreign currency	800	63	891	71	556	44
Transactions with shares and related to shares	150	12	154	12	90	7

	2016		2015		2014	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
Foreign exchange transactions	376	30	135	11	618	49
Transactions in UDIS relating INPC	11	1	10	1	9	-
For impact Gamma	-	-	137	11	-	-
	<u>4,587</u>	<u>366</u>	<u>5,669</u>	<u>453</u>	<u>3,445</u>	<u>274</u>
	2016		2015		2014	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
Credit risk:						
Deposits and loans	18,275	1,462	11,612	929	8,303	664
From repurchase agreements and derivatives counterparties	1,350	108	576	46	621	48
From issuers of debt securities in position	1,475	119	1,373	110	960	79
From long-term investment in shares and other assets	713	57	1,150	92	1,424	114
From guarantees and credit lines and securitization	837	66	892	71	598	48
From collateral issuers and persons received	12	1	7	1	-	-
Transactions with related parties	-	-	626	50	-	-
	<u>22,662</u>	<u>1,813</u>	<u>16,236</u>	<u>1,299</u>	<u>11,906</u>	<u>953</u>
Operational risk:	<u>2,293</u>	<u>183</u>	<u>1,963</u>	<u>157</u>	<u>1,540</u>	<u>123</u>
Total assets at risk	<u>\$ 29,542</u>	<u>\$ 2,362</u>	<u>\$ 23,868</u>	<u>\$ 1,909</u>	<u>\$ 16,891</u>	<u>\$ 1,350</u>

At December 31, 2016, 2015 and 2014, weighted positions by market risk are as follows:

	2016		2015		2014	
	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement
Market risk	\$ 4,587	\$ 366	\$ 5,669	\$ 453	\$ 3,445	\$ 274
Credit risk	22,662	1,813	16,236	1,299	11,906	953
Operational risk	2,293	183	1,963	157	1,540	123
	<u>\$ 29,542</u>	<u>\$ 2,362</u>	<u>\$ 23,868</u>	<u>\$ 1,909</u>	<u>\$ 16,891</u>	<u>\$ 1,350</u>

27. Ratings of the Bank

As of December 31, 2016, the Bank has the following ratings:

	Standard & Poor's	Fitch Ratings
National level-		
Short-term	mxA-1	FI(mex)
Long-term	mxA+	A+(mex)
Financial strength-		
Outlook	Stable	Stable
Released date	Apr 29, 2016	Nov 24, 2016

28. Memorandum accounts

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

Aside from the above memoranda accounts, Monex, S.A.B. also has the following:

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

As of December 31, 2016, 2015 and 2014, Monex, S.A.B. administered the following trusts and mandates:

	2016	2015	2014
Trusts under-Administration	\$ 82,727	\$ 71,859	\$ 62,234
Guarantee	4,517	4,302	2,239
Investment	1,689	2,439	4,055
	<u>\$ 88,933</u>	<u>\$ 78,600</u>	<u>\$ 68,528</u>

As of December 31, 2016, 2015 and 2014, the income from the administration of such assets was \$94, \$77 and \$61, respectively.

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

As of December 31, 2016, 2015 and 2014, other record accounts have a balance of \$3,660, \$3,106 and \$2,207, respectively.

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

For the years ended December 31, 2016, 2015 and 2014, gain/losses on financial assets and liabilities (net) are as follows:

	2016	2015	2014
Foreign exchange result:			
Valuation	\$ (3)	\$ (12)	\$ 4
Realized gains or losses	2,465	3,385	2,873
	<u>2,462</u>	<u>3,373</u>	<u>2,877</u>
Derivatives result:			
Valuation	(181)	(87)	340
Realized gains or losses	2,711	681	(161)
	<u>2,530</u>	<u>594</u>	<u>179</u>
Income from debt securities:			
Valuation	(136)	(4)	16
Realized gains or losses	354	(114)	280
	<u>218</u>	<u>(118)</u>	<u>296</u>
Equity:			
Valuation	6	(2)	-
Realized gains or losses	1	23	10
	<u>7</u>	<u>21</u>	<u>10</u>
	<u>\$ 5,217</u>	<u>\$ 3,870</u>	<u>\$ 3,362</u>

30. **Interest income (expenses)**

As of December 31, 2016, 2015 and 2014, the financial margin was as follows:

	2016	2015	2014
Interest income:			
Investment securities, debt and equity	\$ 1,387	\$ 1,100	\$ 812
Bank and other loans	3	7	19
Deposits with financial institutions	51	27	41
Loan portfolio	951	542	364
Others	49	34	43
	<u>2,441</u>	<u>1,710</u>	<u>1,279</u>
Interest expenses:			
Interest from repurchase agreements	(899)	(566)	(373)
Interest on bank and other loans	(60)	(40)	(30)
Demand deposits	(51)	(44)	(37)
Time deposits	(482)	(298)	(336)
Securitization certificates	(115)	(95)	(72)
Others	(8)	(7)	-
	<u>(1,615)</u>	<u>(1,050)</u>	<u>(848)</u>
Total	<u>\$ 826</u>	<u>\$ 660</u>	<u>\$ 431</u>

31. Segment information

As of December 31, 2016, 2015 and 2014, Monex, S.A.B. identified operating segments within its different business and it considers each as part of its internal structure and with its own profit risks and opportunities. These segments are regularly reviewed in order to assign operating monetary resources and evaluate their performance.

2016	Foreign exchange	International	Derivatives	Banking products	Credit and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	\$ 2,480	\$ 1,930	\$ 582	\$ 225	\$ -	\$ -	\$ -	\$ 5,217
Interest income	-	7	36	1,392	954	-	52	2,441
Interest expense	-	-	-	(1,014)	(593)	-	(8)	(1,615)
Allowance for loan losses	-	-	-	-	(150)	-	-	(150)
Commission and fee income	82	116	-	139	40	189	28	594
Commission and fee expense	(6)	(30)	(11)	(40)	-	(1)	(83)	(171)
Other operating income (expenses), net	-	(1)	-	-	41	(7)	49	82
Administrative and promotional expense	(1,995)	(1,606)	(470)	(589)	(198)	(150)	-	(5,008)
Current and deferred income taxes	(172)	(98)	(22)	(35)	(29)	(10)	47	(319)
Total general	\$ 389	\$ 318	\$ 115	\$ 78	\$ 65	\$ 21	\$ 85	\$ 1,071
2015	Foreign exchange	International	Derivatives	Banking products	Credit and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	\$ 2,284	\$ 1,282	\$ 400	\$ (96)	\$ -	\$ -	\$ -	\$ 3,870
Interest income	-	8	24	1,110	549	-	19	1,710
Interest expense	-	-	-	(661)	(385)	-	(4)	(1,050)
Allowance for loan losses	-	-	-	-	(76)	-	-	(76)
Commission and fee income	76	88	-	145	42	143	34	528
Commission and fee expense	-	(23)	(9)	(41)	(3)	(1)	(97)	(174)
Other operating income (expenses), net	-	4	-	2	-	(6)	159	159
Administrative and promotional expense	(1,941)	(1,052)	(349)	(439)	(116)	(129)	-	(4,026)
Current and deferred income taxes	(145)	(106)	(23)	(7)	(3)	(3)	(37)	(324)
Equity in income of unconsolidated associate companies	-	-	-	-	-	-	8	8
Total general	\$ 274	\$ 201	\$ 43	\$ 13	\$ 8	\$ 4	\$ 82	\$ 625
2014	Foreign exchange	International	Derivatives	Banking products	Credit and deposits	Trust services	Others	Total
Gain/losses on financial assets and liabilities (net)	\$ 2,030	\$ 867	\$ 158	\$ 307	\$ -	\$ -	\$ -	\$ 3,362
Interest income	-	6	35	820	383	-	35	1,279
Interest expense	-	-	-	(445)	(403)	-	-	(848)
Allowance for loan losses	-	-	-	-	(48)	-	-	(48)
Commission and fee income	66	85	-	171	69	129	41	561
Commission and fee expense	-	(16)	(11)	(36)	(18)	(4)	(111)	(196)
Other operating income (expenses), net	-	(3)	-	2	-	(2)	172	169
Administrative and promotional expense	(1,733)	(742)	(150)	(726)	23	(109)	-	(3,437)
Current and deferred income taxes	(112)	(61)	(10)	(28)	(2)	(4)	(43)	(260)
Equity in income of unconsolidated associate companies	-	-	-	-	-	-	22	22
Total general	\$ 251	\$ 136	\$ 22	\$ 65	\$ 4	\$ 10	\$ 116	\$ 604

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.

Banking products: Securities Products and Services Asset Management brokerage services includes intermediation services of fixed income in investment in securities and repurchase agreements, securities brokerage and international capital, funds and managed portfolios.

Credit and deposits - Operations banking products, lending services and client's deposits.

Trust Services - Operations Common Trust Services and Representation.

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

32. Contingencies and commitments

- a) *Lawsuits* - Over the normal course of business, Monex, S.A.B. and subsidiaries have been involved in certain lawsuits which are not expected to significantly affect their financial position or future results of operations. Provisions have been recognized for those matters representing probable losses. As of December 31, 2016, 2015 and 2014 Monex, S.A.B. has contingency reserves for \$152, \$21 and \$5 respectively, which are included in "Sundry creditors and other accounts payable". Monex, S.A.B.'s management considers the reserve is reasonable in accordance with its internal and external legal counsel opinion.
- b) *Administered loan portfolio* - As discussed in Note 9, the portfolio administered by Monex, S.A.B. derived from the sales made and equity held under the outline agreement executed with ExIm-Bank and Pefco is for the amount of \$22, \$206 and \$202 at December 31, 2016, 2015 and 2014, respectively. In relation to this loan portfolio, Monex, S.A.B. has committed to assume all credit risks in the event of noncompliance with the terms agreed with ExIm-Bank regarding the documentation of each loan. However, management considers that the possibility of a refund to ExIm-Bank is unlikely.
- c) *Connectivity Service Contract* - On December 17, 2015, Monex, S.A.B through its subsidiary Monex Grupo Financiero, signed a contract with Alestra, S. de R.L. de C.V., for the provision of connectivity services; access to the internet; security equipment; monitoring; platform execution; storage and restoration of information; administration of applications and databases, among others. It will last 5 years. The estimated amount to be paid for the 5 years of service is \$135.

33. Subsequent events

On January 26, 2017, Monex, S.A.B. signed an agreement for a vehicle organized or managed by Ventura Capital Privado, S.A. de C.V. can invest up to \$1,500 in shares of Monex, S.A.B. At a price per share of \$18.65. This operation is subject to approval by the Commission.

34. Comprehensive risk management (unaudited)

a. *Applicable standards -*

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

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

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

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

b. *Environment -*

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

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

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

c. *Risk management entities -*

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

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

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

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

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

d. **Market risk -**

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

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

e. **Liquidity risk -**

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

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

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

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

f. **Credit risk -**

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

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

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

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

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

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

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

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

g. **Operating risk -**

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

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

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

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

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

Scale	Level
1	Low
2	Medium
3	High

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

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

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

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

h. **Legal risk -**

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

i. **Technological risk -**

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

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

j. **Quantitative information (unaudited)**

a) **Market risk -**

At December 31, 2016, 2015 and 2014, the VaR was \$30, \$14 and \$6, respectively (unaudited) and with a 99% reliance for one day. This value represents the maximum loss expected during one day and is situated within the limits established by Monex, S.A.B.

At December 31, 2016, 2015 and 2014, portfolio concentration by segment was as follows (unaudited):

	2016	2015	2014
Farming	\$ 596	\$ 406	\$ 60
Foods	513	257	108
Automotive	1,187	1,026	679
Commerce	1,132	740	805
Housing construction	550	150	119
Specialized construction	1,076	805	481
Pharmacist	12	13	-
Financial	2,155	1,456	897
Hospitality / Restaurants (tourism)	1,290	1,183	540
Chemistry Industry	317	280	209
Real state	1,915	1,552	1,392
Manufacturing (manufacture of plastic)	906	614	484
Manufacturing (manufacture of electrical and electronic)	19	18	60
Manufacturing (manufacture of concrete products)	714	636	226
Manufacturing (other)	726	497	164
Mining and metals	484	351	308
Natural person	680	411	509
Suppliers (PEMEX)	597	902	545
Services	2,371	503	242
Transport and telecommunications	666	342	151
Others	<u>379</u>	<u>329</u>	<u>61</u>
Total	<u>\$ 18,285</u>	<u>\$ 12,471</u>	<u>\$ 8,040</u>

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

Note: As of 31 December 2016 sectoral classification criteria including more industries to identify more accurately the risk are updated. For comparative purposes of this report the information regroups 2015 and 2014.

Market risk statistics

	VaR Minimum	VaR Average	VaR Maximum
Global	2	21	47
Derivatives	1	4	10
Money market	1	5	19
Foreign exchange	0.01	0.43	1.77

*The average value refers to the daily exposure of the money market, derivatives and foreign-exchange as of December 31, 2016.

b) **Credit risk -**

Corporate bonds portfolio.

The credit VaR of the corporate bonds portfolio of the Money market as of December 31, 2016 in Monex, S.A.B. was (3.39%) relative to an investment of \$10,400, whereas the credit stress of such portfolio was (10.48%) 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
Minimum	3.15%	0.69%	2.45%
Maximum	3.73%	0.81%	2.93%
Average	3.49%	0.77%	2.72%

Note: The figures presented are expressed in amounts relative to the value of the corporate bonds portfolio, for the daily exposure of December 31, 2016.

Commercial loan portfolio.

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

Expected loss statistics of commercial loan portfolio.

	Minimum	Maximum	Average
Expected loss	253	298	273
Not expected loss	51	58	54
Var	304	356	327

The expected loss statistics refer to the daily exposure of December 31, 2016 for the commercial loan portfolio.

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

c) **Liquidity Risk -**

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

Year	Requirement ≤30 days	Requirement ≤30 days
2016	\$ <u>(20,270)</u>	\$ <u>19,123</u>

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

Year	Requirement ≤30 days	Requirement ≤30 days
2016	\$ 611	\$ 578

Liquidity risk statistical.

GAP total depreciation

Statically	≤30	≤90	≤180	≤360	≤720	≤1800	>1800	Total
Minimum	(7,797)	828	751	1,045	1,875	2,750	2,373	5,890
Maximum	(5,113)	4,217	2,434	1,804	2,186	3,432	3,121	8,634
Average	(6,309)	2,500	1,844	1,519	1,995	3,054	2,845	7,448

GAP maturity total

Statically	≤30	≤90	≤180	≤360	≤720	≤1800	>1800	Total
Minimum	(7,667)	(1,859)	1,507	3,481	5,669	12,167	(5,265)	14,216
Maximum	(1,890)	3,561	4,309	5,506	8,264	16,137	(3,090)	23,376
Average	(5,576)	1,052	2,885	4,264	6,601	13,587	(4,018)	18,794

*The statistics of the maturity GAP refer to the position of the money market, credit, derivatives and foreign-exchange portfolios of December 31, 2016.

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 mmp	Var Absolut	Effect of Selling off unusual MD	Amount
Actual Cost	(161,647)		Value of securities	21,458,421
Sensitivity 1*	(177,812)	(16,165)	Sensitivity 1	(4,890)
Sensitivity 2	(193,977)	(32,329)	Sensitivity 2	(48,796)
Stress 1	(210,142)	(48,494)	Stress 1	(477,519)
Stress 2	(226,306)	(64,659)	Stress 2	(931,824)
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 Money market	Amount mmp	Interest paid of deposits	Current MTM	MTM variation
Securities' value	29,723,982	Interest paid (actual)	(5,715)	
Sensitivity 1	(351,040)	Sensitivity 1*	(10,202)	(4,487)
Sensitivity 2	(3,501,758)	Sensitivity 2	(14,689)	(8,975)
Stress 1	(34,153,013)	Stress 1	(19,177)	(13,462)
Stress 2	(66,384,757)	Stress 2	(23,664)	(17,949)
Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.		Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.		

d) ***Risk policies applied to derivative financial instruments-***

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

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

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

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

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

e) ***Detection of transactions with illegal resources –***

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

35. **New accounting principles**

As of December 31, 2016, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the financial statements of Monex, S.A.B.:

a. **Improvements to NIF 2017 - The following improvements were issued which generate accounting changes effective as of January 1, 2017:**

NIF B-13, *Events after the date of the financial statements*, If an agreement is reached as of the authorization date for the issuance of the financial statements to maintain the contractual long-term payments of a debt instrument that is in default, such liability may be classified as a long-term item at the date of the financial statements; early application of this guidance as of January 1, 2016 is permitted.

NIF C-11, *Stockholders' equity* – Establishes that the costs incurred to list shares in a stock market which at the date of such listing were already the property of investors, and for which the issuing entity had already received the respective proceeds, should be recognized in net income or loss at the time of their accrual, because it is considered that there was no equity transaction. It also clarifies that any expense incurred in the re-issuance of repurchased shares should be recognized as a reduction of the capital issued and placed.

NIF D-3, *Employee benefits* – Is modified to establish, as a basic principle, that the discount rate to be used in the determination of the present value of the long-term labor liability should be a free market rate with a very low credit risk, which represents the value of money over time. Consequently, either the *government bond market rate* or the *market rate for high-quality corporate bonds in absolute terms in a deep market*, could be used, indistinctly, provided that the latter complies with the requirements established in Appendix B– *Application guidance*, B1– *Guidance for the identification of issues of high-quality corporate bonds in absolute terms in a deep market*. Early application is allowed.

- b. Improvements to NIF 2017 – The following improvements do not generate accounting changes:

Bulletin C-15, Impairment in the value of long-lived assets and their disposal

The improvements consist of outlining the scopes and definitions of these NIF to clearly indicate the appropriate application and accounting treatment; consequently, no effective date was established for these improvements.

- c. The following NIF were issued and are effective January 1, 2018:

NIF C-9, Provisions, contingencies and commitments: The term probable replaced the term virtually unavoidable in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

At the date of issuance of these consolidated financial statements, Monex, S.A.B. has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

36. Authorization of the Financial Statements

On March 17, 2017 the issuance of the consolidated financial statements was authorized by Moisés Tiktin Nickin, Chief Executive Officer of Monex, S.A.B., Álvaro Alberto Calderón Jiménez, Chief Financial Officer, José Luis Orozco Ruíz, Chief Internal Auditor and José Arturo Álvarez Jiménez, Director of Accounting and Tax and by the Board of Directors, who, in addition to the Commission may be modified.

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