monex

ANNUAL REPORT

2018

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

Paseo de la Reforma No. 284, 12th floor, Colonia Juárez, 06600. Mexico City
Telephone: +52 (55) 5231 0870

ANNUAL REPORT

ANNUAL 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 31st, 2018.

NUMBER OF SHAREHOLDERS' EQUITY SHARES: 545,808,505
OUTSTANDING SHARES: 535,965,425
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 December the 31st, 2018 in the BMV. 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 BONDS

Issuance Number: Third
Ticker Symbol: MONEX 17
Issuance's Maturity Term: 1,092 days, that is to say, approximately 3 years.
Date of issue: May 25, 2017
Maturity Date: May 21, 2020
Interests and procedure for calculation:

Counting from the date of issue, and as long they are not fully amortized, Bonds 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 Bonds 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 Bonds 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 Bonds, 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, Bonds hold no specific guarantee whatsoever.
Rating granted by Standard & Poor's, México, S.A. de C.V.: 'mxA', This rating indicates that debs 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: Evercore Casa de Bolsa, S.A. de C.V.
Depositary: 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 Bonds 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 Bonds must consult with their advisers, in relation to all fiscal consequences resulting from the purchasing, maintenance or selling of Bonds, including the application of specific rules in relation to its particular situation.

These 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.

Issuance Number: First
Ticker Symbol: MONEX 17-2
Issuance's Maturity Term: 1,092 days, that is to say, approximately 3 years.
Date of issue: October 23, 2017
Maturity Date: October 19, 2020
Interests and procedure for calculation:

Counting from the date of issue, and as long they are not fully amortized, Bonds 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 Bonds 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 Bonds 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, 3rd floor, 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 Bonds, 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 1.33 "Voluntary Advanced Amortization" of the final placement Supplement.
Guarantee: Issue is unsecured, that is to say, Bonds hold no specific guarantee whatsoever.
Rating granted by Standard & Poor's, México, S.A. de C.V.: 'mxA', This rating indicates that debs 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.
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Common Representative: Evercore Casa de Bolsa, S.A. de C.V.
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Applicable Tax Rules: The retention rate applicable to interests paid in accordance with Bonds 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 Bonds must consult with their advisers, in relation to all fiscal consequences resulting from the purchasing, maintenance or selling of Bonds, including the application of specific rules in relation to its particular situation.

These 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 Bonds are paid in full, the Monex is bounded to:

(a) Keep the registration of Bonds 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 Bonds 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 Bonds described above and until the same have been paid in full, unless the Holders of the majority of Bonds 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 Bonds.
(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 Bonds 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 Bonds.
(d) **Dividends Payment.** 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 restructuration, 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 > Financial Information > Annual Reports.

For the year ending on December 31, 2018

Mexico City, this 29th day of April, 2019

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ANNUAL REPORT

2018

Chapter 1

GENERAL INFORMATION

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” (Aliance for Corporate Social Responsability).
“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, 2018, 2017 and 2016.
“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, Development Banking Institution).
“BIVA”	Means “Bolsa Institucional de Valores, S.A.B. de C.V.”
“BMV” or “the Stock Exchange”	Means “Bolsa Mexicana de Valores, S.A.B. de C.V.”
“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 Federation’s 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 Auditores Externos” or “CUAE”	Means “General Provisions Applicable to the Entities and Issuers supervised by the CNBV which hire external audit services of Financial Statements” issued by the CNBV and published on the Federation’s Official Gazette on April 26, 2018, and all amendments made thereto.
“Circular Única de Bancos” or “CUB”	Means “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 “General Provisions Applicable to Brokerage Houses” 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 “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’s 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 Comission).
“Comisión Nacional de Inversión Extranjera”	Means the Foreign Investment National Commission
“CNSF”	Means “Comisión Nacional de Seguros y Fianzas” (the National Insurance and Bonds 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 the "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 underlying item 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).
"Instituto Mexicano de la Propiedad Intelectual"	Means the Mexican Institute of Intellectual Property
"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 de Inversión Extranjera"	Means the Foreign Investment Act
"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 General Law for Mercantile Companies).
"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 House).
"MNI Holding "	Means MNI Holding, S.A. de C.V. (before Monex Negocios Internacionales, S.A. de C.V.)
"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 Standards recognized and issued by the Mexican Council for the Research and Development of Financial Reporting Standards).
"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).
"Registro Nacional de Inversiones Extranjeras"	Means the Foreign Investments National Registry
"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 to 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, refers to activities carried out by the Issuer through its subsidiaries or indirectly, through the subsidiaries of Monex Grupo Financiero, MNI Holding, and Arrendadora Monex.

Our Business

We are one of the most dynamic and growing financial services providers in the Mexican market. With more than 33 years of experience, the main activities of our subsidiaries in Mexico and abroad is to provide banking and brokerage services. We serve around 67,400 clients, including large and medium-sized companies, mainly related to foreign trade. We are the leaders in the foreign exchange and international payments market in Mexico according to figures published by the Commission, and based on our own estimates.

We are a public company since 2010, whose main subsidiaries are: *Monex Grupo Financiero* formed by three financial entities: Banco Monex, Monex Casa de Bolsa and Monex Fondos (in Mexico); *MNI Holding*, formed by Monex Europe and Tempus (abroad); and *Arrendadora Monex*.

In Mexico, through our sales force distributed in 35 offices, we offer financial products that satisfy the needs of our clients, from which, the following products stand out:

- Foreign exchange and international payments
- Cash management
- Risk management products (derivatives)
- Credit products and international trade
- Investment funds
- Brokerage services (money markets, capital markets and investment banking)
- Private banking
- Trust services
- Pure leasing

We have two subsidiaries abroad, in North America and Europe, through these companies we offer financial products to corporate clients with needs of foreign exchange and international payment services.

We are focused on being the main provider of diverse financial products and services for national and international companies; by establishing long-term relationships with our clients. The personalized attention offered to our clients, as well as the broad experience of our sales force, allows our clients to have access to different specialized products and services that satisfy their need for banking services and international payments.

Among our competitive advantages, the following stand out:

- Market leadership in the foreign exchange and international payment services
- Superior execution and service supported by our leading and scalable information technology and payment platform
- A broad client base of well-established and growing large and medium-sized firms attended to by an experienced sales force
- 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
- Effective risk management, anti-money laundering controls and proper corporate governance practices
- Experienced management team
- State-of-the-art and reliable electronic platform for foreign exchange and international payments

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

In addition to our operations in Mexico, through Monex Europe (with presence in the UK, Spain, the Netherlands, Canada* and Singapore) and Tempus (United States), we have been able to access the international markets, offering foreign exchange and international payment services.

In accordance with the information published by Banco de México, as well as the internal estimates as of November 2018, we had a 31% participation in the Mexican foreign exchange market (calculation based on our operated volume)** and carried out over 5.4 million payment 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 (derivatives), 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 our indirect subsidiaries, such as:

- Grupo Financiero Monex and its subsidiaries:
    - Banco Monex (credit institution),
    - Monex Casa de Bolsa (brokerage house),
        - Monex Securities (US company which provides international brokerage services)
        - Monex Asset Management (which provides investment advice in the US)
    - Monex Fondos (company operating investment funds) in Mexico;

- MNI Holding and our indirect subsidiaries:
    - Monex Tempus and
    - Monex Europe (foreign exchange and international payments companies);

- Arrendadora Monex (pure leasing) in Mexico

Our main subsidiary is Banco Monex, which represented 76.5% of our net profit for the year ending on December 31, 2018, due to that most of our foreign exchange services are provided through this entity.

In 2018, we earned $2,875*** million pesos as revenue coming from operating with almost 31,000 clients in the foreign exchange sector in Mexico. The total volume of our foreign exchange transactions and international payments in Mexico with non-government and non-financial clients is equivalent to USD$ 189 billion as of November 2018****. Moreover, 87.6% of our operating volume of 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 a broad 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), specialists in foreign exchange in the American market.

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 offer our services to the rest of the European Union.

* Canadian office is part of Monex Europe since January 2th, 2018
** Market defined as non-financial private domestic clients in Mexico. Source: Monex, based on statistics from the Banco de México
*** Operating income generated by Foreign Exchange transactions in Mexico (internal figures)
**** Source: Monex, based in statistics of Banco de México as of November 2018

Our headquarters are located in Mexico City, and we currently have 35 offices within Mexico (same for Monex Grupo Financiero), as well as 6 offices located in the U.S. (Los Angeles, Washington, D.C., New York, San Diego, San Antonio, and Houston), one office in Canada (Toronto), one office in the UK (London), one office in Spain (Madrid), one office in the Netherlands (Amsterdam) and one office in Singapore. 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, 2018, 71.8% came from our business in Mexico and 28.2% came from abroad.

We conduct our business in Mexico through our highly specialized sales force of 813 executives in Mexico, who proactively look for new business opportunities through the creation of relationships with new and current clients and through cross-sales of products from our different business segments. Our sales executives have access to a solid technological platform, in which we have made substantial investments with the purpose of improving the speed, efficiency, reliability and profitability of our payment processing and offering new foreign exchange and international payments solutions for our clients.

Our profit margin 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 an average of 14.08%. Our ROE in 2018 ascended to 13.16%*. Our performance is the result of an effective business model focused on providing efficient and reliable financial services to profitable market segments.

As of December 31, 2018, we had assets equivalent to $98,944 million pesos, liabilities equivalent to $90,042 million pesos and a stockholders' equity equivalent to $8,902 million pesos. During the last 3 years, our total operating revenue has grown to a compound annual growth rate equivalent to 7.6%, from $6,316 million pesos in 2016, to $7,319 million pesos in 2018. Likewise, the consolidated net income grew at a compound annual growth rate equivalent to 2.1% in the same period, from $1,071 million in 2016 to $1,116 million in 2018.

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

Recent Events

2018

Acquisition of Arrendadora Monex (formerly Arrendadora Avance)

On June 28th, 2018, through a share purchase agreement, we acquired 59.95% of Arrendadora Avance shares for a total amount of $79.9 million pesos. Subsequently, on July 8th, 2018, we made a capital contribution of $5.7 million pesos, increasing our shareholder percentage to 61.61% in this entity.

On November 30th, 2018, our subsidiary Banco Monex sold to Arrendadora Monex a loan with an original face amount of 30 million dollars; a third party evaluated this loan and it determined a commercial value of $7.5 million dollars as a result of its sale and recording a loan loss of $22.5 million dollars at Banco Monex.

Investment Authorization

On February 2nd, 2018, the Board of Directors of CLS in Switzerland authorized us to invest in the foreign financial institution CLS Group Holdings, AG ("CLS") through Banco Monex, our main subsidiary. Throughout the second quarter of 2018, we submitted an application to be appointed as clearing members of CLS Bank International, which turns Monex a shareholder and participant of CLS.

Dividends payment

In the shareholders´ meeting held on April 11th, 2018, 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".

* Annualized Net Income / Last Four Quarters Average Equity.

Bonds redeemed

The bonds of Banco Monex, our subsidiary, with the ticker symbol “BMONEX15”, issued on July 14th, 2015, for an amount of $1,000 million pesos were fully paid in their terms for principal and interests.

2017

Investment Authorization

As of June 1st, 2017, Banco Monex (indirect subsidiary) received the authorization to participate in the capital stock of CLS Group Holdings Ag (CLS) (Switzerland). The purpose of this investment is to participate in the largest foreign exchange liquidity system worldwide. CLS acts as a clearinghouse that seeks to increase liquidity and mitigate foreign exchange risk for its partners. Currently, CLS operates with the 18 most important currencies in the world. It is important to highlight that Banco Monex is the first independent financial institution (i.e. not a subsidiary of an international bank) of Latin America to participate as a CLS member.

Through a private offering of shares, the Bank committed to acquire a total of 1,479 new shares issued at a price of 2.1 million sterling pounds, investment made on January 12th, 2018.

Issuance of bonds

On May 23rd, 2017 we successfully issued the third public offering of bonds under the ticker symbol MONEX 17, for an amount of $1,000 million pesos at a TIIE28 + 160 bp rate for a period of 3 years. We used these resources to amortize the bonds under the ticker symbol MONEX14, for an amount of $1,000 million (November 6th, 2017).

On the other hand, on October 18th, 2017, the Commission granted us the authorization for a new program of bonds of up to $4 billion pesos for a period of 5 years. Additionally, on October 19th, 2017, we successfully issued the fourth public offering of bonds under the ticker symbol MONEX 17-2, for an amount of $500 million pesos at a TIIE28 + 150 bp rate for a period of 3 years. The destination of the resources was mainly to capitalize Banco Monex.

International restructuring

The ordinary and extraordinary shareholders´ meetings approved to spin off the participation, both directly and indirectly, of Banco Monex and Monex Grupo Financiero in the international subsidiaries. As a result, a new company was established named MNI Holding in order to be the owner of Tempus and Monex Europe. Therefore, the new corporate structure is as follows: Monex SAB is 99.99% owner of MNI Holding, while the latter is 99.99% owner of Tempus and 99.99% of Monex Europe. It is important to point out that corporate structure movements do not represent a corporate restructuring in terms of the applicable regulations.

Dividends payment

In the shareholders´ meeting held on April 17th, 2017, a decree of dividend for shareholders was agreed for an amount of up to $320 million pesos, with charge to the account named “Results from previous years”.

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 shareholders´ meeting 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 operations in Amsterdam

As part of our international expansion started in 2010, Monex Europe opened an office in Amsterdam.

Market Opportunity

Our main line of business is foreign exchange and international payments. This market has been and shall remain being influenced, mainly by the foreign trade flow. We carry out most of our business activities in Mexico, which has registered a significant increase in international payments transactions derived from several international trade agreements, which have contributed to strengthening 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 geographical diversification 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 expect 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 68.8% of our total revenue during 2018 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 31st,, 2018, our net loan portfolio amounts to $23,504 million pesos and is formed mainly by short-term credit lines and commercial credit which are distributed among 957 clients approximately.

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 2018, we had a market share of 31% in the foreign exchange market in Mexico (based on our total volume)*. 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. In Mexico, during 2018, we provided services for almost 31,000 companies. Clients which operate foreign exchange and international payments recognize "Monex" trademark as a solid institution offering efficient and high-quality services at competitive prices.

During 2018, we carried out over 5.4 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 with our clients and our sales force which provides high-quality service and attention. All of the above is supported on a solid technological systems platform. Our sales force 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 31st, 2018, in Mexico, we have 813 sales executives, from which, 552 were dedicated to foreign exchange and international payments services. We make an important effort to hire and keep the most talented sales executives in the market. Their compensation 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 a 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 offering Dollar forwards in Mexico. Likewise, according to the company *Structured Retail Products*, in 2018 we were one of the largest issuers of structured notes (mainly short-term notes, with guaranteed capital, 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 growth products offering and market presence through organic growth and the acquisitions of other companies.

During the 33 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 holding company of a financial group and other companies related to the payments market, with presence in over 35 cities in Mexico, with 5 regional directions and presence in the USA, Canada, Europe (the United Kingdom, Spain and the Netherlands and Singapore). 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 successful acquisitions, which we consider a result of the experience of our management team, our reputation within the market, and our solid financial presence.

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

Since 2001, we have acquired eight 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), Schneider Foreign Exchange Limited in 2012 (company based in the United Kingdom), and Arrendadora Avance in 2018 (a company with headquarters in Mexico specializing in pure leasing). Based on our capacity to seize our broad experience in Mexico, we have been able to grow geographically and 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.

Investments in FinTech Companies

Since 2016, we have invested in three different FinTech companies, having a minor percentage in the equity of these companies, which offer state-of-the-art technology solutions.

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 with all anti-money laundering policies.

In addition, we have strengthened the internal systems that support customer service, as an example, during 2018, the system in charge of business resource management (ERP) was renewed.

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

As of December 31, 2018, we offer services for over 67,400 clients (figures calculated based on the number of clients who carried out, at least, one transaction throughout the 12-month period ended on December 31, 2018). Our 10 largest clients represented less than 10% of our profit during the fiscal year 2018 and no client represented more than 5%. Moreover, approximately 31.2% of our revenues during 2018 came from different segments of our main line of business (foreign exchange) in comparison with 31.7% in 2017. 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 operations in the USA, Canada, the United Kingdom, Spain, the Netherlands, and Singapore, through our subsidiaries Tempus and Monex Europe. In 2018, approximately 71.8% of our profit came from transactions in Mexico and 28.2% from our international subsidiaries.

We consider that the geographical, client, and product 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 from volatility periods with greater margins and from higher levels of transactions in economic growth periods. Also, our asset management and investment funds segments allow us to have a stable source of income, as our main revenue source is the commissions that we charge based on the assets under management

Higher financial return through efficient transactions and careful administration

During 2018, we had a ROA of 1.03%* and a ROE of 13.16%*. We consider that our return rates are due to the efficiency of our business operation, our focus on products and profitable client segments, which require lower capital levels and our careful and conservative financial administration. For instance, Banco Monex had a ROA of 0.87%** and a ROE of 14.10%** in 2018, and a capitalization ratio of 15.46%. As of December 31, 2018, Banco Monex had a past due loan reserves ratio of 2.11% and a loan risk reserves / loan portfolio*** ratio of 1.73%.

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, strict client 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
- Establishing a communication and control committee in charge of, among other things, supervising the compliance with anti-money laundering regulations.
- 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
  - iv. the application of a methodology for assessing the risk of money laundering and financing of terrorism at the entity level, including compensatory controls for its mitigation
  - v. the implementation of systems and processes to prevent, detect, and report operations related to resources of unlawful origin

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 have implemented certain corporate governance measures, according to public company requirements. According to those measures, 43% from our Board of Directors are independent.

* Annualized Return Formula = (Annualized Net Income / Average Assets or Equity) | Average assets or equity = (Last Four Quarters Average Assets or Equity / 4).
** According to figures published by the Commission as of December 31st, 2018.
*** Refers to the loan risk reserves / the total loan portfolio, same that, according to 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.

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

We consider that our management team has been responsible for the efficient operation of our different lines of business, our solid financial results, and the compliance with our growth plan. Our 10 most experienced directors have an average of 12 years of experience in the financial sector and have been working for us for 15 years in average. Likewise, our management team has played a leading role in the successful growth of Monex not only organic but also through diverse acquisitions. Monex's management team possesses proven experience in the 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, becoming an internationally relevant player and, 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, to continue operating as a 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 clients

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 sales force, by developing new relationships with clients, increasing the volume of transactions and profits obtained from our Mexican corporate clients. As part of our growth plans, during 2019, we consider that there is a big potential for our sales force to offer risk management products, such as forwards, for our current clients using products related to foreign exchange and international payments. Since only 8.5% of these clients carried out coverage transactions with us during 2018. In addition, we intend to reinforce our business promotion for larger clients carrying out foreign exchange and higher international payments, with the purpose of increasing our volume of transactions and profits.

Based on the business relationship we have with our foreign exchange clients and our knowledge of their needs, we will rely on the sales force so that together with the credit specialists we can achieve an adequate cross-selling in order to offer financing that meets our clients' needs.

Diversification of our financial services portfolio offered to 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 of our activities with the purpose of finding different and profitable sources of income. In the last years, we have increased our efforts on offering traditional banking products and 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 volume of transactions and income, both in Mexico and in 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 35 offices in Mexico, for cross-selling of our products and increase our market position in all our lines of business. Based on the carefully designed compensation scheme, our sales force has the incentive to maximizing profit from the existing relationship with our clients. Currently, our foreign exchange and international payments sales force receives support from our product specialists in the rest of the financial products; therefore, we can have a better coverage service. As a 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, asset management products, and pure leasing.

Based on our market share, we are looking to leverage 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 sales force 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 31st, 2018, approximately 957 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 sales force. We will continue 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 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 these services or those who receive these 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 to capitalize on 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

In Monex attracting, developing, and retaining the most talented resources have been main strategies that allow us to reach our business goals. We manage the staff from the search for new talent, their recruitment and, once inside the company, their development through mature and well-implemented processes. Considering the requirements of the sector, as well as the new technologies and through the detection of training needs, we annually administer the training program through which we keep our collaborators continually prepared to seize the most of the skills they have and thus ensure the best compliance with the objectives of each person and the company. With an average monthly rotation rate of 1.44% and an average annual rotation rate of 17.33% for 2018, we believe we have one of the lowest rotation rates in the industry. And we also consider that we have a very attractive compensation schema that allows us to keep our employees motivated.

In addition, our Social Responsibility and Welfare programs have been maturing in the areas that have been defined as priorities for our company, we have the certification as a Socially Responsible Company and the certification as a Healthily Responsible Organization. The entire talent management strategy and its development and the Social Responsibility and Welfare programs have made Monex a great place to work as evidenced by the Great Place to Work Institute upon granting us the Great Place to Work award for 16 years in a row.

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

Selected Financial Information

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

Selected Financial Information			
	2018	**2017**	**2016**
Balance Sheet			
Assets	98,944	102,773	80,294
Loan Portfolio (net)	23,504	20,228	17,987
Liabilities	90,042	94,624	72,988
Deposits	43,719	38,940	26,819
Shareholders' Equity	8,902	8,149	7,306
Income Statement			
Total Operating Revenues	7,319	6,482	6,316
Consolidated Net Income	1,116	1,102	1,071
Financial Margin %	15	17	17
Information per share			
Earnings per share (pesos)	2.08	2.06	1.99
Dividends per share (per year)	0.47	0.60	0.47
Book value per share	16.61	15.20	13.63
Profitability			
ROE* %	13.16	14.42	14.66
ROA* %	1.03	1.09	1.33

Internal information prepared with figures as of December 31 of 2018, 2017 and 2016. Figures in millions of pesos.

According to the financial statements, as of December 31st, 2018, Monex reported total assets of $98,944 million pesos and shareholders' equity of $8,902 million pesos. Consolidated net income reached $1,116 million pesos, thereby obtaining a ROE of 13.16% during the same period.

Profit from the main lines of business

Through our subsidiaries, we have increased diversification in our operating revenues.

For further information and more details on the contribution of each line of business in the Issuer's results, please review Note 32 of the consolidated financial statements for the years ending on December 31, 2018, 2017 and 2016 and Independent auditors´ report, contained in chapter 6 "Annexes" of this Annual Report.

* Annualized Net Income / Last Four Quarters Average Equity.

Performance of Monex B shares in the Mexican stock market

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

Data per share	2018	2017	2016
Minimum	10.50	10.00	9.55
Maximum	16.00	18.65	11.00
Closing Price	14.10	15.90	10.00
Daily Trading Volume	7,544	3,052	2,425
Shares Outstanding *	536.0	536.0	536.2
Market Cap**	7,558	8,522	5,362
Dividend TTM	0.47	0.60	0.47
Earnings TTM	2.08	2.06	1.99
Book value per share	16.61	15.20	13.63
Price / Earnings	6.78	7.72	5.03
Price/Book	0.85	1.05	0.73
Dividend Yield TTM%	3.33	3.77	4.66

* Figures in millions of shares
** Figures in millions of pesos

Monex's Operation

Risk rating

Fitch Ratings			Standard & Poor's			HR Ratings			
Long-Term	Short-Term	Perspective	Long-Term	Short-Term	Perspective	Long-Term	Short-Term	Perspective	Rating *
A(mex)	F1	Stable	mxA+	mxA-2	Stable	HR A+	HR1	Stable	Monex (NS)
A+(mex)	F1	Stable	mxA+	mxA-1	Stable	HR AA-	HR1	Stable	Banco Monex (NS)
A+(mex)	F1	Stable	mxA+	mxA-1	Stable	HR AA-	HR1	Stable	Monex CB (NS)
-	-	-	BB+	B	Stable	-	-	-	Banco Monex (GS)
A(mex)	-	Stable	mxA	-	Stable	HR A+	-	Stable	MONEX 17 (NS)
A(mex)	-	Stable	mxA	-	Stable	HR A+	-	Stable	MONEX 17-2 (NS)

* NS: National Scale GS: Global Scale

c) Risk factors

Investing in our shares 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 prospects, 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 currently unknown risks or risks that, at present, we do not consider 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 on 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 disruption 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 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 to increase their preventive forecast levels for credit risks, modify the way in which forecasts are performed, or change capital requirements, a significant adverse effect on our operating results and financial position may be caused.

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 us

We are subject to extensive regulation and supervision by the Mexican financial authorities, such as the 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 with 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 us and our 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 sale 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, 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 with 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 this 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, might have an effect on the operating volume that may 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, statement of cash flows, 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 not have a negative material effect on operating results, balance sheet, statement of cash flows, 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, 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 credited 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 currency and the default rate among its credited parties 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 severe depreciation or appreciation, the government may intervene, as it has happened in other countries, or in the crash 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 currency. 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 not imposed restrictions on the right or capacity of the Mexican and foreigners to convert pesos into 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 when we keep an open position in relation to currencies different to the Mexican peso, and interest rate risks when we have exposure to the recalculation of interest rates or keep securities accruing interests with fixed rates in real or 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 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 subject 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 on 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 more competition and our profitability as well as our capacity to keep and attract new clients may decrease. 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 larger operating volume.

On the other hand, it is also possible to face an increase in competition, as a result of online brokerage, online auctions, and the growing access to updated information related to online prices, or the involvement of other foreign exchange service 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 with 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 on 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 to add reforms in order to accelerate and liberalize the Mexican financial industry, which has been reflected in an increase in competition. To the extent to which the financial sector reform continues, international financial institutions, many of which possess 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 2016, financial conditions registered an appreciation of approximately 19% in relation to the Mexican peso–dollar exchange rate, closing that year with an exchange rate of 20.62 pesos per dollar, according to information published by the Banco de México in the DOF. By 2017, the Mexican peso–dollar closed in 19.66, showing a depreciation for the dollar of approximately 5% compared against the closing of the prior year. By the end of 2018, the Mexican peso in relation to the dollar closed in 19.65 pesos per dollar, which represents an appreciation for the peso of less than 1% 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 may increase, 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 2016 the exchange rate of the euro in relation to the dollar was of 1.05 dollars per euro, closing the year with an appreciation of almost 4% in comparison with the closing of the previous year. For 2017, the dollar showed an appreciation in relation to the euro of almost 14% with an exchange rate of 1.20 dollars per euro as of December 31, 2017. Lastly, on December 31, 2018, the exchange rate was of 1.14 dollars per euro, which represents an appreciation of the dollar of approximately 5% in comparison with the exchange rate from the previous year.

In relation to the pound sterling, on December 31, 2016, it was depreciated by 16% closing the year in 1.23 dollars per pound. By the end of December 2017, the pound sterling – dollar exchange rate was of 1.35, which represented a depreciation of almost 10% for the dollar by the end of 2017. Finally, during 2018, the dollar – pound sterling exchange rate was of 1.23, which represented an appreciation of almost 9% for the dollar in comparison with figures reported at the end of the last year.

During 2018, the world economy recorded a deceleration due to a lower dynamism in the advanced and in some emerging economies, outstanding that of the Eurozone, China and the United Kingdom. The International Monetary Fund lowered its growth forecast for the world economy from 3.7% to 3.5% for 2019. This decision was adopted, in part, in view of the negative effects of the tariff escalation enacted in the United States and China earlier that year.

In the United States, the labor market has continued to strengthen, although at a more gradual pace: the unemployment rate closed at 4.0% in 2018. In regard to inflation, it recorded a turning point in July and a downward tendency for the rest of 2018.

During 2018, the GDP increased by 1.7% and the annual inflation was 4.83% in Mexico.

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 with 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 with 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. Moreover, increases in 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 bonds obligations. 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 on interbank transactions in general. In case that any of those countries fail 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 on the Company, our operating results and our financial position.

Global economic activity shows signs of slowdown. Most notably, the performance of developed countries has been disappointing, except for the U.S., which has exceeded expectations. Namely, the economy of the Eurozone presented a lower dynamism than expected during 2018. The report on GDP, which increased 1.8%, remaining below the estimated 2.0%, was published in a preliminary manner. The foregoing is due to several factors: i) Germany introduced new fuel emission standards for cars, which has slowed down the consumption; ii) in Italy, concerns about sovereign and financial risks have increased, affecting domestic demand and causing its economy to enter into recession; iii) the contraction in Turkey could be deeper than expected; and iv) France and Spain are moderating their growth rate.

In addition to the above, the region faces the uncertainty associated with Brexit and the new rules by which the trade between the U.K. and the rest of the region shall be governed are still unknown, as well as the size of the economic impact, which, undoubtedly, will be negative.

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

Changes in the listing requirements established by the CNBV, the BMV, and the RNV in relation to which Monex may not be able to effectively and rapidly adapt, 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 funds derived 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 of our counterparties 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 on 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 on our operating results and financial position.

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

The 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 on 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 costs, make us give additional securities or implement protection clauses in our contracts for derivative financial transactions, which may have a negative effect on 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 on 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 sensitive 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 on our business, financial situation and operating results.

Loan risk reserves

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

We may request additional equity and we may not be capable of obtaining it or 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 flows
- 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 the IPAB funds.

We have contributed to the IPAB $153, $149 and $104 million pesos in 2018, 2017 and 2016, 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 on 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 on 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 on 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 restrictions 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 for 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 in 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 reports losses, the payment of dividends or transference of any financial benefits to Monex, as shareholders, will be prohibited from the date in which the IPAB determines the losses of Banco Monex until the date in which we have had paid those 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 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 a result of the losses suffered by Banco Monex.

We cannot guarantee that Banco Monex or 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 to companies with quoted securities 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 our 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 future development depend, in part, on the permanence of our main directors in duty. 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 sales force 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 sales force 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 do not enter into non-compete agreements with our sales force and their payment is based on commissions, mainly. We cannot guarantee that we will be capable of keeping our sales force, 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 on its financial results.

Our systems 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 efficiency and uninterrupted operation 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 costs
- 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 maintenance of our operating systems have been outsourced with third-party suppliers of these services, which will be difficult to substitute quickly. 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.

Consequently, there is a permanent effort to establish measures of mitigation of these risks. At least two simulation exercises of critical situations are carried out annually to ensure that these risks, if materialized, produce a lower impact.

Our systems could be subject to cyber-attacks or other violations to our networks security and information technology, which may interrupt our service, causing losses to our business and increases in our expenses

Cyber-attacks risk and other violations to our networks security and information technology in last years has grown in the financial system. In the Institution we are not exempt to suffer this kind of attacks as could be: technology vulnerabilities, information system configurations error, interruption of service and telecommunications, social engineering attacks, infrastructure technology attacks that would aim undermine the systems information in order to get privileged access; as other violations to our networks or technology information, which might cause an adverse effect on our business.

Worried about this environment, we take the following preventive and control measures in Monex:

- We have the ISO 27001 certification, which stablishes the best international practices in information security matter, which is renewed annually
- We have policies, controls, systems and procedures in information technology matter which allow us to evaluate, manage and identify the potential risks to which the information is exposed; as to provide a punctual following to the control deviations to detect any anomalous behavior seeking to vulnerate the security systems implemented
- We follow punctually and fully the Banco de Mexico and CNBV regulations, complying with the instructions in information security matter and the protection of this through best practices and available technologies
- We constantly strengthen our security technologies such as: Secure Sockets Layer (SSL), secure websites, Transport Layer Security (TLS), encryption methods to protect the information, Intrusion Detection System (IDS), and others.

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 in the sector at risk.

A higher dependence on technology implies a higher risk of having errors in programming, available 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 that 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 negative monetary effect on our results and financial position. Additionally, any malfunction or violation in our security systems may require investment of 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 cannot be successfully completed, due to the financial environment or causes outside our control, they may bring a negative impact on our business, financial situation and operating results, which, in turn may affect our capability to liquidate our liabilities. We cannot guarantee that we will successfully implement our expansion plans and strategies.

Likewise, we currently have 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 we have achieved to merge the companies that we have acquired to our business, we cannot guarantee that future acquisitions will be successful. The integration of purchased businesses involves important risks, including:

- That acquired businesses do not reach the expected results
- That savings expected from synergies are not 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 on us.

Failure in the integration of recent or future purchases may bring as a 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 that 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 in July 2012 or Arrendadora Avance which was made in June 2018. Derived from our experience, the success of future purchases for Monex or any of our subsidiaries or at least, some of them, will be subject 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 with the identification and evaluation of potential purchases, partners and businesses
- Mistakes 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 a 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 to certain extent on 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 on us.

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, and government-funded financial institutions, may have a significant effect on the private sector and on 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. Actions to control inflation and other regulations and policies have involved, among other measures, increases in interest rates, changes to tax policies, price control, currency devaluation, capital controls and limits to imports.

Therefore, we 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 not have an unfavorable effect on 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 on Monex. In the event that such impact 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 crash 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 on 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 on our operating results and our financial position.

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

We own subsidiary financial corporations, therefore, we are 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 on 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

We have 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 to continue offering financial services. This would have a substantially negative effect on our transactions, results, and financial condition.

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

We are a holding company of Mexican financial institutions and most of our transactions and assets are in Mexico; therefore, our operations are largely dependent 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, in Mexico or affecting Mexico, over which we have no control. In the past, Mexico has suffered long periods of weak economic conditions and declines in economic conditions, which have had a negative impact on 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 consequential devaluations), high inflation indexes, raised interest rates, economic contractions, decrease in cash flows coming from international payments, lack of liquidity in the banking sector and high unemployment indexes. Also, 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 on our business, financial situation and operating results, which, in turn may affect the expected financial performance.

The Mexican government has influenced 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 on 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 in 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 on 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 to 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 in their equivalent in such currencies, depending on the maturity of those 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 imbalance, we cannot guarantee that we will not experience losses in relation to these positions in the future, which may have a significant negative effect on us, including on our operating results.

The market value of securities in Mexico is influenced by economic and market conditions from developed and developing countries. Despite the fact that the economic conditions in those countries may vary significantly from the financial situation in Mexico, negative financial conditions may expand to a regional level or investors' reaction to events in these countries may have a negative effect on 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.

The Mexican economy is strongly integrated with the rest of the world, mainly through international trade, investment and foreign inflows. This generates a significant reliance on the exterior, reflected on the payments balance. According to the Banco de Mexico, the current account had a deficit of 5,082 million dollars in the third quarter of 2018 (1.6% of GDP), and the capital account had a deficit of 18 million dollars. On the other hand, the financial account had a net indebtedness that involved an entrance of resources for 4,697 million dollars.

Mexico total exports represent approximately 35% of GDP; according to INEGI, in 2018, the commercial balance showed a deficit of 13,704 million dollars, which is higher than the 10,968 million dollars recorded in 2017. The main destination of Mexican exports is the United States, making this country our main commercial partner, taking into consideration that it imports approximately 80% of the total. Despite the uncertainty associated with the renegotiation of NAFTA, exports of Mexico continued to grow at a good pace, although recently they show signs of slowdown due to lower dynamism observed in the US economy. Furthermore, there is a persisting risk that the reform of the Free Trade Agreement between the United States, Canada and Mexico will not be approved by the US Congress.

The recent increase of violence in Mexico has had a negative effect and may continue having a negative effect on 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 northern states 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 and 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 broad regulations to prevent money laundering and a stricter supervision of these activities by the competent authorities, which has had an impact in the manner in which we carry out our cash business in foreign currency and has resulted in a strengthening of our systems and supervision measures. Our incapability to detect and report money laundering activity may result in penalties and have a negative impact on 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 the demand of 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 propensity from clients to pay or refinance their credits at a fixed rated. 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 will be 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 on 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 on the amounts or requirements of additional information in relation to such interest rates in the future, to the date of this Annual 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 restrictions or information 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 counterparts.

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 performance of Monex. If market and credit risks are not properly covered of the operation of Risk Management products, the statement of income will be affected.

A serious devaluation or depreciation of the Mexican peso may have a negative effect on Monex and its subsidiaries, for instance, by increasing the amount in pesos of our liabilities calculated in foreign currency and increasing the 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 on our capacity to convert dollars or transfer currencies abroad, which may have a negative impact on 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 crash 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 are effective or that they will be kept, or the manner in which such measures will have an impact on 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 into 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 on us.

We are also exposed to foreign exchange risks as consequence of imbalance 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 arise, 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 may delay or prevent a control change

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 if the number of shares, or rights on these transactions is intended to be purchased in a single or several transactions, without time limit, 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 offer 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, 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 to have the right to assist to any general shareholders' meeting.

Consequently, regarding the acquisitions that must be carried out through public tender offers for acquisition according to the LMV, the acquirers must be authorized by the Board of Directors to carry out the transaction prior to the beginning of the period for the public tender offer. 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 aforementioned provisions may delay or prevent a change in the control 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 in 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
- Investors' perceptions of 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 foreign exchange control systems

- Firing or hiring key staff members
- Sale 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 on 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 additional capital and our main shareholders may be able to sell their interest in our Company. Such issuance or sale, or the plans to carry them out, may result in the dilution of the shareholders' financial or corporate rights 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 may cause a considerable fluctuation in the price and volume of transactions with our Shares

Our shares are listed in the BMV, which is one of the largest securities markets in Latin America; despite this fact, in terms of market capitalization, it's still smaller and less liquid than other securities markets, particularly in comparison with 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 on 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 even 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 in a stock ownership 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 written authorization from the Board of Directors (and, accordingly, the execution of the public tender offer 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 to 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, notwithstanding that our Board of Directors may agree, among other things, the reversal 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 minimum capital or reserves required in accordance with the applicable provisions

Our subsidiaries are subject to certain minimum capitalization and reserve requirements in order to support their transactions in accordance with the Accounting Criteria (or the applicable accounting criteria from the subsidiary in question).

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

The CNBV may also impose penalties to the subsidiary in case of infringing the specific regulation, which is applicable for an amount equivalent to a given percentage of the paid shareholders' equity 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 by our subsidiaries will be contingent in relation to the profits and payments generated by our subsidiaries and such transactions are or may be limited by legal, regulatory and contractual restrictions. If any shareholder submits a claim against our company, that shareholder 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 offer, 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 Company. Once our shareholders approve the annual audited consolidated financial statements, our shareholders may decide the use of the net profits, if any.

The payment of dividends is subject to the approval of 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 appoint 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 a number of factors in which operating results are included, the financial situation, cash flow needs, entrepreneurial perspective, fiscal implications and terms and conditions of financing that may limit the payment capacity of 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 dividends based on annual financial statements approved by the General Shareholders' Meeting having covered the losses corresponding to prior fiscal years and when the payment of dividends has been deliberately approved by our shareholders. The payment of dividends in the past does not guarantee its future payment.

Additionally, the Mexican legislation provides that, before any distribution of dividends, at least 5% of our net profit must be assigned to a legal reserve fund, until such fund is equal to at least 20% of the paid-in capital stock. Additionally, shareholders may decide 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 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 Banco Monex, legal provisions establish the need to build a legal reserve of 10% of the net income and up to 100% of the 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 distribution of dividends in shares.

Rounded Figures

We have made adjustments for the rounding of some of the figures included in this Annual Report. As a result of 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 services market and the size of the financial services market in Mexico and in other jurisdictions in which we operate. As indicated in every case, the information on the industry and the market contained in this annual report is based on independent publications of the industry, government publications, mainly the CNBV and the Banco de México, reports made by specialized companies and other independent 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 imprecise. 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, 2018, our capital stock 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, under the ticker symbol "MONEX". It is worth mentioning that upon adoption by Monex of the modality of "Sociedad Anónima Bursátil de Capital Variable", the Monex securities supporting its 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 2018, no modifications were made to the total amount of the Shareholders' equity, number and class of shares.

See the cover of this annual report for a more detailed description of the securities we have issued.

During 2018, 2017 and 2016, we have delivered in full and timely basis all reports required by the Mexican legislation in relation to periodic information and relevant events, both to the BMV and the CNBV, in compliance with the Circular Única de Emisoras, and we are up to date in the payment of all our liabilities.

We do not have securities registered in the RNV or listed in other markets, apart from those described in this Annual Report.

We 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 December 31st, 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 "Sociedad Anónima Bursátil de Capital Variable" as described above.

Likewise, the corresponding exchange 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:

The first issuance of bonds was carried out on June 8, 2012, for a total amount of $1,000'000,000 pesos represented in 10 million bonds with a face value of $100.00 pesos each, with the ticker symbol MONEX 12. During July 2015, we liquidated this first Issuance.

On November 7, 2014, we carried out the second issuance of bonds with ticker symbol MONEX 14. The Total Amount of the offer amounted to $1,000'000,000 pesos distributed in 10 million bonds with a face value of $100.00 each. During November 2017, we liquidated this second Issuance.

On May 23, 2017 we successfully issued the third public offering of bonds under the ticker symbol MONEX 17, for an amount of $1,000'000,000 pesos in 10 million bonds with a face value of $100.00 each. The maturity date of this third issuance was established for May 21, 2020.

On October 18, 2017, we set up a new program of bonds of up to $4,000'000,000 pesos or its equivalent in UDIs. This program will be valid for 5 years since the Document authorization date.

On October 19, 2017, we successfully issued the fourth public offering of bonds under the ticker symbol MONEX 17-2, for an amount of $500'000,000 million pesos in 5 million bonds with a face value of $100.00 each. The maturity date of this forth issuance was established on October 19, 2020.

Net resources obtained from MONEX17-2 were destined to totally amortize the bonds under the ticker symbol MONEX14 and to capitalize Banco Monex, respectively. It is worth mentioning that regardless of the use of the resources obtained through the issuance of bonds, that use must obey the diversification strategies of offered products, as well as the diversification strategy 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 our subsidiaries.

In relation to the ratings granted by Standard & Poor's, S.A. de C.V., for the issuances of MONEX17 and MONEX17-2, the rating company rated both issuances as "mxA". These ratings indicate that the debt is more susceptible to negative effects caused by circumstantial changes or economic conditions than debt rated in higher categories. However, the Issuer's payment capacity to comply with its financial commitment over the obligation is strong in relation to other issuers in the domestic market.

Likewise, the ratings granted by Fitch México, S.A. de C.V for the issuances of MONEX17 and MONEX17-2, were 'A(mex)'. These domestic ratings indicate low expectations of default risk 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.

During 2018, 2017 and 2016 we have delivered in full and timely manner all reports required by the Mexican legislation in relation to periodic information and relevant events, both to the BMV and the CNBV, in compliance with the Circular Única de Emisoras, and are up-to-date in the payment of all our 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 issuances of bonds with ticker symbol "MONEX17" and "MONEX17-2" are pending to be applied. Likewise, there have not been variations in the use of funds obtained through the issuance of bonds to those specified in the corresponding supplements.

Net resources obtained by Monex from the issuance of bonds under the ticker symbol MONEX17 are composed as follows:

Concept	Amount*
Issuance Expenses	11.2
Net resources obtained from Allocation	988.8
Gross resources from bonds	$1,000

* Figures in millions of pesos

On the other hand, net resources obtained by Monex from the issuance of bonds under the ticker symbol MONEX17-2 are composed as follows:

Concept	Amount*
Issuance Expenses	5.5
Net resources obtained from Allocation	494.5
Gross resources from bonds	$500

* Figures in millions of pesos

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 full and timely manner. Likewise, we have delivered the information required for being a public entity and our 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 tender offer, 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 petition of any investor through a request made to Monex, at their offices located at 284 Paseo de la Reforma Avenue, 15th floor, Colonia Juárez, 06600, Mexico City, telephone: 5231 0870, e-mail: agershberg@monex.com.mx, headed to: Alfredo Gershberg Figot, Corporate Director of Finance and Planning.

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 2018

Chapter 2

THE ISSUER

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”.

Date, place of incorporation and duration of the issuer.

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

Address and phone number of the headquarters.

284 Paseo de la Reforma Avenue., 15th floor, Colonia Juárez, 06600, Mexico City, Mexico.

Phone: +(5255) 52300200

Description of the development of the Issuer and its subsidiaries.

Beginning and main business.

Founded in 1985, Monex started offering financial services to companies with international businesses under the name of “Casa de Cambio Monex, S.A. de C.V.”.

Our main business is focused on national and international companies that need foreign exchange and international payments services.

Development of the Issuer

Our financial group started operations over 33 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 our most important moments:

- **1985.** We started operations under the denomination 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, 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 Monex Grupo Financiero. On the other hand, and as part of our investment in state-of-the-art technology and systems, Monex Casa de Bolsa implemented our system denominated "Corros Monex" for electronic transactions 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 foreign exchange and international payment services operations from Monex Casa de Bolsa to Banco Monex.

- **2008.** As part of our expansion and growth strategy in the offering 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 Holding Monex subsidiary (currently Monex S.A.B.) until 2015.

    - We acquired Prestaciones Universales, a company dedicated to the gas vouchers and bank cards issuance business.

- **2010.** We registered our shares in 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.** We obtained authorization for the establishment of a long-term bonds program under the ticker symbol "MONEX 12" for an authorized total amount up to $2,000 million pesos and we carried out an issuance for an amount of $1,000 million pesos. The term was for 3 years and they were placed at a TIIE 28 days + 280bp rate.

- **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 in providing 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 capacity 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 Shareholders' Meeting, we adopted the denomination "Sociedad Anónima Bursátil de Capital Variable" and changed our name to Holding Monex, S.A.B. de C.V.

- **November 2013.** Monex sold our subsidiary Prestaciones Universales ("Sí Vale") to Holding Internationale SAS ("Groupe Chèque Déjeuner"). The sale of Prestaciones Universales was performed as part of our plan to focus our efforts on financial businesses.

- **November 2014.** We successfully completed the issuance of bonds under the ticker symbol "MONEX 14", for an amount of $1,000 million pesos. The term was for 3 years and they were placed at a TIIE 28 days + 160 bp rate. The second issuance was demanded 1.6 times and had a diversified base of investors, mainly institutional.

- **April 2015.** Monex sold our subsidiary Pagos Intermex to Gentera S.A.B. de C.V. The sale of Pagos Intermex was due to the strategy of Monex of focusing on its efforts on financial services to corporations.

- **June 2015.** The bonds 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, our main subsidiary, completed the issuance of bonds under the ticker symbol "BMONEX 15" for an amount of $1,000 million pesos. The term was for 3 years and they were placed at a TIIE 28 days + 90bp rate.

- **October 2015.** Monex SAB 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 price study conducted by an independent consultant. This operation was authorized by the Commission through Official Folio 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 in the Shareholders' Meeting.

- **May 2017**. We successfully completed the issuance of bonds under the ticker symbol "MONEX 17", for an amount of $1,000 million pesos. The term was for 3 years and they were placed at a TIIE 28 days + 160 bp rate. The third issuance was demanded 1.6 times and had a diversified base of investors, mainly institutional.

- **June 2017**. Our subsidiary, Banco Monex, received the authorization from the Goverment Board of the Commission to carry out an investment on the foreign financial institution named CLS Group Holdings, AG ("CLS"), which operates the largest liquidity system of the 18 most important currencies around the world. CLS is composed of more than 60 participant members, including the main international banks and the central banks, issuers of the 18 currencies, including Banco de Mexico. It is important to highlight that Banco Monex is the first independent financial institution (i.e. not a subsidiary of an international bank) of Latin America to participate as a CLS member.

- **October 2017**. We successfully completed the issuance of bonds under the ticker symbol "MONEX 17-2", for an amount of $500 million pesos. The term was for 3 years and they were placed at a TIIE 28 days + 150 bp rate. The fourth issuance was demanded 1.6 times and had a diversified base of investors, mainly institutional.

- **November 2017**. The bonds under the ticker symbol "MONEX 14", issued on November 7th, 2014 for an amount of $1,000 million pesos, had been totally paid under its terms and conditions

- **December 2017**. The Shareholders' Meeting approved to spin off the participation, both directly and indirectly, of Banco Monex and Monex Grupo Financiero of the international subsidiaries. As a result, a new company named MNI Holding was established in order to be the owner of Tempus and Monex Europe. Therefore, the new corporate structure will be as follows: Monex SAB is 99.99% owner of MNI Holding, while the latter is 99.99% owner of Tempus and 99.99% of Monex Europe. It is important to point out that these corporate structure movements do not represent a corporate restructure in terms of the applicable regulations.

- **February 2018.** The Board of Directors of CLS in Switzerland authorizes Monex S.A.B. de C.V. through Banco Monex to carry out an investment in the foreign financial institution CLS Group Holdings, AG ("CLS").

- **June 2018.**
  - We acquired 59.95% of Arrendadora Avance, S.A. de C.V., which became one of our direct subsidiaries.
  - We applied to become clearing members of CLS Bank International. Therewith, Monex becomes into a shareholder and forthcoming member of CLS.

- **July 2018.** The bonds of Banco Monex, our subsidiary, under the ticker symbol "BMONEX 15", issued on July 14th, 2015 for an amount of $1,000 million pesos, had been totally paid under its terms and conditions.

b) Business overview

Main subsidiaries

As of December 31, 2018, our main subsidiaries are Monex Grupo Financiero, consolidates three financial entities: Banco Monex, Monex Casa de Bolsa and Monex Fondos; MNI Holding, which holds: Monex Europe and Tempus; and Arrendadora Monex.

Monex Grupo Financiero

Through Monex Grupo Financiero we offer the following products:

- foreign exchange and international payments services
- cash management
- risk management products (derivatives)
- credit products and international trade

- investment funds
- brokerage services (money market, capital market and investment banking)
- asset management
- trust services

MNI Holding. International subsidiaries: Tempus, Inc. and Monex Europe

In April 2010, we began the international expansion of our international payments business with the acquisition of Tempus, a leading provider of foreign exchange and international payments services to companies in the US. Tempus has three offices in the US (Washington D.C. (headquarters), New York and Los Angeles).

Continuing with our international expansion in 2012, we acquired Schneider Foreign Exchange Limited, a provider of foreign exchange and international payments to large corporations, medium-sized and small companies and financial institutions in the UK. The acquired financial entity changed its name to "Monex Europe Limited" and is currently one of our indirect subsidiaries. Monex Europe has offices in London, UK; Madrid, Spain; Amsterdam, Netherlands; Toronto, Canada*; and Singapore.

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.

Arrendadora Monex

In June 2018, we acquired Arrendadora Avance, S.A. de C.V. a leasing company specializing in SMEs with a need for pure leasing. By means of this acquisition, we consolidated the products we offer to our clients in terms of financing options.

I. Main activity

Over the last few years we have focused on keeping our leading position in services for international companies and continuing to strengthen our foreign exchange and international payments service, while promoting the diversification of our business in order to have different and attractive sources of revenues.

At the same time, we have increased our efforts in offering traditional banking products and private banking services. Through the diversification of transactions, we seek to strengthen the relationships with our current clients and develop new clients in order to increase our volume of transactions and revenues in North America, Europe and now also in Asia. One of our main goals is to continue providing services and offering products efficiently to our clients.

Our strategy

As part of our strategy we seek to maintain our leadership in the Mexican foreign exchange and international payments market. We also offer 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.

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

Corporate banking

The purpose of Corporate Banking is that Monex becomes one of the main banks of our corporate clients and companies. We started by offering foreign exchange and international payments services to their treasuries, in which we are the market leaders, and thus achieve a comprehensive service in order to attract deposits, investments and carry out national payments. In addition, we have become an important financing source for our clients with loans and international trade facilities.

* Canada office is part of Monex Europe since January 2nd, 2018

In our Corporate Banking business, we have a diversified range of products, among others we distinguish:

- foreign exchange and international payments services
- exchange rate and interest risk management products
- credit products
- credit letters
- short-term credit facilities
- cash management through our digital account
- investments in banking and credit instruments
- individualization of funds and savings accounts
- pure leasing

Every year we have a larger number of clients that, in addition to carrying out foreign exchange transactions and sending or receiving international payments, operate some type of credit, derivative or use some electronic banking service.

The coverage that our sales executives offer to clients in each of our services, supported by product specialists, has allowed us to increase the revenue per client and strengthen the relationship with them.

We have been working on differentiating our clients' needs in order to identify companies according to their needs and the services that are useful to them. Based on this identification, we can guide our services offer for each company.

Foreign Exchange Market Mexico

We started operations offering foreign exchange and international payments services in Mexico, focused mainly on large and medium-sized Mexican non-financial companies, mostly related to international trade. We are the largest service provider in this field in Mexico based on volume operated. In 2018, we carried out over 5.4 million payment transactions (0.9 million international transactions and 4.5 million domestic transactions).

By the relevance of our Mexican foreign exchange business, internal figures reflect that $2,875 million pesos in revenues were generated by this segment; which represents 40.6% of our total revenues in 2018. We will focus on the description of these activities about the foreign exchange business in this first part.

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 of the requirements
- Client delivers funds to one of our banking accounts, either in Mexican pesos, dollars or other currencies
- Bank delivers funds to the client's banking account or the corporation indicated by the client, either in Mexican 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 executives, who have the option of adding the margin to that price. To determine the margin in each transaction, our sales executives 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 sales force also uses our information system to determine the appropriate margin for each transaction. Generally, high volatility increases our earnings due to higher operating margins.

Currently, although the proportion of foreign exchange transactions carried out through the Internet or in virtual auction markets is relatively low, we offer our clients two different exchange electronic platforms operating within our Digital Banking. One of them allows our clients to have the real-time quotations of the 6 major currencies, namely: US Dollar, Japanese Yen, Swiss Franc, Pound Sterling, Euro and Canadian Dollar, showing a competitive price in the market. The final price quoted is obtained from the best offer available for the counterparties with whom the transaction was carried out. The offer of our electronic exchange platform strengthens the relationship we hold with our clients who get benefit from the advice, analysis and experience of our salesforce by settling their operation through a state-of-the-art technological tool that has all the standards of necessary security to guarantee our clients the best experience. We shall continue pursuing a way to satisfy more efficiently the demand of our clients, focusing on the innovation based on the current and future tendencies in the sector.

We maintain long-term relationships with our clients, whose continuous foreign exchange needs allow us to have a stable operation base. Currently, the volume of foreign exchange traded with companies is approximately 87.6% and with financial clients and individuals is approximately 12.4%. We are not involved in transactions with proprietary positions, although we take intraday positions, regarding the transaction orders of our clients. Our foreign exchange and international payments services in Mexico are carried out through Banco Monex.

Currently, our strategy to maintain our market position, 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 (now Monex Europe), which allowed us to venture in the foreign exchange market of USA, Canada, Europe and Singapore, as well as to achieve greater client scope.

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

Tempus

Tempus is focused on serving around 2,800 corporate clients through our offices in the US. Its main business is to carry out foreign exchange transactions and payments. In 2018, it processed a volume over $1.9 billion dollars in import and export operations. Tempus only provides the foreign exchange operation service; therefore, it concentrates all its resources on being a specialist in this area offering services that allow it to stand out in the market.

In 2018, some initiatives were applied to expand the client portfolio from small traditional and small business niche to medium-sized and large corporations. Likewise, we renewed the Tempus Online digital platform, through which our clients can carry out their foreign exchange and international payments operations, among other services.

On the other hand, the sales model “Operators - Advisors” continued to be implemented. This model improves the service and the prospection of clients through the specialization of each function. As Operators focus on clients’ daily transactions, they develop a deeper understanding of their needs and offer more appropriate solutions; while the Advisors focus on acquiring new accounts and ensuring that their existing accounts continue to receive a high level of service from the Operators.

In 2018, internal figures show that operating income increased by 24% compared to the revenues of 2017.

It is worth mentioning, that in 2018 Bloomberg granted Tempus with the “Top Forecaster” award as the main currency forecaster of the G10, which was won by Tempus for the third time in seven quarters.

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 payments services and money transfers, being authorized to operate as such, under the heading of Money Remittances, issued by the Financial Services Authority ("FSA").

In 2018, it was focused on serving more than 3,700 corporate clients through its offices in London, Madrid, Amsterdam, Toronto and Singapore. Its main business is to carry out foreign exchange and payment operations. This figure was 76% higher than 2017 figure, which was of almost 2,100 clients. In 2018, it operated a volume of over $55 billion dollars in import and export transactions.

In 2018, internal figures reflect that the operating income ascended to $1,679 million pesos, which represents a 1% of growth compared to the revenues in 2017, which were about $1,667 million pesos.

Its operations are headquartered in the London office and this year it contributed with 85% of net income. We have 117 employees in London of which 52% are administrative staff and the rest is our sales force. In our office in Madrid there are already 19 people integrated to the team, in our Amsterdam office we currently have 20 employees, in our Toronto office we have 15 employees and in Singapore we have 1 employee; the plan is to increase the team in the near future.

Other Financial Products and Services

Risk management products (Derivatives)

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
- stock baskets
- certificates of participation (COP) on shares, currencies, prices or stock indexes

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

Within the derivatives operation, several tailor-made structured products stand out to fulfill the client’s need for hedge.

In 2018, the structured notes issuance ascended to a total of 1,535 "J's" and 688 “F's” for a notional of $99,619 million pesos (certificates of deposit and bank bonds), which places us as the main issuer in Mexico.

In addition, a total of 41,139 derivative transactions related to the peso-dollar exchange rate were completed in both recognized and "OTC" markets during 2018, which amounted to a total of $12,328 million dollars.

Regarding the issuance of structured products, in 2018, in the city of Boston, USA, Structured Retail Products rewards Banco Monex for the seventh consecutive year as the main issuer of structured notes in Mexico, with the following award:

- Best Distributor in Mexico

Banking Products

Credit Loans

Our commercial efforts have focused mainly on the service of actual Monex clients who need more integral attention and require traditional banking products, such as credit and deposits, which also reinforce our position in the FX market with the same clients.

For this purpose, in 2017 we created the Corporate Banking division, through which we seek to serve the largest companies that work with us and that have greater sophistication and demand more products and services. These companies also have specific credit needs, which serves as an axis strategy to establish a deeper financial relationship with these clients.

In Monex, we focus mainly on financing working capital and capital investments needs of companies. We get benefit of the relationships and knowledge that we have of our clients through their transaction record in foreign exchange and international payments in order to identify new opportunities in the credit business. We maintain a conservative granting-loans culture, giving priority to a moderate risk profile.

The chart below shows the performance of the performing and non-performing loan portfolio in the last 3 years.

Date	Performing Loan Portfolio	Non-Performing Loan Portfolio	Total	Increase
Dec. 2018	23,410	521	23,931	16.2%
Dec. 2017	20,384	201	20,585	12.5%
Dec. 2016	18,212	82	18,294	46.6%

Internally compiled with amounts as of December 31st, 2018, 2017 and 2016. Figures in millions of Mexican pesos.

The following factors are among the main reasons of the growth rate observed during 2018:

i. A slight growth in the demand for credit derived from greater certainty regarding the political environment in our country, following the electoral period of mid-2018.
ii. New investment opportunities that emerged by the end of the year.
iii. The stabilization in the behavior of some large customers which, after the challenges of the economic environment at the beginning of the year, paid in advance their credit obligations with Monex and, by the end of the year, decided to keep their credit positions stable.

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

On the other hand, during 2018, we noted a higher growth rate in our segment of credit to SMEs. At the end of December 2018, the balance of credit to SMEs amounted to 524 million pesos distributed among just over 500 customers with an adjusted financial margin of 19.4 million pesos. Through this product, we seek to serve the current customers of Monex, which, according to the definition of the Secretaría de Economía, are SMEs (CCS <250)*:

$$\textit{Calculated company size } (CCS):$$

$$(CCS) = \textit{Number of employees } X \; 10\% + \frac{\textit{Amount of annual income}}{1,000,000} \; X \; 90\%$$

We offer credit products to SMEs clients through the sales executives of the Corporate Banking, who rely on the support of a team specially dedicated to this product across the country, which provides the support for both commercial tasks and integration of cases, as well as client support.

* The methodology for calculating the size of companies was published in the "Agreement establishing the stratification of micro, small and medium-sized enterprises" published by the Secretaría de Economía in the DOF on June 25th, 2009

The “Mejoravit” program, created by INFONAVIT for the expansion and improvement of housing for workers affiliated to this institute and which we started offering in August 2016. “Mejoravit” stands out from the rest of our products and credit offers, having the following performance as of 2018.

Date	“Mejoravit” Program	Increase
Dec. 2018	698	11.5%
Dec. 2017	626	247.8%
Dec. 2016	180	

Internally compiled with amounts as of December 31st, 2018, 2017 and 2016.
Figures in millions of Mexican pesos.

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

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.)
- Liquid guarantees
- Mortgage guarantees
- Stock market pledges or fiduciary pledges held in securities
- Committed cash flow guarantees

Banco Monex has a credit manual that contains the processes, methodologies and additional information for the origination and management of the credits:

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

	Information as of December 31st,
Product	**2018**
Simple loans	10,345
Revolving loans	9,014
Factoring	2,134
Foreign exchange lines	695
Infonavit Loans "Mejora tu Hogar"	698
SMEs loans	524
Performing Portfolio	**23,410**
Non-Performing Portfolio	**521***
Total Loan Portfolio	**$23,931**

Internally compiled with amounts as of December 31st, 2018. Figures in millions of Mexican pesos.
* Includes AdmiMonex porfolio

Deposits

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

As of December 31st, 2018, deposits showed the following performance:

Date	Deposits	Increase
Dec. 2018	43,719	12.3%
Dec. 2017	38,940	45.2%
Dec. 2016	26,819	52.2%

Internally compiled with amounts as of December 31st, 2018, 2017 and 2016.
Figures in millions of Mexican pesos.

Currently we offer three deposits products:

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

Demand deposits

E-banking (Electronic banking)

Our clients' preferred service channel is the internet through our Digital Banking, constituted by our webpage, as well as by the mobile app "Monex móvil". These applications allow our clients to make balance, transactions and receipts inquiries, term investments, exchange operations with charge and credit to the Digital Account, as well as payments and transfers charged to the same account.

Deposits balances in 2018 showed as follows:

Date	Digital Account Deposits	Increase
Dec. 2018	18,433	(0.8%)
Dec. 2017	18,585	22.2%
Dec. 2016	15,209	81.8%

Internally compiled with amounts as of December 31st, 2018, 2017 and 2016.
Figures in millions of Mexican pesos.

Our key product, Digital Account, allows clients to maintain balances in multiple currencies at the same time. Mexican pesos, US Dollar, Euros, Sterling Pounds, Swiss Franc, Japanese Yen and Swedish Krona. Providing a single deposit vehicle in the market, favoring our clients' currency exchange operability and the maintenance of the balances in the bank, as well as the realization of payments to final destination either in pesos or any other currency.

The Digital Account has the following characteristics:

- Demand Deposits
- Multi-currency operation, being able to maintain balance in the main exchangeable currencies
- Yield rates in Mexican pesos and US dollars
- Order generation for cash withdraws, Interbank Electronic Payments System ("SPEI" in Spanish), Electronic Interbank Payment System in Dollars ("SPID" in Spanish) and Electronic Transfer Funds "SWIFT"
- Federal Tax Payment
- Depositors identification services for resources concentration
- Foreign exchange trading with charge and credit to the account.
- No administration fees or minimum balance requirements

Among the outstanding features which have allowed us to distinguish ourselves in the market is the identification of depositors. Through this service, once our clients register and assign an 18-digit reference to their depositors, they can have real-time information on received and identified deposits in Mexican pesos via SPEI, US dollars via SPID and any other currency via SWIFT. This functionality speeds up and facilitates the processes of conciliation of client base and is applicable to any type of client.

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, including the deposits identification. This non-intrusive service in its implementation has allowed us to incorporate treasuries of large companies and corporations.

Monex Certificate of Deposit (term deposits)

Regarding the acquisition of fixed-term investments, we have CEDES Monex in Mexican pesos and US dollars. It is a product launched in 2011, which consists of a Banking Certificate of Deposit. Clients can take on with charge and credit of the capital and interest to the account. These CEDES can be freely contracted for any term between one and 360 days, provided that the expiration occurs on a banking business day.

CEDES Monex deposits have grown continuously since its inception, representing approximately half of the total deposits to date.

The deposits due to this product as of December 31st, 2018, 2017 and 2016 is presented below:

Date	General Public	Money Market	Total Term	Increase
Dec. 2018	22,019	2,434	24,453	22.1%
Dec. 2017	18,816	1,205	20,021	79.3%
Dec. 2016	10,733	434	11,167	21.8%

Internally compiled with amounts as of December 31st, 2018, 2017 and 2016. Figures in millions of Mexican pesos.

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

During 2019, the strategy to follow is to search preferentially for deposits on demand in Mexican pesos and US dollars, attracting our current clients with greater potential of cash flow management, consisting of distribution companies and marketers. The above shall allow us to increase revenues through a better combination of margins.

On the other hand, in respect to term deposits, we consider increasing the deposit horizon pursuing that a third part of term deposits is contracted for terms over 28 days.

As a new product, we are developing "Dólar Plus Monex", an investment instrument for individuals and companies that will allow us to get an attractive yield in dollars through the simultaneous contracting of a time deposits in Mexican pesos and a forward at the same term with transfer in kind. In order to contract this product, our clients must have at least 1 million dollars.

Our depositor identification models, the payment and transfer facilities, as well as the new "Dólar Plus Monex" product, represent our competitive advantages in terms of product / service. Moreover, the Cash Management Department is already present in different areas of attention, with special emphasis on Mexico City, Monterrey, Guadalajara, Tijuana and Querétaro. The advisory requirements of the other offices are regularly addressed from those locations.

Trust services

In 2018, we continued consolidating our image in the market as a proactive and reliable trustee, which allowed us to increase operating revenues by 16% over the previous year. The operating revenues of trust services and common representation segments in 2018 was $269 million pesos.

The trust service division in 2018 signed 609 new trusts for a total revenue of $131 million pesos and more than $136,500 million pesos under 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

Its purpose is to supervise the fulfillment of the obligations assumed by each related party in an agreement, mainly issuances in the debt market, with the purpose of safeguarding and facilitating the exercise of each holder's rights.

The Common Representation service continues to be the characteristic product in this area. Our participation in 991 issuances allowed us to have the leadership as a Common Representative at the end of 2018 with a 52.1% of market share of the new issuances. The above shows our leadership in this line of business.

In 2019, we shall strengthen our technological platform, which will allow us to reinforce the continuous improvement in the quality of the service we offer to our clients.

Arrendadora Monex (Pure leasing)

In June 2018, Monex S.A.B. acquired Arrendadora Avance, S.A. de C.V., a leasing company specializing in SMEs.

This acquisition allows us to integrate pure leasing as part of the products we offer to our clients, always seeking to distinguish ourselves in the matter of personalized attention and excellent service throughout the term of the lease.

Arrendadora Monex closed 2018 with more than 430 clients and a loan portfolio of $491 million pesos, which confirms the interest of our clients for this product and satisfies market needs regarding pure leasing.

About operating income, Arrendadora Monex generated $38 million pesos as of December 31st, 2018.

During the following years, the scale economies, the potentiation of our current clients, the focus on clients' satisfaction and access to financing shall be the differentiators that will turn Arrendadora Monex into a relevant player in the pure leasing market for SMEs in the country.

Private Banking and Markets

Through this division, we seek to focus on asset management, investment funds, and private banking. These needs are met taking into consideration the profile of our clients, their investment horizon and the volume of resources they have. We focus our efforts mainly on the efficient execution and client service.

The experience and technical knowledge of our team bases our recommendations and investment decisions, based on the continuous information they receive from our areas of Strategy and Asset Management, in addition to that provided by various online information systems. All this, coupled with the wide range of products supported by the Company, gives us high versatility in financial solutions that we offer to our clients.

We seek to capitalize on relationship that our sales force has with owners and directors to strengthen the institutional links and help them satisfy their investment needs.

We have the following products within our offer:

- Capital market
- Brokerage services
- Investment funds
- Private banking
- Institutional savings and personal retirement plans
- International investments
- Money market and treasury
- Risk management products (derivatives) and structured notes

We are currently in an intense process to expand our client base and increase the amount of managed resources. That process includes major recruitment efforts, launch of managed products which respond to the market situation and the client needs, and the entry into digital media to find new client prospects and operate the capital market in Mexico through an online platform “Monex Trader”.

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 needs and risk profiles, offering a wide range of financial products and services in the money, capital, derivatives and exchange market, as well as in investment funds, relying on our own funds and those that we co-distribute on behalf of third parties.

We are market leaders in structured notes and derivative operations, 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.

Our high quality in the Private Banking service is based on the professionalism, experience and knowledge of our work team.

Monex Casa de Bolsa continuously seeks to be at the forefront of state-of-the-art technology and security, reason why we implemented a capital operation service through the Monex Trader portal for all its clients in 2018.

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 constant sales force training, in order to safeguard the interests of our clients, generating transparency and trust.

During 2018, we launched three new products:

- A strategy in fixed-income dollars. Built through debt ETFs and focused on instruments at revisable rate and short term, with investment grade rating. The product profile seeks to maintain low levels of market and credit risk.
- The Fund "Monex IQ"; through which the structure of "Fondo Monex MP" was used, modifying the investment regime to reproduce the strategy of the fund "Monex Intelligence" and the intention to allow the participation of clients with smaller amounts.
- Monex Trader. Online capital operation platform. We are working on bringing this platform to all clients who operate capital with amounts under 500 thousand pesos.

Within the business strategy for 2019, we shall focus on consolidating the growth strategy launched during 2018 in asset management, which shall lead Monex Casa de Bolsa to a consolidation in the stock-market business, reinforcing our sales force with new hires, launching new products, and seizing the effort made in digital marketing.

Capital Market

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

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

The total amount traded in 2018 was $62,390 million pesos, which represented an increase of 2.9% compared to 2017. The volume operated was 622 million shares, which represented an increase of 16.1% compared to 2017. There were 295 thousand registered transactions that represented a decrease of 46.7% in comparison to the previous year.

In July 2018, operations with BIVA began. At the end of December 2018, Monex Casa de Bolsa was ranked 18 in operability in this stock exchange, while in BMV we hold the position 23 for the same concept.

Our strategy in 2019 will be focused on the following lines:

- To promote participation in repurchase funds
- To Increase the operability of National and Foreign Institutional clients
- To continue providing liquidity to the global market and, thereby, to increase our own position
- To implement and promote the securities lending, aiming to make us a lender
- To promote the option to operate directly through our portal web (Monex Trader) among our clients
- To increase our participation in MEXDER (Options and Futures)

Brokerage Services

We offer national brokerage services in a variety of shares and investment companies listed on the BMV and BIVA, 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 2018, $447 million pesos in revenues from this segment.

Monex Securities is a member of the National Association of Securities Dealers and is registered with the SEC as a broker dealer based in Houston, Texas.

Investment Funds

Monex Casa de Bolsa provides the opportunity, through products managed by Monex Fondos, to acquire a series of investment funds that offer products according to each investor's risk profile and term requirements.

The Funds are managed by a group of professionals dedicated to optimizing the invested resources, which maximizes the yield of the 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.

Our attractive yields and expert advisors help the investor to find the ideal strategy to achieve all its goals.

The investment funds managed for our clients are six: MONEX28, MONEXCP, MONEXM+, MONEXCR, MONEXCR, MONEXIQ, and MONEXIN.

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

- Assets under the management of own funds showed a growth rate of 6.5% at the end of 2018. In 2018, we achieved a growth of 12.1% in our own funds revenues
- MONEXM+ and MONEX28 allowed, despite the high volatility of the markets, to generate attractive yields for investors, which allowed an important growth in their assets. MONEXM+ grew $183 million pesos in 2018, representing a growth of 4.8%, while MONEX28 showed a growth of $184 million pesos, 22.5% higher, making them excellent alternatives for uncertainty moments in the markets. This demonstrates the excellent management of these funds throughout the year

In addition to the funds Monex operates, Casa de Bolsa co-distributes 21 funds from seven different investment funds brokers, mainly to grant the investor the facility to invest in fixed and variable income products abroad. In 2018, the management of third-party funds showed a growth rate of 59.9%, generating almost $13 million pesos in annual revenue in 2018.

Detail of the Distributed Funds
Local Debt
1. VALMX17
2. SURREAL
3. VALMX15
4. GBMGUBL
International Debt
5. FT-EMER
6. TEMGBIA
Equities
7. FONDOM2
8. FRANOPR
9. FRANUSA
10. FT-BOND
11. FT-GLOB
12. GBMCRE
13. GBMPICT
14. PRINLS1
15. PRINLS2
16. PRINLS3
17. SURASIA
18. SURUSD
19. SURVEUR
20. STER-OP
21. STERNDQ

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

During 2018, average total assets were $11,625 million pesos ($10,431 million pesos of Monex funds and $1,194 million pesos of co-distributed funds). On the other hand, the average net assets of own funds showed a growth of 17.6% in 2018.

In the same year, according to internal data, operation revenues of our investment funds and asset management were $118 million pesos, which represented an increase of 16.8% compared to figures reported in 2017.

Asset Management

We offer a specialized administration in the management of resources, optimizing the risk-performance ratio according to each client profile. Investors grant a mandate to the Asset Management department, through Monex Casa de Bolsa, to manage their 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, we manage the clients' resources through five portfolios or investment strategies:

i) *Conservative Debt.* Consists of a strategy that invests exclusively in debt instruments with a highly conservative risk profile. It is aimed at clients who are looking for an investment option at the risk-free rate and offers an additional premium through participation in banking and corporate instruments of the best credit quality.

ii) *Debt*: Refers to a diversified strategy in which the clients' resources are invested in different types of assets of the local debt market. 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 the yield ones.

iii) *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 the capital markets. This strategy is recommended for investors who are willing to accept marginal risk in exchange for higher yields.

iv) 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 Patrimonial portfolio offers more attractive yields since it has a medium risk exposure.

v) Growth: This strategy invests at least 55% of resources in debt instruments, while capital markets must be minimum 15% and maximum 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, clients expecting to get benefit of global investment, in order to obtain attractive yields in dollars. Assets allocation is done through a mathematical model provided by the Spanish company ETS, which is operated by the Asset Management department. This strategy allows us to participate in upward market trends and reduce the impact of unstable and / or bearish markets.

vii) *Debt dollars*: Consists of a strategy that invests 100% in debt ETFs, both at a fixed and revisable rate. It is aimed at clients looking for yields in dollars and a very low volatility in that currency.

Although the investment strategies described above offer attractive yields linked to the risk profile of each client, the Asset Management department also offers the option of managing tailor-made portfolios.

Since their inception and until December 31st, 2018 all strategies have exceeded their benchmark indexes.

2018 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 nervousness in the market.

As of December 31st, 2018, the aforementioned strategies had a total amount of $2,418 million pesos in assets under management, being Monex Intelligence strategy the one with the higher assets under management, with 22.2% of the total.

The Asset Management department finished 2018 with $16 million pesos in revenues, representing a growth of 6.7% compared to 2017.

Institutional Savings

Institutional Savings is a department 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). We also support individuals in the advisory and investment of the accounts named Individual Retirement Plan and Special Individual Account for Savings.

We have become a supplier of this type of financial services through our Institutional Savings department. We are an experienced supplier of proven-quality services, offering differentiated solutions for its service and low costs. We also support 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 customized strategy in the investment of the resources contributed to these plans.

With our service model specialized in the specific tasks for the integral management these plans require, we contribute to reducing the use of human and financial resources that companies have to allocate to the management of their funds and savings accounts; thus, transferring administrative burden to our Institutional Savings department. This allows us to continue offering the customized consulting of account statements and online reports to the participants through our online platform, giving certainty that the savings and their management is much more transparent through our account individualization.

Over 14 years, through our Institutional Savings department, we have provided our clients (both domestic and international) with timely advice, investment of resources and management of individual accounts. We have gradually positioned in this market by reaching 1,700 clients with 300,000 individual accounts managed on average and assets for $5,130 million pesos.

In Institutional Savings we offer our clients the following competitive advantages:

- Pesonalized service and attention
- State-of-the-art technology that allows clients an agile and practical query of diverse reports, presenting balances and online movements (24 hours per day)
- Competitive yields in investment funds
- Advisory on the design, implementation and start-up plans in the company

International investments

Monex Securities, Inc. is a Monex Casa de Bolsa subsidiary and is an USA registered broker-dealer regulated by FINRA, 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 it's headquartered in Houston, Texas. It has two more offices: one office in San Antonio, Texas and another office in San Diego, California. Also, Monex Securities can operate in other states, such as California, New York, Pennsylvania, Florida and Delaware.

This intermediary provides customized financial advice, offering financial products and services under the USA regulatory framework and is authorized to trade, on behalf of third parties, investment instruments denominated in various currencies, in multiple markets, and in diverse asset classes, such as corporate, sovereign or quasi-sovereign debt; shares; options; structured notes; and mutual funds, both domestic and international (offshore).

At the end of 2018, Monex Securities had 18 employees, 810 clients and over $84 million pesos in revenues

Monex Asset Management Inc. is a Registered Investment Advisor (RIA). This company has licenses in Texas and California, and also has the faculty to provide financial advisory or securities investment services, analysis, and issuance of investment recommendations; to promote or to commercialize securities and to 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.

Furthermore, Monex Asset Management, Inc., has an insurance license registered in the state of Texas with 12 agents registered in different states, such as Texas, Florida, New Jersey, Nevada, California, and others within the US. We currently collaborate with two general agents: "RDK Advisors" located in the city of San Antonio, Texas, and "VIP" based in Austin, Texas.

At the end of 2018, revenues from insurance sales exceeded $20 million pesos with more than 30 policies issued.

The growth strategy for 2019 will focus mainly on the growth of insurance products that we currently offer, as well as increasing the sales force for the investment department, and incurring in financial planning for equity schemes, targeting both approaches primarily to Mexican families seeking to diversify their equity risk by establishing it in different currencies.

Money Market and Treasury

The Money Market and Treasury departments continued consolidating themselves as business units with good adjusted-risk profitability in 2018. The new platforms of both business units continue to be strengthened in terms of asset and liability management (ALM), as well as the trading departments in money market of our own funds.

The results for money market were positive, they surpassed the budgeted results in a year where the volatilities of rates and exchange rates were extremely high. The use of VaR was less than 25% average of the year, and the hikes in rates of the last quarter was well forecasted, which caused losses to many of our competitors.

Meanwhile, in 2018, the global revenues obtained in the treasury were well above the budgeted by 7%, with a VaR average utilization of approximately 40% throughout the year. The applied strategy consisted in maintaining a portfolio with a diversified structure of financial assets in several risk factors, prevailing floating formats due to the market.

Significant progress was made in the maturation process of the trading platform, which allowed to diversify the source of revenues through a variety of market strategies and types of operations in different portfolios.

Within significant or relevant operations, we can mention the configuration of instrument portfolios in fixed and floating rates formats of corporate and banking securities (commercial banking and development), which was built throughout the year. During the second half of the year, the position was rebalanced by decreasing the exposure in corporations or accumulating mostly banking assets.

Likewise, the processes of the subcommittee of credit lines for corporate securities ("CEBURES" by its acronym in Spanish) were consolidated, which is an important step in the group since the credit area deeply analyzes each one of the issuances in the BMV and BIVA. In case of an acceptable credit risk, an issuer risk line is assigned for every transaction.

Our participation in the primary and secondary market of these instruments continued to strengthen, we participated in more than 10 IPOs, acquiring securities that are part of a new "credit spreads" portfolio of bonds of this nature, which were also rotated in the secondary market during the year.

During 2018, the Money Market and Treasury platform was consolidated, allowing to maintain a portfolio of assets in US dollars (short-term CDs of 6 months on average), for a record amount in the group of over $1,300 million dollars, with a AAA credit quality rating granted by various domestic and global banks (development and commercial banks).

In the Institutional Sales department, the budget was reached, which is considered a reasonable result, considering the decrease in the volume of clients in this sector, resulting from the electoral and economic risks generating high level of uncertainty.

For 2019, we expect that both units, Money Market and Treasury, continue growing in a solid and orderly manner, through the maturation of the portfolios, and a prudent risk management that allows an adequate revenue growth.

Integral Risk Management

Organizational Structure of Risk Management

The risk management function is delegated to a Risk Committee supported by the Integral Risk Management Unit. The Risk Committee is appointed by the Board of Directors of Banco Monex, Monex Casa de Bolsa, and Monex Fondos. We consider that risk management is a competitive element of a strategic nature, whose ultimate purpose is to maximize the value generated for the shareholder of Monex. 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 types 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

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

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

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

David Aaron Margolin Schabes
Independent Director
(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 Vice-director
(Not a member of the Committee)
SECRETARY OF THE COMMITTEE

The Risk Management Committee meets regularly at least once a month and meets extraordinarily whenever it is convened by its Chairman or Secretary.

The Integral Risk Management Unit is responsible for identifying, measuring, limiting, monitoring, controlling, reporting and disclosing all types of risks in our business units. They are also responsible for preparing the executive reports to the CEO, directors of other business units, 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, whose ultimate objective is the generation of value for its shareholders, maintaining a conservative profile regarding risk 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 risk management framework of the Bank 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:

- To perform the market valuation of the transactions and / or instruments held by different business units
- To determine the profits or losses by flow and the appreciation or depreciation, derived from the valuation to market

The market value of a position reflects the potential loss or gain that would occur if the position was closed 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 the risks area to establish “stop loss” limits, or to compare the assumed risk with the yield gained.

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 Monex

We use hedging and trading risk management products to manage its exposure to market risks, particularly the exchange rate and interest rate risk, in particular keeping them within the guidelines set by the Board of Directors and the applicable regulation.

The risk management products operation with some counterparties, in certain circumstances, may involve margin calls, which must be hedged with cash and / or highly liquid securities. We 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.

We are authorized to operate exchange rate, interest rate, and IPC risk 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 risk and market type.

We have manuals on policies and procedures that follow the guidelines established by the Commission and the Banco de México to prevent and control the risks to which we are exposed through the operations we carry out.

Assessments of policies and procedures, functionality of risk measurement models and systems used, the compliance with procedures to fulfill 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 Commission.

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, to the Risk Committee and to the CEO.

b) Environment

We identify, measure, monitor, control, disclose and report our risks via the Integral Risk Management Unit and the Risk Committee, jointly analyzing the information provided by the business areas.

We have technological tools and models for the calculation of Value at Risk (VaR) to carry out the measurement and evaluation of the risks taken in their 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 of 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 turn, delegates to the Integral Risk Management Unit the 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 integral risk management, as well as with 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 operation of the Issuer

II. The result of the effectiveness tests of the business continuity plan

III. Any non-observance of the limits established by the abovementioned administrative division and corrective actions implemented and proposed by the CEO of the Issuer

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 Casas de Bolsa y Bancos)
- 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 comply with the following regulations at all times:

- Policy and Procedures Manual for derivative transactions in organized and OTC markets
- Code of Ethics of Monex Grupo Financiero
- Code of Ethics of the stock-market 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 Trading, Registration and Allocation System "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 policies established in the manual and with the applicable regulations.

*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 risk 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 with 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 analyses 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 Issuer

- 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
- To propose to the derivatives operations area the closing of client positions, if they do not constitute guarantee calls
- To determine the amount of the derivatives line, as well as the initial guarantee percentages for each client
- To enter into the corporate system the information of the line of derivatives in Mexican pesos, the percentage of initial guarantees and the nature of the client (if he is a hedger 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, in-bond securities, among others, in order to reduce the legal risk to which the Brokerage House is exposed. It is also their task to review 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

Our 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 and OTC where eligible counterparties may be nationals who 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 price providers, whose source is the price determined 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 credit lines 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 intermediaries in the market of risk management products, with the following objectives:

- To provide services for clients, for whom these operations represent financial instruments that enable them to manage the risk they are exposed to
- To hedge the market risk of the transactions carried out by the different business units
- To 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
- Interest rate and stock index forward
- Nominal interest rate swaps, with a nominal interest rate as a reference
- European options on exchange rate as underlying item
- 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 IPC
- Options on euro and dollar in MexDer
- Options on interest 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 hedge of the transactions we carry out with clients and the interest rate and exchange rate risk hedge of active or passive positions held in the different business units. These products are traded on OTC markets and on organized markets and are documented in framework agreements, 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 all the conditions of the operation by validating, monitoring and confirmating the adherence to the regulation applicable to derivatives by Banco de México.

The internal control procedures for managing the risk exposure are detailed in the derivatives and risk manuals. Both should comply with the current legislation on derivatives. The valuation and risk models we use for derivatives are periodically audited by an external auditor and are part of the internal audit plan of the corresponding area.

Regarding to the management of the guarantees received from clients and those delivered to organized stock markets and financial counterparties, this monitoring is performed daily by the operational control area. The guarantees funding provided by us 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 Mexican pesos and American 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 executed 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 with a certain level of confidence. For example, if the value at risk with 99% confidence at one day is $100 pesos, then 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 (base variations on risk factors), possible and stress variations, 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 events in financial markets experienced in the past
f) Revaluation of the position with the new risk factors, where the change in the market value in the presence of such events 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 is evaluated. The capital gains or losses in the business units and the entire Issuer are also estimated. 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. We assess the effect of the previously-determined parameters 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 ablution of the underlying asset. With this procedure, the effectiveness of hedging is periodically measured.

Counterparties

The Lines Committee or the credit risk area authorize the clients with whom we can operate. It will not be possible to carry out operations with individuals and / or corporations that have not been previously authorized by the corresponding instances, nor will we be able to operate with financial intermediaries (banks or brokerage houses) who do not get authorization from Banco de México to execute operations of risk management products.

The credit risk area or the Credit Lines Committee determine the line of operation and the maximum loss amount, expressed in pesos, for each entity authorized as the counterparty (intermediaries or clients) of the Bank or the Brokerage House. The line of operation limits the net amount of the position (to avoid risk of high concentration) and the maximum loss amount that we can have with that counterparty 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 individually 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 or 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, loans and foreign exchange transactions contract and the framework contract for risk management products with Banco Monex. To have signed the framework contract for risk management products, the supplement and the annexes, as well as have signed the brokerage contract (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 and in eligible securities 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 guarantee control procedure authorized by the Risk Committee. This mechanism allows us to ensure that the client has covered daily the losses generated in each operation and has 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 credit lines, but transaction lines. Only in exceptional cases, a margin of zero with a maximum loss or margin less than 5% is authorized by the Lines Committee.

In order to reduce credit risk in these operations, Monex has established a daily or even an 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 changes in risk factors.

Risk management products in recognized markets

- All clients may carry out transactions, without exceeding the limit of transaction set by the clearing member
- 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 clearing 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. To be informed of changes in the financial situation of clients
2. To authorize exceptions to the percentages of initial margins for the operations of risk management products
3. To authorize extension to the operation lines

Designation of Calculation Agents

The designation of calculation agents is established in the legal documentation signed with the counterparties. The price provider publishes the price for the valuation of derivative instruments in organized markets. The source of those prices is the derivatives stock exchange. The derivatives system calculates the prices for the valuation of the OTC derivatives 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, which, in turn, is 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 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 its accounting, legal instrumentation, tax treatment, risk assessment, among others.

Description of Valuation Techniques

In Monex, we are under the supervision and regulation 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 executed by internal and external auditors.

Derivative financial instruments for trading purposes:

OTC Markets. The derivative system performs the valuation of the OTC derivatives carried out with clients using the standard methodologies for the different instruments. The price provider supplies the inputs for valuation.

Organized Markets. The price provider supplies the closing prices of the organized markets, which are employed to make the valuation.

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

Derivative financial instruments for hedging purposes:

The valuation of the derivatives for hedging purposes is made in accordance with the guidelines and policies indicated in the accounting criteria, which are part of the Provisions.

Reference variables. The most relevant reference variables are exchange rates, interest rates, stocks, baskets and stock indexes.

Valuation frequency. Derivative financial products for trading purposes are valued 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

Below are the main sources of financing of the Treasury areas from which we obtain resources:

- Clients deposits
- Issuance of debt
- Interbank Funding
- Cash guarantees
- Own equity

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 Mercantil Exchange.

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

Transactions with clients are mostly agreed upon with an initial margin, which displays a spread of guarantees (collected – contributed); therefore, 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 collaterals are required.

Market risk

We are exposed to foreign exchange risk with respect to our trading and foreign exchange transactions with our clients. We have policies that allow us to identify exposure to foreign exchange risk and implement daily limits to such risk so that we can ensure that fluctuations in the exchange rate do not affect our income. 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 end of 2018 was $28.13 million pesos. For the current position in the Treasury portfolio was of $18.30 million pesos, MDIN portfolio of $4.03 million pesos, MDIN PROP portfolio of $4.0 million pesos, Derivatives portfolio of $8.43 million pesos and changes of $0.66 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 the person responsible for each business unit. During 2018, the average Value at Risk of Banco Monex for transactions in the treasury, MDIN, MDIN PROP and derivatives portfolio was $15.45 million pesos, $8.53 million pesos, $5.13 million pesos and $8.33 million pesos, respectively. As of December 31st, 2018, we were not significantly exposed to market risk in our other business areas.

Liquidity risk

Liquidity risk is related to our capability 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 closing 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, 2018, we maintain a significant portfolio of liquid assets, which allows us to be well above the regulatory limit of the liquidity ratio.

During 2018, 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 coverage 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, which, in turn, is 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 foreign exchange, do not liquidate or close the corresponding transaction, leaving us exposed to open exchange-rate positions and to 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 expected potential loss at maturity of each open transaction, which is calculated daily with the methodology known as Montecarlo. In order to reduce and monitor risk, we require each client or counterparty who enters into transactions with us to have a risk limit (which considers the credit risk of each client or counterparty) and, in case of transactions with derivative instruments, to make guarantee deposits.

Our Line Sub-Committee establishes the risk limit for each counterparty through the analysis and study of the financial information of the counterparty. The risk limit of each counterparty 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 guarantee 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 31st, 2018, 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 in 2% of each contract (which represents the uninsured portion that we retain) when the financed American export is agricultural raw materials or 10% of each credit (representing the unsecured portion that we retain) for the export of any other product. All relevant 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. That operation 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, inadequate internal systems, failure in the same 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 the maintenance and review of 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 31st, 2018, 2017 and 2016
(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 / Face Value			Fair value			Nominal maturity amount	Collateral / lines of credit / securities given as guarantee
			2018	2017	2016	2018	2017	2016		
Futures	Negotiation	CME MXUSD	-117,500	450,000	450,000	-1,518	22,059	-8,721		Cash
		IPC MEX FUT	33,760	0	456	-338	0	2		Cash
		MXD USD-MX	4,818,081	1,067,499	489,840	-188,071	-21,059	189,609		Cash
		Total	4,734,341	1,517,499	940,296	-189,927	1,000	180,890	114,975	
Forward	Negotiation	EUR/MXN	-195,825	-93,657	-3,990	4,547	-5,860	-177		Cash
		EUR/USD	-4,226	494	56	-502	839	-928		Cash
		MXN IPC	-2,952	0	0	12	0	0		Cash
		USD/MXN	-3,121,426	-349,511	-168,909	185,711	395,199	-188,461		Cash
		GBP/USD	0	0	0	56	662	70		Cash
		GBP/MXN	0	0	0	0	1	-345		Cash
		SEK/MXN	0	0	0	593	0	0		Cash
		1_CEMEX_CPO	-1,201	0	0	-428	0	0		Cash
		94BINTER14	0	0	-50,181	0	0	25		Cash
		94BINTER14-2	0	-138,831	-138,430	50	50	68		Cash
		1_BIMBO	-393	0	0	-34	0	0		Cash
		95CDVITOT15-2U	0	0	-51,777	0	0	-471		Cash
		MBONOS241205	0	0	-46,515	0	0	359		Cash
		95PEMEX10-2	0	0	0	0	0	1		Cash
		91ARRENCB16	0	0	-1,248	0	0	0		Cash
		MBONOS421113	0	0	-89,790	0	0	2,008		Cash
		IPC MEX FUT	8,380	0	0	-24	0	0		Cash
		91_HIRCB_18	-4,378	0	0	101	0	0		Cash
		91ACTINVR14	0	0	-1,458	0	0	0		Cash
		Total	-3,322,021	-581,505	-552,242	190,032	390,892	-187,851	1,204,239	
Options	Negotiation	CME MXUSD	300,000	0	0	-1,366	0	0		Cash
		EUR/MXN	39,913	-158,428	-80	1,936	-6,227	724		Cash
		EUR/USD	0	-1,416	0	20	22	0		Cash
		MXN IPC	46,220	0	-8,200,579	694	69	767		Cash
		1_AMX_L	-30,000	0	0	230	0	0		Cash
		USD/MXN	-924,697	2,419,259	-9,649	8,174	-28,746	-46,969		Cash
		MXD DÓLAR	0	450,000	-600	0	-3,544	-246		Cash
		NAFTRAC	0	0	-2,462	0	0	218		Cash
		Total	-568,564	2,709,415	-8,213,370	9,688	-38,426	-45,506	-370,660	
Caps Floors	Negotiation	TIIE28 UHABMES	-5,508,397	-6,237,484	-4,515,397	48,112	81,936	-87,221		Cash
		USD LIBOR 1M	-414,640	-126,590	0	199	56	0		Cash
		Total	-5,923,037	-6,364,074	-4,515,397	48,311	81,992	-87,221	-97,588	

SWAPS	Negotiation	Received	19,588,743	12,028,238	12,261	1,648,175	1,290,762	1,536		Cash
	Hedging		518,451	887,002	838	121,999	133,566	143		Cash
	Negotiation	Delivered	-19,409,980	-12,068,925	-12,323	-1,469,412	-1,331,450	-1,598		Cash
	Hedging		-405,000	-776,965	-704	-8,548	-23,529	-9		Cash
		Total	292,214	69,350	72	292,214	69,349	72	165,922	
		Grand Total	-4,787,067	-2,649,315	-12,340,641	350,320	504,807	-139,616	1,016,888	

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

Impact on Cash flow as of December 31st, 2018, 2017 and 2016
(Figures in millions of Mexican pesos)

Description	2018	2017	2016
Future Cash flows	115	(1,201)	960
Forwards Cash flows	2,608	2,813	(44)
Options Cash flows	(421)	57	174
Swaps Cash flows	119	(37)	(77)
Total Cash Flows	**2,421**	**1,632**	**1,013**

Internally compiled regarding the format Chart 1 Summary of derivative financial instruments with figures as of December 31st, 2018, 2017 and 2016

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, in case of change of risk factors 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 for trading or hedging. When traded, the valuation changes over time, which may represent losses or gains, reflected in the results of the Issuer. Banco Monex determines a threshold in the risk management products operated with other counterparties; such a threshold implies that the Bank closes the positions and covers the loss with own resources when the accumulated impairment of the open positions in risk management products exceed the mentioned amount. It may also apply in the case when guarantees are provided up to 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 hedged asset or liability.

The Bank performs periodically an efficiency test, in which compares 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 derivative instruments as of December 31st, 2018:

TRANSACTIONS WITH DERIVATIVES					
Underlying USD/MXN	**Delta**	**VAR**	**Flows**	**Valuation**	**Total**
Forwards Cash	4,219	-	-	7,336	7,336
Forwards Delivery	(13,098)	-	32,697	(11,398)	21,299
Spot + Overnight	7,523	-	-	(511)	(511)
OTC Options	1,695	-	6,630	(3,077)	3,553
Imp Not Options	-	-	-	-	-
Caps LIBOR	-	-	-	-	-
SWAPS					
IRS	-	-	-	-	-
CS	-	-	-	-	-
Total	**339**	**-**	**39,327**	**(7,650)**	**31,676**
Underlying EURO/USD					
Forwards Cash	-	-	-	-	-
Forwards Delivery	(189)	-	35	35	70
Spot + Overnight	-	-	(66)	-	(66)
Options	-	-	8	(6)	2
Total	**(189)**	**-**	**(23)**	**29**	**6**
Underlying EURO/MXN					
Forwards	(8,672)	-	59,657	4,551	64,207
Spot + Overnight	12,228	-	(58,672)	(351)	(59,023)
Options	(3,317)	-	485	859	1,344
Total	**240**	**-**	**1,470**	**5,059**	**6,529**
Underlying IPC					
OTC Options	-	-	(74)	112	38
Naftrac Options	-	-	-	-	-
Total	**-**	**-**	**(74)**	**112**	**38**
Underlying other currencies					
FXD					
GBP/USD	-	-	-	-	-
GBP/MXN	-	-	6	-	6
USD/CAD	-	-	-	-	-
Total	**-**	**-**	**6**	**-**	**6**
Grand Total		**-**	**40,706**	**(2,451)**	**38,256**

TRADING TRANSACTIONS WITH DERIVATIVES				
Underlying USD/MXN	**Delta**	**Flows**	**Valuation**	**Total**
Forwards Cash	279,641	(45,275)	(252,022)	(297,297)
Forwards Delivery	(416,902)	(7,885)	304,415	296,530
Spot + Overnight	9,912	-	1,252	1,252
Peso Futures (CME)	5,829	4,013	12,038	16,051
DEUA Futures (Mexder)	247,490	43,708	(177,919)	(134,211)
DEUA Options (Mexder)	-	-	-	-
OTC Options	(52,934)	(151)	48,714	48,563
Caps LIBOR	-	-	3,006	3,006
LST CME Options	(3,068)	(19,903)	(2,323)	(22,226)
SWAPS				
IRS	(490)	453	(4,297)	(3,844)
CS	(68,920)	40,415	51,489	91,904
Total	**558**	**15,375**	**(15,647)**	**(272)**
Underlying IPC				
IPC Futures (Mexder)	-	(868)	244	(624)
IPC Options	-	-	(224)	(224)
Total	**-**	**(868)**	**20**	**(848)**
SWAPS				
IRS TIIE	(655,142)	(1,271)	(46,744)	(45,474)
Caps TIIE	(9)	9,383	32,716	42,100
Total	**(655,151)**	**10,654**	**(14,028)**	**(3,374)**
Underlying other currencies				
FXD				
GBP/USD	-	3	-	3
Total	**-**	**3**	**-**	**3**
Gran Total	**-**	**25,163**	**(29,655)**	**(4,492)**

LIMITS WITH DERIVATIVES			
	Limit	Use	Available
VAR	9,000	(8,435)	565
Stop Loss	8,000	35,445	43,445
Stress Test	18,000	(8,726)	9,274

Internally compiled with figures as of December 31st, 2018

The following chart shows the total consumption of sensitivity as of December 31st, 2018:

Sensitivity analysis	Sensitivity (all factors)
Scenario 1 (1%)	$(1.0) million pesos
Scenario 2 (2%)	$(1.9) million pesos
Scenario 3 (7%)	$(6.7) million pesos

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 10%
- The EQ risk factors are multiplied by 1.20, i.e. change 20%

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

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

The results for these scenarios as of December 31st, 2018 are as follows, which show the impact on results in case of occurrence (unaudited):

Risk Profile	Stress test (all factors)
Scenario one (25%)	$(17.5) million pesos
Scenario two (50%)	$(43.6) million pesos
Scenario three (70%)	$(61.1) 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 end of December 2018:

Scenarios				
Stress test (mp)	**Delta**	**A (25%)**	**B (50%)**	**C (70%)**
MXN/USD	897	(11,286)	(28,214)	(39,500)
CAD/MXN	-	-	-	-
USD/CAD	-	-	-	-
EUR/USD	(189)	(2,715)	(6,787)	(9,502)
EUR/MXN	240	(3,448)	(8,620)	(12,068)
Stress test (mp)	**Delta**	**A (25%)**	**B (50%)**	**C (70%)**
IPC	-	-	(3)	(4)
Total		**(17,449)**	**(43,623)**	**(61,072)**

Scenarios				
Sensitivity (mp)	**Delta**	**A (1%)**	**B (2%)**	**C (7%)**
MXN/USD	897	(176)	(353)	(1,234)
CAD/MXN	-	-	-	-
USD/CAD	-	-	-	-
EUR/USD	(189)	(729)	(1,459)	(5,106)
EUR/MXN	240	(54)	(108)	(377)
Sensitivity (mp)	**Delta**	**A (2%)**	**B (4%)**	**C (7%)**
IPC	-	-	-	-
Total		**(960)**	**(1,919)**	**(6,717)**

Internally compiled with figures as of December 31st, 2018

As of December 31st, 2018, Banco Monex had derivatives (interest rate swaps) for hedging purposes. The Bank periodically conducts a hedging efficiency analysis, which produced the following results:

CODESA

Dec 31st, 2018						
SCENARIO	REAL SWAP	HYPOTHETICAL SWAP	Δ TOTAL SWAP	Δ HYPOTHETICAL SWAP	RATIO	.80 <COEF.<1.25?
MTM	72,870	-72,870				
+1%	71,518	-71,518	-1,325	1,325	100%	EFFECTIVE
-1%	74,223	-74,223	-1,326	-1,326	100%	EFFECTIVE

AUDI

Dec 31st, 2018							
SCENARIO	REAL SWAP 1	REAL SWAP 2	HYPOTHETICAL SWAP	Δ TOTAL SWAP	Δ HYPOTHETICAL SWAP	RATIO	.80 <COEF.<1.25?
MTM	28,544,593	9,739,406	-25,092,987				
+1%	28,603,269	9,759,618	-25,176,508	78,888	-83,521	94%	EFFECTIVE
-1%	28,485,878	9,719,181	-25,009,412	-78,940	83,576	94%	EFFECTIVE

PEMEX 11-3

Dec 31st, 2018							
SCENARIO	REAL SWAP 1	REAL SWAP 2	HYPOTHETICAL SWAP	Δ TOTAL SWAP	Δ HYPOTHETICAL SWAP	RATIO	.80 <COEF.<1.25?
MTM	23,039,820	18,326,846	-24,840,781				
+1%	23,098,680	16,389,099	-24,910,233	70,533	-69,452	102%	EFFECTIVE
-1%	22,980,932	18,264,564	-24,771,298	-70,566	69,484	102%	EFFECTIVE

PEMEX 13-2

Dec 31st, 2018						
SCENARIO	REAL SWAP 1	HYPOTHETICAL SWAP	Δ REAL SWAP	Δ HYPOTHETICAL SWAP	RATIO	.80 <COEF.<1.25?
MTM	60,562,927	-56,007,767				
+1%	60,815,265	-56,173,723	162,338	-165,956	98%	EFFECTIVE
-1%	60,490,481	-55,841,700	-162,446	166,068	98%	EFFECTIVE

PEMEX 10-2

Dec 31st, 2018						
SSCENARIO	REAL SWAP 1	HYPOTHETICAL SWAP	Δ TOTAL SWAP	Δ HYPOTHETICAL SWAP	RATIO	.80 <COEF.<1.25?
MTM	-7,121,436	16,715,052				
+1%	-7,098,377	16,667,433	23,060	-23,024	100%	EFFECTIVE
-1%	-7,144,501	16,762,681	-23,065	23,029	100%	EFFECTIVE

Risk policies in derivatives products

The market risk in derivative transactions is limited due to the fact the 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 of the consolidated balance sheet and 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 daily margin calls or when the valuation loss reaches a maximum amount authorized by the Lines Committee.

To monitor the inherent risks 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
- An Integral Risk Management Unit, independent of business areas, which day-by-day monitors 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, i.e. 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 own 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 with a settled 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 (base variations on risk factors), possible (increasing base levels by 50%) and stress variations 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 events in financial markets experienced in the past

f) Revaluation of the position with the new risk factors, where the change in the market value in the presence of such events 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 is evaluated. The capital gains or losses in the business units and the entire Issuer are also estimated. The stress results are compared daily with the limits established for this effect by the Risk Committee

Climate change

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

In spite of what was mentioned in the previous paragraph, in Monex we recognize the importance of the care and preservation of the environment, for which purpose we have decided to voluntarily adopt the measurement of the Carbon Footprint and the compliance with the Sustainability Banking Guidelines, which is why we implement actions that allow us to reduce our environmental impact through our Carbon Management Plan. Likewise, we have volunteer programs mostly devoted to Reforestation in different areas of the country.

Technology

The Systems and Technological Development Corporate Division is responsible for providing and supplying the various requirements, implementations, and improvements to the technology and communications services of Monex both in Mexico and abroad, through the design of processes and global trends guidelines that allow us to be provided with the necessary instruments to be able to compete at a high level with the different financial groups that offer services similar to ours.

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

Currently, in Monex we have 79 employees assigned to the Information Technology unit who have the support of certified suppliers that reinforce the work and services of the area. During 2018, our technological infrastructure processed a monthly average of 6 million transactions, achieving a total of 74 million transactions in the same year, considering all markets and services, which reflects an increase compared to previous years and gives us certainty of the capacity of our solutions. The receipt of resources in domestic payment services is carried out through SPEI in national currency and SPID for US 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 our functions, the Systems and Technological Development Corporate Division organizes its internal structure and processes aligned with the best practices worldwide. We have specialized areas focused on the functions required in this division:

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

In relation to the various changes that we have implemented at Monex in order to offer mainly financial services to companies with domestic and international transactions, during 2018, we made significant investments in the permanent improvement of our data center, seizing the opportunity to update hardware and telecommunication technology resources, as well as new support agreements offered to us. These investments are reflected in better performance, support, and service for the systems.

Meanwhile, during 2018, we developed various in-house IT projects which have allowed to shape the requests of sundry business units integrating Monex; additionally, these projects help us to optimize the IT Unit resources and focus them on the improvements that demands the tech world.

2018 was marked by the important achievement of initiating operations as members of CLS Group Holdings, beginning the operation of the technological systems and infrastructure implemented to operate with this group, which represents the largest currency settlement system at global scale.

For Monex, it is fundamental to maintain and constantly innovate technological platforms to be at the vanguard of and in synchrony with the demands of the financial world. This has allowed us, through the use of multiple tools, to offer our clients high availability in services and to support our staff to increase productivity in all areas.

Our priority has always been compliance with anti-money laundering. During 2018, we worked permanently on the tools of analysis and detection, as well as on the full compliance with the requirements of the authorities.

The capacity to optimize compliance with internal control and relevant regulation, facilitating access to necessary input in decision-making, accounting, business management, and customer knowledge are 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 us to continue at the forefront by developing applications that allow access to these services from any mobile device, including tablets and smartphones.

Systems Management

In Monex, we have 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 we participate. 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 signify a differentiator before the competition.

We have a central system called *Monexnet* in which the sales and administrative areas can 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 your company.

In 2018, we accomplished several improvements to the *Monexnet* system that will help the promotion areas to perform 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 we are able to operate on a regular basis the different businesses it serves.

Additionally, in 2018, 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 we have installed redundant voice and data services allowing us 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 of the Technology Unit. In 2011, Monex was certified in the international standard of information security ISO27001. In 2018, this certificate was confirmed 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.

The security offered in technology is one of the highest priorities. During 2018, the cybersecurity department of Monex was strengthened, forming an area specialized in detecting, analyzing and responding to the risks in this matter, which materialize in the technological infrastructure. This department consists of 6 specialists dedicated full time only to issues of cybersecurity and response to incidents.

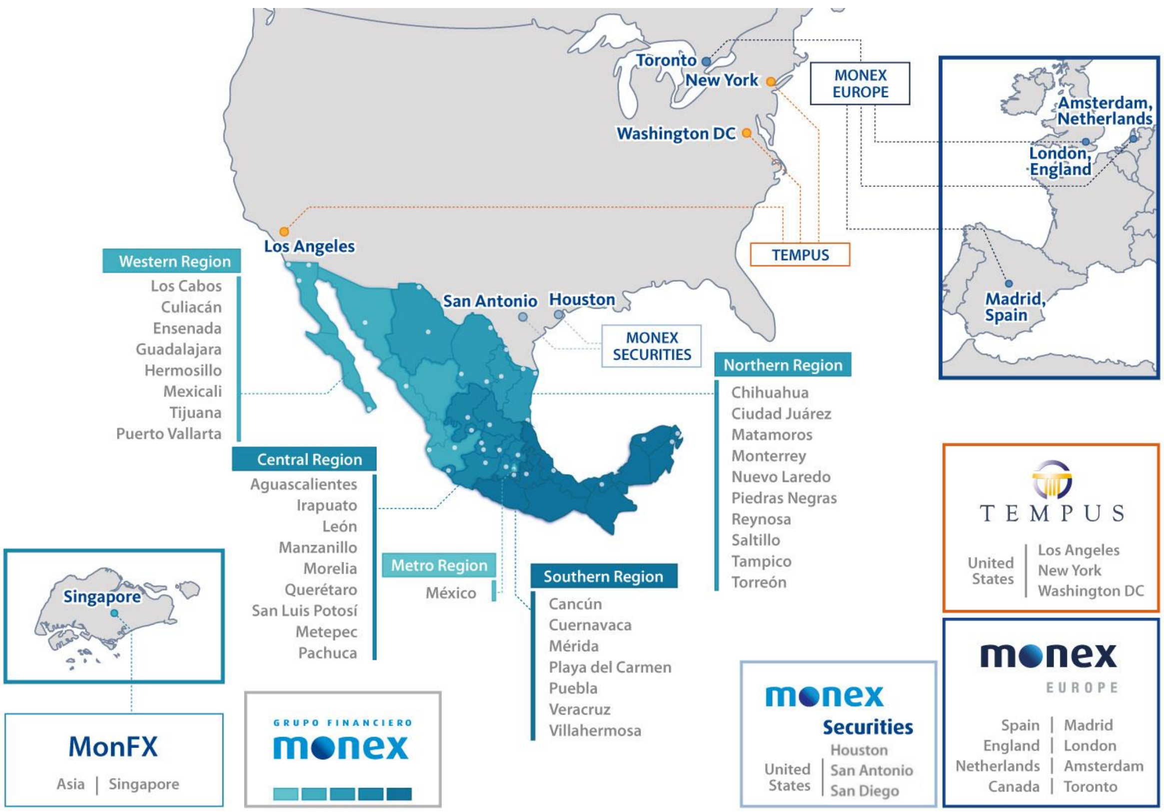
Besides of adding this team, we completed investments in state-of-the-art technology to protect critical information assets of Monex in the face of increasing threats from national and international protagonists that could put at risk the integrity, availability and confidentiality of Monex clients' information.

II. Distribution channels

Geographical Diversification

As of December 31st, 2018, in Monex, we had a sales force composed of 813 sales executives in Mexico dedicated to the service and attraction of new clients. This force is geographically distributed in 5 regional directions in 35 offices over 35 cities, covering the main cities of the country.

Through our subsidiary, Tempus, we have a presence in the USA with an office in Los Angeles and 6 sales executives, Washington, D.C (headquarters) with 26 sales executives, and New York with 8 sales executives. Likewise, our subsidiary, Monex Europe, has a presence in the United Kingdom with an office in London and 56 sales executives; In Spain, with an office in Madrid with 16 sales executives; in the Netherlands with an office in Amsterdam with 18 sales executives; in Canada with an office in Toronto with 12 sales executives; and in Singapore with 1 sales executive.



Sales (Mexico)

The offer of our services is carried out through our 35 offices; for further details of each of them see chapter 6 “Annexes” of this Annual Report.

Each office has its own sales force and client portfolio. 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 sales force to familiarize themselves with our clients and their companies, so that they can provide customized services according to the needs of each one.

Our sales force is compensated through result-based incentives per transaction, although we also consider other variables such as diversification, new accounts and growth in revenues. The incentive scheme also considers the costs of the areas seeking the efficiency of our operation. 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 sales force to stay close to their client in order to increase recurring revenue generated by each client.

Since the incentive scheme is based on results, in Monex, we have been able to integrate comprehensive sales force of financial advisors always pursuing the improvement of the business with our clients taking into consideration the following:

- Increasing our participation in the international payments business.
- To promote the cross-sales, offering the rest of the products to our clients.

We try to keep a financial advisor with each client in order to learn the needs of each company and to privilege the maintenance of a long-term relationship.

In order for clients to have the possibility of hedging their exchange rate risks, we have strengthened the risk management products area, offering forwards, futures, and options. In addition, we have achieved a good penetration in the risk management products market for final clients, both in MexDer and OTC markets.

In terms of additional service channels, we have a call center and our operation via internet. 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 transactions, make payments online, and maintain accounts in Mexican 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 part of our strategy to increase the use of digital banking and adhere to the established security standards, in 2018, we carried out an initiative to deliver tokens to all our clients. On the one hand, all new account openings necessarily include a token which is delivered by our Operation department; on the other hand, for those existing clients who do not have their token yet, we contact them personally through our call center to deliver them their tokens and help them to activate it. We aim at providing all our clients with the access to Monex Digital Banking. As an important part of our digital strategy, we expect part of our clients to become self-served through our digital channels.

As of December 31st, 2018, the Corporate Banking Division had 168 specialists. The number of sales executives dedicated to foreign exchange and international payment services was 552.

About Private Banking, we currently have 90 sales executives and 3 sales executives for Institutional Promotion.

III. Patents, licenses, trademarks and other agreements

Intellectual property

We have the brand "Monex" registered with the Instituto Mexicano de la Propiedad Intelectual. 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"	Invermonex
Class	36	36	36	36	36
Renew before	February 22, 2025	April 16, 2028	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 (and design)	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**	**1778274**		
Distinctive Sign	Monex Pay (and design)	MONEX	MONEX CLICK (and design)		
Class	36	36	36		
Renew before	August 15, 2026	10/03/2020 Registered trademark in USA	April 6, 2027		

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	Pending. An objection was answered on August 31, 2017	Abandoned for lack of response to an objection letter, according to the client's instructions		

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, 2028	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 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 There is no registration date	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. Totalplay Telecomunicaciones, S.A. de C.V. - Service Agreement for Links and Connection Services held on March 7th, 2018.
2. Total System Services de México, S.A. de C.V. - Service Agreement for Stamp of Account Statements held on February 1st, 2017.

For details of the agreements and contingencies see Note 33 to the audited financial statements for the years ended December 31st, 2018, 2017 and 2016 and the Independent Auditors' report attached in section 6 "Annexes" of this Annual Report.

IV. Main clients

We have a great diversity of clients 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

We are a holding company of financial and non-financial entities, authorized for such purposes by SHCP to own all but two shares of 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 turn, owns 99.9% of Monex Casa de Bolsa, Monex Fondos and Banco Monex, in addition to six investment funds.
- MNI Holding, which owns our subsidiaries abroad: Tempus and Monex Europe, as well as their respective affiliates and subsidiaries, and
- Arrendadora Monex

Our subsidiaries as financial entities are strictly regulated and are subject to periodic reviews of the SHCP, 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 the authorities.

Our operations, as a financial group, must comply with the LRAF, the corresponding rules issued by SHCP and certain regulations 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, the Circular Única de Fondos and 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, exercises broad 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 make us go through, as well as to our financial subsidiaries, an intervention and order our liquidation, if applicable.

Monex Securities, Inc. and Monex Assets Management, subsidiaries of Monex Casa de Bolsa, are subject to federal and state laws regulating the USA financial intermediaries as well as to standards set by the Financial Industry Regulatory Authority (FINRA), registered under the SEC applicable to financial intermediaries, and in the specific case of Monex Assets Management, Inc., under the Texas State Securities Board supervision. Both companies are based in the city of Houston, Texas, and have offices established in San Antonio, Texas, and San Diego, California. The latter is also authorized to operate in California.

Tempus is our indirect subsidiary, through our direct subsidiary MNI Holding (sub-holding): Tempus was incorporated under the laws of the District of Columbia in the USA. It is engaged in foreign exchange, international payment services and money transmission. It is required of State licenses in the USA to operate as money transmitter. Currently, it has 48 licenses and in the rest of the States does not require operating licenses. These licenses 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 is authorized 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.

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); therefore, it is obliged to comply with the Bank Secrecy Act (BSA), contained in the Code of Federal Regulations (CFR), which requires, among other things, each service company to develop, implement and maintain a risk-based system with an anti-money laundering (AML) program. Tempus fully complies with the BSA.

Tempus also owns another 100% of a 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 applicable regulation in that State, which does not allow direct operation by Tempus.

Monex Europe Limited is our indirect subsidiary through MNI Holding and Monex Europe Holdings Limited (sub-holding), which is headquartered in London, with additional offices in Amsterdam and Madrid. It 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. It is authorized by the Financial Conduct Authority, under the heading of "money remittances" to operate as an Authorized Payment Institution. The FCA regulates the financial services industry in the United Kingdom under the Payment Services Regulations 2017. The offices in Madrid and Amsterdam hold licenses and authorizations required by the authorities of their respective countries.

Monex Europe Limited owns 100% of a subsidiary incorporated in England and Wales under the number 08357567. This entity is known as Monex Europe Markets Limited, which offers, among others, derivative financial transactions. That subsidiary has, both the authorization by the CNBV for its constitution and the corresponding FCA authorization for its operation with registration number 596146.

Likewise, Monex Europe Limited manages the three other companies engaged in foreign exchange transactions and international payment services, which are 100% owned by the sub-holding Monex Europe Holdings Limited. These are:

i. Monex Canada, Inc., for which we also obtained the authorization from the CNBV, headquartered and domiciled in Toronto, province of Ontario in Canada and is authorized, with registration number A04272, by the Office of the Superintendent of Financial Institutions (OSFI) under the Ministry of Finance of that country. It is also registered with the number M17698932 in the Financial Transactions and Reports Analysis Center of Canada (FinTrac), a Canadian government agency that supervises, among other matters, anti-money laundering.

ii. MonFX Pte. Ltd., for which we obtained the authorization from the CNBV, established in the Republic of Singapore, authorized to operate by the Monetary Authority of Singapore (MAS) under the R.A. number 01534, and

iii. Monex Europe S.á.r.l. located in the Principality of Luxembourg, newly constituted on December 7th, 2018, which is currently in process of obtaining the licenses and authorizations necessary to operate, before the Commission of Supervision of the Financial Sector of this country.

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, amended, added and derogate various provisions in the financial matter and issued the Ley para Regular las Agrupaciones Financieras.

The operation of holding companies 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 administrators, general deposit warehouses, brokerage houses, currency exchanges, banking institutions, surety institutions, insurance institutions, companies operating the investment companies, distributors of investment companies shares and multiple-purpose financial companies. 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 be carried out by the financial entities belonging to the group in 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 offer 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 issuance of subordinated bonds of forcible conversion to representative securities of 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, 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.

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

If the equity of the holding company were not enough to fulfill the responsibilities that, with respect to the financial entities forming part of the group, arise 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, it will be considered the ratio of the represented capital of each subsidiary in the capital of the holding company. 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 holding companies of financial entities may be supervised either by the CNBV or by the CNSF, depending on which of these commissions 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.

If a holding company of financial entities violates the laws and regulations applicable to it, the CNBV or the CNSF will be able to intervene in the administration of the holding 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, will be able to carry out an "administrative intervention" in order for the intervenor to put into effect 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, will be able to execute a "managerial intervention" by virtue of which the intervenor shall have the amplest powers to redirect the operations of that company.

In case of non-compliance by the holding companies with the rules applicable to them, the aforesaid companies shall be punished with 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 the Board of Directors of the offender must be notified.

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 managed 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 currencies

(vii) To act as common representative of bondholders and other securities under applicable law

Mexican law also provides certain restrictions applicable to brokerage houses. Generally, they must not, among other things, grant credits or loans with guarantee on:

(i) subordinated obligations in charge of credit institutions, brokerage houses or financial group holding companies

(ii) rights over trusts, mandates or commissions which, in turn, are intended for 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 holding 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 sum of the capital requirements for each type of risk, in terms of the General Provisions issued by the CNBV, subject to the agreement of its Board of Governors.

The global capital will be the one obtained according to the aforementioned provisions established by the CNBV

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

The CNBV is the agency of the federal public administration empowered to authorize the operation, merger and reorganization of brokerage houses and will be able to revoke the authorization to Mexican brokerage houses, in the cases instituted by the LMV.

The CNBV is broadly empowered to request information, perform audits, inspection and surveillance visits, make recommendations or even apply preventive and corrective measures to brokerage houses. This competency 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 intervenor-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 Shareholders' Meeting of the brokerage house.

The CNBV may additionally impose penalties on Mexican brokerage houses 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 sue officers from brokerage houses that perform prohibited acts, including criminal matters.

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 respect to 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 agency of the federal public administration empowered to authorize the operation, merger and reorganization of the banks and will be able to revoke the authorization to banks, in the cases instituted by the LIC, 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, perform audits, and make recommendations to banks. This competency also empowers the CNBV, if its recommendations are not followed, to designate an intervenor-officer to implement those recommendations. In addition, if the bank carries out activities that the CNBV deems objectionable, the CNBV will be able to designate an intervenor-manager with general powers to direct the business of the bank and suspend the authority of the Board of Directors or even of the Shareholders' Meeting of the bank.

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 sue bank officials carrying out prohibited acts, including criminal matters.

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

As for holding companies of financial entities, 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 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 management companies are generally able to 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 provision of prices or qualifications may be provided by third parties.

The CNBV is the main authority empowered to inspect and supervise investment fund managing companies, as well as third parties that operate, manage and distribute their shares, among others. Likewise, the CNBV is empowered to authorize the constitution 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 is 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 best international practices in respect to Prevention of Money Laundering and Terrorist Financing (PML-TF).

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 PML-TF matters before the CNBV and certified before ACAMS (organization authorized in the USA to certify Compliance Officers as PML-TF 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 PML-TF before the CNBV.

There are electronic records of each client and electronic KYC questionnaires ("know your customer") 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.

During 2017, we implemented controls to identify the real owners who ultimately exercise control over the companies.

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 outdated information are blocked and cancelled if not updated within the following 6 months. During 2018, the record-update campaign targeted at 12,541 accounts and also considered 3,756 high-risk customers, whose update must be carried out annually.

Also, we have specialized monitoring systems for the detection of possible unusual operations, which generate alerts, subsequently verified by the staff of the AML 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 that incorporates 16 transaction monitoring scenarios. The transaction monitoring system is calibrated annually by an independent third party. The last calibration was completed in January 2018. Furthermore, between July and December 2018, various system maintenance activities and data analysis were performed, in order to improve the quality of the generated alerts. Throughout 2018, about 180 thousand received transfers were evaluated.

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 funds to 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 Provisions 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 AML.

As a best practice, there is a Client Acceptance Committee that reviews the admission requests of prospects that represent a higher-than-average risk in relation to PML-TF. The Committee is composed of first level directors of Monex. During 2018, 371 cases of high-risk prospects were presented to the Committee.

Since 2015, a differentiated course on PML-TF was implemented, in coordination with the ABM, whose content was adapted to the risk level of the personnel functions, achieving a 100% coverage of the employees of the Issuer. During 2018, this course was taken by 1,785 employees. Moreover, as part of their induction process, and in accordance with the applicable regulations, training courses on PML-TF are given to new staff. In 2018, 409 new employees were trained. In addition, 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.

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

We regularly receive supervisors from the CNBV, who review us exclusively in this matter. The latest revision to our PML-TF processes was fulfilled in June 2017. All observations and recommendations from past reviews have been resolved.

During the last ten years, as a best practice, offices of recognized prestige have completed reviews of actions in the matter of prevention, detection and reporting of operations with resources of illicit origin. The last external audit of our PML-TF processes was executed by the consultant Ernst & Young, in June 2018, without any relevant observation. We were able to obtain the ISO 9001:2000 certificate for the first time in 2007 and we have been able to ratified it during these years in its processes of prevention, detection and reporting of operations with resources of illicit origin. The last certification was obtained in June 2018.

With the support of our external advisors and in accordance with international best practices, at the end of 2016, we developed and implemented a new PML-TF Risk Assessment Model which considers inherent risks (of clients, products, services and geographies) and effectiveness of controls. The Model allows us to know the residual risk corresponding to the institution. The last annual execution of the model took place in December 2018; based on this evaluation, our residual risk (considering the inherent risk and the effectiveness of our controls) is kept low.

Also, we developed a Client Classification Model, which considers factors such as place of residence, occupation / industry, number and amount of operations and origin / destination of international transfers. The model offers immediate visibility on the particular risk of each client and facilitates the management of clients that represent greater risks. The Model has been reviewed by the authorities, who have validated its compliance with the applicable regulation.

Amendments to tax laws

The main tax reforms and obligations in this area to which the Issuer is subject to are described in Note 23 of the audited financial statements for the years ended December 31st, 2018, 2017 and 2016 and in the independent auditors' report contained in chapter 6 "Annexes" of this Annual Report.

VI. Human resources

As of December 31st, 2018, Monex had a total of 2,512 employees, of which approximately 4.1% were temporary and 3.3% unionized employees.

For 16 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 equality practices and recognition as One of the Best Companies to Work in the Financial Sector, occupying the 1st place.

For 17 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 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 performs an analysis of the information proving the 120 indicators of Corporate Social Responsibility; as well as an analysis of 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, it has received the Recognition of Best Practices of Social Responsibility on four occasions.

Since 2005, we have voluntarily subscribed to the "Global Compact", which is an initiative of the United Nations (UN). Upon subscribing the initiative, we make explicit our commitment to respect the principles of the compact as they coincide with our corporate values. We publish annually in the Global Compact portal a report explaining how we ensure compliance with the principles of the Compact within the organization.

Since 2007, Monex has been certified under ISO 9001 quality standard in its version 2008 and is the only Mexican financial group to have certified key processes of prevention, detection and reporting of operations with resources of illicit origin and integral risks management 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 clients' information in its information systems". Both standards consider a single integral quality management system and information security renewed in 2018.

VII. Environmental performance

As a Socially Responsible Company, we recognize the importance of the care of our planet and the environment; therefore, we develop different projects that allow us to reduce the environmental impact of our activities.

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 that is also aligned with the corporate strategy of our business. Some of our practices are the following:

- Waste separation: the facilities have trash cans adapted to separate organic and inorganic residues
- Battery disposal campaign: we conduct a permanent campaign of battery waste, which consists of collecting them in containers and then taking them to special containers
- Recycling of paper: we have paper containers; the paper is gathered in our facilities and then is collected by a company that recycles it
- Recycling: glasses made with recycled paper are used in each of the cafeteria areas
- Reforestation campaigns through corporate volunteer activities

The complete information of our activities and results of Social Responsibility and environmental protection can be consulted in the Corporate Social Responsibility Report 2018 in Chapter 6 “Annexes” of this Annual Report.

VIII. Market information

We have focused on providing our clients with competitive products in the market. Over 33 years of experience have positioned us as one of the most important players 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 gives us a firm entry to the USA, Canada, Europe and now also in Asia markets. Both companies have a market view providing 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.

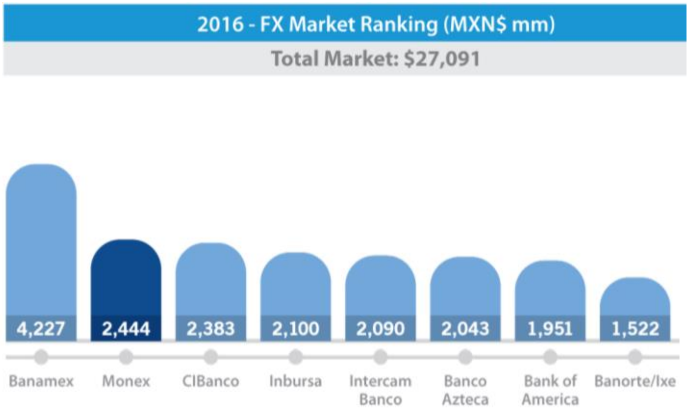
Market share

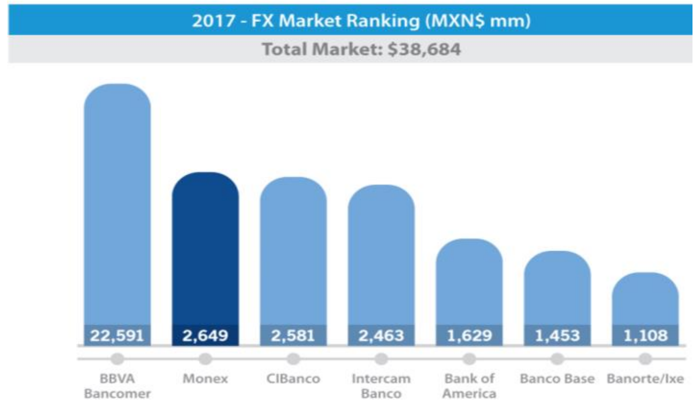
Below are the charts with the market share by foreign exchange income in Mexico as of December 31st, 2018:

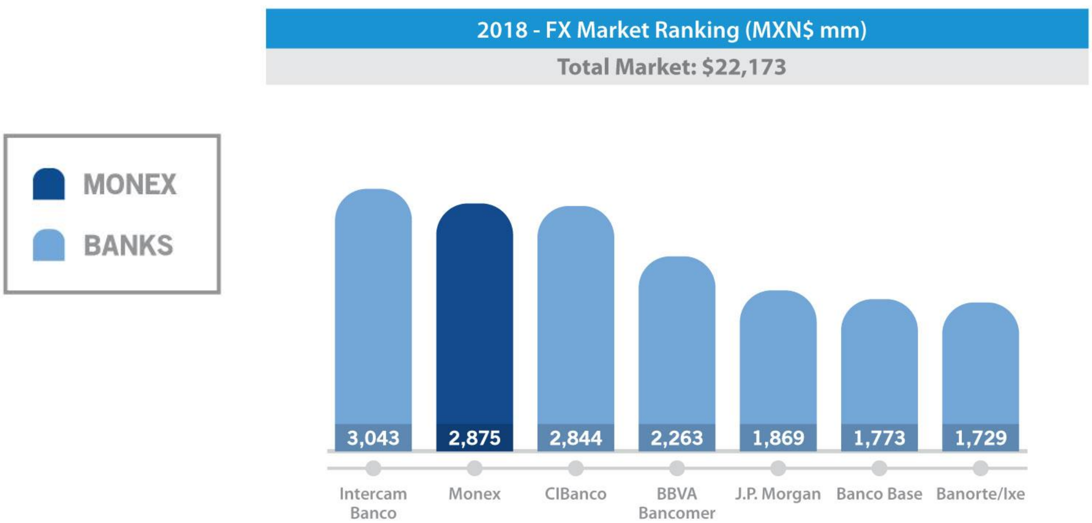
Source: chart compiled by Monex based on CNBV information on December 31st, 2018, the figures are shown in millions of Mexican pesos for Bank without subsidiaries. Charts made with valuation and without derivatives.

Foreign Exchange Income

According to internal calculations made with information published by the CNBV, during 2018, we had a market share of 13% in the foreign exchange market, based on our total income of $2,875 million pesos*; an income of $2,649 million pesos, which represented 7% of the total market in 2017; and an income of $2,444 million pesos in 2016, which represented 9% of the total market. Below we show ranking in the foreign exchange market based on the income included in the section "Información de la Situación Financiera de la Banca Múltiple" taken from the CNBV's website. Figures were obtained for the years ended December 31st, 2018, 2017 and 2016.



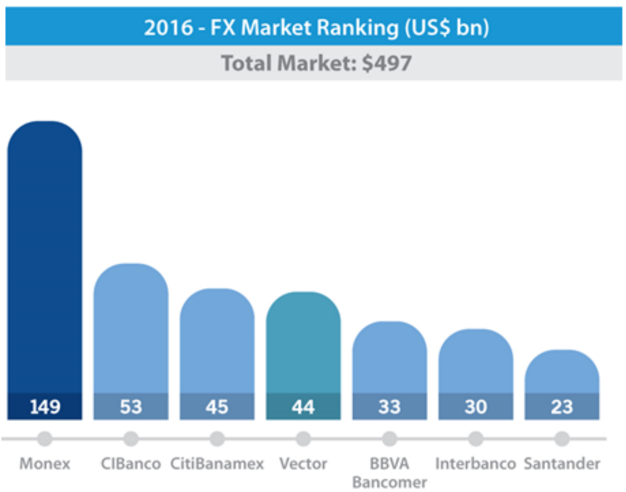


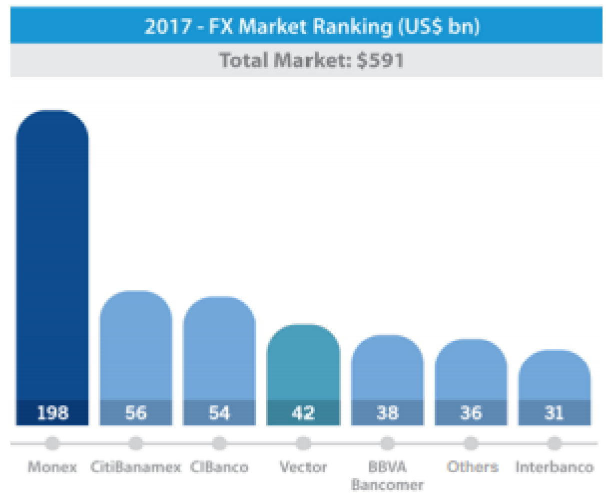


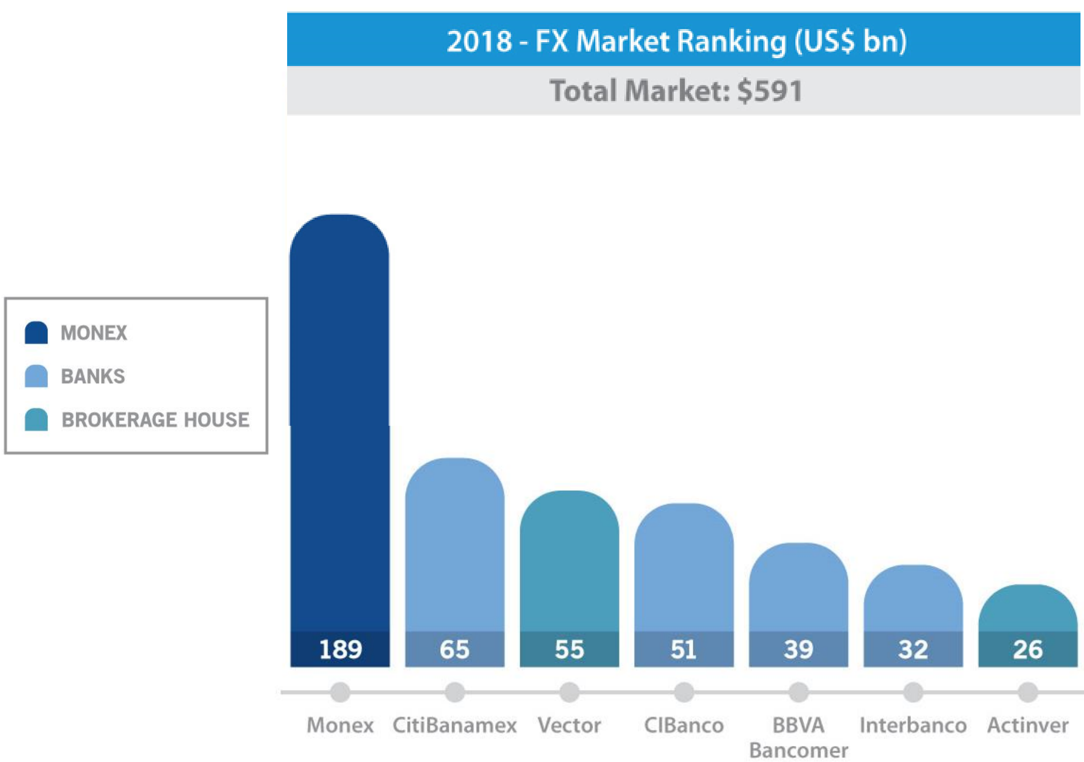
Source: chart compiled by Monex based on CNBV (*http://portafoliodeinformacion.cnbv.gob.mx/bm1/Paginas/Infosituacion.aspx*).
Revenues are considered without valuation in the foreign exchange position.
(*) Figures from CNBV as of December 31st, 2018.

Volume operated in foreign exchange

The total volume of our foreign exchange and international payments transactions in Mexico with non-financial and non-government clients as of November 30th, 2018 was equivalent to $189 billion dollars (3,838 billion pesos, at an exchange rate of 20.3455 pesos per dollar, published by Banco de México on November 30th, 2018). During 2017 and 2016, this volume was equivalent to $198 billion dollars (3,885 billion pesos, at an exchange rate of $19.6629 pesos per dollar, published by Banco de México on December 31st, 2017), and $149 billion ($3,077 billion pesos, at an exchange rate $20.6194 pesos per dollar, published by the Banco de México on December 31st, 2016), respectively. Below is a comparison of the volume traded in the Exchange Market, defined as domestic non-financial private clients, based on the Banco de México statistics:







Figures from Banco de México as of November 30th, 2018.

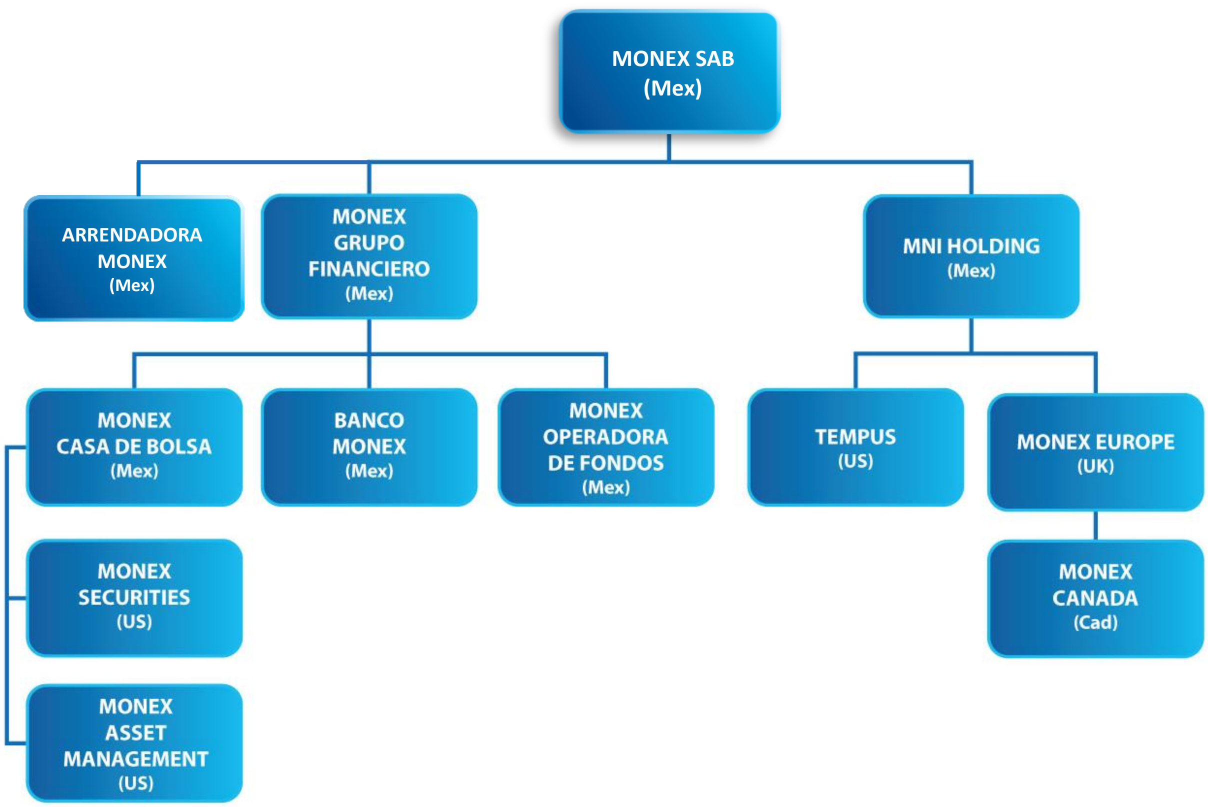
Position of Banco Monex based in the Total Loan Portfolio

According to audited financial data and information obtained from the Commission (located in the statistical bulletins, which are located within the multiple banking information portfolio), Banco Monex's total loan portfolio amounted in December 2018 to $24,624 million pesos, showing an increase of 15.4% compared to December 2017.

IX. Corporate structure

Monex SAB is a holding company, with three main direct subsidiaries as of December 31st, 2018: Monex Grupo Financiero, MNI Holding and Arrendadora Monex. In turn, Monex Grupo Financiero has three subsidiaries, which are: (i) Banco Monex, (ii) Monex Casa de Bolsa, and (iii) Monex Fondos. While MNI Holding has two subsidiaries: Tempus and Monex Europe.

Below is the organizational chart of our most representative entities:



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	99.99%	Direct subsidiary of Monex. Established on May 23rd, 2003, it is authorized by the SHCP to operate as a financial group under the form and terms established by the Mexican regulation.
Banco Monex	99.99%	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 foreign exchange transactions and executing trust contracts.
MNI Holding	99.99%	Direct subsidiary of Monex. Since November 2017 is the parent company of Tempus and Monex Europe.
Tempus	99.99%	Indirect subsidiary of Monex. Entity whose purpose is the foreign exchange and international payments in the USA.
Monex Europe	99.99%	Indirect subsidiary of Monex. Its activity is the foreign exchange and international payments services in the European market.
Monex Casa de Bolsa	99.99%	Indirect subsidiary of Monex. The Brokerage House acts as a financial intermediary for transactions involving securities and derivative financial instruments in Mexico.
Monex Securities	99.99%	Indirect subsidiary of Monex. Acts as a stock-market intermediary in the USA market.
Monex Asset Management	99.99%	Indirect subsidiary of Monex. Acts as an investment advisor in the USA market.
Monex Fondos	99.99%	Indirect subsidiary of Monex. Its main activity is to manage mutual funds and to promote its shares.
Arrendadora Monex	61.61%	Direct subsidiary of Monex, whose purpose is to provide pure leasing services on all types of goods

(1) For additional information see Chapter 3 "Financial Information" - "Consolidation of Financial Statements" of this Annual Report.
* Information confirmed by our Legal department under Art. 89 of the LGSM

X. Main assets description

Offices

We have 35 offices strategically located all over Mexico to serve different segments of the national market:

- Our corporate offices are in the capital of the country, on Paseo de la Reforma Avenue. "Monex Tower" has more than 12 thousand square meters; we made an investment of more than $11.5 million dollars focused on furniture, equipment and technological infrastructure according to business needs and security requirements
- Tempus has offices in the USA (Los Angeles, Washington DC and New York)
- Monex Europe operates with offices in London, Madrid, and Amsterdam. Also, it has an office in Canada (Toronto) and Singapore
- Monex Securities has offices in Houston and San Antonio, Texas and San Diego, California in USA

All our offices, both domestic and abroad are leased.

Insurance

As of December 31st, 2018, all our assets are insured by a multiple-business policy.

Guarantees

As of December 31st, 2018, all our assets are free of encumbrances.

Acquisition and Sale of Properties

As of December 31st, 2018, we do not own any real estate.

XI. Legal, administrative or arbitration proceedings

We are under 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 event 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 information is related to our capital stock. The description is not intended to be complete and is completely qualified in reference to our by-laws.

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", at no face 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. In accordance with the LMV and our by-laws, we may acquire our 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 31st		
Fixed Capital -	**2018**	**2017**	**2016**
Series "A" shares	50,000	50,000	50,000
Series "B" shares	545,758,505	545,758,505	545,758,505
Total	545,808,505	545,808,505	545,808,505

Source: Internally compiled with audited figures as of December 31st, 2018, 2017 and 2016

Note: The various movements in our capital stock are included in Note 24 of the consolidated financial statements for the years ended December 31st, 2018, 2017 and 2016 and independent auditors' report, contained in the chapter 6 "Annexes" of this Annual Report.

As of December 31st, 2018, we did not maintain open positions in financial derivative instruments settled in kind, whose underlying item were shares of our own or ordinary participation certificates on those shares.

Repurchased shares

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

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

Source: Internally compiled with audited figures as of December 31st, 2018, 2017 and 2016. *Figures in millions of Mexican pesos.*

As provided in the LMV, our by-laws 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 our 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 our capital stock, in which case they 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

Our capital stock may be increased or decreased as decided by the Extraordinary General Shareholders' Meeting, regarding the fixed portion of the capital stock, but in the case of the issuance of shares that constitute the variable part of the capital stock, it is to be decided by the Ordinary General Shareholders' Meeting.

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, our by-laws provide that changes in the variable portion of the capital stock do not require a change to the by-laws 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 in.

Since our incorporation, there have been some events that have modified our capital stock, on the one hand, the first and significant capital increase agreed by the Extraordinary Shareholders' Meeting on July 20th, 2007 and, later, on April 28th, 2010, an increase was agreed by the Ordinary General Shareholders' Meeting. Subsequently, a capital increase was agreed upon on April 13rd, 2015 by the Extraordinary General Shareholders' Meeting; the last increase resulted in our current capital stock, which was not modified after the adoption of the modality of Public Stock Company. We do not currently hold open positions in risk management products able to be liquidated in kind, whose underlying assets are shares representing our capital stock or ordinary participation 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 reassignment of proprietary shares under the terms of Article 56 (fifty-six) of the LMV and the By-laws 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 Shareholders' Meeting 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 ample circulation in 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. Monex may amortize shares with distributable profits without reducing the capital stock, observing the provisions of clause ninth of our by-laws.

Variable capital

Pursuant to Article 50 of the LMV and our by-laws, shares representing the variable portion of the capital stock will not grant our shareholders the right to withdrawal referred to in Article 220 of the LGSM.

Cancellation of Registration at RNV

If we decide to cancel the registration of our shares in the RNV or if the CNBV orders such cancellation, we must make a public offer to purchase the shares owned by the minority shareholders (understanding that the referenced offer will be directed only to those shareholders, and leaving expressly excluded the shareholders who have control of us in terms of the LMV) at the highest price of the following: (i) the average price of trading on the BMV during the 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 on us will be subsidiarily responsible with us in terms of the LMV in respect to the corresponding public offering.

Pursuant to the applicable regulations and our by-laws, if we were unable to purchase all shares held by minority shareholders on the occasion of the public offering, we 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-to trust must remain in force for at least six months.

In any case, the cancellation of the registration of the Shares in the RNV and the fulfillment of the corresponding public offer will be subject to the provisions in the LMV and our by-laws.

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, those who hold the certificates issued in their name as direct shareholders or through any participant of Indeval, will be recognized as shareholders by us. The transfer of shares deposited in Indeval must be registered in the form of book entries, according to the LMV.

Shareholders' Meeting and Voting Rights

The Shareholders’ Meetings may be ordinary or extraordinary. At every 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 stipulated 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 preferential shares; amendments to the By-laws; spin-off; 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 by 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 Board of Directors, 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 Shareholders' Meetings is at least 50% of the capital stock and resolutions may be adopted by the majority of the shares present. If a quorum is not observed, a subsequent Meeting may be convened in which resolutions may be adopted by the majority of the shares present, regardless of the number of shares represented in the Meeting.

The quorum for Extraordinary Shareholders' Meetings 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 Meeting may be adopted by a vote of at least 50% of the capital stock, including any Extraordinary Meeting convened to continue with a Meeting previously postponed for lack of a quorum.

The Shareholders' Meetings may be convened by: the Board of Directors; the Chairman of the Board of Directors; the Committees that fulfill the Corporate Practices and Audit functions; 25% (twenty five percent) of the Directors of the Company; the Secretary of the Board of Directors; 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 the Board of Directors to convene a Meeting 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 shareholders' 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 Shareholders' Meeting, in accordance with the LGSM.

The announcement for the Meetings will be made through the publication of a notice in one of the newspapers of greater circulation in 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 with 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 convoke 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. As soon as the convocation for a certain Shareholders' Meeting is published, the information and available documents related to each of the established points in the agenda must be at the shareholders' disposal at our offices, immediately and free of charge.

In order to be admitted to a Meeting, shareholders must obtain their admission card in terms of our by-laws and the provisions of the LMV. A shareholder may be represented by a power of attorney granted in the special format as provided by Article 49 of the LMV. The Minutes of the Shareholders' Meetings must be signed by the Chairman and the Secretary of the Meeting and must be transcribed in the corresponding Minutes Book of Meetings or, if this is not possible, the Minutes must be notarized. Resolutions adopted at Extraordinary Shareholders' Meetings 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 our subsidiaries may be subject to restrictions that limit them in their capacity 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 Shareholders' Meeting convened to deal with dissolution matters. All subscribed and paid-in shares will have the right to participate proportionately in any distribution after liquidation.

Purchase of Shares by our Subsidiaries

According to our by-laws, legal entities controlled by the Issuer may not directly or indirectly acquire shares representative of our capital stock or securities representing such shares, except for the acquisitions achieved through investment companies and those that may be carried out by any of its Subsidiaries when acting solely and exclusively, and being 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 our by-laws, the duration of the company 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 date of postponement of the meeting at which that decision was approved.

Based on the LMV, the by-laws include a series of protections for minority shareholders. These protections include provisions to allow: holders of at least 10% of the subscribed and paid-in shares to convene Shareholders' Meetings in which they are entitled to vote; holders of at least 15% of the subscribed and paid shares to initiate a civil liability action against 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, to request that those matters that have not been duly informed are postponed; and holders of at least 20% of the shares to legally oppose any resolution adopted by the Shareholders' Meetings, also subject to various conditions.

Under the LMV, Monex is also subject to different corporate governance requirements, including maintaining one or more Committees that perform 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 Board of Directors

Procedures against any Director or any member of our Committees may be initiated as a result of resolutions adopted at Ordinary Shareholders' Meetings. 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 claimant 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 from 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 Quality

As required by applicable law, our 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 entered 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; and 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 necessary notes 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 the information referred to the matters to be discussed at the Shareholders' Meetings to be 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; therefore, they 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 120 shareholders with various participation percentages.

The Chairman of the Board currently owns 51.5494% of the shareholders' equity, and since our incorporation these percentages have not varied by more than two percentage points. There are two persons who bear a relation of kinship with the Chairman of the Board, whose shareholding is 18.9707% each. No relevant director has more than 1% of our capital stock.

In Ordinary and Extraordinary Shareholders' Meetings 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, we have decreed dividends for the amounts described below:

Date	Total Dividend (pesos)	Dividend per share (pesos)
April 11th, 2018	250'000,000.00	0.466404488266359
April 17th, 2017	320'000,000.00	0.596710780997447
April 7th, 2016	250'000,000.00	0.466180297654255

The dividend payments will be approved, after analysis and presentation, through the Board of Directors. The payments of dividends decreed by us 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 Shareholders' Meeting, and shall be communicated 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 Monex. If the payment of dividends is determined in the future, the decree and payment of dividends to our shareholders will be subject to the approval thereof by a Shareholders' Meeting of Monex.

By Ordinary Annual Shareholders' Meeting 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 the indicated dividend to be paid in cash in a single exhibition, in proportion to its shareholding and through the Indeval.

By Ordinary Annual Shareholders' Meeting of Monex held on April 17th, 2017, it was resolved to decree the payment of a dividend to the shareholders in an amount of $320,000,000.00. Likewise, it was resolved the indicated dividend to be paid in cash in a single exhibition, in proportion to its shareholding and through the Indeval.

By Ordinary Annual Shareholders' Meeting of Monex held on April 11th, 2018, 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 the indicated dividend to 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 ended December 31st, 2018, 2017 and 2016 and the Independent Auditors' Report, in chapter 6 "Annexes" of this Annual Report.

monex

ANNUAL REPORT 2018

Chapter 3

FINANCIAL INFORMATION

Financial Information

Concept	2018	2017	2016
Revenues	7,318,819	6,481,353	6,315,694
Gross profit	-	-	-
Operating profit	1,534,089	1,517,678	1,389,991
Net income	1,115,786	1,102,034	1,071,292
Earnings per share	2.08	2.06	1.99
Acquisition of property and equipment	-	-	-
Operating depreciation and amortization	128,589	94,147	65,138
Total assets	98,943,769	102,772,757	80,293,651
Total long-term liabilities	-	-	-
Receivables turnover ratio	-	-	-
Payable turnover ratio	-	-	-
Inventory turnover	-	-	-
Total Stockholders' Equity	8,901,668	8,148,462	7,307,087
Dividend per share	0.47	0.60	0.47

Figures in thousand pesos except: Earnings per share and dividend per share which are in pesos

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, 2018, 2017 and 2016 and our consolidated balance sheet for the years ended December 31, 2018, 2017 and 2016 have derived from our audited Consolidated Financial Statements, included in Chapter 6 "Annexes" in this Annual Report, which have been prepared in accordance with the Accounting Criteria of the CNBV.

Significant Events 2018, 2017 and 2016

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, 2018, 2017 and 2016, attached to this Annual Report.

i. Acquisition of Arrendadora Monex S.A. de C.V (before Arrendadora Avance S.A. de C.V.)

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

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

ii. Participation in CLS Group Holding AG

Through Commission Document No. 310-14444/2017 dated June 1st, 2017, Banco Monex (indirect subsidiary) received the authorization to participate in the capital stock of CLS Group Holdings Ag (CLS) (Switzerland). The purpose of this investment is to participate in the largest foreign exchange clearance system worldwide. CLS acts as a clearinghouse that seeks to increase liquidity and mitigate exchange rate risk for its partners. Currently, CLS operates with 18 different currencies.

Through a private share offering, the Bank committed to acquire a total of 1,479 new shares issued at a price of 2.1 million Pound Sterlings, which were paid on January 12nd, 2018. The investment will be registered for by the equity method.

iii. Issuance of bonds (see Note 17 of the Audited Financial Statements)

Monex Issuance

On May 23rd, 2017, Monex issued the third public offering of bonds under the ticker symbol “MONEX 17”, for an amount of $1,000 million pesos at a TIIE28 + 160 bp rate for a period of 3 years, based on the long-term bonds program.

On the other hand, on October 18th, 2017, the Commission granted Monex the authorization for a new program of bonds of up to $4,000 million pesos for a period of 5 years. Additionally, on October 19th, 2017, Monex successfully issued the fourth public offering of bonds under the ticker symbol MONEX 17-2, for an amount of $500 million pesos at a TIIE28 + 150 bp rate for a period of 3 years.

On November 6th, 2017, Monex notified that the bonds under the ticker symbol "MONEX14", for an amount of $1,000 million pesos, had been totally paid.

Bank Issuance

Banco Monex, subsidiary of Monex, issued bonds under the ticker symbol “BMONEX15”. That issuance was the first public offering made by the Bank and it took place on July 14th, 2015 for the amount of $1 billion 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 equivalent to 3 years and placed at the 28-day Interbank Interest Rate of Balance (“TIIE” for its acronym in Spanish) + 90 bp.

On July 13rd, 2018, Banco Monex notified that the bonds under the ticker symbol "BMONEX15", for an amount of $1,000 million pesos, had been totally paid.

Changes in accounting policies

Note 3 included in the Audited Financial Statements for the years ended December 31st, 2018, 2017 and 2016 and the Independent Auditors’ report attached in section 6 “Annexes” of this Annual Report, contains the different changes to the NIFs published by the CINIF that are applicable to Monex. As a result, they generate accounting changes, in addition to 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, 2018, 2017 and 2016 and Independent Auditors’ report contained in chapter 6 “Annexes” of this Annual Report.

Selected Financial Statements

Following there is an extract of the Audited Financial Statements for the years ended December 31st, 2018, 2017 and 2016.

Income statement

Concept	2018	2017	2016
Foreign exchange Income	3,169	2,503	2,462
Other intermediation income	2,383	2,145	2,755
Intermediation Income	**5,552**	**4,648**	**5,217**
Interest income (net)	1,433	1,573	826
Financial margin	**6,985**	**6,221**	**6,043**
Provision for loan losses	(191)	(170)	(150)
Financial margin after provision for loan losses	**6,794**	**6,051**	**5,893**
Commission and fee (net)	450	431	423
Results from operating leasing	75	-	-
Total operating revenues	**7,319**	**6,482**	**6,316**
Other operating income (net)	(233)	219	82
Administrative and promotional expenses	(5,552)	(5,183)	(5,008)
Income before income taxes	**1,534**	**1,518**	**1,390**
Equity in nonconsolidated subsidiary	(7)	-	-
Current income taxes	(467)	(346)	(614)
Deferred income taxes (net)	56	(70)	295
Net income	**$1,116**	**$1,102**	**$1,071**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

Balance sheet

Concept	2018	2017	2016
Assets			
Funds available	16,815	12,323	7,120
Margin accounts	795	333	722
Investments in securities and repurchase agreements	32,599	41,825	30,693
Derivatives	3,925	3,620	3,958
Loan portfolio (net)	23,504	20,228	17,987
Other receivables (net)	16,986	20,692	16,143
Deferred taxes and profit sharing	655	561	716
Other assets	3,665	3,191	2,955
Total Assets	**98,944**	**102,773**	**80,294**
Liabilities			
Deposits	43,719	38,940	26,819
Bonds	1,509	2,509	2,001
Bank loans and other loans	1,763	1,085	1,422
Liabilities arising from sale and repurchase agreements	17,822	21,849	14,848
Collaterals sold or pledged in guarantee	269	2,165	3,470
Derivatives	2,965	2,506	2,684
Other Liabilities	21,995	25,570	21,744
Total Liabilities	**90,042**	**94,624**	**72,988**
Stockholders' equity			
Capital contributed	2,818	2,818	2,818
Earned capital	6,054	5,331	4,488
Non-controlling interest	30	-	-
Total Stockholders´ equity	**8,902**	**8,149**	**7,306**
Total Liabilities + Stockholders´ equity	**98,944**	**102,773**	**80,294**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

Loan Portfolio

The performing and non-performing portfolio as of December 31st, 2017, 2016 and 2015 is shown below:

Date	Performing Portfolio	Non-Performing Portfolio	Total	Increase
Dec. 2018	23,410	521	23,931	16.2%
Dec. 2017	20,384	201	20,585	12.5%
Dec. 2016	18,212	82	18,294	46.6%

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

As of December 31st, 2018, we maintain the following credit risk operations, in conformity with the general diversification rules established for active and passive transactions by the Circular Única de Bancos, as follows:

- We have granted 5 loans to borrowers or groups of individuals or entities with a common risk, whose individual amount exceeds 10% of the basic capital. The total amount of these credits is of $4,111 million pesos, which represents 73% of the Bank basic capital of the previous quarter.

- The total amount of the loans granted to our three main borrowers is $2,920 million pesos and represents 51.6% of the Bank basic capital of the previous quarter.

Memorandum accounts

Transactions on behalf of third parties	2018	2017	2016
Total on behalf of third parties	360,574	268,154	(246,818)

Transactions on own behalf	2018	2017	2016
Total transactions on own behalf	210,258	180,413	188,589

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

Dividends

In the last three accounting periods, we have declared dividends for the amounts described as follows:

Date	Total Dividend (Pesos)	Dividend per share (Pesos)
April 11th, 2018	250'000,000.00	0.466404488266359
April 17th, 2017	320'000,000.00	0.596710780997447
April 7th, 2016	250'000,000.00	0.466180297654255

Financial statements currency

The financial statements and notes as of December 31st, 2018, 2017 and 2016 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:

	Shareholding*			
Company	2018	2017	2016	Activity
1. AdmiMonex, S.A. de C.V. (AdmiMonex)	99.99%	99.99%	99.99%	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 their management or liquidation.
2 MNI Holding, S.A. de C.V. (before Monex Negocios Internacionales, S.A. de C.V. (MNI Holding)	99.99%	99.99%	99.99%	Direct subsidiary of Monex. Since November 2017 is the parent company of Tempus and Monex Europe. 0
2.1 Tempus Inc. (Tempus)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Entity based in Washington D.C. in the USA, whose purpose is the foreign exchange service. Its clients are mainly located in the USA.
2.1.1 Tempus Nevada, Inc.	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Entity established in 2010 in the State of Delaware in the USA. Currently without operations.
2.2 Monex Europe Holdings Limited (Monex Europe LTD)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Entity based in London, United Kingdom and parent company of Monex Europe, Schneider FX and Monex Europe Markets LTD (Monex directly owns 49.9% of the shares).

2.2.1 Schneider Foreign Exchange Limited (Schneider FX)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Entity located in London, United Kingdom. Currently without operations.
2.2.2 Monex Europe Limited (Monex Europe)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Entity located in London, United Kingdom. Its activity is the foreign exchange service in the European market.
2.2.2.1 Monex Europe Markets Limited	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Entity dedicated to trading derivatives in the European market.
2.2.3 MonFX PTE Ltd. (Monex Singapur)	99.99%	99.99%	-	Indirect subsidiary of Monex. Currently without operations.
2.2.4 Monex Canada, Inc.	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Entity established in Toronto, Canada.
3. Monex Grupo Financiero, S.A. de C.V. (Financial Group)	99.99%	99.99%	99.99%	Direct subsidiary of Monex. Established on May 23rd, 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.
3.1 Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (The Bank)	99.99%	99.99%	99.99%	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.

3.2 Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (The Brokerage House)	99.99%	99.99%	99.99%	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 Accounting Criteria issued by the Commission.
3.2.1 Monex Securities, Inc. (Monex Securities)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex. Acts as a stock-market intermediary in the USA market.
3.2.2 Monex Asset Management, Inc. (Monex Assets)	99.99%	99.99%	99.99%	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 (Monex Fondos)	99.99%	99.99%	99.99%	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. (Servicios Complementarios)	99.99%	99.99%	99.99%	Direct subsidiary of Monex. Currently without operations.
5. Arrendadora Monex	61.61%	-	-	Direct subsidiary of Monex, whose main activity is to acquire, sell, lease, rent, sublease, use, enjoy, possess, license, market, import, export, trade and dispose under any form or legal title, of all kinds of personal property, equipment, motor vehicles, machinery, specialized equipment, accessories and other goods.

* Information confirmed by our Legal department under Art. 89 of the LGSM

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

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

Translation of financial statements of foreign subsidiaries

In order 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, for assets and liabilities,
ii. Historical exchange rates, for stockholders' equity,
iii. The rate on the date of accrual of revenues, costs and expenses,
iv. Translation effects are recorded in stockholders' equity

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

Company	Currency	Exchange rate to translate from functional currency to Mexican pesos		
		2018	2017	2016
Monex Europe LTD (Consolidated)	Pound Sterling	25.0474	26.6049	25.4814
Monex Europe	Pound Sterling	25.0474	26. 6049	25.4814
Schneider FX	Pound Sterling	25.0474	26. 6049	25.4814
Monex Europe Markets LTD	Pound Sterling	25.0474	26. 6049	25.4814
Tempus Inc. (Consolidated)	U.S. Dollar	19.6512	19.6629	20.6194
Monex, Canada, Inc.	U.S. Dollar	19.6512	19.6629	20.6194
Monex Securities	U.S. Dollar	19.6512	19.6629	20.6194
Monex Asset Management	U.S. Dollar	19.6512	19.6629	20.6194

In Monex, our reporting 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 U.S. Dollars, Pounds 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 "Annexes" attached to this Annual Report.

Related party transactions and balances

As of December 31st, 2018, 2017 and 2016, Monex maintained credits with related parties for a total amount of $899, $1,025 and $251 million pesos, respectively.

Stockholders' equity

Monex capital stock as of December 31st, 2018, 2017 and 2016, at par value, is integrated as follows:

	Number of shares		
Fixed Capital -	**2018**	**2017**	**2016**
Series A Shares	50,000	50,000	50,000
Series B Shares	545,758,505	545,758,505	545,758,505
Total	**545,808,505**	**545,808,505**	**545,808,505**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

The Ordinary Shareholders' Meeting of April 11th, 2018, agreed the following capital settlements:

- To transfer the net result of 2017 to "Retained earnings", the net income of 2017 amounted to $1,102 million pesos.
- Increase in legal reserve by 5% of the net income registered in the audited financial statements as of 2017.
- A dividend payment to shareholders for an amount of $250 million pesos. This dividend payment was charged to "Retained Earnings".

As of December 31st, 2018, 2017 and 2016, the stockholders' equity was comprised of the following concepts:

Stockholders' Equity	**2018**	**2017**	**2016**
Capital contributed:			
Capital stock	2,055	2,055	2,055
Additional paid-in capital	763	763	763
	2,818	2,818	2,818
Earned Capital:			
Capital reserves	514	459	408
Retained earnings	3,812	3,015	2,318
Results from valuation of securities available for sale, net	(114)	(83)	(170)
Translation effects of foreign subsidiaries	668	797	750
Result from hedging instruments at fair value	114	99	130
Remeasurement of defined employee benefits	(56)	(58)	(19)
Net income	1,116	1,102	1,071
	6,054	5,331	4,488
Non-controlling interest	30	-	-
Total stockholders' equity	**8,902**	**8,149**	**7,306**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

The movements detail in our Stockholders' equity is in Note 24 of the Audited Financial Statements for the years ended in 2018, 2017 and 2016 and Independent Auditors' Report included in chapter 6 "Annexes" of this Annual Report.

Uncertain factors or events that can make the information presented not indicative of the future performance of the Issuer

(See chapter 1 "General Information") – "Risk Factors".

b) Financial information by Business Line, Geographical Zone and Exporting Sales

See Note 32 - "Segment Information" of the Audited Financial Statements for the years ended in 2018, 2017 and 2016 and Independent Auditors' Report included in chapter 6 "Annexes" of this Annual Report.

c) Relevant credit report

We hold loans with banks and other Institutions, which consist of Supply Chain Financing (clusters), and NAFIN's digital credit, as well as financing facilities for the agricultural, rural and fishing sector of Mexico (FIRA by its acronym in Spanish). Likewise, we have "*Call money*" transactions and banking credit lines, which are mainly used for the short-term funding and banking leveling market.

No need has 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 positions with clients, who 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 other alternatives. Our financing strategy is based on increasing low-cost financing sources through new banking products and commercial campaigns aimed at increasing the volume of deposits by our clients, as well as expanding our clients base. Under our financing strategy, we achieved to increase our deposits by approximately 12.3% in 2018 compared to 2017.

In order to reduce our liquidity risk, we hold credit facilities on demand (*call money*) with certain financial institutions, as well as short-term 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 (PRLV) in the local market.

As of December 31st, 2018, 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-term and long-term financing as of December 31st, 2018, 2017 and 2016:

	2018	2017	2016
Demand loans-			
"*Call money*" received	-	-	344
Short term-			
FIRA	2	5	50
Clusters	1,634	1,080	1,019
Digital loans	-	-	9
Total short-term loans	**1,636**	**1,085**	**1,078**
Bank loans	**127**	**-**	**-**
Total bank loans and other loans	**1,763**	**1,085**	**1,422**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. 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 Monex with these entities. Accordingly, Monex grants loans in Mexican pesos and U.S. Dollars to their clients for financial support.

Credit lines for discounts and loans, granted in Mexican pesos and U.S. Dollars by the development funds mentioned above, operate under the authorizations of the internal risk units of Monex. The financial conditions are set under fixed-rate 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 needs 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 effect that exchange rate fluctuation might have on our results. Banco de México's regulations require us to 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, 2018, we complied with such regulatory requirements.

Monex has a credit line with Banco Monex, of which the obligations To Do and Not to Do 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 contract 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 returns 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 returns 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 with charge to 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 proposes 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 of 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 emend its by-laws or allow any of its subsidiaries to emend its by-laws 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 Statement, prepared according to the accounting criteria of CNBV, for the years ended December 31st, 2018, 2017 and 2016.

Concept	2018	2017	2016
Gain / losses on financial assets and liabilities (net):			
Foreign exchange	3,169	2,503	2,462
Derivative instruments	2,253	2,142	2,530
Debt securities	128	(5)	218
Equity instruments	2	8	7
Intermediation income	**5,552**	**4,648**	**5,217**
Interests income	5,000	4,605	2,441
Interests expense	(3,567)	(3,032)	(1,615)
Financial margin	**6,985**	**6,221**	**6,043**
Provision for loan losses	(191)	(170)	(150)
Financial margin after provision for loan losses	**6,794**	**6,051**	**5,893**
Commission and fee income	712	648	594
Commission and fee expense	(262)	(217)	(171)
Results from operating leasing	75	-	-
Total operating revenues	**7,319**	**6,482**	**6,316**
Other operating income (net)	(233)	219	82
Administrative and promotional expenses	(5,552)	(5,183)	(5,008)
Income before income taxes	**1,534**	**1,518**	**1,390**
Participation in nonconsolidated subsidiary	(7)	-	-
Current income taxes	(467)	(346)	(614)
Deferred income taxes (net)	56	(70)	295
	(411)	**(416)**	**(319)**
Net Income	**1,116**	**1,102**	**1,071**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

Total operating revenues as of December 31st, 2018 ascended to $7,319 million pesos, which represents a growth of 12.9 % compared to the total operating revenues as of the end of 2017, when it reached $6,482 million pesos. The 2017 figure was 2.6% higher than 2016 figure.

The Financial Margin ascended to $6,985 million pesos as of December 31st, 2018. The financial margin in 2018 was 12.3% higher than 2017 figure. Likewise, this margin reached $6,051 million pesos at the end of December 2017, which represented an increase of 2.7% compared to the same period in 2016.

In reference to the administrative and promotional expenses, these are shown in the section "Administrative and Promotional Expenses" of this Annual Report.

Finally, Monex reports a Net Income of $1,116 million pesos as of December 2018, which represents an increase of 1.3%. As of December 2017, Net Income ascended to $1,102 million pesos, 2.9% higher to the result achieved in 2016.

Note: Figures of the previous paragraphs 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

2018

	Foreign exchange	International 1	International 2	Derivatives	Securities	Credit and Deposits	Trust Services	Others	Total
Gain / losses on financial assets and liabilities, net:	2,576	2,005	-	841	130	-	-	-	5,552
Results from operating leasing	-	-	-	-	-	-	-	75	75
Interest income	-	4	2	(6)	2,357	1,856	-	787	5,000
Interest expense	(6)	(2)	-	-	(2,022)	(1,284)	-	(253)	(3,567)
Provision for loan losses	-	-	-	-	-	(191)	-	-	(191)
Commission and fee income	86	13	88	-	156	59	269	41	712
Commission and fee expense	(13)	(46)	(1)	(18)	(27)	(44)	-	(113)	(262)
Operating Income	**$2,643**	**$1,974**	**$89**	**$817**	**$594**	**$396**	**$269**	**$537**	**$7,319**
Other operating income (expenses), net	-	(7)	13	-	1	67	(33)	274	(233)
Administrative and promotional expense	(2,030)	(1,585)	(92)	(627)	(457)	(358)	(181)	(222)	(5,552)
Current and deferred income taxes	(173)	(79)	(2)	(53)	(38)	(30)	(16)	(20)	(411)
Participation in nonconsolidated subsidiary	-	-	-	-	-	-	-	(7)	(7)
Net Income	**$440**	**$303**	**$8**	**$137**	**$100**	**$75**	**$39**	**$21**	**$1,116**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

- International 1. Includes Tempus and Monex Europe
- International 2. Includes Monex Securities and Monex Asset Management

	2017								
	Foreign exchange	International 1	International 2	Derivatives	Banking products	Credit and Deposits	Trust Services	Others	Total
Gain / losses on financial assets and liabilities, net	2,481	1,927	-	237	2	-	-	1	4,648
Interest income	-	4	3	33	2,661	1,483	-	421	4,605
Interest expense	(1)	-	-	-	(1,957)	(831)	-	(243)	(3,032)
Provision for loan losses	-	-	-	-	-	(170)	-	-	(170)
Commission and fee income	77	12	110	-	137	38	231	43	648
Commission and fee expense	(15)	(37)	(1)	(10)	(31)	(26)	-	(97)	(217)
Operating Income	**$2,542**	**$1,906**	**$112**	**$260**	**$812**	**$494**	**$231**	**$125**	**$6,482**
Other operating income (expenses), net	-	1	3	-	-	49	-	166	219
Administrative and promotional expense	(1,920)	(1,558)	(90)	(197)	(614)	(410)	(174)	(220)	(5,183)
Current and deferred income taxes	(203)	(35)	(8)	(21)	(65)	(43)	(18)	(23)	(416)
Net Income	**$419**	**$314**	**$17**	**$42**	**$133**	**$90**	**$39**	**$48**	**$1,102**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

- International 1. Includes Tempus and Monex Europe
- International 2. Includes Monex Securities and Monex Asset Management

	2016								
	Foreign exchange	International 1	International 2	Derivatives	Banking Products	Credit and Deposits	Trust Services	Others	Total
Gain / losses on financial assets and liabilities, net	2,465	1,930	-	649	226	-	-	(53)	5,217
Interest income	-	4	3	26	1,324	950	-	134	2,441
Interest expense	(2)	-	-	-	(823)	(593)	-	(197)	(1,615)
Provision for loan losses	-	-	-	-	-	(150)	-	-	(150)
Commission and fee income	81	11	105	-	140	33	189	35	594
Commission and fee expenses	(12)	(29)	(1)	(11)	(30)	(4)	-	(84)	(171)
Operating Income	**2,532**	**1,916**	**107**	**664**	**837**	**236**	**189**	**(165)**	**6,316**
Other operating income (expenses), net	-	(4)	3	-	-	39	(2)	46	82
Administrative and promotional expense	(1,782)	(1,521)	(84)	(516)	(651)	(216)	(145)	(93)	(5,008)
Current and deferred income taxes	(116)	(89)	(9)	(34)	(42)	(14)	(9)	(6)	(319)
Net Income	**634**	**302**	**17**	**114**	**144**	**45**	**33**	**(218)**	**1,071**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

- International 1. Includes Tempus and Monex Europe
- International 2. Includes Monex Securities and Monex Asset Management

Segment Information

As of December 2018, the foreign exchange business increased its operating income by 4%, compared to 2017 figures. This growth resulted, mainly, due to moderate volatility of foreign exchange in 2018, which had an impact on the margin of this product.

At the same time, this segment represented 36.1% of the total operating income in 2018 equivalent to $2,643[1] million pesos (internal figures).

Derivatives segment had a 214.2% and 226.2% growth in operating income and net Income, respectively, compared to the figures disclosed as of December 2017.

On the other hand, Trust Services segment had a 16.5% growth in operating income, compared to the figures disclosed as of December 2017.

[1] Foreign Exchange total operating revenues. This figure is integrated by foreign exchange, derivatives and money market businesses revenues.

Gain / losses on financial assets and liabilities

The performance of the gain / losses on financial assets and liabilities are explained below:

As of December 31, 2018, it was mainly composed of:

- Foreign exchange result, which shows a balance of $3,169 million pesos that represents 57.1% of the gain / losses on financial assets and liabilities (net).
- Derivative instruments result, that shows a balance of $2,253 million pesos in 2018, which represents 40.6% of the gain / losses on financial assets and liabilities (net).
- Debt securities result shows a balance of $128 million pesos.

The gain / losses on financial assets and liabilities of all segments in 2018 increased by 19.4%, from $4,648 million pesos in 2017 to $5,552 million pesos in 2017. In 2017, it presented a decrease of 10.9%, from $5,217 million pesos in 2016 to $4,648 million pesos in 2017.

Financial Margin

The financial margin as of December 31st, 2018 reached a balance of $1,433 million pesos, $140 million pesos less compared to the fiscal year 2017, which represents a decrease of 8.9%. The financial margin is mostly integrated as follows:

Interest income:

- Interest generated by market transactions (Investments in securities, debt securities and others) represent 48.8% of the total interest income account equivalent to $2,439 million pesos
- Interests and fees generated by the Loan Portfolio transactions represents 36.3% with a balance of $1,816 million pesos
- Deposits with financial institutions represent 9.9% with a balance of $496 million pesos

Interest expenses:

- The interest expenses from market operations show a balance of $2,036 million pesos, which represents 57.1% of the total
- Commissions and fees generated and paid for Demand Deposits and Time deposits represent 33.5% of the total interest expenses. The balance of commissions and fees paid for deposits is $1,197 million pesos
- Securitization certificates interest reached a balance of $191 million pesos, which represents 5.3% of the total
- Interest on short-term loans represents 3.6% of the total, equivalent to $128 million pesos

Provision for loan losses

Provision for loan losses increased by 12.3%, from $170 million pesos in December 2017 to $191 million pesos in December 2018.

Administrative and sales expenses

The administrative and sales expenses are integrated mainly by remunerations and employee benefits; technology, taxes and rights expenses; professional fees; leasing; depreciations and amortizations; maintenance; promotion and publicity; contributions to IPAB; and other general expenses. In 2018, 2017 and 2016, the administrative and sales expenses performed as follows:

- The administrative and promotional expenses increased by 7.1%, from $5,183 million pesos in 2017 to $5,552 million pesos in 2018.
- In 2017, administrative and sales expenses increased by 3.5%, from $5,008 million pesos in 2016 to $5,183 million pesos in 2017, mainly due to remunerations and employee benefits that decreased by $306 million pesos compared to 2016.

The following chart shows the administrative and sales expenses for the years ended December 31st, 2018, 2017 and 2016.

	2018		2017		2016	
Years ended December 31st	$	Change (%)	$	Change (%)	$	Change (%)
Remunerations and employee benefits	3,645	5.7	3,449	(8.1)	3,755	27.3
Technology	343	75.9	195	(49.6)	387	14.2
Taxes and rights	401	34.1	299	131.8	129	(1.5)
Professional fees	235	(16.4)	281	86.1	151	17.1
Leasing	131	(18.1)	160	3.9	154	38.7
Depreciations	79	154.8	31	10.7	28	7.7
Amortizations	93	47.6	63	65.8	38	-
Maintenance	26	(82.2)	146	534.8	23	4.5
Promotion and publicity	76	(9.5)	84	12.0	75	2.7
Contributions to IPAB	104	(30.2)	149	43.3	104	38.7
Others	419	28.5	326	98.8	164	23.3
Total	**5,552**	7.1%	**5,183**	24.4%	**5,008**	24.4%

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

2018

Remunerations and employee benefits in 2018 increased by 5.7% compared to 2017; these benefits totaled $3,645 million pesos in 2018.

Professional fees expenses decreased by 16.4% compared to 2017; the balance of this account in 2018 was $235 million pesos.

Maintenance expenses decreased by 82.2%, from $146 million pesos in 2017 to $26 million pesos in 2018.

Contributions to IPAB decreased by 30.2% compared to the previous year; the contributions passed from $149 million pesos in 2017 to $104 million pesos in 2018.

Technology expenses increased by 75.9% compared to 2017, passing from $195 million pesos in 2017 to $343 million pesos in 2018.

Taxes and rights increased by 34.1% compared to 2017; from $299 million pesos in 2017 to $401 million pesos in 2018.

2017

Remunerations and employee benefits in 2017 decreased by 8.1% compared to 2016; these benefits totaled $3,449 million pesos in 2017.

Professional fees expenses increased by 86.1% compared to 2016; the balance of this account in 2017 was $281 million pesos.

Maintenance expenses increased by 534.8%, from $23 million pesos in 2016 to $146 million pesos in 2017.

Contributions to IPAB increased by 43.3% compared to the previous year; the contributions passed from $104 million pesos in 2016 to $149 million pesos in 2017, mainly explained by the growth in deposits, which represents a fundamental part of the IPAB fee calculation.

Taxes and rights increased by 131.8% compared to 2016; from $129 million pesos in 2016 to $299 million pesos in 2017.

2016

Remunerations and employee benefits in 2016 increased by 27.3% compared to 2015; these benefits totaled $3,755 million pesos in 2016. The above it is mainly because of the increase in the salesforce commissions and productivity bonuses, especially in Monex Europe.

Leasing expenses increased by 38.7%, from $111 million pesos in 2015 to $154 million pesos in 2016, mostly due to exchange rate fluctuation.

Contributions to IPAB increased by 38.7% compared to previous year, from $75 million pesos in 2015 to $104 million pesos in 2016, mainly explained by the growth in deposits, which represents a fundamental part of the IPAB fee calculation.

Professional fees expenses increased by 17%, from $129 million pesos during 2015 to $151 million pesos in 2016.

II. Financial Condition, Liquidity and Capital Resources

Balance Sheet

We show below the Consolidated Audited Balance Sheet as of December 31st, 2018, 2017 and 2016 in million pesos.

Concept	2018	2017	2016
Assets			
Funds available	16,815	12,323	7,120
Margin accounts	795	333	722
Investments in securities and repurchase agreements	32,599	41,825	30,693
Derivatives	3,925	3,620	3,958
Loan portfolio (net)	23,504	20,228	17,987
Other receivables (net)	16,986	20,692	16,143
Deferred taxes and profit sharing	655	561	716
Other assets	3,665	3,191	2,955
Total Assets	**98,944**	**102,773**	**80,294**
Liabilities			
Deposits	43,719	38,940	26,819
Securitization certificates	1,509	2,509	2,001
Bank loans and other loans	1,763	1,085	1,422
Liabilities arising from sale and repurchase agreements	17,822	21,849	14,848
Collaterals sold or pledged in guarantee	269	2,165	3,470
Derivatives	2,965	2,506	2,684
Other Liabilities	21,995	25,570	21,744
Total Liabilities	**90,042**	**94,624**	**72,988**
Stockholders' equity			
Capital contributed	2,818	2,818	2,818
Earned capital	6,054	5,331	4,488
Non-controlling interest	30	-	-
Total Stockholders' equity	**8,902**	**8,149**	**7,306**
Total Liabilities + Stockholders' equity	**98,944**	**102,773**	**80,294**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos

Assets

Funds available account includes not only bank balances but also the currencies that would be delivered and collected from the clients, being their counterparty, other accounts receivable and obligations arising from settlement of transactions respectively.

Funds available performed as follows:

In 2018, this account increased by 36.5%, from $12,323 million pesos in 2017 to $16,815 million pesos in 2018. In 2017, this figure increased by 73.1% approximately, from $7,120 million pesos in 2016 to $12,323 million pesos in 2017.

The bank accounts balance increased from $11,969 million pesos in 2017 to $16,517 million pesos in 2018, which represents an increase of $4,548 million pesos. In 2017, the balance increased from $6,799 million pesos in 2016 to $11,969 million pesos, which represented a difference of $5,170 million pesos during 2017.

The margin accounts increased by $462 million pesos in 2018, which represents a growth of 138.7% compared to 2017. As of December 2017, this figure decreased by $389 million pesos compared to 2016.

Investment in securities decreased by $9,540 million pesos at the end of 2018, from $40,702 million pesos in 2017 to $31,162 million pesos in 2018; the decrease in 2018 is derived from a decrease in trading securities. In 2017, these investments increased by 52.2% or $13,951 million pesos compared to 2016.

The repurchase agreements account increased by 28% in 2018, from $1,123 million pesos in 2017 to $1,437 million pesos in 2018. In 2017, this item decreased by $2,819 million pesos compared to the end of 2016.

The derivatives account increased by $305 million pesos in 2018, which represents a growth of 8.4% compared to 2017. In 2017, this figure decreased by $338 million pesos compared to 2016.

As of December 2018, 2017, and 2016, the performing loan portfolio balance showed $23,410 million pesos, $20,384 million pesos and $18,212 million pesos, respectively; which represents an increase of 14.8% in 2018 compared to 2017; as well as an increase of 11.9% in 2017 compared to 2016. This variation is explained by:

- An increase of $2,954 million pesos in 2018 and $1,726 million pesos in 2017 in the commercial loans portfolio.
- An increase of $72 million pesos in 2018, as well as an increase of $446 million pesos in 2017, in the housing loans.
- A decrease of $123 million pesos in 2018 and a decrease of $59 million pesos for 2017 in the loans to financial entities.
- An increase of $1,471 million pesos in 2018, and an increase of $1,001 million pesos in 2017, in the loans to government entities.

Non-performing loan portfolio increased $320 million pesos in 2018 compared to 2017. In 2017, it increased $119 million pesos compared to 2016. On the other hand, the allowance for loan losses ascended to $427 million pesos in December 2018, higher figure in 19.6% compared to 2017. In 2017, this figure increased by 16.3%, from $307 million pesos in 2016 to $357 million pesos in 2017.

As of December 2018, other receivables decreased by 17.9% compared to December 2017, which represents a decrease of $3,706 million pesos, compared to the previous year. This diminution was caused by:

- A decrease of $1,216 million pesos in pending foreign exchange transactions to be paid by clients
- A decrease of $1,750 million pesos in pending money-market transactions to be paid by clients

Other receivables increased by 28.2% in 2018 compared to 2017, which represents an increment of $4,549 million pesos. Moreover, it is important to mention that this account includes pending foreign exchange transactions to be paid by clients.

Therefore, total Assets resulted in $98,944 million pesos in 2018, a figure lower by $3,829 million pesos compared to 2017.

Liabilities

Deposits increased by $4,779 million pesos or 12.3% as of December 2018 compared to December 2017, mainly due to the increase in Time deposits of general public. In December 2017, the account increased by 45.2% or $12,121 million pesos compared to December 2016.

Bank loans and other loans passed from $1,085 million pesos in 2017 to $1,763 million pesos in 2018, which represents an increase of $678 million pesos. As of December 31, 2017, this account decreased by 23.7% compared to December 2016.

In December 2018, liabilities arising from sale and repurchase agreements decreased by $4,027 million pesos compared to 2017. In 2017, this account increased by 47.2% or $7,001 million pesos compared to 2016.

Collaterals sold or pledged in guarantee, as of December 2018, decreased by $1,896 million pesos, from $2,165 million pesos in 2017 to $269 million pesos in 2018. In 2017, these collaterals showed a decrease of 37.6% compared to 2016.

As of December 2018, derivatives increased by $459 million pesos or 18.3% compared to 2017. Also, as of December 2017, the account decreased by 6.6% compared to 2016.

In December 2018, other payables decreased by $3,696 million pesos or 14.6% compared to December 2017.

This amount is mainly comprised of:

i) an increase of $1,544 million pesos in obligations arising from settlement of transactions,
ii) a decrease of $1,355 million pesos in liabilities arising from cash collateral received, and
iii) a decrease in sundry creditors and other payables of $4,051 million pesos.

Likewise, at the end of December 2017, there was an increase of 18% in other payables, compared to 2016.

Total Liabilities in 2018 ascended to $90,042 million pesos, it showed a decrease of $4,582 million pesos compared to 2017. In 2017, Total Liabilities ascended to $94,624 million pesos, which represents a growth of 29.6% compared to 2016.

Stockholders' equity

The Stockholders' equity in 2018 ascended to $8,902 million pesos, which represents a growth of 8.9% compared to 2017. In 2017, it ascended to $8,149 million pesos, increasing by $843 million pesos compared to 2016.

The earned capital in 2018 increased by $723 million pesos or 13.6% compared to 2017, variation mainly due to:

- An increase of 1.3% in the net income as of December 31, 2018, which resulted in $1,116 million pesos
- An increment of $797 million pesos in retained earnings account
- An increase of $55 million pesos in capital reserves

Non-controlling interest ascended to $30 million pesos in 2018, while this item does not present a balance in 2017 and 2016.

The capital contributed remained unchanged in 2018, which ascended to $2,818 million pesos.

Summary of derivative financial instrument transactions

Asset position	2018 Nominal Amount	2018 Net Asset Position	2017 Nominal Amount	2017 Net Asset Position	2016 Nominal Amount	2016 Net Asset Position
Trading derivatives-						
Futures-						
Foreign currency futures	5,307	16	2,890	24	10,554	-
Index futures	42	-	-	-	-	-
	5,349	16	2,890	24	10,554	-
Forwards-						
Foreign currency forwards	30,861	1,647	28,749	1,893	29,196	2,112
Stock forwards	-	-	-	-	-	2
	30,861	1,647	28,749	1,893	29,196	2,114
Options-						
Foreign currency options	42	89	77	94	38	73
Rates options	328	400	63	185	43	91
Index options	3	3	-	-	1	1
	373	492	140	279	82	165
Swaps-						
Foreign currency swaps	2,359	164	2,228	192	-	-
Rates swaps	17,230	1,484	9,800	1,099	12,261	1,536
	19,589	1,648	12,028	1,291	12,261	1,536
Hedging derivatives-(1)						
Rates swaps	518	122	887	133	838	143
	518	122	887	133	838	143
Total position	**56,690**	**3,925**	**44,694**	**3,620**	**52,931**	**3,958**

(1) Hedging derivatives (rate swaps) started to be used in 2016

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos.

Liabilities position	2018 Nominal Amount	2018 Net Liabilities Position	2017 Nominal Amount	2017 Net Liabilities Position	2016 Nominal Amount	2016 Net Liabilities Position
Trading derivatives-						
Futures-						
Foreign currency futures	606	206	1,373	23	4	-
	606	206	1,373	23	4	-
Forwards-						
Foreign currency forwards	34,182	604	29,363	704	32,764	779
Indexes forwards	3	-	-	-	-	-
Stock forwards	6	-	-	-	379	-
Securities forwards	-	-	139	-	-	-
	34,191	604	29,502	704	33,143	779
Options-						
Foreign currency options	44	81	37	93	47	119
Rates options	571	594	292	332	139	179
Securities options	1	2	-	-	-	-
Index options	1	-	-	-	-	-
	617	677	329	425	186	298
Swaps-						
Foreign currency swaps	2,454	259	2,372	336	-	-
Rates swaps	16,956	1,210	9,697	995	12,323	1,598
	19,410	1,469	12,069	1,331	12,323	1,598
Hedging derivatives- (1)						
Rates swaps	405	9	777	23	704	9
	405	9	777	23	704	9
Total position	**55,229**	**2,965**	**44,050**	**2,506**	**46,360**	**2,684**

(1) Hedging derivatives (rate swaps) started to be used in 2016

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos.

Our liquidity management seeks to ensure that, even under adverse conditions, we will have enough 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 comes 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 anticipate. 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 fulfilling 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 leveraging our 60,200 current commercial relationships in Mexico, mostly with companies of different sizes.
- To increase term of deposits, in order to improve the mix of diverse 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 long-term bonds 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 net stable financing ratio, or "NSFR". The LCR requires that we maintain sufficient high-quality liquid assets to cover net cash outflows that could result from a stress scenario. The NSFR will establish a minimum amount of stable financing that we must maintain based on the liquidity of our assets during a period of one year.

The cash flow statement presents our capacity to generate cash and cash equivalents and the way we use those cash flows to cover our 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.
- To evaluate both the dates and amounts of receivables and payments, in order to be able to adapt to the circumstances and opportunities of generation and/or application of cash and cash equivalents.

Cash Flows Statements

In the following table we present the Consolidated Cash Flows Statements with audited figures for the years ended December 31st, 2018, 2017 and 2016, in million pesos.

	2018	2017	2016
Net Income:	1,116	1,102	1,071
Depreciation	36	31	28
Amortization	93	63	37
Current and deferred income taxes	411	416	319
Others	30	-	1
Adjustment for items that do not require cash flows	1,686	1,612	1,456
Operating activities:			
Change in margin accounts	(462)	389	(342)
Change in investments in securities	9,496	(13,827)	(3,141)
Change in repurchase agreements, net	(4,341)	9,820	(3,193)
Change in derivatives, net	159	136	(789)
Change in hedging instruments	19	(20)	(4)
Change in loan portfolio, net	(3,276)	(2,241)	(5,688)
Change in foreclosed assets	-	2	6
Change in other operating assets	3,637	(4,727)	(2,609)
Change in deposits	4,779	12,121	9,203
Change in bank loans and other loans	456	(337)	542
Change in collateral sold or pledged in guarantee	(1,896)	(1,305)	1,318
Change in other operating liabilities	(4,893)	4,217	4,756
Net cash flows from operating activities	5,364	5,840	1,515
Investing activities:			
Payments for acquisition of property, furniture and equipment	(156)	(57)	(52)
Proceeds from sale of furniture and fixtures	64	12	13
Payment for acquisition of other permanent investments	(79)	-	-
Payments for acquisition of intangible assets	(91)	(92)	(81)
Purchase of investment in shares	-	(17)	(9)
Payments for acquisition of subsidiaries	(38)	-	-
Others	2	-	-
Net cash flows from investing activities	(298)	(154)	(129)

	2018	2017	2016
Financing Activities:			
Debt payment	-	(500)	-
Issuance of securitization certificates	-	500	-
Repurchase of own shares	-	(3)	-
Dividends paid	(250)	(320)	(250)
Interest paid	(195)	(207)	(114)
Net cash flows from financing activities	(445)	(530)	(364)
Net increase (decrease) in funds available	4,621	5,156	1,022
Effects from changes in value of funds available	(129)	47	220
Funds available at the beginning of the year	12,323	7,120	5,878
Funds available at the end of the year	**16,815**	**12,323**	**7,120**

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos.

Our main liquidity sources have been historically integrated in (1) interbank lines to carry out payment transactions, (2) daylight repurchase agreements transactions with the Banco de México, (3) deposits, mainly demand and time deposits, (4) bank loans and other loans, including *call money* and issuance of interbank paper, and (5) the own generation of business cash flow.

Liquidity Sources

The following chart shows the composition of our liquidity sources as of December 31st, 2018, 2017 and 2016

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

Internally prepared with figures as of December 31st, 2018, 2017 and 2016. Figures in million pesos.

(1) Short-term maturities which generated interests at an average 6.58%, 5.60% and 7.33% rate, in 2018, 2017 and 2016, 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 execute transfers in Mexico and other countries through electronic banking.

- Term Deposits. Certificates of Deposit, a product that allows term investments (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 Certificates of Deposit, 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 interbank 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 interbank credit facilities, which are mostly used for short-term funding and banking leveling market.

Indebtedness Level

Foreign Banks loans (do not include accrued interests). As of December 31st, 2018, 2017 and 2016, Banco Monex did not maintain loans with Banks abroad.

Loans with Development Bank Institutions – It refers to loans granted by Nacional Financiera, S.N.C. ("NAFIN" by its acronym in Spanish) and Trust Funds of Banco de México ("FIRA" by its acronym in Spanish), which represent a direct obligation of Banco Monex to these entities; thus, Banco Monex grants loans in Mexican Pesos and U.S. Dollars to their clients for financial support.

Lines of credit in Mexican pesos and U.S. Dollars for loans discount and granting are allowed by the development funds mentioned above. These lines of credit operate under the authorizations of and the viability determined by internal risk units of Monex. The financial conditions are set under fixed-rate and variable-rate programs, both in U.S. Dollars and Mexican pesos, and the term is based on the specific program or operation determined for each project.

Income Taxes

We are subject to ISR. In conformity with ISR Law, as of 2018, 2017 and 2016, 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 December 31st, 2018, 2017 and 2016, included in chapter 6 "Annexes" of this Annual Report.

Reconciliation of accounting and fiscal results – The main items affecting the determination of the tax result of Monex and its subsidiaries 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 – As of December 31st, 2018 Monex has the following ISR tax loss carryforwards:

	Amount
AdmiMonex	35
Monex, S.A.B. (individually)	179

Other tax issues:

As of December 31st, 2018, 2017 and 2016, the main subsidiaries of Monex have the following balances for significant tax accounts (individually):

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

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 risk management inherent to the ordinary performance of our activities, through the design and 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

PROPRIETARY DIRECTORS	ALTERNATES
Héctor Pío Lagos Dondé **Chairman**	Ana Isabel Lagos Vogt
Georgina Teresita Lagos Dondé	Julia Inés Lagos Vogt
Mauricio Naranjo González **Vice Chairman**	Jorge Hierro Molina
Moisés Tiktin Nickin	Patricia García Gutiérrez

INDEPENDENT DIRECTORS

David Aarón Margolin Schabes
Hernando Carlos Luis Sabau García
Jorge Jesús Galicia Romero

SECRETARY	PRO-SECRETARY
Jacobo Guadalupe Martínez Flores	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 Board of Directors

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, mainly.

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 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 the strategies and objectives of the Group, based on the following pillars, which ensure the identification, quantification and control of the different operational risks in the transactions on 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 controlling the transactions
- Assets safekeeping (security and custody of assets, information security and backup, operating limits and assets assurance)
- Permanent compliance 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.

- Redundancy was increased to guarantee high availability in the communication links between Monex and Banco de México.
- Implementation of connectivity to BIVA, supporting MULTICAST traffic, to enable the connection between BIVA and BMV Stock Exchanges.
- The system for monitoring and automatic blocking of attacks on the Monex platform was strengthened, which prevents the theft of information and availability attacks on the platform and improves the performance thereof.
- 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. Adherence to the Global Code of Conduct for Exchange Market operations, in addition to the Code of Ethics of the Institution focused on the operations of our main line of business.

f. 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 our Internal Control System.

e) Estimates, provisions or critical account reserves

Contingencies and 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 constituted for those matters representing probable losses. As of December 31st, 2018, 2017 and 2016, Monex has contingency reserves for $133, $156 and $152 million pesos respectively, which are included in "Sundry creditors and other payables". 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, amounts to $10, $20 and $22 million pesos as of December 31st, 2018, 2017 and 2016, respectively. In relation to this loan portfolio, Monex has committed to assume all credit risks in the event of non-compliance with the terms agreed with Ex-Im Bank, regarding the documentation of each loan. The Management considers that the possibility of a refund to Ex-Im Bank is unlikely.

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ANNUAL REPORT 2018

Chapter 4

MANAGEMENT

a) External auditors

Our financial statements for the years ended in 2018, 2017 and 2016 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 hired during the last 3 accounting periods. Likewise, Deloitte has not issued any financial statements with qualifications, negative opinions or abstentions during the last 3 accounting periods.

The Board of Directors is the body in charge to designate and to hire the external auditors, seeking to designate professional audit firms with considerable prestige at an international level. During the accounting periods ended December 31st, 2018, 2017 and 2016, the services provided by the external auditors to us, different than auditing of financial statements concepts, were the following: In 2018, an advisory service was carried out on transfer pricing for the sale of portfolio for $295 thousand pesos. In 2017, advisory services were completed on regulatory reports for $1.4 million pesos and on Portfolio Rating for $270 thousand pesos. In 2016, the review of the advisory services and recommendations about the fiscal and financial credit structure were fulfilled, 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 concluded in August 2017.

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 mutually respectful, always giving added value in all the services provided to us.

Auditor Hiring Procedure

The Audit Committee makes the necessary inquiries and evaluations to propose the external auditor and additional services to those derived from our financial statements audit. It is worth mentioning that in the relevant evaluations, it is considered as essential that the external auditor satisfies the requirements legally established in the Circular Única de Auditores Externos. Chapter II, Articles 4 to 13. 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, within the 5 business days following to the external auditor's hiring, providing the reasons for such hiring and attaching the respective documentation, in accordance with the Circular Única de Auditores Externos in its Article 24.

b) Operations with related parties and interest conflicts

In compliance with article 73 of Ley de Instituciones de Crédito, loans granted to related parties received the approval of the Board of Directors. At the end of 2018, these loans amounted to $899 million pesos; $392 million pesos in 2017; and $251 million pesos in 2016.

By virtue of the transactions carried out between Monex and its subsidiaries, such as investments in deposits, among others, which originate revenues in one entity and expenses in the other; transactions and balances with consolidated companies were eliminated and transactions with non-consolidated companies remain.

Transactions and debts with related companies are included in Note 19 of the audited financial statements for the years ended December 31st, 2018, 2017 and 2016 and Independent Auditors' report, contained in chapter 6 "Annexes" of this Annual Report.

We consider that transactions with related parties were determined considering prices and amounts of the compensations of comparable transactions they would have used with or between independent parties.

c) Managers and Stockholders

As of December 31st, 2018, our management is entrusted to the Board of Directors and the CEO. The Board of Directors was designated on April 11th, 2018 and is integrated by seven directors, and in its case, with their respective alternate directors; according to our by-laws and to the LMV, three of the members are independent directors. Likewise, there is a Vice Chairman, a Secretary and a Pro-Secretary of the Board of Directors, on the understanding that the last two charges do not take part in this Management Board. The members are designated or ratified annually at the General Ordinary Shareholders' Meeting. 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 member.

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 the 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 may 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 votes of the shares owned by the Issuer, must be cast in the Ordinary, Extraordinary and Special Shareholders' Meetings 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 Shareholders' Meeting to approve the acquisition or disposal of shares, or the exercise of the right of withdrawal, in the following cases:

    i. When the acquisition value of the shares of another company, in case of one or several simultaneous or successive acquisitions, exceeds 20% of stockholders' equity, according to the last Company Balance Sheet

    ii. When the disposal value of the shares of another company, in case of one or more simultaneous or successive disposals, exceeds 20% of the stockholders' equity, according to our last Balance Sheet and

    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, whose value exceeds 20% of the stockholders' equity, according to our last Balance Sheet.

Through Ordinary Shareholders' Meeting held on April 11th, 2018, the appointment and ratification of the Board of Directors was approved, as follows:

PROPRIETARY DIRECTORS	ALTERNATES
Héctor Pío Lagos Dondé **Chairman***	Ana Isabel Lagos Vogt
Georgina Teresita Lagos Dondé	Julia Inés Lagos Vogt
Mauricio Naranjo González **Vice Chairman**	Jorge Hierro Molina
Moisés Tiktin Nickin	Patricia García Gutiérrez

INDEPENDENT DIRECTORS
David Aarón Margolin Schabes
Hernando Carlos Luis Sabau García
Jorge Jesús Galicia Romero

SECRETARY	PRO-SECRETARY
Jacobo Guadalupe Martínez Flores	Erik Alberto García Tapia

The Secretary and Pro-Secretary are not part of the Board of Directors.

* 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.

Directors' Resume

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 BMV and MexDer. Mr. Lagos holds a degree in Public Accounting from the Instituto Tecnológico Autónomo de México and an MBA from Stanford University.

Georgina Teresita Lagos Dondé is a member of the Board of Directors. 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 29 years of experience in the financial sector, last 11 years in Monex. Previously, he held various positions in IXE, CNBV and Banco de Mexico. He holds a bachelor's degree in Economics from the Instituto Tecnológico Autónomo de México and a PhD in Economics from the University of California, Berkeley.

Moisés Tiktin Nickin is the Private Banking and International Business Managing Director and CEO of Banco Monex. Previously, he was de CEO of Monex Casa de Bolsa. He has more than 36 years of experience during which he held various managemental positions at Valorum, Valores Finamex and SHCP. Mr. Tiktin holds a bachelor's degree in Economics from the Instituto Tecnológico Autónomo de México and a master's degree in Economics from the University of Chicago

Ana Isabel Lagos Vogt is a Jvs and Innovation Consultant at Monex Grupo Financiero. Previously, she was a Business Analyst at McKinsey and Company. She holds a bachelor's degree in Metropolitan Studies and Urban Design & Architecture Studies from New York University and an MBA from the Kellogg School of Management Northwhester University.

Julia Inés Lagos Vogt is a Derivatives Specialist at Monex Grupo Financiero. She holds a bachelor's degree in Financial Administration from the Instituto Tecnológico de Monterrey and a Specialization in International Business from the IE Business School of Madrid, Spain.

Patricia García Gutiérrez is Managing Director of Personnel and Corporate Affairs of Monex Grupo Financiero. Mrs. García has more than 28 years of experience in financial sector and has worked for 19 years in Monex. She holds a bachelor's degree in Computer Systems and Computer Science from the Universidad Iberoamericana and a master's degree in Systems, Planning and Computer Science from the same university.

Jorge Hierro Molina is Managing Director of Operation and Finance. Mr. Hierro has more than 28 years of experience and prior joining Monex, he served as 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 Instituto Tecnológico Autónomo de México and is a PhD candidate from the Massachusetts Institute of Technology (MIT).

David Aarón Margolín Schabes is an Independent Director of Monex. He has more than 39 years of experience during which he has held various directive positions in Banco de Mexico and Grupo Financiero Banorte. He has a bachelor's degree in Actuarial Sciences from the Universidad Nacional Autónoma de México (UNAM) and a master's degree in Operational Research from Cornell University in New York, USA.

Hernando Carlos Luis Sabau García is an Independent Director of Monex. He is a partner of SAI Consultores, S.C. since 1999. He has more than 42 years of experience during which he has held various directive positions. He holds a bachelor's degree in Actuarial Sciences from UNAM, a master's degree in Econometrics from the University of Manchester, and a PhD in Econometrics from the National University of Australia.

Jorge Jesús Galicia Romero is an Independent Director of Monex. He is a partner at Galicia Alcalá y Asociados, S.C. since 1984, also consultant and legal representative of important Mexican companies. He has more than 34 years of experience and he holds an L.L.B. from Universidad Iberoamericana, and he is a member of the Barra Mexicana de Abogados (Mexican Bar Association).

Additional information of Directors and Relevant Directors of Monex:

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.	DIRECT
	ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero.	INDIRECT
	iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero.	INDIRECT
	iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero.	INDIRECT
	v) ADMIMONEX, S.A. de C.V.	DIRECT
	vi) Monex Negocios Internacionales, S.A. de C.V.	DIRECT
	vii) Servicios Complementarios Monex, S.A. de C.V.	DIRECT
	viii) Arrendadora Monex, S.A. de C.V.	DIRECT
	ix) VZ Comm S.A. de C.V.	NONE
Georgina Teresita Lagos Dondé	i) Monex Grupo Financiero, S.A. de C.V.	DIRECT
	ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero.	INDIRECT
	iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero.	INDIRECT
	iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero.	INDIRECT
Mauricio Naranjo González	i) Monex Grupo Financiero, S.A. de C.V./ Director General	DIRECT
	ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero.	INDIRECT
	iii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero.	INDIRECT
	iv) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero.	INDIRECT
	v) ADMIMONEX, S.A. de C.V.	DIRECT
	vi) Monex Negocios Internacionales, S.A. de C.V.	DIRECT
	vii) Arrendadora Monex, S.A. de C.V.	DIRECT
	viii) Servicios Complementarios Monex, S.A. de C.V.	DIRECT
Moisés Tiktin Nickin	i) Monex Grupo Financiero, S.A. de C.V.	DIRECT

	ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero. / CEO 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.	INDIRECT INDIRECT INDIRECT DIRECT DIRECT DIRECT
David Aarón Margolín Schabes	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	DIRECT INDIRECT INDIRECT INDIRECT NONE
Hernando Carlos Luis Sabau García	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.	DIRECT INDIRECT INDIRECT INDIRECT NONE NONE NONE NONE
Jorge Jesús Galicia Romero	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 INIDRECT
Patricia García Gutiérrez	i) Monex Grupo Financiero, S.A. de C.V. / MANAGING DIRECTOR OF PERSONNEL AND CORPORATE AFFAIRS	DIRECT
Jorge Hierro Molina	i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero/ MANAGING DIRECTOR OF OPERATION AND FINANCE 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
Ana Isabel Lagos Vogt	i) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero / JVs AND INNOVATION CONSULTANT ii) Monex Grupo Financiero, S.A. de C.V. 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.	INDIRECT INDIRECT INDIRECT INDIRECT

Julia Inés Lagos Vogt	i) Banco Monex S.A., Institución de Banca Múltiple, Monex Grupo Financiero / DERIVATIVES SPECIALIST ii) Monex Casa de Bolsa S.A. de C.V., Monex Grupo Financiero. iii) Monex Operadora de Fondos S.A. de C.V., Monex Grupo Financiero.	INDIRECT INDIRECT INDIRECT

Beneficiary Shareholders with more than 10% of Monex 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 51.5494% of the capital. There are two persons who bear a relation of kinship with the Chairman of the Board, whose shareholding is 18.9707% each. No relevant member of the management team has more than 1% of the capital stock of Monex.

There are no Independent Directors with shareholding in aggregate form that have an individual holding greater than 1% and less than 10%.

There were not significant changes over the last 3 years (2018-2016) in the percentage of ownership held by the main current shareholders.

Monex is not controlled directly or indirectly by another company, by a foreign government or by any other person or group of people.

To date, we do not have any commitment that could mean a change of control of its shares.

We are certain that our experienced managing team will continue to play a key role in the expansion of our financial and non-financial businesses.

In accordance with our Corporate Manual of Human Resources, presented and authorized by the Audit Committee, we have the policy in which we establish that in Monex we give the same treatment and opportunities in the hiring process and we do not do any distinction of the contracted personnel with respect to exclusion or preference based on grounds of race, gender, age, color, religion, political opinion, social condition or ethnic origin. The Managing Director of Personnel and Corporate Affairs is committed to a follow-up on the foregoing policy.

Compensation fees to Directors and Executive Administration

By resolution adopted by the General Ordinary Shareholders' Meeting of the Issuer held on April 11th, 2018, it was established that each member of the Board of Directors will receive a gold coin (Centenario) as a compensation for each session attended.

In 2018, the total amount of benefits of any nature received by Directors of the Board, relevant directors and related individuals of Monex and its subsidiaries during the last fiscal year was $58 million pesos.

- There is no pension or retirement plan for this group of directors and relevant board members
- 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 Shareholders' Meeting of the Issuer, held on April 28th, 2010, agreed the establishment of a plan or fund, in terms of Articles 366 and 367 of the LMV ("Stock Option Plan"). This Plan ended in November 2018, fulfilling the purposes for which it was established.

Technical Committee Meetings and Accession Agreements

To date, the trust technical committee has held, among others, fourteen specific meetings, through which it:

I. Designated Executives deserving Shares
II. Determined the number of Shares to be subscribed by those Executive Directors
III. Established the redemption value of Shares
IV. Established in each case three delivery dates so that the Executive Directors 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
VI. Determined the second allocation of Shares
VII. Resolved with respect to allocation of Shares derived from the departure and entrance of Executives
VIII. Agreed extensions for the exercise of the right to reimbursement

During November 2018, most of Executive Directors exercised their right of reimbursement, thus extinguishing both the accession agreements of each of the Executive Directors as Adherent Trustees of the Trust, and the Shares Plan.

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"). The Committee has been assigned the functions of audit established in article 42 of the LMV and has 6 members, the term of the position is one year. Our Shareholders' Meeting appoints the members of this Committee, and we consider them as financial experts due to their work experience in the financial system.

CHAIRMAN OF THE COMMITTEE
David Aarón Margolin Schabes
Independent Director

Hernando Carlos Luis Sabau García
Independent Director

Jorge Jesús 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 preparation 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 third-party experts to express an opinion on transactions with related parties

IV. Recommendations 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).

In compliance with the regulations applicable to financial intermediaries, the different financial entities that conform Monex Grupo Financiero have 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 Naciional 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 or 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.

(xiii) 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.

(i) 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:

4. The acquisition or transfer of assets with a value equal to or greater than 5% (five percent) of the consolidated assets of the Company.

5. 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.

a) 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.

b) The policies for granting credits, loans, or any type of credit or guarantees to related parties.

c) 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.

d) The guidelines on internal control and internal audit of the Company and of the legal persons controlled by the Company.

e) 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.

f) The Company's financial statements.

g) The hiring of a legal person that provides external audit services and, where appropriate, additional or supplementary services to those of external audit services.

h) 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 Tíitulos 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. <u>Chairman and Vice-chairman</u>. 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. <u>Secretary</u>. 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. <u>Committees</u>. 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. <u>Chief Executive Officer</u>. 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 honorabilty 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.

11. 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.

12. 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.

13. 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.

14. Call Shareholders' Meetings and request to include the items deemed pertinent in the agenda of such Meeting.

15. 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.

16. 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 by-laws and in the Ley del Mercado de Valores.

18. 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 Ley General de Sociedades Mercantiles are met.

CLAUSE THIRTY-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, on 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 today, the Board of Directors is composed of 7 Principal Directors, of which 3 are independent. 4 of the Directors have their respective Alternate Directors.

Corporate governance practices controls

An integral part of our business philosophy 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, the Banco de México and the 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 know 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 client 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 (Banco Monex 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 11th, 2018, at our General Ordinary Shareholders' Meeting, the members of our Board of Directors were designated and ratified.

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STOCK MARKET

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 Overview, section XII. Shares representing the capital stock of this report.

b) Share performance in the Stock Market

The Monex's series "B" shares are traded on the BMV under the ticker symbol "MONEX". The following information details the performance of the share based on the information available from the beginning of its quotation.

Share performance at the end of the last 6 months

Month	High	Low	Close	Volume
jul-18	15.00	12.71	14.90	54,490
aug-18	12.71	10.50	12.71	1,791,236
sep-18	14.92	13.00	14.90	176,683
oct-18	14.60	14.00	14.30	460,456
nov-18	13.80	13.00	13.30	67,624
dec-18	14.10	13.90	14.10	36,413

Share performance at the end of the last 8 quarters

Quarter	High	Low	Close	Volume
Q117	18.65	10.00	17.90	338,216
Q217	18.00	13.50	13.50	256,125
Q317	18.00	12.50	12.50	379,471
Q417	17.50	11.78	15.90	140,265
Q118	15.90	12.50	14.00	95,264
Q218	16.00	13.97	14.00	71,512
Q318	15.00	10.50	14.90	2,022,408
Q418	14.60	13.00	14.10	564,493

Share performance at the end of the last 5 fiscal years

Year	High	Low	Close	Volume
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
2017	18.65	10.00	15.90	1,114,077
2018	16.00	10.50	14.10	2,753,678

Source: Infosel Financiero

c) Market Maker

As of December 31st, 2018, 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 (Internal Code of the Mexican Stock Exchange), the company Prognosis Economía Finanzas e Inversiones, S.C. ("PROGNOSIS") has been in charge of performing the coverage analysis of Monex’s securities since the first quarter of 2014.

Prognosis

Prognosis Economía Finanzas e Inversiones, S.C. (“PROGNOSIS”)
Carlos Ludwig Fritsch Vázquez
cfritsch@prognosismex.com
Phone: (55) 5202 9571 / 9964

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ANNEXES

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

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

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

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

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Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505, piso 28
Colonia Cuauhtémoc
06500 Ciudad de México
México

Tel: +52 (55) 5080 6000
www.deloitte.com/mx

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

Opinion

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

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

Basis for Opinion

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

Other Matter

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

Key Audit Matters

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

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a) Processing of accounting-financial information

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

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

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

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

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

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

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

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

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

b) Management of securities transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

    Interest income –

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

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

    Valuation gains and losses -

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

    Realized gains and losses -

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

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

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c) Goodwill of Tempus, Inc.

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

Our procedures addressing this key audit matter included the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Balance Sheets

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

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

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

Memorandum accounts

Transactions on behalf of third parties

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

Transactions on own behalf

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

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Income

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

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

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

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

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

The accompanying notes are part of these consolidated financial statements.

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

Consolidated Statements of Cash Flows

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

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

The accompanying notes are part of these consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Activities, regulatory environment and significant events

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

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

Significant events in 2018, 2017 and 2016-

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

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

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

b. *Participation in CLS Group Holdings AG*

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

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

c. *Issuance of securitization certificates-*

– Monex, S.A.B.

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

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

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

Banco Monex, S.A.

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

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

2. Basis of presentation

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

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

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

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

Significant intercompany balances and transactions have been eliminated.

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

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies

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

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

Changes in accounting policies-

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

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

Modifications of accounting criteria issued by the Commission

Accounting changes resulting from changes or improvements in the NIF

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The repurchase transactions are recorded as indicated below:

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

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

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

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

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

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

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

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

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

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

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

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

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

The securities lending transactions are recorded as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivatives held for trading

Forward and future contracts for trading:

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

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

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

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

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

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

Option contracts:

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

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

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

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

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

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

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

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

Swaps:

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

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

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

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

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

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

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

Hedging derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-performing loan portfolio – Composed by credits:

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

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

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

Transfer to non-performing loan portfolio

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

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

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

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

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

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

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

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

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

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

The exceptions will not be mutually exclusive.

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

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

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

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

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

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

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

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

Commercial loan portfolio:

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

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

Where:

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

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

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

a) *The probability of default*

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

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

For purposes of the above:

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

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

Where:

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

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

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

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

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

b) *Default exposure*

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

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

$$EI\ i = Si$$

ii) For the other lines of credit:

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

Where:

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

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

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

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

Loans granted under the terms of the Bankruptcy Law

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

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

Where:

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

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

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

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

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

In which:

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

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

Housing loan portfolio:

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

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

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

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

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

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

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

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

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

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

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

Where:

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

Evidence of sustained payment:

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

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

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

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

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

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

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

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

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

Distressed portfolio:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest is recognized in results when accrued.

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

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

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

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

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

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

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

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

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

iv.

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

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

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

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

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

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

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

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

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

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

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

Expenses - Expenses are recognized as they accrue.

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

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

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

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

Memorandum accounts -

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

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

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

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

– *Contingent assets and liabilities:*

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

– *Credit commitments:*

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

Items under this account are subject to qualification.

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

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

– *Collateral received:*

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

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

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

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

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

– *Other record accounts (unaudited):*

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

4. Funds available

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

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

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

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

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

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

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

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

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

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

5. Margin accounts

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

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

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

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

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

6. Investment in securities

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

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

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

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

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

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

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

This position is considered restricted within trading securities.

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

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

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

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

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

Restricted securities available for sale

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

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

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

Securities held to maturity -

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

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

Reclassifications between categories-

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

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

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

7. Repurchase agreements

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

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

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

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

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

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

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

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

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

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

8. Derivative financial instrument transactions

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

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

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

Fair value hedging

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

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

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

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

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

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

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

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

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

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

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

Management of derivative financial instrument usage policies

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

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

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

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

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

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

Authorization levels and processes

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

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

Independent reviews

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

Generic description of valuation techniques

1. For trading purposes:

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

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

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

2. Reference variables:

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

3. Valuation frequency:

    Derivative financial instruments for trading purposes are valued daily.

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

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

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

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

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

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

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

Impairment of financial derivatives -

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

Sensitivity analysis -

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

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

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

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

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

Stress test -

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

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

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

9. Loan portfolio

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

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

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

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

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

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

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

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

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

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

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

Housing Loans

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

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

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

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

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

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

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

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

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

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

Risk diversification –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Allowance for loan losses

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

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

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

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

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

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

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

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

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

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

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

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

11. Other receivables, net

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

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

12. Property, furniture and equipment

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

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

The annual depreciation rates were as follows:

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

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

13. Other assets

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

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

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

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

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

14. Foreign currency position

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

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

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

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

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

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

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

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

15. Deposits

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

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

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

16. Bank loans and other loans

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

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

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

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

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

17. Securitization certificates

Issuance of Monex, S.A.B.

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

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

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

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

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

Issuance of the Bank

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

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

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

18. Comparative maturities of principal assets and liabilities

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

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

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

19. Related party transactions and balances

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

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

20. Labor benefits

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

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

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

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

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

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

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

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

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

The economic assumptions used were as follows:

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

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

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

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

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

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

Changes in the present value of the defined benefits obligation:

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

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

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

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

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

21. Obligations arising from settlements of transactions

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

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

22. Sundry creditors and other payables

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

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

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

23. Income taxes

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

Deferred taxes are composed as follows:

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

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

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

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

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

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

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

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

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

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

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

Other tax issues:

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

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

24. Stockholders' equity

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

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

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

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

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

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

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

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

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

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

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

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

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

25. Earnings per share

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

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

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

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

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

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

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

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

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

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

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

27. Index of capital consumption (Brokerage House)

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

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

28. Bank Ratings

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

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

29. Memorandum accounts

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

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

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

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

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

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

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

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

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

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

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

31. Financial margin

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

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

32. Segment information

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

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

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

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

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

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

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

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

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

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

Trust Services - Trust and representation services.

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

33. Contingencies and commitments

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

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

34. Comprehensive risk management (unaudited)

a. ***Applicable standards -***

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

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

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

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

b. ***Environment -***

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

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

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

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

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

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

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

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

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

d. ***Market risk -***

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

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

e. ***Liquidity risk -***

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

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

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

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

f. ***Credit risk -***

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

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

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

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

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

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

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

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

g. ***Operating risk -***

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

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

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

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

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

Scale	Level
1	Low
2	Medium
3	High

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

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

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

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

h. ***Legal risk -***

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

i. ***Technological risk -***

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

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

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

a. ***Market risk -***

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

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

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

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

Market risk statistics

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

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

b. ***Credit risk -***

Corporate bonds portfolio.

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

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

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

Commercial loan portfolio.

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

Expected loss statistics of commercial loan portfolio.

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

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

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

c. ***Liquidity Risk -***

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

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

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

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

GAP total depreciation

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

GAP maturity total*

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

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

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

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

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

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

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

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

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

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

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

d. ***Operational Risk***

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

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

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

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

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

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

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

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

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

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

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

35. New accounting principles

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

Improvements to NIF 2018:

a. With effect from January 1, 2019:

The Improvements to the NIF that generate accounting changes are:

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

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

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

36. Authorization of the issuance of the consolidated financial statements

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

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