

monex

Annual Report 2020





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

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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 YEAR ENDING ON DECEMBER 31, 2020.

NUMBER OF SHARES REPRESENTING THE CAPITAL STOCK: 545,808,505

SHARES OUTSTANDING: 532,738,397

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

FACE VALUE OF THE SHARES: Without face value.

The securities have been registered in the National Securities Registry and have been listed as such since December 31, 2020, in the BMV. The registration in the National Securities Registry does not imply certification of the quality of such securities, the solvency of the Issuer 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 by infringing the law.

ISSUANCE OF BONDS

No. of Issuance under the Program: Second

Ticker symbol: MONEX 19

Period of validity of the issue: 1,092 (one thousand and ninety-two) days, approximately 3 (three) years.

Date of issue: June 20, 2019

Maturity Date: June 16, 2022

Interest and calculation procedure: As of the Date of Issue and until their amortization, the Bonds will accrue an annual gross interest on their Nominal Value at the annual gross interest rate referred to in the following paragraph (the "Annual Gross Interest Rate", which shall be calculated by Common Representative 2 (two) Business Days before the beginning of each Interest Period (the "Date of Determination of the Annual Gross Interest Rate") and shall be communicated to the Issuer in writing on the aforementioned date, and that will govern during the relevant Interest Period. The Annual Gross Interest Rate shall be calculated by adding 150 (one hundred and fifty) basis points to the 28-day Interbank Interest Rate ("TIIE") (the "Reference Interest Rate") capitalized or, as the case may be, equivalent to the number of calendar days actually elapsed until the relevant Interest Payment Date, in accordance with the Annual Gross Interest Rate description in the Supplement to the Section "Interest and calculation procedure".

Periodicity in the payment of interests: They shall be settled during 39 (thirty-nine) periods of 28 (twenty-eight) calendar days in accordance with the calendar provided in the Supplement and in the Title documenting the Issuance.

Place and method of payment of principal and interests: The principal and the interest accrued with respect to the Bonds shall be paid on the maturity date and on each Interest Payment Date, respectively, by means of electronic transfer made through Indeval, domiciled at Av. Paseo de la Reforma No. 255, 3er piso, Colonia Cuauhtémoc, C.P. 06500, Ciudad de México, against the delivery of the Title or certificates issued by Indeval for such purposes.

Voluntary early amortization: The Issuer will have the right to amortize, in its entirety, but not less, the Bonds on any interest payment date that occurs on or after June 17, 2021, in accordance with the provisions of Section I. "The Offer", section 1.33 "Voluntary Early Amortization" of the definitive Placement Supplement.

Guarantee: Unsecured obligations of the Issuer, namely, the Bonds have no specific guarantee.

Rating granted by HR Ratings de México, S.A. de C.V.: 'HR A+ (E)'. It indicates that the issue with this rating offers acceptable security for the timely payment of debt obligations and maintains low credit risk in adverse economic scenarios. The "+" sign represents a position of strength relative to the rating.

Rating granted by Fitch Mexico, S.A. de C.V.: 'A+(mex)' National ratings "A" indicate low expectation of non-compliance risk compared to other issuers and obligations in the same country. However, changes in economic circumstances or conditions may affect the capacity to make timely payments to a greater degree than in case of financial commitments with a higher rating.

Common representative: CIBanco, S.A., Institución de Banca Múltiple.

Depository: Indeval, in the terms and for the purposes set forth in article 282 and other applicable provisions of the Securities Market Law ("LMV").

Applicable Tax Rules: The withholding rate applicable on the date of the Supplement with respect to the interest paid pursuant to the Bonds is subject for: (i) individuals or legal entities that are Mexican tax residents, as provided for in articles 54, 135 and others applicable of the Income Tax Law in force, and (ii) for individuals and legal entities with tax residence abroad, as provided for in articles 153, 166 and other applicable legal provisions of the Income Tax Law in force, and shall depend on the effective benefit of the interests. The aforementioned legal provisions may be replaced by others in the future. THE TAX REGIME MAY VARY DEPENDING ON THE PARTICULAR CHARACTERISTICS OF EACH ISSUE UNDER THE PROGRAM. The Issuer does not assume the obligation to inform the changes in the applicable tax provisions during the term of the Program, of this or future issues, nor to make gross payments or additional payments to cover eventual new taxes. The possible acquirers of the Bonds must consult with their advisers regarding the tax consequences resulting from the acquisition, holding or sale of the Bonds, including the application of the specific rules regarding their particular situation.

These securities have been registered in the National Securities Registry and are listed in the Bolsa Institucional de Valores, S.A. de C.V. (the Institutional Stock Exchange), the registration in the National Securities Registry does not imply certification of the quality of such certificates, the solvency of the Issuer 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 by infringing the law.

Issuer's To Give, To Do and Not to Do obligations before the Holders

Issuer's To Give and To Do Obligations before the Holders

During the term of the Issue and until all the Bonds are amortized, the Issuer will be obliged to the following:

- (a) Maintain the registration of the Bonds in the RNV and keep them listed in a Stock Exchange.
- (b) In general, comply with all the information requirements to which it is obliged in terms of the LMV, the Internal Regulations of the relevant Stock Exchange and the Single Circular, including without limiting those on financial information, presentation, or disclosure of information or on any other report or communication related to the Program and/or the Issue that the Issuer is obliged to deliver to the CNBV, to the corresponding Stock Exchange or to the Common Representative. Additionally, at the written request of the Common Representative, the Issuer must deliver through any Relevant Director (as this term is defined in the LMV) of the Issuer a signed certificate indicating compliance with the obligations contained in this Supplement and in 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 previously requested by the latter in writing, acting reasonably, regarding the Issuer's financial information.
- (c) Use the resources derived from the placement of the Bonds for the purposes set forth in this Supplement and in the Title.
- (d) The Issuer undertakes to inform the Common Representative, at the latest within 7 (seven) Business Days following the date on which the Issuer becomes aware of any event that constitutes a Cause of Early Maturity.

The Issuer assumes no other obligation regarding this Supplement and the provisions of the Title, except those arising from the payment of principal and interest (ordinary and, where applicable, late payments) set forth therein, or other obligations contained in this Supplement or in the Title.

Not to Do Obligations before Holders

Pursuant to the above described terms of Bonds issuance, and provided that the Issuer has any pending obligation under the Bonds, unless the General Meeting of Holders of the majority of the Bonds of each issue authorizes otherwise in writing, Monex undertakes to comply with the following obligations:

- (a) **Corporate Purpose and Course of Business.** Not to change its corporate purpose substantially or in any other way modify the prevailing line of business of its company and subsidiaries thereof, nor to carry out investments outside the ordinary course of its business.
- (b) **Subsidiaries.** Not to allow any of its subsidiaries to enter into any contract that imposes restrictions on the payment of dividends and other cash distributions to its shareholders, in the understanding that such obligation shall not apply to limitations or legal restrictions or those pronounced in a judicial or arbitration proceeding, or those existing in contracts or instruments entered into before the Date of Issue of the Bonds.
- (c) **Merger.** The Issuer may not merge (or consolidate in any other way), unless the following requirements are met: (i) there is no Cause of Early Maturity or any other event that with time or by notification, would become in a Cause of Early Maturity, as a result of such merger or consolidation; (ii) as a result of the merger, the credit rating of the Bonds does not decrease to the one they had immediately before the merger; and (iii) Common Representative is delivered a legal opinion stating that the operation does not affect the terms and conditions of the Bonds.
- (d) **Payment of dividends.** In case the Issuer is in non-compliance of any of the obligations contained in the titles documenting the issues, the Issuer may not declare payment of dividends, notwithstanding there is a cure period. Once such non-compliance has been rectified, during or after the cure period, the Issuer could declare dividends.

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

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

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

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

This report is also available online: www.monexsab.com > Financial Information > Annual Reports.

For the year ending on December 31, 2020

Mexico City, this 29th day of April 2021



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Chapter 1

General Information



a) Glossary of terms and definitions

The following glossary contains the definitions of the main terms and abbreviations used in this Annual Report.

“Accounting Criteria”	Means all financial reporting rules applicable in Mexico, and, accordingly, all accounting criteria allowed by the CNBV for financial institutions.
“ALIARSE”	Means “Alianza por la Responsabilidad Social Empresarial” (Alliance for Corporate Social Responsibility).
“AMIB”	Means “Asociación Mexicana de Intermediarios Bursátiles, A.C.” (the Mexican Financial Intermediaries Association).
“AML”	Means “Anti-Money Laundering”.
“Annual Report”	Means this document.
“Audited Financial Statements”	Means the consolidated audited financial statements of Monex as of December 31, 2020, 2019 and 2018.
“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 legal tender of 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 Official Gazette of the Federation 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 in the Official Gazette of the Federation 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 in the Official Gazette of the Federation 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 in the Official Gazette of the Federation 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 in the Official Gazette of the Federation on March 19, 2003, and all amendments made thereto.
“CNBV” or “the Commission”	Means “Comisión Nacional Bancaria y de Valores” (the National Banking and Securities Commission).
“COFECE”	Means “Comisión Federal de Competencia Económica” (the Federal Economic Competition Commission).
“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).
“COVID-19”	Means the disease caused by the SARS-CoV-2 virus.
“Dependencia”	This term has 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 Official Gazette of the Federation).
“Dollar”, “Dollars” or “USD”	Means the legal tender of the United States of America.
“EBITDA”	Means “Earnings Before Interest, Tax, Depreciation and Amortization”.
“ECAs”	Means “Export Credit Agencies”.

“ETFs”	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 which must be complied with by the Bank of Mexico.
“External Auditor” or “Deloitte”	Means Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) (member of Deloitte Touche Tohmatsu Limited).
“Euros”	Means the legal tender of 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 equivalent index).
“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 Corporation Law).
"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 Regulating 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. (formerly, 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 Grupo Financiero" or "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 Information Standards).
"OTC"	Means "Over the Counter"; transactions carried out in non-organized or non-recognized markets.
"Peso", "Pesos", "ps." o "\$"	Means the legal tender of Mexico.
"Pound Sterling" or "GBP £"	Means the legal tender of the United Kingdom and the Commonwealth.

“PRLVs”	Means “Pagarés con rendimiento liquidable al vencimiento” (Promissory notes 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, of “A” and “B” series, representing the minimum fixed capital stock without right to withdraw (“A” Series) and limited variable capital stock (“B” Series) of Monex.
“Shareholders or Stockholders”	Means the owners 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 (NBFII)).
“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 contains information detailed in other parts of this Annual Report. Unless otherwise specified, all applicable financial reporting referred to herein has been prepared in accordance with the Accounting Criteria established by the Commission. Throughout this Annual Report, unless otherwise indicated or 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 contained herein to activities other than the shareholding, refers to activities carried out through our subsidiaries Monex Grupo Financiero, MNI Holding, and Arrendadora Monex or, indirectly, through the subsidiaries of Monex Grupo Financiero.

Our Business

We are one of the most dynamic and growing financial services providers in the Mexican market with more than 35 years of experience. The main activities of our subsidiaries in Mexico and abroad is to provide banking and brokerage services. We serve 70,240 clients, including large and medium-sized companies, mainly related to foreign trade. We are considered 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* composed of three financial entities: Banco Monex, Monex Casa de Bolsa and Monex Fondos (in Mexico); *MNI Holding*, composed of Monex Europe and Tempus (abroad); and *Arrendadora Monex*.

In Mexico, through our sales force distributed in 32 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 offer financial products to corporate clients in need of foreign exchange and international payments services through our offices in North America, Europe and now also in Asia.

Our approach is to be the main provider of diverse financial products and services for our national and international clients, aimed at establishing long-term relationships. 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, mainly composed of large and medium-sized companies (both national and international) served by an experienced sales force
- Experience in launching new products and organic geographic expansion through acquisitions
- Increasingly diversified product portfolio that enhances cross-selling and future growth
- Effective risk management and 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, we achieved to access the international markets, offering foreign exchange and international payment services through Monex Europe (with presence in the UK, Spain, the Netherlands, Canada*, Singapore, and Luxembourg) and Tempus (United States).

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 foreign exchange forwards and Risk Management solutions (derivatives), as well as traditional banking and trust services, national and international brokerage services, financial asset management, and pure leasing.

We offer our products and carry out our activities through our indirect subsidiaries, such as:

- Grupo Financiero Monex and our indirect 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 Operadora de Fondos (company operating investment funds) in Mexico
- MNI Holding and our indirect subsidiaries:
 - Tempus and
 - Monex Europe (foreign exchange and international payments companies);
- Arrendadora Monex (pure leasing) in Mexico

Our main subsidiary is Banco Monex, which reported a net income of \$998 million MXN for the year ended December 31, 2020. Most of our foreign exchange and payment services were provided through this entity.

In 2020, we earned \$3,482** million pesos as revenue resulting from operating with approximately 29,100 clients in the foreign exchange sector in Mexico. Moreover, 88.5% 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 not only to 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 their commercial banks, in some of which, those services do not constitute their main activity) and therefore, we have been able to design solutions with a higher degree of specialization.

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 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 2nd, 2018

** Operating income generated by Foreign Exchange transactions in Mexico (internal figures)

Our headquarters are located in Mexico City, and we currently have 32 offices within Mexico (corresponding to 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), one office in Singapore, and one office in Luxembourg. Our network of branches and offices in Mexico allows us to have nationwide coverage and presence in the main financial and business centers. From our total revenues as of December 31, 2020, 69.2% came from our business in Mexico and 30.8% came from abroad.

We conduct our business in Mexico through our highly specialized sales force of 829 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 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, 2020, we had assets equivalent to \$151,984 million pesos, liabilities equivalent to \$141,164 million pesos and a stockholders' equity equivalent to \$10,820 million pesos. During the last 3 years, our total operating revenue has grown to a compound annual growth rate equivalent to 7.2%, from \$7,319 million pesos in 2018 to \$8,410 million pesos in 2020.

Chapter 2 (the Issuer) details the products and services offered by our subsidiaries, as well as their growth strategies and competitive skills.

Recent Events

2020

Payment of Dividends

The Ordinary Shareholders' Meeting held on April 29, 2020, adopted the decree of dividends to shareholders for an amount of \$70 million MXN. The resources for this dividend come from our foreign subsidiary, Monex Europe, which is not part of Monex Grupo Financiero.

Change of stock exchange of MONEX19 Bonds

On January 29, 2020, Monex, S.A.B. resolved to cancel the listing of Bonds, issued on June 20, 2019, for an amount of \$1,500 million MXN with the ticker symbol MONEX19 in the Bolsa Mexicana de Valores, S.A.B. de C.V., and to list those MONEX19 Bonds in the Bolsa Institucional de Valores, S.A. de C.V.

2019

Early amortization of Bonds MONEX17-2.

On October 21, 2019, the Bonds with ticker symbol MONEX17-2, issued on October 19, 2017, for an amount of \$500 million pesos, were early and fully amortized in their terms, for principal and interest.

Early amortization of Bonds MONEX17.

On June 20, 2019, the Bonds with ticker symbol MONEX17, issued on May 25, 2017, for an amount of \$1 billion pesos, were fully and early amortized in their terms for principal and interest.

Issue of Bonds MONEX19

On June 20, 2019, we successfully carried out the fifth Public Offering of Bonds with ticker symbol MONEX19, placing all of \$1.5 billion pesos on the market at a TIE28 + 150 bp rate over a period of 3 years. The issue received a credit rating of 'A(mex)' by Fitch Ratings and 'HR A+' by HR Ratings. \$1,000 million pesos of the resources were used to prepay the Bonds under the ticker symbol MONEX17 on June 20, 2019, and \$500 million pesos were used to prepay the MONEX17-2 Bonds on October 21, 2019. The allocation involved the participation of a diversified investor base achieving an oversubscription of 1.22 times the amount of the offer.

Payment of Dividends

The Ordinary Shareholders' Meeting held on April 23, 2019, decreed the dividend to be paid to shareholders in the amount of \$250 million pesos, charged to the "Results from previous years" account.

2018Acquisition of Arrendadora Monex (formerly Arrendadora Avance)

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

In November, this loan was evaluated by a third party to determine its commercial value which was 7.5 million dollars. As a product of the sale, Banco Monex registered a loss of 22.5 million dollars for portfolio sale.

Investment Authorization

On February 2, 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 member of CLS.

Payment of Dividends

In the Ordinary Shareholders' Meeting held on April 11, 2018, a decree of dividend for shareholders was agreed for an amount of \$250 million pesos, charged to the account "Results from previous years".

Redemption of Bonds

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

Market Opportunity

Our main line of business is foreign exchange and international payments. The exchange 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 foreign trade operations.

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 in 2021 from the recovery in the world's economic activity and international trade through our international subsidiaries. Transactions related to foreign exchange and international payments in Mexico and abroad were equivalent to 74.4% of our total revenues during 2020, and we expect a growing contribution from these transactions.

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, well-known performance capacity and customer-oriented approach.

We are a provider of foreign exchange and international payments services for private non-financial clients in Mexico. We were able to stand out from our competitors not only because of our service and product portfolio and the personalized advice but also our efficient and reliable transactions carried out through our platform. During 2020, we provided foreign exchange services to more than 29,100 clients. We also consider that the brand of "Monex" is widely recognized in the Mexican market for its foreign exchange and payments services, as a solid institution offering efficient and high-quality services at competitive prices.

During 2020, we carried out over 6.6 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 counterparties.

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 personalized service and attention. All of the above is supported on a solid technological systems platform. Our sales force has achieved to create a good reputation by offering efficient and quality services and has also been recognized by offering foreign exchange and international payments services with a high degree of speed and reliability. As of December 31, 2020, we had 829 sales executives, 540 of which were dedicated to foreign exchange and 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 carefully formulated commission schemes, 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, which helps us to maximize our profitability and to provide personalized services to our clients, and which we consider a factor that differentiates us 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 with respect 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 ourselves as one of the largest operators of Dollar forwards in Mexico. Likewise, according to the company *Structured Retail Products*, we were the largest issuer of structured notes in Mexico and Latin America in 2020 (mainly short-term notes, with guaranteed capital, in relation to the Peso/Dollar exchange rate), based on the number and the value of the issued notes. We consider that we have seized our foreign exchange and international payments line of business 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 of growth in the offer of products and market presence through organic growth and the acquisitions of other companies.

During more than 35 years of operation, 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 foreign exchange and payments market, with presence in 32 cities in Mexico, with 5 regional administrations, and with presence in the USA, Canada, Europe (the United Kingdom, Spain, the Netherlands, and Luxembourg), and Asia (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 offer 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.

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 Dime x, 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.

Investments in FinTech Companies

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

Our own extensive and scalable IT platform and technology systems

We have made significant investments on a sustained basis to improve the speed, efficiency, and profitability of our payment processing platform and to offer new foreign exchange services and transfer solutions to our customers. Most of the programs we use are developed internally in order to offer innovative solutions adjusted to the needs of our customers. As an example, we have a multi-currency digital account through which our customers can carry out foreign exchange operations, make transfers through SPEI, SPID, and SWIFT, obtain yield rates in Mexican pesos (MXN) and US dollars (USD), as well as to maintain balances in seven different currencies.

We believe that our technological systems and payment processing platforms allow us to differentiate ourselves from our competitors, offer a superior level of service to our customers and sales force, optimizing the operational efficiency of our business. We consider that our technological and payment systems are a complete, attractive offer and work efficiently, guaranteeing confidentiality and compliance with Anti-Money Laundering policies.

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

As of December 31, 2020, we offer services for over 70,200 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, 2020). Our 10 largest clients represented 9.0% of our revenues during the fiscal year 2020, and no client represented more than 5%. Moreover, approximately 25.6% of our revenues during 2020 came from segments other than our main line of business (foreign exchange and international payments). We achieved this diversification level through the growth of our banking, brokerage, asset management, investment funds and pure leasing 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 2020, 69.2% of our revenues came from transactions in Mexico and 30.8% from our international subsidiaries.

We consider that the geographical, client, and product diversification has allowed us to have a stable income source and to broaden our growth opportunities and to 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.

Adequate financial return through efficient transactions and careful administration

During 2020, we had a ROA of 0.67%* and a ROE of 8.51%*. We consider that our return rates are mostly 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 0.67%** , a ROE of 12.84%**, and a capitalization ratio of 14.76% in December 2020. As of December 31, 2020, Banco Monex had a non-performing loan portfolio ratio of 1.86% and an allowance for loan losses / total loan portfolio*** ratio of 3.67%.

Risk Management and corporate governance controls

An important part of our business philosophy has been maintaining solid corporate governance practices and adequate Risk Management controls, which include anti-money laundering practices and rigorous customer selection processes (KYC "Know Your Customer" policies). Since the incorporation of Monex Grupo Financiero in 2003 and since the date of incorporation of each of the financial entities that comprise it, we have been regulated by the CNBV, the SHCP, the Bank of Mexico and the CONDUSEF. We must comply, among others, with anti-money laundering regulations applicable 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 transactions that might favor, assist, or in any manner cooperate with terrorist activities or money laundering.
- Implementing procedures to detect relevant, unusual, or suspicious transactions.
- Reporting relevant, unusual, and suspicious transactions to the SHCP through the CNBV
- The establishment of a Communication and Control Committee responsible for supervising the compliance with anti-money laundering regulations, among others.
- The adoption of KYC policies that include, among others:
 - i. creation of a customer identification dossier
 - ii. validation of information and documents delivered
 - iii. application of an own model to assign the risk level and profile of each customer
 - iv. application of a methodology for assessing the risk of money laundering and financing of terrorism at the entity level, including compensatory controls for their mitigation
 - v. implementation of systems and processes to prevent, detect, and report transactions related to resources of illicit origin

Additionally, we have several intermediate administration bodies and 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 Products Analysis Committee (Banco Monex and Monex Casa de Bolsa)
- Communication and Control Committee (Banco Monex, Monex Casa de Bolsa and Monex Fondos)
- Environmental, Social, and Corporate Governance Committee (Monex Grupo Financiero)

One of the measures implemented within our corporate governance is to have independent members, who represented 43% of our Board of Directors in 2020.

* Annualized Return Formula = (Annual Net Income / Average Assets or Equity of the fourth quarter of 2020 and the fourth quarter of 2019).

** According to figures published by the Commission as of December 31st, 2020.

*** Refers to the allowance for loan losses / 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 our profitable historical growth

Our strategy is based on the fulfillment of objectives developed by the excellent group of managers who successfully lead all collaborators towards the achievement of goals and efficient teamwork. Due to their willingness, professionalism, commitment, and passion at work we have achieved positive results this year, maintaining constant growth.

Our managers have an average of 31 years of experience in the financial sector and 14 years at Monex. We have consolidated the business abroad and diversified the products for customer service within the national territory. The vision of Héctor Lagos as Chairman of the Board of Directors and Executive President has led Monex to leadership in its core business and opened the way in other financial businesses.

The excellent work environment generates synergy between areas; thus, favoring our customers. Our customers' satisfaction is paramount for us. We are agile in responding to their needs and in offering the best products according to their own business activities. We owe ourselves to our customers, and we work to strengthen these business relationships. Likewise, our cutting-edge technology allows us to be close to our customers and to guarantee our continuous growth.

Our Strategy

2020 was marked by the COVID-19 pandemic, strongly present in our region as of March. Our greatest strength was our manner to adapt to the new reality. In a very short term of approximately two weeks, we migrated to a practically 100% remote operation, both on the national level and in our international subsidiaries. Although we had been working on digitizing functions for years, this ability, to the extent that the events occurred, was new to us. In addition to implementing remote operations, we performed better than expected at the beginning of the year in various areas and businesses. We maintained the operation remotely until September, when some collaborators began to return to the offices, although with pertinent safety precautions and in small percentages. The service that we were able to maintain for our customers and good results were the main aspects to highlight during the year.

As during the last years, we seek to maintain our leadership in the foreign exchange and payment services market in Mexico and, at the same time, to offer other financial services as part of our strategy to help our customers to meet their financial needs. The diversification of products and services allows us to improve and increase our customer deposit base and our credit portfolio, which, in turn, not only helps us to improve our service, but also to achieve greater profitability. As for our international position, we seek not only to continue growing in the foreign exchange and international payments market, but to enter this business in the countries where we currently have no presence. For such purpose, we have developed the following business strategies, which we believe will allow us to achieve our growth and profitability goals.

Leverage our experience and our relationships in the foreign exchange and international payments market to expand our clients base

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 maintain the existing good relationship with our current clients and develop new relationships aiming at 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 benefit from our current distribution channels, including our nationwide network of 32 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, which allows us to increase the promotion thereof. 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 having the highest potential to be offered to our clients through cross-selling 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 to increase our loan portfolio.

We consider that our credit business has important growth opportunities. We also believe that our broad client base has given us the opportunity to increase our credit portfolio. We intend to continue improving our credit product offer and to 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 clients with credit needs. When conducting a credit analysis, we take into consideration the main activities, which are commonly carried out by our clients, as well as their transactional behavior and their needs. As of December 31, 2020, approximately 1,136 of our clients had credits granted by our company.

Continue offering the most advanced technological payments processing platform

We consider that we offer our clients an efficient payment platform, 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 continuous improvement of the clients' experience and aiming at providing a cutting-edge system to our sales force.

Continue growing organically in Mexico and in foreign markets, and, at the same time, to 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.

Attract, develop, and retain talented human capital.

Having the best talent in this challenging year made the difference which has allowed us to continue working as a team and meeting our business goals. We have promoted the Monex brand as a strategy to attract talent generating greater interest in the organization. Our talent management process is mature and based on the requirements of the sector, new technologies and advances in this digital age and ad hoc to Monex DNA.

The increasingly digital remote training programs are the basis for the development of employees and respond to the detection of training needs in each area and the interest in promoting the growth and career of employees in the company.

We are interested in retaining our talent force, for which we consider that the benefits exceeding those established by law, the welfare programs allowing, on the one hand, to become aware of how important it is to have a healthy life and, on the other, to have a better family-work balance, the new way of carrying out both formal and informal virtual events, the genuine interest in people, the competitive compensation package, and the personal and company growth are the key factors in retaining people, and let us see that happiness in the workplace is a great strategy. Our turnover rate is 11.04%. The percentage of Promotions amounted to 25%, and Personnel Transfers to 25% of the vacancies filled in 2020.

Our working environment rests on the fundamental principles of equity, respect, diversity, and commitment to inclusion, with no place for discrimination.

We have held the Distinction as a Socially Responsible Company for the last 16 years. We have attended the Awareness stage in the Distinction as a Healthily Responsible Organization. Likewise, we have been a Great Company to Work for 18 years, and we are certified by Great Place to Work Institute for our commitment to collaborators.

Financial Information Summary

Balance Sheet

The following chart contains the Consolidated Audited Balance Sheet as of December 31, 2020, 2019 and 2018, expressed in million pesos:

Concept	2020	2019	2018
Assets			
Funds available	14,579	18,536	16,815
Margin accounts	1,957	1,587	795
Investment in securities and repurchase agreements	70,746	43,221	32,599
Derivatives	6,492	4,641	3,925
Loan portfolio (net)	24,256	23,412	23,504
Other receivables (net)	28,160	15,701	16,986
Deferred taxes and PTU (asset)	1,557	1,003	655
Other assets	4,237	4,007	3,665
Total Assets	151,984	112,108	98,944
Liabilities			
Deposits	44,355	47,060	43,719
Bonds	1,500	1,518	1,509
Bank loans and other loans	557	1,426	1,763
Liabilities arising from sale and repurchase agreements	50,760	17,531	17,822
Collateral sold or pledged in guarantee	3,591	4,239	269
Derivatives	5,902	3,520	2,965
Other Liabilities	34,499	26,990	21,995
Total Liabilities	141,164	102,284	90,042
Stockholders' equity			
Contributed capital	2,818	2,818	2,818
Earned capital	7,965	6,973	6,054
Non-controlling interest	37	33	30
Total Stockholders' equity	10,820	9,824	8,902
Total Liabilities + Stockholders' equity	151,984	112,108	98,944

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

Regarding the financial structure, as of December 31, 2020, we ended the year with total assets amounting to \$151,984 million pesos and stockholders' equity amounting to \$10,820 million pesos.

Income Statement

The following chart contains our Consolidated Audited Income Statement for the years ended December 31, 2020, 2019 and 2018:

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

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

Statements of Cash Flows

The following chart contains the Consolidated Audited Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018, expressed in million pesos:

	2020	2019	2018
Net Income:	876	1,383	1,123
Depreciation	342	192	36
Amortization	131	128	93
Current and deferred income taxes	376	532	411
Provisions	642	-	-
Others	-	-	23
Adjustment for items that do not require cash flows	2,367	2,235	1,686
Operating activities:			
Change in margin accounts	(370)	(792)	(462)
Change in investments in securities	(31,021)	(7,466)	9,496
Change in repurchase agreements, net	36,737	(3,362)	(4,341)
Change in derivatives, net	496	(61)	159
Change in hedging instruments	(32)	(264)	19
Change in loan portfolio, net	(844)	92	(3,276)
Change in foreclosed assets (net)	(13)	-	-
Change in other operating assets	(12,873)	1,165	3,637
Change in deposits	(2,705)	3,341	4,779
Change in bank and other loans	(869)	(337)	456
Change in collateral sold or pledged in guarantee	(649)	3,969	(1,896)
Change in other operating liabilities	6,234	4,848	(4,893)
Others	(2)	-	-
Net cash flows from operating activities	(3,544)	3,368	5,364
Investing activities:			
Payments for acquisition of property, furniture, and equipment	(387)	(12)	(156)
Proceeds from sale of property, furniture, and equipment	85	(525)	64
Payment for acquisition of other permanent investments	-	-	(79)
Payments for acquisition of intangible assets	(185)	(97)	(91)
Proceeds from disposal of subsidiaries and associate companies	-	-	(38)
Other investing activities	-	-	2
Net cash flows from investing activities	(487)	(634)	(298)

Financing activities:			
Repurchase of own shares	(2)	(37)	-
Dividends paid	(70)	(250)	(250)
Interest paid	-	(167)	(195)
Debt payments	(113)	(500)	-
Net cash flows from financing activities	(185)	(954)	(445)
Net (decrease) increase in funds available	(4,216)	1,780	4,621
Effects from changes in value of funds available	259	(59)	(129)
Funds available at the beginning of the year	18,536	16,815	12,323
Funds available at the end of the year	14,579	18,536	16,815

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos.

Changes in Stockholders' Equity

The following chart shows the Changes in Stockholders' Equity with audited figures as of December 31, 2020, 2019 and 2018, expressed in million pesos:

	Total Stockholders' Equity
Balances as of December 31, 2018	8,902
Entries approved by stockholders	
Transfer of results from prior years	-
Capital reserve	-
Dividends paid	(250)
Others	(37)
Total entries approved by stockholders	(287)
Comprehensive income	
Net income	1,383
Result from valuation of securities available for sale	52
Result from hedging instruments at fair value	(114)
Remeasurement of defined employee benefits	(54)
Translation effects of foreign subsidiaries	(58)
Total comprehensive income	1,209
Balances as of December 31, 2019	9,824
Entries approved by stockholders	
Transfer of results from prior years	-
Capital reserve	-
Dividends paid	(70)
Others	(2)
Total entries approved by stockholders	(72)
Comprehensive income	
Net income	876
Result from valuation of securities available for sale	(13)
Result from hedging instruments at fair value	(8)
Remeasurement of defined employee benefits	(45)
Translation effects of foreign subsidiaries	258
Total comprehensive income	1,068
Balances as of December 31, 2020	10,820

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos.

Revenues from the main lines of business

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

	2020								
	Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
Trading income	3,419	2,458	-	591	115	-	-	44	6,627
Results from operating leasing	-	-	-	-	-	-	-	28	28
Interest income	-	7	1	33	3,267	1,769	-	687	5,764
Interest expense	(24)	-	-	(252)	(2,252)	(780)	-	(368)	(3,676)
Allowance for loan losses	-	-	-	-	-	(911)	-	(9)	(920)
Commission and fee income	67	18	171	-	218	53	306	46	879
Commission and fee expense	(16)	(49)	(6)	(22)	(51)	(31)	-	(116)	(291)
Other operating (expenses) income	-	(528)	8	-	2	23	(16)	81	(430)
Participation in the result of unconsolidated subsidiaries and associates	-	-	-	-	-	-	-	(1)	(1)
Administrative and promotional expenses	(2,627)	(2,070)	(122)	(267)	(991)	(93)	(221)	(337)	(6,728)
Current and deferred income taxes	(225)	(2)	(10)	(23)	(85)	(8)	(19)	(4)	(376)
Non-controlling interest	-	-	-	-	-	-	-	2	2
Net income	\$594	-\$166	\$42	\$60	\$223	\$22	\$50	\$53	\$878

	2019								
	Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
Trading income	2,902	2,347	-	434	555	-	-	8	6,246
Results from operating leasing	-	-	-	-	-	-	-	136	136
Interest income	-	5	2	13	3,405	2,114	-	883	6,422
Interest expense	(2)	(1)	-	(368)	(2,625)	(1,520)	-	(444)	(4,960)
Allowance for loan losses	-	-	-	-	-	(281)	-	-	(281)
Commission and fee income	76	14	119	-	171	77	303	50	810
Commission and fee expense	(16)	(62)	(3)	(31)	(39)	(51)	-	(100)	(302)
Other operating (expenses) income	-	18	16	-	2	44	(32)	(70)	(22)
Administrative and promotional expenses	(2,189)	(1,857)	(105)	(36)	(1,086)	(283)	(201)	(377)	(6,134)
Current and deferred income taxes	(218)	(108)	(6)	(4)	(108)	(28)	(20)	(40)	(532)
Non-controlling interest	-	-	-	-	-	-	-	(3)	(3)
Net income	\$553	\$356	\$23	\$8	\$275	\$72	\$50	\$43	\$1,380

	2018								
	Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
Trading income	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)
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 (expenses) income	-	(7)	13	-	1	67	(33)	(274)	(233)
Administrative and promotional expenses	(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)
Net income	\$440	\$303	\$8	\$137	\$100	\$75	\$39	\$14	\$1,116

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in millions of Mexican pesos.

Performance of Monex B shares in the Mexican stock market

The following chart shows the performance of the “B” Series shares issued by Monex in the last three years.

Data per share	2020	2019	2018
Minimum	9.90	11.64	10.05
Maximum	13.25	14.17	15.16
Closing Price	12.13	12.00	13.50
Daily Trading Volume	8,637	8,694	1,062
Shares Outstanding*	532.7	532.9	536.0
Market Cap**	6,462	6,395	7,236
Dividend TTM	0.13	0.47	0.47
Earnings TTM	1.65	2.59	2.08
Book Value Per Share	20.31	18.43	16.61
Price / Earnings TTM	7.35	4.63	6.78
Price / Book	0.60	0.65	0.85
Dividend Yield TTM %	1.07	3.92	3.33

* Figures in millions of shares

** Figures in millions of pesos

Monex Operation

Issuer Default Ratings




Long term	Short term	Outlook	Long term	Short term	Outlook	Rating *
'A+(mex)'	'F1(mex)'	Negative	'HR A+'	'HR 1'	Stable	Monex, S.A.B. (NS)
'AA-(mex)'	'F1+(mex)'	Negative	'HR AA-'	'HR 1'	Stable	Banco Monex (NS)*
'BB+'	'B'	Negative	-	-	-	Banco Monex (GS)**
'AA-(mex)'	'F1+(mex)'	Negative	'HR AA-'	'HR 1'	Stable	Monex CB (NS)
'A+(mex)'	-	-	'HR A+'	-	Stable	MONEX19 (NS)

* NS: National Scale

** GS: Global Scale. On April 21, 2020, derived from a downgrade in sovereign debt rating of Mexico and a deterioration in the operating environment of the sector, Fitch Ratings carried out a review of the global scale ratings of 13 Mexican banks. As a result of the review, Fitch changed the outlook on Banco Monex's rating from Stable to Negative, while its long-term rating was affirmed at BB+.

c) Risk factors

Investing in our shares involves some risks. Potential investors must carefully analyze and take into consideration the following risk factors, in addition to all other information contained herein, prior to investing in our shares. 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, as it has 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 Law on Protection and Defense of the Financial Service User 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 being discussed 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 here the Congress and Mexican financial authorities have not proposed specific limits to the interest rates that we would be able to charge. A part of our income and operating cash flow comes from the interest rates that we charge to our clients, and therefore, any additional restrictions or information requirements in relation to such 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, fines 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 Bank of Mexico, 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, anti-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. Consequently, changes may occur in the applicable legislation or in its interpretation, 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

Those regulations require our subsidiaries to be able to choose and implement "Know Your Customer" policies and procedures and report suspicious transactions for significant amounts to the competent authorities, among other requirements. 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 takes a yearly recertification course. Currently, we fully comply with all applicable laws and regulations, the penalties that have been imposed to the company in that matter correspond to periods prior to 2017, 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 in case an unfavorable resolution is adopted

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 subject to certain risks inherent to this type of processes and unfavorable resolutions, which may be adopted in the future. We cannot guarantee that these or other judicial or administrative procedures would not materially affect 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 of shareholders may be limited, different or less defined than the rights of the same persons 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 in jurisdictions other than 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 the Mexican Issuers, except for 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, as 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. Since 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, deposit outflows have occurred in several financial institutions around the globe, 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 borrowers (including other financial institutions).

There's uncertainty in relation to the future financial environment, and we cannot guarantee that financial conditions are going to be better. Although, certain segments of the global economy recently have experienced a moderate recovery, we estimate that the prevailing adverse

conditions 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 regulating 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 Mexican economy. Currently, as during 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, such 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 a consequence of imbalances between assets and liabilities calculated in foreign currencies and to 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 other than 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 Bank of Mexico, 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. Inasmuch as 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 with commercial banks, as well as with national and international financial institutions in other areas of our business. The main financial institutions and commercial banks in Mexico have not been traditionally focused on providing foreign exchange and international payments services to our traditional clients, i.e. medium-sized companies, but they could do so 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 decide to offer the same services as Monex to international companies, in a more aggressive manner, or in case they start 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 strong 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 dealing with bigger 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 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, among others.

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 that the commitment of the Mexican government to implement reforms in order to accelerate and liberalize the Mexican financial industry has been translated into an increase in competition. Inasmuch as 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 such financial institutions, both national and international.

It is necessary to contract services from third parties to carry out our international payment transactions

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

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

Economic conditions in other parts of the world, local and international markets tend to have a direct effect on volatility in the foreign exchange market. Given the uncertainty caused by the Covid-19 epidemic, 2020 turned out to be a year of historic effervescence for foreign exchange operations, including emerging market currencies, such as the Mexican peso. On average, the daily volatility of our currency during the year was 1.24%, which reflected one of its highest levels since the introduction of the flexible exchange rate regime in our country, and 70% higher than the historical average for the previous 10 years period. In 2021, although volatility has decreased, it remains at one of the highest levels for the last 5 years, reaching 1.1% during March.

The increase in volatility occurs due to the conjunction of events unprecedented in recent history, especially in terms of transition of expectations from the moment in which the global epidemic outbreak of Covid-19 led to the suspension of economic activity, until the hasty development of vaccines against the virus and now, the re-emergence of infections in several regions driven by the new variants. In this first part of the year, conditions of uncertainty in health and the economy continue to be very high, in addition to other factors of a political nature which could sum up during the next months and contribute to the volatility in the foreign exchange markets remaining high.

Thus, the Mexican peso showed very pronounced fluctuations, depreciating by 39.8% between February and April 2020, appreciating by 30% during the remaining 8 months and currently, it has depreciated by up to 10% during this first part of 2021. In absolute terms, our currency ended 2020 with a depreciation by 5.1% against the US dollar, going from \$18.92 in 2019 to \$19.87, while in 2021 it accumulated a depreciation by 3.7% considering a price of \$20.61 as of March.

Regarding other currencies, the US dollar index ended last year with a severe weakness, going from 96.39 units in 2019 to 89.94, which implies a 6.7% drop partially reversed (+ 3.3%) during the beginning of this year. The euro, in turn, appreciated by 8.5% against the US dollar in the last year, reaching a 2-year high of \$1.22, although at the beginning of 2021 it lost 3.4%. Finally, the pound sterling had a modest gain of 3.1% against the US dollar in 2020, rising by 0.8% during the first 3 months of this year, which placed it at a level of 1.38 per US dollar.

While foreign exchange transactions represent a high percentage of our profits, market volatility may have a positive impact on the margin of our transactions. However, we cannot guarantee that our performance will be the same as before, in view of 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 therein, 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 in 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 cannot guarantee full coverage of 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 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, which contributed to volatility of the stock and bond markets.

The extremely volatile environment of the financial markets has been supported by the strong effects of the pandemic on the real economy. For 2020, the International Monetary Fund estimates a 3.5% drop in the World Gross Domestic Product (GDP), which is more than double of the damage caused by the financial crisis in 2009. Furthermore, the effects of this economic debacle would have been profoundly unequal at the international level, since regions, such as the Eurozone and Latin America, would have fallen by 7.2% and 7.4%, while countries such as Mexico and the United Kingdom even exceeded this figure by having contractions of 8.5% and 10.0%, respectively.

In response to these conditions, the fiscal and monetary policy authorities in different countries have implemented response measures allowing to improve the prospects for recovery in 2021. Special attention should be given to the advanced economies programs. For example, in the United States, the support provided in the context of this crisis amounts to more than 15% of the US GDP in 2019, which is more than 4 times the value of the potential lost during the crisis. Thus, in this case, we expect a 5.4% advance of GDP in 2021, which implies that the recovery would be complete by the second half of 2021.

This rapid growth has contributed to the climate of uncertainty, as the recovery has now come to be perceived as a risk since, although economic growth is one of the main objectives of governments, if it occurs in an unbalanced way between the forces of supply and demand, it can create inflationary pressures. This seems to be the case, given that the United States consumers receive generous transfers from the government, but several economic sectors are going to be back to normal only in a few months, when the epidemic is under control.

Thus, the yield of the 10-year Bond, a benchmark for long-term inflation expectations, has gained 84 basis points since the beginning of the year, which is equivalent to a 93% increase in less than 4 months and has led to new outflows of capital from assets considered risky. In addition, infections by Covid-19 in Europe have been increasing for 6 weeks since the beginning of February, which places the continent at levels close to those of the most critical moments experienced in December and has led to new quarantines in some countries. With this outlook, even though it has been a year since the formal beginning of the pandemic, the search for security assets and the uncertainty with respect to the events that may come in the future have been the main catalysts for the financial markets.

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 adapt effectively and rapidly, 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 potential risk. 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. Liquidation risk means the risk that any of our clients, who have been previously approved by our risk committee to carry out foreign exchange transactions with our currencies without any advance payments on funds derived from that transaction, does not pay the total price of that foreign exchange transaction closed with us, in the agreed moment, which would leave us vulnerable to an exchange rate exposure risk, and probably with an uncollectible account receivable. Counterparty risk means the risk that our counterparties in the derivatives market fail 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. Even though 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 Bank of Mexico constantly regulates the monetary base in Mexico. Under certain conditions, such as deficit in the balance of payments or scarcity of foreign currencies, the Bank of Mexico may implement measures to reduce the amount of available foreign currencies in the Mexican economy. In case the Mexican economy experiences scarcity of foreign currencies, the number 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 methodologies and models to evaluate our possible clients and establish adequate credit limits, but these measures do not eliminate all the credit risk, thus, it is possible that the models do not prevent us from holding 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 reserves in our portfolio. However, this does not mean that our reserves are sufficient to cover losses in case 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 to obtain 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 competitive and participate in new businesses or comply with equity adequacy, we might need new capital contributions. Furthermore, 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
- 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 oversees the system for 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 \$217, \$178, and \$104 million pesos in 2020, 2019 and 2018, 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, which 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 or withdraw their deposits, we could suffer a significant negative effect on our operating results and financial position.

We cannot 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 those cases.

According to the single liabilities agreement, Monex Grupo Financiero holds an unlimited subsidiary responsibility for the compliance of the obligations 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 holds an unlimited subsidiary responsibility for the compliance of the provisions contracted by its subsidiaries arising from their authorized activities, and is the direct responsible of certain losses incurred by its 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 a lesser amount than the minimum paid-in capital required by the applicable legal provisions.
- ii) The shareholders' capital and its reserves are below the amount that our subsidiary is obliged to keep according to the applicable legal provisions.
- 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 transfer of any financial benefits to Monex, as shareholders, will be prohibited from the date in which the IPAB determines the losses of Banco Monex and 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, to guarantee the payment of the losses incurred by 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 the ownership of these shares will be transferred 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 is 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 and affiliated companies have entered into a series of service agreements providing thereby administrative, accounting, financial, treasury, legal, and other services.

Mexican legal provisions applicable to companies with securities quoted 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 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.

We are likely to continue carrying out transactions with our subsidiaries or affiliated companies. Even though the CNBV has not objected our determination that the terms of these transactions are "substantially under market conditions" in the past, we cannot guarantee that the CNBV will agree with any of our future considerations. 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 believe that our business and its future development depends, in part, on the permanence of our main directors in duty. We do not have life insurance for the key directors in which the Issuer is the beneficiary, and we do not sign non-compete clauses with all of them. This implies that not all 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 on 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 non-compete agreements with our sales force and their payment is mainly based on commissions. 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 such 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 provided to us by third parties, may be exposed to damages or interruptions caused by fires, natural disasters, electric power outages, telecommunications failure, computer virus, or unauthorized access, among others. 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 to 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 negatively affected.

Due to the foregoing, there is a permanent effort to implement mitigating measures for the identified risks. At least two simulation exercises of critical situations are carried out annually to ensure that if any risk crystallizes, it represents the least possible 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

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

Concerned about this environment, Monex takes the following preventive and control measures:

- We have the ISO 27001 certification, which establishes the best international practices in information security matter, which is renewed annually
- We have a Security Master Plan, which, in addition to being aligned with the Institution's business strategy, defines and prioritizes information security projects, aiming at reducing exposure to technological risks and materialization of information security incidents
- 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 well as to carry out a proper follow-up to the control deviations to detect any anomalous behavior seeking to vulnerate the security systems implemented
- We fully observe the Bank of Mexico and CNBV regulations, complying with the instructions in information security matter and the protection thereof through best practices and available technologies
- We constantly strengthen our security technologies with measures such as: Secure Sockets Layer (SSL), secure websites, Transport Layer Security (TLS), encryption methods to protect the information, Intrusion Detection System (IDS), artificial intelligence tools against threats via email, penetration tests, among others.

Our capability to keep the competitiveness of our company depends on the adequate maintenance of our technology systems. Our failure to maintain this technology level may put at risk our position as leader in this sector.

As providers of the foreign exchange and payments service and other related services, we must be up to date with the best technology available in the market and respond to technological advances that open opportunities to improve our service, including technologies related to the internet and mobility, in order to maintain and improve our competitive position. We may not be able to maintain our technological level and the offered services as advanced as our competitors, which would jeopardize our position as a leader in the sector.

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 maintain 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 other persons trying 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 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, especially 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 herein, 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, it 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. We constantly 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:

- Those 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 retain key staff from purchased companies
- Possible failure to achieve expected scale economies
- Unforeseen liabilities
- Antitrust and regulatory provisions
- Difficulties to retain the clients of the purchased companies
- Failure to rapidly modify accounting standards
- The possibility of deviation of the administration from its everyday duties due to the activities of integration and solutions of problems related thereto
- 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 result in 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 to 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 in July 2012, or of Arrendadora Avance 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. In case any of these factors occur, individually or jointly, 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 investment once the company had been purchased. Example: statutory 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 resulting 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 retain or assimilate employees of purchased businesses
- Difficulties to retain clients of 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 due to integration and problem-solving activities
- The possible existence of regulatory restrictions preventing us from reaching the expected benefits

Finally, an acquisition may result in loss of key staff and inconsistencies in standards, controls, procedures, and policies. Moreover, 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 factors, individually or jointly, 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 of 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, 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 is 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. If such impact would happen, the valuation of the assets may be equally affected.

Future restrictions, requirements or modifications 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 implement measures like fixing 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 operating subsidiary financial corporations, and therefore, we are subject 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 Bank of Mexico are the main government entities in charge of supervising financial institutions.

Regulations in force, as well as the way 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 may 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.

Adverse economic 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 situation, 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. In addition to the foregoing, 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. Since a considerable amount of our costs and expenses are fixed, we may be incapable of reducing our costs and expenses in case any of such events occur, 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 other than the Mexican Peso, and to the risk of interest rates in case of mismatch in revaluation of our interest rates or when we maintain 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 by the Bank of Mexico, which imposes liquidity requirements in their equivalent in such currencies according to 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 our operating results.

The market value of securities in Mexico is influenced by economic and market conditions of both developed and developing countries. Even though 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 the reaction of investors to events in these countries may have a negative effect on the market value of securities listed in the BMV. For instance, in the 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. In fact, despite the adversities of 2020, exports registered a 2.3% positive variation compared to this figure during 2019, as opposed to the 10.4% contraction in domestic consumption and 18.3% in gross fixed investment, constituting them, as well as the main engine of our economic growth. Furthermore, 2020 ended with historical figures in the trade balance of our country, as the accumulated balance was in surplus for the 5th time since 1991 and amounted to \$34.641 million USD, a figure almost 5 times higher than the previous record in 1995.

Going forward, exports will benefit from the advance of the US economy, which is likely to show double-digit growth throughout 2021, helping to limit the potential for exchange rate depreciation. However, the effect has been partially offset by the negative balances of the financial account, which closed 2020 with a deficit of \$9,353 million USD, especially because the Foreign Direct Investment could not compensate the outflow of capital from our country due to the greater aversion to risk, which is at its lowest levels in the last 8 years with a balance of \$22,551.

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 recent 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 way 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 significant negative 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 rate. Likewise, the increase of interest rates may reduce the value of our assets. We keep a significant loan and securities portfolio with both fixed and variable interest rates.

In the event of a decrease in interest rates, it is likely that our profits derived from investment in securities 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 Law on Protection and Defense of the Financial Service User currently does not limit the interest rates that the bank can 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 by 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 hereof, 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 on 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.

Likewise, any drastic devaluation or appreciation, may result in the intervention of the Mexican Government, as it has occurred in other countries or in 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 way 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. Inasmuch as any of these risks arises, our financial margin or the market value of our assets and liabilities may be affected.

The global health emergency caused by the SARS CoV-2 virus and the COVID-19 disease can adversely affect our business, our financial situation, our operations, our results, and our prospects.

In December 2019, the SARS-CoV-2 virus, causing the COVID-19 disease, began to spread in China. On February 27, 2020, the first case of COVID-19 was registered in Mexico and due to the cases of this disease spread to several countries, causing thousands of deaths, on March 11 the World Health Organization recognized it as a pandemic. The control and mitigation measures taken by the health authorities, companies, and society in general generated high volatility in the global financial markets and have resulted in the temporary closure of different sectors considered non-essential. This has caused a considerable economic slowdown globally. The spread of the SARS-CoV-2 virus and other adverse events related to public health in Mexico or in the countries in which we operate are highly uncertain and can have a significant adverse effect on our business, our financial situation, our operations, our results, and our prospects. Likewise, it may reduce our revenues and the quality of our assets.

Risk factors related to Shares and the Shares Ownership

Certain provisions in the applicable legislation and our By-laws impose limitations to the transfer 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 persons or groups of persons 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 thereof, may not be able to exercise the corporate rights derived from securities with the right to vote, being the Company entitled to refrain 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 which 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 attend to any general shareholders' meeting.

Consequently, regarding the acquisitions that must be carried out through public tender offers for acquisition in accordance with 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 amounting to 10% (ten percent) or more of the shares representing the Company 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. Those 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 their 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
- Revocation of all or part of our authorizations granted by 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 is 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 a 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, of our Board of Directors, whereas the number of shares intended to be acquired, in addition to the shares previously held, both directly or indirectly, of the possible acquirer, results in a number equal to or higher than 10% of the Issuer 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 of 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 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 by 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 patrimonial 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 legal 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 of 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 pay dividends to the extent we decide

We are a holding corporation carrying 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 are 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, such shareholder may only execute the available assets of 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 of our shareholders

Our Board of Directors shall present our annual audited consolidated financial statements corresponding to the prior year for the approval by the Annual Shareholders' Meeting of the Company. Once our shareholders approve the annual audited consolidated financial statements, they may decide on 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 determine accordingly the amount of such dividends. Consequently, there might be years in which we do not 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 several factors including operating results, 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 amounts to at least 20% of the paid-in capital stock. Additionally, shareholders may decide on 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 dividends.

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 amounts to 20% of the paid shareholders' equity. In the case of Banco Monex, legal provisions establish the requirement 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 during the existence of those entities, except as dividends on shares.

Rounded Figures

We have adjusted for the rounding of some of the figures included herein. 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 herein is based on independent publications of the industry, government publications, mainly the CNBV and the Bank of Mexico, 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, 2020, our capital stock was represented by 545'808,505 shares, 545'758,505 of which belong to the B Series representing the variable capital, registered in the capital markets section of the RNV and 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 to the new securities that included, in addition to the corporate name "Monex, S.A.B. de C.V.", the By-laws modified by virtue of the implementation of the that modality, as authorized by the CNBV on March 13, 2013. Those By-laws are described hereunder.

During 2020, no modifications were made to the total amount of the Shareholders' equity, number, and class of shares.

See the cover page hereof for further details of the securities we have issued.

During 2020, 2019 and 2018, we have delivered in full and timely manner all reports required by the Mexican legislation in relation to periodic information and relevant events to the BMV, the BIVA, 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 herein.

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 before the Registry

As of December 31, no relevant changes have been made to the rights of any security class that have been registered in the RNV, except for all matters related to the exchange of securities supporting shares of Monex, derived from modifications made to the By-laws, as a 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 funds

Debt Issuance:

The first issue of bonds was carried out on June 8, 2012, for a total amount of \$1,000 million pesos represented in 10 million bonds with a face value of \$100.00 pesos each, with the ticker symbol MONEX12. During July 2015, we liquidated this first Issuance.

On November 7, 2014, we carried out the second issue of bonds with ticker symbol MONEX14. The Total Amount of the offer amounted to \$1,000 million pesos distributed in 10 million bonds with a face value of \$100.00 each. During November 2017, we liquidated this second Issue.

On May 23, 2017, we successfully issued the third public offering of bonds with the ticker symbol MONEX17, for the amount of \$1,000 million pesos distributed in 10 million bonds with a face value of \$100.00 each. The maturity date of this third issue was established for May 21, 2020.

On October 18, 2017, we set up a new program of bonds of up to \$4,000 million pesos or its equivalent in UDIs. This program will be valid for 5 years following the Official Authorization date.

On October 19, 2017, we successfully issued the fourth public offering of bonds with the ticker symbol MONEX17-2, for an amount of \$500 million pesos distributed in 5 million bonds with a face value of \$100.00 each. The maturity date of this forth issue was established on October 19, 2020.

On June 20, 2019, we made the fifth public offering of bonds with the ticker symbol MONEX19. The offer amounted to \$1,500 million pesos distributed in 15 million bonds with a nominal value of \$100.00 pesos each. The maturity date of these bonds is June 16, 2022.

On June 20, 2019, \$1,000 million pesos of the net resources obtained from MONEX19 were used to prepay the MONEX17 bonds, and on October 21, 2019, \$500 million pesos were used to prepay the MONEX17-2 bonds. It should be mentioned that regardless of the destination of the resources obtained through the Issues of Bonds, they will obey the diversification strategy at the offered product level, as well as at the geographical area level in which we have a presence, both nationally and internationally, either having a direct impact in terms of organic growth, or by strengthening our performance and that of our subsidiaries.

The rating granted by Fitch México, S.A. de C.V. for the issue of MONEX19 is “A+(mex)”, which denotes expectations of a low level of default risk with respect to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity to pay to a greater degree than in the case of financial commitments with a higher rating.

HR Ratings de México, S.A. de C.V., granted the “HR A+” rating to the MONEX19 issue. This rating indicates that the issuer offers acceptable security for the timely payment of debt obligations and maintains low credit risk in adverse economic scenarios. The “+” sign represents a position of relative strength to the rating.

During 2020, 2019 and 2018, we delivered in a complete and timely manner the reports required by the Mexican legislation on periodic information and relevant events to the BMV, the BIVA, and to the CNBV, in compliance with the Circular Única de Emisoras, and we are up to date in the payment of our obligations.

Monex does not have securities registered in the RNV or listed in other markets or in other stock exchanges, other than those indicated in this section.

No resources derived from the issue of bonds with the ticker symbol “MONEX19” are pending to be applied. Likewise, there have been no variations in the use of funds obtained through the issue of bonds to those specified in the corresponding supplements.

Net resources obtained by Monex from the issue of bonds with the ticker symbol MONEX19 are composed as follows:

Concept	Amount*
Issuance Expenses	16.9
Net resources obtained from placement	1,483.1
Gross resources from Bonds	\$1,500

* 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 of 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 webpage (www.bmv.com.mx), in the CNBV's webpage (www.cnbv.gob.mx), in Monex, S.A.B.'s webpage (www.monexsab.com), or in BIVA's webpage (www.biva.mx).

Copies of these documents can be provided to any investor upon request made to Monex at their offices located at Av. Paseo de la Reforma No. 284, Piso 15, Colonia Juárez, C.P. 06600., Ciudad de México, Tel.: +52 555231 0870, e-mail: agershberg@monex.com.mx, addressed to: Alfredo Gershberg Figot, Corporate Director of Finance and Planning.

For further information on Monex, please visit our website www.monexsab.com, on the understanding that this webpage is not a part of this annual report.



monex

Annual Report 2020

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 laws of Mexico. Our current company name 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

Paseo de la Reforma No. 284, piso 15, Colonia Juárez, C.P. 06600, Ciudad de México, México.

Tel.: +52 (55) 5230-0200

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 35 years ago, doing business both nationally and internationally, with commercial and financial entities, through Casa de Cambio Monex, S.A. de C.V., 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 manner, at competitive prices.

The following summary contains our most important moments:

- **1985.** We started operations as 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. Likewise, 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 "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. In the same 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 the 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 the provision of 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 with the ticker symbol "MONEX12" for an authorized total amount up to \$2,000 million pesos, and we carried out an issue for an amount of \$1,000 million pesos, placed at a TIIE 28 days + 280bp rate for the 3 years term.
- **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 name "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 with the ticker symbol "MONEX14", for an amount of \$1,000 million pesos, placed at a TIIE 28 days + 160 bp rate for the 3 years term. The placement was demanded 1.6 times and had a diversified base of investors, mainly institutional.
- **April 2015.** We (Monex and Banco Monex) sold 100% of the shares of Pagos Intermex to Gentera S.A.B. de C.V. The sale of Pagos Intermex was part of our strategy of focusing on our core business by concentrating our efforts on financial services to companies.
- **June 2015.** The bonds with the ticker symbol "MONEX12", 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 issue of bonds with the ticker symbol "BMONEX15" for an amount of \$1,000 million pesos, placed at a TIIE 28 days + 90bp rate for the 3 years term.

- **October 2015.** Through a purchase agreement, we acquired 17% of the total shares of Tempus, Inc. (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 Letter 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 third public offer of bonds with the ticker symbol "MONEX17", for an amount of \$1,000 million pesos, placed at a TIIE 28 days + 160 bp rate for the 3 years term. The placement 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 Government Board of the CNBV to invest in 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 Bank of 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 fourth public offer of bonds with the ticker symbol "MONEX17-2", for an amount of \$500 million pesos, placed at a TIIE 28 days + 150 bp rate for the 3 years term. The placement was demanded 1.6 times and had a diversified base of investors, mainly institutional.
- **November 2017.** The bonds with the ticker symbol "MONEX14", issued on November 7th, 2014, for an amount of \$1,000 million pesos, had been totally paid under its terms and conditions of principal or interest payments.
- **December 2017.** The Ordinary and Extraordinary Shareholders' Meeting 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 named MNI Holding was established in order to be the owner of Tempus and Monex Europe. Therefore, the new corporate structure is as follows: Monex SAB owns 99.99% of MNI Holding, while the latter owns 99.99% 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, main subsidiary, to invest 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 a shareholder and forthcoming member of CLS.
- **July 2018.** 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, had been totally paid under its terms and conditions of principal or interest payments.
- **June 2019.** On June 20, 2019, Monex, S.A.B. de C.V. carried out the fifth public offering of Bonds with the ticker symbol MONEX19, placing all of \$1,500 million pesos on the market at a TIIE28 + 150 bp rate for a period of 3 years. The issue received a credit rating of 'A(mex)' by Fitch Ratings and 'HR A+' by HR Ratings.

\$1,000 million pesos of the resources were used to prepay the Bonds with the ticker symbol MONEX17 on June 20, 2019, and \$500 million pesos were used to prepay the MONEX17-2 Bonds on October 21, 2019. The placement involved the participation of a diversified investor base achieving an oversubscription of 1.22 times the amount of the offer.
- **October 2019.** The Bonds with ticker symbol MONEX17-2, issued on October 19, 2017, for the amount of \$500 million pesos, were early and fully amortized in their terms, for principal and interests.
- **2020.** There are no corporate events to disclose. For further details, see Section "Significant Events in 2020, 2019 and 2018" in Chapter 3. "Financial Information" of this Annual Report.

b) Business overview

Main subsidiaries

As of December 31, 2020, our main subsidiaries are Monex Grupo Financiero, composed of three financial entities: Banco Monex, Monex Casa de Bolsa and Monex Operadora de Fondos. MNI Holding, composed of: 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 foreign exchange and 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.

In order to become one of the largest specialists in foreign exchange and international payments, 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*; Singapore, and Luxembourg.

Following the acquisitions of Tempus and Monex Europe, Monex has become a relevant player worldwide as a specialist in the foreign exchange and international payments market. Additionally, through our international subsidiaries, we offer risk hedging products against changes in the exchange rate.

Arrendadora Monex

In June 2018, we acquired Arrendadora Avance, S.A. de C.V. a leasing company specialized in SMEs with a need for pure leasing. Upon the acquisition, we consolidated the products we offer to our clients in terms of financing options. Arrendadora Monex offers the pure leasing product for transportation-related assets, as well as for machinery and equipment from various industries within the national territory.

I. Main activity

Over the last few years, we have focused on maintaining 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.

* The Canada branch is part of Monex Europe since January 2, 2018

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 to increase our volume of transactions and revenues in Mexico and the United States as well as in 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

Maintain our leadership in the foreign exchange and payment services market in Mexico and, at the same time, offer other financial services as part of our strategy to help our customers to meet their financial needs. The diversification of products and services allows us to improve and increase our customer deposit base and our credit portfolio, which, in turn, not only helps us to improve our service, but also to achieve greater profitability. On the international level, we seek to continue expanding our business in the geographies where we currently operate in the foreign exchange and international payments market, as well as to operate in the countries where we are not currently present.

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 to turn Monex into the main bank 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.

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

- 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 our relationship with them.

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

Mexican Foreign Exchange Market

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. In 2020, we carried out 6.6 million payment transactions (0.9 million international transactions and 5.7 million domestic transactions).

By the relevance of our Mexican foreign exchange business, internal figures reflect that \$3,482 million pesos in revenues were generated by this segment, which represents 44% of our total revenues in 2020. We will focus on the description of these foreign exchange business activities 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 the 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 consider 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.

Digital Banking

Today, we offer our customers three digital foreign exchange platforms operating within our Digital Banking, which can be operated from the computer or from our mobile app. The Monex ULTRA II platform, aimed at specialized and high-volume customers, allows the real-time quotation of the 6 main currencies: US Dollar, Yen, Swiss Franc, Pound Sterling, Euro and Canadian Dollar. The final quoted price is obtained from the best offer available by the counterparties with whom the transaction is agreed at the same time as hedging with the customer. Additionally, we offer another platform named Compra Venta de Divisas, which is aimed at treasuries of our less specialized customers, as well as individuals.

The offer of our digital foreign exchange platforms strengthens the relationship we have with our customers who benefit from the advice, analysis, and experience of our sales agents, agreeing on their operation through a state-of-the-art technological tool that has all the standards of security necessary to guarantee the best experience for our customers. We will continue looking for different ways to satisfy our customers' demand more efficiently, innovating based on current and future trends in the sector.

We maintain long-term relationships with our clients, whose continuous foreign exchange needs allow us to have a stable operation base. 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. These synergies have allowed us to place ourselves in an important ranking, mainly for foreign banks which allow us to use exclusive technological tools. Likewise, we are automating some vital operation processes, which will allow us to become more agile, provide a better service, and continue offering the best prices in the market.

We are constantly improving our processes aiming at providing an agile and innovative service, so that we can strengthen our security and reduce operational risk for the benefit of our customers. Therefore, during 2020, Banco Monex continued with a tokenization campaign with all its customers. One of the goals of this campaign is to provide them with a higher level of security in their operations. During 2020, through Digital Banking and the token, our customers can download their account statements, confirm the registration of Beneficiaries, release payments entered by the advisers, and confirm forward operations.

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 attraction.

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.

As part of this expansion, in recent years we have increased our geographic footprint in North America, Europe and Asia.

Tempus

Tempus is focused on serving more than 3,000 corporate clients through its offices in the US. Its main business is to carry out foreign exchange transactions and payments. In 2020, it processed over \$2,050 million dollars. Tempus only provides the foreign exchange service, and 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 2020, Tempus continued the expansion of its client portfolio from its traditional small-business niche to medium-sized and large corporations. At the same time, Tempus renewed its digital platform, Tempus Online, through which our clients meet their foreign exchange and international payments needs, among other services. By the end of the year, 53% of operations were carried out online.

The “Dealers – Sales Development” sales model continued to be implemented. This model improves the service and the prospection of clients through the specialization of each function. As Dealers focus on clients’ daily transactions, they develop a deeper understanding of their needs and offer more appropriate solutions, while Sales Development focuses on acquiring new accounts and ensuring that the existing accounts continue receiving the best service from Dealers.

During 2020, Tempus launched a Partnerships business unit to leverage its cross-border payment infrastructure and make it available to third parties through its digital solutions, such as API services. By the end of 2020, Tempus had 5 current partnerships and a growing pipeline of opportunities. Tempus continues adapting to the new environment and expects the Partnership model to become an increasing source of revenue in 2021.

Tempus has 47 employees in its headquarters in Washington, D.C., 6 employees in the New York office, and 8 employees in the Los Angeles office. Additionally, Tempus has one remote Sales Development employee, and it is exploring the viability of expanding its sales force through virtual offices.

In 2020, internal figures show a 71% increase in net income compared to 2019.

It is worth mentioning that, in 2020, Bloomberg once more designated Tempus as one of the “Top Currency Forecaster” for the G10 currencies, ahead of most of Wall Street market-analysis powerhouses. The strength of Tempus’ market view consolidates its position and credibility in the US market.

Disclosures and actions due to the COVID-19 pandemic – Tempus

Very few businesses will come out unscathed by coronavirus and Tempus is no exception. Since late March and early April 2020, Tempus has seen less than half of its average daily volume and transactionality, which stressed cash generation for most of the year. Several sectors serviced, such as Travel or Imported Foods, came to a complete halt.

Despite the challenges posed by the pandemic, Tempus succeeded in maintaining positive cash flows and a sound level of working capital due to the implementation of measures, such as: restricting forward facilities to clients, daily client margin calls, and taking advantage of vendors who allowed the deferment of payments.

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

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

Tempus finished the year only 2% below in revenues compared to 2019, but 2% above in terms of operating income. Summer months were the hardest and activity increased toward the end of the year.

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

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").

Its main business is to carry out foreign exchange and payment operations through its offices in London, Madrid, Amsterdam, Toronto, Singapore, and now Luxembourg. Monex Europe focused on serving more than 4,600 corporate clients in 2020 and generated a turn over of over GBP 42 billion.

2020 was a challenging year across the world due to the COVID-19 pandemic, which affected Monex's overall results, mostly in the second and third quarter of the year. However, as in the past, significant events continued to bring business to the company through an increased amount of volatility within the currency market. Some of Monex Europe's foreign offices outperformed estimations, such as those in Canada and Singapore. In response to the agreements between the UK and the European Union through Brexit, Monex has successfully established a licensed entity within the European Union, specifically in Luxembourg.

In 2020, internal figures show that the operating revenues ascended to \$2,093 million pesos, which represents an increase of 4% compared to the revenues in 2019, which resulted in \$2,007 million pesos.

Its operations are headquartered in the London office, and it contributed with 70% of net revenues in 2020. We have 141 employees in London, 62% of which are administrative staff, and the rest is our sales force. The office in Madrid operates with 24 people integrated to the team, our Amsterdam office currently operates with 23 employees, our Toronto office operates with 19 employees, in Singapore we have 4 employees, and we have 9 employees in the Luxembourg office as of the end of 2020.

The outlook for 2021 is positive. The directors consider that Monex will enhance its position in the market and will deliver good results to shareholders. The focus will be on continuing to invest in our technological platforms, enhancing the compliance function, building new relationships with clients and strengthening the existing ones, establishing a strong presence in Luxembourg and the European Union, and continuing to increase the market share in the foreign countries where we operate. Through this focus, Monex will strive to achieve operational efficiency and improve its overall profitability in 2021.

Disclosures and actions due to the COVID-19 pandemic – Monex Europe

a) Assessment of level of operational disruption

Following the unprecedented event of COVID-19 pandemic last year, the executive management's priority was to implement a robust business continuity plan. Stakeholders' safety was at the center of this plan. As part of this plan, Monex ensured to have a strategy and resources to enable the entire staff in the UK and overseas (Spain and the Netherlands) to work remotely. This strategy involved sourcing laptops & IT equipment for staff where necessary and implementing alternative supervisory and security systems to ensure the security of clients when executing FX trades and payments.

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

The executive management continues to monitor the situation very closely and carry out virtual meetings on a regular basis. Furthermore, in order to provide crucial support to staff members in this time of uncertainty and social distancing, the executive management has put in place certain measures to boost staff morale and general wellbeing. In addition, some virtual social events are organised, which staff can attend to interact with each other outside of the working environment.

b) Legal and contractual framework

The executive management is confident that Monex Europe will continue to meet its regulatory and legal obligations under the current business continuity plan. As noted above, the alternative security measures are in place to ensure secure execution of transactions. Compliance, legal and risk departments are functioning as normal without any capacity constraints. The executive management is aware of measures taken by the FCA and the UK Government to support businesses during the current situation. To this end, the executive management is confident that the organisation is in the position to work with the regulators and relevant stakeholders, wherever necessary, to continue operations.

c) Liquidity and working capital

The executive management is aware that, in the current economic climate, maintaining sufficient liquidity and working capital is of the utmost importance. To this end, Monex Europe has an available credit line with the holding company in Mexico. The executive management is confident that, in the current scenario, the available resources are sufficient to continue operations for at least the next 12 months.

d) Access to capital

Monex Europe does not have any external debts and covenants. As noted above, the organization has access to sufficient liquidity.

e) Asset valuation

The executive management has considered if there are any impairment indicators for goodwill and intangibles, and the response is as follows:

f) Goodwill

The management considers that there are no indicators for impairment resulting from COVID-19. The organization has been working under alternative arrangements since March 2020 and there has been no disruption in trading. Due to the countercyclical nature of the business, any volatility in FX markets continues to present opportunities for demand for our services as clients look to guard against FX risk as well as to capitalise on opportunities that the FX market may present. As a result, the executive management considers that there is no objective evidence to indicate impairment.

g) Intangibles other than Goodwill

This represents the development of the internal trading database software. As noted above, there are no disruptions to the trading activities of the company. Furthermore, there have been no disruptions to the functioning or change of use of this software. The executive management considers that there is no objective evidence to indicate impairment.

h) Conclusion

The impact of COVID-19 on the UK and European economies and markets has been sizeable. While much of the impact occurred in the first semester of 2020, the volatility in financial markets and the uncertainty around the macroeconomic outlook remains elevated. Subsequent COVID-19 waves continue to pose a threat to economic recoveries, which have been driven by record-breaking fiscal and monetary stimulus packages. The distribution of vaccines and the safe reopening of economies continue to sit at the top of the priority list. The strains in financial markets have abated substantially since the credit squeeze and liquidity crunch witnessed in the first half of the year. The executive management is confident in the resilience of Monex Europe's business and agility to adapt fast to a fast-changing environment.

The key factors are:

- The majority of the cost base relates to staff costs, which is largely commission-based. The business will be able to scale back on these costs in a worst-case economic scenario.
- The size of the business' work force puts it in a good position to adapt to changing working environments swiftly. This is evident from the successful roll-out of remote working for the entire work force.
- The key suppliers continue to provide services remotely without disruption.
- There is a sufficient credit line available from the holding company in short to medium term.
- Strong measures taken by the UK government to support businesses and work forces in a time of need.
- Strong employee morale as indicated by the smooth operation and performance following the implementation of remote working.

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
- participation certificates (PC) on shares, currencies, prices, or stock indexes

In this matter, we are focused on fulfilling the investment and hedge needs of our clients, both individuals and corporations.

Several tailor-made structured products stand out to satisfy the client's need for hedge within the derivatives operation.

As a consequence of the COVID-19 pandemic, the derivatives department achieved the comprehensive implementation of the home office for the operation of the area. Our prospects for operations include the continuity of the area as a promotion service desk, a moderate risk taking in order to provide competitive prices for promotion and an increase in operations derived from interest rates.

In 2020, the issuance of structured notes amounted to 1,645 J's and 2,318 F's issuances for a notional amount of 180,597 million pesos (certificates of deposit and bank bonds), which continues to position us as the main issuer of structured notes in Mexico.

In addition, a total of 38,255 derivative transactions related to the peso-dollar exchange rate were completed in both recognized and "OTC" markets during 2020, which amounted to \$8,785 million dollars.

Regarding the issuance of structured products, in 2020, and in a virtual manner, Structured Retail Products rewards Banco Monex for the eighth consecutive year as the main issuer of structured notes in Mexico, with the following awards:

- Best Capital Protected Distributor Americas
- Best Distributor Americas
- Best House Foreign Exchange Americas
- Best Distributor Mexico
- Best House Mexico
- Best Performance Mexico

Banking Products

Credit Loans

Our commercial efforts have focused mainly on the service of existing 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, which continues to consolidate during 2020 seeking 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. 2020	24,735	494	25,229	5.8%
Dec. 2019	23,315	530	23,845	(0.4%)
Dec. 2018	23,410	521	23,931	16.2%

Internally prepared with amounts as of December 31, 2020, 2019 and 2018. Figures in millions of Mexican pesos.

The following factors are among the main reasons of the growth rate observed during 2020:

- A lower-than-expected growth rate in credit demand derived from an economic environment affected mainly by the COVID-19 pandemic that posed many challenges to business activity in our country.
- The behavior of some large customers who, after the challenges of the economic environment, settled early their credit obligations with Monex.
- An increase in the USD/MXN exchange rate that had a positive impact on our portfolio denominated in this currency.

Our origination policies and credit strategies are consistent with our capabilities 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, we kept a sound evolution in our segment of credit to SMEs during 2020. At the end of December 2020, the balance of credit to SMEs amounted to \$761 million pesos distributed among just over 840 customers with an adjusted financial margin of \$26 million pesos. Through this product, we seek to serve the current customers of Monex, which, according to the definition of the Ministry of Economy, are SMEs (CCS < 250)*:

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

$$(CCS) = \text{Number of employees} \times 10\% + \frac{\text{Annual income}}{1,000,000} \times 90\%$$

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

INFONAVIT created the “Mejoravit” program for the expansion and improvement of housing for workers affiliated to this institute, and it stands out from the rest of our products and credit offers. We started offering this program in August 2016.

* 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 Ministry of Economy in the DOF dated June 25, 2009.

This program was successfully placed during 2020, with which Monex continued its participation in the respective allocation by INFONAVIT. The performing portfolio of the program had the following performance at the end of 2020:

Date	"Mejoravit" Program	Increase
Dec. 2020	1,102	1,060.0%
Dec. 2019	95	(86.4%)
Dec. 2018	698	11.5%

Internally prepared with amounts as of December 31, 2020, 2019 and 2018.
Figures in millions of Mexican pesos.

Given the profile of our market, a significant proportion of our loans are granted to medium-sized corporations in the manufacturing, commercial or services sectors, 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) of developed countries (i.e., "Ex-Im Bank", etc.)
- Guarantees and/or programs from Mexican Government agencies and/or development bank institutions (FIRA, Nafinsa, Bancomext, etc.)
- Liquid guarantees
- Mortgage guarantees
- Stock market pledges or fiduciary pledges held in securities

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

The following chart shows the loan portfolio itemized by currency and type of borrower:

Currency	Information as of December 31st
	2020
Mexican pesos:	
Commercial loans	
Commercial or corporate activity	13,005
Loans to financial institutions	1,148
Loans to government entities	1,021
Housing loans	
Loans acquired from INFONAVIT	1,105
U.S. dollars converted to Mexican pesos:	
Commercial loans	
Commercial or corporate activity	8,088
Loans to financial institutions	400
Loans to government entities	462
Total Loan Portfolio	\$25,229

Internally prepared with amounts as of December 31, 2020. Figures in millions of Mexican pesos.

Measures due to COVID-19**CNBV Support Program “PAC”****Eligible Customers**

- This program applied to borrowers who were directly or indirectly affected by the COVID-19 pandemic.
- Clients had to be registered in performing loan portfolio as of February 28, 2020.

Terms

- Validity of the program: April to July 2020.
- The principal and/or interest terms could be deferred for a maximum period of 6 months.
- The maximum term for renovations or restructures under this program should not exceed 6 months of the validity of the original credit.

The capital and/or interests deferment benefit of this program was \$680 million pesos. Additionally, we implemented an internal support program to benefit clients who were not eligible for the CNBV Support Program, which consists of the following:

Monex Support Program “PAM”**Eligible Customers**

- This program applies to borrowers who have been directly or indirectly affected by the COVID-19 pandemic.
- Clients must be up to date with their payments. Otherwise, they should have been registered in the CNBV Support Program “PAC” or review the situation on a case-by-case basis.

Terms

- Validity of the program: since May 2020 (expiry is not established)
- The principal and/or interest terms may be deferred evaluating the required term on a case-by-case basis.
- The new maximum term for renovations or restructures under this program is evaluated on a case-by-case basis.

The capital and/or interests deferment benefit of this program was \$4,373 million pesos.

Deposits

We offer our clients comprehensive solutions of cash management in multiple currencies, through concentration of funds, payments allocation, and investments.

As of December 31, 2020, deposits showed the following performance:

Date	Deposits	Increase
Dec. 2020	44,355	(5.7%)
Dec. 2019	47,060	7.6%
Dec. 2018	43,719	12.3%

Internally prepared with amounts as of December 31, 2020, 2019 and 2018.
Figures in millions of Mexican pesos.

We currently offer two deposits products:

- Digital Account (cash deposit on demand agreement)
- Certificates of time deposit

Demand deposits

E-banking (Electronic banking)

Our clients' preferred service channel is the internet through our Digital Banking, which consists of our webpage and our mobile app "Monex Móvil". These applications allow to check account balances, make transactions, obtain receipts, make term investments, carry out foreign exchange operations with charge and credit to the Digital Account, as well as to complete payments and transfers charged to the same account.

Deposits balances of this product in 2020 were as follows:

Date	Digital Account Deposits	Increase
Dec. 2020	32,984	74.0%
Dec. 2019	18,952	(0.9%)
Dec. 2018	19,123	2.9%

Internally prepared with amounts as of December 31, 2020, 2019 and 2018.
Figures in millions of Mexican pesos.

Our core product, Digital Account, allows to maintain balances in multiple currencies at the same time, such as in Mexican pesos, US dollars, euros, Pounds Sterling, Swiss francs, Japanese yen, and Swedish krona. This way, we offer a unique deposit vehicle in the market, which favors Monex with the exchange operation of clients, the attraction of balances, as well as the execution of payments in Mexican pesos and any other currency.

The Digital Account has the following characteristics:

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

Among our outstanding products which have allowed us to distinguish ourselves in the market, is the identification of depositors. With this product, 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. Additionally, this product speeds up and facilitates the clients' processes of conciliation and is applicable to any client.

Another outstanding product is Monex HUB (Host to Host) that allows the registration of accounts to transfer, receive, and execute payment instructions. Our clients can automatically receive their daily account balance in 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 (time deposits)

For the acquisition of fixed-term investments, we offer CEDES Monex in Mexican pesos and US dollars. It is a product launched in 2011 and consists of a Certificate of Bank Deposit. Clients can contract CEDES with charge and credit of capital and interests to the account, and they can freely choose any term between one and 360 days, provided that the expiration occurs on a banking business day.

Attraction of deposits in CEDES Monex has grown continuously since its appearance, except for 2020, when, due to the bank's strategy, its volume was reduced and the growth in demand deposits was prioritized. At the end of 2020, CEDES represents 26% of the total traditional deposits.

The deposits due to this product as of December 31, 2020, 2019 and 2018, are presented below:

Date	General Public	Increase
Dec. 2020	12,115	(51.6%)
Dec. 2019	25,017	14.0%
Dec. 2018	21,938	16.6%

Internally prepared with amounts as of December 31, 2020, 2019 and 2018. Figures in millions of Mexican pesos.

The strategy for 2021 consists of offering our clients comprehensive treasury solutions in order to attract preferably demand deposits in Mexican pesos and US dollars. Our strategy shall allow us to increase revenues through a better combination of margins.

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

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

All our cash management solutions operate through Monex Digital Banking, which offers intelligent services, allowing remote access from anywhere. Our competitive advantages are the identification of depositors in real time, fast and secure payments and transfers, as well as personalized attention. The Cash Management Department has nationwide coverage from its headquarters in Mexico City, Monterrey, Guadalajara, Tijuana, Querétaro, and Cancun.

Trust services

In 2020, we continued consolidating our image in the market as a proactive and reliable trustee, which allowed our operating revenues to increase by 1% compared to the previous year. The operating revenues of trust services and common representation segments in 2020 amounted to \$306 million pesos.

The trust services division in 2020 signed 1,022 new trusts, which resulted in a total revenue of \$165 million pesos and \$180,556 million pesos in managed assets. We also continue providing execution services and securities management in stock-market pledge agreements, maintaining us as market leader, as well as providing real estate valuation, mandates, conditional deposits, and other trust services.

Common Representation

The Common Representation department supervises the fulfillment of the obligations assumed by each related party in an agreement, mainly in issuances in the debt market, with the purpose of safeguarding and facilitating the exercise of each holder's rights.

The Common Representation service is the characteristic product in this area. Our participation in 1,489 issuances allowed us to have the leadership as a Common Representative at the end of 2020 with a 56.34% of market share in new issuances. Our market share shows our leadership in this line of business.

In 2021, we shall strengthen our technological platform, which will allow us to achieve 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.

Arrendadora Monex offers the pure leasing product for transportation-related assets as well as for machinery and equipment from various industries within the national territory. The customers of Arrendadora Monex are both individuals with business activities (PFAEs) and legal entities (PMs) who find in the pure leasing a financing mechanism with a very important fiscal component.

Always seeking personalized attention with our customer base, Arrendadora Monex has a local presence of leasing executives at the main Monex offices throughout the country. In 2019, actions to strengthen product coverage began at the national level by hiring specialists in Monterrey, Guadalajara, Querétaro, León, San Luis Potosí, and Puebla to ensure personalized attention for our clients. These actions continued, and during 2020, we managed to consolidate our regional presence in the country based on a strategic coverage designed based on the places covered by Grupo Financiero Monex, providing adequate synergies for commercial and business growth.

This way, at the end of 2020, we have a presence through Arrendadora Monex service offices in different areas of the country and in its most relevant cities, in the Central region (Querétaro, Aguascalientes, León, and the rest of the Bajío Area), in the Metropolitan region (Mexico City and the State of Mexico), in the North region (Monterrey and Tamaulipas), in the West region (Guadalajara, Pacific corridor, and Tijuana) and in the South region (Veracruz, Puebla, Mérida, and Quintana Roo). Furthermore, during 2020, we implemented the online Lease Requests filling for our clients and promoters, to give continuity to a new, more automated development. This has contributed to better service for our clients and supports more efficient origination of new leases.

This way, Arrendadora Monex will continue seeking a greater attraction of potential clients allowing it, in the first place, to increase the placement and volume of the total portfolio, maintaining, at the same time, its main competitive advantage, which is the quality of the personalized service to our clients through shorter response time to their requests, the multi-currency product, and the terms and conditions of the lease defined from the signature of the contract.

In annual terms, more than \$400* million pesos were placed to reach a performing portfolio of \$1,281* million pesos at the end of 2020. This portfolio maintains 558 leasing clients divided into a total of 1,236 contracts.

In 2021, we expect a moderate growth in the portfolio volume conditioned by the development of the pandemic caused by SARS-CoV-2 and the impact it may have on the economic conditions in our country. As the level of uncertainty caused by the pandemic decreases generating the expected macroeconomic incentives, Arrendadora Monex will be able to benefit from its infrastructure and Group synergies to resume a dynamic of expansion of its product in the market.

Disclosures and actions due to the COVID-19 pandemic – Arrendadora

a) Health crisis affecting the portfolio during the pandemic months

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

b) 2020 strategy

Upon the uncertainty caused by the health pandemic regarding the behavior of credit markets and their liquidity, the Arrendadora focused its efforts on protecting its balance sheet by maintaining the most efficient possible default indicators, given the current environment, to the detriment of potential growth in the leased portfolio.

* The loan portfolio of Arrendadora Monex is operating information as of December 31, 2020.

The Arrendadora continued to pay attention to new lease applications, and prioritized applications which presented a strong credit risk profile (by sector, liquidity analysis during the pandemic). In this sense, the growth of our portfolio could be considered conservative by favoring the defense of a healthy financial structure.

c) Detail of supports granted at the end of 2020

i. Rescheduled Income:

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

All figures are in million MXN.

ii. Revenue Recovery

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

All figures are in million MXN.

d) Prevention actions for portfolio impairment

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

e) Deferral of income and cost recognition in rescheduled portfolio

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

The Arrendadora has correctly applied the accounting standard in regard to the recognition of the revenue-cost of its current leases, such recognition would not be applicable to those leases that have received or receive the aforementioned support via extension or rescheduled of the rent payments. As pure leasing operations, the cost is recognized without deferral via depreciation of the asset and regardless of the deferral of related revenues in these cases.

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

i. Cost detail recognized by rescheduled leases:

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

All figures are in million MXN.

Private Banking and Markets

This area specializes in supporting our clients in the management of their financial assets, considering their profile, risk tolerance, and investment horizon.

The experience and technical knowledge of our team substantiate our recommendations and investment decisions, which, at the same time, are based on the continuous information they receive from our Strategy and Asset Management departments and online information systems. Our expertise 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 the relationship that our sales force has with our clients to strengthen the institutional bonds and help them satisfy their investment needs.

We have the following products within our offer:

- Stock 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

During 2020, we have continued strengthening our Private Banking Promotion area and our Portfolio Management area for Individuals, Legal Entities, and Pension Funds. We focus on investments in the International Quotation System and in Monex Securities products, our Houston subsidiary, to satisfy the diversification needs of our clients.

Private Banking

In Private Banking, we engage in offering a specialized and personalized service to our clients. This involves addressing 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.

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 consistency with the volatility of the markets.

Our high quality in Private Banking service is due to the professionalism, experience, and knowledge of our team of collaborators, who constantly work to satisfy the needs of our clients offering high-quality service.

Monex has fully complied with the regulatory provisions for investment services, better known as “*sales practices*”. The generation of policies, processes and controls, the adequate follow-up by the corresponding areas, as well as the constant training of the personnel has allowed us to protect the interests of our clients, generating transparency and trust.

Despite the adverse environment, derived from the COVID-19 contingency, it was possible to consolidate, in an agile and efficient way, the attention of all the services offered, ensuring the same levels of quality and trust, through a careful contingency mechanism implemented as of March, which allows Private Banking personnel to work remotely, serving clients with strict security standards.

The relevant aspects of the year 2020 are mentioned below:

- Balanced Strategies in Mexican pesos through Mandate according to the risk profile of each investor, built with debt and variable income instruments.
- Global Debt Dollar Strategy (ETFS)
- Global Equity Strategy (ETFS)

- Balanced strategies in US dollars built with the Global Debt and Equity Strategy (ETFS)
- Investment strategy built exclusively with Structured Notes of Protected Capital, no longer than 28 days. This strategy is aimed at investors with a conservative risk profile.
- The investment fund Monex IQ changed its investment regime at the end of 2020 to a strategy in US dollars (ETFS) basically built with global Equity instruments. This fund is aimed at investors with a medium to aggressive long-term risk profile.

Within the business strategy for 2021, and given the environmental conditions worldwide, we will focus our efforts on promoting the use of digital platforms that allow us to provide a more agile and efficient service, both in current and new market segments, to attract new investments and generate operational efficiencies. We will continue working to make our operation more efficient, seeking segmentation strategies allowing us to provide a personalized client service.

Stock Market

The stock 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 brokerage of securities quoted in the Sistema Internacional de Cotizaciones "SIC" ("International Quotation System") and, particularly, in the operation and hedge of instruments known as ETFs.

The operation of options and index futures was encouraged, as well as the operation of forwards of stock market instruments, which showed an important increase in 2020.

The total amount operated in 2020 amounted to \$87,584 million pesos, which represents an increase of 7% compared to 2019. The number of operations carried out in 2020 amounted to 1,214,576, which represents an increase of 166% compared to the previous year.

In 2020, Monex Casa de Bolsa occupies the 23rd place out of 30 brokerage houses in the stock market operation concentrate of BMV, while we are on the 21st place out of 30 participants* in the BMV global market operation.

We are in 14th place out of 30 brokerage houses in BIVA's total capital market operations, and 12th place out of 30 participants** in BIVA's global market operations.

Our strategy in 2020 will be focused on the following directions:

- To promote participation in repurchase funds
- To increase the operability of National and Foreign Institutional clients
- To provide greater liquidity to the global market and, thereby, to increase our own position
- To implement and promote the securities lending, aiming at making us a lender
- To promote the option to operate directly through our portal web (Monex Trader) among our clients
- To continue increasing our participation in MEXDER (Options and Futures of Indices and Stocks)
- To promote and increase the operation of forwards of stock market securities
- To promote the electronic operation at the request of each institutional client

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.

* Information from AMIB in 3Q20

** Information from BIVA in 4Q20

Monex Securities is a member of the Financial Industry Regulatory Authority (FINRA) and is registered with the SEC as a broker dealer based in Houston, Texas.

The operating revenues of the stock brokerage segment in 2020 amounted to \$737 million pesos, which is equivalent to a 37% growth compared to the revenues obtained in 2019.

Investment Funds

In Monex Casa de Bolsa, we provide the opportunity, through products managed by Monex Operadora de 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, MONEXIN, and MONEXIQ.

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

- Assets under the management of own funds showed a growth rate of 3.4% at the end of 2020. In 2020, we achieved a growth of 9.6% in our own funds revenues
- MONEX28 and MONEXCP allowed, despite the high volatility of the markets, to generate attractive yields for investors, which allowed an important growth in their assets. MONEX28 grew \$527 million pesos during the year, representing a growth of 48.1%, and MONEXCP showed a growth of \$1,244 million pesos, which represents an increase of 23.3%, making them excellent alternatives for uncertain times 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 23 funds from eight different investment funds brokers, mainly to grant the investor the facility to invest in fixed and variable income products abroad. The management of third-party funds generated \$3.5 million pesos in annual revenues in 2020.

Detail of the distributed funds
Local Debt
1. VALMX17
2. SURREAL
3. VALMX15
4. GBMGUBL
5. VTLS-RF
International Debt
6. FT-EMER
7. TEMGBIA
Equity
8. MMASIC1
9. FT-BOND
10. FT-USA1
11. FT-EURO
12. FT-GLOB
13. GBMCRE

14. GBMPIC
15. PRINLS1
16. PRINLS2
17. PRINLS3
18. SURASIA
19. SURUSD
20. SURVEUR
21. STER-OP
22. STERNDQ
23. VTLS-RV

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), Kuspit (Brokerage House), and Base (Brokerage House). We will continue searching for additional intermediaries to carry out this distribution.

During 2020, average total assets were \$16,282 million pesos (\$15,891 million pesos of Monex funds and \$391 million pesos of co-distributed funds), which represents a growth of \$1,962 million pesos or 13.7% compared to the average in 2019.

Asset management revenues in 2020 amounted to \$156.2 million pesos, which represented an increase of 9.7% compared to figures reported in 2019.

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 multidisciplinary committee.

Currently, we manage the clients' resources through ten 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) *Equity Global*. It is a dynamic strategy of Global Equity in dollars. For clients looking for broadly diversified portfolios through ETFs that take advantage of investing globally, in order to obtain attractive returns in dollars. The strategy is referenced to the ACWI.

- 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. There is the option of investing in UCITS ETFs, which additionally provide tax benefits for the client.

Additionally, using the Dollar Debt and Equity Global strategies, three new dollar strategies are created for different client profiles:

- i. Conservative (80% Dollar Debt and 20% Equity Global)
- ii. Moderate (60% Dollar Debt and 40% Equity Global)
- iii. Aggressive (40% Dollar Debt and 60% Equity Global)

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 31, 2020, all strategies have exceeded their benchmark indexes.

The year 2020 will be remembered as one of the most complicated for markets, and the political and health environment in the world. However, thanks to patience and careful selection of assets we achieved very positive returns on all strategies, and we managed to beat all our references.

Notwithstanding the foregoing, the high degree of uncertainty implied that as of December 31, 2020, we managed assets in these strategies for \$2,362 million pesos, in other words, \$217 million pesos below the end of 2019, representing a decrease of 8.4%.

The Asset Management department ended 2020 with revenues of \$10 million pesos, which represents a decrease of 32.3% compared to 2019, derived from the change of clients to more conservative strategies and an important migration to strategies in US dollars with lower costs, due to the situation of uncertainty this year.

Institutional Savings

Institutional Savings is a department specialized in the integral administration of funds and savings accounts, pension plans and labor savings schemes which may be implemented by companies for the benefit of their employees. This way, we offer them the strategic investment and professional management of the individual accounts of the participants of these plans (Record Keeping), as well as the advisory and investment of the accounts of fiscal benefit for individuals named Individual Retirement Plan and Special Individual Account for Savings.

With our specialized service model, we contribute to reducing the use of human and financial resources allocated by companies to the management of their funds and savings accounts; thus, transferring administrative burden to our Institutional Savings department. Through our online platform, participants can consult personalized account statements and online reports. This way, we ensure that savings and their management are transparent and safe.

Over 16 years, in our Institutional Savings department, we have provided our clients (both domestic and international) with timely advice, investment of resources and management of individual accounts, through which we have favorably positioned ourselves in this market. We have placed ourselves as an option that offers experience and high quality through differentiated solutions, personalized service, and competitive costs.

Today, we have 1,754 clients and we manage 278,185 individual accounts that represent a holding of \$3,008 million pesos as of December 31, 2020. During November 2020, we accounted for the largest volume in annual holding with \$5,604 million pesos, given the seasonality of the product. Likewise, for the year 2020, an increase of 12.3% in revenues was reported compared to the revenues of the previous year. Our perspective for 2021 is to continue growing in the number of contracts, as well as in holding and revenues to continue consolidating the business.

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

- Personalized 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 subsidiary of Monex Casa de Bolsa, and is a broker-dealer registered in the United States and regulated by FINRA. It liquidates and operates through Pershing LLC (a subsidiary of the Bank of New York). This financial intermediary is incorporated in the state of Delaware and it is headquartered in Houston, Texas. It has two more offices: one in San Antonio, Texas, and another one in San Diego, California. In addition, Monex Securities can also operate in other states, such as California, New York, Nevada, 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).

In addition, Monex Securities, Inc. intermediates securities for Mexican brokerage houses and financial institutions (on behalf of third parties), mainly consisting of purchase and sale of shares and debt securities of international issuers, and debt securities of Mexican companies or the Mexican government in USD managed by the institutional trading desk.

At the end of 2020, Monex Securities had 17 employees, 580 clients and over \$137 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.

We have just launched the first digital investment platform, called Monex Investor, which allows international clients to open an investment account in the United States in less than 72 hours and without leaving home, in other words, in a completely digital and developed manner through a smart phone application. Monex Investor relies on strategies designed to offer the final client tax-efficient investments in US dollars starting at just \$20,000 USD.

At the end of 2020, Monex Asset Management had 325 clients and over \$30 million pesos in revenues. Furthermore, the revenues from insurance sales exceeded \$11 million pesos with more than 15 policies issued.

The growth strategy for 2021 will focus mainly on the growth of the institutional trading desk, on the promotion of our digital platform Monex Investor, as well as on increasing the promotional force for the investment area and incurring financial planning equity plans using different financial instruments, including the use of insurance for those plans, seeking to diversify the equity risk in different currencies and types of assets.

Disclosures and actions due to the COVID-19 pandemic – Monex Securities and Monex Asset Management

The United States government began restrictive policies on March 12. At Monex Securities, we implement work from home to all employees from the same day, relying on the contingency plan required by the regulators "Business Continuity Plan (BCP)". Given the hurricanes that occur in the Houston area constantly, based on past experiences and following the procedures referred to in that contingency plan (BCP),

its execution was very easy and quick, since we not only had the necessary equipment, but also the knowledge of how to apply it efficiently so that the service to individual customers, as well as to the institutional business, is not interrupted or hindered and to comply with regulatory guidelines.

Both the trading desk (made up of 8 employees) and the promotion area (made up of 12 promoters) have the equipment and access to the services necessary to carry out 100% of their work. Given the above, the impact of operating as a business working from home is very little noticeable and with no real impact.

Impact to the business by COVID-19

Insurance Business: It is being totally impacted, as insurers are not allowing new cases and prospects cannot travel to the United States to undergo tests for such insurance. In this business area, we expect a drop in revenue of about 50% of the foreseen volume, equivalent to \$875,000 USD.

The closure of borders will impact us, both for new and current customers who want to deposit more funds, we estimate a 25% impact on the income of this item equivalent to almost \$375,000 USD. The clients whose deals we had almost closed, have not been able to cross the border or have not been able to take a trip to the USA to transfer the funds that they maintain in American banks.

New customers: not being able to travel prevents promoters from having contact with these prospects and from creating new areas of opportunity.

Current customers: they have been affected by the exchange rate at the time of purchasing US dollars in order to increase their investment with us, although the positive market has helped the return of their investments in USD.

Customers with new deposits: in terms of assets under management, these have increased by 10% compared to 2019, due to market volatility. According to the financial statements, despite this period of uncertainty, the Brokerage House and its subsidiaries were able to continue operating and could even improve the revenues at the end of 2020.

Money Market and Treasury

2020 was a year of enormous challenges and a high degree of complexity for the markets. However, the positive results of the money desk and institutional promotion were extraordinary. At the peak of the shock caused by COVID-19 in the first quarter of the year, very pronounced volatility and pressure were observed in the different risk factors in Mexico, however, Monex capitalized on this highly unexpected tail event. The pressure on interest rates, the exchange rate and the opening of credit spreads represented a business opportunity derived from the cautious configuration of the portfolios and their appropriate management with respect to market and credit risk. Except for the loss of value in some months of the first quarter due to volatility associated with COVID-19, the rest of the year brought record revenues.

As for Monex, the good results at the money desk were due to having entered the period of stress with limited market risk positions (with a use of 20% VaR, on average), which prevented valuation losses from being experienced beyond the organization's risk appetite, meaning, timely compliance with the established limits. This adequate management in the months of shock allowed adding new exposure at very attractive prices, with the buyer participating mainly in floating coupon government securities and some private debt bonds in the local market, while some participants suffered significant losses. These new inventories were rotated very dynamically during the second half of the year, maximizing profits and significantly increasing the volume of Monex's participation in the primary and secondary markets.

Traditionally, Monex exposures are limited, especially at the money desk, with respect to the industry average and our segment competitors (differentiator in the industry). This strategy has allowed us to deliver consistently increasing positive results during several years, even in the different circumstances of extreme volatility. For example, the good results in episodes of high volatility derived from unpredictable events, such as the cancellation of the NAICM, the threat of NAFTA breakdown, the victory of Donald Trump, among others, where we capitalized on opportunities derived from low exposure, and the COVID-19 was no exception.

It should be noted that, just as there was extreme pressure on the markets in the first months of the pandemic, in the second half of the year relevant recovery movements were observed, not only in Mexico and in the emerging markets region, but also in the developed countries based on the extreme monetary and fiscal stimulus programs undertaken by the monetary and tax authorities. Starting in the summer, very relevant recovery movements were observed. Towards the end of the year, new historically low levels were established in

some variables, as in the case of interest rates in some nodes of the curve, as well as a much more stable exchange rate, appreciating significantly from the levels of greater weakness during the stress caused by the SARS-CoV-2 virus.

Regarding the business with institutional promotion, it continues growing organically in attracting resources and serving clients in this segment. There are advances in market penetration such as, for example, intermediation in the private debt market in Mexico, being one of the main price makers in this class of assets. It is worth highlighting the important participation in the allocation and distribution of some issuers in the primary private debt market, thus consolidating the presence of Monex as a highly specialized niche participant.

Disclosures and actions due to the COVID-19 pandemic - Treasury

In the case of the Assets and Liabilities Department, from a quantitative point of view, we generated additional revenues to those budgeted, given the global reduction of interest rates (including the local one), and the positions that were being funded.

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

On the other hand, we participated in the temporary liquidity facilities that Banco de México (Banxico) granted as part of the mechanisms to promote the healthy development of the market:

- Facility 4 refers to government repurchase agreements.
- Facility 5 allows securities lending (Banxico lends government securities in exchange for granting eligible securities as collateral).
- Facility 6 allows to report corporate securities that are part of the catalog of eligible securities published by Banxico.

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 Guidelines 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 types 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 Operadora de Fondos. The members corresponding to our main subsidiary (Banco) are:

RISK MANAGEMENT COMMITTEE

Mauricio Naranjo González CEO (Participates with voice and vote) CHAIRMAN	Hernando Carlos Luis Sabau García Deputy Director (Participates with voice and vote)
Moisés Tiktin Nickin International, Private Banking and Trust Managing Director (Participates with voice and vote)	David Aaron Margolin Schabes Independent Proprietary Director (Participates with voice and vote)
Grocio Soldevilla Canales Corporate Director of Risk Management (Participates with voice and vote)	José Luis Orozco Ruiz Director of Internal Audit (Participates with voice but without vote)
	Erik A. García Tapia Corporate Legal Deputy Director (Not a member of the Committee) SECRETARY OF THE COMMITTEE

The Risk Management Committee meets regularly at least once a month and 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 at:

- Performing the market valuation of the transactions and/or instruments held by different business units
- Determining the profits or losses by flow and the appreciation or depreciation, derived from the market valuation

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.

Disclosures and actions due to the COVID-19 pandemic – Risk Management

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

UAIR action during COVID-19:

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

- a) A timely risk report was generated, which, in addition to the daily report, allowed to monitor the main risk indicators in an Action Group meeting (with the executive management). This Action Group supervised the credit management, the evolution of the results of business units, and the main market, liquidity, credit, and regulatory indicators.
- b) Additionally, it maintained strict compliance with risk exposure limits in the different business units, which allowed us to avoid unwanted surprises in the results of the business desks.
- c) It sought to generate timely indicators for decision-makers of business units at all times.
- d) It participated in the analysis and assessment of the implementation of the Commission's facilities on different topics, such as credit, liquidity, and capitalization.
- e) The UAIR generated the risk dashboard, where the main profitability and risk indicators of business units are presented in a summarized and timely manner.

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, keeping them within the guidelines established 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 the Mexican Stock Exchange IPC risk management products.

a) Regulation

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 Bank of Mexico 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*", 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 at allowing 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 of Derivatives issued by Banco de México
- Ley del Mercado de Valores

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

- Policy and Procedures Manual for derivative transactions in organized and OTC markets
- Code of Ethics of Monex Grupo Financiero
- Code of Ethics of the 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 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 daily. 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 ones 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 closure 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 Bank of Mexico.

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 to 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

The instruments used are:

Risk management products in OTC markets:

- Foreign currency 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 foreign currencies
- Foreign currency swaps

Risk management products in recognized markets:

- Stock index futures
- Euro and dollar futures in MexDer
- Foreign currency futures traded on the Chicago Mercantile Exchange
- Options on the IPC
- Options on euro and dollar in MexDer
- Options on interest rates
- Standardized swaps

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, both 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 confirming the adherence to the regulation applicable to derivatives by Bank of Mexico.

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 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 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 thereof, the risk factors 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) Likewise, 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 valuation 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 respective authorities, nor will we be able to operate with financial intermediaries (banks or brokerage houses) who do not get authorization from Bank of Mexico 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 high concentration risk) 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 relevant contracts include the designation of calculation or valuation agents, negotiated individually with each counterparty.

Main terms of contracts, 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 to 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 relevant 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 management of guarantees. 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. The UAIR monitors the credit risk of OTC derivative products using the Potential Future Exposure and its comparison against the authorized limits in terms of this metric.

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 Bank of Mexico, 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. Valuation is carried out on the closing prices of the market in question supplied by the price provider.

The valuation of the OTC derivatives operated with financial intermediaries, which are used to hedge those operated with the clients, is carried out by the entity designated as calculation agent in the relevant 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.

Likewise, it has been established that derivative financial products for hedging purposes are valued at the end of each month and the effectiveness of the hedge is performed quarterly, comparing the valuation of the asset or liability hedged with the evolution of the valuation of the derivative used for coverage.

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 Mercantile 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 2020 amounted to \$12.11 million pesos. For the current position in the Treasury portfolio, it amounted to \$4.4 million pesos, MDIN portfolio of \$8.2 million pesos, MDIN PROP portfolio of \$3.15 million pesos, Derivatives portfolio of \$4.60 million pesos and changes of \$0.04 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 2020, the average Value at Risk of Banco Monex for transactions in the treasury, MDIN, MDIN PROP and derivatives portfolio amounted to \$19.45 million pesos, \$8.27 million pesos, \$4.94 million pesos, and \$5.63 million pesos, respectively. As of December 31, 2020, 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 31, 2020, we maintain a significant portfolio of liquid assets, which allows us to be well above the regulatory limit of the liquidity ratio.

During 2020, our main liquidity source was repurchase agreements and the holding of a portfolio of liquid assets, aimed at maintaining easily realizable assets, that can be sold at reasonable prices in conditions of unexpected outflows of client resources, and that allows us to comply with the liquidity coefficient in a comfortable manner. 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, in accordance with the 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 with a pre-approved line 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 and the expected potential loss of the open positions of each client or counterparty, which are calculated daily. 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 committees establish 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 daily by the Integral Risk Management Unit, considering the foreign exchange and derivative operations of each counterparty. We usually request guarantee deposits when entering 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.

We are also subject to credit risk in our financing transactions. All exposure to credit risks requires approval by our Credit Committees, which establish 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 daily.

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

Disclosures and actions due to the COVID-19 pandemic – Credit Risk

To mitigate the effects originated by the COVID-19 pandemic, we implemented Support Programs for the Bank's borrowers, benefiting 235 clients through restructures and renewals for an amount of \$4,826 million pesos, which consist of the following: 167 clients are SMEs for \$243 million pesos and 68 clients are Corporations for \$4,583 million pesos. At the end of December 2020, the balance of this portfolio is as follows: 174 clients for an amount of \$2,466 million pesos (129 clients are SMEs for an amount of \$179 million pesos and 45 clients are Corporations for an amount of \$2,286 million pesos).

These support programs were carried out under special accounting criteria issued by the Commission. If we had not considered those special accounting criteria, we would have had an increase of \$23 million pesos in allowance for loan losses at the end of December 2020.

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

Operational Risk

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

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

We control our operational risk through our internal control system, which includes 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 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 31, 2020, 2019 and 2018
(Figures in thousands of Mexican pesos)

Type of Derivative, value, or contract	Hedging or negotiation purposes	Value of the underlying asset / reference variable	Notional Amount / Face Value			Fair Value			Nominal Maturity Amount	Collateral / lines of credit / securities given as guarantee
			2020	2019	2018	2020	2019	2018		
Futures	Negotiation	CME MXUSD	-330,500	-406,500	-117,500	-2,114	-11,818	-1,518		Cash
		IPC MEX FUT	-13,375	-26,894	42,140	67	354	-362		Cash
		MXD USD-MX	1,325,919	-3,572,691	4,818,081	-91,532	79,261	-188,071		Cash
Total			982,044	-4,006,085	4,742,721	-93,578	67,796	-189,950	183,897	
Forward	Negotiation	EUR/MXN	-603,746	-655,455	-195,825	3,492	25,217	4,547		Cash
		EUR/USD	-3,085	-37,116	-4,226	606	317	-502		Cash
		MXN IPC	0	452	-2,952	0	-10	12		Cash
		USD/MXN	3,588,328	654,707	-3,121,426	108,949	22,559	185,711		Cash
		GBP/USD	0	0	0	0	0	56		Cash
		SEK/MXN	0	0	0	586	962	593		Cash
		1_CEMEX_CPO	0	0	-1,201	0	0	-428		Cash
		1_BIMBO	0	0	-393	0	0	-34		Cash
		91_HIRCB_18	0	0	-4,378	0	0	101		Cash
		91_HIRCB_19	0	-2,606	0	0	-33	0		Cash
		EUR/CNY	0	0	0	0	160	0		Cash
		EUR/BRL	0	0	0	276	151	0		Cash
		USD/CNH	0	0	0	196	0	0		Cash
		USD/BRL	0	0	0	27	0	0		Cash
		1A_AMZN_*	-2,820	0	0	-26	0	0		Cash
		1A_AAPL_*	-1,733	0	0	-27	0	0		Cash
		1A_NFLX_*	-543	0	0	-10	0	0		Cash
		1A_BA_*	-903	0	0	115	0	0		Cash
		1A_PFE_*	-1,419	0	0	126	0	0		Cash
		1I_EDZ_*	-2,110	0	0	1,515	0	0		Cash
		1A_NIO_N	-20,455	0	0	-2,903	0	0		Cash
		1A_CCL1_N	-1,992	0	0	36	0	0		Cash
		1A_NKLA_*	-2,108	0	0	944	0	0		Cash
		1A_NCLH_N	-970	0	0	45	0	0		Cash
		1A_INO_*	-1,066	0	0	261	0	0		Cash
		1A_WMT_*	-1,882	0	0	38	0	0		Cash
		1A_AMD_*	-7,486	0	0	-38	0	0		Cash
		1A_ROKU_*	-7,236	0	0	216	0	0		Cash
Total			2,928,773	-40,018	-3,330,401	114,426	49,322	190,057	669,251	
Options	Negotiation	CME MXUSD	0	0	300,000	0	0	8,077		Cash
		EUR/MXN	1,218	5,963	39,913	121	-646	1,878		Cash
		EUR/USD	-8,890	8,253	0	-10	414	0		Cash
		MXN IPC	3,230	90,350	46,220	212	1,461	2,461		Cash
		1_AMX_L	0	0	-30,000	0	0	-1,210		Cash
		USD/MXN	1,583,117	2,800,488	-924,697	175,848	48,769	-2,689		Cash
MXD USDMXN			0	9,400	0	0	-4,136	0		Cash
Total			1,578,675	2,914,454	-568,563	176,170	45,862	8,518	-2,306	
Caps Floors	Negotiation	TIIE28 UHABMES	0	0	-5,508,397	0	0	-182,374		Cash
		USD LIBOR 1M	-428,711	263,125	-414,640	7,641	-28	-11,776		Cash
		MXN TIIE 1M	-13,109,745	85,202,113	0	69,310	-9,348	0		Cash
		MXN TIIE 28D	5,715,326	52,277,417	0	7,803	31,981	0		Cash
		USD LIBOR 3M	0	193,630	0	0	2,620	0		Cash
		MXN TIIE 91D NEW	234,646	8,837,252	0	41,419	11,995	0		Cash
Total			-7,588,484	146,773,538	-5,923,038	126,173	37,220	-194,151	101,183	

SWAPS	Negotiation	Received	27,268,808	33,544,479	19,588,743	4,220,595	1,816,866	1,648,175		Cash
	Hedging		191,576	335,786	518,451	0	15,401	121,999		Cash
	Negotiation	Delivered	-27,819,615	-33,764,141	-19,409,980	-4,771,402	-2,036,528	-1,469,412		Cash
	Hedging		-256,789	-333,998	-405,000	-65,213	-13,613	-8,548		Cash
Total			-616,020	-217,874	292,214	-616,020	-217,874	292,214	-111,079	
Grand Total			-2,715,011	145,424,015	-4,787,066	-292,830	-17,674	106,687	840,945	

Internally prepared 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 (excluding the premium), except for Options and Caps Floors, which include the premium.

Impact on Cash flow as of December 31, 2020, 2019 and 2018
(Figures in millions of Mexican pesos)

Description	2020	2019	2018
Futures Cash Flows	184	9	115
Forwards Cash Flows	2,883	2,581	2,608
Options Cash Flows	99	235	(421)
Swaps Cash Flows	-106	247	119
Total Cash Flows	3,060	3,072	2,421

Internally prepared with figures as of December 31, 2020, 2019 and 2018.

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 periodically performs an efficiency test, in which it 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 31, 2020:

TRANSACTIONS WITH DERIVATIVES					
Underlying USD/MXN	Delta	VAR	Flows	Valuation	Total
Forwards Cash	-	-	-	-	-
Forwards Delivery	(890)	-	194,731	(193,220)	1,511
Spot + Overnight	-	-	-	-	-
OTC Options	410	-	1,651	(146)	1,505
DEUA Futures (Mexder)	-	-	-	-	-
Imp Not Options	-	-	-	-	-
Caps LIBOR	-	-	-	-	-
SWAPS					
IRS	-	-	-	-	-
CS	-	-	-	-	-
Total	(480)	-	196,382	(193,366)	3,017

TRANSACTIONS WITH DERIVATIVES					
Underlying EURO/USD	Delta	VAR	Flows	Valuation	Total
Forwards Cash	-	-	-	-	-
Forwards Delivery	121	-	(1,065)	949	(116)
Spot + Overnight	-	-	-	-	-
Options	(141)	-	-	147	147
Total	(21)	-	(1,065)	1,096	30
Underlying EURO/MXN					
Forwards	526	-	9,116	(7,618)	1,498
Spot + Overnight	-	-	-	-	-
Euro Futures (Mexder)	-	-	-	-	-
Options	(514)	-	-	(1,172)	(1,172)
Total	11	-	9,116	(8,791)	326
Underlying Other Currencies					
EUR/BRL	-	-	-	5	5
SEK/MXN	-	-	-	1	1
Total	-	-	-	7	7
Grand Total			204,434	(201,054)	3,379

Internally prepared with figures as of December 31, 2020.

TRADING TRANSACTIONS WITH DERIVATIVES				
Underlying USD/MXN	Delta	Flows	Valuation	Total
Forwards Cash	22,192	(16,501)	73,489	56,989
Forwards Delivery	-	-	-	-
Spot + Overnight	-	-	-	-
Peso Futures (CME)	15,587	(32,817)	28,092	(4,725)
DEUA Futures (Mexder)	67,735	200,884	(220,537)	(19,653)
DEUA Options (Mexder)	-	3,612	(3,343)	269
OTC Options	(107,372)	(53,345)	23,050	(30,295)
Imp Not Options	-	-	-	0
LST CME Options	-	-	1,293	1,293
SWAPS				
IRS	-	-	-	-
CS	(2,466)	901	(189)	712
Total	(4,324)	102,734	(98,144)	4,590

TRADING TRANSACTIONS WITH DERIVATIVES				
Underlying EURO/USD	Delta	Flows	Valuation	Total
Forwards Delivery	(247)	(171)	45	(126)
CS	263	222	(106)	116
Total	16	51	(61)	(10)
SWAPS				
IRS LIBOR	55	(2,205)	18,209	16,003
Caps LIBOR	-	198	(11,478)	(11,280)
Caps TIIE	-	6,412	5,757	12,169
IRS TIIE	(2,886,943)	7,897	(12,109)	(4,212)
Total	(2,886,888)	12,302	379	12,680
Grand Total	(2,891,196)	115,087	(97,826)	17,261

Internally prepared with figures as of December 31, 2020.

LIMITS WITH DERIVATIVES			
	Limit	Use	Available
VAR	15,000	(4,605)	9,967
Stop Loss	13,000	53,669	66,669
Stress Test	30,000	(9,620)	20,380

Internally prepared with figures as of December 31, 2020.

The following chart shows the total consumption of sensitivity as of December 31, 2020:

Sensitivity analysis	Sensitivity (all factors)
Scenario 1 (1%)	\$(0.96) million pesos
Scenario 2 (2%)	\$(1.92) million pesos
Scenario 3 (7%)	\$(6.73) 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 by 10%
- The EQ risk factors are multiplied by 1.20, i.e. change by 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 by 20%
- The EQ risk factors are multiplied by 1.40, i.e. change by 40%

The results for these scenarios as of December 31, 2020, are as follows, which show the impact on results in case of occurrence (unaudited):

Risk Profile	Stress test (all factors)
Scenario one (25%)	\$(24.05) million pesos
Scenario two (50%)	\$(48.10) million pesos
Scenario three (70%)	\$(67.34) 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 2020:

Scenarios				
Stress test	Delta	A (25%)	B (50%)	C (70%)
MXN/USD	(4,803)	(23,951)	(47,901)	(67,062)
CAD/MXN	-	-	-	-
USD/CAD	-	-	-	-
EUR/USD	(5)	(30)	(60)	(84)
EUR/MXN	11	(69)	(139)	(194)
Stress test	Delta	A (25%)	B (50%)	C (70%)
IPC	-	-	-	-
Total		(24,050)	(48,100)	(67,340)

Scenarios				
Sensitivity	Delta	A (1%)	B (2%)	C (7%)
MXN/USD	(4,803)	(958)	(1,916)	(6,706)
CAD/MXN	-	-	-	-
USD/CAD	-	-	-	-
EUR/USD	(5)	(1)	(2)	(8)
EUR/MXN	11	(3)	(6)	(19)
Sensitivity	Delta	A (2%)	B (4%)	C (7%)
IPC	-	-	-	-
Total		(962)	(1,924)	(6,734)

Internally prepared with figures as of December 31, 2020. Figures are in thousands of MXN.

As of December 31, 2020, Banco Monex had derivatives (interest rate swaps) for hedging purposes. The Bank periodically conducts a hedging efficiency analysis, which produced the following results (figures in MXN):

Hedging Effectiveness Analysis				
Hedging	Change MtM IFD	Change MtM P.P.	Classification	Effectiveness
AUDI	-10,365,256	10,079,675	Cobertura VR	102.83%
PEMEX 11-3	14,477,414	-13,811,019	Cobertura VR	104.83%
PEMEX 13-2	-25,139,901	25,880,678	Cobertura VR	97.14%
	-21,027,743	22,149,334		

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 delta of the net position.

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 potential losses are estimated over a given period 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 thereof, 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) Likewise, 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

During 2020, Banco Monex established its ESG committee known as COSUSTENTA, whose purpose is to analyze trends and standards on the international and national level in the matters of environmental, social, and corporate governance risks, in favor of a sustainable business that promotes good self-regulatory practices within the organization.

Likewise, Monex actively participates in the Committees of the Association of Banks of Mexico (Sustainability Committee and Social Responsibility Committee), to follow up on the regulation that will impact different industries, in order to identify and manage the expected impacts in a timely manner.

Another action to highlight during this period is the Monex Carbon Footprint Measurement for the fourth consecutive year, which allows to identify areas of opportunity to reduce, mitigate or offset emissions and their impacts, identifying 2,585 tons of CO₂ emitted.

Likewise, we have volunteer programs mostly designated for reforestation in different areas of the country. To achieve a national agenda for market development, Monex continues participating, through the CCFV, in the prosperity program for the development of the green and sustainable Mexican market of the United Kingdom embassy in Mexico, Financial Centers for Sustainability of the UN and the UK Green Finance Taskforce.

In addition, Monex participated in the Banco de México and United Nations questionnaire "Climate and environmental risks and opportunities of the Mexican financial system: From diagnosis to action", in which Mexican financial institutions are summoned to make a collective effort to incorporate environmental and social issues in their risk assessment and corporate governance strategies.

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.

Those 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 2020, our technological infrastructure offered the necessary services to comprehensively maintain Monex's operational needs during the health contingency due to COVID-19. Last year an average of 6 million transactions were processed monthly, achieving a total of 61.5 million transactions in 2020, considering all markets and services, which reflects an increase compared to previous years and gives us certainty of the service and growth 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:

- Technology architecture
- System development and integration
- Infrastructure and telecommunications management
- Project management
- Quality assurance
- Infrastructure security
- 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 2020, we made significant investments in the permanent improvement of our data center and the services we offer, seizing the opportunity to increase hardware and telecommunication technology resources, as well as service agreements in order to strengthen the support offered to us. These investments are reflected in better performance, support, and service for the systems.

Meanwhile, during 2020, we developed various in-house IT projects which have allowed us to shape the sundry requests of business units integrating Monex. Additionally, these projects help us to optimize the IT Unit resources and focus them on the improvements demanded by the tech world.

For Monex, it is fundamental to maintain and constantly innovate technological platforms, to be at the vanguard of and in synchrony with the requirements of the financial world. This has allowed us, using 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 2020, 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 in the development of 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 technological platform 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 2020, we accomplished several improvements to the *Monexnet* system that will help the promotion areas to perform their activities more efficiently and safely. 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 believe that it is a great differentiator within the sector. Monex has a contingency plan called *Business Continuity Plan* with which we can operate on a regular basis the different businesses we serve.

Additionally, in 2020, we carried out improvements and implementations to the existing phases of this program to increase the security of the information with which the different users and decision makers operate, considering the improvements and implementations required by and derived from the pandemic. Similarly, to continue the operation, we maintain an alternate data center 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 high priority task of the Technology Unit. In 2011, Monex was certified in the international standard of information security ISO27001. In 2020, 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.

Disclosures and actions due to the COVID-19 pandemic – Systems and Technological Development

The technological infrastructure was designed to operate in case of contingency. When the pandemic arrived, the work of our IT unit was oriented to increase the services previously enabled for staff to be able to work from home.

The selected method was to work through Virtual Private Networks (VPNs) and enable them both on the central data center and on each of the computers that employees would use at home. The selected tool to work remotely as a team was Microsoft Teams, so all users were

able to use it since day one. Training for the familiarization of the use of this tool was required, which, by being easy to use, allowed the smooth operation of the company, including virtual meetings through video calls on Teams.

When we had already installed 2,000 VPNs, the next step was to work on monitoring and control tools to provide a better service to employees and allow them to work smoothly. Support for all employees with different knowledge and skill forced the help desk to extend its schedule, so that all received calls could be resolved.

Internally in Monex, there is a chat Bot called ALX, which was programmed to solve all the doubts associated with the new work environment of employees and reduce the number of calls to the help desk. In many cases it was necessary to provide computers to the staff to work from home, because they did not have one or the capacity of their computer was insufficient to operate the systems of the Bank. This forced us to strengthen the department of preparation and delivery of equipment to not neglect the security settings on each of the new computers.

There was already the mobile version of the app called MonexNet, which is the main tool of operation for the sales force, and in this period, it became necessary to install it among more personnel who previously did not consider its use necessary. While being at home, it became a mandatory tool for their commercial productivity.

The approximate value of the investment to support the growth of existing infrastructure and to serve the demand for use, amounted to \$7 million pesos, distributed in security products, programs licenses, increased capacity of communication links, and external resources.

Concept	Investment (million MXN)
Consumption use of Azure cloud. Billed as "Overage Azure Services"	2
Additional external staff for technical support at Torre Monex	
Consumption use of Azure cloud. Billed as "Overage Azure Services"	2
Hiring of new links from computer centers to the Azure cloud	
Increase of internet bandwidth	
Professional Services	
Resources for attention at Torre Monex, computer delivery, and virtual desktops migration	1
Double RSA factor	1
Forescout security module	1
Total	7

II. Distribution channels

Geographical Diversification

As of December 31, 2020, in Monex, we had a sales force composed of 829 sales executives in Mexico dedicated to the service and attraction of new clients. This force is geographically distributed in 5 regional directions in 32 offices over 32 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 8 sales executives, Washington, D.C (headquarters) with 20 sales executives, New York with 6 sales executives, and 1 sales executive working remotely. Likewise, our subsidiary, Monex Europe, has a presence in the United Kingdom with an office in London and 54 sales executives; in Spain, with an office in Madrid with 20 sales executives; in the Netherlands with an office in Amsterdam with 21 sales executives; and in Canada with an office in Toronto with 14 sales executives.



Sales (Mexico)

The offer of our services is carried out through our 32 offices; for further details of each one 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 can 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 remunerated 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 considering the following:

- Increasing our participation in the international payments business.
- Promoting 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.

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. For the existing clients who do not have their token yet, we contact them personally through our call center to deliver 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 31, 2020, the Corporate Banking Division had 194 specialists. The number of sales executives dedicated to foreign exchange and international payment services was 540.

Regarding the Private Banking, we currently have 93 sales executives and 2 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					
Trademark 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, 2029	February 26, 2022	February 26, 2022	November 21, 2025
Trademark Number	913382	1051845	1115577	1116855	1152426
Distinctive Sign	“Monex” (and design)	“Cuenta Digital Monex” (and design)	“Fondos Verdes Monex”	“Fondo Verde Monex”	Invermonex
Class	36	36	36	36	36
Renew before	February 22, 2025	April 16, 2028	July 22, 2029	July 22, 2029	March 16, 2030
Trademark 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	Renewal in process	Renewal in process	December 21, 2020	December 21, 2020	December 21, 2020
Trademark Number	1218563	1218564	1218565	Exp. 2488852	3885346
Distinctive Sign	Gift Card Monex (and design)	Gift Card Monex (and design)	Gift Card Monex (and design)	Power Trust	Monex (and design)

Class	36	36	36	36	36
Renew before	December 21, 2020	December 21, 2020	December 21, 2020	Registration pending	10/03/2020 Registered trademark in USA
Trademark 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
Trademark Number	1699665	3882534	1778274	2028098	2056835
Distinctive Sign	Monex Pay (and design)	Monex	Monex Click (and design)	Monex Investor (and design)	Monfx (and design)
Class	36	36	36	36	36
Renew before	August 15, 2026	10/03/2020 Registered trademark in USA	April 6, 2027	April 26, 2029	August 16, 2029
Trademark Number	2056842	2056844			
Distinctive Sign	Monfx (and design)	Monfx (and design)			
Class	9	42			
Renew before	August 16, 2029	August 16, 2029			

Trademarks Requested by Monex Grupo Financiero

Trademark Number Request	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	Denial in trademark registration 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	87272	87273	79939	79940
Distinctive Sign	"Cuenta Digital Monex"	"Agilidad para que el dinero trabaje"	"Agilidad para que el dinero trabaje"	"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	March 19, 2025	March 19, 2025	November 13, 2023	November 13, 2023
C.N. Number	79941	79942	81729	83681	
Distinctive Sign	"Trabajas duro por el dinero"	"Trabajas duro por el dinero"	"Trabajamos para que tu dinero trabaje"	"Trabajamos para que tu dinero trabaje"	
Class	35	36	36	35	
Renew before	November 13, 2023	November 13, 2023	March 10, 2024	May 7, 2024	

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					

Trademarks Registered by Monex, S.A.B. de C.V.						
Trademark 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 Note: There is no date of registration	August 18, 2024 Registered trademark in Spain
Trademark Number	Reg. No. 744045	Reg. No. 302020102995	Reg. No. 4059628	Reg. No. UK00003472067	Reg. No. 1412807	Reg. No. 3020200002517
Distinctive Sign	Monex (design)	Monex (design)	Monex (design)	Monex (color design / gray design)	Monex (design)	Monex (design)
Class	36	36	36	36	36	36

Renew before	March 5, 2030 Registered trademark in Switzerland	March 4, 2030 Registered trademark in Germany	March 9, 2030 Registered trademark in Switzerland	March 4, 2030 Registered trademark in United Kingdom	March 4, 2030 Registered trademark under the Benelux Treaty	March 18, 2030 Registered trademark in Italy
Trademark Number	Reg. No. 327424	Reg. No. 332074				
Distinctive Sign	Monex (design)	Monex (design)				
Class	36	36				
Renew before	May 8, 2029 Registered trademark in Poland	March 17, 2030 Registered trademark in Poland				

Trademarks Requested by Monex, S.A.B. de C.V.							
Trademark Number	Req. No. 87169815						
Distinctive Sign	"Monex"						
Class	36 Brand requested in USA on September 13, 2016						
Trademarks Registered by Casa de Cambio Monex, S.A. de C.V.							
Trademark Number	Reg. No. 2864091						
Distinctive Sign	"Monex"						
Class	36						
Renew before	July 20, 2024 Registered trademark 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. Integlobe, S.A. de C.V. - Contract for the Provision of Managed Telephony Services signed on March 29, 2019.

Description of Services

This provider supplies Monex with IP telephony renewal services on the cloud, unified communications, call recording, analytical visualization, pricing and ACD telephone agents.

Term

Initial term of 5 years.

Renewal option

It can be automatically renewed for an indefinite term.

Impact in case of renewal

We do not consider that there could be an impact on the renewal of the contract, since the conditions of the service would have to be negotiated first, always by mutual agreement and for the benefit of both parties.

2. Total Play Telecomunicaciones, S. A. de C.V. - Contract for the Provision of Links and Connections services signed on March 7, 2018.

Description of Services

The provider Total Play supplies the telecommunication service, comprehensively covering the communication needs of all Monex branches, as well as in its regional offices (Monterrey, Guadalajara, and Puebla) and the headquarters in Mexico City.

Term

The initial term of the contract is 5 years. In case Monex does not notify the supplier of its intention to terminate the contract within 60 days prior to the expiration date of the initial term, then it will be automatically renewed indefinitely.

Renewal option

No renewal is foreseen as the contract can be automatically renewed indefinitely.

Impact in case of renewal

We do not consider that there could be an impact on the renewal of the contract, since the conditions of the service would have to be negotiated first, always by mutual agreement and for the benefit of both parties.

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 manufacturing industries, commerce, financial and insurance services, 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 operation 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 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 by the SHCP, Bank of Mexico and under the monitoring and supervision of the CNBV in Mexico, and of the various financial authorities of those countries in which the foreign subsidiaries are based. Our subsidiaries are also required to deliver periodic financial reports (monthly, quarterly, and annually), which are delivered to said authorities in a timely manner.

Our operations, as a financial group, must comply with the LRAF, the 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 Bank of Mexico 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 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 Bank of Mexico 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 Asset Management, direct subsidiaries of Monex Casa de Bolsa, the first at 100% and the second at 75%, however, in the latter case, Monex Casa de Bolsa holds the voting rights for the remaining 25%. These companies are subject to various federal and state laws regulating financial intermediaries in the United States, as well as to the rules established 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 company). 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, reason why it requires State licenses in the USA to operate as money transmitter. Currently, it holds 48 licenses, and the rest of the States do not require operating licenses. These licenses may differ in requirements and authorizations from one to another, in addition to making the renewals with the required frequency in accordance with the applicable regulations.

While Tempus is authorized to offer services throughout the USA given the licenses granted to the company, the physical presence is in the cities of Washington, D.C., Los Angeles, Ca., and New York, N.Y.

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 company), 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. The subsidiary holds 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.
- iii. Monex Europe, S.A., which no longer requires prior authorization by CNBV due to changes in the group's structure as it ceased to be an indirect subsidiary of Banco Monex, change that took place in 2017, is incorporated in the Principality of Luxembourg under registration number B230160. At the end of 2020, it received the approval of the Commission de Surveillance du Secteur Financier of said country to obtain the respective licenses and authorizations, having obtained the 16/20 license with the code Z00000023 to operate as an authorized payment institution.

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 derogated various provisions in the financial matter and issued the Ley para Regular las Agrupaciones Financieras (LRAF).

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 Bank of Mexico, 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 thereof, 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.

If a holding company of financial entities violates the laws and regulations applicable thereto, 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 thereto, 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 the 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) 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) provide custody services
- (iii) act as trustee
- (iv) act as a subscriber or placing agent
- (v) enter into contracts for risk management products or optional securities
- (vi) operate with foreign currencies
- (vii) 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 Administration Board.

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 Bank of Mexico.

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 Bank of Mexico has a minor role in the supervision and regulation of Mexican brokerage houses. However, there are regulations applicable to their transactions, including, among others, 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 specifically 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 capital requirement will be obtained according to the provisions of the CNBV.

The Mexican banks are supervised by the SHCP, the CNBV and the Bank of Mexico.

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 foreseen by the LIC.

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 Bank of Mexico 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 Operadora de Fondos is an investment fund operating company organized under the Ley de Fondos de Inversión.

The six investment funds managed by Monex Operadora de 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 10, 2014, amended, among others, the Ley de Fondos de Inversión, which created a new social subtype of corporations defined as 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 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 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 and Conduct 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 Anti-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 carried out by a third party.

In 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 year 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 2020, the record-update campaign targeted 10,981 accounts and 1,061 brokerage contracts, and considered 6,070 high-risk clients, 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 monitoring system called the Oracle Financial Services Analytical Applications (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 August 2020.

We also have an international funds transfer monitoring system that allows us to identify patterns of atypical or unusual behavior between payers and beneficiaries. 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.). Throughout 2020 almost 200,000 received transfers were reviewed.

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 AML-TF. The Committee is composed of first level directors of Monex. During 2020, 274 cases of high-risk prospects were presented to the Committee.

Since 2015, a differentiated course on AML-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 2020, this course was taken by 1,830 employees. Moreover, as part of their induction process, and in accordance with the applicable regulations, training courses on AML-TF are given to new staff. In 2020, 165 new employees were trained.

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 review of our AML-TF processes was fulfilled in April 2019. All observations and recommendations from past reviews have been resolved.

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 AML-TF processes was executed by the consultant Ernst & Young, in July 2019, without any relevant observation. Since 2007, we have obtained the ISO 9001:2000 Certificate for the processes of Prevention, Detection and Reporting of Operations with Resources of Illicit Origin and Comprehensive Risk Management in all the Group's National and International Financial Products, which we have ratified during these years. The last certification was obtained in June 2020.

With the support of our external advisors and in accordance with best international 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, transactions, delivery channels, 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 2020; 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.

Fraud Prevention Activities

In the matter of Fraud Prevention, Monex has controls implemented to mitigate or reduce risks, both internal and those affecting customers' assets:

- Daily monitoring of alerts detected through the Real-time Fraud Prevention Monitoring System.
- Design and development of a total of 25 scenarios divided into preventive (12) and detective alerts (13).
- Confirmations to clients regarding changes in information registered by update of address, account opening, update of contact details, registration, cancellation or update of email or cell phone and access to electronic banking service (token)
- Validation of client instructions via token (registration of recipients and release of national and international payment orders).
- Automatic delivery of account statements to emails provided in the customer's contract.

As part of our efforts to create a corporate culture on fraud prevention, a nationwide awareness campaign was implemented, supported by electronic means.

Likewise, at the end of 2020, an automated balance validation process was implemented by sending confirmation requests directly to clients.

Business Continuity Activities

Monex implemented Policies and Controls on Business Continuity, in order to comply with the provisions of the CNBV provided for in different Circulars (CUB, Article 164 Bis; CUCB, Article 117 Bis 9; CUFI, Article 64 bis 13).

Based on those provisions, Monex has implemented a Business Continuity Plan and has established a Training Program in the matter.

The Business Continuity Plan is disseminated at least once a year to the personnel involved. Likewise, continuity exercises are carried out twice a year for each critical business process. The results of the exercises are reported annually to Senior Management, presented to the Audit Committee, the Board and subsequently reported to the CNBV.

Disclosures and actions due to the COVID-19 pandemic – Comptroller and Anti-Money Laundering

a) Internal Control

During 2020, considering the difficulties posed by the confinement required by the contingency generated by SARS-CoV-2 (COVID-19), The Group, seeking to maintain the service and operation required by our clients, as well as taking care of the health of its staff, implemented remote working measures, such as the following:

- Foreign Exchange Operation: an internal campaign was implemented to verify the beneficiaries of client transfers to prevent potential external frauds to clients.
- Stock-market Operation: Due to the impossibility of recording calls received outside of Monex's facilities, in accordance with the measures implemented to continue with the stock-market operation and maintain the compliance with instructions, compensatory control activities were established as written confirmations of clients indicating the operations instructed by telephone to the sales executives.
- An internal publicity campaign was launched on written media with which clients could instruct their operations.
- We established a robot for sending confirmations to clients, who have fully instructed transactions with instruction letters during the contingency.

b) Information Security

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

c) Business Continuity

In the matters of Business Continuity, as of February 2020, the Group, in accordance with its established Operational Continuity plans, implemented various measures aimed to reduce the impact of the pandemic in the business processes of the organization and safeguard the integrity of its collaborators. Among the main measures adopted are the following:

- Closure of floors in the headquarters
- Redistribution of working stations in the headquarters to maintain a healthy distance
- Compliance with government provisions and preventive measures issued in the DOF
- Use of the Alternate Operations Center to take care of the healthy distance of staff who operate critical processes and cannot operate them at home office
- We launched internal publicity campaigns of preventive measures recommended by the Ministry of Health
- Sanitary equipment was distributed to all branches for the use of the staff during their stay in the offices
- A station for mandatory medical checkup was established in the headquarters for staff who needed to work in the office
- A QR code was generated for mandatory access registration to enter the facilities

- Support for staff with private transportation from/to the offices to avoid the use of public transport
- Establishment of a sanitary filter with temperature and symptom verification before the access to the facilities
- Mandatory use of mask at all times within the facilities
- Periodic sanitization of the facilities
- Social distancing through the staggering of staff attendance
- We established a program for the gradual return to the offices according to the contingency traffic light and limits of people in each office

It was not necessary to declare Operative Contingency for any of the business units with the measures adopted, since the impact on the operative, support and business areas was minimal, and the electronic channels of client service continued operating in an uninterrupted way during the pandemic and as of today.

d) Anti-Money Laundering

Temporary facilities to receive certain formats, such as KYC (Know Your Customer) and visit report, without the clients' signature. Temporary facilities for the validation of the visited addresses through electronic media, such as Google Maps and clients' webpages.

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 31, 2020, 2019 and 2018, and in the independent auditors' report contained in chapter 6 "Annexes" hereof.

VI. Human resources

As of December 31, 2020, Monex had a total of 2,734 employees, of which approximately 1.7% were temporary and 41.8% unionized employees.

For 18 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 in the Financial Sector.

For 19 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 16 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.

Disclosures and actions due to the COVID-19 pandemic – Human Resources

Monex Grupo Financiero has continued its strategy for prevention and control in all its branches throughout the Mexican Republic, which include:

- Information:
 - Keep all collaborators informed with reliable and timely data transparency on the virus and pandemic
 - Communication campaigns for collaborators, which include:
 - The pandemic in general, its form of infection and symptoms
 - Prevention measures, hand washing and healthy distance
 - Work from home, tips to carry out remote work.
- Contingency Working Group: created in order to gradually resolve any arising doubts and carry out the activities necessary to ensure business continuity and to protect employees.
- Tracking System: aiming at carrying out a specific monitoring of both home office personnel, the personnel traveling or those in contact with travelers and coronavirus-positive cases.
- Hygiene: continuous cleaning roles with chlorinated water were implemented in the workplace, as well as a thorough cleaning on weekends.
- Delivery of kits with masks and face shield
- Implementation of a sanitary filter in all our branches, as well as sanitizing mats
- Psychological support: the communication regarding the support that can be obtained by employees through the Employee Support Program (Orienta PAE) was reinforced in view of the uncertainty and anxiety caused by the pandemic and quarantine. Likewise, they will receive communication with tips of support in these times.

A traffic lights system was implemented and, according to the color of the traffic light in each branch and the capacity of its facilities, we define the percentage of employees who will be able to work at the offices with the purpose of avoiding risks. Currently, 86% of employees work from home. Considering that financial services shall continue to be offered, all necessary measures are being taken to ensure the operation, to be carried out either remotely or from the offices with all the hygienic measures necessary to protect employees. We have followed the protocols established by the government of each state, in terms of reopening and COVID-19 tests.

Collaborators are very important to Monex, for that reason we carried out webinars about mental health, due to the pandemic and the isolation.

VII. Environmental performance

We are aware of how important it is to care for our planet and the environment, therefore, even with the challenge faced in 2020, we develop different projects allowing 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 where the paper is gathered in our facilities and then is collected by a company that recycles it
- Reforestation campaigns through corporate volunteer activities. On this occasion, the strategy was to collaborate in a strategic alliance with two allies, one in Guadalajara and the other one in Ajusco, which allowed us to plant trees through people from the local communities.
- Beach cleaning through corporate volunteering. On this occasion, we worked in Veracruz, both in beach cleaning and in turtle release with one of the foundations with whom we collaborate every year.
- More Awareness Less Plastic Campaign, removing plastic disposable glasses, cutlery, and plates from our facilities

Cosustenta Committee (ESG)

Grupo Financiero Monex affirms its commitment to work on the dissemination and implementation of tools allowing to analyze environmental, social, and corporate governance (ESG) risks and opportunities, which is why we established the new Committee for the Analysis of Risks and Sustainable Opportunities (COSUSTENTA).

The purpose of this committee is to analyze trends and standards on the international and national level in matters of social, environmental, and corporate governance risks in favor of a sustainable business that promotes good practices in a self-regulatory manner within the organization.

COSUSTENTA purposes:

- To analyze trends and standards on the international and national level in matters of social, environmental, and corporate governance risks in favor of a sustainable business that promotes good practices in a self-regulatory manner within the organization.
- To develop the internal capacity to identify and manage ESG Risks in the loan portfolio of the balance sheet and the portfolios (investments in securities) of Monex.
- To determine a management strategy for the risks of this nature (Physical and Transition Risks) to model possible economic losses and business opportunities.
- To address regulatory recommendations (Banxico) and to participate in projects promoted by the ABM and the CCFV (Green Finance Advisory Council), as well as those taken in the market, credit, and operational areas.
- To establish a specific agenda with specific goals in order to internalize the issue of ESG risks and opportunities in the organization, as well as to coordinate the reporting of this new information to be carried out efficiently in accordance with the guide and the best accepted international reporting formats.

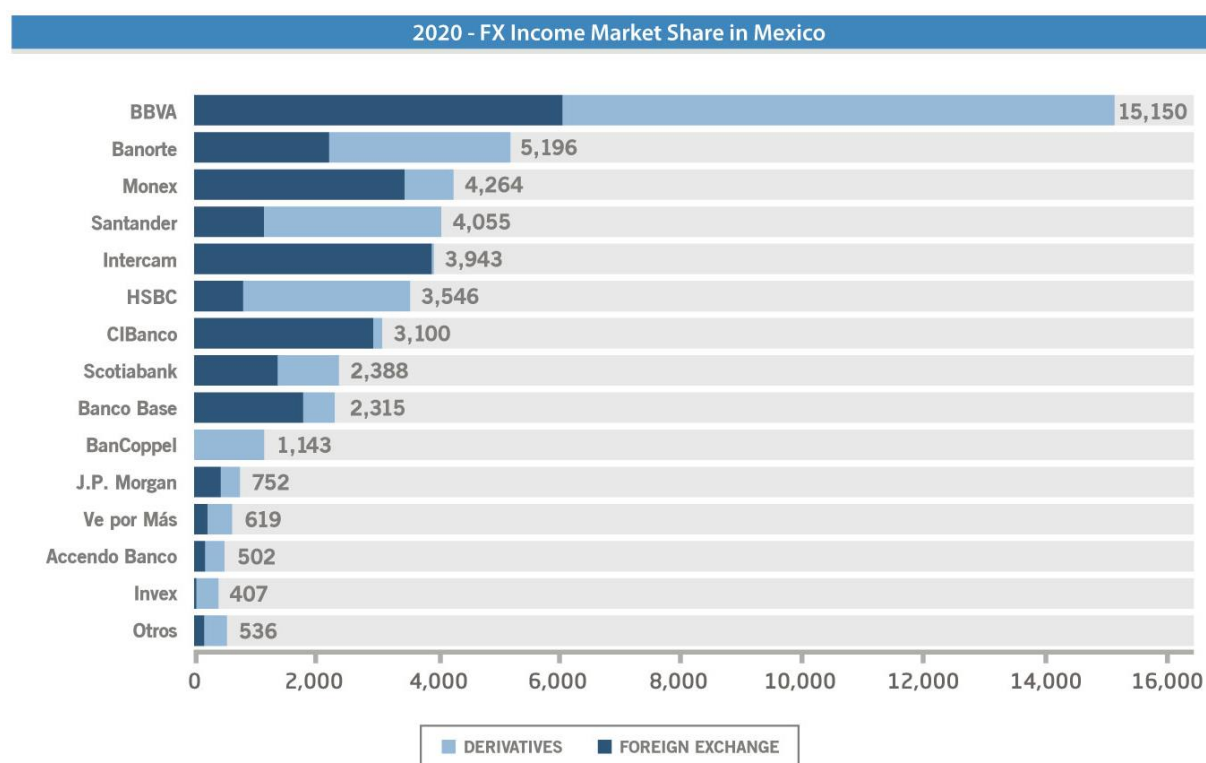
VIII. Market information

We have focused on providing our clients with competitive products in the market. Over 35 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 the acquisition of Tempus and Monex Europe gives us a firm entry to the markets of USA, Canada, Europe and now also in Asia. 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

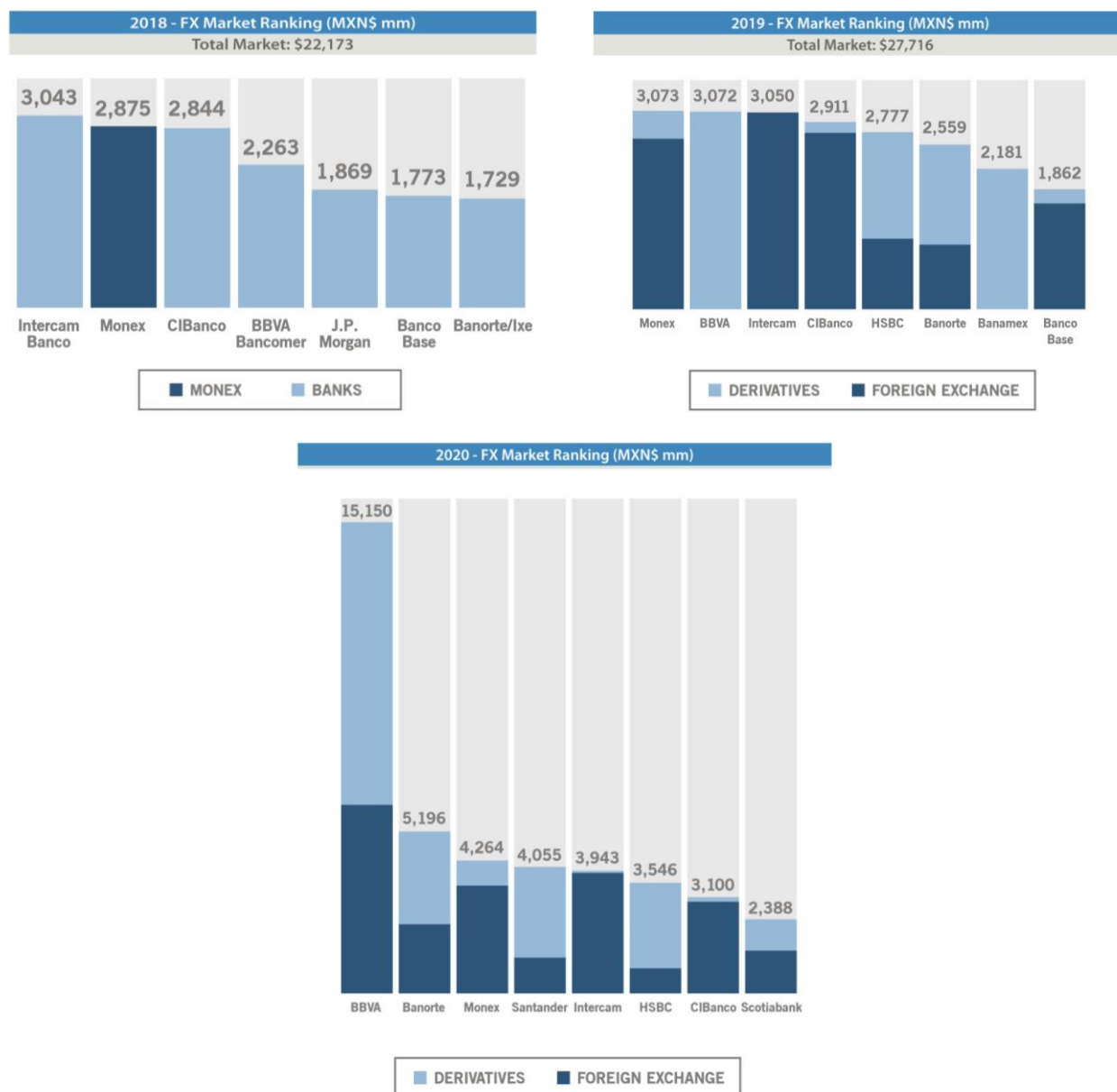
Below are the charts with the market share by foreign exchange income in Mexico as of December 31, 2020:



Source: chart compiled by Monex based on CNBV information on December 31, 2020, the figures are shown in millions of Mexican pesos for Banks without subsidiaries. Charts made with valuation of foreign currencies and derivatives.

Foreign Exchange Income

According to internal calculations made with information published by the CNBV, during 2020, we had a market share of 9% in the foreign exchange market, based on our total income of \$4,264 million pesos*; the income of \$3,073 million pesos, which represented 11% of the total market in 2019; and the income of \$2,875 million pesos in 2018, which represented 13% 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 31, 2020, 2019 and 2018.



Source: chart compiled by Monex based on CNBV (<http://portafoliodeinformacion.cnbv.gob.mx/bm1/Paginas/Infosituacion.aspx>).

Revenues are considered with valuation of foreign currencies and derivatives.

(*) Figures from CNBV as of December 31, 2020.

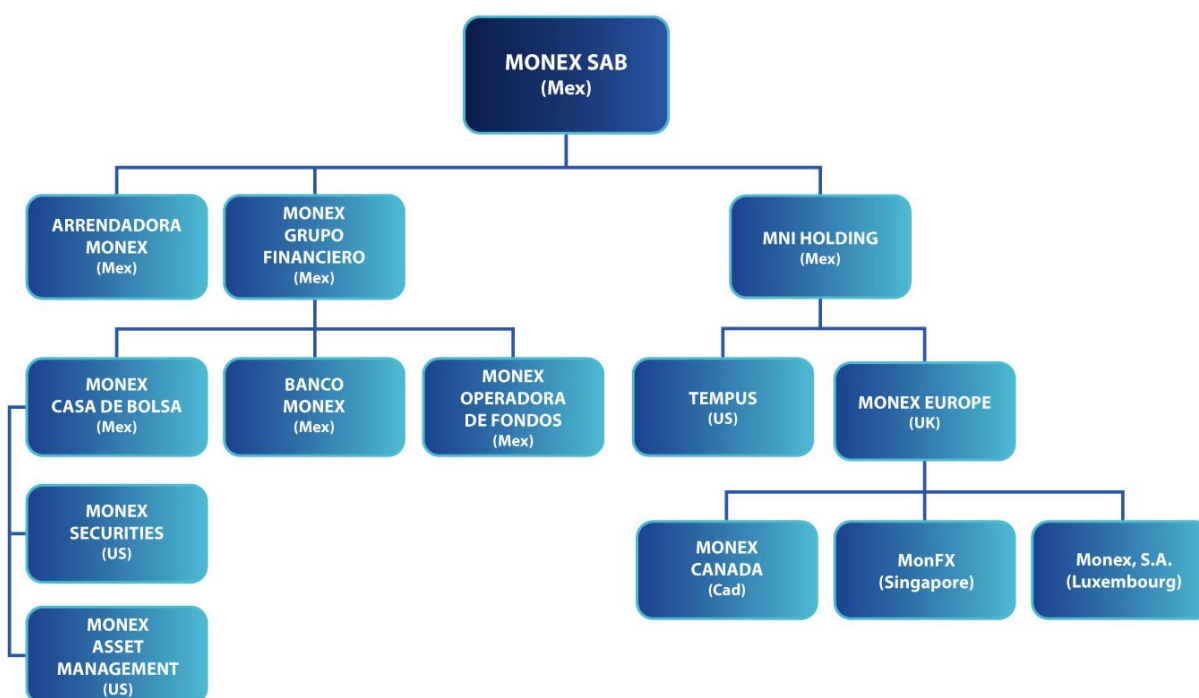
Position of Banco Monex based in the Total Loan Portfolio

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 2020 to \$26,479 million pesos, showing an increase of 6.3% compared to December 2019.

IX. Corporate structure

Monex SAB is a holding company, with three main direct subsidiaries as of December 31, 2020: 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 Operadora de 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 hereof, as well as the percentage of participation (direct or indirect) of the Issuer in each one of them:

Company	Issuer's Participation*	Activity
Monex Grupo Financiero	100%	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	100%	Direct subsidiary of Monex. Since November 2018 is the parent company of Tempus and Monex Europe.
Tempus	99.99%	Entity located in Washington, D.C., U.S.A., whose purpose is the foreign exchange.
Monex Europe Limited	99.99%	Indirect subsidiary of Monex. Entity located in London. Its purpose is the foreign exchange 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 derivatives authorized under the LMV and general provisions issued by the Commission.
Monex Securities	100%	Indirect subsidiary of Monex. Acts as a stock-market intermediary in the USA market.
Monex Assets Management	74.07%	Indirect subsidiary of Monex. Acts as an investment advisor in the USA market.
Monex Operadora de Fondos	99.99%	Indirect subsidiary of Monex. Its main activity is to manage mutual funds and to promote its shares.
Arrendadora Monex	91.29%	Direct subsidiary of Monex, whose purpose is to provide pure leasing services on all types of goods, equipment, motor vehicles, machinery, specialized equipment, accessories, and other goods.

(1) For further details see Chapter 3 "Financial Information" - "Consolidation of Financial Statements" hereof.

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

X. Main assets description***Offices***

At the end of 2020, we had 32 offices strategically located all over Mexico to serve different segments of the national market:

- Our headquarters are on Paseo de la Reforma Avenue, in Mexico City, and have over 12,000 square meters.
- In the last year, we invested nearly \$3.8 million pesos in the offices in the national territory, according to the needs of business growth and organizational development.
- Tempus has offices in the USA (Washington, D.C. as headquarters; Los Angeles, California; and New York, New York)
- The headquarters of Monex Europe are in London, U.K., and it has offices in Madrid, Spain and Amsterdam, Netherlands. Also, it has subsidiaries in Canada (Toronto), Singapore, and Luxembourg.
- The headquarters of Monex Securities are in Houston, and it has offices in San Antonio, Texas and San Diego, California in the United States.

All our offices, both domestic and abroad, are leased.

Insurance

As of December 31, 2020, all our assets are insured by a multiple-business policy.

Guarantees

As of December 31, 2020, all our assets are free of encumbrances.

Acquisition and Sale of Properties

As of December 31, 2020, 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 hereof, 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 -	2020	2019	2018
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 31, 2020, 2019 and 2018.

In Ordinary Shareholders' Meeting held on April 29, 2020, the following capital movements were agreed upon:

- To transfer the net income of 2019 to "Retained earnings" for an amount of \$1,380 million pesos.
- To increase the legal reserve by 5% of the net income recorded in the 2019 Consolidated Financial Statements
- Decree of dividends to shareholders for an amount of \$70 million pesos, with a charge to "Retained earnings" account from years prior to 2019 following the recommendation of the Commission.

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

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

Source: Internally prepared with audited figures as of December 31, 2020, 2019 and 2018. Figures in millions of Mexican pesos.

As provided for in the LMV, our By-laws set forth the possibility of Monex to repurchase 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 amendment to the By-laws or registration in the Public Registry of Property and Commerce. However, resolutions of the shareholders regarding 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 over 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 over us will be subsidiarily responsible with us in terms of the LMV in respect to the relevant 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 relevant 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 therein.

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 by us as shareholders. 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 for in Article 181 of the LGSM, Article 47 of the LMV and any other that is not reserved for the Extraordinary General Meetings. The Ordinary General Meetings must be held at least once a year during the first four months following the end of each fiscal year in order to: 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 therein.

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 call 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 for in 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 relevant 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 before the Public Registry of Commerce.

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 amounts 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 referred to in article 57 of the LMV.

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 their 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 their 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 they have 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 must 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 51 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 obliged 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 their government in violation of this obligation, their 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 over 100 shareholders with various participation percentages.

The Chairman of the Board currently owns 52.0781% 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	Dividend per share (pesos)
April 29th, 2020	0.131380657653472
April 23rd, 2019	0.466404488266359
April 11th, 2018	0.466404488266359

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 11th, 2018, it was resolved to decree the payment of a dividend to the shareholders in the amount of \$250 million pesos. 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 23rd, 2019, it was resolved to decree the payment of a dividend to the shareholders in the amount of \$250 million pesos. 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 29th, 2020, it was resolved to decree the payment of a dividend to the shareholders in the amount of \$70 million pesos. 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 31, 2020, 2019 and 2018, and the Independent Auditors' Report, in chapter 6 "Annexes" hereof.

We have no established dividend policy, however, in case dividends are declared, a maximum of one third of the net result from the previous financial year may be distributed.



monex

Annual Report 2020

Chapter 3

Financial Information



Financial Information

Concept	2020	2019	2018
Revenues	8,409,715	8,070,522	7,318,824
Gross profit	-	-	-
Operating profit	1,252,369	1,915,018	1,534,089
Net income	878,191	1,380,427	1,115,786
Earnings per share	1.65	2.59	2.08
Acquisition of property and equipment	-	-	-
Operating depreciation and amortization	473,822	319,222	128,589
Total assets	151,983,955	112,107,925	98,943,769
Total long-term liabilities	-	-	-
Receivables turnover ratio	-	-	-
Payable turnover ratio	-	-	-
Inventory turnover	-	-	-
Total Stockholders' Equity	10,820,461	9,824,010	8,901,668
Dividend per share	0.13	0.47	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 must 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 hereof. Our consolidated income statement for the years ended December 31, 2020, 2019 and 2018, and our consolidated balance sheet for the years ended December 31, 2020, 2019 and 2018, have derived from our audited Consolidated Financial Statements, included in Chapter 6 "Annexes" herein, which have been prepared in accordance with the Accounting Criteria of the CNBV.

Significant Events in 2020, 2019 and 2018

In order to compare the selected financial information included in this chapter, there is a summary below of the significant events for the years ended December 31, 2020, 2019 and 2018, attached hereto.

a. Portfolio Reserve

During 2020, Banco Monex generated a charge in results of \$911 million pesos of credit reserves; this amount is 223% higher than the \$282 million pesos recorded in this concept in 2019. \$500 million pesos of the total credit reserves generated in 2020 correspond to general additional reserves not directly related to the qualification of the portfolio, which were notified to the Comisión.

b. Acquisition of Arrendadora Monex S.A. de C.V (formerly, Arrendadora Avance S.A. de C.V.)

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

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

c. Loan portfolio sale to Arrendadora Monex

On November 30, 2018, 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. Banco Monex recorded a loss of \$22.5 million dollars in relation to this loan, which was sold during the year.

d. Issuance of bonds

Issuances of Monex, S.A.B.

On June 17, 2019, Monex successfully carried out the second Public Offering of Bonds with the ticker symbol MONEX 19, placing all of \$1.5 billion pesos on the market at a TIIE28 + 150 bp rate for a three-year term, based on the long-term bonds program.

On October 21, 2019, Monex prepaid \$500 million pesos of the issuance MONEX 17-2 carried out in 2017.

On June 20, 2019, Monex prepaid \$1,000 million pesos of the issuance with the ticker symbol MONEX 17 carried out in 2017.

Issuances of Banco Monex

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

Subsequent events

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

Changes in accounting policies

Improvements to 2020 NIF that generate accounting changes:

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

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

New accounting statements

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

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

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

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

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

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

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

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

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

Improvements to the 2021 NIF that generate accounting changes:

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

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

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

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

Homologation of Accounting Criteria by the Commission:

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

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

Selected Financial Statements

The following chart contains an extract of the Audited Financial Statements for the years ended December 31, 2020, 2019 and 2018.

Income statement

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

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos.

Balance sheet

Concept	2020	2019	2018
Assets			
Funds available	14,579	18,536	16,815
Margin accounts	1,957	1,587	795
Investment in securities and repurchase agreements	70,746	43,221	32,599
Derivatives	6,492	4,641	3,925
Loan portfolio (net)	24,256	23,412	23,504
Other receivables (net)	28,160	15,701	16,986
Deferred taxes and PTU (asset)	1,557	1,003	655
Other assets	4,237	4,007	3,665
Total Assets	151,984	112,108	98,944
Liabilities			
Deposits	44,355	47,060	43,719
Bonds	1,500	1,518	1,509
Bank loans and other loans	557	1,426	1,763
Liabilities arising from sale and repurchase agreements	50,760	17,531	17,822
Collateral sold or pledged in guarantee	3,591	4,239	269
Derivatives	5,902	3,520	2,965
Other Liabilities	34,499	26,990	21,995
Total Liabilities	141,164	102,284	90,042
Stockholders' equity			
Contributed capital	2,818	2,818	2,818
Earned capital	7,965	6,973	6,054
Non-controlling interest	37	33	30
Total Stockholders' equity	10,820	9,824	8,902
Total Liabilities + Stockholders' equity	151,984	112,108	98,944

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

Loan Portfolio

The performing and non-performing portfolio as of December 31, 2020, 2019 and 2018, is shown below:

Date	Performing Portfolio	Non-Performing Portfolio	Total	Increase
Dec. 2020	24,735	494	25,229	5.8%
Dec. 2019	23,315	530	23,845	(0.4%)
Dec. 2018	23,410	521	23,931	16.2%

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

As of December 31, 2020, Monex maintains the following credit risk operations, in compliance with the general risk diversification rules established for active and passive transactions by the Circular Única de Bancos, as follows:

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

Memorandum accounts

Transactions on behalf of third parties	2020	2019	2018
Total on behalf of third parties	449,555	499,271	360,574
Transactions on own behalf	2020	2019	2018
Total transactions on own behalf	375,586	277,949	210,258

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

Dividends

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

Date	Dividend per share (Pesos)
April 29th, 2020	0.131380657653472
April 23rd, 2019	0.466404488266359
April 11th, 2018	0.466404488266359

Financial statements currency

The financial statements and notes as of December 31, 2020, 2019 and 2018, and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

Company	Shareholding percentage			Activity
	2020	2019	2018	
1. AdmiMonex, S.A. de C.V. (AdmiMonex)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. It aims to promote, build, organize, develop, acquire, and participate in the capital stock or assets of all types of business corporations and partnerships, associations, or companies, whether commercial, service or otherwise, both domestic and foreign, and participate in the management or liquidation.
1.1 Cable 4, S.A. de C.V.	66.84%	-	-	Provide advisory and consulting services, software development, information systems, technical support, and system maintenance.
1.2 Monex ETrust, S.A.P.I. de C.V.	75%	-	-	Develop computer and technological platforms with the objective to offer through electronic media, automatic contract execution services, supervision and control of trust assets, master management of loan portfolios, supervision, and marketing control of real estate developments.
2. MNI Holding, S.A. de C.V. (formerly Monex Negocios Internacionales, S.A. de C.V.) (MNI Holding)	100%	100%	100%	Direct subsidiary of Monex, S.A.B as of November 2018. Parent company of Tempus and Monex Europe Ltd.
2.1 Tempus, Inc. (Tempus)	99.99%	99.99%	99.99%	Entity located in Washington, D.C., U.S.A., whose purpose is the foreign exchange. Its clients 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.

LTD)	2.2 Monex Europe Holdings Limited (Monex Europe	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).
Limited (Schneider FX)	2.2.1 Schneider Foreign Exchange	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity located in London. Entity without operations.
Europe)	2.2.2 Monex Europe Limited (Monex	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. Entity located in London. Its activity is the foreign exchange in the European market.
Limited	2.2.2.1 Monex Europe Markets	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity is dedicated to the foreign exchange in the European Market.
	2.2.2.2 MonFX Limited	80%	-	-	Indirect subsidiary of Monex, S A B. It does not currently perform operations.
	2.2.3 MonFX PTE Ltd. (Monex Singapore)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity without operations.
	2.2.4 Monex Canadá, Inc.	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity founded in Toronto, Canada.
	2.2.5 Monex, S.A. (Monex Luxembourg)	100%	100%	100%	Indirect subsidiary of Monex, S A B. It does not currently perform operations.
3. Monex Grupo Financiero, S.A. de C.V. (Financial Group)		100%	100%	100%	Direct subsidiary of Monex, S.A.B. established on May 23, 2003. It is authorized by the Treasury Department of Mexico (SHCP) to operate as a financial group under the form and terms established by the Financial Groups Law (the Law). Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.

3.1 Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (the Bank)	99.99%	99.99%	99.99%	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 foreign exchange, 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, 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)	74.07%	74.07%	100%	Indirect subsidiary of Monex, S.A.B. Acts as an investment advisor in the U.S. market.
3.3 Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero, Sociedad Operadora de Sociedades de Inversión (Monex Fondos)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. Its main activity is to manage mutual funds and to promote its shares.
4. Servicios Complementarios Monex, S.A. de C.V. (Servicios Complementarios)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. Currently without operations.
5. Arrendadora Monex, S.A. de C.V. (Arrendadora)	91.29%	91.29%	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.

Translation of financial statements of foreign subsidiaries

To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity were converted to the accounting criteria of the Commission. As the recording and functional currency are the same, the consolidated financial statements are subsequently translated into Mexican pesos, using the following methodology:

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

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

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

The functional currency of Monex 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 carried out over the normal course of its operations, as it is mentioned in Note 34 of the Audited Financial Statements included in chapter 6 "Annexes" attached hereunder.

Related party transactions and balances

As of December 31, 2020, 2019 and 2018, Monex maintains credits with related parties for a total amount of \$1,559, \$1,160, and \$899 million pesos, respectively.

The management considers that transactions with related parties were performed according to the terms that would have been used with or between independent parties for comparable transactions.

Stockholders' equity

Capital stock of Monex as of December 31, 2020, 2019 and 2018, is integrated as follows:

Number of shares as of December 31			
	2020	2019	2018
Fixed Capital -			
Series A Shares	50,000	50,000	50,000
Variable Capital -			
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 31, 2020, 2019 and 2018. Figures in million pesos

In Ordinary Shareholders' Meeting held on April 29, 2020, the following capital movements were agreed upon:

- To transfer the net income of 2019 to "Retained earnings" for an amount of \$1,380 million pesos.
- To increase the legal reserve by 5% of the net income recorded in the 2019 Consolidated Financial Statements
- Decree of dividends to shareholders for an amount of \$70 million pesos, with a charge to "Retained earnings" account from years prior to 2019 following the recommendation of the Commission.

As of December 31, 2020, 2019 and 2018, the stockholders' equity was comprised of the following concepts:

Stockholders' Equity	2020	2019	2018
Contributed capital:			
Capital stock	2,055	2,055	2,055
Additional paid-in capital	763	763	763
	<u>2,818</u>	<u>2,818</u>	<u>2,818</u>
Earned capital:			
Capital reserves	600	533	514
Retained earnings	5,863	4,622	3,812
Result from valuation of securities available for sale	(75)	(62)	(114)
Translation effects of foreign subsidiaries	862	610	668
Result from hedging instruments at fair value	(8)	-	114
Remeasurement of defined employee benefits	(155)	(110)	(56)
Net income	878	1,380	1,116
	<u>7,965</u>	<u>6,973</u>	<u>6,054</u>
Non-controlling interest	<u>37</u>	<u>33</u>	<u>30</u>
Total Stockholders' Equity	<u>10,820</u>	<u>9,824</u>	<u>8,902</u>

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

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 Export Sales

See Section "Operation Results by Business Segments" in page 146 hereof.

c) Relevant credit information

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 base of clients. As a result of our financing strategy, we achieved to increase our demand deposits from \$17,725 million pesos in 2019 to \$28,612 million pesos in 2020, which represents an annual increase of 61.4%.

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 31, 2020, 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 31, 2020, 2019 and 2018:

	2020	2019	2018
Short term-			
FIRA	-	-	2
Clusters	369	1,191	1,634
Interbank loans	110	-	-
Total short-term loans	479	1,191	1,636
Long Term-			
Bank Loans	78	235	127
Total long-term loans	78	235	127
Total Bank loans and other loans	557	1,426	1,763

Internally prepared with figures as of December 31, 2020, 2019 and 2018. 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 31, 2020, 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:

- 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 must be completed and correct in all substantial aspects and must be compiled with sufficient and reasonable detail.
- Compliance with the Law: Authorizations. To comply with all applicable laws, rules, regulations, and legal dispositions.
- Compliance with obligations before third parties. To carry out and comply with all present and future obligations arising from any contract agreed with any third party.
- Reports and inspections. THE CO-BORROWERS are obliged to provide to THE BANK, upon request of the latter, all documents and information regarding the use and destination of the Credit. THE CO-BORROWERS agree and accept henceforth that THE BANK, through the intermediaries they instruct for the purpose, may carry out inspections of the company and request the data or documents strictly related to this operation, upon request made by THE BANK with five business days in advance.
- Core business; Operations: Existence. To fulfill 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.
- Taxes. To present all tax returns required to be submitted in any jurisdiction, in accordance with applicable legislation, and pay all taxes legally due to be paid pursuant to such tax returns and any other taxes, contributions, charges or duties imposed thereon or onto its properties, assets or income, on or prior to the date in which these taxes, contributions, charges or duties are payable in accordance with the applicable legislation.
- Notifications. THE CO-BORROWERS undertake to notify THE BANK in writing, within the terms and conditions established in each case on the following:
 - 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 the causes of anticipated maturity related to non-compliance of any of the payment obligations to their respective position, which must be immediately notified.
 - 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.
 - 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 to in the notification, and the measures that THE CO-BORROWER proposes to carry out as remedy.

- 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 purposes stipulated in the agreement.
- j. Information. THE CO-BORROWERS undertake to provide THE BANK with any additional information in writing that they are required in terms duly 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.
- c. To amend its By-laws or allow any of its subsidiaries to amend its By-laws in such a way that a cause of anticipated maturity occurs or may occur under this agreement.
- d. To modify in any manner its usual way to perform the activities permitted by its corporate or business purposes without previous consent in writing by THE BANK.

d) Management's Commentary and Analysis on the Operating 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 herein. The potential investors must read the following analysis of the administration on our operation results and financial situation along 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 assumptions. 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 hereunder 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 with audited figures for the years ended December 31, 2020, 2019 and 2018.

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

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

Total operating revenues as of December 31, 2020, amounted to \$8,410 million pesos, which represents a growth of 4.2% compared to the total operating revenues as of the end of 2019, when it reached \$8,071 million pesos. The 2019 figure was 10.3% higher than the figure in 2018.

The Financial Margin after Allowance for Loan Losses amounted to \$7,795 million pesos at the end of 2020, which represents an increase of 5% compared to the same margin in 2019, when it amounted to \$7,427 million pesos. Likewise, the Financial Margin after Allowance for Loan Losses in 2019 was 9.3% higher than the same figure at the end of 2018.

In reference to the administrative and promotional expenses, these are shown in the section “Administrative and Promotional Expenses” hereof.

Finally, Monex reports a Net Income of \$878 million pesos as of December 2020, which represents a decrease of 36.4% compared to the same figure in 2019. As of December 2019, our Net Income amounted to \$1,380 million pesos, which represented an increase of 23.7% compared to the same figure in 2018.

Note: Figures of the previous paragraphs must be read along with the “Operation Results by Business Segments” section hereof, which contains further details.

Operation Results by Business Segments

	2020								
	Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
Trading income	3,419	2,458	-	591	115	-	-	44	6,627
Results from operating leasing	-	-	-	-	-	-	-	28	28
Interest income	-	7	1	33	3,267	1,769	-	687	5,764
Interest expense	(24)	-	-	(252)	(2,252)	(780)	-	(368)	(3,676)
Allowance for loan losses	-	-	-	-	-	(911)	-	(9)	(920)
Commission and fee income	67	18	171	-	218	53	306	46	879
Commission and fee expense	(16)	(49)	(6)	(22)	(51)	(31)	-	(116)	(291)
Other operating (expenses) income	-	(528)	8	-	2	23	(16)	81	(430)
Participation in the result of unconsolidated subsidiaries and associates	-	-	-	-	-	-	-	(1)	(1)
Administrative and promotional expenses	(2,627)	(2,070)	(122)	(267)	(991)	(93)	(221)	(337)	(6,728)
Current and deferred income taxes	(225)	(2)	(10)	(23)	(85)	(8)	(19)	(4)	(376)
Non-controlling interest	-	-	-	-	-	-	-	2	2
Net income	\$594	-\$166	\$42	\$60	\$223	\$22	\$50	\$53	\$878

Internally prepared with figures as of December 31, 2020. Figures in millions of Mexican pesos

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

2019								
Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
2,902	2,347	-	434	555	-	-	8	6,246
-	-	-	-	-	-	-	136	136
-	5	2	13	3,405	2,114	-	883	6,422
(2)	(1)	-	(368)	(2,625)	(1,520)	-	(444)	(4,960)
-	-	-	-	-	(281)	-	-	(281)
76	14	119	-	171	77	303	50	810
(16)	(62)	(3)	(31)	(39)	(51)	-	(100)	(302)
-	18	16	-	2	44	(32)	(70)	(22)
(2,189)	(1,857)	(105)	(36)	(1,086)	(283)	(201)	(377)	(6,134)
(218)	(108)	(6)	(4)	(108)	(28)	(20)	(40)	(532)
-	-	-	-	-	-	-	(3)	(3)
\$553	\$356	\$23	\$8	\$275	\$72	\$50	\$43	\$1,380
2018								
Foreign exchange	International 1	International 2	Derivatives	Banking products	Loans and deposits	Trust services	Others	Total
2,576	2,005	-	841	130	-	-	-	5,552
-	-	-	-	-	-	-	75	75
-	4	2	(6)	2,357	1,856	-	787	5,000
(6)	(2)	-	-	(2,022)	(1,284)	-	(253)	(3,567)
-	-	-	-	-	(191)	-	-	(191)
86	13	88	-	156	59	269	41	712
(13)	(46)	(1)	(18)	(27)	(44)	-	(113)	(262)
-	(7)	13	-	1	67	(33)	(274)	(233)
(2,030)	(1,585)	(92)	(627)	(457)	(358)	(181)	(222)	(5,552)
(173)	(79)	(2)	(53)	(38)	(30)	(16)	(20)	(411)
-	-	-	-	-	-	-	(7)	(7)
\$440	\$303	\$8	\$137	\$100	\$75	\$39	\$14	\$1,116

Internally prepared with figures as of December 31, 2019 and 2018. Figures in millions of Mexican pesos

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

Segment Information

As of December 2020, the foreign exchange business increased its net income by 7.4%, going from \$553 million pesos in 2019 to \$594 million pesos at the end of 2020.

The international segment corresponding to our subsidiaries in the United States, Monex Securities and Monex Asset Management, registered a growth of 82.6% in its net income in 2020, going from \$23 million pesos in 2019 to \$42 million pesos in 2020.

On the other hand, our derivatives segment had a 650.0% growth in net income, going from \$8 million pesos in 2019 to \$60 million pesos in 2020, which represents an increase of \$52 million pesos.

Trading income

The performance of trading income is explained below:

As of December 31, 2020, it was mainly composed of:

- Foreign exchange result, which shows a balance of \$3,677 million pesos, which represents 55.5% of total trading income.
- Derivatives result, that shows a balance of \$2,789 million pesos in 2020, which represents 42.1% of total trading income.
- Debt securities result shows a balance of \$170 million pesos, which represents 2.6% of total trading income.

Trading income of all segments in 2020 increased by 6.1%, going from \$6,246 million pesos in 2019 to \$6,627 million pesos in 2020. In 2019, it presented an increase of 12.5%, going from \$5,552 million pesos in 2018 to \$6,246 million pesos in 2019.

Financial Margin

The financial margin as of December 31, 2020, amounted to \$2,088 million pesos, a figure that is \$626 million pesos higher compared to the fiscal year 2019, which represents an increase of 42.8%. The financial margin is mostly integrated as follows:

Interest income:

- Interest generated by market transactions (Investments in securities, debt securities and others) registered a balance of \$3,446 million pesos, which represent 59.8% of the total interest income at the end of 2020
- Interests generated by the loan portfolio represent 29.6% of the total interest income with a balance of \$1,706 million pesos
- Interests generated by deposits with financial institutions represent 5.0% with a balance of \$286 million pesos

Interest expenses:

- The interest expenses from repurchase agreements show a balance of \$2,320 million pesos, which represent 63.1% of the total interest expenses in 2020
- Interests generated and paid for Deposits represent 29.8% of the total interest expenses with a balance of \$1,096 million pesos
- Interest paid due to the issuance of Bonds reached a balance of \$112 million pesos, which represents 3.0% of the total interest expenses
- Interests paid on bank loans and other loans represent 2.3% of the total, equivalent to \$84 million pesos

Allowance for loan losses

Allowance for loan losses increased by 227.4%, going from \$281 million pesos in December 2019 to \$920 million pesos in December 2020.

Administrative and promotional expenses

The administrative and promotional expenses are mainly composed of personnel salaries and benefits, technology expenses, taxes and rights, professional fees, leasing, and contributions to IPAB. In 2020, 2019 and 2018, the administrative and promotional expenses performed as follows:

- Administrative and promotional expenses increased by 9.7%, going from \$6,134 million pesos in 2019 to \$6,728 million pesos in 2020, due to higher salaries and benefits to personnel and greater technology expenses.
- In 2019, administrative and promotional expenses increased by 10.5%, going from \$5,552 million pesos in 2018 to \$6,134 million pesos in 2019.

The following chart shows the administrative and sales expenses for the years ended December 31, 2020, 2019 and 2018.

	2020		2019		2018	
Years ended on December 31	\$	Change (%)	\$	Change (%)	\$	Change (%)
Personnel salaries and benefits	4,351	8.9	3,994	9.6	3,645	5.7
Technology	527	25.5	420	22.4	343	75.9
Taxes and rights	507	11.7	454	13.2	401	34.1
Professional fees	286	22.2	234	(0.4)	235	(16.4)
Leasing	220	56.0	141	7.6	131	(18.1)
Contributions to IPAB	217	21.9	178	71.2	104	(30.2)
Amortizations	138	7.8	128	37.6	93	47.6
Promotion and publicity	65	(18.8)	80	5.3	76	(9.5)
Depreciations	50	(46.8)	94	19.0	79	154.8
Maintenance	48	84.6	26	0.0	26	(82.2)
Others	319	(17.1)	385	(8.1)	419	28.5
Total	6,728	9.7	6,134	10.5	5,552	7.1

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos

2020

Personnel salaries and benefits amounted to \$4,351 million pesos in 2020, which is equivalent to an increase of 8.9% compared to 2019, when this concept amounted to \$3,994 million pesos.

Technology expenses grew 25.5% annually, going from \$420 million pesos in 2019 to \$527 million pesos in 2020.

Professional fees amounted to \$286 million pesos in 2020 compared to \$234 million pesos in 2019. This represents an annual increase of 22.2%.

Contributions to the IPAB registered an increase of 21.9% in 2020 compared to 2019. This concept went from \$178 million pesos in 2019 to \$217 million pesos in 2020.

2019

Personnel salaries and benefits registered an increase of 9.6% compared to 2018, with which the balance went from \$3,645 million pesos in 2018 to \$3,994 million pesos at the end of 2019.

Technology expenses grew by 22.4% compared to 2018, going from \$343 million pesos in 2018 to \$420 million pesos in 2019.

Contributions to IPAB increased by \$74 million pesos in 2019, which represents an increase of 71.2% compared to the balance reported in 2018.

Professional fees decreased by 0.4% in 2019, from \$235 million pesos in 2018 to \$234 million pesos in 2019.

2018

Personnel salaries and benefits in 2018 increased by 5.7% compared to 2017. These salaries and benefits amounted to \$3,645 million pesos in 2018.

Professional fees expenses decreased by 16.4% compared to 2017. The balance of this account in 2018 amounted to \$235 million pesos.

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

Contributions to IPAB decreased by 30.2% compared to the previous year, going from \$149 million pesos in 2017 to \$104 million pesos in 2018.

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

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

II. Financial Condition, Liquidity, and Capital Resources

Balance Sheet

The following chart contains the Consolidated Audited Balance Sheet as of December 31, 2020, 2019 and 2018, in million pesos.

Concept	2020	2019	2018
Assets			
Funds available	14,579	18,536	16,815
Margin accounts	1,957	1,587	795
Investment in securities and repurchase agreements	70,746	43,221	32,599
Derivatives	6,492	4,641	3,925
Loan portfolio (net)	24,256	23,412	23,504
Other receivables (net)	28,160	15,701	16,986
Deferred taxes and PTU (asset)	1,557	1,003	655
Other assets	4,237	4,007	3,665
Total Assets	151,984	112,108	98,944
Liabilities			
Deposits	44,355	47,060	43,719
Bonds	1,500	1,518	1,509
Bank loans and other loans	557	1,426	1,763
Liabilities arising from sale and repurchase agreements	50,760	17,531	17,822
Collateral sold or pledged in guarantee	3,591	4,239	269
Derivatives	5,902	3,520	2,965
Other Liabilities	34,499	26,990	21,995
Total Liabilities	141,164	102,284	90,042
Stockholders' equity			
Contributed capital	2,818	2,818	2,818
Earned capital	7,965	6,973	6,054
Non-controlling interest	37	33	30
Total Stockholders' equity	10,820	9,824	8,902
Total Liabilities + Stockholders' equity	151,984	112,108	98,944

Internally prepared with figures as of December 31, 2020, 2019 and 2018. 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 decreased by 21.4% in 2020, going from \$18,536 million pesos in 2019 to \$14,579 million pesos in 2020. In 2019, this item increased by 10.2%, going from \$16,815 million pesos in 2018 to \$18,536 million pesos at the end of 2019.

In 2020, deposits in banks increased by 15.0% compared to 2019, going from \$11,357 million pesos in 2019 to \$13,056 million pesos in 2020, which represents an increase of \$1,699 million pesos. In 2019, deposits in banks registered a decrease of \$5,160 million pesos compared to the balance in 2018.

Margin accounts in 2020 increased by \$370 million pesos or 23.3% compared to 2019. As of December 2019, margin accounts increased by \$792 million pesos compared to 2018, which represents an increase of 99.6%.

At the end of 2020, investment in securities increased by \$31,034 million pesos, going from \$38,712 million pesos in 2019 to \$69,746 million pesos in 2020. In 2019, it increased by 24.2% or \$7,550 million pesos compared to 2018.

The repurchase agreements account decreased by 77.8% annually, going from \$4,509 million pesos in 2019 to \$1,000 million pesos in 2020. In 2019, this account increased by \$3,072 million pesos compared to the end of 2018, representing an increase of 213.7%.

Derivatives registered a balance of \$6,492 million pesos at the end of 2020, while, in 2019, they amounted to \$4,641 million pesos, which represents an annual growth of 39.9% or \$1,851 million pesos. In 2019, derivatives increased by \$716 million pesos compared to 2018.

The performing loan portfolio increased by \$1,420 million pesos or 6.1% in 2020, going from \$23,315 million pesos in 2019 to \$24,735 million pesos at the end of 2020. At the end of 2019, the performing portfolio decreased by \$95 million pesos or 0.4% compared to the end of 2018. These variations are explained by the following factors:

- A decrease of \$637 million pesos in 2020 and an increase of \$2,973 million pesos in 2019 in the commercial or corporate activity portfolio
- An increase of \$1,008 million pesos in 2020 and a decrease of \$604 million pesos in 2019 in housing loans
- A decrease of \$430 million pesos in 2020 and an increase of \$5 million pesos in 2019 in loans to financial entities
- An increase of \$1,479 million pesos in 2020 and a decrease of \$2,468 million pesos in 2019 in loans to government entities

The non-performing portfolio in 2020 decreased by \$36 million pesos or 6.8% compared to 2019. In 2019, it increased by \$9 million pesos compared to 2018. In turn, the allowance for loan losses amounted to \$973 million pesos in 2020, which represents an increase of 124.5% compared to the end of 2019. In 2019, this item increased by \$7 million pesos compared to the end of 2018.

Other receivables increased by \$12,459 million pesos or 79.4% in 2020 compared to the end of the previous year. This item decreased by \$1,285 million pesos in 2019, going from \$16,986 million pesos in 2018 to \$15,701 million pesos at the end of 2019. The annual variation in 2020 is explained by the following factors:

- Receivables from 24 to 96 hours on foreign exchange transactions that increased by \$13,658 million pesos
- Receivables from liquidation of money market transactions that decreased by \$1,676 million pesos
- Collaterals delivered for derivative financing transactions that decreased by \$202 million pesos

Therefore, the total assets amounted to \$151,984 million pesos in 2020, a figure \$39,876 million pesos higher compared to 2019. In 2019, the total assets amounted to \$112,108 million pesos, which represented an increase of \$13,164 million pesos compared to 2018.

Liabilities

Deposits decreased by 5.7% or \$2,705 million pesos at the end of 2020 compared to 2019, which is mainly explained by a decrease of 51.0% in time deposits from the general public and an increase of 61.4% in demand deposits. In 2019, Deposits increased by 7.6% or \$3,341 million pesos compared to the end of 2018.

Bank loans and other loans went from \$1,426 million pesos in 2019 to \$557 million pesos in 2020, in other words, they showed a decrease of \$869 million pesos or 60.9%. At the end of December 2019, this item registered a decrease of \$337 million pesos compared to the end of December 2018.

At the end of December 2020, liabilities arising from sale and repurchase agreements amounted to \$50,760 million pesos, which represents an increase of \$33,229 million pesos compared to the end of December 2019. In 2019, this item decreased by 1.6% or \$291 million pesos compared to 2018.

Collaterals sold or pledged in guarantee decreased by \$648 million pesos or 15.3%, going from \$4,239 million pesos in 2019 to \$3,591 million pesos in 2020. This item registered an increase of \$3,970 million pesos in 2019 compared to the end of 2018.

At the end of 2020, Derivatives increased by \$2,382 million pesos or 67.7% compared to the end of 2019. Likewise, at the end of December 2019, this item registered an increase of 18.7% compared to December 2018.

Other payables increased by \$7,439 million pesos or 28.1% in December 2020 compared to the same period of the previous year. In 2019, this item increased by \$4,907 million pesos or 22.8% compared to the end of 2018.

The annual variation of this item in 2020 is explained by the following factors:

- An increase of \$3,712 million pesos in obligations arising from settlement of transactions
- An increase of \$3,423 million pesos in sundry creditors and other payables, and
- An increase of \$726 million pesos in liabilities arising from cash collaterals received

Total liabilities amounted to \$141,164 million pesos in 2020, a figure \$38,880 million pesos higher than the figure registered in December 2019. In 2019, total liabilities amounted to \$102,284 million pesos, which represented an increase of 13.6% compared to the end of 2018.

Stockholders' equity

The stockholders' equity in 2020 amounted to \$10,820 million pesos, which represents an increase of 10.1% compared to 2019. In 2019, it amounted to \$9,824 million pesos, increasing by \$922 million pesos compared to 2018.

The earned capital in 2020 increased by \$992 million pesos or 14.2% compared to 2019, variation mainly due to:

- The net income as of December 31, 2019, which amounted to \$1,380 million pesos
- An increase of \$252 million pesos in translation effects of our foreign subsidiaries, Monex Europe and Tempus
- The decree of a dividend to the shareholders for an amount of \$70 million pesos, charged to the account "retained earnings"
- An increase of \$67 million pesos in capital reserves

Non-controlling interest amounted to \$37 million pesos in 2020, which represents an increase of 12.7% compared to 2019. In 2019, this item amounted to \$33 million pesos, which represents an increase of 9.2% compared to 2018.

The contributed capital remained unchanged in 2020, which amounted to \$2,818 million pesos.

Summary of derivative financial instrument transactions

Asset position	2020		2019		2018	
	Nominal Amount	Net Asset Position	Nominal Amount	Net Asset Position	Nominal Amount	Net Asset Position
Trading derivatives-						
Futures-						
Foreign currency futures	1,620	2	3,304	152	5,307	16
Index futures	-	-	-	-	42	-
	1,620	2	3,304	152	5,349	16
Forwards-						
Foreign currency forwards	42,792	1,949	57,079	2,516	30,861	1,647
Security forwards	-	3	-	-	-	-
	42,792	1,952	57,079	2,516	30,861	1,647
Options-						
Foreign currency options	4,876	185	-	57	42	89
Rates options	15,877	133	-	82	328	400
Index options	18	-	-	2	3	3
	20,771	318	-	141	373	492
Swaps-						
Foreign currency swaps	8,224	137	8,485	153	2,359	164
Rates swaps	19,044	4,083	25,059	1,664	17,230	1,484
	27,268	4,220	33,544	1,817	19,589	1,648
Hedging derivatives-						
Rates swaps	192	-	336	15	518	122
	192	-	336	15	518	122
Total position	92,643	6,492	94,263	4,641	56,690	3,925

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos.

Liabilities position	2020		2019		2018	
	Nominal Amount	Net Liabilities Position	Nominal Amount	Net Liabilities Position	Nominal Amount	Net Liabilities Position
Trading derivatives-						
Futures-						
Foreign currency futures	625	95	7,283	85	606	206
Index futures	13	-	27	-	-	-
	638	95	7,310	85	606	206
Forwards-						
Foreign currency forwards	39,810	941	57,117	1,327	34,182	604
Index forwards	-	-	-	-	3	-
Stock forwards	-	-	-	-	6	-
Securities forwards	53	2	3	-	-	-
	39,863	943	57,120	1,327	34,191	604
Options-						
Foreign currency options	3,300	9	-	13	44	81
Rates options	23,465	7	-	45	571	594
Securities options	-	-	-	-	1	2
Index options	15	-	-	-	1	-
	26,780	16	-	58	617	677
Swaps-						
Foreign currency swaps	8,281	195	8,500	168	2,454	259
Rates swaps	19,538	4,588	25,264	1,868	16,956	1,210
	27,819	4,783	33,764	2,036	19,410	1,469
Hedging derivatives-						
Rates swaps	257	65	334	14	405	9
	257	65	334	14	405	9
Total position	95,357	5,902	98,528	3,520	55,229	2,965

Internally prepared with figures as of December 31, 2020, 2019 and 2018. 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 due, 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, in an abrupt and/or anticipate manner. 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 61,100 current commercial relationships in Mexico, as a result of the reciprocity and comprehensive relationship with our clients
- To increase the term of deposits, in order to improve the 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 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

The following chart contains the Consolidated Cash Flows Statements with audited figures for the years ended December 31, 2020, 2019 and 2018, in million pesos.

	2020	2019	2018
Net Income:	876	1,383	1,123
Depreciation	342	192	36
Amortization	131	128	93
Current and deferred income taxes	376	532	411
Provisions	642	-	-
Others	-	-	23
Adjustment for items that do not require cash flows	2,367	2,235	1,686
Operating activities:			
Change in margin accounts	(370)	(792)	(462)
Change in investments in securities	(31,021)	(7,466)	9,496
Change in repurchase agreements, net	36,737	(3,362)	(4,341)
Change in derivatives, net	496	(61)	159
Change in hedging instruments	(32)	(264)	19
Change in loan portfolio, net	(844)	92	(3,276)
Change in foreclosed assets (net)	(13)	-	-
Change in other operating assets	(12,873)	1,165	3,637
Change in deposits	(2,705)	3,341	4,779
Change in bank and other loans	(869)	(337)	456
Change in collateral sold or pledged in guarantee	(649)	3,969	(1,896)
Change in other operating liabilities	6,234	4,848	(4,893)
Others	(2)	-	-
Net cash flows from operating activities	(3,544)	3,368	5,364
Investing activities:			
Payments for acquisition of property, furniture, and equipment	(387)	(12)	(156)
Proceeds from sale of property, furniture, and equipment	85	(525)	64
Payment for acquisition of other permanent investments	-	-	(79)
Payments for acquisition of intangible assets	(185)	(97)	(91)
Proceeds from disposal of subsidiaries and associate companies	-	-	(38)
Other investing activities	-	-	2
Net cash flows from investing activities	(487)	(634)	(298)

Financing activities:			
Repurchase of own shares	(2)	(37)	-
Dividends paid	(70)	(250)	(250)
Interest paid	-	(167)	(195)
Debt payments	(113)	(500)	-
Net cash flows from financing activities	(185)	(954)	(445)
Net (decrease) increase in funds available	(4,216)	1,780	4,621
Effects from changes in value of funds available	259	(59)	(129)
Funds available at the beginning of the year	18,536	16,815	12,323
Funds available at the end of the year	14,579	18,536	16,815

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos.

Liquidity Sources

The following chart shows the composition of our liquidity sources as of December 31, 2020, 2019 and 2018

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

Internally prepared with figures as of December 31, 2020, 2019 and 2018. Figures in million pesos.

- (1) Short-term maturities which generated interest at an average rate of 2.68%, 5.87% and 6.58%, in 2020, 2019 and 2018, respectively.

Our main liquidity sources have been historically integrated in (1) interbank lines to carry out payment transactions, (2) daylight repurchase agreements transactions with the Bank of Mexico, (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.

Below is a brief description of our deposit products:

- Demand deposits: our core product is the Digital Account, which is a contract for banking demand deposits and allows the balances to be maintained in multiple currencies at the same time, such as in Mexican pesos, US dollars, euros, Pounds sterling, Swiss francs, Japanese yen and Swedish krona. It offers rates of return in Mexican pesos and US dollars. It allows to generate orders for cash withdrawals, to make transfers through SPEI, SPID and SWIFT and foreign exchange with charge and credit to the account. Likewise, it offers depositors identification services for the concentration of resources. There are no administration fees or minimum balance requirements.
- Time Deposits. Monex Certificates of Deposit, a product that allows fixed-term investment in Mexican pesos and US dollars. Any term between one and 360 days can be freely chosen, as long as the expiration occurs on a bank business day. Dólar Plus Monex, investment for legal entities that allows to obtain an attractive return in US dollars by simultaneously contracting a fixed-term deposit in Mexican pesos and a forward at the same term with settlement in kind.
- 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.

An important source of funds not yet fully used by the Issuer is the Long-Term Bonds Revolving Program authorized by the CNBV on October 18, 2017. As of the date hereof, this program remains in force with an Authorized Total Amount of up to \$4,000 million pesos, or its equivalent in UDIs or foreign currency.

Indebtedness Level

Loans with Development Bank Institutions – It refers to loans granted by Nacional Financiera, S.N.C. ("NAFIN" by its acronym in Spanish) and Fideicomisos Instituidos en Relación con la Agricultura ("FIRA" by its acronym), which represent a direct obligation of Banco Monex to these entities; thus, Banco Monex grants loans in Mexican Pesos and U.S. Dollars to our 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 2020, 2019 and 2018, the rate was 30% and will continue at the same percentage thereafter.

	2020	2019	2018
ISR:			
Current	788	762	467
Deferred	(412)	(230)	(56)
	376	532	411

Reconciliation of accounting and fiscal results – The main items affecting the determination of the tax result of Monex and its main 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 31, 2020, Monex has ISR tax loss carryforwards:

	Amount
AdmiMonex	21
Monex, S.A.B. (individually)	389

Other tax issues:

As of December 31, 2020, 2019 and 2018, the main subsidiaries of Monex have the following balances for significant tax accounts (individually):

Concept	Bank (individually)			Brokerage House (individually)		
	2020	2019	2018	2020	2019	2018
Contributed capital account	\$3,796	\$3,680	\$3,579	\$707	\$686	\$667
Net tax income account	\$7,083	\$5,614	\$4,203	\$690	\$646	\$549

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 must 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.

The Board of Directors and the most relevant committees are integrated as follows:

Monex Board of Directors

PROPRIETARY DIRECTORS

Héctor Pío Lagos Dondé **Chairman**
 Georgina Teresita Lagos Dondé
 Mauricio Naranjo González **Vice Chairman**
 Moisés Tikin Nickin

ALTERNATES

Ana Isabel Lagos Vogt
 Julia Inés Lagos Vogt
 Jorge Hierro Molina
 Patricia García Gutiérrez

INDEPENDENT DIRECTORS

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

SECRETARY

Jacobo Guadalupe Martínez Flores

PRO-SECRETARY

Erik Alberto García Tapia

Audit and Corporate Practices Committee of Monex

PRESIDENT OF THE COMMITTEE

David Aaron Margolín Schabes

Independent Director

Hernando Carlos Luis Sabau García

Independent Director

Jorge Jesús 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, mainly by CNBV and Bank of Mexico.

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:
 - 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
 - Safeguarding of assets (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. 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 to generate confidence among them by means of a transparent, unbiased, and good-faith performance
 - To provide the market with truthful and timely information to generate confidence in our counterparties
 - To safeguard clients' information and not to use or disclose privileged information
- d. 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.
- e. Adherence to the Global Code of Conduct for Exchange Market operations, in addition to the Code of Ethics and Conduct of the Institution focused on the operations of our main line of business.

Finally, in accordance with the relevant provisions in the matter, each year the CEO informs the Audit Committee and the Board of Directors, in writing, regarding the proper functioning of our Internal Control System.

e) **Estimates, provisions, or critical accounting reserves**

Contingencies and commitments

1. **Lawsuits:** During 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 31, 2020, 2019 and 2018, Monex has contingency reserves for \$117, \$117, and \$133 million pesos, respectively, which are included in "Sundry creditors and other payables". Monex management considers the reserve reasonable in accordance with its internal and external legal counsel opinion.
2. **Administered loan portfolio:** As 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 \$5, \$11, and \$10 million pesos as of December 31, 2020, 2019 and 2018, respectively. In relation to this loan portfolio, Banco 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.



monex

Annual Report 2020

Chapter 4

Management



a) External auditors

Our financial statements for the years ended in 2020, 2019 and 2018, 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 of appointing and contracting external auditors, seeking to designate as such professional firms of recognized international prestige. During the fiscal years ended on December 31, 2020, 2019 and 2018, the services provided to us by the external auditors for concepts other than the audit of financial statements were the following: in 2020, the external auditors did not provide us services for concepts other than the audit of financial statements; in 2019, consultancy for the adoption of changes in the Circular Única de Bancos in 2021 for \$3.5 million pesos, which represented 39% of the total expenditures made to the firm; in 2018, an advisory service was carried out regarding transfer prices for portfolio sales for \$295 thousand pesos, which represented 5% of the total expenditures made to the firm.

Each service requested to Deloitte has been approved by the Board of Directors, in accordance with 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 the audit of our financial statements. 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 must inform the CNBV in writing, within the 15 business days following the hiring of the external auditor, providing the reasons for such hiring and attaching the respective documentation, in accordance with the Circular Única de Auditores Externos in its Article 17.

b) Operations with related parties and conflicts of interests

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.

As of December 31, 2020, 2019 and 2018, Monex maintains credits with related parties for a total of \$1,559 million pesos, \$1,160 million pesos, and \$899 million pesos.

Observing the prices and amounts of the remunerations that they would have used with or between independent parties in comparable operations, we consider that the operations carried out with related parties were carried out under market conditions.

c) Managers and Stockholders

As of December 31, 2020, our management is entrusted to the Board of Directors and the CEO. The Board of Directors was designated on April 29, 2020, and is composed of seven directors, and in its case, with their respective alternate directors. In accordance with our By-laws and 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 must 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 adopted 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 the decisive vote.

In accordance with the provisions of Clause Sixteen of Monex By-laws, this Board shall have the broadest faculties to carry out the corporate purpose and to lead and manage the Company.

The Board of Directors shall have the following powers and competencies, among others:

- General power of attorney for lawsuits and enforced collections
- General power of attorney for administrative acts
- General power of attorney for acts of ownership
- General power of attorney to grant and subscribe credit securities
- Faculty to designate the CEO, who may be or may be not a member
- Faculty to grant general or special powers and to 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 29, 2020, the appointment and ratification of the Board of Directors was approved, as follows:

PROPRIETARY DIRECTORS

Héctor Pío Lagos Dondé **Chairman***
 Georgina Teresita Lagos Dondé
 Mauricio Naranjo González **Vice Chairman**
 Moisés Tiktin Nickin

ALTERNATES

Ana Isabel Lagos Vogt
 Julia Inés Lagos Vogt
 Jorge Hierro Molina
 Patricia García Gutiérrez

INDEPENDENT DIRECTORS

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

SECRETARY

Jacobo Guadalupe Martínez Flores

PRO-SECRETARY

Erik Alberto García Tapia

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

The Board of Directors of the Issuer is composed of 64% men and 36% women.

Héctor Pío Lagos Dondé and Georgina Teresita Lagos Dondé are blood related in first-degree collateral line.

* 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 Executive Chairman 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 our CEO and CEO of Monex Grupo Financiero. He has more than 31 years of experience in the financial sector, last 12 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 International, Private Banking and Trust Managing Director and CEO of Banco Monex. Previously, he was CEO of Monex Casa de Bolsa. He has more than 38 years of experience during which he held various managerial 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 Northwestern 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 30 years of experience in financial sector and has worked for 20 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 30 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 41 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 44 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 36 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).

MONEX, S.A.B. DE C.V. DIRECTORS	COMPANY OF WHICH HE/SHE IS A MEMBER OF THE BOARD OF DIRECTORS	RELATIONSHIP WITH THE ISSUER
Héctor Pío Lagos Dondé	i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero iii) Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero iv) Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero v) Arrendadora Monex, S.A. de C.V. vi) Admimonex, S.A. de C.V. vii) MNI Holding, S.A. de C.V. viii) Servicios Complementarios Monex, S.A. de C.V. ix) VZ Comm, S.A. de C.V. x) Monex Etrust, S.A.P.I. de C.V.	DIRECT INDIRECT INDIRECT INDIRECT DIRECT DIRECT DIRECT DIRECT NONE INDIRECT
Georgina Teresita Lagos Dondé	i) Monex Grupo Financiero, S.A. de C.V. ii) Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero iii) Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero	DIRECT INDIRECT INDIRECT
Mauricio Naranjo González	i) Monex Grupo Financiero, S.A. de C.V. / CEO ii) Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero iii) Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero iv) Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero v) Admimonex, S.A. de C.V. vi) MNI Holding, S.A. de C.V. vii) Arrendadora Monex, S.A. de C.V. viii) Servicios Complementarios Monex, S.A. de C.V. ix) Cable4, S.A. de C.V.	DIRECT INDIRECT INDIRECT INDIRECT DIRECT DIRECT DIRECT DIRECT INDIRECT
Moisés Tiktin Nickin	i) Monex Grupo Financiero, S.A. de C.V. 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) MNI Holding, S.A. de C.V. vii) Servicios Complementarios Monex, S.A. de C.V. viii) Monex Etrust, S.A.P.I. de C.V.	DIRECT INDIRECT INDIRECT INDIRECT DIRECT DIRECT DIRECT INDIRECT

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	DIRECT INDIRECT INDIRECT INDIRECT
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 INDIRECT
Patricia García Gutiérrez	i) Monex Grupo Financiero, S.A. de C.V. / MANAGING DIRECTOR OF PERSONNEL AND CORPORATE AFFAIRS 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	DIRECT INDIRECT INDIRECT
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 Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero iv) MNI Holding, S.A. de C.V. v) Servicios Complementarios Monex, S.A. de C.V.	DIRECT INDIRECT INDIRECT DIRECT DIRECT
Ana Isabel Lagos Vogt	i) Monex Grupo Financiero, S.A. de C.V. ii) Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero	DIRECT INDIRECT
Julia Inés Lagos Vogt	i) Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero ii) Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero	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 52.0781% 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 no significant changes over the last 3 years (2020-2018) 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 persons.

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 29, 2020, 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 2020, 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 amounted to \$60 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, except for the CEO, who receives a half-yearly bonus
- There is a "Code of Ethics and Conduct" and a "Remuneration Manual" of Banco Monex and Monex Casa de Bolsa.

Executive Directors' Stock Option Plan (ESOP) of the Issuer

Currently, there is no Stock Plan for Executives of the Issuer.

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 presentation thereof 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 regarding 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 compose 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 Ministry of Foreign Affairs 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 derivative financial 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 MXN 00/100), 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, holders of the shares representing the variable part of the capital stock of the Company shall have the right of withdrawal referred to in Article 220 (two hundred and twenty) of the Ley General de Sociedades Mercantiles.

In case of 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 notice is published in the Official Gazette of the Federation and in another newspaper of wide circulation 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 By-laws, (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 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 terms and conditions 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 and forty-three) 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 case 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 and 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 shall 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 determines 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 and thirty-four) of the Ley General de Sociedades Mercantiles shall not apply, provided that the acquisition is made charged to equity, in which case such shares may be held by the Company without need for a decrease in the capital stock, or charged to the capital stock, in which case they shall be converted into unsubscribed shares that will be kept by the treasury without need for a resolution of the Meeting.

The Ordinary General Shareholders' Meeting shall expressly indicate, for each year, the maximum amount of resources that may be used to acquire its own shares, with the only limitation that (i) the sum of the resources that may be used for such purpose may in no event exceed the total balance of net income of the Company, including retained earnings; (ii) the Company, where appropriate, has to be in good standing with the payment of obligations arising from debt securities registered with the Registro Nacional de Valores; and (iii) the acquisition and transfer of shares or securities representing such shares in no event shall exceed the percentages referred to by Article 54 (fifty-four) of the Ley del Mercado de Valores or fail to meet the listing maintenance requirements of the applicable stock exchange. On its part, the Board of Directors shall appoint to that effect the person or persons responsible for the acquisition and offering of own shares. As long as the Company holds the shares, such shares may not be represented or voted at Shareholders' Meetings of any kind or corporate or economic rights of any type exercised.

Own shares belonging to the Company or, where appropriate, treasury shares, without prejudice to the provisions of the Ley General de Sociedades Mercantiles, may be offered to the investing public, and the applicable increase in capital stock shall not require a resolution of the Shareholders' Meeting of any type or resolution of the Board of Directors. For the purposes of the provisions of this paragraph, the provisions of Article 132 (one hundred thirty-two) of the Ley General de Sociedades Mercantiles shall not apply.

The acquisition and transfer of shares provided in this Clause, the reports on such transactions that must be submitted to the Ordinary General Shareholders' Meeting, the financial reporting standards, and the form and terms in which such transactions must be informed to the Comisión Nacional Bancaria y de Valores, to the applicable stock exchange, and to the investing public, shall be subject to the terms of the Ley del Mercado de Valores and to the general provisions issued by the Comisión.

As provided for in Article 366 (three hundred and sixty-six) of the Ley del Mercado de Valores, the related persons of the Company and trustees of the 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 and sixty-seven) and 365 (three hundred and 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 of the shares representing the capital stock of the Company, regardless of their class, series, 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, any 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, any 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, any name, and regardless of the jurisdiction in which they are organized, forming part of the 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, any name, whether legally existing 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 person or legal entity, 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, any name, whether legally

existing 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 kinship or legal relationship up to the fourth degree, with natural persons that fall within the scope of the above subsections (i) and (ii), 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 the above subsections (i) to (iii), 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 any 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 any name, intended to be carried out under any title or means, whether in one act or a series of acts without any time limitation between such acts, including for such purposes mergers, consolidations, or other similar transactions, directly or indirect, regardless of the percentage of capital stock outstanding that such acquisition or attempt of acquisition represents, by any Competitor, above 5% (five percent) of the capital stock, shall require the favorable resolution of the Board of Directors as provided in this Clause Twelve.

The prior favorable resolution of the Board of Directors shall be required for either an acquisition of Shares within or outside a stock exchange, directly or indirectly, in one or several transactions of any legal nature, simultaneous or successive, without any time limitation between such transactions, in Mexico or abroad.

The prior favorable resolution of the Board of Directors shall also be required, in writing, for the execution of any Voting Agreement. For such purposes, the Person that individually, or jointly with the Related Persons in question, or the Group of Persons, Business Group, or Consortium that intends to carry out the acquisitions (including mergers, consolidations, or similar transactions), or to execute any Voting Agreements, shall comply with the following:

1. The written request for approval shall be submitted by the interested party or parties for consideration of the Board of Directors. Such request shall be addressed and irrefutably delivered to the Chairman of the Board of Directors, with a copy to the Secretary, at the Company's address. The aforementioned request shall contain the following information:

- (i) the number and class or series of Shares that the Person or Persons in question and/or any Related Person to such Person(s) or the Group of Persons, Business Group, or Consortium (A) is the owner or co-owner, whether directly or through any Person or Related Person, and/or (B) with respect to which it has, shares, or enjoys any right, whether by contract or otherwise, including any Voting Agreement;

- (ii) the number and class or series of Shares to be acquired, whether directly or indirectly, by any means, or that are subject to any Voting Agreement;
- (iii) the number and class or series of Shares with respect to which it is planned to share any right, whether by Voting Agreement, contract, or any other means;
- (iv) (A) the percentage of Shares referred to by subsection (i) above represents all Shares issued by the Company, (B) the percentage of Shares referred to by subsection (i) above represents the applicable class or series of Shares, (C) the percentage of Shares referred to by subsections (i), (ii), and (iii) above represents all Shares issued by the Company, and (D) the percentage of Shares referred to by subsections (i), (ii), and (iii) above represents the applicable class or series of Shares;
- (v) the identity and nationality of the Person(s), Group of Persons, Consortium, Business Group that intends to acquire the Shares or to execute the relevant Voting Agreement, with the understanding that if any of them is a legal person, investment company, trust or equivalent entity, or any other vehicle, entity, company, or form of economic or commercial partnership, of any nature, whether it legally exists or not, and under the laws of any jurisdiction, shall specify the identity and nationality of the partners or shareholders, grantors and beneficiaries or their equivalent, beneficiaries, members of the technical committee or its equivalent, successors, manager or its equivalent, members or associates, and the identity and nationality of the Person(s) Controlling, directly or indirectly, the legal person, investment company, trust or equivalent entity, vehicle, company, or economic or commercial partnership, of any nature, whether legally existing 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, company, or economic or commercial partnership, of any nature, whether legally existing 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 for herein and in the applicable law; in case 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 thereof, 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 matter 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 shall deliver, along with the request for approval, the documentation signed by that Person stating a commitment by such Person, not subject to any condition, proving and explaining 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, whether direct or indirect;
- (ix) if it has received economic resources, such 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 case the acquisition in question is made through a public offering;

(xi) if appropriate, in case 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 set forth herein, 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 the Person that intends to acquire the Shares in question or to execute the applicable Voting Agreement, to provide additional documentation and necessary clarifications within 15 (fifteen) calendar days from the date on which the request is submitted for approval, as well as to hold any meeting to resolve on the request for approval that was submitted, with the understanding that the terms mentioned in this provision shall not elapse, 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 installed by virtue of the first or subsequent calls, to deal with any business related to any request for approval or Voting Agreement referred to in 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 in this Clause (or parts of such request for approval).

5. In case 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 less than the highest price of the following:

(i) the book value 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 and 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 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.

In case 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, consisting 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 in this section concludes. Therefore, in this case, the corporate rights arising from the Shares may not be exercised until the public offering in question is concluded.

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. Furthermore, 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 their request, and to express their 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 its equivalent or similar, 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 its equivalent, vehicle, entity, company, economic or commercial partnership, whether legally existing 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 thereto, shall be considered one single Person for the purposes of this Clause Twelve. The Board of Directors, taking into consideration the definitions set forth in 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 in 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, among others, 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 with, 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 jointly holding 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, vehicle, entity, company, or other form of economic or commercial partnership, whether legally existing 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 in subsection (1) above, (4) by the lineal ascendants or descendants up to the third degree of the Person or Persons referred to in subsection (1) above, (5) by the Person or Persons referred to in subsection (1) above, where they acquire Shares of any company, trust or its equivalent, vehicle, entity, company, form of economic or commercial partnership, whether legally existing or not, of any nature, and organized under the laws of any jurisdiction, ascendants or descendants referred to in 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; in case 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 Public Registry of Commerce of the registered office of the Company, and the provisions set forth therein shall be expressly referred to in the share certificates representing the capital of the Company, to be valid before any third party.

This Clause Twelve may only be eliminated from the Bylaws or amended by favorable resolution of the shareholders of 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 of at least 5% (five percent) of the Shares outstanding at the time of the vote did not vote against such elimination or amendment.

CLAUSE THIRTEEN. Cancellation of Registration. As long as the shares of the Company are registered with the Public Registry of Commerce in terms of the Ley del Mercado de Valores and the general provisions issued by the Comisión Nacional Bancaria y de Valores, in case 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 in terms of Article 108 (one hundred and 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 following 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 Public Registry of Commerce, 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 highest price of the following: (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 the criteria applicable to the determination of relevant information, in which case, the most recent information known to the Company 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 of the 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 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 Public Registry of Commerce requires, in addition to any other requirement indicated in the Ley del Mercado de Valores and other applicable legal provisions: (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 above mentioned shall be issued in accordance with the requirements provided for in Articles 125 (one hundred and twenty-five), 127 (one hundred and twenty-seven), and other applicable of the Ley General de Sociedades Mercantiles, and shall contain the text of the Clauses Four, Five, and Twelve hereof.

Each share is indivisible, therefore, if two or more persons own the same share, a common representative shall be appointed as provided for in Article 122 (one hundred and twenty-two) of the Ley General de Sociedades Mercantiles. Otherwise, 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 and twenty-eight) of the aforementioned 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 case 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 relevant provisions of the Ley General de Títulos y Operaciones de Crédito. Expenses originated by the issuance of the new share certificate or provisional certificate shall be covered by the interested party.

In terms of Article 282 (two hundred and 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 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 in absence thereof, by the Assistant Secretary, (ii) any securities depository institution, (iii) a credit institution, or (iv) the person that may be appointed by the Board of Directors to act in the name and on behalf of the Company as registrar agent. In case 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 absences thereof, by 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 the 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 for in Article 290 (two hundred and 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 Management of the Company shall be entrusted to a Board of Directors and to a Chief Executive Officer, who shall perform their duties as provided for in 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, in 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 applicable, 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. Furthermore, they shall meet the requirements mentioned in the Ley del 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 due to any of the causes provided for 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 in case the term for which they were appointed expires or for resigning their position if no substitute is appointed or until such substitute does 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 and 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 determined by the General Shareholders' Meeting. The appointed Alternate Directors shall substitute their respective absent Regular Directors.

The Board of Directors shall appoint a Secretary and, where applicable, an Assistant Secretary, who shall not form part of said corporate body. They shall only be subject to the obligations and responsibilities provided for in the Ley del Mercado de Valores.

CLAUSE SEVENTEEN. Guarantees and Liabilities. The members of the Board of Directors shall not be required to grant any guarantee for their performance of the duties they may assume in their positions unless the Shareholders' Meeting that appointed them expressly establishes such obligation.

If applicable, the guarantee will not be returned to the Directors until the accounts relevant 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 applicable, the Secretary or Assistant Secretary thereof, shall be subject to the liability regime provided for 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 case 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 in Articles 34 (thirty-four), 35 (thirty-five), 36 (thirty-six), and other applicable of the Ley del Mercado de Valores or other legal provisions. 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 they have 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 they have significant influence, given that, if such members are elected by the Shareholders' Meeting, it shall be considered that they have the Company's necessary exemption 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 shall continue in office even when the term expires or, in case of their resignation, up to 30 (thirty) calendar days if there is no appointment of a substitute or until such substitute takes office. One person may hold more than one office. The Chairman shall be, in any case, a regular member of the Board of Directors, and 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 various committees created to that effect. The Committee(s) 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 for in 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. In case the Meeting is not gathered, or does not make the appointment once gathered, 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 established 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 be convened 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 provided by the Secretary 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 installed. 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 installed Meeting in question. In case of a tie, the Chairman will have 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 call. As provided for in the last paragraph of Article 143 (one hundred and 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 applicable, 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 case 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 who assist the latter, 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 by the members of the Committee of the Company, if any, corresponding to the relevant draft resolutions, 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 with related persons, in an individual manner, that the company or legal persons controlled by the Company plan 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 approved to that effect by the Board:

1. The transactions that, given their amount, lack relevance for the Company or legal persons controlled by the Company.
2. The transactions carried out between the Company and the legal persons controlled by the Company or in which it has significant influence or between any of the above, provided that:
 - i) They form part of the ordinary or customary course of business.
 - ii) They are considered executed at market prices or supported on valuations made by external specialized agents.
3. The transactions executed with employees, provided that they are executed under the same conditions as with any other client or as a result of general labor benefits.
- c) The transactions executed, whether simultaneously or successively, which given their characteristics may be considered a single transaction and which the Company or the legal persons controlled by Company plan to execute within a fiscal year, when they are unusual or non-recurring, or, if their amount represents, based on amounts corresponding to the closing of the immediately preceding quarter, any of the following events:
 1. The acquisition or transfer of assets with a value equal to or greater than 5% (five percent) of the consolidated assets of the Company.
 2. The grant of guarantees or the assumption of liabilities in a total amount equal to or greater than 5% (five percent) of the consolidated assets of the Company.

Investments in debt securities or bank instruments are excepted, provided that they are made in accordance with the policies that the Board may approve to that effect.

- d) The appointment, election, and, where applicable, removal of the Chief Executive Officer of the Company and its comprehensive compensation, as well as the policies for the appointment and comprehensive compensation of other relevant officers.
- e) The policies for granting credits, loans, or any type of credit or guarantees to related parties.
- f) The waivers so that a Director, relevant officer, or person with management authority, takes advantage of business opportunities for itself or for the benefit of third parties, relevant to the company or to the legal persons controlled by the Company or in which it has significant influence. The waivers for transactions whose amounts are lower than the one mentioned in subsection c) above, may be delegated to any of the committees of the Company in charge of the duties related to Audit or Corporate Practices.
- g) The guidelines on internal control and internal audit of the Company and of the legal persons controlled by the Company.
- h) The accounting policies of the Company, in accordance with accounting principles recognized or issued by the Comisión Nacional Bancaria y de Valores through general provisions.
- i) The Company's financial statements.
- j) The hiring of a legal person that provides external audit services and, where appropriate, additional, or supplementary services to those of external audit services.

Where the resolutions of the Board of Directors do not agree with the opinions provided by the applicable Committee, such Committee shall order the Chief Executive Officer to disclose such circumstance to the investing public, through the stock exchange in which the shares of the Company or securities representing them are listed, in accordance with the terms and conditions provided by such stock exchange in its internal regulations.

IV. Submit to the General Shareholders' Meeting held at the closure of the fiscal year:

- a) The reports referred to in Article 43 (forty-three) of the Ley del Mercado de Valores.
- b) The report that the Chief Executive Officer prepares as provided for in 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 in Article 172 (one hundred and 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 in Article 44 (forty-four), Section V, of the Ley del Mercado de Valores.

X. Others provided for in the 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 and fifty-four) of the Civil Code for the Federal District and equivalent legal provisions for the other States, including the authority mentioned in Article 2587 (two thousand five hundred and eighty-seven) of the same law.

The following authorities are mentioned, among others:

- I. To engage and withdraw from all kinds of proceedings, including amparo trial.
 - II. To compromise.
 - III. To submit to arbitration.
 - IV. To answer and formulate 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 above subsection 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 and fifty-four) of the Civil Code for the Federal District and equivalent legal provisions for 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 and fifty-four) of the Civil Code for the Federal District and equivalent legal provisions for the other States.
 - E) Power to grant and sign negotiable instruments in terms of Article 9 (nine) of the Ley General de Títulos y Operaciones de Crédito, exclusively for the fulfillment of the corporate purpose.
 - F) Authority to appoint the Chief Executive Officer, who may or may not be a shareholder.
 - G) Power to grant general and special powers to third parties, being able to grant the power of substitution, among others, to substitute or delegate its powers, always reserving the exercise thereof, and to revoke any power that has been granted, substituted, or delegated.
 - 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 they 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, both 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 for 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 constitute grounds for relative nullity as provided for in the provisions of Article 38 (thirty-eight) of the Ley del Mercado de Valores.

T) In terms of 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 may be considered as a single transaction.

CLAUSE TWENTY-THREE. Chairman and Vice-chairman. The Chairman of the Board of Directors shall chair the Shareholders' Meetings and the Meetings of the Board, 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, s/he will oversee corporate transactions in general, in strict compliance with these Bylaws, the regulations, and the resolutions and provisions of the Meetings, the Board, and the Law, and will sign, jointly with the Secretary, the minutes of the Meetings and of the Board. In case of a temporary or definitive absence of the Chairman, their 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 a person who will temporarily substitute the Chairman of the Board, who shall be Mexican and from among those appointed by a majority of ordinary shares.

CLAUSE TWENTY-FOUR. Secretary. The Secretary shall have the authority assigned thereon by the Board, shall keep the Book of Minutes and shall 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 appointed by the acting Chairman.

CLAUSE TWENTY-FIVE. Committees. In addition to the Board of Directors and without detriment of the provisions of Clause Twenty-Seven below, the Company may and shall, where appropriate, and in compliance with the provisions of the Ley del Mercado de Valores and other applicable legal provisions, 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 chair them, and who shall be named a Committee Chairman.

The Committees, through their Chairman, shall inform the Board of Directors regarding their activities with the periodicity provided for in the Law or, otherwise, if no periodicity is provided for in the Law, with the periodicity determined by the Board of Directors or upon occurrence of significant events or acts for the Company which, in the opinion of the Board of Directors or Chairman of the Committees, justifies 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 case shall include the authorities reserved by law or the Bylaws to any other body of the Company.

CLAUSE TWENTY-SIX. Chief Executive Officer. The Chief Executive Officer shall be responsible for management duties and, specifically those related to the administration, direction, and execution of the Company's businesses and of the legal persons controlled by the Company; for such purpose, he shall abide by the strategies, policies, and guidelines approved by the Board of Directors.

The Chief Executive Officer, for the performance of his duties, shall have the broadest authority to represent the Company in acts of administration and litigation and collections, including special authorities that require a special clause under the laws. With respect to acts of ownership, the Chief Executive Officer shall have authority in the terms and conditions that the Board of Directors of the Company may determine.

Without prejudice to the above, the Chief Executive Officer shall:

I. Submit to the Board of Directors for approval, the business strategies of the Company or of the legal persons controlled by the Company, on the basis of the information provided by the latter.

II. Comply with the resolutions of the Shareholders' Meetings and of the Board of Directors, in accordance with the instructions that, if any, may be issued by the Meeting or the Board.

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, jointly with the relevant officers responsible for preparing such information, within the scope of their 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 its own account or through the authorized delegate, within the scope of its 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 and 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 resolution of the Board of Directors and prior opinion of the Audit Committee.

The Chief Executive Officer, for the performance of its 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 eligibility and honorability.

The reports related to the financial statements and financial, administrative, economic, and legal information referred to in Article 104 (one hundred and 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 in 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 the matters of oversight, 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) Regarding the corporate practices:

1. Provide to the Board of Directors an opinion 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 in 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. Others provided for in the Ley del Mercado de Valores or in these Bylaws.

Additionally, the Committee Chairman shall include in the report referred to in 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 for 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, whether for itself 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) Regarding the audits:

1. Provide to the Board of Directors an opinion 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 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 on the condition of the internal control and internal audit system of the Company or regarding the legal persons controlled by the Company, including any irregularities detected, if any.
5. Prepare the opinion referred to in 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, with 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 reasonably reflects the financial position and results of the Company.
6. Assist the Board of Directors in the preparation of the reports referred to in Article 28 (twenty-eight), Section IV, subsections d) and e) of the Ley del Mercado de Valores.
7. Monitor that the transactions referred to in 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 in the above section, 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 regarding material irregularities detected by reason of the performance of their duties and, where appropriate, the corrective measures adopted or propose those that must 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 herein and in the Ley del Mercado de Valores.

18. Additionally, the Committee Chairman shall include in the report referred to in 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 measures implemented based on the results of investigations related to the non-compliance with the operating and accounting guidelines and policies, whether of the Company or of the legal persons controlled thereby;

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 its report on the financial statements, which must 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 thereof.

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 the four months following the end of each fiscal year, shall be those whose purpose is to address any of the matters 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, may be considered as a single transaction in terms of 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 address any of the matters indicated in Article 182 (one hundred and 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 address and, where appropriate, approve the cancellation of the registration of the shares of the Company with the Public Registry of Commerce; (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 legal provisions and/or these Bylaws.

CLAUSE THIRTY. Calls. Except as provided in Article 185 (one hundred and eighty-five) of the Ley General de Sociedades Mercantiles, the Shareholders' Meetings may 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, at least 15 (fifteen) calendar days in advance of the date set for the Meeting. Such notice shall contain the Agenda, that is, the list of matters to be addressed at the Meeting, as well as the date, place, and time for the Meeting, and shall be signed by the person(s) calling the meeting, in 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 from 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 installed by virtue of first call, at least half of the capital stock must 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 installed by virtue of the first call, at least 75% (seventy-five percent) of the capital stock shall be represented. In the case of a second or subsequent call, to consider the Extraordinary General Meeting legally installed, at least 50% (fifty percent) of the capital stock must 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 and 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 for 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 set forth in Article 163 (one hundred and 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 for in Article 188 (one hundred and eighty-eight) of the Ley General de Sociedades Mercantiles.

CLAUSE THIRTY-THREE. Proxies. Shareholders may be represented at Meetings by proxies appointed through simple power of attorney, in 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, namely: (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 thereof.

The Company shall make available to stock market brokers that evidence that they represent the shareholders of the Company, during the term referred to in Article 49 (forty-nine) of the Ley del Mercado de Valores, the forms of the power of attorney, 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 regarding such situation to the meeting, which shall be recorded in the respective minutes.

To attend the General Meetings, the Shareholders shall obtain their respective admission cards at the domicile 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 for 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 absence thereof, by the Director authorized to that effect by the Board to substitute the Chairman in their 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 absence thereof, the person appointed by the Shareholders present or represented at the Meeting.

At the beginning of each Meeting, the Chairman shall appoint 2 (two) tellers 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 shall be signed by the Chairman and by the Secretary of the Meeting. The minutes shall be recorded in the respective book. Where meeting minutes cannot be recorded in the applicable book, such minutes shall be notarized with a public attester.

The minutes of Extraordinary Shareholders' Meetings shall be notarized with a public attestor and registered in the Public Registry of Commerce of the registered office.

CHAPTER VI FISCAL YEARS, FINANCIAL INFORMATION PROFITS AND LOSSES

CLAUSE THIRTY-FIVE. Fiscal Years. Fiscal years shall consist of one year from January 1 (first) to December 31 (thirty-first) of each year.

CLAUSE THIRTY-SIX. Financial Statements. The Board of Directors shall be responsible for the preparation of the financial statements as of the closing of each fiscal year and shall contain all information set forth in Article 172 (one hundred and 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 shall be submitted along with all supporting documentation, to the shareholders, as provided for in 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 for in 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 in 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 as determined by the Ordinary Shareholders' Meeting, 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 newspaper of wide circulation 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 for 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 for herein.

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 for in Article 248 (two hundred and 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 herein.

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 the respective alternate for each Proprietary Director. The foregoing, in the understanding that the Alternate Directors of Proprietary Directors shall have the same capacities. The members of the Board of Directors shall not need to be shareholders and must comply with the requirements set forth in the LMV.

As of today, the Board of Directors is composed of 7 Proprietary Directors, 3 of which are independent. 4 of the Directors have their respective Alternate Directors.

Corporate governance practices controls

An important part of our business philosophy has been maintaining solid corporate governance practices and adequate Risk Management controls, which include anti-money laundering practices and rigorous customer selection processes (KYC "Know Your Customer" policies). Since the incorporation of Monex Grupo Financiero in 2003 and since the date of incorporation of each of the financial entities that comprise it, we have been regulated by the CNBV, the SHCP, the Bank of Mexico and the CONDUSEF. We must comply, among others, with anti-money laundering regulations applicable 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 transactions that might favor, assist, or in any manner cooperate with terrorist activities or money laundering.
- Implementing procedures to detect relevant, unusual, or suspicious transactions.
- Reporting relevant, unusual, and suspicious transactions to the SHCP through the CNBV.
- The establishment of a Communication and Control Committee responsible for supervising the compliance with anti-money laundering regulations, among others.

- The adoption of KYC policies that include, among others:
 - (i) creation of a customer identification dossier
 - (ii) validation of information and documents delivered
 - (iii) application of an own model to assign the risk level and profile of each customer.
 - (iv) application of a methodology for assessing the risk of money laundering and financing of terrorism at the entity level, including compensatory controls for their mitigation.
 - (v) implementation of systems and processes to prevent, detect, and report transactions related to resources of illicit origin

Additionally, we have several intermediate management bodies or committees that strengthen our corporate governance structure, highlighting the following:

- Audit and Corporate Practices Committee of Monex, 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 Monex 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, Monex Casa de Bolsa and Monex Fondos). The regular sessions of the Committee must 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.
- Environmental, Social, and Corporate Governance Committee (Monex Grupo Financiero)

On April 29, 2020, at our General Ordinary Shareholders' Meeting, the members of our Board of Directors were designated and ratified.



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Chapter 5

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-20	12.70	12.70	12.70	284
aug-20	12.70	11.80	11.80	35,645
sep-20	11.80	10.00	10.19	15,104
oct-20	10.20	10.10	10.10	938
nov-20	10.50	9.90	10.50	7,882
dec-20	12.13	10.22	12.13	2,894,325

Share performance at the end of the last 8 quarters

Quarter	High	Low	Close	Volume
1T19	14.17	13.35	13.98	71,497
2T19	14.06	12.18	12.18	25,384
3T19	12.18	11.77	11.88	346,383
4T19	12.06	11.64	12.00	2,730,171
1T20	12.50	11.60	12.50	192,827
2T20	13.25	12.38	12.70	13,997
3T20	12.70	10.00	10.19	51,033
4T20	12.13	9.90	12.13	2,903,145

Share performance at the end of the last 5 fiscal years

Year	High	Low	Close	Volume
2016	10.69	8.88	9.29	2,771,742
2017	17.33	9.29	14.78	1,115,937
2018	15.16	10.05	13.50	387,467
2019	14.17	11.64	12.00	3,173,435
2020	13.25	9.90	12.13	3,161,002

Source: Bloomberg

c) Market maker

As of December 31, 2020, 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 Economía
Finanzas e Inversiones, S.C.
("PROGNOSIS")**
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Chapter 6

Annexes



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

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



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

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

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

Opinion

We have audited the consolidated financial statements of Monex, S.A.B. de C.V. and Subsidiaries (Monex, S.A.B.), which comprise the consolidated balance sheets as of December 31, 2020, 2019 and 2018, and the related consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matter

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

Emphasis of matters

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



Key Audit Matters

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

a) Processing of accounting-financial information

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

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

1. Obtain an understanding of manual processes implemented by management for the processing of the accounting-financial information.
2. We identified the controls implemented by management in order to assure the completeness, accuracy, cutoff and presentation of the financial information as well as evaluated the design, implementation and operating effectiveness.
3. In particular, we reviewed the design of management's controls related to the approval and recording of journal entries.
4. In order to increase our level of assurance, about areas where we identified a significant risk about accounting recognition, we carried out substantive test of details.
5. Based on the risk assessment, we performed substantive procedures over manual journal entries recorded by management.
6. We reviewed that operating reconciliations between the accounting and operating systems prepared by management at the end of the year do not have significant differences and/or that any such differences are reasonable, properly supported and explained by management.

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

b) Management of securities transactions

The process in place for managing the investment in securities is a key audit matter because a significant part of management's processes are performed manually. Management has implemented several of manual and/or semiautomatic controls in order to ensure the completeness, accuracy, cutoff and presentation of the financial information. The main processes affected are the valuation of investments securities, the interest calculation for the securities transactions and repurchase agreements, and the determination of the gain or loss on the sales of securities. The consolidated financial statements items that are directly related to such processes are: a) investment in securities, b) receivables from repurchase agreements, c) payables from repurchase agreements, d) collateral delivered and received in repurchase agreements and collateral sold or pledged in repurchase agreements, e) valuation of securities transactions, f) interest receivable on securities transactions, g) interest receivable on repurchase agreements, and h) result from sales transactions involving securities and repurchase agreements.



Monex, S.A.B.'s accounting policies are established in Note 3 of the consolidated financial statements.

Our audit procedures addressing this key audit matter included the following:

1. To ascertain the flow of operations from origination until its recording in the accounting records, we inquired with the personnel involved in each of the processes through which the operations pass and obtained evidence of the flow of the transactions.
2. We identified the manual procedures in the determination and recording of the valuation, interest and the gain or loss on sale.
3. For each key control implemented by management in each stage of the investment in securities transaction, we carried out an evaluation of its design, implementation and operating effectiveness.
4. We validated that the security position in the accounting records matched with the position reported in the operating system and that it was reconciled with the depositary institution Indeval, S.A. (Indeval) as of December 31, 2020.
5. We recalculated the investment in securities valuation validated in the preceding point using the market price reported by the price supplier Valuación Operativa y Referencias del Mercado, S.A. de C.V. (Valmer) as of December 31, 2020.
6. We verified that the collateral delivered and received in repurchase agreements presented in the consolidated balance sheet matched with the information in the operating system as of December 31, 2020. Also, we confirmed that securities delivered as collateral were restricted within investments in securities.
7. We validated that as of December 31, 2020, receivables and payables from repurchase agreements recorded in the accounting records matched the purchases and sales from repurchase agreements in the operating system. On a test basis, we reviewed the settlement on the date of maturity.
8. On a test basis, we recalculated the interest that was accrued in securities transactions and repurchase agreements maintained by Monex, S.A.B. during the month.
9. On a test basis, we validated that the result from sales transactions involving securities matched with the differential between cash proceeds received less the sum of the cost and its accrued interest.
10. The detailed procedures performed for each type of revenue are illustrated below:

Interest income -

- i. For interest on securities transactions and repurchase agreements, on a test basis, we noted that the information provided matches the accounting records on an accrual basis.
- ii. Based on a selection of days, we recalculated the interest on securities transactions and repurchase agreements and compared it with the corresponding determined and recorded in the same period by management.

Valuation gains and losses -

- iii. We recalculated the valuation of the securities position based on the market price reported by the price supplier Valmer as of December 31, 2020.



Realized gains and losses -

- iv. On a test basis, we noted that the result on sales transactions involving securities and repurchase agreements matched the difference between cash proceeds received less the sum of the cost and its accrued interest.

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

c) Goodwill of Tempus, Inc.

The impairment analysis which management must apply to the goodwill generated on the acquisition of Tempus in accordance with Bulletin C-15 "Impairment in the value of long-lived assets and their disposal" of Mexican Financial Reporting Standards (NIFs), is a key audit matter because this estimate generally involves management judgment, and must also comply with finance methodologies commonly accepted and applied, assumptions of projections, discount rates, selected multiples of comparable companies, etc.

Our procedures addressing this key audit matter included the following:

- I. We involved internal specialists from our valuation area and conducted a technical analysis of the calculations prepared for the value estimate and those used in the impairment test, as well as the results obtained, including:
 - a. We ascertained the methodologies which use a revenue approach (cash flows) and a market approach (public companies and transactions).
 - b. We confirmed that the assumptions and methodologies were accepted under Mexican Financial Reporting Standards.
 - c. We estimated a discount rate range using a weighted average cost of capital (WACC) methodology.
 - d. We recalculated the models to check the arithmetic.
 - e. We compared consistency with previous years regarding the methodology and assumptions used.
 - f. We analyzed supporting information provided by Monex, S.A.B.
- II. We conducted a sensitivity exercise on the most relevant valuation projections and/or assumptions which might have a greater impact on the conclusion of the impairment test.

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

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

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

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

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



Responsibilities of Management and those charged with Governance of Monex, S.A.B. in Relation to the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Monex, S.A.B.'s ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using the going concern basis of accounting unless management either intends to liquidate Monex, S.A.B. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Monex, S.A.B.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Monex, S.A.B.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Monex, S.A.B.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Monex, S.A.B. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



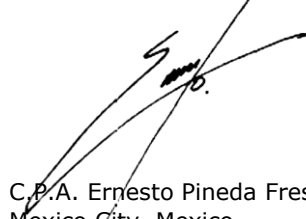
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Monex, S.A.B. to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



C.P.A. Ernesto Pineda Fresán
Mexico City, Mexico
March 26, 2021



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

Consolidated Balance Sheets

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

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



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

Memorandum accounts

Transactions on behalf of third parties

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

Transactions on own behalf

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

The accompanying notes are part of these consolidated financial statements.



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

Consolidated Statements of Income

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

(In millions of Mexican pesos)

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

The accompanying notes are part of these consolidated financial statements.



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

Consolidated Statements of Changes in Stockholders’ Equity

For the years ended December 31, 2020, 2019 and 2018
(In millions of Mexican pesos)

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

The accompanying notes are part of these consolidated financial statements.



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

Consolidated Statements of Cash Flows

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

(In millions of Mexican pesos)

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

The accompanying notes are part of these consolidated financial statements.



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

Notes to Consolidated Financial Statements

For the years ended December 31, 2020, 2019 and 2018
(In millions of Mexican pesos)

1. Activities, regulatory environment and significant events

Monex, S.A.B. de C.V. and subsidiaries, hereinafter denominated with its subsidiaries as Monex, S.A.B., was established on July 10, 2007. Its purpose is to operate as a holding company and promote, establish, acquire, arrange, and manage operating any kind of commercial or civil companies.

Monex, S.A.B.'s subsidiaries operate mainly within the financial services industry offering a full line of banking services and brokerage services.

Significant events in 2020, 2019 and 2018-

a. *Portfolio Reserve*

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

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

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

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

c. *Sale of portfolio to Arrendadora*

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

d. *Issuance of securitization certificates-*

– Monex, S.A.B.

On June 17, 2019 Monex, S.A.B. successfully made the second Public Offering of securitization certificates under the ticker symbol MONEX 19, by placing on the market \$1,500 at a TIIE28 rate for a term of 5 years, based on the program of loan-term securitization certificates.



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

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

– Banco

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

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

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

Treasury:

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

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

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

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

Credit Risk:

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

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

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



Risk Management:

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

UAIR action during COVID-19:

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

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

Human Resources:

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

Information:

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

Communication campaigns for collaborators, which include subjects on:

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

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



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

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

Systems and Technological Development:

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

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

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

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

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

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

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



Comptroller and Anti Money Laundering:

a) Internal Control:

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

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

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

b) Security Information:

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

c) Business Continuity:

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

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



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

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

d) *Anti Money Laundering*

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

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

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

Measures by COVID-19

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

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

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

Impact to the business by COVID-19

a) *Insurance Business*

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

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

b) *New customers*

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



c) *Current customers*

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

d) *Customers with new deposits*

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

Arrendadora

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

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

b) *Strategy year 2020*

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

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

i. Rescheduled income:

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



ii. Revenue Recovery

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

d) *Prevention actions for portfolio impairment*

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

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

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

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

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

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



i. Cost detail recognized by rescheduled leases:

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

Monex Europe Holdings Limited ("Monex Europe")

a) *Assess level of operational disruption*

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

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

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

b) *Legal and contractual framework*

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



c) *Liquidity and working capital*

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

d) *Access to capital*

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

e) *Asset valuation*

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

f) *Goodwill:*

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

g) *Intangible assets other than goodwill:*

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

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

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

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



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

Tempus Inc. ("Tempus")

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

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

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

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

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

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

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of accounting criteria prescribed by the Commission. Certain accounting practices applied by Monex, S.A.B. may not conform to accounting principles generally accepted in the country of use.

Monetary unit of the consolidated financial statements - The consolidated financial statements and notes as of December 31, 2020, 2019 and 2018 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2020, 2019 and 2018 were 11.30%, 15.03% and 15.71%, respectively, accordingly, the economic environment is not inflationary, it was used the value of the Investment Unit (UDI), it's value is denominated by the Central Bank based on inflation, consequently no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2020, 2019 and 2018 were 3.22%, 2.76% and 4.92%, respectively.

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



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

Company	2020	Shareholding percentage 2019	2018	Activity
1. AdmiMonex, S.A. de C.V. (AdmiMonex)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. It aims to promote, build, organize, develop, acquire and participate in the capital stock or assets of all types of business corporations and partnerships, associations or companies, whether commercial, service or otherwise, both domestic and foreign and participate in the management or liquidation.
1.1 Cable 4, S.A. de C.V.	66.84%	-	-	Provide advisory and consulting services, software development, information systems, technical support and system maintenance
1.2 Monex ETrust, S.A.P.I. de C.V.	75%	-	-	Develop computer and technological platforms with the objective to offer through electronic media, automatic contract execution services, supervision and control of trust assets, master management of loan portfolios, supervision and marketing control of real estate developments
2. MNI Holding, S.A. de C.V. (before Monex Negocios Internacionales, S.A. de C.V.) (MNI Holding)	100%	100%	100%	Direct subsidiary of Monex, S.A.B as of November 2018. Parent company of Tempus and Monex Europe LTD.
2.1 Tempus Inc. (Tempus)	99.99%	99.99%%	99.99%	Entity located in Washington, D.C., U.S.A., whose purpose is the purchase and sale of currencies. Its customers are mainly located in the United States.
2.1.1 Tempus Nevada, Inc.	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity founded in 2010 in the state of Delaware in the United States. Currently without operations.
2.2 Monex Europe Holdings Limited (Monex Europe LTD)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Parent Company of Monex Europe, Schneider, FX and Monex Europe Markets, entities located in the United Kingdom (Monex, S.A.B. directly owns 49.9% of the shares)
2.2.1 Schneider Foreign Exchange Limited (Schneider FX)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity located in London. Entity without operations.
2.2.2 Monex Europe Limited (Monex Europe)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. Entity located in London. Its activity is purchase and sales of currencies in the European market.
2.2.2.1 Monex Europe Markets Limited	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity is dedicated to purchase and sales of currencies in the European Market.
2.2.2.2 MonFX Limited	80%	-	-	Indirect subsidiary of Monex, S A B. It does not currently perform operations.
2.2.3 MonexFX PTE Ltd (Monex Singapur)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity without operations.
2.2.4 Monex Canada, Inc.	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Entity founded in Toronto, Canada.
2.2.5 Monex, S.A. (Monex Luxemburgo)	100%	100%	100%	Indirect subsidiary of Monex, S A B. It does not currently perform operations
3. Monex Grupo Financiero, S.A. de C.V. (Financial Group)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. established on May 23, 2003. It is authorized by the Treasury Department of Mexico (SHCP) to operate as a financial group under the form and terms established by the Financial Groups Law (the Law). Per legal requirements, the Financial Group has unlimited liability for the obligations assumed and losses incurred by each of its subsidiaries.
3.1 Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (the Banco)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. The Banco is authorized to perform full-service banking operations including, among others, granting loans, performing securities transactions, receiving deposits, accepting loans, performing currency purchase-sale transactions and executing trust contracts.
3.2 Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (the Casa de Bolsa)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. The Casa de Bolsa acts as a financial intermediary for transactions involving securities and derivative financial instruments authorized under the Stock Market Law (LMV) and the general provisions issued by the Commission.
3.2.1 Monex Securities, Inc. (Monex Securities)	100%	100%	100%	Indirect subsidiary of Monex, S.A.B. Acts as a stock market intermediary in the U.S. market.
3.2.2 Monex Assets Management, Inc. (Monex Assets)	74.07%	74.07%	100%	Indirect subsidiary of Monex, S.A.B. Acts as an investment advisor in the U.S. market.
3.3 Monex Operadora de Fondos, S.A. de C.V., Monex Grupo Financiero, Sociedad Operadora de Sociedades de Inversión (la Operadora)	99.99%	99.99%	99.99%	Indirect subsidiary of Monex, S.A.B. Its main activity is to manage mutual funds and to promote its shares.
4. Servicios Complementarios Monex, S.A. de C.V. (Servicios Complementarios)	100%	100%	100%	Direct subsidiary of Monex, S.A.B. Currently without operations.
5. Arrendadora Monex S.A. de C.V.	91.29%	91.92%	61.61%	Direct subsidiary of Monex S.A.B. Its main activity is to acquire, sell, lease, rent, sublease, use, enjoy, possess, license, market, import, export, trade and dispose under any form or legal title, of all kinds of personal property, equipment, motor vehicles, machinery, specialized equipment, accessories and other goods.



Significant intercompany balances and transactions have been eliminated

Translation of financial statements of foreign subsidiaries - To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity were converted to accounting criteria of the Commission. As the recording and functional currency was the same, the financial statements were subsequently translated to Mexican pesos using the following methodology:

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

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

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

As of December 31, 2020, 2019 and 2018 Monex, S.A.B.'s functional currency is the Mexican peso. Investments in foreign subsidiaries, whose functional currencies are other than the Mexican peso, expose Monex, S.A.B. to foreign currency translation risk. In addition, Monex, S.A.B. has monetary assets and liabilities denominated in foreign currencies, mainly in U.S. dollars, Sterling pounds and Euros, resulting in exposure to foreign exchange risks arising from transactions entered into over the normal course of business (refer to discussion of comprehensive risk management in Note 34 for further details).

Comprehensive income - The amount of comprehensive income presented in the consolidated statements of changes in stockholders' equity is the effect of transactions other than those carried out with the shareholders of Monex, S.A.B. during the period and is represented by the result of valuation of securities available for sale, the cumulative translation adjustment, the result from valuation of hedging instruments, remeasurements for defined benefits to employees and the net income.

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

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

3. Summary of significant accounting policies

The accompanying consolidated financial statements comply with the accounting criteria established by the Commission in the "General Provisions Applicable to Groups, Credit Institutions, Brokerage Houses, Mutual Funds and Companies that Provide Services Thereto" (hereinafter the "Accounting Criteria") and in its rulings, which are considered to be a special purpose framework. These policies require management to make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures; however, actual results may differ from such estimates. Monex, S.A.B.'s management, upon applying professional judgment, considers that estimates made and assumptions used were appropriate under the circumstances.



Under accounting criterion A-1 issued by the Commission, Monex, S.A.B. is required to apply Mexican Financial Reporting Standards (“IFRS” or “NIFs”) promulgated by the Mexican Board of Financial Reporting Standards (CINIF), except with regard to topics for which the Commission has issued specific accounting guidance on the basis that Monex, S.A.B. and its subsidiaries are subject to its regulations and carry out specialized operations.

Changes in accounting policies-

Improvements to 2020 NIF that generate accounting changes:

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

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

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

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

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

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

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

In accordance with the Accounting Criteria, a net negative balance resulting from the offsetting balance of foreign currencies to be received with the foreign currencies to be delivered, or from any item within funds available must be presented under “Sundry creditors and other payables”.

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

Security deposits are used to ensure compliance with the obligations related to the derivatives executed in recognized markets and refer to the initial margin, and subsequent contributions and withdrawals made during the term of the respective contracts. Yields and commissions that affect margin accounts, other than fluctuations in the prices of derivatives, should be recognized in the consolidated statement of income for the period.

As of December 31, 2020, 2019 and 2018, Monex, S.A.B. held standardized and futures derivatives operations for which deposits of financial assets were recognized (cash margin calls) intended to ensure compliance with the obligations derived from the transactions performed in recognized markets to mitigate default risk.



Trading securities - Trading securities represent investments in debt and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes any applicable discount or markup). Then, they are valued at fair value, applying the prices calculated by the price vendor contracted by Monex, S.A.B., in accordance with the Accounting Criteria established by the Commission. The difference between the cost of investments in debt securities plus their accrued interest and the cost of equity instruments relative to the respective fair values of such instruments is recorded in the consolidated statements of income in the heading of "Gains/losses on financial assets and liabilities (net)" and these effects of the valuation will have the character of not realized for distribution to its shareholders, until they are not made.

Fair value is the amount at which an asset may be exchanged or a liability may be settled by informed, willing and interested parties in an arm's length transaction.

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

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

The exchange gains or loss on foreign currency investments in securities is recognized in the results of the year.

Trading securities also include transactions pending settlement, which refer to sale and repurchase transactions of securities not settled. These transactions are valued and recorded as trading securities, recording the receipt and expense (debit or credit balance) of the securities subject to the transaction against the respective debit or credit settlement account, when the transaction is agreed upon.

The accounting criteria issued by the Commission allow for certain reclassifications from trading securities to securities available for sale and securities held to maturity classification, conditional upon the prior express authorization of the Commission.

Securities available for sale - Securities available for sale are debt instruments and shares that are not held for purposes of obtaining gains on sales transactions derived from increases in value and in the case of debt instruments, those that Monex, S.A.B. neither intends or is able to hold to maturity and, therefore, represent a residual category, i.e., they are acquired for purposes other than those of trading securities or securities held to maturity because Monex, S.A.B. intends to trade such securities in the future prior to their maturity.

Upon acquisition, the securities are initially recorded at fair value plus the acquisition transaction cost (including the discount or markup, as applicable), which in the same time is the acquisition cost for Monex, S.A.B. Subsequently are valued at fair value.

Monex, S.A.B. determines the increase or decrease in the fair value using prices provided by the price vendor, which uses various market factors for their determination. The yield on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security and is recognized in the consolidated statements of income under "Interest income". Unrealized gains or losses from changes in fair value as reported by pricing vendors are recorded in other comprehensive income under the heading "Result from valuation of securities available for sale" net of related deferred taxes, except when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results of the year.

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

The Accounting Criteria issued by the Commission allow the transfer securities from available for sale to held to maturity, with the prior express authorization of the Commission. At the time of the reclassification the valuation result relative to the transfer date will continue to be reported in stockholders' equity, and should be amortized based on the remaining life of such instrument.

During the financial years ended December 31, 2020, 2019 and 2018, no reclassifications were made



Securities held to maturity - Securities held to maturity are those instruments whose payments are fixed or determinable and with a fixed maturity, which Monex, S.A.B. has both the intention and the ability to hold to maturity; these instruments are recorded initially at fair value, plus transaction costs from the acquisition (which includes, as the case may be, the discount or markup). Subsequently they are valued at amortized cost. Accrued interest is recorded in the consolidated statements of income using the imputed interest method or the effective interest method under the heading "Interest income".

The Accounting Criteria issued by the Commission allow for the transfer of securities classified as held to maturity to the category of securities available for sale, provided that there is no intention or capacity to hold them to maturity, as well as reclassifications to the category of securities held to maturity or trading securities to securities available for sale in extraordinary circumstances (for example: a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission.

During the financial years ended December 31, 2020, 2019 and 2018, no reclassifications were made.

Impairment in the value of a credit instrument - Monex, S.A.B. must evaluate whether there is objective evidence that a credit instrument is impaired.

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

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

- a) Significant financial difficulties of the issuer of the instrument;
- b) It is probable that the issuer of the instrument will be declared bankrupt or another financial restructuring will take place;
- c) Noncompliance with the contractual clauses, such as default on payment of interest or principal;
- d) Disappearance of an active market for the instrument in question due to financial difficulties, or
- e) A measurable decrease in the estimated future cash flows of a group of securities since the initial recognition of such assets, even though the decrease cannot be matched with the individual securities of the group, including:
 - i. Adverse changes in the payment status of the issuers in the group, or
 - ii. Local or national economic conditions which are correlated with defaults on the securities of the group.

Management has not identified objective evidence of impairment of a credit instrument held as of December 31, 2020, 2019 and 2018.

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

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. However, the economic substance of repurchase transactions is that of a secured financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as collateral in the event of default.



The repurchase transactions are recorded as indicated below:

On the contracting date of the repurchase transaction, when Monex, S.A.B. acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable measured at initial price, which represents the obligation to repay such cash to the buying party. The account payable is valued during the term of the repurchase transaction at its amortized cost, recognizing the interest in results as they are accrued.

When Monex, S.A.B. acts as the buying party, on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, recording an account receivable measured at initial price, which is equal to the agreed price, representing the right to recover the cash delivered. The account receivable is valued during the term of the repurchase agreement at its amortized cost, recognizing the interest in results as they are accrued.

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

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

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

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

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

Furthermore, if the buying party becomes a selling party due to another repurchase transaction with the same collateral as the initial transaction, the interest on the second repurchase transaction must be recognized in results of the year as earned, based on the liability valued at amortized cost.

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

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



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

Securities lending - Securities lending is a transaction in which the transfer of securities from the lender to the borrower is agreed, with the obligation to return such securities or other substantially similar on a certain date or at request of the lender, receiving as a consideration a premium. In this operation a collateral or guarantee by the lender to the borrower, other than cash is request and those allowed by current regulations.

The securities lending transactions for legal effects are considered as a sale, where an agreement is set to return the securities object of the operation on a fixed date. However, the economic substance of the securities lending transactions consists in that the borrower can temporarily access to certain types of securities where the collateral served to mitigate the exposure to risk which the borrower faced respect to the lender.

The securities lending transactions are recorded as follows:

On the contracting date of the securities lending, when the Financial Group acts as lender, the entry of the securities object of the loan transferred to the borrower as restricted is recognized in accordance to the valuation, presentation and disclosure Accounting Criteria.

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

When Monex, S.A.B. acts as the borrower on the contracting date of the securities loan, Monex, S.A.B. records the security subject matter of the loan received in memorandum accounts, following the valuation standards applicable to custody transactions in the accountant Criterion B-9 issued by the Commission.

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

The security subject matter of the transaction, as well as the collateral pledged are presented as restricted, based on the type of financial assets in question.

The security subject matter received, as well as the collateral received are presented in memorandum account under the heading of "Collateral received".

Derivative instrument transactions- Monex, S.A.B. has two types of transactions with derivative financial instruments:

- Hedging purposes: Its objective is to mitigate the risk of an open risk position through operations with financial derivative instruments.
- Trading purposes - Its objective is different from that of covering open risk positions by assuming risk positions as a participant in the derivatives market.

Monex, S.A.B. initially recognizes all of its derivatives (including those that are part of a hedging relationship) as assets or liabilities (depending on the related rights and/or obligations) in the balance sheet at fair value, which is presumed to be equal to the price agreed in the transaction.

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

Subsequently, all derivatives are valued at fair value without deducting any transactions costs incurred during the sale or any other type of disposal, recognizing the valuation effect in results of the year under "Gains/losses on financial assets and liabilities (net)", except when the derivative financial instrument forms part of a cash flow hedge relationship.



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

The rights and obligations of derivatives that are not traded in recognized markets or stock exchanges are considered to have matured when they reach their maturity date, when the rights are exercised by either party or when the parties early exercise the rights in accordance with the related conditions and the agreed consideration is settled.

Derivatives are presented in a specific heading of assets or liabilities, depending on whether their fair value (as a result of the rights and/or obligations established) refers to a debit balance or credit balance, respectively. Such debit or credit balances may be offset as long as they comply with the respective offsetting rules.

Monex, S.A.B. presents the heading “Derivatives” (debit or credit balance) on the consolidated balance sheet by segregating derivatives for trading purposes from derivatives for hedging purposes.

Derivatives held for trading

Forward and futures contracts for trading:

Forward and futures contracts for trading are those that establish an obligation to buy or sell an underlying asset on a future date at a pre-established amount, quality and price on a trading contract. Both forward and futures contracts are recorded by Monex, S.A.B. as assets and liabilities in the consolidated balance sheets at the exchange rate established in the related underlying asset purchase-sale contract, to recognize the right and the obligation to receive and/or deliver the underlying asset, and the right and the obligation to receive and/or deliver cash equivalent to the underlying asset specified in the contract.

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

For forward contracts, the exchange difference between the exchange rate agreed in the contract and the monthly forward exchange rate, as well as the valuation effects, are recorded in the consolidated statements of income under “Gains/losses on financial assets and liabilities (net)”.

For futures contracts, a margin account is created whose counterparty is a clearing house, so as to minimize counterparty credit risk.

The margin account given in cash, does not form part of the initial net investment of the derivative, which is accounted for separately from the derivative.

For consolidated financial statement classification purposes, with respect to derivative instruments that incorporate both rights and obligations, such as futures, forwards and swaps, such rights and obligations are offset by contract and the resulting net debit or credit balances are recognized a derivative asset or liability, respectively.

Option contracts:

Options are contracts that, in exchange for a premium, grant the right, but not the obligation, to buy or sell a specified number of underlying instruments at a fixed price within a specified period. For the rights that grant the options are divided in purchase options (call) and sale options (put).

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

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



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

Monex, S.A.B. records the premium paid/received for the option on the transaction date as an asset or liability. Any fluctuations in the fair value are recognized in the consolidated statements of income under the heading "Gains/losses on financial assets and liabilities (net)". When an option matures or is exercised, the premium recognized is cancelled against results of the year, also under "Gains/losses on financial assets and liabilities (net)".

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

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

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

Swaps:

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

Monex, S.A.B. recognizes in the consolidated balance sheet an asset and a liability arising from the rights and obligations of the contractual terms at fair value, valued at the present value of the future cash flows to be received or delivered according to the projection of the implicit future rates to be applied, discounting the market interest rate on the valuation date using curves provided by the price vendor, which are reviewed by the market risk area.

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

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

If the counterparty credit risk of a financial asset related to the rights established in the derivatives is impaired, the book value must be reduced to the estimated recoverable value and the loss is recognized in the results of the year. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the year in which this occurs.

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

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

Hedging derivatives

Management enters into transactions with derivatives for hedging purposes using swaps.

Financial assets and liabilities which are designated and fulfill the requirements to be designated as hedged items, as well as financial derivatives which form part of a hedging relationship, are recognized in conformity with the hedge accounting provisions for the recognition of the gain or loss on the hedging instrument and of the hedged item in conformity with that established in Accounting Criterion B-5, *Derivatives and hedging transactions*, issued by the Commission.



A hedge relationship qualifies for designation as such when all of the following conditions are fulfilled:

- Formal designation and sufficient documentation of the hedging relationship.
- The hedge should be highly effective in achieving the offsetting of the changes in fair value or in the cash flows attributable to the risk covered.
- For cash flow hedges, the forecast transaction proposed for hedging should be very likely to occur.
- The hedge should be reliably measurable.
- The hedge should be valued continuously (at least quarterly).

All the derivatives for hedging purposes are recognized as assets or liabilities (depending on the rights and/or obligations they contain) on the consolidated balance sheet, initially at fair value, which is the price agreed in the transaction.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged and forms part of the heading “Derivatives” on the consolidated balance sheet and the interest accrued is recorded in the consolidated statements of income under the heading “Interest income” or “Interest expense”.

Derivatives transactions for hedging purposes are valued at market price and the effect is recognized depending on the type of accounting hedge, as follows:

- a. Fair value hedges - Represents a hedge against exposure to changes in the fair value of recognized assets or liabilities or of firm commitments not recognized, or a portion of both, which is attributable to a specific risk and which may affect the results of the year.

The primary position of the risk hedged and the derivative hedge instrument are valued at market price, with the net effect recorded in results of the year in the heading “Gains/losses on financial assets and liabilities (net)”.

In fair value hedges, the adjustment to the book value for the valuation of the hedged item is presented in a separate heading on the consolidated balance sheet.

- b. Cash flow hedges - Represents a hedge against exposure to variations in the cash flows of a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability, or with a highly probable event, and which (ii) may affect the result of the year. The hedged derivative instrument is valued at market price. The effective portion of the gain or loss on the hedge instrument is recorded in the other comprehensive profit and loss account as part of stockholders’ equity and the ineffective portion is recorded in the results of the year as part of the “Gain/loss on financial assets and liabilities”.

The effective hedge component recognized in stockholders’ equity associated with the hedged item, is adjusted to equal the lower (in absolute terms) of the accumulated gain or loss on the financial hedge derivative since its inception, and the accumulated change in the present value of the future cash flows expected from the hedged item since the inception of the hedge.

Any residual gain or loss on the hedge instrument is recognized in the results of the year.

Monex, S.A.B. suspends hedge accounting when the derivative has matured, when is canceled or exercised, when the derivative is not sufficiently effective to offset the changes in the fair value or cash flows from the hedged item, when it is established that the forecast transaction will not occur, or when it is decided that the hedged designation will be canceled.

When fair value hedge accounting is no longer applied prospectively, any adjustment to the book value for the valuation of the hedged item attributable to the hedged risk, is amortized in the results of the year. The amortization is performed by the straight-line method over the remaining life of the item originally hedged.



When a cash flow hedge accounting is suspended, the accumulated gain or loss related to the effective portion of the hedge derivative that was recognized in stockholders' equity as part of comprehensive income during the period of time that the hedge was effective, remains in stockholders' equity until the effects of the forecast transaction affect results. If it is no longer probable that the forecast transaction will occur, the gain or loss that was recognized in the comprehensive income account is recorded immediately in the results. When the coverage of a forecast transaction is demonstrated to be effective on a prospective basis and subsequently is not highly effective, the accumulated gain or loss for the effective portion of the hedge derivative that was recognized in stockholders' equity as part of comprehensive income during the period that the hedge was effective, is reclassified proportionally to results, when the forecast transaction is affected in the results.

Derivatives packages listed on recognized markets as a single instrument are recognized and valued collectively (i.e., without disaggregating each financial derivative individually). Derivatives packages not listed on a recognized market are recognized and valued on a disaggregated basis for each derivative that comprises such packages.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged, as part of the heading "Derivatives" on the consolidated balance sheets.

Embedded derivatives - An embedded derivative is a component of a hybrid (combined) financial instrument that includes a non-derivative contract (known as the host contract) in which certain cash flows vary in a manner similar to that of a standalone derivative. An embedded derivative causes certain cash flows required by the contract (or all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or credit index, or other variables allowed by applicable laws and regulations, as long as any non-financial variables are not specific to a portion of the contract. A derivative that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument (i.e. structured operations).

An embedded derivative is separated from the host contract for purposes of valuation and to receive the accounting treatment of a derivative, only if all the following characteristics are fulfilled:

- a. The economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;
- b. A separate financial instrument that has the same terms of the embedded derivative would comply with the definition of a derivative, and
- c. The hybrid (combined) financial instrument is not valued at fair value with changes recognized in the results (for example, a derivative that is not embedded in a financial asset or a financial liability valued at fair value should not be separated).

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

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

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

There is no established valuation of the embedded derivatives denominated in foreign currency contained in contracts when such contracts require payments in a currency commonly used to purchase or sell nonfinancial items in the economic environment in which the transaction is carried out (for example, a stable and liquid currency commonly used in local transactions, or in foreign trade).



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

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

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

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

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

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

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

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

Performing loan portfolio - Monex, S.A.B. applies the following criteria to classify loans within performing portfolio:

- Loans that are current in the payments of both principal and interest.
- Loans with extension of the loan payment, as well as those loans with payment of principal and overdue interest which had not classified as non-performing portfolio, and
- Restructured or renewed loans, which were previously classified as non-performing loan portfolio, which have evidence of sustained payment.

Non-performing loan portfolio - Integrated by credits:

1. If the borrowers are declared bankrupt, except for those loans:
 - i. For which Monex, S.A.B. continues to receive payment under the terms of section VIII of Article 43 of the Bankruptcy Law, or
 - ii. That are granted under Article 75 in relation to Sections II and III of Article 224 of the previous mentioned Law.
2. Loans for which payments of principal, interest or both, have not been received in accordance with the originally agreed terms, considering for this purpose the policies for the transfer to non-performing loan portfolio.



Transfer to non-performing loan portfolio

The unpaid balance in accordance with the payment conditions established in the loan agreement will be recorded as non-performing loans when:

1. It is known that the borrower is declared insolvent, in accordance with the Bankruptcy Law.

Notwithstanding the provisions within this section, loans for which the Monex S.A.B. continue receiving payments under terms of section VIII of article 43 of the Bankruptcy Law, as well as the loans granted under article 75 in relation to sections II and III of article 224 of the previous mentioned Law, will be transferred to non-performing loan portfolio when they fall under the conditions set forth in the following numeral 2 below, or

2. Repayments that were not fully settled under the terms originally agreed, with the following characteristics:
 - a) Loans with a single payment of principal and interest at maturity present 30 calendar days after the date of maturity.
 - b) Loans with a single payment of principal at maturity and with periodic interest payments present 90 calendar days after interest is due or 30 calendar days after principal is due.
 - c) Loans, including housing loans, whose principal and interest payments have been agreed in periodic installments present 90 calendar days after they become due.
 - d) Revolving loans for which the borrower has failed to render payment on two monthly billing periods, or, if the billing period is different from monthly, are 60 or more calendar days after overdue.
 - e) Immediate collection documents referenced in accounting criteria B-1 "Funds available" will be reported in the non-performing portfolio at the date of the overdraft.
3. Repayments that were not fully settled under the terms originally agreed and present 90 or more days in arrears:
 - a) Payments for loans acquired from INFONAVIT or FOVISSSTE, based on the respective payment modality (REA or ROA), as well as.
 - b) Loans made to individuals intended for remodeling or improvement of the home for non-profit-making purposes which are backed by the savings from the housing subaccount of the borrower.

The transfer to non-performing portfolio of the loans referred to in numeral 3 will be subject to the exceptional deadline of 180 or more days in arrears from the date that:

- a. The loan resources are used for the purpose for which they were granted;
- b. The borrower begins a new employment relationship for which they have a new employer, or
- c. The Financial Group has received the partial payment of the respective installment. The exception contained in this subsection will be applicable when it refers to loans under the ROA scheme, and each of the installments made during such period represent at least 5% of the payment agreed.

The exceptions will not be mutually exclusive.

In respect of the maturities referred to in paragraphs 2 and 3 of the preceding subparagraph, monthly periods may be used, irrespective of the number of days each calendar month has, in accordance with the following equivalences:

30 days	One month
60 days	Two months
90 days	Three months

Furthermore, in the event that the fixed term expires on a non-business day, this period will be understood to be the next working day.



For loan portfolio acquisitions, in order to determine the days in arrears and the respective transfer to non-performing loan portfolio, any defaults committed by the borrower since the origination of the loan must be considered

Classification of loan portfolio and allowance for loan losses - Monex, S.A.B. has classified its loan portfolio as follows:

- a. Commercial: Direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, investment units (“UDIS”) or multiples of the minimum wage (“VSM”), together with any accrued interest, which are granted to corporations or individuals with business activities and are used in connection with commercial or corporate activity; includes loans granted to financial entities, other than interbank loans with maturities of less than 3 business days, loans arising from financial factoring, discounts and the assignment of credit rights and leasing transactions executed with such corporations or individuals; loans granted to trustees who act under the protection of trusts, and the credit schemes commonly known as “structured”. This classification also includes loans granted to states, municipalities and their decentralized agencies when are subject to qualification in accordance with the applicable provisions.
- b. Housing loans: Direct loans denominated in Mexican pesos, foreign currency, UDIS or in VSM, and the interest they generate, granted to individuals and intended for acquisition or construction, remodeling or improvement of homes for non-profit-making purposes; they also include cash loans guaranteed by the home of the borrower and loans granted for such purposes to former employees of Monex, S.A.B.

Monex, S.A.B. recognizes reserves created to credit risks in accordance to the following:

Commercial loan portfolio:

The allowance for loan losses of each loan is determined by applying the following formula:

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

Where:

- R_i = Amount of reserves to be created for the nth loan.
 PI_i = Probability of default of the nth loan.
 SP_i = Severity of loss of the nth loan.
 EI_i = Exposure to default of the nth loan.

Default Exposure (EI) is the balance of revocable credit lines plus the unused portion of irrevocable credit lines. The Probability of Default (PI) is the probability of customer default, which considers quantitative and qualitative information, Monex, S.A.B. classifies the commercial loan portfolio in groups to calculate the PI. The Loss Severity (SP) is the percentage of the EI that would be lost in the event of loan default and depending on the loan enhancements and portfolio type.

The parameter EI, should be calculated each month, the PI_i; and the SP_i at least each quarter.

I. Probability of default

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

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



For purposes of the above:

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

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

Where:

Quantitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors.

Qualitative Credit Score i = Is the score obtained for the nth borrower when evaluating the risk factors.

α = Is the relative weight of the quantitative credit score.

The Loss Severity (SP_i) for commercial loan portfolio and which lack actual or personal guarantees and those derived from the loan itself will be:

- a. 45% to loans which lack actual or personal guarantees and those derived from the loan.
- b. 75% to syndicated loans. In those contractually subordinated to those of other creditors for payment prioritization purposes.
- c. 100% for loans with payments that are 18 or more months in arrears based on the originally agreed terms.

Monex, S.A.B. may recognize real guarantees, personal guarantees, and credit derivatives in the estimation of the Severity of the Loss on the loans, for the purpose of decreasing the loan reserves originated by the loan portfolio rating. In any case, it may elect to not recognize the guarantees if they result in larger loan reserves. For such purpose, the Accounting Criteria established by the Commission are applied.

II. *Default exposure*

The default exposure of each loan (EI_i) is determined by considering the following factors:

- i) Uncommitted credit lines that can be unconditionally canceled or automatically canceled at any time without giving prior notice.

$$EI_i = S_i$$

- ii) For the other credit lines:

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

Where:

S_i : The unpaid balance of the nth loan at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted.

In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet, for loans classified in non-performing portfolio.



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

The allowance for loan losses of commercial loan portfolio of a Multiple Purpose Financial Entity, in which the institutions held less than 99% of their capital stock, is calculated by multiplying the exposure to default by 0.5% in accordance to the Accounting Criteria.

Loans granted under the terms of the Bankruptcy Law

In the case of loans granted under the terms of section II of article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

$$SP_i = \text{Max} \left(\text{Min} \left(1 - \frac{\text{CreditEnhancements} + \text{AdjustedNetWorth}}{Si}, 45\% \right), 5\% \right)$$

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 mentioned Law and applying a 40% discount to the resulting amount.

Si = The outstanding balance of loans granted under the terms of section II of article 224 of the Bankruptcy Law at the rating date.

In the case of loans granted under the terms of section III of article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

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

Where:

Adjusted Net Worth = Net Worth, as defined by the Bankruptcy Law, by deducting the amount of the obligations referred to by sections I and II of article 224 of the mentioned Law and applying a 40% discount rate to the resulting amount.

Si = The outstanding balance of loans granted under the terms of section III of article 224 of the Bankruptcy Law at the rating date.

Housing loan portfolio:

When classifying the housing loan portfolio, Monex, S.A.B. considers the type of loan, the estimated probability of default of the borrowers, the severity of the loss associated with the value and nature of the loan's collateral and the exposure to default.

Furthermore, Monex, S.A.B. rates, calculates and records the allowances for loan losses on the housing loan portfolio as follows:

Due and Payable Amount- Amount which the borrower is obligated to pay in the agreed billing period without considering any previous due and payable amounts that were not paid. If the billing is semi-monthly or weekly, the due and payable amounts of the two semi-monthly payments or four weekly payments in the month, respectively, must be added up so that the due and payable amount reflects a monthly billing period.



The discounts and rebates may reduce the due and payable amount only when the borrower complies with the conditions required in the credit contract for such purpose.

Payment made- Includes total payments made by the borrower in the billing period. Write-offs, reductions, amounts forgiven, rebates and discounts made to the loan or group of loans are not considered as payments. If the billing is semi-monthly or weekly, the two semi-monthly payments or four weekly of a month, respectively, must be added up so that the payment made reflects one full monthly billing period. The variable “payment made” must be greater than or equal to zero.

Credit Balance S_i - The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less any insurance payments which were financed, collections of principal and interest, as well as reductions, amounts forgiven, rebates and discounts granted, as the case may be.

Days in arrears- Number of arrears observed at the calculation date of reserves.

Times: Number of times that the borrower pays the original amount of the loan. This number will be the coefficient resulting from dividing the sum of all the scheduled payments at the time of origination, by the original amount of the loan.

If the loan payments consider a variable component, Monex, S.A.B.’s best estimate will be used to determine the value of the sum of all the scheduled payments that the borrower has to make. The value of such sum cannot be less than or equal to the original amount of the loan.

The total amount of the allowance for loan losses to be established by Monex, S.A.B. will be equal to the allowance for loan losses on each loan, as follows:

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

Where:

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

PI_i = Probability of default on the nth loan.

SP_i = Severity of the loss on the nth loan.

EI_i = Exposure to default on the nth loan.

Evidence of sustained payment:

If loans are recorded in non-performing loan portfolio, Monex, S.A.B. holds them in this classification until there is evidence of sustained payment, as follows:

1. Payment compliance by the borrower without arrears for the total due and payable amount of principal and interest, of at least three consecutive repayments under the loan payment scheme, or in the case of loans with repayments which cover periods longer than 60 calendar days, the settlement of one payment.

In the case of loans which Monex, S.A.B. has acquired from the INFONAVIT, where the terms that the aforementioned agencies contracted with borrowers must be respected, sustained payment of the loan is deemed to exist when the borrower has covered without any arrears, the total due and payable amount of principal and interest, of at least one repayment of the loans under the Ordinary Repayment Regime (ROA) and three repayments for loans under the Special Repayment Regime (REA).

2. For loan restructurings with periodic payments of principal and interest whose repayments are lower than or equal to 60 days in which the periodicity of payment is modified to shorter periods, the number of repayments equivalent to three consecutive repayments under the original loan payment scheme must be considered. For loans which remain under a single payment scheme for principal at maturity, which are established in numeral 4 below will be applied.



3. In the case of consolidated loans, where two or more loans originated the transfer to non-performing loan portfolio, to determine the required repayments, the original loan payment scheme whose repayments are equal to the longest period in question must be applied.

In any case, there must be evidence that the borrower has the capacity to pay at the time the restructuring or renewal is performed in order to fulfill the new credit conditions. The factors which must be considered include all of the following: the probability of intrinsic default by the creditor, the collateral established for the restructured or renewed loan, the payment priority in relation to other creditors and the liquidity of the borrower in light of the new financial structure of the loan.

4. In the case of loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, sustained payment of the loan is deemed to exist when either of the following assumptions is fulfilled:
- a. The borrower has covered at least 20% of the original amount of the loan at the time of the restructuring or renewal, or,
 - b. The amount of accrued interest was covered in accordance with the restructuring or renewal payment scheme for a period of 90 days.

The advance payment of the repayments of restructured or renewed loans, other than those with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, is not considered evidence of sustained payment. Such is the case with repayments of restructured or renewed loans which are paid without the calendar day equivalent to the required periods having elapsed pursuant to numeral 1 above.

Distressed portfolio:

Monex, S.A.B. considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as the results of the loan review process, there is significant possibility that the outstanding principal and interest balances of the loan may not be recovered in full in accordance with the terms and conditions originally agreed. Both the performing and non-performing portfolio are likely to be identified as distressed portfolio.

Restructuring processes and renewals - A restructuring process is a transaction derived from any of the following situations:

- a) The extension of the guarantees covering the loan in question, or
- b) The modification of the original loan conditions or payment scheme, including the following:
 - The modification of the interest rate established for the remaining loan period;
 - The change of currency or unit of account, or
 - The concession of a grace period regarding the payment obligations established according to the original loan terms, or
 - Extension of the loan payment period.

A renewal occurs when the loan balance is settled partially or totally, through an increase in the original amount of the loan, or with the product derived from another loan contracted with the same entity, to which the same borrower is party, a joint obligor of such borrower or another person who due to his property links assumes common risks.

Notwithstanding the above, a loan will not be considered as renewed for the dispositions made during the effective term of a pre-established credit line, as long as the borrower has settled the total amount of the payments which are due and payable under the original conditions of the loan.



The specific standards related to the recognition of restructurings and renewals are as follows:

1. Non-performing loans which are restructured or renewed will remain in the non-performing loan portfolio until there is evidence of sustained payment.
2. Loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as non-performing portfolio until there is evidence of sustained payment.
3. Loans granted under a line of credit, whether revolving or not, which are restructured or renewed at any time, may be kept in the performing portfolio provided that there were elements to justify the payment capacity of the borrower. Additionally, the borrower must have:
 - a. Settled the total due and payable interest, and
 - b. Total payments required under the terms of the contract at the date of the restructuring or renewal, are covered.
4. In the case of dispositions made under a line of credit, when they are restructured or renewed independently from the credit line supporting them, they must be evaluated in accordance with the provisions based on the characteristics and conditions applicable to the restructured or renewed dispositions. When as a result of such analysis it is concluded that one or more of the dispositions made under a credit line should be transferred to non-performing loan portfolio due to the effect of their restructuring or renewal, and whether individually or collectively, represent at least 25% of the total balance exercised of the line of credit at the date of the restructuring or renewal, such balance, as well as subsequent dispositions, must be transferred to non-performing loan portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to non-performing loan portfolio. Also, the total dispositions made under the line of credit have complied with the due and payable obligations at the date of the transfer to performing loan portfolio.
5. Performing loans with characteristics different from those indicated in the numerals 2 to 4 above that are restructured or renewed, without at least 80% of the original term of the credit having elapsed, will be considered still valid, only when:
 - a) The borrower has settled the total amount of the accrued interest at the date of the renewal or restructuring, and
 - b) The borrower has settled the principal of the original amount of the loan, which should have been settled at the date of the renewal or restructuring.

In case of non-compliance with all the conditions described in the preceding numeral, loans will be considered as non-performing loan portfolio since the time they are restructured or renewal until there is evidence of sustained payment.

6. Performing loans with characteristics different from those established in numerals 2 to 4 which are restructured or renewed during the course of the final 20% of the original loan term, will be considered as performing only when the borrower has:
 - a) Settled the total interest accrued as of the date of the renewal or restructuring;
 - b) Settled the principal of the original amount of the loan, which should have been settled as of the date of the renewal or restructuring, and
 - c) Settled the 60% of the original amount of the loan.

In case of non-compliance with all the conditions described in the preceding numeral, they will be considered as non-performing loan portfolio from the moment they are restructured or renewed until there is evidence of sustained payment.



The requirements referred to the numerals 5 and 6 of subsection a) above, will be considered as fulfilled when, after the interest accrued as of the last cutoff date has been settled, the term elapsed between such date and the restructuring or renewal does not exceed the lower of half the payment period in question or 90 days.

Performing loans with partial periodic payments of principal and interest restructured or renewed on more than one time, may remain in performing loan portfolio if, in addition to the conditions established in numerals 5 or 6 above, as the case may be, Monex, S.A.B. has elements to substantiate the payment capacity of the borrower. Elements must be clearly documented and included in the loan file in the case of commercial loans.

If in a restructuring or renewal, different loans granted to the same entity to the same borrower are consolidated, each of the consolidated loans must be analyzed as if they were restructured or renewed separately and, if as a result of such analysis it is concluded that one or more of such loans would have been transferred to non-performing loan portfolio as a result of such restructuring or renewal, the total balance of the consolidated loan must be transferred to non-performing loan portfolio.

The previous mentioned shall not applicable to those restructurings which at the transaction date submit payment default for the total amount of the principal and interests and only modify one or more of the following original loan conditions:

- Guarantees: only when they involve the extension or substitution of guarantees by others of better quality
- Interest rate: when the interest rate to the borrower is improved.
- Currency or unit of account: whenever that the exchange rate corresponding to the new currency or unit of account is applied.
- Payment date: Only in the case that the exchange rate does not imply to exceed or modify the periodicity of the payments. In any case shall the change of the payment date must allow the omission of payment in any period.

Other receivables and payable accounts, net - Mainly represent receivable or payable amounts derived from the purchase-sale of currencies in which immediate settlement was not agreed (value date exchange transactions). These transactions are recorded on the day they are agreed and settled within a period of 24, 48, 72 or 96 hours.

Monex, S.A.B. has a policy of reserving in the results those receivable accounts identified and not identified within 90 days and 60 days after the initial recognition, respectively.

The income is recorded on an accrual basis and the accumulation of accrued income is maintained at the moment in which the debit present 90 or more calendar days of payment default.

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

Investments in share of associates - Permanent investments made by Monex, S.A.B. in entities where it has neither control, nor joint control, nor significant influence, are initially recorded at acquisition cost. Any dividends received are recognized in current earnings, except when they are taken from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment.

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

The amortization of the software and the assets with finite useful lives is calculated using the straight-line method recording them in operative expenses, updating their corresponding rates, over their estimated economic useful life.



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

Investments in securities acquired to cover pension plan and seniority premium are recorded at fair value.

For the purposes of presentation in the consolidated financial statements, if the investment in securities acquired to cover the pension plan and seniority premium exceed the liability recognized, such excess will be presented under the heading of “Other assets”. If assets are less than related obligations, such balance is included in the heading “Sundry creditors and other payables”. As of December 31, 2020, 2019 and 2018, the balance applicable to Monex, S.A.B. is presented by increasing the heading of “Sundry creditors and other payables”.

Goodwill - Goodwill was mainly attributable to the excess of the purchase price paid over the fair value of the net assets of Tempus and Monex Europe as of their acquisition date (November 23, 2010 and July 2, 2012, respectively), which is not amortized but is subject to impairment tests at least once a year.

Impairment of long-lived assets in use - Monex, S.A.B. reviews the carrying amount of long-lived assets in use for impairment when there are indicators that the net carrying amounts of the assets may not be recoverable. The impairment is recorded to the extent that the book value of the asset exceeds the recoverable amount, which is defined as the higher of the present value of net future cash flows or the estimated sales price. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period which, if combined with a history or projection of losses, depreciation and amortization charged to results as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors. As of December 31, 2020, 2019 and 2018, the management of the Monex, S.A.B. has not identified impairment of long-lived assets.

Deposits - This heading is comprised of demand deposits, including checking account, funds, saving accounts and current account deposits.

The deposits include, among others, certificates of deposit removable preset days and promissory notes payable at maturity, such deposits shall be presented into the consolidated balance sheets as of the general public and raised through money market transactions, the latter referring to deposits made with other financial intermediaries, as well as treasuries of corporations and government entities.

The debt securities issued will be presented as a separate category, as part of these, bank bonds.

Interest is recognized in results when accrued.

The global account for inactive deposits includes the principal and interest on deposit instruments which do not have a date of maturity, or which, if they do, are renewed automatically, as well as transfers or investments which are overdue or unclaimed, as referred to in article 61 of the Credit Institutions Law.

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

Bank loans and other loans - Direct short loans received from Mexican banks are recorded under this heading, as well as loans obtained from development banks. Interest is recognized in results when accrued.

Obligations arising from settlement of transactions - Represent amounts payable for currency purchase-sale transactions in which no immediate settlement is agreed, (foreign exchange trading value date). They are recorded on the day they are negotiated and settled within 24, 48, 72 or 96 hours.

Sundry creditors and other payables - Provisions are recognized when there is a present obligation derived from a past event, that probably represents a cash flow of economic resources, and can be reasonably estimated.



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

- i. *Direct employee benefits* - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly commissions, bonus and other incentives.
- ii. *Post-employment benefits* - Liabilities for seniority premiums, pensions and severance for voluntary or involuntary termination benefits are recorded as accrued and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.
- iii. *Employee benefit from termination* - The benefits for termination of the employment relationship which do not generate assumed obligations are recorded at the time that: a) Monex, S.A.B. no longer has any real alternative other than to fulfill the payments of such benefits or cannot withdraw an offer or b) Monex, S.A.B. fulfills the conditions established for a restructuring.
- iv. *Statutory employee profit sharing (PTU)* - PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

As of December 31, 2020, 2019 and 2018, the PTU is determined based on taxable income pursuant to fraction I of article 9 of the Income Tax Law.

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

Transactions in foreign currencies - Transactions in foreign currencies are recorded at the exchange rate in effect at the date of completion. Monetary assets and liabilities in foreign currencies are valued in Mexican pesos at the Fix exchange rate published by the Central Bank at the consolidated financial statements date. Exchange differences are recorded in results.

Financial margin - The financial margin of Monex, S.A.B. is composed of the difference between total interest incomes less interest expense.

Interest income is composed of the yields generated by the loan portfolio, based on the terms established in the contracts executed with the borrowers, the agreed interest rates, the repayment of interest collected in advance, and the premiums or interest on deposits in financial entities, bank loans, margin accounts, investments in securities, repurchase agreements and securities loans, as well as debt placement premiums, commissions charged on initial loan grants, and net equity instrument dividends.

Interest expense is composed of premiums, discounts and interest on deposits with Monex, S.A.B., bank loans and repurchase agreements. The amortization of costs and expenses incurred during the origination of the loan is also included under interest expense.

Both interest income and expense are periodically adjusted in accordance with market and general economic conditions.



Loan interest is recognized in the consolidated statements of income as it is accrued and is based on the periods established in contracts executed with borrowers and agreed interest rates, which are normally periodically adjusted in accordance with market and general economic conditions.

Recognition of revenues derived from securities transactions and the result of the purchase-sale of securities - The commissions and fees generated by transactions performed with customers' securities are recorded when the transaction is agreed. The results derived from the purchase-sale of securities are recorded when each transaction is performed.

The gains or losses resulting from currency purchase-sale transactions are recorded in the consolidated statements of income under the "Gains/losses on financial assets and liabilities (net)".

Expenses - Expenses are recognized as they accrue.

Consolidated statements of cash flows - In accordance with Criterion D-4 issued by the Commission, the statement of cash flows shows the sources of cash and cash equivalents, as well as the disbursements to settle obligations.

The consolidated statement of cash flows together with the rest of the consolidated financial statements provides information that allows:

- Evaluate of changes in the assets and liabilities of Monex, S.A.B. and in its financial structure.
- Evaluate of the amounts and dates of collection and payments to adapt to the circumstances and the opportunities to generate and/or apply cash and cash equivalents.

Information by segments: The accounting policy of Monex, S.A.B. to elaborate the note named Segments Information is to distribute the administrative and promotional expenses based on the income of each year, including the segment of others; so they may not be consistent between each year.

Memorandum accounts -

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

Customer's cash and securities held in custody, guarantee and administration by Monex, S.A.B. are recognized at their fair value in memoranda accounts and represent the maximum amount for which Monex, S.A.B. is liable as regards its customers based on future events.

- a. Cash is deposited with credit institutions in checking accounts other than those registered in the name of Monex, S.A.B. The checking accounts are destined only to manage the cash of the costumers of Monex, S.A.B.
- b. Securities held in custody and administration are deposited in S.D. Indeval, S.A. de C.V. (S.D. Indeval).

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

- *Contingent assets and liabilities:*

This heading represents economic sanctions imposed by the Commission or any another administrative or judicial authority for as long as Monex, S.A.B. does not comply with the payment obligation of such sanctions or has not initiated an appeal.



– *Credit commitments:*

This item represents the amounts of letters of credit granted by Monex, S.A.B., which are considered irrevocable commercial credit. It includes the lines granted to clients.

Items under this account are subject to qualification.

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

Different management trusts are kept to independently account for assets in trust received. In the Mandate is recorder the declared value of the assets established by the mandate contracts celebrated by Monex, S.A.B.

– *Collateral received:*

The balance is composed of all collateral received in repurchase transactions in which Monex, S.A.B. is the buying party.

– *Collateral received and sold or pledged as guarantee:*

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

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

Represents the interests accrued not collected of non-performing loan portfolio, as well as the financial revenues accrued not collected.

– *Other record accounts (Unaudited):*

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

4. Funds available

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

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



- (1) This item refers to currency purchase-sale transactions to be settled in 24 to 96 hours and which are considered as restricted until their settlement date. As of December 31, 2020, 2019 and 2018, balances denominated in foreign currency and the equivalent amounts in Mexican pesos are integrated as follows:

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

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

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

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

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

The exchange rate as of December 31, 2018 was \$19.6512, 22.4692 and \$25.0474 Mexican pesos per one U.S. dollar, Euro and Sterling pounds, respectively.

- (2) In accordance with the monetary policy established by the Central Bank and in order to regulate its money market liquidity, Monex, S.A.B. must maintain minimum deposits for indefinite periods, which accrue interest at the average bank rate. As of December 31, 2020, deposits amount to \$39 and 2019 and 2018 these deposits amounted to \$229 in the two years. Interest income from these deposits is payable every 28 days by applying the rate established by the Central Bank's regulations.

5. Margin accounts

As of December 31, 2020, 2019 and 2018, the margin accounts are as follows:

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



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

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

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

6. Investment in securities

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

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



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

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

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

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

This position is considered as restricted within trading securities.

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

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



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

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

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

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

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



Restricted securities available for sale

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

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

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

Securities held to maturity -

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

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

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

7. Repurchase agreements

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

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

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



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

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

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

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

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

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



8. Derivative financial instrument transactions

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

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



For the years ended December 31, 2020, 2019 and 2018, the valuation effect of the trading and hedging derivative instruments is reflected in the consolidated statements of income under “Gain/losses on financial assets and liabilities (net)” (See Note 30).

Fair value hedging

Monex, S.A.B. has financial derivatives which are used to hedge variances in the market value of its debt instruments issued by PEMEX, due to movements in the interest rate. Also, Monex, S.A.B. holds hedge instruments intended to cover the interest rates related to two of the most relevant loans granted as well as the interest rate of the UMS instrument issued in dollars.

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

Hedged position	Designated financial instrument	Market value	Observations
95PEMEX11-3	Interest rate swap which pays fixed rate (7.65%) and receives 28 day TIIE, plus a spread (2.0414%).	(5)	100% hedging
95PEMEX13-2	Interest rate swap which pays fixed rate (7.19%) and receives 28 day TIIE plus a spread (1.01%).The 75% of the exchange is hedging.	(44)	75% of the exchange is hedging. The remaining 25% is trading. (+452/602)
AUDI 1	Interest rate swap which pays fixed rate (6.135%) and receives 28 day TIIE.	(12)	100% hedging
AUDI 2	Interest rate swap which pays fixed rate (6.155%) and receives 28 day TIIE.	(4)	100% hedging

In all cases, the derivative instrument seeks to compensate losses in the market value of the hedged position caused by movements in interest rates. In this way, management provides stability in the result of these positions and limits the risk of abrupt movements in market rates. As result, if fluctuations in exchange rates can cause a loss, the swap covers the amount lost; and vice versa, when additional earnings are generated in the primary position, these are delivered in the hedging swap and are recognized accordingly (with impact on equity and results).

The underlying assets of derivatives closed during 2020 are as follows (unaudited):

Futures	Forwards	Options	Swaps	Notes
IPC	USD/MXN	ORG MXP IPC	IRS-TIIE 28	USD/MXN
USD	EUR/MXN	OTC MXP IPC	IRS-TIIE 91	EUR/MXN
	EUR/USD	OTC USD/MXN	IRS-LIBOR 1M	TIIE
	GBP/MXN	OTC EUR/MXN	IRS-LIBOR 3M	IPC
	GBP/USD	IRD CF	IRS-LIBOR 6M	
	CHF/MXN	MXN IPC		
	MXN/JPY	OTC EUR/USD	CCSWAP- TIIE LIB	
			CCSWAP Fija-Fija	
	USD/JPY	OTC USD/CAD	USD/MX	
	SEK/MXN		CCYSWAP EUR/MXN	
	EQ- IPC			
	EQ-Acciones			



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

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

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

Upon executing transactions with “Over the counter” (OTC) derivatives, Monex, S.A.B. agrees to deliver and/or receive collateral, to cover any exposure to market risk and the credit risk of such transactions. Such collateral is contractually agreed to with each of the counterparties.

As of December 31, 2020, 2019 and 2018, there are no restricted securities delivered as security for derivative transactions.

Management of derivative financial instrument usage policies

The policies of Monex, S.A.B. allow the use of derivatives for hedging and/or trading purposes.

The main objectives of these products are covering risks and maximizing profitability.

The instruments used include: forwards, futures, options, interest rate swaps and currency swaps.

The trading markets are listed and OTC markets and the eligible counterparties may be national entities that comply with the 31 requirements established by the Central Bank.

The appointment of calculation agents is established in the legal documentation executed with the counterparties. The prices published by price suppliers are used to value derivative instruments in organized markets and are based on the prices generated in derivative markets. OTC derivatives are valued using prices calculated by the derivatives system, using the risk factor information published by the price supplier.

The main terms or conditions of the contracts are based on those of the International Swaps and Derivatives Association, Inc. (ISDA) or the local outline agreement, which is based on the guidelines provided by the ISDA. The specific policies regarding margins, collateral, and lines of credit are detailed in the Derivatives Manual and any changes thereto must be approved by the Risk Committee.

Authorization levels and processes

Per internal regulations, all derivative products or services associated to derivative products traded by Monex, S.A.B. are approved by the Risk Committee. Any amendments or additions to the original authorization of products or services must also be approved by the Risk Committee.

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



Independent reviews

Monex, S.A.B. is subject to the supervision and oversight of the Commission and the Central Bank, which are exercised through follow-up processes, inspection visits, information and documentation requirements and submission of reports. Similarly, auditors perform periodic reviews.

Generic description of valuation techniques

1. For trading purposes:

- Organized markets - The valuation is made using the closing price of the respective market and the prices are provided by a price vendor.
- “Over The Counter” markets (OTC): OTC derivatives executed with customers are valued by the derivatives system using standard methodologies for the various instruments. The information for the valuation is provided by the price vendor.
- The valuation of OTC derivatives that are held with brokers and used to cover those made with customers, are made by the entity designated as the calculation agent for ISDA contract.

Monex, S.A.B. values all its positions and records the value obtained in conformity with the respective accounting criteria.

2. Reference variables:

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

3. Valuation frequency:

Derivative financial instruments for trading purposes are valued daily.

Management of internal and external liquidity sources that may be used for requirements related to derivatives financial instruments

Resources are obtained through the Treasury and the mainly financing resources are:

- Deposits.
- Debt securities.
- Bank loans.
- Cash collateral received.
- Stockholders.

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

In relation to financial instruments held for trading as of December 31, 2020, 2019 and 2018, Monex, S.A.B. is not aware of any situations or events, such as changes in the value of the underlying asset or reference variables which imply that the use of derivative instruments differ from those that were originally conceived, that could require Monex, S.A.B. to assume new obligations, commitments or changes in cash flow affecting liquidity (margin calls), or contingencies expected by Monex, S.A.B.’s administration, affecting future reports.

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



Impairment of financial derivatives -

As of December 31, 2020, 2019 and 2018, there is no indication of impairment in credit risk (counterparty) that requires modifying the carrying amount of financial assets from the rights in derivative financial instruments.

Sensitivity analysis -

Identification of risks - The sensitivity of derivative financial instruments is calculated in accordance with the market value variance according to certain variances in the base scenario. Based on the variances, there are different sensitivities.

The risk factors that may generate losses on transactions with derivative financial instruments due to changes in market conditions are interest rate, exchange rate, and changes in share indexes. A sensitivity analysis shows that the consumption in these risks is not relevant.

The sensitivity is assessed using the effect of variances in risk factors on the market value of the positions in effect at a certain date; such position considers the derivatives with customers and the hedging transactions in spot markets and with OTC derivatives with financial intermediaries, i.e., the net position in terms of delta.

The following chart shows the total sensitivity consumption as of December 31, 2020 (unaudited):

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

Stress test -

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

As of December 31, 2020 the results for these scenarios are as follows and show the impact on results if they occurred (unaudited):

Risk profile	Stress test (all factors)
Stage one	\$ (9.620)
Stage two	\$ (19.240)



9. Loan portfolio

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

2020			
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	\$ 12,695	\$ 310	\$ 13,005
Loans to financial institutions	1,148	-	1,148
Loans to government entities	1,021	-	1,021
Housing loans-			
Loans acquired from INFONAVIT	1,102	3	1,105
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,907	181	8,088
Loans to financial institutions	400	-	400
Loans to government entities	462	-	462
Total	<u>\$ 24,735</u>	<u>\$ 494</u>	<u>\$ 25,229</u>
2019			
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	\$ 13,989	\$ 407	\$ 14,396
Loans to financial institutions	1,220	-	1,220
Loans to government entities	4	-	4
Housing loans-			
Loans acquired from INFONAVIT	95	2	97
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,249	121	7,370
Loans to financial institutions	758	-	758
Total	<u>\$ 23,315</u>	<u>\$ 530</u>	<u>\$ 23,845</u>
2018			
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	\$ 11,188	\$ 416	\$ 11,604
Loans to financial institutions	1,343	-	1,343
Loans to government entities	1,775	-	1,775
Housing loans-			
Loans acquired from INFONAVIT	698	1	699
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,079	104	7,183
Loans to financial institutions	630	-	630
Loans to government entities	697	-	697
Total	<u>\$ 23,410</u>	<u>\$ 521</u>	<u>\$ 23,931</u>



Monex, S.A.B. grants loans guaranteed by the U.S. Ex-Im Bank, as follows:

Definition of Ex-Im Bank - “*The Export-Import Bank of the United States*”, is the U.S. export loan agency. Its mission is to provide financing for the export of U.S. goods and services to international markets.

- a) For long-term loans subject to such guarantees, Monex, S.A.B. receives guarantees covering up to 100% of the Ex-Im Bank, which is documented in an outline agreement.
- b) For short-term loans with revolving lines of credit guaranteed with loan insurance policies issued by the Ex-Im Bank to Monex, S.A.B., the policies cover between 90% and 98% of the loan amount.

In the event of default of a loan guaranteed or insured by the Ex-Im Bank, Monex, S.A.B. will claim the settlement and subrogate the collection rights to such bank, which continues collections efforts on the loans.

As of December 31, 2020, 2019 and 2018, the participated portfolio administered by Monex, S.A.B. and non-participated portfolio in foreign currency are as follows:

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

Housing Loans

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

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

The National Workers’ Housing Fund Institute (INFONAVIT) developed the “Mejoravit Loan Program” which enables certain banks to take part in granting loans known as “Mejoravit” intended for the improvement, remodeling and extension of homes of workers affiliated to this Institute. The involvement of the INFONAVIT in this program focuses on the origination, administration and collection of the loans.



In accordance with the rules established to grant “Mejoravit” loans, the INFONAVIT reviews and approves the financial conditions of the loans and Monex, S.A.B. provides the economic resources to the borrower.

The Mejoravit loans are guaranteed by the balance of the housing subaccount of the certified stakeholders with an irrevocable guarantee trust managed by “Nacional Financiera S.N.C.” as trustee of the Trust.

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

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

Restructurings

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

Risk diversification -

As of December 31, 2020, Monex, S.A.B maintains the following credit risk operations in conformity with the general diversification rules established for active and passive transactions by the Accounting Criteria as follows:

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

According to the Accounting Criteria, the limits regarding the diversification of an institution’s credit operations are determined according to its fulfillment of capitalization requirements, considering the exceptions established by the Accounting Criteria, these are:

When granting financing to the same person or group of people with common risk, they must be subject to the maximum Financing limit that results from applying the following:

Capitalization level	Maximum financing limit calculated according to Banco Monex’s basic capital
More than 8% and up to 9%	12%
More than 9% and up to 10%	15%
More than 10% and up to 12%	25%
More than 12% and up to 15%	30%
More than 15%	40%



- The sum of the financing granted to three main borrowers must not exceed 100% of the Banco basic capital.
- Financing granted to full-service banking institutions will not be subject to maximum financing limits, but is nonetheless subject to the maximum limit of 100% of the basic capital of the lending the Banco. In the case of foreign institutions in which foreign financial entities hold equity, the aforementioned limit is applicable to the holding company and its subsidiary institutions taken as a whole.
- The financing granted to the state-owned entities and departments of the Federal Public Administration, including public trusts and the productive entities pertaining to the State, must be subject to the maximum limit of 100% of the basic capital of the lending Bank.

These credit limits must be measured quarterly. The applicable limit is calculated by using the basic capital amount and capitalization ratios of the quarter immediately preceding the date on which the calculation is made. These ratios are published by the Commission for each Institution on the following website: <http://www.cnbv.gob.mx>.

The Commission may reduce the above limits whenever it considers that an institution's comprehensive risk management is inadequate or its internal control system has certain weaknesses.

Loans to related parties - As of December 31, 2020, loans granted to related parties in accordance with article 73 of the Credit Institutions Law were \$1,548. As of December 31, 2019 and 2018, the total was \$1,158 and \$894, respectively, which were approved by the Board of Directors.

Policy and methods used to identify distressed commercial loans - Monex, S.A.B. considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as in the process of reviewing the loan, there is significant possibility that no can be recovered in full, both its component of principal and interest in accordance with the terms and conditions originally agreed. Both the performing portfolio and non-performing portfolio are likely to be identified as distressed portfolio.

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

	2020			2019	2018
	Performing portfolio	Non-performing portfolio	Total	Total	Total
Mexican pesos:					
Commercial loans-					
Commercial or					
corporate activity	\$ 1	\$ 199	\$ 200	\$ 178	\$ 416
Dollars valued in					
Mexican pesos:					
Commercial loans-					
Commercial or					
corporate activity	-	-	-	15	105
Total	\$ 1	\$ 199	\$ 200	\$ 193	\$ 521

Policy and methods to identify concentration of credit risk - Concentration risk constitute an essential element in risk management. Monex S.A.B. has policies in place to avoid significant concentrations of credit risks in borrowers or business groups, as well as industries and types of loans.

Furthermore, constant follow-up is provided at the individual level and at the level of loan portfolios to avoid concentrations.

Credit lines unused by customers - As of December 31, 2020, 2019 and 2018, unused credit lines were \$8,804, 9,766, and \$8,835, respectively.



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

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

10. Allowance for loan losses

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

2020	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	\$ 20,602	\$ 491	\$ 441
Loans to financial institutions	1,548	-	21
Loans to government entities	1,483	-	8
Housing loans-			
Loans acquired from INFONAVIT	<u>1,102</u>	<u>3</u>	<u>3</u>
Subtotal	24,735	494	473
Additional Generic Reserves	<u>-</u>	<u>-</u>	<u>500</u>
Total portfolio	<u>\$ 24,735</u>	<u>\$ 494</u>	<u>\$ 973</u>
2019	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	\$ 21,238	\$ 528	\$ 412
Loans to financial institutions	1,978	-	20
Loans to government entities	4	-	-
Housing loans-			
Loans acquired from INFONAVIT	<u>95</u>	<u>2</u>	<u>1</u>
Total portfolio	<u>\$ 23,315</u>	<u>\$ 530</u>	<u>\$ 433</u>
2018	Performing portfolio	Non-performing portfolio	Assigned allowance
Commercial loans-			
Commercial or corporate activity	\$ 18,267	\$ 520	\$ 393
Loans to financial institutions	1,973	-	20
Loans to government entities	2,472	-	12
Housing loans-			
Loans acquired from INFONAVIT	<u>698</u>	<u>1</u>	<u>2</u>
Total portfolio	<u>\$ 23,410</u>	<u>\$ 521</u>	<u>\$ 427</u>



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

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

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

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

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

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

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



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

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

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

The following are the special accounting criteria to consider:

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

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

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

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

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

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

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

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

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

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

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



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

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

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

No special accounting criteria were considered for the Mortgage Portfolio.

11. Other receivables, net

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

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



12. Property, furniture and equipment

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

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

The annual depreciation rates were as follows:

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

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

13. Other assets

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

	2020	2019	2018
Goodwill:			
Tempus	\$ 407	\$ 407	\$ 407
Monex Europe LTD.	326	326	326
Arrendadora	33	33	33
Conversion effect	<u>372</u>	<u>302</u>	<u>330</u>
	1,138	1,068	1,096
Deferred charges, prepayments and intangible:			
Other intangible assets arising from the acquisition of Tempus (1)	176	176	176
Other intangible assets arising from the acquisition of Monex Europe (1)	1,148	1,016	924
Conversion effect	<u>247</u>	<u>168</u>	<u>179</u>
Intangible assets	1,571	1,360	1,279
Modifications and improvements	318	311	291
Software	98	98	98
Prepayments	228	105	166
Investment projects	407	358	230
Other deferred charges	<u>56</u>	<u>68</u>	<u>58</u>
	2,678	2,300	2,122
Less - accumulated amortization	<u>(634)</u>	<u>(432)</u>	<u>(304)</u>
	2,044	1,868	1,818
Other assets:			
Operational deposit	75	77	123
Management trust (1)	<u>73</u>	<u>76</u>	<u>72</u>
	148	153	195
	<u>\$ 3,330</u>	<u>\$ 3,089</u>	<u>\$ 3,109</u>



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

Deferred charges, advanced payments and intangibles, net

	Tempus	Monex Europe	Total		
			2020	2019	2018
Licenses	\$ 71	\$ 513	\$ 584	\$ 452	\$ 360
Sales force	42	67	109	109	109
Operating agreements with banks	56	401	457	457	457
Software	7	6	13	13	13
Non-compete agreements	-	161	161	161	161
Total	176	1,148	1,324	1,192	1,100
Conversion effect			247	168	179
Total			1,571	1,360	1,279
Accumulated amortization			(70)	(65)	(65)
Total intangibles assets			\$ 1,501	\$ 1,295	\$ 1,214

Management Trust No. F/523 - On May 19, 2010, Monex, S.A.B. started a stock option plan for its key executives, which was approved during a stockholders' Meeting of the same date. Consequently, Admimonex, executed Management Trust Agreement F/523 with the Banco to grant financing to its executives to enable them to acquire shares representing the common stock of Monex, S.A.B. As of December 31, 2020, the shares deposited in the trust amount to 5,825,454 Series "B" shares of Monex, S.A.B., which were assigned and acquired by executives at that date.

14. Foreign currency position

As of December 31, 2020, 2019 and 2018, foreign currency assets and liabilities of Monex, S.A.B. were as follows:

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



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

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

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

As of March 26, 2021, the position in foreign currency (unaudited) is similar to that at the end of the year and the “Fix” exchange rate at that date is \$20.5677 per US dollar, \$24.2174 per euro and \$29.2769 per Sterling pounds.

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

Monex, S.A.B. performs a large number of foreign currency transactions mainly in U.S. dollar, Euro, Sterling pounds, Canadian dollar, Japanese yen and other currencies. Given that the parities of other currencies against the Mexican peso are linked to the U.S. dollar, the overall foreign currency position is consolidated into U.S. dollars at each monthly closing.

15. Deposits

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

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

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

16. Bank loans and other loans

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

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



Loans with Development Bank Institutions - Loans are granted by, Nacional Financiera, S.N.C. (NAFIN) and Fideicomisos Instituidos en Relación con la Agricultura (FIRA), which represent a direct obligation for Monex, S.A.B. with these entities. Accordingly, Monex, S.A.B. grants loans for financial support in Mexican pesos and U.S. dollars to its customers for financial support.

Credit lines for discounts and loans, granted in Mexican pesos and U.S. dollars by the development funds mentioned above, operate under the authorizations of the internal risk units of Monex, S.A.B. The financial conditions are set under fixed and variable rate programs, both in U.S. dollars and Mexican pesos, and the term is based on the specific program or transaction determined for each project.

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

17. Securitization certificates

Issuance of Monex, S.A.B.

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

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

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

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

Issuance of the Banco

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

18. Comparative maturities of principal assets and liabilities

The maturities of the significant assets and liabilities held as of December 31, 2020 were as follows:

	6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets:					
Funds available (1)	\$ 14,191	\$ -	\$ -	\$ 388	\$ 14,579
Margin accounts	1,957	-	-	-	1,957
Investment in securities	14,693	5,512	40,721	9,120	69,746
Repurchase agreements	1,000	-	-	-	1,000
Derivatives	1,609	705	2,105	2,073	6,492
Performing loan portfolio	6,323	579	11,968	5,865	24,735
Non-performing loan portfolio	291	-	171	32	494
Other receivable (net)	28,160	-	-	-	28,160
Total assets	68,224	6,496	54,965	17,478	147,163



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

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

19. Related party transactions and balances

As of December 31, 2020, 2019 and 2018, Monex, S.A.B. maintains credits with related parties for a total of \$1,559, \$1,160 and \$899, respectively.

Management considers that transactions with related parties were performed according to the terms that would be utilized with or between independent parties for comparable transactions.

20. Labor benefits

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

Each year, Monex, S.A.B. records the net periodic cost for defined benefits (PNBD) to create an obligation from seniority premiums, pensions and severance payments as it accrues based on actuarial calculations prepared by independent actuaries, which are based on the projected unit credit method and the parameters established by the Commission. Therefore, the liability is being accrued which at present value will cover the obligation from benefits projected to the estimated retirement date of Monex, S.A.B.'s employees.

As of December 31, 2020, 2019 and 2018, balances and activity reflected in labor benefits, which include, seniority premiums, pensions and severance payments, were as follows:

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



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

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

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

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

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

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

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

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

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



As of December 31, 2020, 2019 and 2018, there is no fund created for severance payments at the end of the employment relationship for reasons other than restructuring.

Changes in the present value of the defined benefits obligation:

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

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

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

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

21. Obligations arising from settlements of transactions

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

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



22. Sundry creditors and other payables

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

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

- (1) Based on the internal accounting policy for the cancellation of unidentified customer deposits, whose aging equals or exceeds three years as of the deposit date, as of December 31, 2020, 2019 and 2018 Monex, S.A.B. recorded in "Other income" an amount of \$28, \$63 and \$39 respectively.

23. Income taxes

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

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

Reconciliation of the accounting tax result - The main items affecting the determination of Monex, S.A.B.'s tax result was the annual adjustment for inflation, provisions, the difference between accounting and tax depreciation and amortization, the allowance for loan losses, provisions created for the expenses of prior years that were settled in the current year and the valuation effect of financial derivatives instruments.

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

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



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

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

Management does not record a reserve on deferred tax (asset), since it considers a high probability that it can be recovered in accordance with its financial and tax projections.

The deferred tax is recorded in the consolidated statements of income or in the shareholders' equity in accordance with the item that gives origin to it.

Monex, S.A.B. does not consolidate the results of its subsidiaries for tax purposes, therefore, the management of Monex, S.A.B. considers that the effective rate presented individually from its main subsidiaries, provides more realistic information than if it were presented on a consolidated basis, since it has foreign subsidiaries with different tax rates.

The reconciliation of the legal ISR and the effective rate of main entities of Monex, S.A.B., expressed as a percentage of income before ISR are:

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

Other tax issues:

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

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



24. Stockholders' equity

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

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

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

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

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

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

Minimum fixed capital is \$50 (fifty thousand Mexican Pesos), represented by 50,000 fully subscribed and paid-in Series "A" shares.

Variable capital is unlimited and represented by ordinary, nominative Series "B" shares at no face value.

Foreign entities that exercise the function of authority may not participate under any circumstance in the Capital Stock of Monex, S.A.B., as well as Mexican financial institutions, even if they form part of Monex, S.A.B. group, unless they act as institutional investors within the terms of Article 19 of the Law Regulating Financial Groups.

In cases where dividends are distributed prior to the payment of taxes applicable to Monex, S.A.B., such tax must be paid when the dividend is distributed; therefore, Monex, S.A.B. must keep track of profits subject to each rate.

Capital reductions will incur in taxes on the excess of the amount distributed against the capital tax value, as set forth in the Income Tax Law.

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



According to the Income Tax Law, in the case of dividend payment by Mexican companies, there is an additional ISR, of 10% on the payment of dividends to individuals and residents abroad, in the case of residents abroad treaties may be applied to avoid double taxation.

25. Earnings per share

Earnings per share related to the years ended as of December 31, 2020, 2019 and 2018 were determined as follows:

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

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

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

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

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

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

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



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

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

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

Impact in the change of rates from LIBOR to SOFR

Background:

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

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

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

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



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

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

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

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

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

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

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

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

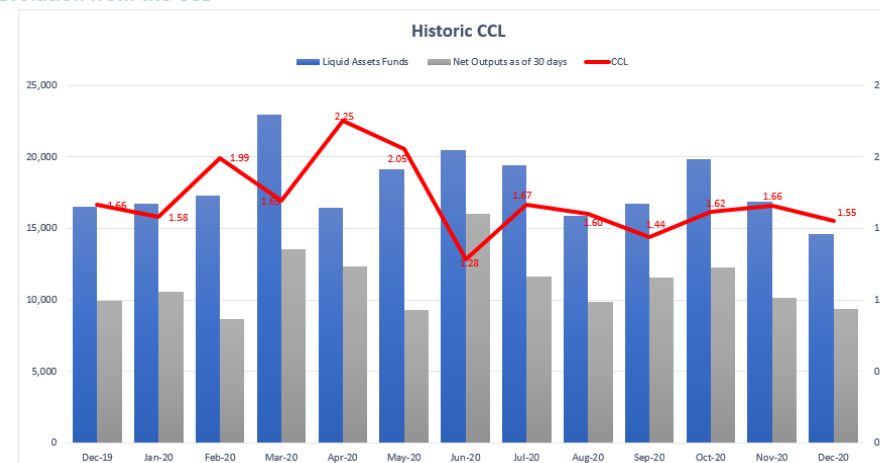
Impact of CVA on MTM

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

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

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

Evolution from the CCL



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

- Effects of the facilities published by the Commission:

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



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

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

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

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

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

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

29. Memorandum accounts

Memorandum accounts are not included in the balance sheet and only the memorandum accounts in which transactions are directly related to the balance sheet were reviewed by external auditors, such as: customer banks, customer securities in custody, customer repurchase agreements, customer loan securities transactions, customer collateral received in guarantee, customer transactions of purchase or sale derivatives, contingent assets and liabilities and collateral received and sold or delivered in guarantee.

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

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

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

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



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

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

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

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

31. Financial margin

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

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



32. Segment information

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

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



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

International 1 - International operations that include the results of the operations of Tempus and Monex Europe LTD companies, which include purchase and exchange services and foreign exchange forward transactions in the United States, the United Kingdom and Spain.

International 2 - International operations that include the results of the operations of the Monex Securities and Monex Assets companies, which include broker services and investment advice.

Derivatives - Risk management solutions including intermediation services of forwards, cross currency options, interest rate swaps, stock options, notes and structured bonds.

Banking products: Asset management services which includes intermediation services for fixed income investment, stock securities and funds and managed portfolios.

Loans and deposits - Banking products and services, as well as, lending services and client's deposits.

Trust Services - Trust and representation services.

Others - This segment is including the result obtained in the stock exchange operations carried out by Monex, S.A.B., because the volume of the operations depends on the needs and strategies defined by the Assets and liabilities Committee, so the gains/losses are very volatile during the year.

33. Contingencies and commitments

- a. **Lawsuits** - Over the normal course of business, Monex, S.A.B. and its subsidiaries have been involved in certain lawsuits which are not expected to significantly affect their financial position or future results of operations. Provisions have been recognized for those matters representing probable losses. As of December 31, 2020, 2019 and 2018 Monex, S.A.B has contingency reserves of \$117, \$117 and \$133, respectively, which are included in "Sundry creditors and other accounts payable". Monex, S.A.B.'s management considers the reserve is reasonable, in accordance with its internal and external legal counsel opinion.
- b. **Administered loan portfolio** - As discussed in Note 9, the portfolio administered by Monex, S.A.B. derived from the sales made and equity held under the outline agreement executed with ExIm-Bank is for the amount to \$5, \$11, and 10 as of December 31, 2020, 2019 and 2018, respectively. In relation to this loan portfolio, Monex, S.A.B. has committed to assume all credit risks in the event of noncompliance with the terms agreed with ExIm-Bank regarding the documentation of each loan. However, management considers that the possibility of a refund to ExIm-Bank is unlikely.

34. Comprehensive risk management (unaudited)

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

Management has policies and procedures manuals which follow the guidelines established by the Commission and Central Bank to prevent and control the risks exposure Monex, S.A.B. incurs based on the transactions it performed.

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



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

- a. **Environment** - Monex, S.A.B. identifies, manages, supervises, controls, discloses and provides information on risks through its Comprehensive Risk Management Unit (UAIR) and the Risk Committee, analyzing the information received from business units.

To enable it to measure and evaluate the risks resulting from its financial transactions, Monex, S.A.B. has technological tools to calculate the Value at Risk (VaR), also performing supplemental sensitivity analysis and stress testing. In addition, Monex, S.A.B. has developed a plan allowing operations continuity in case of a disaster.

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

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

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

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

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

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

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

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

- d. **Liquidity risk** - The UAIR calculates daily liquidity GAP's (time at which interest or principal is received) based on the cash flows from total financial assets and liabilities of Monex, S.A.B.

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

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

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



- e. **Credit risk** - Monex, S.A.B.'s credit risk is managed in each phase of the credit process: promotion, evaluation, approval, implementation, follow-up, control and recovery.

This risk management is carried out by identifying, measuring, supervising and informing the different corporate bodies and business units of the risks that the credit portfolios and the individual credits are exposed.

Individual risks are managed by means of expert analysis, and by classifying the portfolio of each borrower and each credit.

For credit portfolios the risk is managed through the establishment and follow-up of criteria such as: concentration limits, financing limits, indicators of portfolio quality, analysis of the evolution of risk indicators and trends.

Furthermore, there is a follow-up methodology in place for the entire portfolio, in which policies and parameters are applied to classify the risk level of the borrowers, also, is established criteria to manage borrowers considered as high risk.

The Recovery Unit plays an active role in the process of risk management and portfolio follow-up, with the aim of minimizing the risks for Monex, S.A.B.

Furthermore, Monex, S.A.B. makes the classification of each customer using the methodology established by the Commission, which considers aspects related to financial risk, payment experience and collateral.

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

- f. **Operating risk** - The Comprehensive Risk Management Manual (MAIR) and Operating Risk Management Manual (MARO) establish policies and procedures for monitoring and control of operating risks. Procedures to follow up operational risk and inform periodically to UAIR, RC and the Board of Directors were established.

Monex, S.A.B. has implemented the risks and control matrices to get a qualitative qualification of the impact and frequency of the risks.

Through the classification of Risks, catalogues of risks are being integrated to determinate possible losses if an operational risk identified occurred and the future operational risks.

Risk frequency and impact classifications have been utilized to create risk maps for the different processes implemented by Monex, S.A.B.; these risk maps indicate the tolerance levels applicable to each risk.

Scale	Level
1	Low
2	Medium
3	High

- The maximum tolerance level utilized by Monex, S.A.B. is scale 3.
- Accordingly, each identified operating risk must be classified at levels 1 and 2 (Low - Medium) of the scale.

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

These levels indicate the possible economic loss that could be suffered by Monex, S.A.B. if a given risk materializes.



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

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

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

i. **Quantitative information (unaudited)**

a) **Market risk** -

As of December 31, 2020, 2019 and 2018, the VaR was \$12, \$8 and \$28, respectively (unaudited) with a 99% reliance for one day. This value represents the maximum loss expected during one day and is situated within the limits established by Monex, S.A.B.

As of December 31, 2020, 2019 and 2018, portfolio concentration by segment was as follows (unaudited):

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



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

Market risk statistics

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

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

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

The credit VaR of the corporate bonds portfolio of the Money market as of December 31, 2020 in Monex, S.A.B. was (1.14%) relative to an investment of \$23,391, whereas the credit stress of such portfolio was (3.38%) at the same date. The credit VaR was calculated using the Monte Carlo Simulation method with a confidence level of 99% on a one-year horizon; the stress was obtained by considering the following lower classification of each instrument.

	VaR	Expected loss	Unexpected loss
Maximum	2.10%	0.38%	1.73%
Minimum	1.39%	0.32%	1.05%
Average	1.75%	0.35%	1.40%

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

Commercial loan portfolio.

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

Expected loss statistics of commercial loan portfolio.

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

* The expected loss statistics unexpected loss and VaR refer to the daily exposure of December 31, 2020 for the commercial loan portfolio.

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



c) **Liquidity Risk -**

Monex, S.A.B. evaluates the expiration of the assets and liabilities of the balance sheet in Mexican pesos and foreign currency. The gap of liquidity in Mexican pesos is as follows (unaudited):

Year	Requirement ≤30 days	Requirement ≤30 days
2020	\$ 18,437	\$ 35,750

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

Year	Requirement ≤30 days	Requirement ≤30 days
2020	\$ 273	\$ 494

GAP Repricing total*

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

GAP maturity total**

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

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

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

Repurchase agreements renewal effect	Amount	VaR Absolut	Effect of Selling to unusual discounts MD	Amount
Actual Cost	(263)		Value of securities	60,044
Sensitivity 1	(289)	(26)	Sensitivity 1	(13)
Sensitivity 2	(316)	(53)	Sensitivity 2	(125)
Stress 1	(342)	(79)	Stress 1	(1,228)
Stress 2	(368)	(105)	Stress 2	(2,409)
Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.			Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.	

Effect of selling unusual discounts in treasury	Amount	Interest paid on deposits	Current MTM	MTM variation
Securities' value	29,486	Interest paid (actual)	(5)	-
Sensitivity 1	(7)	Sensitivity 1	(6)	(1)
Sensitivity 2	(65)	Sensitivity 2	(6)	(2)
Stress 1	(636)	Stress 1	(6)	(1)
Stress 2	(1,243)	Stress 2	(8)	(3)
Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.		Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.		



d) **Operational Risk**

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

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

Type of Operational Risk		4T-2020		
Materialized events	Frequency	% Total	Average impact	%Total
Internal fraud	3	4%	5.49	100%
Unmaterialized events	Frequency	% Total	Average impact	%Total
Execution, delivery and process management	14	18%	-	0%
Incidents in the business and system failures; external events	58	75%	-	0%
Customers, products and business practices	2	3%	-	0%
Total	77	100%	5.49	100%

- e) **Risk policies applied to derivative financial instruments-** Market risks of transactions involving derivative financial instruments are limited because customer transactions are hedged through organized markets or inverse transactions with financial intermediaries.

These transactions involve a counterpart risk which is analyzed by the credit risk. Transaction amounts and initial margins are authorized and/or ratified by the Lines Committee.

For OTC derivatives transactions with customers, operating lines based on the analysis of the financial situation of each of the partners are determined. The credit risk covers customers requesting margins depending on the situation presenting.

In addition, customers are subject to margin calls at the end of the day or during the day if they face significant valuation losses in their open positions.

For foreign exchange transactions, credit risk is analyzed through the credit evaluation of the customers. The credit lines proposals are presented to the credit line Committee, which can approve, deny or modify the proposal. Control of this risk is performed by monitoring the use of the lines and the corresponding payment behavior.

- f) **Detection of transactions with illegal resources** - Monex, S.A.B. has a Communication and Control Committee which monitors compliance with applicable standards, while also notifying the involved areas and respective authorities of any transactions considered as unusual, significant or worrying according to SHCP provisions.

35. Subsequent events

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



36. New accounting principles

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

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

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

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

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

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

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

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

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

Improvements to the 2021 NIF that generate accounting changes:

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

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



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

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

Homologation of Accounting Criteria by the Commission:

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

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

37. Authorization of the issuance of the consolidated financial statements

On March, 26, 2021 the issuance of the consolidated financial statements was authorized by Héctor Pío Lagos Dondé, Chief Executive Officer of Monex, S.A.B., Alfredo Gershberg Figot, Chief Financial and Planning Officer, José Luis Orozco Ruíz, Chief Internal Auditor and José Arturo Álvarez Jiménez, Director of Accounting and Tax and by the Board of Directors, who, in addition to the Commission may be modified.

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Annual Report 2020



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