BOLSA MEXICANA DE VALORES, S.A.B. DE C.V.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2018 and 2017
with Independent Auditor's Report

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AND SUBSIDIARIES

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Contents:

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Bolsa Mexicana de Valores, S.A.B. de C.V.,

Opinion

We have audited the accompanying consolidated financial statements of Bolsa Mexicana de Valores, S.A.B. de C.V. and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2018 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bolsa Mexicana de Valores, S.A.B. de C.V. and its subsidiaries as of December 31, 2018 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards "(IFRS)".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the financial statements in Mexico in accordance with the "*Código de Ética Profesional del Instituto Mexicano de Contadores Públicos*" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included audit procedures designed to respond to assessed risks of material misstatement in the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

- *Goodwill*

Why the matter was determined to be a key audit matter

We consider the calculation of goodwill to be a key audit matter since this calculation requires significant Management judgment and the use of the subjective estimates and forecasts of economic inflows and outflows that are subject to future market conditions.

See Notes 2 and 7 to the accompanying consolidated financial statements for disclosures on goodwill recognized by the Company for a total of MXN 3,124 million arising on the acquisition of the subsidiaries described in such notes.

How we responded to this key audit matter

Our audit procedures consisted of the following:

a) We assessed the design of significant controls related to the impairment testing process as of December 31, 2018; b) We assessed the key assumptions and methods used by Management to calculate impairment in accordance with the applicable accounting requirements. We received assistance from our own specialists for the audit procedures applied with respect to this point; c) We assessed the valuation model used to ensure appropriate measurement techniques were applied to determine the present value of future cash flows; d) We assessed the Company's business plan, taking into account the financial projections used by Company management for the impairment testing of the Cash Generating Units (CGUs) within the audit scope; e) We assessed the composition of each CGU and the assets subject to impairment testing within each CGU. We compared the revenue and profit margin forecasts for a CGU sample against the budgets approved by Company management; f) We assessed the key assumptions taking into account the highly sensitive nature of the inputs used in an impairment analysis, such as the discount rate and the expected revenue increase rate, and compared these assumptions against key data from external sources; g) We independently re-performed the arithmetic calculation using the valuation methods applied by the Company, taking into account the consistency of the CGU grouping criteria; and h) We assessed the disclosures related to goodwill in the consolidated financial statements as of December 31, 2018.

- *Revenue from capital and stock exchange*

Why the matter was determined to be a key audit matter

Revenue from capital corresponds to operating fees (stock trading) charged to customers trading on the stock exchange. Revenue from stock exchange correspond primarily to listing and maintenance fees charged to issuers trading in the stock exchange. We consider this revenue to be a key audit matter since the calculation relies on a variety of highly automated processes, which are strictly regulated and must be charged to customers based on rates previously approved by the National Banking and Securities Commission (CNBV, Spanish acronym).

See Note 2 to the accompanying consolidated financial statements for revenue recognition policies corresponding to revenue from capital and stock exchange, totaling MXN 1,247 million.

How we responded to this key audit matter

Our audit procedures consisted of the following: a) We assessed the calculation and recognition processes applied by Management for revenue from capital and stock exchange; b) We assessed the design of significant controls over the revenue recognition process for 2018; c) We performed substantive audit procedures to assess the integrity of operating information that gives rise to the recognition of book income; d) We selected a representative sample of revenue from capital and stock exchange and recalculated the revenue for such sample applying the CNBV-approved rates for each type of revenue; e) We selected a representative sample of revenue from capital and stock exchange and compared the revenue against the invoices and billings shown in the Company's banking statements; and f) We assessed the disclosures related to revenue in the consolidated financial statements as of December 31, 2018.

Other information included in the annual report

Management is responsible for the other information. The other information comprises the information included in the annual report filed in accordance with the General Rules Applicable to Securities Issuers and other stock market participants issued by the CNBV; but does not include the consolidated financial statements and our auditor's report thereon. We expect to obtain the other information after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read and consider the Annual Report filed with the CNBV, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV that contains a description of the matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, 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 financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 the 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 the Company'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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

The partner in charge of the audit resulting in this independent auditor's report is the undersigned.

This Independent Auditor's Report and the accompanying financial statements have been translated into English for convenience purposes only.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited

Jorge E. Peña

Mexico City
February 19, 2019

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Financial Position

(Amounts in thousands of Mexican pesos)

Assets		**As of December 31, 2018**		As of December 31, 2017
Current assets:				
Cash and cash equivalents (Note 3)	**MXN**	**2,764,422**	MXN	2,649,190
Financial assets at fair value (Note 4)		**–**		198,089
Trade receivables, net (Notes 5 and 11)		**420,095**		382,341
Total current assets		**3,184,517**		3,229,620
Non-current assets:				
Goodwill, net (Note 7)		**3,123,600**		3,123,600
Property, furniture and equipment, net (Note 8)		**471,776**		468,566
Equity instruments (Note 6)		**229,443**		219,411
Intangible assets, net (Note 10)		**289,218**		281,140
Deferred income tax (Note 15)		**42,320**		42,549
Equity investments in associates and joint ventures (Note 9)		**31,390**		25,757
Employee benefits (Note 14)		**10,952**		6,390
Other assets, net		**46,284**		50,740
Total non-current assets		**4,244,983**		4,218,153
Total assets	**MXN**	**7,429,500**	MXN	7,447,773

Liabilities		**As of December 31, 2018**		As of December 31, 2017
Current liabilities:				
Bank loans (Note 13)	**MXN**	**–**	MXN	226,707
Suppliers and other accounts payable (Note 12)		**468,802**		412,796
Income tax payable (Note 15)		**59,144**		32,982
Related parties (Note 11)		**11,489**		5,774
Total current liabilities		**539,435**		678,259
Non-current liabilities:				
Bank loans (Note 13)		**–**		408,168
Employee benefits (Note 14)		**2,257**		1,128
Other accounts payable		**47,090**		29,778
Total non-current liabilities		**49,347**		439,074
Total liabilities	**MXN**	**588,782**	MXN	1,117,333
Equity (Note 16)				
Share capital	**MXN**	**4,507,303**	MXN	4,507,303
Accumulated deficit (Note 18a)		**(32,130)**		(3,621)
Share premium on repurchased shares (Note 18c)		**206**		202
Reserve for repurchase of shares (Note 18b)		**402,600**		199,000
Legal reserve		**354,529**		296,494
Net profit		**1,375,879**		1,160,688
Other components of equity		**(5)**		163
Other comprehensive loss		**(445)**		(34,235)
Equity holders of the parent		**6,607,937**		6,125,994
Non-controlling interest (Note 19)		**232,781**		204,446
Total equity		**6,840,718**		6,330,440
Total liabilities and equity	**MXN**	**7,429,500**	MXN	7,447,773

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

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Profit or Loss

(Amounts in thousands of Mexican pesos)

	For the year ended December 31, 2018	2017
Operating activities		
Customer revenue		
Capital	**MXN 552,874**	MXN 475,530
Stock exchange	**694,126**	654,650
Derivatives	**199,672**	216,236
Over-the-counter (SIF ICAP)	**565,470**	553,857
Custody	**886,557**	681,782
Information services	**468,719**	428,652
	3,367,418	3,010,707
Other non-operating income	**180,725**	171,262
Total income	**3,548,143**	3,181,969
Expenses		
Personnel	**(832,020)**	(796,749)
Technology	**(356,187)**	(302,865)
Depreciation and amortization	**(83,494)**	(92,597)
Rent and maintenance	**(64,871)**	(73,019)
Fees	**(212,245)**	(153,380)
CNBV fees	**(27,712)**	(25,989)
Allowance for doubtful accounts	**(4,036)**	(75)
Other	**(102,844)**	(95,458)
Total expenses	**(1,683,409)**	(1,540,132)
Operating profit	**1,864,734**	1,641,837
Interest income (Note 24)	**270,218**	212,420
Interest expense (Note 24)	**(83,346)**	(126,605)
Share of profit of associates (Note 9)	**7,296**	10,198
Dividend income	**10,425**	8,398
Consolidated profit before income tax	**2,069,327**	1,746,248
Income tax (Note 15)	**(590,752)**	(490,413)
Consolidated net profit	**1,478,575**	1,255,835
Other comprehensive income, net of income tax		
Items not to be reclassified to profit or loss:		
Actuarial gain/(loss)	**550**	(210)
Valuation allowance on equity instruments	**(6,937)**	–
Items to be reclassified to profit or loss		
Foreign currency translation reserve of foreign subsidiaries	**(15,249)**	(20,725)
Consolidated comprehensive income	**MXN 1,456,939**	MXN 1,234,900

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

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in thousands of Mexican pesos)

	For the year ended December 31,			
		2018		**2017**
Consolidated net profit attributable to:				
Equity holders of the parent	**MXN**	**1,375,879**	MXN	1,160,688
Non-controlling interests		**102,696**		95,147
	MXN	**1,478,575**	MXN	1,255,835
Consolidated comprehensive income attributable to:				
Equity holders of the parent	**MXN**	**1,360,416**	MXN	1,149,874
Non-controlling interests		**96,523**		85,026
	MXN	**1,456,939**	MXN	1,234,900
Earnings per share of equity holders of the parent				
Basic and diluted earnings per share (in Mexican pesos) (Note 21)		**2.32**		1.96
Earnings per share of equity holders of the parent from continuing operations				
Basic and diluted earnings per share (in Mexican pesos) (Note 21)		**2.32**		1.96
Weighted average number of shares		**592,989,004**		592,989,004

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

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Amounts in thousands of Mexican pesos)

	Contributed capital			Earned capital					Other comprehensive income				
	Share capital	Accumulated deficit	Share premium on repurchased shares	Reserve for repurchase of shares	Reserve fund	Net profit	Other components of equity	Actuarial loss on labor obligations	Foreign currency translation reserve of foreign subsidiaries	Change in the value of financial assets	Equity holders of the parent	Non-controlling interests	Total equity
Balance as of December 31, 2016	MXN 4,507,303	MXN (31,397)	MXN 202	MXN 52,900	MXN 248,100	MXN 967,880	MXN –	MXN (14,922)	MXN 24,497	MXN (49,069)	MXN 5,705,494	MXN 117,834	MXN 5,823,328
Net profit for the year	–	–	–	–	–	1,160,688	–	–	–	–	1,160,688	95,147	1,255,835
Other comprehensive income (Note 17)	–	–	–	–	–	–	–	(295)	(10,519)	–	(10,814)	(10,121)	(20,935)
Comprehensive income	–	–	–	–	–	1,160,688	–	(295)	(10,519)	–	1,149,874	85,026	1,234,900
Appropriation of net profit from prior year	–	773,386	–	–	48,394	(967,880)	–	–	–	–	(146,100)	–	(146,100)
Dividends declared (Note 16g)	–	(741,236)	–	–	–	–	–	–	–	–	(741,236)	–	(741,236)
Share buybacks	–	–	–	146,100	–	–	–	–	–	–	146,100	–	146,100
Reclassification of foreign currency translation							–						
reserve	–	–	–	–	–	–		–	16,073	–	16,073	16,073	32,146
Other	–	(4,374)	–	–	–	–	163	–	–	–	(4,211)	938	(3,273)
Cash dividends paid to non-controlling													
interests	–	–	–	–	–	–	–	–	–	–	–	(15,425)	(15,425)
	–	27,776	–	146,100	48,394	(967,880)	163	–	16,073	–	(729,374)	1,586	(727,788)
Balance as of December 31, 2017	4,507,303	(3,621)	202	199,000	296,494	1,160,688	163	(15,217)	30,051	(49,069)	6,125,994	204,446	6,330,440
Effect of adoption of IFRS 9 (Note 6)	–	(32,100)	–	–	–	–	–	–	–	49,069	16,969	–	16,969
Restated beginning balance under IFRS 9	4,507,303	(35,721)	202	199,000	296,494	1,160,688	163	(15,217)	30,051	–	6,142,963	204,446	6,347,409
Net profit for the year	–	–	–	–	–	1,375,879	–	–	–	–	1,375,879	102,696	1,478,575
Other comprehensive income (Note 17)	–	–	–	–	–	–	–	550	(9,076)	(6,937)	(15,463)	(6,173)	(21,636)
Comprehensive income	–	–	–	–	–	1,375,879	–	550	(9,076)	(6,937)	1,360,416	96,523	1,456,939
Appropriation of net profit from prior year	–	1,102,653	–	–	58,035	(1,160,688)	–	–	–	–	–	–	–
Dividends declared (Note 16g)	–	(895,413)	–	–	–	–	–	–	–	–	(895,413)	–	(895,413)
Share buybacks	–	(203,600)	–	203,600	–	–	–	–	–	–	–	–	–
Share premium	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassification of foreign currency translation							–						
reserve	–	–	–	–	–	–		–	–	–	–	–	–
Other	–	(49)	4	–	–	–	(168)	7	177	–	(29)	(2,692)	(2,721)
Cash dividends paid to non-controlling													
interests	–	–	–	–	–	–	–	–	–	–	–	(65,496)	(65,496)
	–	3,591	4	203,600	58,035	(1,160,688)	(168)	7	177	–	(895,442)	(68,188)	(963,630)
Balance as of December 31, 2018	MXN 4,507,303	MXN (32,130)	MXN 206	MXN 402,600	MXN 354,529	MXN 1,375,879	MXN (5)	MXN (14,660)	MXN 21,152	MXN (6,937)	MXN 6,607,937	MXN 232,781	MXN 6,840,718

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

BOLSA MEXICANA DE VALORES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands of Mexican pesos)

	For the year ended December 31, 2018	2017
Cash flows from operating activities		
Consolidated net profit	MXN 1,478,575	MXN 1,255,835
Adjustments for:		
Depreciation and amortization	83,494	92,597
Share of profit of associates	(7,296)	(10,198)
Loan interest	–	62,833
Income tax recognized in profit or loss	590,752	490,413
	2,145,525	1,891,480
Changes in operating assets and liabilities:		
Financial assets at fair value	198,089	345,820
Trade receivables and prepaid expenses	(33,298)	(77,226)
Suppliers and related parties	(32,662)	9,086
Employee benefits	(3,433)	(3,973)
Long-term accounts payable	17,313	(29,778)
Income tax paid	(490,568)	(473,201)
Net cash flows from operating activities	1,800,965	1,721,764
Investing activities		
Purchase of furniture and equipment	(31,335)	(9,252)
Investments in project development	(63,447)	(52,255)
Acquisition of non-controlling interests	(9,631)	–
Dividends received	9,188	–
Other assets	–	(26,395)
Net cash flows used in investing activities	(95,225)	(87,902)
Financing activities		
Dividends paid	(895,413)	(741,236)
Cash dividends paid to non-controlling interests	(65,496)	(102,181)
Bank loans	(589,063)	(204,084)
Interest paid	(40,537)	(58,300)
Net cash flows used in financing activities	(1,590,509)	(1,105,801)
Net increase in cash and cash equivalents	115,232	528,061
Cash and cash equivalents:		
At beginning of year	2,649,190	2,121,129
At end of year	MXN 2,764,422	MXN 2,649,190

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

(Amounts in thousands of Mexican pesos)

1. Description of the Business and Approval of the Consolidated Financial Statements

a) Description of the business

Bolsa Mexicana de Valores, S.A.B. de C.V. and Subsidiaries (the Company) is authorized by the Ministry of Finance and Public Credit (SHCP, Spanish acronym) to operate as a Stock Exchange and as a self-regulated entity in accordance with the Mexican Securities Market Law (the Law). The Company is located at Avenida Paseo de la Reforma 255, Colonia Cuauhtémoc in Mexico City.

The Company's activities, in accordance with the Law and the CNBV's general rules, include establishing facilities and automated mechanisms to enable securities trading relationships and transactions. The Company's activities also include providing information on stocks traded through its platform and implementing measures to ensure that trading operations meet all applicable regulations, as well as to promote the growth of the Mexican securities market.

The Company, through its subsidiaries, operates as a stock exchange for derivatives, provides custody services, stock and derivative clearing services, and brokerage services.

An analysis of the Company's equity investments in its subsidiaries as of December 31, 2018 and 2017 is as follows:

Entity	**% Equity interest 2018**	% Equity interest 2017	Activity
MexDer, Mercado Mexicano de Derivados, S.A. de C.V. (MexDer)	**97.44%**	97.44%	The only derivatives exchange in Mexico. It provides facilities and other services to enable these transactions.
Corporativo Mexicano del Mercado de Valores, S.A. de C.V. (Corporativo)	**100.00%**	100.00%	Provides professional services comprising: (i) personnel management for BMV, Indeval, MexDer, Valmer and other related parties; and (ii) systems maintenance.
Valuación Operativa y Referencias de Mercado, S.A. de C.V. (Valmer)	**99.99%**	99.99%	Provides pricing information for government and corporate bonds, stocks and warrants, and offers risk management advisory services.

2.

Entity	**% Equity interest 2018**	% Equity interest 2017	**Activity**
SIF-ICAP, S.A. de C.V. (SIF-ICAP)	**50.00%**	50.00%	Provides financial brokerage services with debt instruments registered in the National Securities Registry (RNV). Owns 100% of the shares of SIF-ICAP Chile Holding Limitada, a financial brokerage for derivatives.
SIF-ICAP Servicios, S.A. de C.V. (SIF-Servicios)	**50.00%**	50.00%	Provides professional and personnel services to SIF-ICAP.
Fideicomiso F/30430 Asigna, Compensación y Liquidación (Asigna)	**90.00%**	90.00%	Provides clearinghouse services for derivatives contracts in MexDer. The Company, through its equity investment in PGBMV, indirectly owns 20.76% of Asigna's Trustee rights.
Participaciones Grupo BMV, S.A. de C.V. (PGBMV)	**99.9%**	99.9%	A spin-off from Indeval; acquires CCV's representative shares and inherited all of Indeval's fiduciary rights in Asigna.
Contraparte Central de Valores de México, S.A. de C.V. (CCV)	**99.97%**	99.97%	Counterparty for the clearing of transactions in capital markets. CCV helps reduce compliance risk for securities transactions in capital markets carried out by settling and non-settling agents of transactions in the Company and regulated by the Law. CCV defines and applies the safeguard systems for those transactions in which it acts as the counterparty to ensure security in such transactions. The Company, through its equity investment in PGBMV, indirectly owns 50.93% of CCV.
S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V. (Indeval)	**97.56%**	97.56	Indeval acts as a depository for custody of securities registered in the RNV and provides securities management services related to clearing of securities in the terms of the Law and the CNBV's general rules.

Entity	% Equity interest 2018	% Equity interest 2017	Activity
Intergloval BMV, S.A. de C.V.	100.00%	100.00%	Provides reception, validation, routing and courier services, domestically and abroad, using standard communication protocols, electronic and optical means, to Mexican and foreign financial entities.

b) Approval of consolidated financial statements

On February 19, 2019, the consolidated financial statements and these notes were authorized by the Company's General Director, José Oriol Bosch Par, and the Administrative and Finance Director, Ramón Güemez Sarre, for their issue and subsequent approval at the Ordinary Shareholders' Meeting on April 30, 2019 by the Board of Directors and shareholders, who have the authority to modify the consolidated financial statements.

c) Significant events in 2018 and 2017

- Significant events in 2018

i) Dividends declared and paid in 2018

At an Ordinary Shareholders' Meeting held on April 27, 2018, the Company's shareholders declared a dividend of MXN 895,413, equal to $ 1.51 per share for all current outstanding shares, to be paid from the Net Taxed Profits Account (CUFIN). Such dividend was paid on May 11, 2018.

On this same date, the shareholders agreed to increase the maximum amount that can be used to purchase treasury shares to up to MXN 402,600, which will remain unchanged until it is subsequently revised at an Ordinary Shareholders' Meeting and all requirements under Article 56 of the Law are met.

ii) Equity investment in Latam Exchanges Data INC.

On July 26, the Company entered into an agreement with *Bolsas y Mercados Españoles* (BME) to incorporate two new entities to promote the creation, distribution and sale of information on Latin American financial markets.

The first entity, incorporated in Mexico City, focuses on hosting technical and production infrastructure and providing first level support services. The second entity, incorporated in Miami, U.S., focuses on project management, partner relations and the design, marketing and sale of finished products to customers.

The Company owns a 51% stake in the Mexican entity and a 49% stake in the foreign entity.

The aim of this agreement is to develop an information distribution platform using the highest levels of automation and processing to ensure consistent product delivery on end-of-day data on Latin American markets. The project's second phase will introduce real-time offerings.

The total project investment is up to USD 10 million, with an initial payment of USD 3 million to develop the first stage.

iii) Early payment of bank loan

At a Board of Directors' meeting held on October 16, 2018, the Board of Directors agreed to an early payment of MXN 617,417, corresponding to the outstanding balance on the loan with BBVA Bancomer, S.A., I.B.M., with an effective income rate of MXN 12,183, without penalty to the Company.

iv) Fundación Cultural Grupo BMV, A.C.

On March 2, 2018, Fundación Cultural Grupo BMV, A.C. (the Association) was incorporated with an initial contribution of MXN 100, which is not recoverable and was recognized as an expense by the Company. The Association will promote and encourage educational and cultural activity, as well as music and plastic arts, and cultural activities related to knowledge and understanding of the securities and derivatives markets, among others. The Company owns a 60% stake in the Association. The Association is not subject to consolidation.

- Significant events in 2017

i) Dividends declared and paid in 2017

At an Ordinary Shareholders' Meeting held on April 27, 2017, the Company's shareholders declared a dividend of MXN 741,236, equal to $ 1.25 per share for all current outstanding shares, to be paid from the Net Taxed Profits Account (CUFIN). Such dividend was paid on May 12, 2017.

ii) SIF ICAP dividends

At SIF ICAP shareholders' meetings held on July 20 and December 20, 2016, the shareholders declared dividends of MXN 102,417 and MXN 85,156, respectively, which were paid in 2017. The amount corresponding to the non-controlling interest of MXN 93,787 was recognized as part of Suppliers and other accounts payable and was paid on March 30, 2017.

iii) Increase in reserve for repurchase of shares

At an Ordinary Shareholders' Meeting held on April 27, 2017, the Company's shareholders agreed to allocate up to MXN 199,000 to purchase treasury shares. This amount which will remain unchanged until it is subsequently revised at an Ordinary Shareholders' Meeting and all requirements under Article 56 of the Law are met.

iv) Termination of the order routing agreement with Chicago Mercantile Exchange, Inc. (CME)

In March 2010, the Company entered into an agreement with CME to: i) route orders for derivatives between CME and MexDer, and ii) develop alternatives for market growth.

In view of prevailing conditions in the derivatives market and the outcome of the order routing agreement, the Company and CME decided to terminate the agreement in August 2017. The expense recognized under other expenses in the consolidated statement of profit or loss and other comprehensive income was MXN 8,133.

Other commercial agreements entered into with CME will remain in effect, including repository services with MexDer and the license to distribute SWAPS curves.

v) New Offsetting System (SCO)

The new Offsetting System (SCO) was implemented in July 2017. The system improves the technological capabilities of Contraparte Central de Valores de México, S.A. de C.V. (CCV), while reducing operating risks. The investment in the system was MXN 84,590. Amortization expense as of December 31, 2017 is MXN 6,042.

vi) PUT & CALL SIF ICAP

On 1 August 2016, an agreement was entered into between SIF ICAP Chile Holding LTDA and Broking Enterprises SpA for the purchase-sale of 93,597 fully subscribed and paid-in Class "B" shares representing 40% of the shares of SIF ICAP Chile SpA (formerly SIF ICAP Chile S.A.). On that date, the buyer, SIF ICAP Chile Holding LTDA, acquired 46,799 shares and paid the amount of MXN 114,000 to the seller, Broking Enterprises SpA.

The agreement established that the purchase-sale of the remaining 46,799 Class "B" shares would be documented through an option that can be exercised as of 2022. Were SIF ICAP Chile Holding LTDA to acquire these shares, it would obtain 100% of the shares of SIF ICAP Chile SpA.

There are a series of different indicators that link the future payment to a combination of options contained in the agreement regarding the sale and purchase of non-controlling interest based on a value related to the Company's future results. The situations evaluated include, among others, the future payment being subject to an executive of SIF ICAP Chile SpA remaining in the business, which according to International Accounting Standard (IAS) 19 could be interpreted as an "Employee Benefit", with the determination of an obligation accrued over the five-year period to permit collection based on the results of each year.

vii) International custody

On April 19, 2017, the Board of Directors of S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V. agreed to reform the bylaws regarding the rate structure applicable to new services related to international custody of securities traded in the International Trading System (SIC). Once approval was obtained from CNBV and Banco de México, this reform was ratified at a Board of Directors meeting held on July 19, 2017.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements as of December 31, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS), effective as of December 31, 2018 and 2017, as issued by the International Accounting Standards Board (IASB). The Company exercised its professional judgment and based its estimates on the best available information at the time the financial statements were prepared. An analysis of the Company's accounting policies is as follows:

a) Compliance with International Financial Reporting Standards

The consolidated financial statements as of December 31, 2018 and 2017 have been prepared in accordance with IFRS.

b) Basis of presentation

The consolidated financial statements as of December 31, 2018 and 2017 have been prepared on a historical cost basis, except for financial assets at fair value and defined benefit obligations at fair value, as explained further below.

The Company classifies its expenses by function in the consolidated statement of profit or loss.

The Company prepares its statement of cash flows using the indirect method.

i. Historical cost

Historical cost is generally equal to the fair value of the consideration paid for goods and services at the date of the transaction.

ii. Fair value

Fair value is the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 – Unobservable inputs for the asset or liability.

As of December 31, 2018 and 2017, the fair values of the Company's financial assets and liabilities do not differ significantly from their carrying amounts, except for its equity instruments designated at fair value through OCI.

c) Functional and presentation currency

The accompanying consolidated financial statements are presented in Mexican pesos, which is the Company's functional currency. Except where otherwise indicated, the amounts shown in the accompanying financial statements and these notes are in thousands of Mexican pesos.

d) Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and those of its subsidiaries. Control is obtained when the Company has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Company has less than a majority of the voting, or similar, rights of an investee, it has power over the investee when the voting rights grant it the practical ability to direct the investee's activities unilaterally. When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the investor, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intercompany balances and transactions (assets, liabilities, equity, revenue, expenses and cash flows) have been eliminated on consolidation.

– Changes in ownership interests of existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. When the proportion of the equity held by non-controlling interests changes, the Company shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Company shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

When the Company loses control over a subsidiary, the gain or loss on the disposal of the shares shall be calculated as the difference between (i) the fair value of the consideration received, and (ii) the carrying amount of the assets and liabilities of the subsidiary prior to the loss of control and any non-controlling interests.

Amounts corresponding the equity investment in the subsidiary that were previously recognized in other comprehensive income shall be recognized based on the accounting treatment applicable to the disposal of the related assets and liabilities (that is, they shall be reclassified to profit or loss or recognized directly in other components of equity, as permitted under the applicable IFRS).

Associates – An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. An investment in an associate or joint venture is accounted for using the equity method from the date on which it becomes an associate or joint venture.

e) Significant accounting judgments, estimates and assumptions

In the process of applying the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not easily observable from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

– Fair value measurement of financial instruments

Fair value is determined primarily on the basis of prices quoted in an active market. For financial instruments not held for trading, fair value is determined by applying model-based techniques supported by sufficient observable market inputs. The Company determines its price curve projections based on quoted market prices. Company management considers that the valuation techniques and assumptions used are appropriate to determine the fair value of its financial instruments.

– Impairment of financial assets

i) Allowance for doubtful accounts

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. The Company takes into account its past collection experience to calculate impairment in its trade receivables.

Trade receivables that are specifically identified as potentially uncollectible are charged to the allowance account. Subsequent recovery of previously recognized impairment losses are reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

The average credit term extended by the Company to its customers is 30 days. The Company creates an allowance for doubtful accounts on the balance of accounts receivable that are more than 90 days old, while also taking into consideration its past collection experience and its current financial situation.

For financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

IFRS 9, *Financial Instruments,* introduces a new impairment model based on expected credit losses (ECL) and replaces the incurred-loss approach established in IAS 39.

The new approach is structured in three stages from initial recognition of the financial instrument, which are based on the risk grade of the credit and credit exposures where there has been a significant increase in credit risk since initial recognition. IFRS 9 provides for a "simplified" approach, which does not require financial instruments to be classified into one of the three stages and allows entities to recognize expected credit losses over the lifetime of the trade receivable. The simplified impairment model is applicable to the Company's trade receivables.

As of December 31, 2018, the Company has determined that the adoption of the new approach established in IFRS 9 did not have a material effect on its financial statements.

ii) Impairment of equity instruments designated at fair value through OCI

Equity instruments designated at fair value through OCI are not reviewed for impairment.

- Impairment of non-financial assets

The carrying amount of the Company's non-financial assets, other than deferred tax assets (please refer to the section on impairment of deferred taxes), is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives or that are not yet available for use, recovery values are estimated every year on the same dates.

For purposes of goodwill impairment testing, goodwill that is acquired through a business acquisition is distributed among the group of cash generating units that are expected to benefit from the synergies of the combination. This distribution is subject to an operating segment cap test and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

If there are indicators that a corporate asset may be impaired, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

- Defined benefits

The net cost of the defined benefit pension plan and the present value of these labor obligations are determined using actuarial valuations. Actuarial valuations require the use of various assumptions. These include the determination of the discount rate, future salary increases, and mortality, disability, employee turnover rates, as well as certain financial and demographic assumptions. Due to the complexity of these valuations, the underlying assumptions they depend on and their long-term nature, the defined benefit obligation is very sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

- Deferred taxes

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. This reduction is reversed when the likelihood of generating future taxable earnings increases.

- Lawsuits and litigation

The Company is party to several lawsuits and labor claims arising from its normal course of business. Company management does not expect the outcomes of these lawsuits to have a material effect on the Company's financial position or its future operating results.

f) Cash and cash equivalents

Cash and cash equivalents principally consists of petty cash and highly liquid investments with maturities of no more than one year, including short-term repo transactions, which are not exposed to a significant risk of change in their value, and are used mainly to fund the Company's short—term obligations.

g) Trade receivables

Trade receivables are financial assets with fixed or determinable payments and are initially measured at their fair value plus costs directly attributable to the transaction. Subsequent to initial recognition, trade receivables are measured at amortized cost less any impairment losses. Receivables include trade receivables and other accounts receivable.

h) Goodwill

Goodwill arising from business combinations is recognized at the cost determined on the acquisition date of the business, net of any accumulated impairment losses.

Goodwill represents the difference between the acquisition cost and the fair value of the net assets acquired at the purchase date. Goodwill is considered to have an indefinite life and is therefore not amortized, but instead is subject to impairment testing at the end of the reporting period, or whenever there are indicators of impairment.

Impairment losses are recognized when the carrying amount of goodwill exceeds its recoverable amount (the greater of the asset's net selling price and its value in use). For the years ended December 31, 2018 and 2017, the Company recognized no loss from impairment in the value of goodwill.

i) Property, furniture and equipment

– Recognition and measurement

Property, furniture and equipment is initially measured at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Costs include all expenditures directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

For property, furniture and equipment made up of components with different useful lives, the major individual components are depreciated over their individual useful lives.

Any gain or loss arising on the sale of an item of property, furniture and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized on a net basis in profit or loss.

– Subsequent costs

The cost of replacing part of an item of property, furniture and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the asset will flow to the Company and its cost can be measured reliably. The carrying amounts of replaced parts are derecognized. Repair and maintenance costs are expensed as incurred.

– Depreciation

Depreciation is calculated at the cost of the asset or the value that comes to replace it.

Depreciation of property, furniture and equipment is recognized in profit or loss on a straight-line basis (since management considers that this method best reflects the use of these assets) and over the estimated useful lives of the assets, as follows:

Property (excluding land)	30 years
Computer equipment	3 years
Office furniture and equipment	10 years
Automotive equipment	2 and 3 years

The residual values, useful lives and methods of depreciation of furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Financial assets and financial liabilities

– Recognition

IFRS 9 has three categories in which financial assets are classified: a) amortized cost, b) fair value through other comprehensive income (FVOCI), and c) fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. IFRS 9 eliminates the available-for-sale and held-to-maturity classifications for financial instruments of IAS 39.

The Company's financial liabilities include borrowings, suppliers and accounts payable, bank loans and long-term payables. IFRS 9 maintains the existing requirements under IAS 39 for classification and measurement of financial liabilities.

i) Financial assets carried at amortized cost

The Company measures its financial assets at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment losses. Gains and losses are recognized in profit or loss when the assets are derecognized, modified or impaired.

The Company's financial assets carried at amortized cost comprise cash and cash equivalents, trade receivables and related party receivables, included under financial assets.

ii) Debt and equity instruments measured at fair value through other comprehensive income

A debt instrument is generally measured at FVOCI if both of the following conditions are met:

- The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets: and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As of December 31, 2018 and 2017, the Company does not have any debt instruments measured at FVOCI.

Equity instruments represent investments that the Company intends to maintain in the long term for strategic purposes. In accordance with IFRS 9, the Company has designated these investments as FVOCI at the date of initial adoption. The cumulative fair value allowance associated with these investments will not be reclassified to profit or loss as was done under IAS 39. Under IAS 39, these equity instruments were measured at cost and designated as available-for-sale assets.

Set out below are the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets as of January 1, 2018:

Financial asset	Original classification (IAS 39)	New classification (IFRS 9)	Balance under IAS 39 2017		Balance under IFRS 9 2018	
Equity instruments	Available for sale at cost	Equity instruments at FVOCI	MXN	219,411	MXN	229,443

As of December 31, 2018, the fair value category applicable to this type of transaction is determined to be Level 1.

iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, and financial assets that must be mandatorily measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

As of December 31, 2018 and 2017, the Company does not have any financial instruments measured at FVTPL.

– Derecognition of financial assets

The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire or it transfers substantially all the risks and rewards of ownership of the financial asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. If the Company retains substantially all the risks and rewards of ownership of a transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss allocated that had been recognized in other comprehensive income and retained earnings is recognized in profit or loss.

On partial derecognition of a financial asset (e.g., when the Company retains an option to repurchase a portion of a transferred asset), the Company allocates the carrying amount previously recognized for the financial asset between the portion it will continue to recognize and the portion being derecognized, on the basis of the relative fair values of those portions on the date of the transfer. The difference between the carrying amount allocated to the derecognized portion and the consideration received for the derecognized portion that was recognized in OCI shall be recognized in profit or loss. Cumulative gains and losses recognized in OCI shall be allocated between the portion that continues to be recognized and the portion that is no longer recognized on the basis of the fair values of each portion.

- Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

A financial liability is derecognized when the associated obligation is discharged or cancelled, or has expired.

-Offsetting financials asset and financial liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The adoption of IFRS 9 did not have a material effect on the Company's accounting policies relating to its financial assets and financial liabilities.

k) Intangible assets

- Intangible assets acquired separately

Intangible assets with finite useful lives acquired separately are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is determined on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives and methods of amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate. Intangible assets with indefinite useful lives acquired separately are carried at cost less any accumulated impairment losses.

Intangible assets acquired separately include licenses and investments in systems set out below:

i) License for use of SIPO software for money market and FOREX trading, under a rights assignment agreement entered into with Promotora de Sistemas de Información, S.A. de C.V.

– Internally generated intangible assets – research and development expenditures

Research and development expenditures are recognized as an expense during the period in which they are incurred.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. When an internally generated intangible asset does not meet the recognition criteria, development expenditure is recognized as an expense during the period.

After initial recognition, internally generated intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization periods for internally generated intangible assets have been determined to be 7 to 10 years based on the assessments performed by the relevant area.

These intangible assets include the following:

i) The Transactional Trading Engine (MoNet), which processes orders from brokers, either placed for themselves or on behalf of customers, in real time. Development began in 2016 and concluded in 2018. During 2018, the investment made totaled MXN 6,960 and no additional investments were made in this project in 2017.

ii) SCO, a system through which CCV offsets its transactions with customers. Development began in 2013 and concluded in June 2017.

iii) The Asigna Central System (SCA), the risk management system used by both Asigna and its Partners; it is also used to record transactions, offsetting, managing contributions, mark-to-market valuations, markups and calculation of gains and losses. This system allows account managers from Partners to carry out their back office functions through direct interaction.

– Derecognition of intangible assets

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. This gain or loss is recognized in profit or loss when the asset is derecognized.

l) Income tax

Income tax expense is the aggregate amount of current tax and deferred tax. Current and deferred taxes are recognized as either income or an expense in profit or loss, except for tax items that must be recognized as other comprehensive income items or in equity.

– Current income tax

Current income tax is the Company's income tax expense for the year and it is recognized in profit or loss.

– Deferred income tax

Deferred taxes are recognized by applying the applicable tax rate to temporary differences resulting from the comparison of the book and tax values of assets and liabilities and, when applicable, deferred tax assets also include the available tax loss carryforward benefit and certain tax credits. Deferred tax liabilities are recognized for all temporary differences, with certain exceptions. The Company recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets and liabilities are not recognized when the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

m) Employee benefits

Contributions to defined benefit retirement plans and defined contributions are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Actuarial gains and losses exceeding 10% of the present value of the Company's defined benefit obligation or the fair value of plan assets at the end of the previous reporting period (whichever is greater) are amortized over the average remaining working lives of the employees under the plan. Past service costs are recognized immediately as the benefits accrue, or otherwise are amortized on a straight-line basis over the average remaining period until the benefits become vested.

The defined benefit retirement plan obligation recognized in the statement of financial position comprises the present value of the defined benefit obligation, plus or less the effect of unrecognized actuarial gains and losses and past service costs, and less the fair value of the plan assets. The value of any defined benefit asset is restricted to the sum of any unrecognized actuarial losses and past service costs, plus the present value of any refunds from the plan or reductions in the future contributions to the plan.

Short-term employee benefits are measured on an undiscounted basis and charged to profit or loss as the services are rendered.

The Company recognizes a liability for the amount it expects to pay under its short-term bonus plans or employee profit sharing plans whenever it has present obligations (legal or constructive) resulting from a past event and the amount of the obligation can be reasonably estimated.

– Pension plan

The Company has a pension plan with two components: (a) a defined contribution plan covering employees who were less than 45 years old as of January 1, 2004; or who are more than 45 years old and have worked for the Company for less than 5 years (Group 1); and (b) a defined benefit plan covering employees who were more than 45 years old as of January 1, 2004 and who have worked for the Company for at least 5 years (Group 2). The amounts of defined benefits are based on the number of years of service and the salaries of employees during their last three years of service. Employees who are more than 60 years old and have worked for the Company for 30 years, and employees who are more than 65 years old, are entitled to retirement benefits.

The Company's defined benefit plan contributions are determined as 8.5% of each respective worker's salary.

The defined benefit plan includes only employees who are more than 45 years old and have worked for the Company for at least 5 years. When an employee retires after the age of 60, they receive a lump sum payment equal to a certain number of months' wages based on their seniority.

All other personnel stopped accruing benefits under this plan and instead are affiliated to the new defined contributions plan with minimum benefit guarantees. Under this plan, when an employee retires after the age of 60, they receive the total balance of their individual account, with a minimum guaranteed amount equal to two-thirds of their monthly wage multiplied by the number of years of services, plus 4.5 units. If an employee separates from the Company before they reach 60 years of age, they are entitled to collect a portion of their individual account based on their years of service, through prior mutual agreement. Employees are required to have 25 or more years of service to be entitled to collect the total amount in their individual account.

Due to the specific characteristics of the workers of SIF Servicios, S.A. de C.V., the new pension plan has different defined benefits: employees retiring after they are 60 years old receive a lump sum payment equal to one month's salary per year of service. Workers retiring before the age of 60 are entitled to a similar payment provided they have worked for the Company for at least 10 years.

– Seniority premiums

The Company's employees are entitled to receive a seniority premium equal to 12 days salary for each year of service in the following cases: a) voluntary termination when the employee has worked for the Company for at least 15 years, b) dismissal, counting the years of service from the date the employee started working for the Company or as of 1 May 1970, whichever is later, and c) death or disability. In all cases, the base salary for calculating the seniority premium is capped at two times the general minimum wage established for the economic zone where the employee provides their services.

– Recognition of defined benefit obligations

The Company annually recognizes the cost for pensions, seniority premiums and termination benefits based on independent actuarial calculations applying the projected unit credit method.

Contributions made under the defined benefit pension plan are recognized in profit or loss as incurred.

Actuarial gains and losses are recognized in other comprehensive income in the period in which they are incurred.

Company policy is to contribute the maximum amount deductible for income tax purposes to the pension plan and seniority premium fund.

– Employee profit sharing

Employee profit sharing is presented as part of personnel expenses in the statement of profit or loss.

n) Other assets

Other assets consist primarily of fees, prepaid insurance and unamortized expenses, and are stated at cost. Amortization is calculated on the carrying amounts of the assets on a straight–line basis over the estimated useful lives of the assets.

o) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured based on the estimated cash flows required to settle the present obligation, its carrying amount represents the present value of these cash flows (if the effect of the time value of money is material).

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, an only when, it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

p) Share capital

Ordinary shares – Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of the effect of taxes.

Share buybacks – Share buybacks at measured at cost. Share buybacks are classified as treasury shares and recognized as a deduction from equity.

When treasury shares are subsequently reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premiums.

q) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model:

1 – Identify the contract(s) with a customer
2 – Identify the performance obligations in the contract
3 – Determine the transaction price
4 – Allocate the transaction price to the performance obligations in the contract
5 – Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied; i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

As of January 1, 2018, the Company assessed its existing contracts under the new requirements of IFRS 15 and concluded that the adoption of the new revenue standards will not have a material effect on its financial information relating to revenue from contracts with customers.

The Company has generally concluded that it is the principal in its revenue arrangements, as follows:

– **Capital:** Commission revenue on transactions charged to brokers and dealers of securities is recognized on a monthly basis in the consolidated statement of profit or loss and other comprehensive income as it is realized.

– **Stock exchange:** Includes the following:

i) Listing – Corresponds to stock exchange' registration fees. These fees are charged at the time the issuance is placed and are effective through 31 December of the year in which they are charged. These fees are recognized as deferred revenue and amortized over the course of the year.

ii) Maintenance – Stock exchange' maintenance fees for quoted securities are charged over the issuance period of the listed security. These fees are charged on an annual basis and collected in advance at the beginning of the year. These fees are recognized as deferred revenue and amortized over the course of the year.

– **Derivatives:** Commission revenue from operations, software licenses and information sales is recognized in profit or loss as it accrues.

Discounts are recognized based on the volume of contracts operated during the year and are netted from profit or loss of the period in which they are granted.

Derivatives revenue includes revenue from commissions earned on offsetting and settlement, management of Minimum Initial Contributions, use of the network, facilities and maintenance of systems used to clear derivatives. Commission revenue is recognized on a monthly basis in accordance with the volume of contracts, subsequent to offsetting and regardless of the date in which the derivative transaction is offset. Custody revenue is recognized on a monthly basis in accordance with the average cash balance of Minimum Initial Contributions and managed securities of during each respective month.

– **Over-the-counter (SIF ICAP):** Commission revenue is recognized during the period in which the services are provided.

Revenue from service agreements is recognized based on the established rates as the services are rendered and indirect expenses are incurred.

– **Custody:** Corresponds to commission revenue earned from registration and clearing and settlement of transactions. Revenue is recognized on a monthly basis in accordance with the volume of contracts operated and as services are provided after clearing and regardless of the date in which transactions settle.

– **Information services:** Corresponds to information services provided by the Company related to trading activity in newsletters, databases, access to the SIBOLSA Information System, information about Stock exchange, issuances, etc. Revenue from information services is recognized in profit or loss and other comprehensive income as it accrues.

r) Other operating income

In addition to its revenue from contracts with customers, the Company obtains other operating income, as follows:

- **Rental income:** Income earned from leasing the Stock Exchange Floor Building to third parties and from maintenance fees, which are recognized as accrued over the lease term.

s) Finance income and borrowing costs

Finance income includes interest accrued on financial assets, dividends and foreign exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method.

Dividend income is recognized in profit or loss when the Company's right to receive the payment is established.

Borrowing costs include interest payable on loans, the effect of the discount for the passage of time and foreign exchange losses.

Foreign exchange gains and losses are recognized in the statement of profit or loss on a net basis.

t) Memorandum accounts

The Company's subsidiaries, Indeval, CCV and Asigna, recognize the custody and management of securities received from customers and pending transactions in memorandum accounts, as follows:

i) Indeval

- **Securities deposited in Indeval vaults:** Securities received from customers, which are measured in accordance with the most recent mark-to-market valuation provided by an independent price supplier.

- **Government securities:** Securities received from customers.

– **Securities deposited abroad:** Securities, such as shares from foreign entities listed in the Company's Stock Exchange, foreign debt bonds, government bonds and corporate bonds, which are stated at nominal value translated into Mexican pesos.

ii) CCV and Asigna

– **Pending unsettled transactions:** Security transactions scheduled by liquidating and non-liquidating agents that are recognized by CCV before their settlement date.

– **Overdue payments:** Obligations that were not settled by CCV liquidating agents at the scheduled date.

– **Defaulted obligations:** Transactions that have not been settled after both the normal and late periods for payment have expired.

u) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other leases are classified as operating leases.

– **Company as a lessor**

Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

– **Company as a lessee**

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss. Contingent rents are recognized as expenses in the period in which they are incurred.

v) Foreign currency transactions

The financial statements of each subsidiary are presented in the currency of the economic environment in which the subsidiary operates (functional currency). As such, the Company's consolidated operating results and financial position are presented in Mexican pesos, which is the Company's functional and presentation currency.

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the prevailing exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated using the exchange rate ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items carried at historical cost in foreign currency are not retranslated.

Exchange differences are recognized in profit or loss, except in the following cases:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on monetary assets or liabilities related to foreign operations with no planned settlement and for which payment cannot be made (thus forming part of the net investment in the foreign operation) are initially recognized in other comprehensive income and are reclassified from equity to profit or loss as reimbursements of monetary items.

For consolidated financial statement presentation purposes, foreign currency denominated assets and liabilities are presented in Mexican pesos translated using the exchange rate ruling at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Foreign exchange gains and losses are recognized in OCI and are accumulated in equity (attributed to non-controlling interests, as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

w) Earnings or losses per share

The Company presents basic and diluted EPS attributable to ordinary equity holders of the parent. Diluted and basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2018 and 2017, the Company has no diluted shares.

x) Segment information

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), whose operating results are regularly reviewed by Company management to make decisions about resources to be allocated to the segment and assess its performance (see Note 25). Inter-segment transactions are determined on the basis of prices that are similar to the prices that would have been used with or between independent parties in comparable transactions.

y) Reclassifications

The allowance for doubtful accounts for the years ended December 31, 2017 was presented as part of other expenses in the statement of profit or loss and other comprehensive income. In order to meet the requirements of IFRS 9, the allowance for doubtful accounts was reclassified to the Allowance for doubtful accounts caption in the statement of profit or loss for the year ended December 31, 2018.

z) New accounting pronouncements

The standards that are issued but not yet effective up to the date of issue of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

i) IFRS 16, Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, Operating *Leases*-Incentives and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

- Transition to IFRS 16

The Company plans to adopt IFRS 16 retrospectively without restating its comparative information. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

During 2018, the Company performed a detailed impact assessment of IFRS 16. In summary, the impact of IFRS 16 adoption is expected to be as follows:

Impact on the statement of financial position (increase/(decrease)) as of January 1, 2019:

		2019
Assets		
Right-of-use assets	**MXN**	**180,349**
Liabilities		
Lease liabilities		**180,349**

Impact on the statement of profit or loss (increase/(decrease)) for 2019:

		2019
Depreciation expense (included in administrative expenses)	**MXN**	**85,485**
Operating lease expense (included in administrative expenses)	**(**	**87,966)**
Finance costs		**2,481**

ii) IFRIC 23, *Uncertainty over Income Tax Treatments*

The International Accounting Standards Board (IASB or the Board) issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*. The Interpretation clarifies application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Interpretation does not add any new disclosure requirements. However, it highlights the existing requirements related to judgments, information about the assumptions made and other estimates.

The Interpretation is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted.

iii) Amendments to IFRS 10 and IAS 28 ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

iv) Amendments to IAS 19: ***Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19, *Employee Benefits* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

–Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

– Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments apply to future plan amendments, curtailments or settlements.

v) IFRS 3, *Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments will apply on future business combinations of the Company.

vi) IFRS 11, *Joint Arrangements*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IAS 12, *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Company management is analyzing what the effect of the adoption of these amendments will have on its consolidated financial statements and accounting policies.

3. Cash and Cash Equivalents

An analysis of cash and cash equivalents as of December 31, 2018 and 2017 is as follows:

		2018		2017
Cash and cash in banks	**MXN**	**389,499**	MXN	226,464
Liquid investments		**2,374,923**		2,422,726
	MXN	**2,764,422**	MXN	2,649,190

As of December 31, 2018 and 2017, liquid investments are comprised of government securities under repos, as follows:

		2018		2017
Amount	**MXN**	**2,374,923**	MXN	2,422,726
Range of annual interest rates		**5.62% to 8.27%**		6.42 to 7.40%
Maturity		**2 days**		4 days

4. Financial Assets Designated at Fair Value

As of December 31, 2018, the Company has no financial assets designated at fair value.

As of December 31, 2017, financial assets designated at fair value through profit or loss consist of securities held for trading. An analysis is as follows:

	Securities		Fair value
Debt instruments issued by private and state-owned entities			
AMX	168,814	MXN	17,470
BANCOMER	83,050		8,396
BLADEX	140,177		14,028
CABEI	23,186		2,330
CFE	152,752		15,350
PEMEX	115,618		11,605
TELMEX	102,878		10,486
Total debt instruments issued by private and state-owned entities		MXN	79,665

	Securities		Fair value
Government securities			
BPAG91	768,551	MXN	77,465
CETESB1	3,022,917		29,473
UDIBONO	19,846		11,486
Total government securities		MXN	118,424
Total assets designated at fair value		MXN	198,089

5. Accounts Receivable, net

An analysis of trade receivables and other accounts receivable as of December 31, 2018 and 2017 is as follows:

		2018		2017
Trade receivables	**MXN**	**322,302**	MXN	269,401
Less – Allowance for doubtful accounts [a]		**(6,859)**		(3,672)
Trade receivables, net	**MXN**	**315,443**	MXN	265,729
Sundry debtors [b]		**35,484**		50,941
Related parties (Note 11)		**69,168**		65,671
Total accounts receivable, net	**MXN**	**420,095**	MXN	382,341

(a) An analysis of changes in the allowance for doubtful accounts for the years ended December 31, 2018 and 2017 is as follows:

		2018		2017
Balance at beginning of year	**MXN**	**(3,672)**	MXN	(11,504)
Increases during the year		**(4,036)**		(75)
Charges against the allowance		**849**		7,907
Balance at end of year	**MXN**	**(6,859)**	MXN	(3,672)

To determine the recoverability of its trade receivables, the Company considers any change in the credit rating of the receivable from the date the credit was originally granted through the reporting date. The Company's concentration of credit risk is low, as its customer base is large and diverse.

Increases and charges to the allowance for doubtful accounts for the years ended December 31, 2018 and 2017 were recorded in profit or loss. Increases to the allowance are presented as a separate line item of expenses, and recoveries are presented as part of other income.

(b) An analysis of sundry debtors as of December 31, 2018 and 2017 is as follows:

		2018		2017
Recoverable taxes	**MXN**	**24,992**	MXN	43,037
Recoverable value added tax		**3,030**		5,418
Other debtors		**7,462**		2,486
	MXN	**35,484**	MXN	50,941

6. Equity Instruments

In 2013, the Company purchased 5,201,827 shares representative of the share capital of Bolsa de Valores de Lima (BLV) for an acquisition price of 56,670 Peruvian soles, equal to MXN 268,480. The acquisition of this equity investment was recorded as an available-for-sale asset valued at cost.

At the annual shareholders' meeting of BLV held on March 15, 2016, the shareholders approved a capital increase, which resulted in a reduction of the Company's equity interest in BVL. This change in equity interest gave rise to a dilution of MXN 49,069 for the Company, which was recognized in OCI.

As of December 31, 2017, the balance of the available-for-sale assets valued at cost based on IAS 39 was MXN 219,411.

Effects of adopting IFRS 9

As of January 1, 2018, Company management adopted the new standards for designation and measurement of financial instruments established in IFRS 9. The related effects were recognized in the available-for-sale assets caption and in the application of the equity method as of December 31, 2017.

The effects of adoption of this new standard included the recognition of impairment of the investment in BVL as of December 31, 2017. This amount was recognized net of the related deferred tax asset and the appreciation of the Peruvian currency against the Mexican peso. The related effects totaled MXN 16,969 as of January 1, 2018.

As of December 31, 2018, the Company reclassified the investment in BVL from an available-for-sale asset (designation under IAS 39) to an equity instrument at fair value through OCI (classification under IFRS 9).

For the year ended December 31, 2018, the changes in the fair value of the Company's equity instruments of MXN 6,937 were recognized in OCI.

An analysis of the Company's equity investment in Bolsa de Valores de Lima (BVL) as of December 31, 2018 and 2017 is as follows:

Available-for-sale financial assets (designation under IAS 39)	MXN	268,480
Dilution effect recognized in OCI	(	49,069)
Balance as of December 31, 2017:		219,411
Adjustment from adoption of IFRS 9		16,969
Balance as of January 1, 2018:		
Equity instrument at fair value through OCI 2018 (classification under IFRS 9)		**236,380**
Fair value adjustment recognized in OCI	**(**	**6,937)**
Balance as of December 31, 2018,	**MXN**	**229,443**

7. Goodwill

An analysis of the Company's goodwill as of December 31, 2018 and 2017 is as follows:

		2018		2017
Indeval	**MXN**	**2,373,085**	MXN	2,373,085
Asigna		**933,662**		933,662
CCV		**641,853**		641,853
		3,948,600		3,948,600
Less – Accumulated impairment				
Indeval		**(133,000)**		(133,000)
Asigna		**(573,000)**		(573,000)
CCV		**(119,000)**		(119,000)
		(825,000)		(825,000)
	MXN	**3,123,600**	MXN	3,123,600

Indeval

In May and June 2008, the Company entered into various purchase-sale and assignment of rights agreements. Under these agreements, the Company agreed to make an initial payment of 75% of the market value of Indeval equal to MXN 1,576,361, with the remaining 25% corresponding to a share purchase option, which the Company exercised in 2015 and 2014.

Company management analyzed the fair values of the assets acquired and liabilities assumed as a result of this transaction and recognized goodwill of MXN 2,373,085.

Asigna

In 2008, the Company acquired 69.24% of Asigna's trust beneficiary rights for MXN 865,513. At the date of acquisition, the carrying amount of these rights was MXN 121,220, and the Company therefore recognize goodwill of MXN 933,662 on this transaction.

CCV

In 2008, the Company acquired 23.05% of the shares of CCV; 21.13% through the exchange of 12,681,306 of the Company's series A shares, equal to MXN 209,242 and 1.92% through a cash payment of MXN 23,057. The carrying amount of the shares at the acquisition date was MXN 38,168, and the Company therefore recognized goodwill of MXN 641,853 on this transaction.

Impairment testing of cash generating units with goodwill

For purposes of impairment testing, in the internal monitoring performed by Management, the goodwill is assigned to the lowest level operating divisions within the same CGU as the goodwill, which do not exceed the operating segments reported in Note 25.

For the years ended December 31, 2018 and 2017, there were no indicators of impairment in the value of goodwill.

Value is use is calculated based on the following key assumptions:

- Cash flows are projected based on past experience, actual operating results, and the 5-year business plan, as well as the budget for the current year, which is approved by the Board of Directors.

- The projections include 5 years, plus the last perpetuity flow, considering a range of revenue growth for all of the CGUs of between 7% and 11% during the projection period (2019-2023), an expense range of 4.1% of 5.5%, a discount rate in Mexican pesos of 12.40% and a perpetuity rate of 3.60%. In the projection, the investment in fixed assets represents 0.002% of revenue over the projection period (approximately MXN 3.6 million annually). With respect to the related taxes, the Company considered the income tax rate for the current year and the expected rate for upcoming years of 30% (for Asigna).

- Operating profits assume a growth rate higher than inflation for the first 5 years, based on the information obtained from the industry analyses.

- The values assigned to the key assumptions represent Management assessment of future industry trends considering both external and internal sources.

With respect to value in use, Company management considered and analyzed the following: a) estimated future cash flows that the entity expects to obtain from the asset; b) expectations of potential variances in the amount or in the temporary distribution of such future cash flows; c) the time value of money, represented by the risk-free market interest rate; d) the price, due to the inherent uncertainty of the asset; and other factors, such as liquidity, that market participants would reflect in pricing the future cash flows that the entity expects from the asset.

8. Property, Furniture and Equipment

An analysis of property, furniture and equipment as of December 31, 2018 and 2017 is as follows:

Cost		Property		Computer equipment		Office furniture and equipment		Automotive equipment		Total
Balance as of December 31, 2016	MXN	746,814	MXN	462,120	MXN	119,907	MXN	18,946	MXN	1,347,787
Additions		3,893		3,602		1,345		5,435		14,275
Sales and disposals		–	(	366,079)		–	(	7,440)	(	373,519)
Balance as of December 31, 2017		750,707		99,643		121,252		16,941		988,543
Additions		**27,580**		**514**		**38**		**3,203**		**31,335**
Balance as of December 31, 2018	**MXN**	**778,287**	**MXN**	**100,157**	**MXN**	**121,290**	**MXN**	**20,144**	**MXN**	**1,019,878**
Depreciation										
Balance as of December 31, 2016	MXN	299,769	MXN	450,860	MXN	102,875	MXN	6,026	MXN	859,530
Depreciation for the year		16,818		5,905		2,625		3,595		28,943
Sales and disposals		–	(	363,435)		–	(	5,061)	(	368,496)
Balance as of December 31, 2017		316,587		93,330		105,500		4,560		519,977
Depreciation for the year		**17,513**		**5,696**		**1,660**		**3,256**		**28,125**
Balance as of December 31, 2018	**MXN**	**334,100**	**MXN**	**99,026**	**MXN**	**107,160**	**MXN**	**7,816**	**MXN**	**548,102**
Balance as of December 31, 2017	MXN	434,120	MXN	6,313	MXN	15,752	MXN	12,381	MXN	468,566
Balance as of December 31, 2018	**MXN**	**444,187**	**MXN**	**1,131**	**MXN**	**14,130**	**MXN**	**12,328**	**MXN**	**471,776**

As of December 31, 2018 and 2017 property includes land with a value of MXN 132,765.

9. Equity Investments in Associates and Joint Ventures

In 2018, the Company contributed USD 490,000 equal to MXN 6,866, for an equity investment in the foreign entity, Latam Exchanges Data, Inc. This investment was authorized by the Company at the meeting of the Board of Directors held on July 18, 2017.

Company	Equity interest	Equity investment December 31, 2018	Share of profit December 31, 2018
Bolsa de Productos Agropecuarios	**14.30%**	**MXN 12,080**	**MXN (18)**
Datos Técnicos, S.A. (Datatec)	**50.00%**	**12,444**	**10,039**
Latam Exchanges Data, Inc.	**49.00%**	**6,866**	**(2,725)**
		MXN 31,390	**MXN 7,296**

Company	Equity interest	Equity investment 31 December 2017	Share of profit 31 December 2017
Bolsa de Productos Agropecuarios	14.30%	MXN 13,550	MXN 231
Datos Técnicos, S.A. (Datatec)	50.00%	12,207	9,967
		MXN 25,757	MXN 10,198

10. Intangible Assets, net

An analysis of intangible assets as of December 31, 2018 and 2017 is as follows:

	Software use licenses (1)	Investment for Monet development	SCO project	Other (2)	Total
Balance as of December 31, 2016	MXN 104,368	MXN 145,775	MXN –	MXN 42,396	MXN 292,539
Project reclassifications	(76,535)	–	71,318	5,217	–
Additions	520	–	14,093	37,642	52,255
Amortization	(19,224)	(8,620)	(6,042)	(9,768)	(63,654)
Balance as of December 31, 2017	MXN 9,129	MXN 117,155	MXN 79,369	MXN 75,487	MXN 281,140
Additions	**49,453**	6,960	–	7,034	63,447
Amortization	**(9,062)**	(28,620)	(12,084)	(5,603)	(55,369)
Balance as of December 31, 2018	**MXN 49,520**	MXN 95,495	MXN 67,285	MXN 76,918	MXN 289,218

(1) The additions of software use licenses in the amount of MXN 49,453 correspond primarily to investments in licenses for: a) Trading DATATEC for MXN 20,516; b) ERP Dynamics 365 for MXN 11,801; c) Automatización SIC for MXN 9,373; d) Proyecto de Ciberseguridad for MXN 2,439; e) Motor de Riesgos y Cámara de Bonos for MXN 1,540; and f) other sundry licenses for MXN 3,784.

(2) In 2018, the additions of MXN 7,034 include the following investments: a) Dynamics Project – ERP for MXN 2,302; b) Indeval International Trading System for MXN 2,672; c) Reference Data Project for MXN 1,118; and d) Cybersecurity Project for MXN 942. In 2017, the additions of MXN 37,642 include the following investments: a) Multicast Project for MXN 15,453; b) Improvements to the Indeval Vault security systems for MXN 7,776; c) SIC operating platform for MXN 7,172; and d) Sundry for MXN 7,241.

11. Related Party Balances and Transactions

For the years ended December 31, 2018 and 2017, an analysis of transactions between the Company and its related parties not subject to consolidation is as follows:

		2018		2017
Revenue:				
Brokerage:				
ICAP Energy LLC (formerly Capital Markets, LLC) [b]	**MXN**	**36,194**	MXN	52,742
Income from recovered expenses		**22,661**		14,416
	MXN	**58,855**	MXN	67,158
Expenses:				
Brokerage:				
ICAP NY	**MXN**	**21,445**	MXN	24,329
Other:				
ICAP Energy LLC (formerly Capital Markets LLC)		**1,772**		1,106
ICAP Ecuador (Administrative services)		**12,856**		11,449
	MXN	**36,073**	MXN	36,884

An analysis of balances due from and to related parties as of December 31, 2018 and 2017 is as follows:

		2018		2017
Receivables: (Note 5)				
ICAP Energy LLC (formerly Capital Markets, LLC) [a]	**MXN**	**69,168**	MXN	65,671
Payables:				
ICAP Energy LLC (formerly Capital Markets LLC)	**MXN**	**7,610**	MXN	5,558
ICAP del Ecuador		**340**		216
ICAP Services North America		**3,539**		–
	MXN	**11,489**	MXN	5,774

[a] This receivable corresponds to fees charged in the normal course of the Company's operations.

[b] Revenue from the brokerage transactions with SIF ICAP carried out in the normal course of the Company's operations.

12. Suppliers and Other Accounts Payable

An analysis of suppliers and other accounts payable as of December 31, 2018 and 2017 is as follows:

		2018		2017
Suppliers and other accounts payable	**MXN**	**323,577**	MXN	242,749
Dividends declared not yet paid		**6,570**		7,576
Withheld taxes and social security contributions		**53,944**		53,944
Employee performance bonus		**73,382**		85,277
Other		**11,329**		23,250
	MXN	**468,802**	MXN	412,796

13. Bank Loan

On October 31, 2018, the Company made early repayment of the outstanding balance of its bank loan with BBVA Bancomer, S.A. I.B.M. of MXN 617,417, with an effective income rate of MXN 12,183, which corresponds to the present value valuation of the loan and was recognized in full at the date of the early repayment of the loan principal rather than being amortized over the originally agreed term.

Early repayment of this loan was without penalty to the Company and was authorized at the Board of Directors' meeting held on October 16, 2018.

As of December 31, 2017, the outstanding balance was MXN 634,875, of which MXN 226,707 was recognized as short-term debt and the remaining MXN 408,168 was recognized as long-term. The loan was taken out on July 2, 2014 and the proceeds were used to acquire Indeval shares.

The loan was taken out in Mexican pesos and bore monthly interest on outstanding principal balances at an annualized rate equal to the Mexican weighted interbank interest rate (TIIE) + 90 basis points.

Interest paid on this loan in 2018 and 2017 was MXN 40,537 and MXN 58,300, respectively.

14. Employee Benefits

An analysis of the Company's obligation for seniority premiums as of December 31, 2018 and 2017 is as follows:

	2018	2017
Defined benefit obligation	**MXN 10,043**	MXN 10,061
Segregated fund	**(10,634)**	(9,520)
Net projected (asset) obligation	**MXN (591)**	MXN 541
Net projected obligation at beginning of year	**MXN 541**	MXN 1,052
Net periodic benefit expense	**1,039**	1,168
Contributions to the fund	**(825)**	(964)
Actuarial gain to be recognized in equity	**(1,344)**	(698)
Seniority premiums paid	**(2)**	(17)
Net projected obligation at end of year	**MXN (591)**	MXN 541

An analysis of the pension plan as of December 31, 2018 and 2017 is as follows:

	2018	2017
Defined benefit obligation	**MXN 23,074**	MXN 26,972
Segregated fund	**(31,178)**	(32,776)
Net projected asset	**MXN (8,104)**	MXN (5,804)
Net projected asset at beginning of year	**MXN (5,804)**	MXN (2,341)
Net periodic benefit expense	**787**	1,184
Contributions to the fund	**(1,639)**	(5,618)
Actuarial (gain) loss to be recognized in equity	**(1,448)**	971
Net projected asset	**MXN (8,104)**	MXN (5,804)

a) Plan assets

	2018	2017
Shares	**MXN 6,305**	MXN 6,377
Federal government securities	**35,508**	35,919
Cash	**11**	–
	MXN 41,824	MXN 42,296

b) Changes in the present value of the net defined benefit obligations for the years ended December 31, 2018 and 2017:

		2018		2017
Defined benefit obligation as of January 1	MXN	37,033	MXN	34,259
Benefits paid		(4,328)		(1,042)
Current year service cost and interest cost		2,233		4,808
Actuarial gain recognized in OCI (see Note 14e)		(1,820)		(992)
Defined benefit obligation as of December 31	MXN	33,118	MXN	37,033

c) Changes in present value of plan assets for the years ended December 31, 2018 and 2017:

		2018		2017
Fair value of plan assets as of January 1	MXN	42,296	MXN	35,548
Contributions		2,465		6,582
Benefits paid		(6,937)		(1,025)
Expected return on plan assets		3,017		2,456
Actuarial loss recognized in OCI		(973)		(1,265)
Fair value of plan assets as of December 31	MXN	39,868	MXN	42,296

d) Expense recognized in profit or loss for the years ended December 31, 2018 and 2017:

		2018		2017
Current–year service cost	MXN	2,233	MXN	2,509
Interest cost		2,610		2,299
Expected return on plan assets		(3,017)		(2,456)
	MXN	1,826	MXN	2,352

e) Actuarial gain or loss recognized in OCI:

		2018		2017
Accumulated amount as of January 1	MXN	20,233	MXN	19,960
Recognized during the year		(486)		(992)
Other		(2,307)		1,265
Accumulated amount as of December 31	MXN	17,440	MXN	20,233

The basic actuarial assumptions considered in the calculation of the discount rate, return on plan assets and salary increase rate (expressed as weighted averages) are as follows:

	2018	2017
Discount rate as of December 31, (pensions and seniority premium)	**7.20%,7.50% and 8.00%**	6.70%,6.90% and 7.50%
Expected return on plan assets as of January 1	**5.00%**	5.00%
Rate of future salary increases (Group 1)	**3.50% and 4.50%**	4.50%
Rate of future salary increases (Group 2)	**3.50%**	3.50%
Long–term inflation rate	**3.50%**	3.50%

The mortality rate is based on Mexico's publicly available mortality tables. The current age of retirement in Mexico is 65.

The calculation of the net defined benefit obligation is subject to the mortality assumptions is indicated above. As the actuarial mortality estimates continue to be updated, an increase of one year in the life expectancies shown above is considered to be reasonably possible in the coming year.

As of December 31, 2018 and 2017 the overall long–term expected return on plan assets is 8% and 7.5%, respectively. This estimate is based on the expected return on the overall portfolio and not on the sum of returns on the individual categories of assets. Plan assets are invested in a mix of federal government securities and shares in order to both provide investment security and increase profitability.

15. Income Tax

The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for 2018 and 2017.

An analysis of income tax recognized in profit and loss for the years ended December 31, 2018 and 2017 is as follows:

a) Income tax recognized in profit or loss:

	2018	2017
Current income tax	**MXN (590,643)**	MXN (490,529)
Deferred income tax:		
Generation and reversal of temporary differences	**(109)**	116
	MXN (590,752)	MXN (490,413)

b) Reconciliation of the effective income tax rate for the years ended December 31, 2018 and 2017:

	2018		2017	
	Amount	**%**	Amount	%
Consolidated profit before income tax	**MXN 2,069,326**	**100**	MXN 1,746,248	100
Income tax at statutory rate	**(620,798)**	**30**	(523,874)	30
Non-deductible expenses	**(12,728)**	**1**	(11,883)	1
Deductible inflation adjustment	**36,582**	**(2)**	41,688	(2)
Effects of inflation on depreciation and amortization	**14,467**	**(1)**	7,805	–
Other, net	**(2,185)**	**–**	84	–
	(584,662)	**28**	(486,180)	29
Income tax of foreign subsidiaries:	**(6,090)**	**–**	(4,233)	–
Income tax expense	**MXN 590,752**	**28**	MXN(490,413)	29

c) Deferred tax assets and liabilities

An analysis on the Company' s deferred tax assets and liabilities as of December 31, 2018 and 2017 is as follows:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Property, furniture and equipment	**MXN 19,579**	MXN 14,638	**MXN –**	MXN – –	**MXN 19,579**	MXN 14,638
Provisions	**56,175**	52,363	**–**	–	**56,175**	52,363
Intangibles and prepaid expenses	**–**	–	**(32,242)**	(25,722)	**(32,242)**	(25,722)
Unrealized gain or loss on valuation of securities	**–**	873	**–**	–	**–**	873
Available tax loss carryforward	**21,425**	17,278	**–**	–	**21,425**	17,278
Other	**–**	1,710	**(1,821)**	–	**(1,821)**	1,710
Less – Valuation allowance					**(20,796)**	(18,591)
					MXN 42,230	MXN 42,549

d) An analysis of changes in temporary differences for the years ended December 31, 2018 and 2017 is as follows:

	As of December 31, 2017	Recognized in profit or loss	As of December 31, 2018
Property, furniture and equipment	MXN 14,638	MXN4,941	MXN 19,579
Provisions	52,363	3,812	56,175
Intangibles and prepaid expenses	(25,722)	(6,520)	(32,242)
Unrealized gain or loss on valuation of securities	873	(873)	–
Available tax loss carryforward	(8,330)	29,755	21,425
Other	8,727	(10,428)	(1,821)
Valuation allowance	–	(20,796)	(20,796)
	MXN 42,549	MXN (109)	MXN 42,320

	As of December 31, 2016	Recognized in profit or loss	As of December 31, 2017
Property, furniture and equipment	MXN 17,537	MXN (2,899)	MXN 14,638
Provisions	41,189	11,174	52,363
Intangibles and prepaid expenses	(16,719)	(9,003)	(25,722)
Unrealized gain or loss on valuation of securities	1,387	(514)	873
Available tax loss carryforward	(9,832)	27,110	17,278
Other	8,871	(7,161)	1,710
Valuation allowance	–	(18,591)	(18,591)
	MXN 42,433	MXN 116	MXN 42,549

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Deferred tax asset balances which are likely to be realized may be reduced if future taxable earnings are lower than expected.

16. Equity

An analysis of the Company's equity is as follows:

a) Share capital structure

As of December 31, 2018 and 2017 the Company's share capital is MXN 4,507,303, which corresponds to fixed minimum share capital with no withdrawal rights represented by 592,989,004 common Series A Class I shares with no par value that have been fully subscribed and paid in.

b) Foreign currency translation reserve

Represents the exchange gains or losses arising on the translation of the financial statements of the Company's foreign subsidiaries.

c) Amount authorized for share repurchases

At Ordinary Shareholders' Meetings held on April 27, 2018 and April 27, 2017, the Company's shareholders agreed to increase the maximum amount allocated for share repurchases to up to MXN 402,600 and MXN 199,000, respectively.

As of December 31, 2018 and 2017 the list price of the Company's share is $ 33.49 and $ 33.85 pesos per share, respectively.

d) Reserve fund

In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net profit of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. As of December 31, 2018 and 2017, the legal reserve is MXN 354,529 and MXN 296,494, respectively.

f) Restrictions on equity

All of the Company's shares can be freely subscribed and each share series confers the same rights and obligations on the holders, except with respect to shareholders who directly or indirectly own a stake ten percent or more in brokerage firms, credit institutions, insurance and bonding companies, mutual funds, mutual fund operating companies and retirement savings fund management companies, which in no case can hold equity interest in the Company.

In addition, foreign governments cannot participate, directly or indirectly, in the Company's share capital, except in the cases set forth in the Mexican Securities Market Law.

Brokerage firms, credit institutions, insurance and bonding companies, mutual funds, mutual fund operating companies and retirement savings fund management companies, can invest in the Company's shares, with the corresponding charge to their equity.

Subscribing and paying in shares representative of the Company's share capital does not in and of itself give the holder the right to carry out transactions through the Company.

Limits on equity interest

A. No person or group of people may acquire, directly or indirectly, through one or several transactions of any kind, either simultaneous or successive, control over shares representative of the Company's share capital without express authorization from the Ministry of Finance and Public Credit.

B. Notwithstanding the restriction set forth in paragraph A above, no person or group of people may directly or indirectly acquire, through one or several transactions of any kind, either simultaneous or successive, control over shares representative of the Company's share capital that represent five percent or more of the Company's total outstanding shares, unless all of the applicable provisions set forth in the Company's bylaws are met.

g) Dividends and other changes in equity

At an Ordinary Shareholders' Meeting held on April 27, 2018, the Company's shareholders declared a dividend of MXN 895,413, equal to $ 1.51 pesos per share for all current outstanding shares, to be paid from the Net Taxed Profits Account (CUFIN). Such dividend was paid on May 11, 2018.

At an Ordinary Shareholders' Meeting held on April 27, 2017, the Company's shareholders declared a dividend of MXN 741,236, equal to $ 1.25 pesos per share for all current outstanding shares, to be paid from the Net Taxed Profits Account (CUFIN). Such dividend was paid on May 12, 2017.

17. Other Comprehensive Income

a) Employee benefits

	2018	2017
Balance at beginning of year	**MXN (15,217)**	MXN (14,922)
Actuarial loss	**550**	(295)
Other	**7**	–
Balance at end of year	**MXN (14,660)**	MXN (15,217)

b) Foreign currency translation reserve

		2018		2017
Balance at beginning of year	MXN	30,051	MXN	24,497
Reclassification of foreign currency translation reserve				16,073
Differences in exchange rate for translation of net assets of foreign operations		(9,076)		(10,519)
Other		177		–
Balance at end of year	MXN	21,152	MXN	30,051

The differences in the exchange rate used to translate the net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (Mexican pesos) are recognized directly in OCI and accumulated in the foreign currency translation reserve. Gains and losses on hedges designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously recognized in the foreign currency translation reserve (arising from the translation of both the net assets of the foreign operation and the related hedges) are reclassified to profit or loss upon disposal of the foreign operation either in full or in part.

c) Change in the value of financial assets

		2018		2017
Balance at beginning of year	MXN	(49,069)	MXN	(49,069)
Reclassification due to adoption of IFRS 9		49,069		–
Changes in fair value of equity instruments		(6,937)		–
Balance at end of year	MXN	(6,937)	MXN	(49,069)

18. Retained Earnings

a) Retained earnings

		2018		2017
Beginning balance	MXN	(3,621)	MXN	(31,397)
Effect of adoption of IFRS 9		(32,100)		–
Restated balance due to adoption of IFRS 9		(35,721)		(31,397)
Net profits attributable to equity holders of the parent		1,160,688		967,880
Dividends declared		(895,413)		(741,236)
Share buybacks		(203,600)		(146,100)
Other comprehensive income		(49)		(4,374)
Legal reserve		(58,035)		(48,394)
Balance at end of year	MXN	(32,130)	MXN	(3,621)

b) Reserve for repurchase of shares

		2018		2017
Balance at beginning of year	MXN	199,000	MXN	52,900
Share buybacks		203,600		146,100
Balance at end of year	MXN	402,600	MXN	199,000

c) Share premium on repurchased shares

		2018		2017
Balance at beginning of year	MXN	202	MXN	202
Capitalization of premium on repurchased shares		4		–
Balance at end of year	MXN	206	MXN	202

19. Non-controlling Interests

An analysis of non-controlling interests as of December 31, 2018 and 2017 is as follows:

		2018		2017
Balance at beginning of year	MXN	204,446	MXN	117,834
Share of profit		102,696		95,147
Dividends paid to non-controlling interests	(	65,496)	(	8,394)
Dividends declared not yet paid		–	(	7,031)
Foreign currency translation reserve and labor obligations	(	6,173)	(	10,121)
Reclassification of foreign currency translation reserve		–		16,073
Other	(	2,692)		938
Balance at end of year	MXN	232,781	MXN	204,446

20. Foreign Currency Balances

As of December 31, 2018 and 2017, an analysis of the Company's net monetary asset position in U.S. dollars is as follows:

		2018		2017
Assets	USD	12,829	USD	14,989
Liabilities	(	2,344)	(	1,515)
Net monetary asset position	USD	10,485	USD	13,474

The Company has payment commitments in U.S dollars for operating leases of computer equipment and licenses, as described in Note 27.

As of December 31, 2018, the Company also has a monetary liability position in thousands of euros of 190.

The U.S dollar exchange rate published in the *Official Gazette* as of December 31, 2018 and 2017 is 19.65 mexican pesos and 19.74 mexican pesos, respectively, per U.S. dollar. As of February 18, 2019, the day before the date of the audit report on these consolidated financial statements, the exchange rate was 19.24 mexican pesos per U.S. dollar.

21. Earnings per Share (in Mexican pesos)

The calculation of basic earnings per share as of December 31, 2018 and 2017 was based on the income attributable to equity holders of the parent of MXN 1,375,879 and MXN 1,160,688, respectively, and a weighted average of ordinary shares outstanding of 592,989,004. The Company does not have any ordinary shares with a potential dilutionary effect.

22. Memorandum Accounts

An analysis of customer securities received in custody, unsettled transactions and overdue payments as of December 31, 2018 and 2017 is as follows:

a) Customer securities received in custody

An analysis of securities received in custody as of December 31, is as follows:

	Number of securities		Market value	
	2018	2017	**2018**	2017
Securities deposited in Indeval vaults	**3,634,712,850,355**	3,764,065,970,722	**MXN 16,332,589,777**	MXN 17,706,448,016
Government securities	**143,148,939,520**	135,184,365,159	**6,694,898,173**	6,459,444,482
Securities deposited abroad				
Shares of foreign companies traded on the BMV	**1,465,954,501**	1,153,012,776	**771,881,706**	725,345,959
Foreign debt and federal government bonds	**173,001,662**	142,625,036	**79,132,882**	108,251,437
Foreign private debt bonds	**185,301,579**	184,704,854	**159,427,676**	162,440,073
	1,824,257,742	1,480,342,666	**1,010,442,264**	996,037,469
Securities received in custody	**3,779,686,047,617**	3,900,730,678,547	**MXN 24,037,930,214**	MXN 25,161,929,967

b) Unsettled transactions

	2018			2017		
	Settlement date			Settlement date		
Type of security			**Amount**			Amount
Shares	**Jan-2-2019**	**MXN**	**11,236,478**	Jan-2-2018	MXN	7,701,842
Shares	**Jan-3-2019**		**4,749,687**	Jan-3-2018		9,140,151
		MXN	**15,986,165**		MXN	16,841,993

As of December 31, 2018 and 2017, the balance of memorandum accounts for overdue payments is MXN 183,773 and MXN 11,213, respectively.

As of December 31, 2018 and 2017 there are no defaulted obligations.

23. Financial Risk Management (unaudited information)

The Company is exposed to the following risks from its use of financial instruments:

Credit risk
Market risk
Operating risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has established Risk Management Committees in its subsidiaries that act as capital markets and derivatives central counterparties. These committees are responsible for developing and monitoring the applicable risk management policies and issuing periodic reports.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Operating risk

Operating risk is the risk of incurring in a direct or indirect loss as result of different causes related to the Company's processes, personnel, technology and infrastructure and due to external factors other than credit, market and liquidity risk, such as those arising from legal requirements and standards and in generally accepted corporate governance standards. Operating risk is present in all of the Company operations.

The Company's policy is to manage its operating risk by balancing financial loss prevention and avoiding reputational damage.

The operations of the Company's clearinghouses (Asigna and CCV) include a security network that guarantees the compliance of the transactions processed. Any defaults shall be covered with funds taken from the third party securities investment account, based on the following order of preference:

- Risk funds managed by the clearinghouses
- Mutual funds
- Equity of the clearinghouses

Senior management of each business unit is responsible for developing and implementing operating risk controls. This responsibility primarily consists of developing risk management policies to control exposure to operating risk in the following areas:

- Appropriate segregation of duties, including independent authorization of transactions
- Reconciliation and monitoring of transactions
- Compliance with legal and regulatory requirements
- Documentation of controls and procedures
- Periodic assessment of operating risks and the adequacy of the controls and procedures implemented to address the identified operating risks
- Required reporting of operating losses and proposed corrective measures
- Development of contingency plans
- Professional training and development
- Ethical and professional standards
- Mitigation of risks, including contracting of insurance where appropriate

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises primarily from the Company's accounts receivable.

Regarding investments, the Company limits its exposure to credit risk by investing exclusively in highly liquid securities with counterparties with AAA+ credit ratings, and investing no more than 30% of its total investments in equity instruments. Management constantly monitors counterparty credit ratings so it can react quickly to any reductions in the credit ratings of the securities in its portfolio.

Market risk is the risk that changes in market prices, such as prices of raw materials, foreign exchange rates, interest rates and equity prices of equity instrument will affect the Company's income or the value of its holdings of financial instruments.

The objective of the Company's market risk management is to control exposure to market risks within acceptable parameters, while optimizing resources.

The Company is exposed to foreign currency risk due to its sales, operating expenses and borrowings that are denominated in a currency other than its functional currency. The main foreign currencies the Company carries out transactions with are the U.S. dollar and the Peruvian sol.

With regard to other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept at an acceptable level to cover any market contingency which may result in a significant loss.

Management of interest rate risk

The Company is exposed to interest rate risk for its loans with variable interest rates. The Company manages interest rate risk by maintaining an appropriate mix of loans at variable interest rates. In 2018, the Company early repaid the balance of its outstanding bank loan.

Capital management

The Company maintains sufficient capital to satisfy its operating and strategic investment requirements, as well as to ensure confidence among market participants. This is achieved through optimal cash management, continuous monitoring of revenue and profits, and long-term investment plans that are used to finance the Company's operating cash flows.

24. Finance Income, net

An analysis of finance income and expenses is as follows:

		2018		2017
Finance income:				
Interest on cash equivalents	**MXN**	**210,049**	MXN	148,636
Interest on financial assets		**–**		16,414
Foreign exchange gain		**60,169**		41,038
Net change in fair value of investments in securities		**–**		6,332
		270,218		212,420
Finance expenses:				
Interest expense (a)		**(29,360)**		(69,778)
Foreign exchange loss		**(53,987)**		(56,827)
		(83,347)		(126,605)
Finance income, net	**MXN**	**186,871**	MXN	85,815

(a) As of December 31, 2018 and 2017, interest expense includes the interest payable and commissions on the unused amounts of the bank loan of MXN 40,537 and MXN 62,833, respectively. The Company repaid this bank loan early in October 2018.

25. Operating Segments

The Company has five operating segments, which represent its business units. The business units offer different services and are managed separately as they each require different strategies and technologies. Management reviews the reports prepared by each business unit at least every quarter. The main operations of each of the operating segments are described below:

Stock exchange – Stock exchange for entities registered in accordance with the Mexican Securities Market Law (the Law). This business segment is operated by BMV.

Financial derivatives – Exchange for futures and options, including facilities and other services to enable these transactions. This business segment is operated by MexDer.

Clearing – Clearinghouses for capital markets and derivatives, operated by CCV and Asigna, respectively.

Brokerage – Financial brokerage service with debt instruments registered in the National Securities Registry (RNV). This business segment is operated by SIF –ICAP.

Custody – Securities management services related to clearing of securities in terms of the Law and the CNBV's general rules. This business segment is operated by Indeval.

Some operating activities require the interaction of various operating segments. This interaction primarily involves technology services and shared personnel services. Inter-segment prices are determined on the basis of prices that are similar to the prices that would have been used with or between independent parties in comparable transactions.

The profits of each segment are used to measure performance, since Management considers this information to be the best approach to assessing the results of each segment compared to other entities engaged in the same lines of business as the Company. Below is an analysis of the results of the operating segments for the years ended December 31, 2018 and 2017.

	2018					
	Local revenue	Foreign revenue	Subtotal	Intercompany revenue/(expense)	Net profits	Operating profit/(loss)
Capital	MXN 552,874	MXN –	MXN 552,874	MXN –	MXN 552,874	MXN 144,225
Share operations - BMV	316,561	–	316,561	–	316,561	–
Share clearing - CCV	236,313	–	236,313	–	236,313	144,225
Stock exchange	694,126	–	694,126	–	694,126	–
Listing fees - BMV	121,720	–	121,720	–	121,720	–
Maintenance fees - BMV	572,406	–	572,406	–	572,406	–
Derivatives	184,199	17,160	201,359	(1,687)	199,672	25,581
MexDer	64,878	15,981	80,859	(1,272)	79,587	(6,925)
Derivatives operations	54,920	3,190	58,110	–	58,110	–
Sale of MexDer information	–	12,791	12,791	(471)	12,320	–
MexDer Other	9,958	–	9,958	(801)	9,157	–
Asigna	119,321	1,179	120,500	(415)	120,086	32,506
Asigna operations	117,150	152	117,302	–	117,302	–
Sale of Asigna information	–	1,027	1,027	–	1,028	–
Asigna other	2,171	–	2,171	(415)	1,756	–
Over-the-counter (SIF ICAP)	125,339	395,693	183,114	(17,644)	565,470	202,751
SIF ICAP operations	122,871	72,780	195,651	(702)	194,949	–
SIF Icap Chile	–	320,267	320,267	–	320,267	–
Sale of SIF ICAP information	2,468	2,646	5,114	(3,918)	1,195	–
SIF ICAP other	–	–	62,083	(13,024)	49,059	–
Custody	901,211	–	901,211	(14,654)	886,557	527,493
Custody operations	892,321	–	892,321	(5,916)	886,405	–
Custody other	8,890	–	8,890	(8,738)	152	–
Information services	320,896	158,921	479,817	(11,098)	468,719	78,501
Valmer	133,074	27,245	160,319	(9,290)	151,029	78,501
Market Data BMV	187,822	131,676	319,498	(1,808)	317,690	–
Co-Location	16,212	–	16,212	(2,771)	13,441	–
Other BMV	172,466	–	172,466	(28,176)	144,291	–
Other	1,030,061	17,355	1,047,416	(1,024,424)	22,993	45,639
Revenue	MXN 3,997,386	MXN 589,129	MXN 4,648,597	MXN (1,100,454)	MXN 3,548,143	MXN 1,864,734
	–	–	1,518,664	(32,755)	1,486,108	840,544

	2017					
	Local revenue	Foreign revenue	Subtotal	Intercompany revenue/(expense)	Net profits	Operating profit/(loss)
Capital	MXN 475,530	MXN –	MXN 475,530	MXN –	MXN 475,530	MXN 119,026
Share operations – BMV	286,624	–	286,624	–	286,624	–
Share clearing – CCV	188,906	–	188,906	–	188,906	119,026
Stock exchange	654,650	–	654,650	–	654,650	–
Listing fees – BMV	126,275	–	126,275	–	126,275	–
Maintenance fees – BMV	528,375	–	528,375	–	528,375	–
Derivatives	211,370	15,323	226,693	(10,457)	216,236	41,500
MexDer	75,756	14,186	89,942	(9,281)	80,661	(14,535)
Derivatives transactions	69,791	–	69,791	(8,632)	61,158	–
Sale of MexDer information	–	11,690	11,690	(469)	11,221	–
MexDer Other	5,966	2,496	8,462	(180)	8,282	–
Asigna	135,614	1,137	136,751	(1,176)	135,575	56,035
Asigna operations	133,783	–	133,783	(769)	133,014	–
Sale of Asigna information	–	1,137	1,137	–	1,137	–
Asigna other	1,831	–	1,831	(407)	1,424	–
Over-the-counter (SIF ICAP)	160,615	397,710	558,325	(4,468)	553,857	191,984
SIF ICAP operations	116,095	68,766	184,861	(615)	184,246	–
SIF Icap Chile	–	328,944	328,944	–	328,944	–
Sale of SIF ICAP information	4,857	–	4,857	(3,853)	1,004	–
SIF ICAP other	39,663	–	39,663	–	39,663	–
Custody	695,547	–	695,547	(13,765)	681,782	389,090
Custody operations	686,350	–	686,350	(5,381)	680,969	–
Custody other	9,197	–	9,197	(8,384)	814	–
Information services	302,384	139,841	442,225	(13,573)	428,652	80,946
Valmer	164,088	–	164,088	(11,891)	152,197	80,946
Market Data BMV	138,296	139,841	278,137	(1,682)	276,455	–
Co-Location BMV	13,774	–	13,774	(2,359)	11,415	–
Other BMV	174,796	–	174,796	(31,879)	142,916	–
Other	924,215	30,641	954,856	(937,926)	16,930	37,080
Revenue	MXN 3,418,605	MXN 738,127	MXN 4,196,395	MXN (1,014,427)	MXN 3,181,969	MXN 1,641,837
Segments operated by BMV	–	–	1,407,980	(35,920)	1,372,060	773,210

An analysis of the acquisitions of property, furniture and equipment and annual depreciation expense for the years ended December 31, 2018 and 2017, classified by business segment, is as follows:

2018

	Capital		Stock exchange		Derivatives		Over-the-counter		Custody		Information services		Other		Total	
Acquisitions:																
Property	MXN	5,875	MXN	12,882	MXN	–	MXN	27	MXN	–	MXN	5,896	MXN	2,900	MXN	27,580
Computer equipment		92		202		–		1,794		–		93		75		2,256
Automotive equipment		–		–		–		–		–		–		3,203		3,203
Furniture and equipment		95		209		–		229		–		96		47		676
		6,062		13,293		–		2,050		–		6,085		6,225		33,715
Depreciation expense	MXN	3,665	MXN	8,037	MXN	–	MXN	4,585	MXN	1,812	MXN	3,702	MXN	6,315	MXN	28,125

2017

	Capital		Stock exchange		Derivatives		Over-the-counter		Custody		Information services		Other		Total	
Acquisitions:																
Property	MXN	813	MXN	1,857	MXN	–	MXN	1	MXN	–	MXN	784	MXN	438	MXN	3,893
Computer equipment		–		–		–		3,602		–		–		–		3,602
Automotive equipment		–		–		–		–		–		–		5,435		5,435
Furniture and equipment		–		–		–		1,294		51		–		–		1,345
		813		1,857		–		4,897		51		784		5,873		14,275
Depreciation expense	MXN	3,535	MXN	8,074	MXN	67	MXN	4,914	MXN	2,091	MXN	3,466	MXN	6,796	MXN	28,943

An analysis of the increase in investments in intangible assets for the years ended December 31, 2018 and 2017, classified by business segment, is as follows:

	2018							
	Capital	**Stock exchange**	**Derivatives**	**Over-the-counter**	**Custody**	**Information services**	**Other**	**Total**
Software use licenses	MXN 3,023	MXN 3,251	MXN 3,251	MXN 20,523	MXN 3,784	MXN 1,488	MXN 28,128	MXN 63,448

	2017							
	Capital	Stock exchange	Derivatives	Over-the-counter	Custody	Information services	Other	Total
Software use licenses	MXN 22,195	MXN 8,801	MXN –	MXN 523	MXN 14,948	MXN 3,717	MXN 2,071	MXN 52,255

An analysis of total assets by business segment is as follows:

	Capital	**Stock exchange**	**Derivatives**	**Over-the-counter**	**Custody**	**Information services**	**Other**	**Total**
2018	**MXN1,326,413**	**MXN2,147,851**	**MXN 421,475**	**MXN417,745**	**MXN689,984**	**MXN 1,052,992**	**MXN 1,373,039**	**MXN 7,429,500**
2017	MXN 1,329,622	MXN2,153,047	MXN 422,495	MXN 418,756	MXN 691,653	MXN1,055,539	MXN 1,376,361	MXN7,447,473

26. Commitments and Contingent Liabilities

Commitments and payment obligation

The Company's subsidiary, Indeval, has entered into agreements with foreign custodians who bill their services in foreign currency (primarily U.S. dollars and euros) based on the custody volume and transfers of securities. Indeval in turn bills this consideration, plus a markup, to its customers as part of its service fees.

To carry out its activities, Indeval must have open accounts in its name in European central securities depositories (such as Clearstream and Euroclear) so as to deposit securities owned by its customers at their request. Indeval therefore has cash accounts with these foreign depositories, primarily to receive payments of principal and interest for securities. Clearstream and Euroclear can apply a reversal process for payments of principal and interest, which involves reversal of the credits made to Indeval's cash accounts, without any justification being provided by the central depositories. These reversals are usually caused by the issuer's financial agent providing incorrect or late information. In these cases, Indeval must ask its depositors in Mexico to whom the payments of principal and interest that were reversed in full or in part were made to return the corresponding amounts. Although to date Indeval has recovered the amounts claimed from its depositors when cases of this kind have arisen, there is no guarantee or certainty that this will continue to occur in the future.

Lawsuits and litigation

The Company is party to several lawsuits and labor claims arising from its normal course of business. Company management does not expect the outcomes of these lawsuits to have a material effect on the Company's financial position or its future operating results.

Tax contingencies

In accordance with the current Mexican tax laws, the Company's income tax returns are open to review by the tax authorities for a period of five years from the date they are filed.

In accordance with the Mexican Income Tax Law (MITL), companies that carry out transactions with related parties are subject to tax restrictions and obligations with respect to the determination of the prices charged, since such prices should be similar to the prices that would have been used with or between independent parties in comparable transactions. Should the tax authorities review and reject the Company's intercompany pricing, they may demand payment of the omitted taxes, plus restatements and surcharges, as well as fines for amounts of up to 100% of the restated omitted taxes.

27. Operating Leases

Company as a lessee

As of December 31, 2018 and 2017 an analysis of future lease payments under non-cancellable operating leases is as follows:

		2018		2017
(Amounts in thousands of U.S. dollars)				
Less than one year	**USD**	**4,208**	USD	4,093
From one to three years		**1,000**		7,409

The Company leases computer equipment under operating leases. These leases are generally for an initial period of one to three years, with an option to renew. Rent payable under these leases usually increases annually to reflect market prices.

For the years ended December 31, 2018 and 2017 rental expense under operating leases was MXN 83,429 and MXN 74,057, respectively.

The Company determined that substantially all the risks and rewards of ownership of the computer equipment remain with the lessor, since the equipment is replaced by the lessor in a period shorter than its useful life and is then used in other transactions. Consequently, the Company determined that its leases are operating leases.

Company as a lessor

The Company leases a portion of its real estate investment under contracts that are renewable annually.

For the years ended December 31, 2018 and 2017, the Company recognized income from operating leases of MXN 23,218 and MXN 23,744, respectively, under Other income.