FINANCIERA INDEPENDENCIA

25th Anniversary

Annual Report 2018

A Story of Success

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We celebrated our **25th anniversary as a microfinance company with utmost commitment and respect** towards our customers, whom we consider part of our family. We aim to experience client growth and evolution, along with our **New Business Model**. We seek to continue to increase opportunities and improve operating efficiency.

2018 Performance

The year ended was filled with successful results. Decisions made were taken through strategies that led us to identify areas for improvement. We took advantage of them to build the foundations of the next projects, considering a consolidated synergy plan for 2019.

Even though 2018 was no stranger to political, economic and social headwinds derived from external factors, as well as to the uncertainty generated by the electoral process, the administration change in the Federal Government, the cancellation of the New Airport of Mexico City, the exchange rate volatility, and the signing of United States-Mexico-Canada Agreement (USMCA), among others, there was no factor that prevented us from expanding our experience.

In 2018 we strengthened investments in the digital salesforce.

The Fintech Law,[1] from which over 20 secondary provisions derive was also an event that impacted our company during the year. Nevertheless, we are facing challenges in terms of Internet placement and laying the foundations with a comprehensive approach and discipline to embark on digital loans, complying with all the guidelines subject to legislation and competition.

We achieved an increase in origination and we are convinced that it is a huge drive for our New Business Model's success, in which we were able to consolidate processes and strategies among the networks that constitute the Company, since we integrated the best practices of each one and merged them all in a single operating model. In addition, we set the foundations for the following years towards a successful communication and interaction between different areas, which will lead us to reach our set decision-making objectives.

Regarding to our financials, 2018 was one of the best years we have had; this was the result of a discipline derived from expense control, quality sales and the balance bet2ween the inherent risks in the business. We also highlight the creation of the Strategic Planning area, whose objective is to efficiently address all growth opportunities. Our financial information experienced overall increases; the Financial Margin after Provisions rose to 2.9 billion pesos, a 4.3% variation against 2017; our Operating Income reached 354.2 million pesos, a variation of 17.8% over last year, while our Average Loan Balance increased by 18.1%, reaching 13,028.7 pesos.

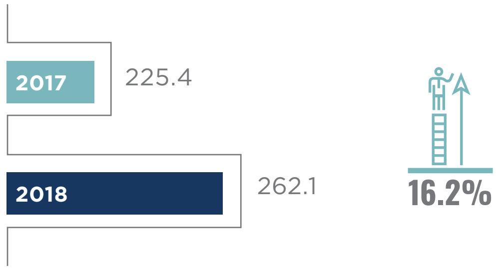
[1] According to CONDUSEF (National Commission for the Protection and Defense of Users of Financial Services), Fintech companies are start-ups (emerging companies) that provide financial services through the use and implementation of technology; for that purpose they use web pages, applications and social networks to streamline and simplify their attention process. Derived from the growth of these companies, the Mexican Government, through the Ministry of Finance and Public Credit (SHCP), its financial authorities and other actors, worked on the development of this Law to regulate Financial Technology Institutions, which is known as the Fintech Law.

Income Statement Data	2017 **	2018	Variation %
Financial margin after provisions*	2,821.4	2,942.8	4.3%
Net operating income*	300.6	354.2	17.8%
Net income*	225.4	262.1	16.2%
Income per share*	0.3149	0.3661	16.2%
Outstanding shares (millions)	715.9	715.9	0.0%
Profitability and efficiency			
NIM excluding commissions	51.4%	50.3%	(1 pp)
NIM before provisions excluding commissions	34.5%	34.7%	0.2 pp
NIM before provisions including commissions	43.3%	42.8%	(0.5 pp)
Return on assets (ROA)	1.9%	2.1%	0.3 pp
Return on equity	5.5%	6.2%	0.7 pp
Efficiency ratio including provisions	91.5%	90.3%	(1.2 pp)
Efficiency ratio excluding provisions	65.9%	66.1%	0.2 pp
Operating efficiency	26.7%	26.9%	0.2 pp
Capitalization			
Non-performing loan ratio	6.3%	5.5%	(0.8 pp)
Equity to total assets	34.6%	34.7%	0.1 pp
Asset quality			
Coverage ratio	103.3%	122.4%	19.1 pp
Operating data			
Total loan portfolio*	7,954.6	8,234.8	3.5%
Average loan balance (Ps.)	11,028.8	13,028.7	18.1%

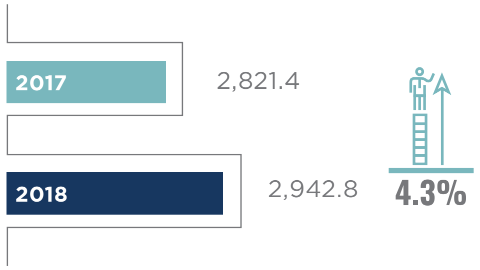
*Figures in millions of pesos.
**Figures for 2017 disclose results reported to the Mexican Stock Exchange.

Our loan portfolio reached 8.2 billion pesos; a **3.5%** increase YoY and a 5.5% NPL ratio.

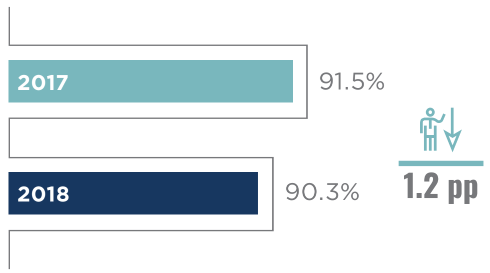
NET INCOME*



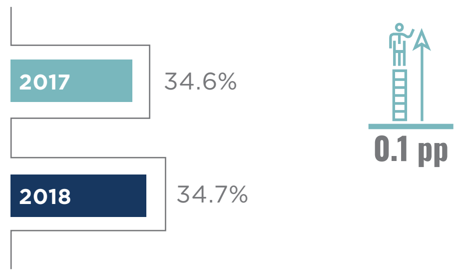
FINANCIAL MARGIN AFTER PROVISIONS*



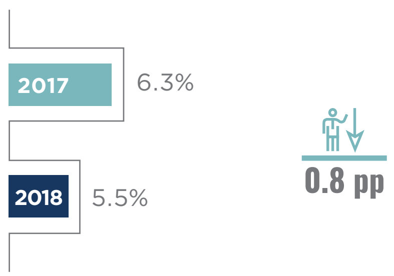
EFFICIENCY RATIO INCLUDING PROVISIONS



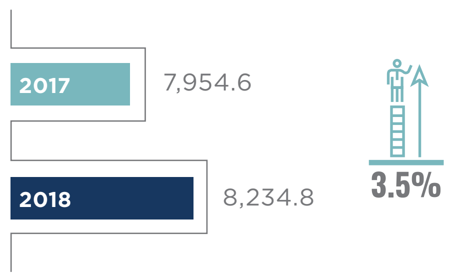
EQUITY TO TOTAL ASSETS



NON-PERFORMING LOAN RATIO



TOTAL LOAN PORTFOLIO*



We are very satisfied with the company's results and its steady improvement towards an increasingly robust business model. Total operating revenue and net operating income grew **2.6%** and **17.8%**, respectively.

As of 1Q18, the company's balance sheet and income statement are presented in accordance with the new Financial Reporting Standards C-16 and C-20 (FRS C16 and C20). These FRS contemplate changes to the provision estimates for loan losses, which now require to consider the default probability and the severity of losses.

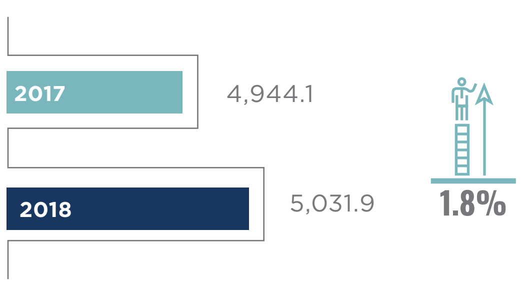
For employment of the audited financial statements, the years 2015, 2016 and 2017 were reformulated with the purpose of applying SRF C16 and C20 pro forma.

Key Indicators*	2017	2018	Variation %
Interest income	4,944.1	5,031.9	1.8%
Interest expense	740.8	757.7	2.3%
Financial margin	4,203.4	4,274.2	1.7%
Provision for loan losses	1,381.9	1,331.4	(3.6%)
Financial margin after provision for loan losses	2,821.4	2,942.8	4.3%
Other operating income (expenses)	724.9	695.6	4.2%
Total operating revenue	3,546.4	3,638.3	2.6%
Administrative and personal expenses	3,245.8	3,284.1	1.2%
Net operating income	300.6	354.2	17.8%

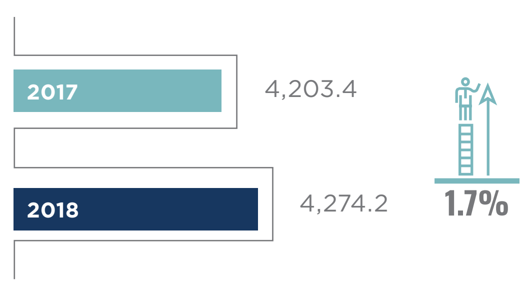
*Figures in millions of pesos.

Without considering non-recurring charges, net income for 2018 would have been 328.4 million pesos; this would have represented a 57.1% increase versus the figures reported in 2017.

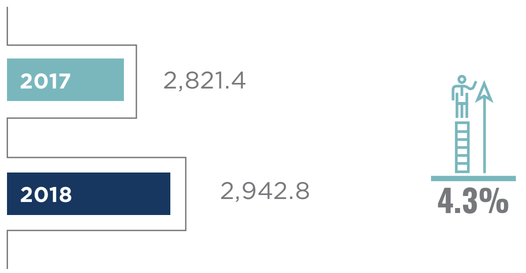
INTEREST INCOME*



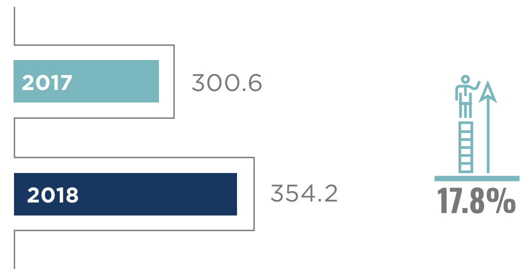
FINANCIAL MARGIN*



FINANCIAL MARGIN AFTER PROVISION FOR LOAN LOSSES *



NET OPERATING INCOME*



*Figures in millions of pesos.

At year's end 2018, total liabilities were **8.00 billion pesos**, an increase of **0.3%** compared to **7.98 billion** reported as of December 31, 2017. Stockholders' equity reached **4.25 billion**, an increase of **0.6%** against **4.22 billion** at the end of 2017.

Letter to our Shareholders

With great satisfaction we present the results achieved by Financiera Independencia for 2018, year in which we celebrated our 25th anniversary as a leading company in the financial services industry with presence in Mexico, the United States and Brazil.

Some of our success highlights include the celebration of 15 years of Finsol Mexico, 13 of Apoyo Económico Familiar, 12 of Finsol Brazil, 11 of Apoyo Financiero Inc. and 7 of Más Nómina. Over these 25 years of history we created a microfinance market in Mexico, expanding loan options for a very important segment of our economy. We have strengthened our structure and gained in-depth knowledge of our clients, based on the more than 13 million loans we have granted during this period.

The company's results derived from the increase in net operating income, which grew to 354 million pesos, a 17.8% variation compared to 301 million pesos reported the previous year, and from loan portfolio growth, which amounted to 8.2 billion pesos, an increase of 3.5% YoY with a 5.5% NPL ratio.

Net income increased to 262 million pesos, against 225 million pesos in 2017, representing a 16.2% growth. Without considering intermediation effects and non-recurring charges, net income would have been 328 million pesos, an increase of 57.1%.

This year ended was filled with remarkable results in all Mexican-based companies, but we are pleased to highlight our performance in the United States, a huge success story with which we demonstrate the growing impact of the strategy we have created. The use of all our analytical skills and the extraordinary use of our operating model has been crucial. Our human contact is complemented by the correct use of technological resources, which has helped us to improve our risk practices.

The loan portfolio of Apoyo Financiero Inc. at the end of 2018 was 1.8 billion pesos, an increase of 20.9% against 2017, result of 25,920 customers and an NPL ratio of 2.2%. This subsidiary closed the year as the second largest of the Group, representing 21.9% of the company's portfolio.

We are sure that our business model will continue to yield outstanding results in the coming years and that it will position Apoyo Financiero Inc. as the subsidiary with the largest loan portfolio of our Group, representing over half of the total portfolio in the following three years.

Regarding our group loan business, we also achieved the goals for the year. We resumed the portfolio's growth; thus, we offered a proper value balance generated for customers and shareholders. Additionally, payroll loans had a remarkable progress reaching 9.6% of our total portfolio, with extraordinary quality and a very sound return on equity. Therefore, 2018 was one of the best years in terms of results since 2012. This is due to the combination of a deep analytical knowledge of the client and his risk profile, as well as an operating model that has allowed us to properly manage and sustain our business.

We have undertaken a transformation process and we are at a critical moment in the digital transformation. This has allowed us to capture efficiencies that contributed positively to the business model integration. The way we operate our branches has become homogeneous, both in the quality of origination, as well as in the effectiveness of collection.

In 2018 we consistently worked on our corporate organization to achieve synergies among businesses. Thus, we have integrated our subsidiaries –that were previously independent– into operating companies that manage their own branch network, finance, risk, legal, audit, and human resources operations.

We extend our most sincere gratitude to the members of our Board and management team for sharing their extensive experience and knowledge of the industry and business; as well as to our investors and clients for the trust they have placed in Financiera Independencia. We thank our extraordinary team for their commitment and dedication to make our company a successful institution. We have a profitable and stable business model that, together with innovative strategies, with total certainty will continue to lead us towards the fulfillment of our objectives.

José L. Rión Santisteban
Chairman of the Board of Directors

Eduardo Messmacher Henríquez
Executive Vice President and CEO

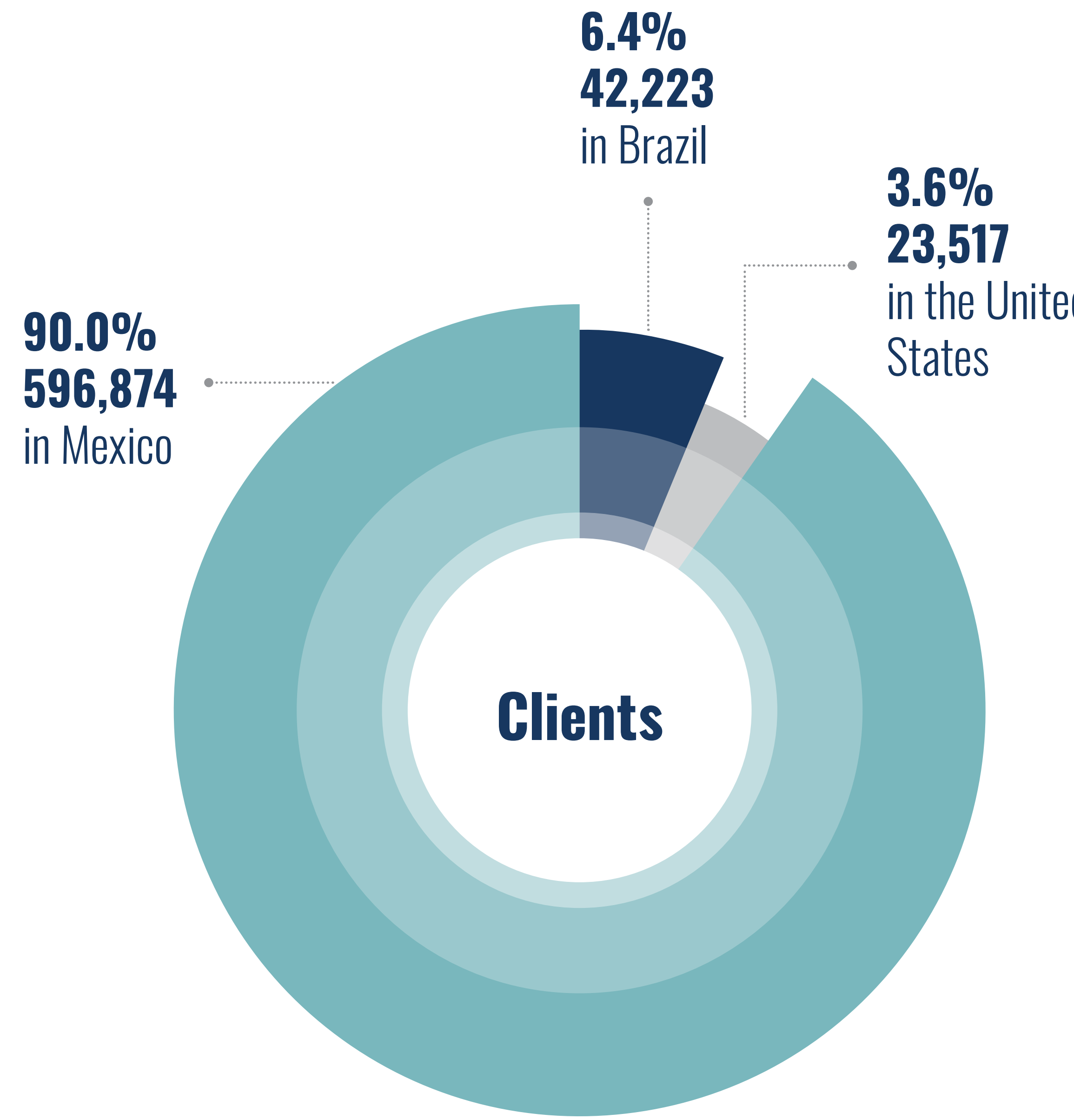
We are Financiera
Independencia

We are a Mexican institution dedicated to provide unsecured microcredits to people from low-income segments of the formal and informal economy, who live in urban and suburban areas in Mexico and the United States of America. We also provide working capital loans under the group-lending methodology in rural areas of Mexico and Brazil. Our mission is to support the country's working classes by offering financial products that meet their needs through high-quality services, with the vision of being an outstanding institution in financial services.

Since we began operations in 1993, Financiera Independencia has experienced significant growth, which reflects the financial position we occupy within the unsecured loan sector in the microfinance market in Mexico. The success we have achieved is attributed to the robust group of strategic plans that we have established and to the deep knowledge of the sector that we have acquired through the principles and values that have characterized us since our origin.

Our Footprint

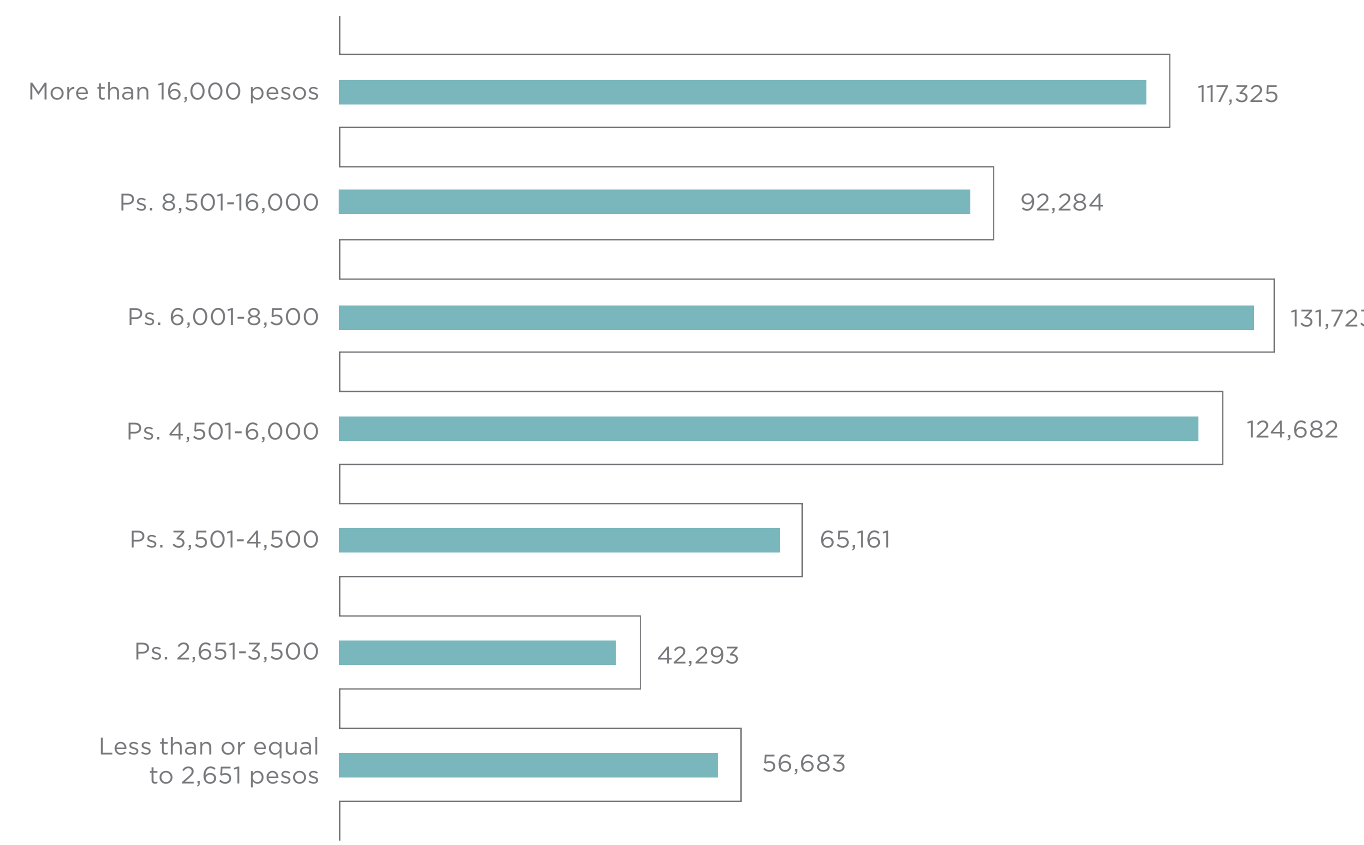
At year's end 2018, we have **538** operating branches; **478** are located within Mexico's 32 states; **31** in Brazil and **29** in the United States.



During 2018, in all our branches and service offices we served an average of 662,614 clients in Mexico, Brazil and the United States.

DISTRIBUTION PER CLIENTS' AGE

NUMBER OF CLIENTS PER MONTHLY INCOME



25 Years of Leadership

2018 represented a year of challenges and preparation to strengthen our company in the coming years, which will continue to forge our values and principles. We began a strategic plan that, subsequently, exceeded the projected, through the largest pillar we have as a Group: **our talent.**

1993
Opening of the first office in Toluca, Mexico State; we are the first Financial Institution to offer loans in the country.

1994
Opening of five new branches in: Celaya, Queretaro, Irapuato, Aguascalientes and Leon.

1999
Inauguration of our first Operating Center in Leon, Guanajuato.

2000
30 branches in operation; located in 19 states of Mexico.

2003
Socially Responsible Company (ESR) Distinction awarded by Cemefi.

2005
One million loans granted.

2008
Inauguration of our second Operating Center in Aguascalientes, Aguascalientes and 192 active branches.

2009
Acquisition of Financiera Finsol Mexico and of the Instituto Finsol Brazil.

2011
Acquisition of Apoyo Financiero Inc. (AFI), Apoyo Económico Familiar (AEF) and consolidation as Grupo FINDEP.

2012
Recognition as one of the major companies in the loan market in Mexico and subsidiaries in Brazil and the United States.

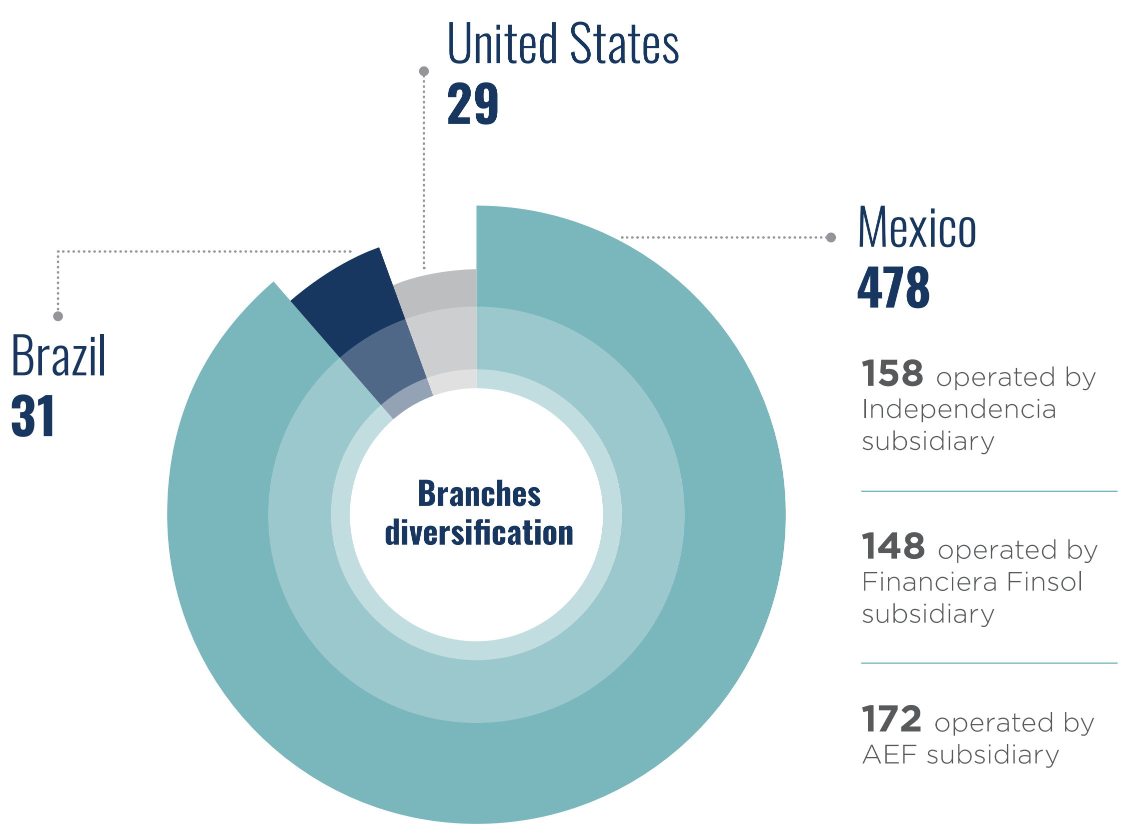
2017
Over 20 years of experience and 630,000 clients, served in more than 150 branches.

2018
25th anniversary.
Consolidation of processes and strategies.
Success Story in the United States.

Our Business Units

One of our main approaches in 2018 was to enrich all the values and principles that define our Group and, in particular, our five subsidiaries: Financiera Independencia, Apoyo Económico Familiar, Apoyo Financiero Inc., Finsol Mexico and Finsol Brazil. We are convinced that our team's effort and constant learning have become the foundation of our best practices and sound performance.

We are becoming more demanding with our quality processes, in addition to our strict discipline in terms of budgetary expenses. During the year, Financiera Independencia reduced four branches, reaching a total of **538.**



Estado de México, Mexico's City and Veracruz are the three states in Mexico with the highest participation rate in the total loan portfolio; representing 13.6%, 12.2% and 7.7%, respectively.

Number of branches	2017	2018	Variation %
Total number of branches	542	538	(0.7%)
Independencia	160	158	(1.3%)
Finsol Mexico	150	148	(1.3%)
Finsol Brzil	31	31	0.0%
Apoyo Económico Familiar	172	172	0.0%
Apoyo Financiero Inc.	29	29	0.0%

We identified each of our business units' strengths in order to merge them, managing to strengthen our New Business Model. Furthermore, we distributed human talent, practices and processes that developed a favorable environment. Consequently, the excellent results obtained during the year were also due to our meticulous attention in the risk area, commercial strategy, and our systematical operation.

During our path towards synergies' consolidation, we have focused on providing value to our corporate culture so it becomes a common asset for all the people who comprise our team, so we are able to convey to our clients an atmosphere of respect and decent treatment to continue growing together.

With this new methodology and our implemented management model, the branch structure has been redefined. During the year, we worked with the New Business Model, which will be fully established in 2019 based on the following core ideas:

DESIRED BEHAVIOR AND MINDSET

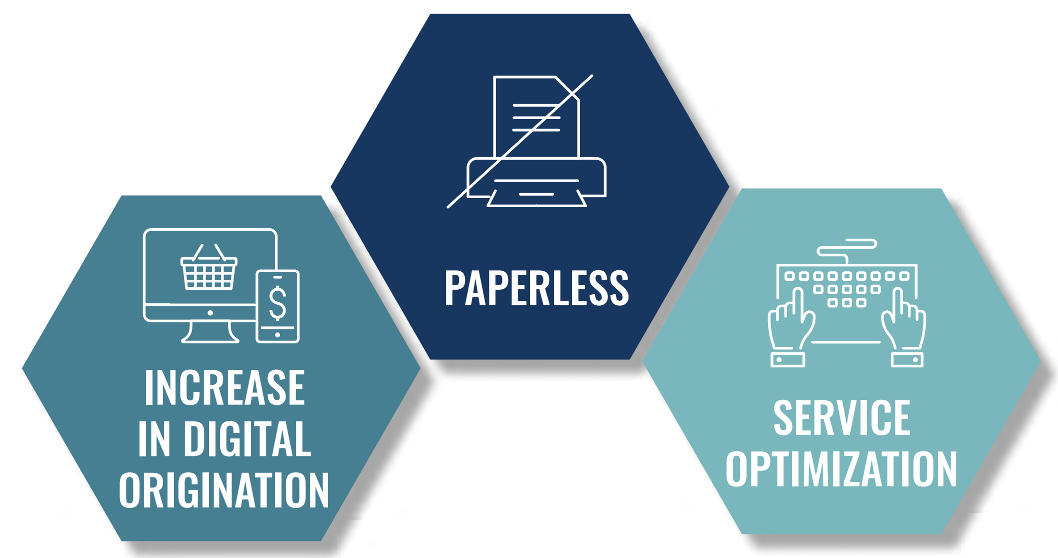
+ Comprehensive responsibility in the origination and collection areas.
+ Quality loans origination.
+ Team spirit.
+ Training of productive work teams.
+ Flexibility in roles.

MAIN ELEMENTS OF REDESIGN

+ Adaptation of potential products for the two networks.
+ Alignment of processes and tools to the commercial and collection execution.
+ Alignment of roles and responsibilities within the branch to generate comprehensive responsibility and flexibility.
+ Organization of the compensation, incentives and performance scheme sought by the New Model.

> **"We are breaking paradigms where different companies are able to converge, and all areas are participating. For me, it's the best year."**
>
> **Guillermo Pedroza Evaristo, Corporate Operations Director**

We worked on strategic lines that gave continuity to the development of better tools, as mobile applications such as FISA Móvil, aiming that our business units can offer an even closer approach with our clients, so that we comply with three important initiatives:



We reinforced the Micronegocio loan; we have focused on permeating the culture and institutionalization of the Financiera Independencia side, so that our synergies plan covers all areas and the operations' management advances in a parallel way with the New Model, which provides the opportunity of a wider coverage since we become a large network of branches.

The Strength of our Model

We are certain that the strength of our model is one of our greatest competitive advantages and the engine to keep driving us towards success. We made great progress towards consolidating synergies, a plan that was launched so that both, the operating processes and the organizational communication, are parallel in all branches.

The main benefit we will obtain in the following years will be a standardization, where our employees will be trained in a consistent way with different mechanisms and operating models, as well as with technological systems and platforms. Our extensive experience and substantial industry knowledge will encourage us to continue transmitting the best management practices to the entire organization.

In 2018 we faced several national and international challenges. We had electoral periods in Mexico and Brazil, which caused some uncertainty within the market. Nonetheless, we experienced outstanding growth in the United States; thus, two of the greatest challenges arising within this context were diversification and growth, which symbolizes a strategic issue due to the acceleration we have maintained.

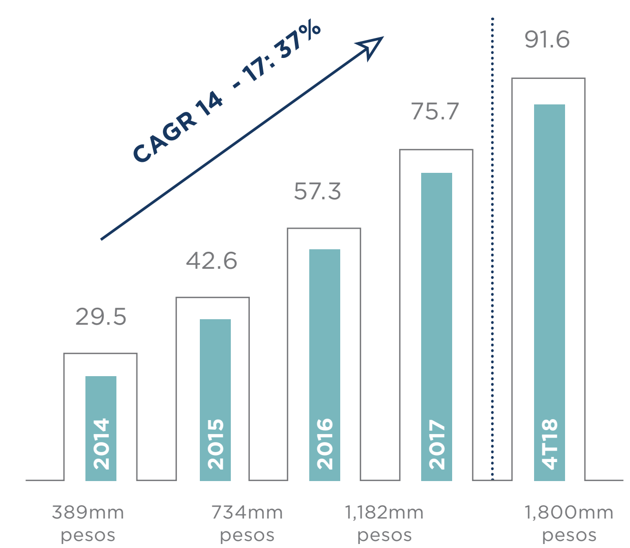
INVESTMENT CHARACTERISTICS FOR APOYO FINANCIERO GROWTH

+ Proven business model in the Unites States with specific emphasis on the Latino population in California.

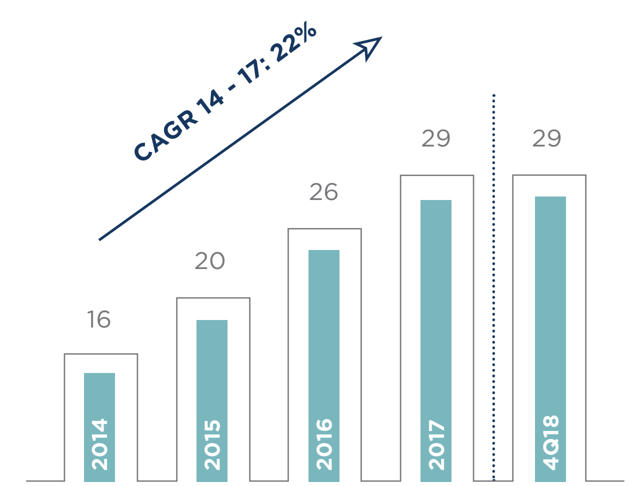
+ Portfolio diversification.

EVOLUTION OF THE PORTFOLIO IN THE US

(US$ MILLION)



EVOLUTION OF BRANCHES IN THE US



The strengthening of our structure has inspired to improve the portfolio's quality and profitability beyond its size, as well as the implementation of operating policies that aim to adapt the business model to market conditions and competitive context.

Since we have five companies under the leadership of Financiera Independencia, we have been able to use the best practices of each and carry out a collaborative model to generate better skills. Moreover, this has allowed us to identify aspects that had to be corrected to maintain the proper functioning and production of our value chain.

Our business model is based on direct contact with people through branches. Within all the changes we undertook, we initiated a corporate role plan with the goal of strengthening three important lines:

+ Strengthening of the United States team.
+ Digital placement and origination with the support of digital media.
+ strategies' identification to achieve greater efficiency.

Some of our accomplishments were the performance of the origination quality and the non-performing loan ratios, which are at their lowest, amounting to **5.5%**; we reached our goal of remaining below **7%**. In addition, efficiency rates have improved considerably.

“The market is moving towards the technological side, but we are moving one step faster with proprietary developments that arise from **excellent organizational development.”**

José María Cid Michavila, Chief Financial and Administration Officer

Our risk strategy to anticipate and react to the collection crisis was coordinated with our vision, as changes existed both in states and at the federal government level. Therefore, the creation and consolidation of the Corporate Risk Department since 2017 has allowed the promotion of ideal initiatives and standards in all subsidiaries, as well as the possible development of more effective collection strategies through different channels to mitigate and control loan risks.

Consolidated Results

One of the biggest challenges we faced was the reduction of origination costs, together with the model transformation and the implementation of strategies for sales' execution through distributors. We expect to continue along the same line in 2019 as regards digital sales, which we are mapping with the main goal of reducing costs and improving our performance without compromising quality.

Following the constant strengthening of the portfolio, Financiera Independencia's second priority is to focus its efforts on reducing operating costs through a series of initiatives around digital transformation:

DIGITAL MARKETING

+ Take advantage of Internet's greater penetration through mobile devices for our clients.
+ Launch of successful marketing through social media that was tested in AEF and AFI.
+ Creation of a single site for all prospects of every company in Mexico to achieve greater credit conversion.

DIGITIZE APPLICATION PROCESS

+ Continue developing an application for the final user.
+ Obtain additional information through customer location history and contacts.
+ Employ origination by third parties through correspondents.

DIGITIZE FURTHER THE OPERATING DISCIPLINE OF BRANCHES

+ Application for performance control and branch supervision.

With regard to the portfolio, we substantially worked, on one hand, in Mexico's states and, on the other, on reducing the non-performing loan ratio, with which it was possible to close the year with a variation of **-0.8 pp** vs 2017. The portfolio, in terms of collection, reported a sound control due to the allocation strategies and stable recovery products. Additionally, systematically monitoring early defaulted loans allowed us to achieve better collection results, as well as to decrease the number of clients in this situation.

We set the deadlines, together with a central strategy.

We work with the risk area, where the client profile is determined.

Loan amounts are specified according to profiles.

Strategies for effective collection and decrease of the non-performing loan ratio

Performance of our Subsidiaries

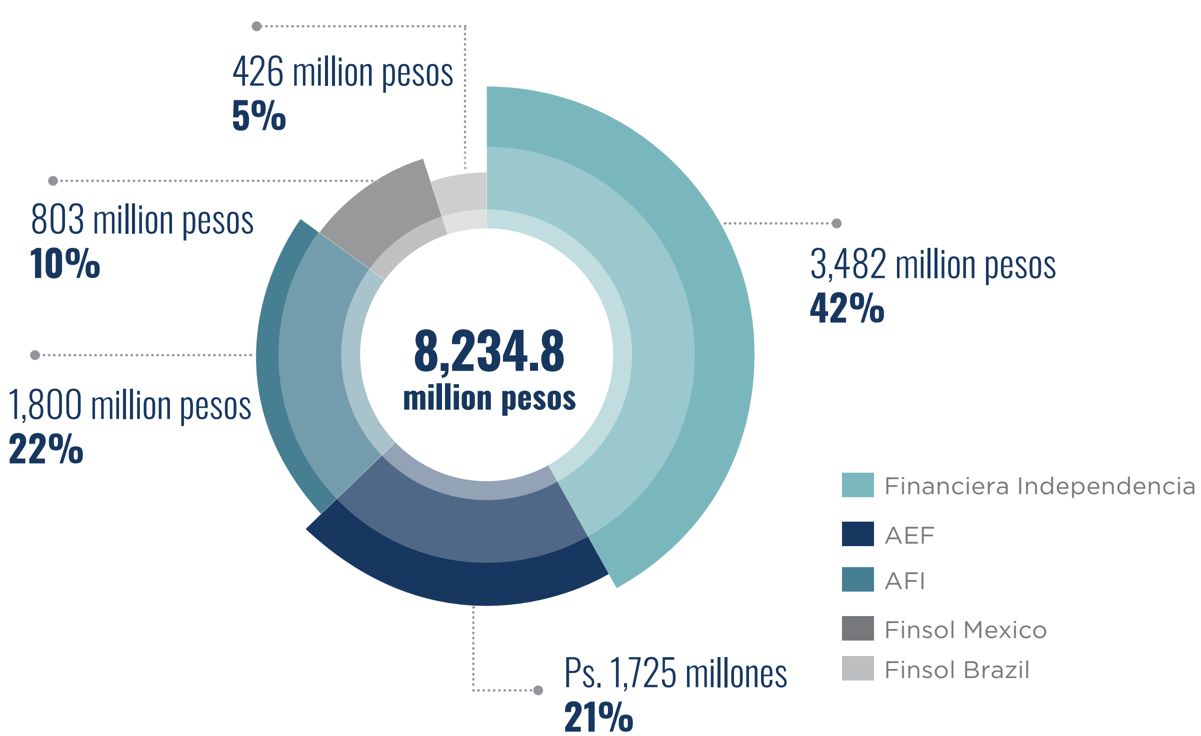
We are satisfied with the quality of our processes and the constant search for strategies to remain close to our clients, as well as the adaptation and acquisition of new channels.

Competitive advantages:

- Focus on quality and profitability over size
- Low default rate and effective risk management
- Unique experience in microcredit financing
- Product innovation
- Wide and convenient geographic distribution network
- Centralized processes that facilitate efficient growth
- Personalized and high-quality customer service
- Collection approach
- Experienced management team and motivated workforce
- Advanced information technology systems
- Access to several financing sources
- Independence of third-party banking services

As a corporation, 2018 represented a profitable year highlighting our presence in the United States, where the growth we are experiencing considerably increased. Therefore, we intend to continue driving this progress to ensure the continuity of its great positioning.

PORTFOLIO COMPOSITION



"It is exciting and challenging to look at the changes we have achieved in two years. I feel extremely pleased about what we have done, but also excited about what comes next."

Lorenzo Adrián Álvarez Vita, Business Operations Director

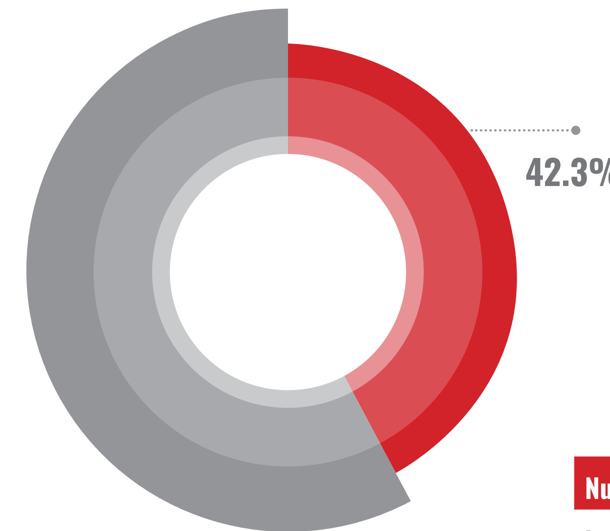
In 2018 we had consecutive quarters with favorable results, derived from the attention we provided to the placement and recovery quality, as well as our valuable disposition to achieve greater agility and speed in the processes. The digital market is increasingly demanding, and Financiera Independencia is the forerunner in the sphere of electronic channels and innovation; hence, we are currently in the process of strengthening a culture of new technology management.

As a result of the concrete approaches we implemented in the different areas and executions, we managed to reduce costs and increase our leadership within the financial industry. We achieved growth in our origination quality throughout the branch network and we assembled a team of professionals. Consequently, in Financiera Independencia we are creating a culture that fosters belonging, in which we are all part of the business and communicate a human side to our clients in each of the processes they go through.

During the year, we began activities with the AROS team, who depend on the Commercial Strategy area and the operating area. They have contributed to detect possible branch deviations to minimize business risks. Its implementation, together with the New Model, has aided in the review of all operations with the support of daily meetings and branch supervision in order to operate.

Financiera Independencia

% OF TOTAL PORTFOLIO



Number of clients	327,214
Loan portfolio	3.4 billion pesos
Average loan	10,640 pesos
NPL ratio	6.7%
Loan term	up to 60 months

Income statement	2017	2018	Variation %
Interest income	2,396.1	2,430.4	1.4%
Interest expense	443.6	438.1	(1.2%)
Financial margin	1,952.5	1,992.3	2.0%
Provision for loan losses	747.7	638.6	14.6%
Financial margin after provision for loan losses	1,204.8	1,354.0	12.4%
Total operating revenue	1,639.6	1,761.5	7.4%
Administrative and personal expenses	1,570.7	1,623.3	3.4%
Operating income	68.9	138.1	100.4%
Result before share in subsidiaries and associate	50.3	83.3	65.6%
Minority interest	(0.0)	(0.0)	(57.7%)
Net income	50.3	83.3	65.6%

*Figures in millions of pesos.

Of the total portfolio, Independencia represents 42.3%.

Más Nómina closed 2018 with a total of **42,270 loans** and a portfolio balance of **786.6 million pesos.**

PRODUCTS

Financiera Independencia has different types of loans, in addition to its **Más Nómina** product, which reached a total of 42,270 loans, 786.6 million pesos. Moreover, the company's loan portfolio includes 24.8 million pesos in other loans.

As part of Independencia, Más Nómina is a loan targeted for individuals in the formal sector from 18 to 68 years, who have at least six months on their job and stable employment. This loan mostly deducts the discount via payroll as the main payment method.

This product has a loan term of 6, 12, 24, 36, 48 and 60 months. It has steadily grown; in 2018 it symbolized 22.6% of Independencia's total portfolio, and 9.6% of the total portfolio of Financiera Independencia.

Loan amount: between 3,000 and 300,000 pesos.

CrediInmediato Revolvente

Loan that is part of the portfolio of CrediInmediato; it consists of a revolving credit line accessible through the renewal of the simple loan in its variety of products. Another of its attributes is that the amount remains subject to clients' credit history and is renewable in accordance with timely compliance.

This loan allows advance and capital payments without penalty. Likewise, customers can carry out withdrawals at Independencia branches and/or ATMs. Its results are reflected in the portfolio of CrediInmediato.

In 2018, CrediInmediato reached 147,070 loans, which represented a total portfolio balance of 1.4 billion pesos.

CrediInmediato Simple

Type of loan for employees and retired individuals with an income of at least one current general monthly minimum wage of Mexico City. The payment frequency is once every two weeks, and the terms correspond to 12 to 48 two-week periods for employees and 6 to 24 months for retired people.

CrediInmediato customers enjoy an unemployment protection. In addition, if they acquire an insurance, it is included in their credit balance; and in case of death, the payments are canceled and amortized. Furthermore, CrediInmediato incorporates a prize for timely payment and the possibility of making advance or capital payments without penalty.

55,505 loans, which represented a total portfolio balance of 641.4 million pesos.

Overall, CrediInmediato represented 59.5% of Independencia's total portfolio and 25.2% of the total portfolio of Financiera Independencia. Interest income was 1.6 billion pesos against 1.5 billion pesos in 2017.

Loan amount: 2,500 to 30,000 pesos.

CrediPopular

Product aimed at individuals in the self-employment sector of the Mexican economy who do not have the possibility to demonstrate income via payroll; however, they have a proven economic activity. The terms are in accordance with the loan and vary from 32 to 52 weeks.

In 2018, CrediPopular's net interest income was 514 million pesos; it represented 12.9% of Independencia's total portfolio and 5.5% of the total portfolio of Financiera Independencia.

64,758 loans.

Loan amount: 2,500 to 4,800 pesos.

CrediMamá

Individual loan to be paid within six months, focused on women who prove to be mothers of at least one child under 18 years of age. It represented 0.8% of Independencia's total portfolio and its subsidiaries, and 0.3% of the total portfolio of Financiera Independencia, with a total of 3,766 loans, which encompasses a total portfolio balance of 26.8 million pesos.

3,766 loans and a total portfolio balance of 26.8 million pesos.

Loan amount: initially, 2,000 pesos.

Plan Celular

Product aimed at exclusive active clients, which consists of a cell phone with a minutes and data plan at preferential prices. Interest income of Cellular Plan is reflected in CrediPopular's portfolio and the average price of the packages is 7,445 pesos with a term of 18 months. At the end of 2018, it represented 1.6% of the Independencia's total portfolio.

At the end of 2018, it represented 1.6% of the Independencia's total portfolio.

CrediConstruye

Specialized loan targeted to clients of the formal and self-employment sectors, who strive to improve or expand their home and/or construction through interchangeable vouchers for construction materials. It has a 24-month term, structured weekly, biweekly or monthly.

In 2018, it represented 0.01% of the total portfolio of Independencia and 0.003% of the total portfolio of Financiera Independencia, with a total of 40 loans, equivalent to 0.3 million pesos.

40 loans and a total portfolio balance of 0.3 million pesos.

Loan amount: between 3,000 and 20,000 pesos.

At the end of 2018, insurance financing contributed to Financiera Independencia revenues for 24.6 million pesos.

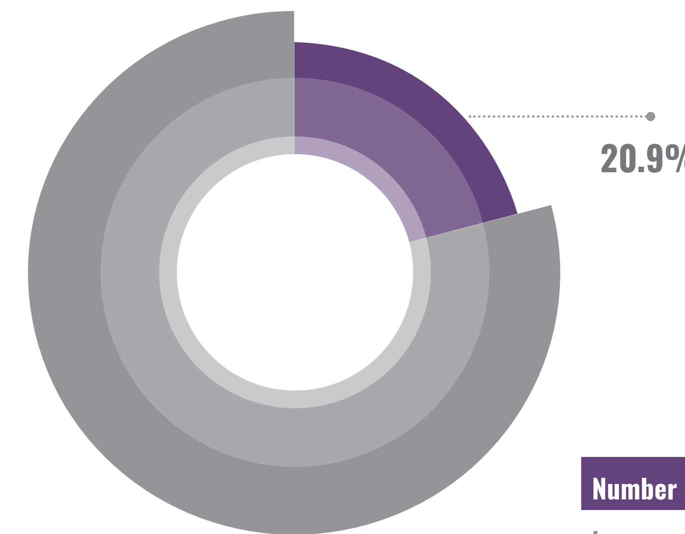
Apoyo Económico Familiar

Income statement	2017	2018	Variation %
Interest income	1,065.4	1,099.4	3.2%
Interest expense	103.8	119.7	15.3%
Financial margin	961.6	979.7	1.9%
Provision for loan losses	316.3	362.9	14.7%
Financial margin after provision for loan losses	645.3	616.8	(4.41%)
Total operating revenue	862.3	832.8	(3.4%)
Administrative and personal expenses	766.3	739.1	(3.6%)
Operating income	95.9	93.7	(2.3%)
Result before share in subsidiaries and associate	88.0	87.1	(1.0%)
Net income	88.0	87.1	(1 .0%)

*Figures in millions of pesos.

Of the total portfolio, Apoyo Económico Familiar represents **20.9%.**

% OF TOTAL PORTFOLIO



Number of clients	126,877
Loan portfolio	1,7 billion pesos
Average loan	13,592 pesos
NPL ratio	7.7%
Loan term	up to 60 months

At year's end 2018, AEF had 126,877 clients.

The loans offered by Apoyo Económico Familiar are personal and the payment frequency is defined according to the periodicity of clients' income, so they can be weekly, biweekly or monthly. Additionally, it has financing plans for life and/or unemployment insurance, as well as for the sale of mobile devices and cell phone plans.

Among AEF clients, the insurance penetration level is 167%.

PRODUCTS

Apoyo Económico Familiar offers personal loans ranging from 1,500 to 150,000 pesos, with weekly, biweekly or monthly terms over a period of up to four years. In order to attract new customers, 200 pesos were paid to the loan of active clients that resulted with an authorized credit.

During 2018, AEF represented 20.9% of FINDEP's total loan portfolio, which signifies a portfolio balance of 1.7 billion pesos.

Regular

Simple loan aimed at individuals who obtain their income through an independent business or activity; thus, they are able to verify income and the term is approximately 18 months.

For 2018, it represented 53.6% of AEF's total loan portfolio and a portfolio balance of 924.1 million pesos.

Loan amount: between 1,500 and 50,000 pesos.

Premier

Product launched in 2018 for the intermediate segment of clients between Regular and Preferential loans with excellent credit history.

In 2018, it reached a portfolio equivalent to 15.1 million pesos, symbolizing 0.9% of AEF's total loan portfolio.

Loan amount: 15,000 to 80,000 pesos and a maximum term of three years.

Preferente

Loan focused on clients who have excellent credit history and the ability to pay. It is offered at preferential rates and is similar to those of credit cards within the market.

In 2018, it represented 45.5% of AEF's total loan portfolio, equivalent to 785.4 million pesos.

Loan amount: a from 25,000 pesos.

Financiamiento de Seguro

For clients who acquire or renew any loan product, Apoyo Económico Familiar provides the option to purchase life or unemployment insurance paid by external insurers with which FINDEP has trade agreements. In addition, there is a burial support that reimburses 10,000 pesos to beneficiaries in case of accident.

A life insurance module has a price of 530 pesos, is valid for one year and has coverage for the amount of 50,000 pesos; the client can extend it up to six modules for a total protection of up to 300,000 pesos, plus burial support coverage.

Unemployment insurance has a cost of 35 pesos a month and offers security with coverage of up to three months of their payments with AEF for up to 16,500 pesos, in case of unemployment or temporary total disability.

During 2018, insurances generated revenues of 56.4 million pesos.

Financiamiento de teléfonos celulares

With the intention of offering postpaid telephone services with lower costs to selected clients, this benefit provides a simple credit line for the acquisition of an 18-month telephone plan, independent of the credit line.

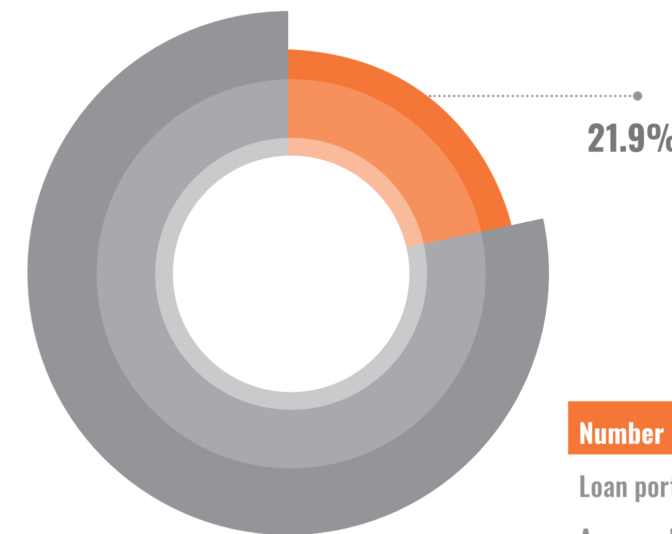
Apoyo Financiero Inc.

Income statement	2017	2018	Variation %
Interest income	419.3	530.3	26.5%
Interest expense	89.6	113.1	26.2%
Financial margin	329.6	417.2	26.6%
Provision for loan losses	84.3	114.5	35.8%
Financial margin after provision for loan losses	245.3	302.7	23.4%
Total operating revenue	276.4	342.0	23.7%
Administrative and personal expenses	248.1	302.1	21.8%
Operating income	28.3	39.8	40.6%
Net income	12.6	39.1	210.3%

*Figures in millions of pesos.

Of the total portfolio, Apoyo Financiero Inc. represents 21.9%.

% OF TOTAL PORTFOLIO



Number of clients	25,920
Loan portfolio	1,8 billion pesos
Average loan	Ps. 69,443
NPL ratio	2.2%
Loan term	up to 48 months

Apoyo Financiero Inc. offers personal loans that range between US$ 2,550 and US$ 10,000, with a payments' frequency according to clients' income; they can be every 14 days, biweekly or monthly, programmed in 12 to 48 months terms.

PRODUCTS

Regular empleados

Simple loan that ranges between US$ 2,550 and US$ 10,000, available to individuals with verifiable income; the average term is 18 months.

At the end of 2018, AFI reported 25,920 clients and its portfolio amounted to US$ 91.6 million, which represents an increase of 21.0% vs 2017.

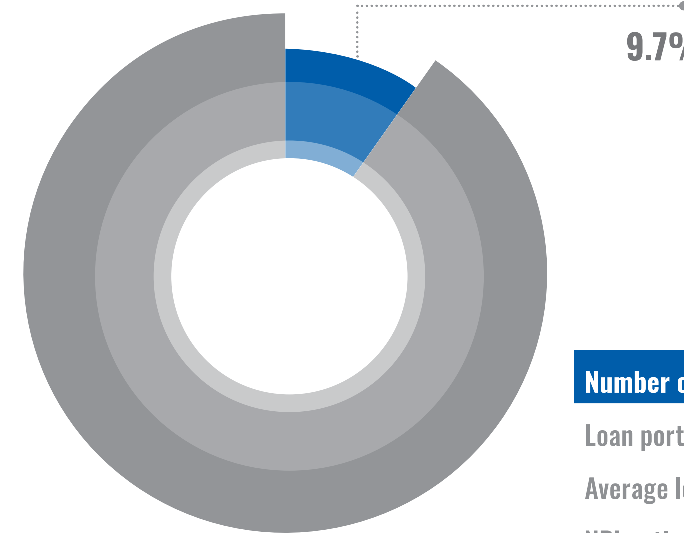
Finsol Mexico

Income statement	2017	2018	Variation %
Interest income	737.1	712.1	(3.4%)
Interest expense	54.0	48.5	(10.2%)
Financial margin	683.0	663.6	(2.8%)
Provision for loan losses	164.1	153.3	(6.6%)
Financial margin after provision for loan losses	519.0	510.3	(1.7%)
Total operating revenue	538.0	545.9	1.5%
Administrative and personal expenses	451.3	453.8	0.6%
Operating income	86.6	92.0	6.2%
Result before share in subsidiaries and associate	62.0	64.2	3.5%
Net income	62.0	64.2	3.5%

*Figures in millions of pesos.

Of the total portfolio, Finsol Mexico represents 9.7%.

% OF TOTAL PORTFOLIO



Number of clients	111,600
Loan portfolio	803 billion pesos
Average loan	Ps. 7,191
NPL ratio	4.9%
Loan term	up to 6 months

Products aimed at a group of people that select themselves, based on solidarity and mutual support. These loans' term can be 16, 20, 24 and up to 26 weeks. The payments' frequency is weekly or every 14 days and offers financing for life insurance, with a coverage of up to 50,000 pesos in case of accidental death, or 30,000 pesos in case of natural death of the owner. In addition, it offers financing for an insurance for serious illnesses of up to 20,000 pesos.

PRODUCTS

Crédito Comunal

This type of loan is used to support working capital or equity goods' acquisition and is granted to groups from eight up to 60 members that choose themselves. The members must constitute a security guarantee in cash for up to 10% of the amount provided. The terms are 16, 20, 24 and 26 weeks, with a weekly and 14 days payment frequency.

At the end of 2018, it represented 97.0% of the total portfolio of Financiera Finsol, with an unpaid portfolio balance of 755.6 million pesos; as well as 9.5% of the total portfolio of Financiera Independencia.

Loan amount: from 2,000 to 60,000 pesos.

Crédito Solidario

This loan is aimed at business owners with a focus on production processes, sales and services in groups of four to six members with their own activities. Additionally, it can be used to support working capital or equity goods' acquisition. The terms are 12, 16, 20 and 26 weeks.

At year's end 2018, Crédito Solidario represented 2.4% of Financiera Finsol's total portfolio; likewise, an unpaid portfolio balance of 18.6 million pesos and 0.2% of the total portfolio of Financiera Independencia.

Loan amount: from 7,000 to 60,000 loans per person.

Crédito Oportunidad

Supplementary loan offered to active customers of Crédito Comunal or Crédito Solidario with excellent credit history. It is granted to at least two members of the group and at the most to half of its members, with the restriction of having liquidity of the group loan.

At the end of 2018, it represented 0.6% of Financiera Finsol's total portfolio and 0.1% of the total portfolio of Financiera Independencia, indicating an unpaid portfolio balance of 4.8 million pesos.

Loan amount: both loans combined cannot be superior to 100,000 pesos.

Financiamiento de Seguros de Vida Finsol

This service is provided by insurers with whom Financiera Finsol maintains trade agreements and aims to safeguard customers with an amount of 50,000 pesos in case of accidental death and 30,000 pesos in case of natural death of the insured.

Clients have access to the Financing of Serious Illness Insurance and Funeral Assistance after hiring or renewing their loan. The coverage is 20,000 pesos for cancer diagnosis (cervical, breast or prostate) or serious diseases, such as heart attack, cerebral vascular accident, vital organ transplants or chronic renal failure. In addition, it considers 15,000 pesos for burial assistance.

In 2018, 196 families were benefited with a total of 5.9 million pesos in compensation.

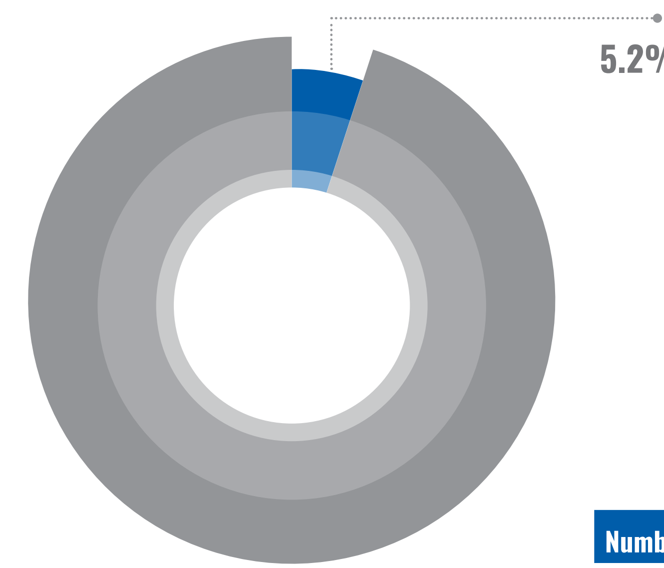
Finsol Brazil

Income statement	2017	2018	Variation %
Interest income	326.3	259.8	(20.4%)
Interest expense	51.7	38.3	(25.9%)
Financial margin	274.7	221.5	(19.4%)
Provision for loan losses	69.5	62.5	(10.0%)
Financial margin after provision for loan losses	205.1	158.9	(22.5%)
Total operating revenue	228.7	170.6	(25.4%)
Administrative and personal expenses	207.9	180.0	(13.4%)
Operating income	20.8	(9.5)	(145.7%)
Result before share in subsidiaries and associate	12.5	(11.8)	(5.6%)
Net income	12.5	(11.8)	(5.6%)

*Cifras expresadas en millones de pesos.

Of Financiera Independencia's total portfolio, Finsol Brazil represents **5.2%.**

% OF TOTAL PORTFOLIO



Number of clients	38,540
Loan portfolio	426 billion pesos
Average loan	Ps. 11,060
NPL ratio	2.9%
Loan term	up to 24 months

PRODUCTS

Crédito Solidario

This product is granted to groups of three to ten people and can be used for purposes such as working capital, facilities' improvement or acquisition of fixed assets. The terms range from 12 months for working capital to 24 for facilities' improvement or fixed assets.

Crédito Solidario represents **99.0%** of Finsol Brazil's portfolio.

Loan amount: from R$300 (1,325 pesos) to R$20,000 (88,346 pesos).

Crédito individual

Loan directed to clients with at least one year of economic activities to use for working capital, improvement of facilities or acquisition of fixed assets. The terms correspond to 12 months for working capital and 24 months for facilities' improvement or fixed assets.

In 2018, Individual Loan represented 1.0% of Finsol Brazil's portfolio and 0.1% of the total portfolio of Financiera Independencia.

Loan amount: from R$300 (1,325 pesos) to R$20,000 (88,346 pesos).

The group microcredits of Financiera Finsol and Finsol Brazil represent 14.9% of the total portfolio of Financiera Independencia, 5.2% corresponding to Brazil's products and 9.7% to Financiera Finsol's.

Microseguro Mi Familia

This service aims to drive the continuity of group companies that can be affected after the death of one of its members. It has a cost of R$8.7 (51.7 pesos) and a coverage of R$5,000 (29,720 pesos); this includes assistance for funeral expenses in the amount of R$2,000 (11,888 pesos), together with R$200 (1,189 pesos) per month, during a year to feed relatives.

Operating Excellence

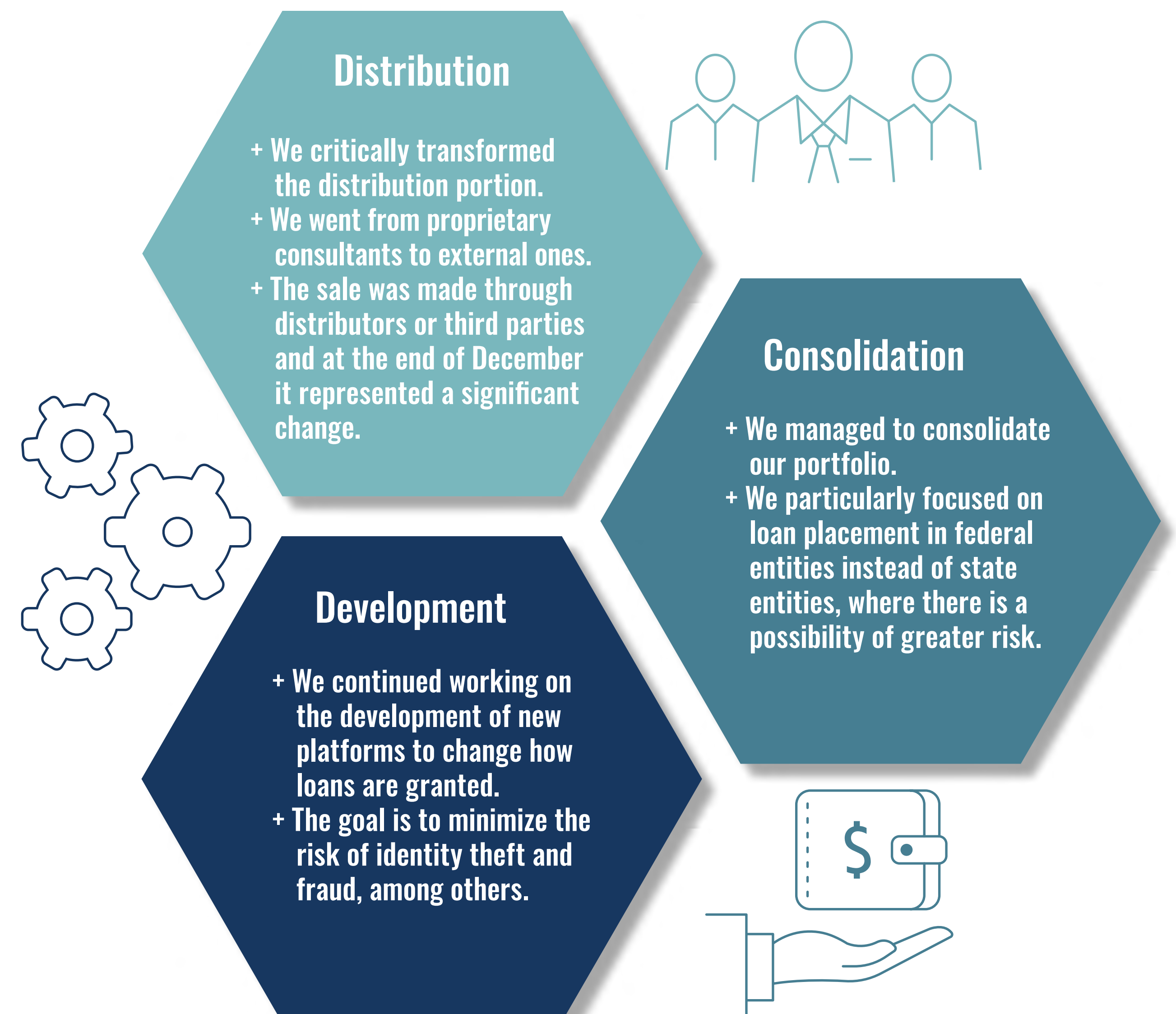
> "We are a company that innovates technologically to reach customers much more efficiently. Everything is based on the service we provide, which promotes a much stronger value chain."
>
> **Rubén Cohen Tietzsch, Payroll Loans Director**

We maintained the quality of all our processes and continued implementing strategic lines towards the consolidation and establishment of synergies. One of them was strengthening the procurement area at the corporate level, which implies the analysis and comparison of suppliers to identify leaders in prices and quality, aiming to make purchases that allow us to establish a balance between quality and cost.

On the other hand, we consider it is important that the same company offers the lease in stationery. Likewise, we improved processes, for which we have a manual of quality, time and price. Thus, it is possible to operate all branches in an ideal and balanced way.

We remain committed to comply with all applicable regulations and guidelines for our company, so that we are prepared and with enough tools if and when such regulations demand modifications.

One of the main issues of the year was to strengthen origination quality. The meticulousness with which we polished the profile of our team and clients has become a key process for Financiera Independencia, since we are guaranteeing important links that help us boost profits and offer an increasingly comprehensive and efficient service.



We Transcend with Innovation

We consolidated many of the objectives we set for this year and reinforced the ones for 2019. We are proud to share them and reflect upon all the challenges we faced in Fintech's Corporate Management, all of which we surpassed successfully for our 25th anniversary.

Our main objective during the year was to manage three fundamental key points, of which a series of strategic executions and initiatives marked the trend of 2018 and in turn would comply with the whole structure: originate more, refine quality and reduce costs.

Our technology transitioned towards an operating convergence with the New Business Model implementation. Currently, we have five thousand mobile devices and we migrated to new provider to achieve and consolidate better results. Hence, during 2018 we developed an application for clients, available at the Google Play store for Android.

Likewise, we worked on a platform that aims to modify loan origination, through an application where it will be possible to streamline the entire process in an estimated time of two hours. After obtaining all the required documents from our clients, the consultant will make a visit, capture and scan information; subsequently, a photograph will be taken in order to minimize the risk of identity theft and fraud.

During the year, we developed "Financiera Independencia Mobile App", with the goal of launching it in 2019 and achieving greater contact with our clients, as well as simplifying the review of account statements, balances and payments.

In 2019, we will conclude the migration of Brazil's unit to the Cloud.

With regard to cost reduction and resource allocation, 2018 represented a historic year for Financiera Independencia after the entire transition of its IT infrastructure to Google Cloud, with the ultimate goal of shutting down the data center in 2019. We will be positioned as trailblazers in Latin America and will also exemplify a success story for Google. The benefits that these results will bring us translate into the computational capacity that we are currently acquiring in order to increase our mobility coverage.

Besides, the result of obtaining a single corporate Big Data increases our profitability by providing our teams in the risk and audit areas, the effectiveness of concentrating their analyses. Another guideline we achieved was the democratization of data and its self-management.

We implemented a system that will help merge the entire Group in Mexico, estimated for 2019.

One of our biggest bets is to reach our customers through the digital area. In 2018 several Fintech Laws were approved and that represents a great competitive strategy for our company. Therefore, we have emphasized precautions in security components, since contemplating the options of receiving money remotely requires certain regulations that facilitate access to customers and safeguard any possibility of theft and extortion.

FINTECH COMPETITIVE STRATEGY

"One of the biggest challenges for Financiera Independencia is to position ourselves as a **unique company within the financial sector in the digital segment** and be the best partner of microbusinesses. We have significantly advanced on this path."

Carlos Ramírez Macías, Corporate Director of Commercial Strategy

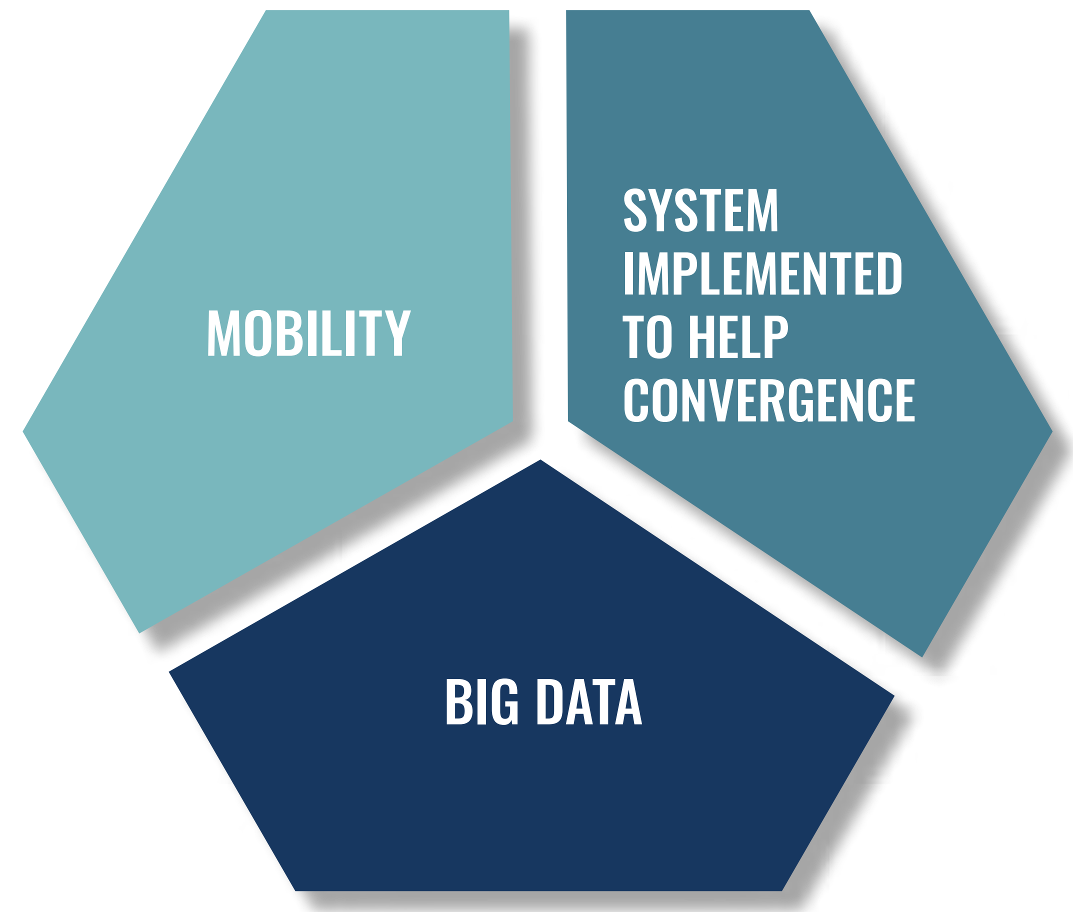
During 2018's last quarter, we established alliances with a Fintech to carry out joint origination, in addition to acquiring agility.

All these transformations have helped us to multiply channels to reach our customers in an increasingly profitable way. We launched the digital business department, which entails the implementation of new marketing strategies. This means that, in addition to positioning us on Facebook and Google, more proposals were added for the increase in volume.

We changed our tool for training, creating activities to benefit our entire team. We transitioned from virtual classrooms to the Zoom meeting tool, videoconferencing with real-time messaging, in addition to a useful immediate content exchange. Thus, we have been able to execute our processes from the beginning in a proper way without sacrificing quality, creating habits that prepare us to adapt to all situations and changes that may occur.

The challenge we experienced was very encouraging and signified we had to encompass all the areas for improvement in order to optimize and potentiate our talent. We took into account the proposals of the entire team and organized ourselves in a very valuable way to permeate a culture of discipline and attention in our training mass so we could create the same message, one in which every team member can collaborate in all areas and carry out more functional executions.

We opened offices in the headquarters of Periférico and Reforma with personnel from the strategic projects department, with the purpose of comprising a **consolidated single team** and working towards the **same approach.**



The Best Team and Human Talent

The most significant pillar we have at Financiera Independencia in order to achieve all our objectives is the valuable team that we have created; a team with abundant talent that has provided all their knowledge and commitment to grow by our side. The Human Resources department was enhanced by the different processes that each company carried out, which were merged to establish a single procedure. Likewise, we managed to overcome all kinds of uncertainty that accompanied the unification of all groups through several integrations.

During our 25 years of growth, the two fundamental principles have been the economic well-being and the comprehensive growth of our employees and clients. Therefore, 2018 was an important year in terms of human development, a key factor to reach our goals and continue with the training structure so that our team always achieves a high level of preparation.

We took a great stride as an organization by consolidating and becoming a business partner of the branch network. Human Resources successfully managed to position the Group as a business partner with the operation, in coordination with the branch network in the field of recruitment: workforce, permanence, turnover and origination. The workforce decreased 2.2%, reaching a total of **8,109 employees** compared to 8,290 in 2017.

Workforce	2017	2018	Variation %
Total workforce	8,290	8,109	(2.2%)
Independencia	4,488	4,443	(1.0%)
Finsol Mexico	1,163	1,144	(1.6%)
Finsol Brazil	350	348	(0.6%)
Apoyo Económico Familiar	2,073	1,965	(5.2%)
Apoyo Financiero Inc.	216	209	(3.2%)

At year's end 2018, the salesforce consisted of the following:

+ **Financiera Independencia:** : 1,286 Promoters and Sales Consultants, 273 Floor Executives, 138 Sales Managers, including Floor Managers, and 104 Branch Managers.

+ **Independencia:** 339 Sales Consultants and 15 Branch Managers.

+ **Financiera Finsol:** 682 Group Microcredit Consultants and 131 Branch Managers.

+ **Finsol Brazil:** 192 Group Loans Consultants and 29 Branch Managers.

+ **Apoyo Económico Familiar:** 1,349 Loan Executives and 172 Branch Managers.

+ **Apoyo Financiero Inc.:** 156 Loan Executives and 36 Branch Managers.

During 2018 we made relevant changes within the recruitment processes, with the goal of reducing turnover rates and reaching higher levels of satisfaction that guarantee the team's stability.

We will continue to implement the new model in the following years due to the good results it produced. In addition, we have been determined to communicate the principles and values to all members to keep strengthening our culture and maintain increasing satisfaction rates.

1 Every Monday we hire a new generation of future employees.

2 Induction, accompaniment and training plan for two months.

3 Besides online training, the team was awarded bonuses for timely and proper training compliance.

4 Two virtual classrooms were used to review progress.

More than 32 generations completed their training process.

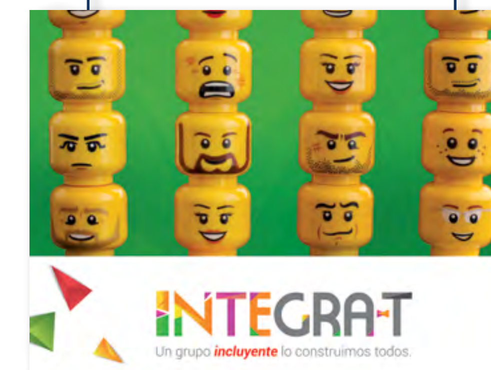
Furthermore, this year we implemented mandatory meetings for all companies on a quarterly basis, so everyone has knowledge of the results as FINDEP Group. Subsequently, individual feedbacks were provided, in which performance and compliance were evaluated.

For Financiera Independencia it is of the utmost importance to experience inclusion formally and show respect for diversity. Therefore, we launched the ***INTEGRA-T*** campaign to support a committee we created to foster a healthy and responsible environment, in which our team can feel free to express their beliefs and tastes without this influencing their professional development in any way.

Similarly, striving to raise awareness about important issues, we used audiovisual resources for the monthly broadcasting of topics such as: diversity, culture and religion, among others.

Voy Derecho

Campaign launched within the audit area.



#YoRespeto

Hashtag used to reinforce our ideals of inclusion and respect.

We share the idea of establishing a single communication channel, in which we are all involved and moving in the same direction. We also implemented the FINDEP Ethics Line, including service for the United States and Brazil. Its purpose is to cover all possible weaknesses that imply a performance decrease of our team through anonymous reports regarding any kind of infringement or interruption in our best practices' management. Audit and human resources areas are accountable for this procedure, and their responsibilities include the reception of all complaints aligned to a protocol, in which a subsequent investigation is carried out to make decisions, such as the definitive removal from the company.

The FINDEP Ethics Line is managed by an independent third party that guarantees neutral and unbiased follow-up.

After the implementation of these programs and as part of the drive for convergence among the Group's companies, we made the decision to create **Fuerza Imparable** (Unstoppable Force), a program that strives to strengthen the sense of belonging among our employees.

Programs implemented

- Apoyo Económico Familiar
- FISA
- FINSOL

SOMOS FUERZA IMPARABLE

In 2018 we worked with the team of Directors and Assistant Directors in order to reinforce our leadership.

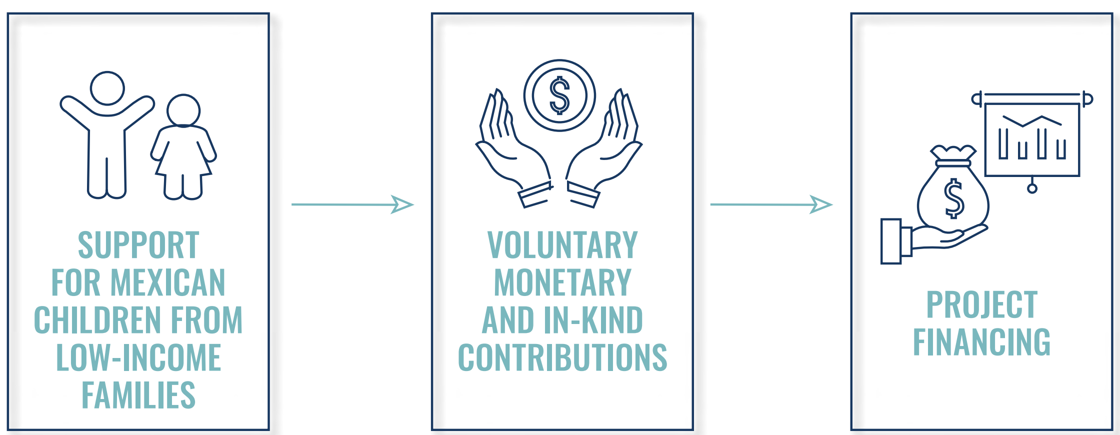
As part of the New Model, we created a Managers and Assistant Directors' Academy to provide training. As Human Resources, we dealt with issues about measurement, challenges, compensation models, training, values and leadership styles that we hope to express in different situations. Each work team oversaw the owner of the corresponding network; they have been responsible for the transformation and convergence of Financiera Independencia.

"Our Labor Management Model has helped us minimize occupational risk, so the permanence of our people is the foundation for all our triumphs."

María Teresa Garza Guerra, Corporate Human Resources Director

Social Responsibility

We are aware of our corporate values in our commitment to generate a positive impact that contributes to the communities in which we have a presence. We endeavor to transmit this culture to our employees through initiatives of social responsibility, environmental protection, rescue of public spaces, volunteering and the overall support of municipal governments.



+ Socially Responsible Company (ESR) Distinction, granted by the Mexican Center for Philanthropy (CEMEFI), for 17 consecutive years.

+ Best Practices of Corporate Social Responsibility Awards, granted by CEMEFI, in the categories “Relationships with the Community”, “Quality of life in the company” and “Care and protection of the environment”.

+ National Award of Excellence in Contact Centers, Gold distinction, awarded by the Mexican Center for Teleservices in the category “Best contribution in social responsibility”.

+ Family-Responsible Company Distinction, granted by the Ministry of Labor and Social Welfare, to the Leon and Aguascalientes Operating Centers.

Risk Management

To maintain our steady strides and in accordance with the law, as well as the execution of best corporate practices, we have reinforced our risk management model by establishing guidelines that determine the principles and practices through which the profile of the processes and all clients is based on, to guarantee a bilateral relationship that sets us apart from the competition.

Currently, we are perfectly aligned with our Management and Vice Presidency. Our objectives have been well-defined and are aimed at increasing the portfolio and the origination quality. We are accountable for the collection operation; in this subject, our collection efficiency showed sound results and was a key value indicator for each of the processes that make its execution possible. In addition, we resolved to be actively involved in the development of new channels: direct and digital sales.

Our collection process applies to all loan products and includes four stages:

- ACQUISITION OF NEW CLIENTS
- LOAN APPROVAL
- MONITORING OF EXISTING CLIENTS
- LOAN RECOVERY

We maintain our customers with a high level of satisfaction by offering them a product that adapts to their needs, through a collection management based on risk segments and branch performance, which we identify with different colors to be able to contrast their profitability.

- Outstanding branches
- Good branches
- Branches with opportunities
- Change of strategy is required

The standardization advantage signifies the systematic identification, measurement and analysis of the main indicators in the same way for all subsidiaries; it also allows aligns and prepares the organization for convergence.

We have an area comprised by more than **70 people** dedicated to different companies in process control issues. We have significantly strengthened the department and our risk infrastructure is able to compete and place itself in an excellent position in the market. One of the main goals we had was to keep reinforcing the team, the tools we use and our levels of analyses in such a successful way that we have not stopped maximizing decisions and their profitability.

"We are a high-profile risk team with extensive training that is worth recognizing due to the participation we have had in decision making throughout all areas of the company."

Marco García Argaez, Chief Risk Officer

We continued implementing the **Risk and Control Self Assessment** (RCSA) with which, once the critical processes have been identified, we turn to those in charge and request risk identification. We have transitioned from a corrective area to a preventive one, incorporating control measures necessary for risk mitigation. This year, we included an external member as part of the project to guarantee impartiality in the analysis processes.

We promote a balance between good risk management and branch-level operation. Furthermore, we made a considerable investment in the area, with which we went from being an analytical area, to place ourselves much closer to the operation. We implemented the practice of metrics that expose the behavior of branches as well as a significant amount of initiatives that can be translated through operating processes and origination quality.

As part of the initiative to permeate a culture in which risk identification is a positive fact that leads to prevention, we carried out a communication campaign in which the issue was addressed internally, as well as the control and consequence of its recognition. Based on this, we created success stories that were subsequently shared to encourage constant supervision and identification.

MECHANISMS FOR RISK IDENTIFICATION:

- Technology that allows obtaining detailed information at seller and collector level.
- Analysis by branch and product segment.
- Concrete actions after the information and analysis results.

During 2018, we consolidated the implementation of state-of-the-art technologies for loan risk management, using cutting-edge Business Decision Engines, data analysis infrastructure operating in the cloud, evaluation and calibration of scoring models and systematic use of "champion-challenger" strategies.

Moreover, we have an operation center with more than 450 employees and modern technology platforms that execute business roles, such as: Telemarketing, Loan Approval, Collection, and Customer Service, both for the companies in Mexico, as for our clients of the United States subsidiary.

OPERATING RISK

The growth we have experienced year after year has helped us redefine each of our areas for the execution of more and better practices. In order to guarantee the proper execution of our Corporate Governance, we raised awareness in each area about their accountability regarding the identification of their own risks and the necessary actions to mitigate them..

2018 ADVANTAGES OF THE RISK AREA:

- Possibility of a standardized outlook.
- Selection of best practices.
- Strengthened team that develops strategies for all.

We encouraged a strategic vision by merging processes and using the same model. The effort was not simple, but we overcame the challenges while we demonstrated the contribution of the risk area, which joins the foundations we are preparing for 2019.

After the launch of the risk area, in 2018 we had the ability to consolidate best practices within the group of companies; each one had a different strength that we detached to understand its nature and integrated into other areas that needed to be reinforced. This situation represented a satisfactory challenge when we formulated the operating process for origination, renovations and collection.

Likewise, our audit team has approximately 40 people, who are responsible for conducting audits throughout the Group's companies and for reviewing that all policies and procedures established in each of them are executed successfully. We worked with an annual plan that included remote executions and was approved by the Audit and Corporate Practices Committee (ACPC), which authorizes the structure on the total number of audits and their budget.

We are initiating around 600 audits at branch level and 15 at our headquarters per year.

We are protected so that we can identify any risk before it causes any kind of consequence. Therefore, we established three lines of defense in the audit area, with which protection and risk mitigation filters are guaranteed:

THIRD LINE OF DEFENSE:
INTERNAL AUDIT

SECOND LINE OF DEFENSE:
INTERNAL CONTROL AREA RESPONSIBLE FOR THE IMPLEMENTATION OF THE RCSA

FIRST LINE OF DEFENSE:
AROS

“What makes us different is we give timely follow-up to everything. In 2019, we will become an audit factory with the assistance of the risk area and all the information they obtain.”

Juan García Madrigal, Corporate Audit Director

There is a cooperation between the audit area and the risk area; all the information obtained in the latter is employed by the former to become more efficient by attaining branch rankings, in accordance with the identified risks. Correspondingly, we work hand in hand with the finance department, since we undergo an external audit every year which requires information from this area

During 2018, the laws were modified and that directly impacted us, as happened with the practices with the external auditors and the Audit and Corporate Practices Committee. In 2019, we will face an important challenge regarding the changes that will continue to arise. However, the reinforcement of our lines of defense allows us to plan implementations. Similarly, we requested the audit committee for two coordinators to increase our efficiency rates in the subject of branch audits.

BUSINESS CONTINUITY

One of the main pillars that we followed during the year was to assume the responsibility that we have in the market to continue enhancing experiences around the provision of financial services, convinced that every day we forge our route towards success and support of microbusinesses.

From 2018's second semester, we undertook this synergies plan with greater force and faced the unification of work areas, platforms and use of a proper methodology for the consolidation of our objectives. To achieve this, we established a systematic work method in which we are all unified and walk towards the same direction.

We incorporated an assessment by the commercial strategy area where we believe it is necessary to save spaces to yield greater benefits. Additionally, we found warning signs about the infrastructure and branch network, which include from the extension of maintenance, management, civil protection and safety, to permits and other elements that promote the welfare of employees and customers.

An additional implementation was the conditioning of a floor focused on the IT systems area through offices with capacity to accommodate around **80 people**. Hence, we also optimized the transfer to the working centers, which provides us assistance to reduce turnover rates and decrease travel times.

We have **538 branches** and three working centers: Santa Fe, Periférico and Insurgentes, where communications were strengthened as a preventive plan for any event or closure problem; thus, currently we have alternate stations so that our operating performance does not suffer setbacks.

Systematic

Indicator on the activities to be carried out daily, weekly, biweekly, etc. The creation of teamwork with the same understanding is pursued for a sound execution.

Within the collection area we also make modifications. We went from a centralized approach in late payment collection to place the best qualified collectors in early default. Likewise, we improved the strategy of unifying the collection manager and the sales manager in the same position, forming a more effective team.

COMPLIANCE

Further demands led us to have a very robust Corporate Governance due to our current size, starting with the Board of Directors; the Audit Committee; the Corporate Practices Committee; the Communication and Control Committee to identify issues such as money laundering and terrorism, among others; the Risk Committee and Loan Committee. Besides, we are headed by a Chief Executive Officer and we incorporated external auditors, who operate in accounting matters, as well as specialized in money laundering.

Our performance in 2018 improved greatly in terms of the notable decrease in the number of complaints and fines received. The Legal Department has established itself as a preventive and deep analysis critical area, always mindful that all branches report the required regulation and that collectors fulfill their tasks in a professional and responsible manner.

"We are a company that does not remain static. Although we are the first microfinance company, we are growing and cannot keep a 25-year-old model. We are constantly evolving, seeking to make loans easier, safer and faster."

Francisco José Vázquez Vázquez, Chief Legal Counsel

Undoubtedly, the path to lay the foundations for the Group's synergy plan was a challenge that we faced remarkably. We continue working and searching for the best strategies for everyone to function systematically. Consequently, trainings have been intensive in all areas and we have paid attention to comply with all regulations applicable to our companies and monitored each of the processes that lead to it:

+ Compliance with regulations dictated by the National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF).

+ Reliable contracts

+ Optimal operation of automated money laundering prevention systems.

+ Decent treatment of customers.

Two of the biggest challenges we face are the digital segment and the protection of the planet, so that we offset our environmental footprint. For this reason, we have committed to completely discontinue the use of paper within our processes, with the intention that autograph signatures are also eliminated and we create a digital and secure culture that complies with all legal framework to develop the capacity to enter parallelly into loans through the Internet.

Management Discussion and Analysis on the Company's Operating Results and Financial Situation

From the 1Q18, the Company's balance sheet and income statement is in accordance with the new Financial Information Norms C-16 and C-20 (Normas de Información Financiera or NIF). These NIFs consider changes to the provision for loan losses, which now requires considering the probability of default and the severity of the loss. For comparison purposes, the Company will be presenting the corresponding period of 2017 proforma, which includes the effects of the NIF each quarter throughout the year.

Non-audited results for the periods discussed in this release include the effect of the consolidation of the following subsidiaries: Apoyo Económico Familiar ("AEF"), one of the largest unsecured personal lending institutions in Mexico; Apoyo Financiero Inc. ("AFI"), a microfinance company primarily serving the unbanked Hispanic community in California; Financiera Finsol ("Finsol México"), one of the largest group lending microfinance institutions in Mexico; and Instituto Finsol ("Finsol Brasil") a leading group lending microfinance institution in Brazil.

Net Interest Income after Provision for Loan Losses

Net Interest Income after Provision for Loan Losses for 4Q18 was Ps.780.7 million, 16.7% higher YoY, as a result of the following:

Interest Income

Interest Income for the quarter increased 5.5% YoY to Ps.1,340.6 million, this is consistent with an increase of 191 bps in the Average Effective Lending Rate[1] and a 3.5% YoY loan portfolio expansion.

The loan portfolio to the formal segment grew by 8.7% YoY reaching Ps.5,550.9 million, representing 67.4% of the total versus 64.2% in 4Q17. This increase was driven by a Ps.311.4 million or 20.9% increase in AFI's loan portfolio, a Ps.84.4 million or 10.5% increase in AEF's loan portfolio for the formal segment, and a Ps.48.7 million or 1.7% increase in Independencia's portfolio for the formal segment.

The loan portfolio for the informal segment contracted by 4.8% YoY to Ps.2,659.1 million in 4Q18, and now represents 32.3% of the total versus 35.1% in 4Q17. This is mainly explained by a Ps.113.5 million or 21.0% decrease in Finsol Brasil's loan portfolio, a Ps.60.7 million or 9.2% decrease in Independencia's loan portfolio for the informal segment, and a Ps.48.9 million or 5.7% YoY decrease in Finsol Mexico's loan portfolio, which was offset by a Ps.87.6 million or 11.8% increase in AEF's loan portfolio for the informal segment.

[1] Average Effective Lending Rate: interest income / average balance of the total loan portfolio.

Independencia's loan portfolio reached Ps.3,456.8 million, a 0.3%[2] decrease YoY. As of 4Q18, the loan portfolio breakdown between formal and informal was of 82.7% and 17.3% respectively; Independencia's loans represented 42.0% of the Company's loan portfolio, compared to 43.6% in 4Q17.

Finsol's loan portfolio reached Ps.1,228.8 million in 4Q18, an 11.7% reduction from 4Q17. This was driven by a 21.0% YoY decrease in Finsol Brasil's loan portfolio and a 5.7% decrease in Finsol Mexico's loan portfolio. As of 4Q18, Finsol's loans represented 14.9% of the Company's loan portfolio, compared to 17.5% in 4Q17.

Apoyo Economico Familiar's loan portfolio was Ps.1,724.5 million in 4Q18, an 11.1% increase from 4Q17. As of 4Q18, AEF's loan portfolio represented 20.9% of the Company's loan portfolio, compared to 19.5% in 4Q17.

Apoyo Financiero Inc.'s loan portfolio was Ps.1,800.0 million in 4Q18, a 20.9% increase from 4Q17. As of 4Q18, AFI's loan portfolio represented 21.9% of the Company's loan portfolio, compared to 18.7% in 4Q17.

In addition, the Company's loan portfolio considers Ps.24.8 million in Other Loans. This line reflects a loan granted to Siempre Creciendo SA de CV SOFOM E.N.R. in 4Q15 in exchange for the collection rights to part of its payroll portfolio through 2021. This loan represents 0.3% of the Company's loan portfolio.

Interest Expense

Interest Expense during 4Q18 decreased by Ps.16.4 million YoY or 7.7%, to Ps.196.7 million, related with the decrease of 92 bps in the funding costs to 11.3% versus 12.2% in the 4Q17.

The average TIIE[3] increased to 8.3% in 4Q18 from 7.4% in 4Q17.

Provision for Loan Losses

Provision for Loan Losses decreased to Ps.363.2 million, a 6.5% reduction YoY; which reflects the improvement on loan portfolio quality as the buckets of past-due loans from 30 to 180 days contracted by 8.6% YoY. From the 1Q18, the Company's balance sheet and income statement will be reported in accordance with the new Financial Information Norms C-16 and C-20 (NIFs C-16 and C-20). These NIFs consider changes to the provision for loan losses, which now requires considering the probability of default and the severity of the loss. For comparison purposes, the Company will be presenting the corresponding period of 2017 proforma, which includes the effects of the NIF each quarter throughout the year.

Write Offs were Ps.323.7 million in 4Q18, a 6.2% decrease YoY. Non-performing Loans decreased to Ps.454.7 million, or 9.4% YoY.

[2] If "Other Loans" are considered, Independencia's loan portfolio would have contracted by 1.2% YoY. "Other Loans" are included in Independencia's balance sheet.
[3] TIIE: Mexico's Interbank Interest Rate

Net Operating Revenue

Net Operating Revenue was Ps.953.9 million in 4Q18, a 12.5% increase versus 4Q17 as a result of the following:

Commissions and Fees Collected increased by 9.6% YoY to Ps.110.2 million in 4Q18. Commissions and Fees Paid slightly decreased by 0.02% YoY, to Ps.19.3 million in 4Q18. Other Operating Income decreased 5.7% to Ps.75.1 million in 4Q18, due to a decrease in revenues from insurance products.

Market related income reflects the impact from foreign exchange fluctuations primarily between the Mexican Peso and the Brazilian Real from intercompany loans from Independencia to Finsol Brazil. As these loans were fully hedged this January, the Company should no longer reflect any meaningful fluctuations on this line, reason why it was of just Ps.7.1 million in the 4Q18 versus 18.2 in 4Q17.

Net Operating Income (Loss)

During 4Q18, the Company reported a Net Operating Income of Ps.110.1 million, 84.0% higher than in 4Q17.

Non-interest Expense

Non-Interest Expense increased by Ps.55.7 million YoY, or 7.1%; explained by a 17.0% increase in operational expenses and by a 1.9% increase in personnel costs.

This increase was related to AFI, Independencia and Finsol México which grew up to 25.9%, 19.7%, and 4.4 YoY respectively. On the other hand, AEF and Finsol Brasil saw reductions of 9.6%, 18.4% YoY respectively.

Net Income (Loss)

As a result of the above, and after income tax, the Company reported a Net Income of Ps.79.8 million in 4Q18, a 54.7% increase YoY.

These resulted in increase in earnings per share (EPS) for the quarter to Ps.0.1114 compared with Ps.0.0720 for the same period last year.

Financial Position

Total Loan Portfolio

The Company's total Loan Portfolio increased to Ps.8,234.8 million, a 3.5% YoY growth. AFI and AEF„s loan portfolios grew by 20.9% and 11.1% respectively YoY, while Independencia, Finsol Mexico and Finsol Brasil's loan portfolio contracted by 0.3%5; 5.7% and 21.0% YoY respectively. Since 4Q15, the Company's loan portfolio includes Other Loans, which for 4Q18 amounted to Ps.24.8 million from a loan granted to Siempre Creciendo SA de CV SOFOM E.N.R. in exchange for the collection rights to part of its payroll portfolio.

Consistent with the strategic focus on quality over size, the average loan balance per client increased by 18.1% YoY, as the Company maintained its focus on higher quality clients. As a result, the number of clients decreased YoY by 12.0% in 4Q18. FINDEP had a total of 630,151 clients; of these, 327,214 clients were from Independencia[4], 150,140 from Finsol, 126,877 from AEF and 25,920 from AFI.

[4] Independencia will only be reporting active clients that do not have loans over 180 days past-due.

As of December 31st, 2018, the loan portfolio represented 67.2% of FINDEP's total assets, compared with 65.5% as of December 31st, 2017. Cash and Investments represent 3.6% of total assets for 4Q18 slightly higher when compared to 3.0% in 4Q17.

Non-Performing Loans Portfolio (NPLs)

NPLs were Ps.454.7 million, a decrease of 9.4% YoY. The NPL ratio was 5.5% in 4Q18, versus 6.3% in 4Q17. This NPL ratio continues to be well below the Company's target of 7.0% for 2018; it also underscores the success of the Company's strategic focus on quality and profitability over size.

The NPL ratios of AEF increased by 52 bps in 4Q18 to 7.7%. On the other hand, the NPLs of Independencia[5], Finsol Mexico, Finsol Brasil, and AFI decreased by 125, 52, 183, and 56 bps to 6.7%, 4.9%, 2.9%, and 2.2%, respectively.

The Coverage Ratio for 4Q18 was 122.4%, compared to 118.5% in 4Q17. Starting January 2013, the Company's policy is to maintain an NPL Coverage Ratio[6] at or above 100% at all times.

Liabilities

As of December 31st, 2018 total liabilities were Ps.8,000.9 million, a 0.3% decrease from the Ps.7,977.9 million reported on December 31st, 2017.

In 4Q18, FINDEP's debt[7] consisted of Ps.4,954.3 million of Senior Guaranteed Notes due on July 2024 as well as Ps.2,439.0 million of Bank and Other Entities Loans. The Company's total credit lines amounted to Ps.5,757.7 million at the end of 4Q18, of which Ps.3,330.9 million, or 57.9%, are available.

The contractual maturity of the credit line agreements is the following: Ps.875.3 million in 2019, Ps.1,923.6 million in 2020, Ps.758.9 million in 2021, Ps.100.0 million in 2022, and the remaining Ps.2,100.0 million have an evergreen feature.

Stockholders' Equity

As of December 31st, 2018, stockholder's equity was Ps.4,247.1 million, a 1.9% increase from Ps.4,166.0 million in December 31st, 2017. This reflects the Ps.262.1 million in Net Income generated during 2018 plus a positive foreign exchange effect of Ps.34.2 million and a Ps.65.6 positive impact in Derivative Financial Instruments.

As a result of the variation of foreign currency denominated debt and the underlying derivatives position to hedge for foreign exchange risk, in 4Q18 the Company posted a Ps.65.6 million positive impact, booked as Derivative Financial Instruments. This impact will be naturally eliminated as the contract progresses and expires and was composed of the following items: Ps.488.6 million positive impacts from marking-to-market the Cross Currency Swap, a Ps.395.0 million negative impact from the revaluation of the bond, and a Ps.28.0 million loss in deferred taxes.

Profitability and efficiency ratios

ROE[8]/ROA[9]

During 4Q18, the Company posted a ROAE of 7.7% compared with 5.1% in 4Q17. ROAA for 4Q18 was 2.7% compared with 1.7% in 4Q17.

[5] It considers "Other Loans".
[6] Coverage Ratio: Allowances for loan losses / Non-performing loans
[7] It includes interest provision
[8] ROAE: Net Income for the quarter annualized / Average Stockholders' Equity of the current and previous quarters.
[9] ROAA: Net Income for the quarter annualized / Average Total Assets of the current and previous quarters.

Efficiency Ratio[10] & Operating Efficiency[11]

Over the past year, the Company decreased a total of 4 branches and reduced its total labor force by 2.2% to 8,109 people.

During 4Q18, the Efficiency Ratio was 88.5%, compared with 92.9% in 4Q17. Excluding the Provision for Loan Losses, the Efficiency Ratio in 4Q18 was 64.1% compared to 63.7% in 4Q17. Operating Efficiency was 28.2% in 4Q18, compared to 26.5% in 4Q17.

Distribution Network

During the last twelve months, the Company closed a net total of 4 branches: Independencia and Finsol Mexico closed 2 each. There were no branch openings.

At the end of 4Q18, the Company operated 538 branches in Mexico, Brazil, and the US. The breakdown is the following: 478 offices in Mexico (Independencia: 158, Finsol: 148 and AEF: 172), 31 offices in Brazil (Finsol Brasil), and 29 offices in California (AFI).

The Company's loan portfolio in Mexico is well diversified and no federal entity represents more than 13.6% of the total loan portfolio. The three federal entities in Mexico with the highest loan portfolio concentration are Estado de Mexico, Mexico City and Veracruz, with a 13.6%, 12.2% and 7.7% share of the total portfolio, respectively.

[10] Efficiency Ratio: No-interest expense for the quarter annualized / Average Total Assets of the current and previous quarters.
[11].Operating Efficiency: Non-interest Expense of the quarter / Net Interest Income of the quarter.

Consolidated Financial Statements

For the years ended December 31, 2018, 2017 and 2016 (restated) and Independent Auditors' Report Dated April 12, 2019

Independent Auditors' Report and Consolidated Financial Statements 2018, 2017 and 2016 (restated)

Independent Auditors' Report

To the Board of Directors and Stockholders of Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Opinion

We have audited the consolidated financial statements of Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2018, 2017 and 2016 (restated) and the related consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Company were prepared in all material respects, in accordance with the accounting criteria established by the National Banking and Securities Commission of Mexico (the "Commission") in the "General Provisions Applicable to Credit Institutions" (the "Accounting Criteria").

Basis for Opinion

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

Emphasis of Matter

As mentioned in Note 1 of accompanying consolidated financial statements, on January 1, 2018, the Company adopted the new Mexican Financial Reporting Standard (NIF) C-16, Impairment of financial instruments receivable (NIF C-16). The adoption of this standard changed the methodology for estimating the allowance for loan losses, and requires Management to use professional judgment in the evaluation of qualitative and quantitative factors, which are considered in the determination of probability of default, severity of loss and exposure to default. In accordance with NIF C-16, this standard should be recognized retrospectively. Therefore, as of January 1, 2016, an increase in the allowance for loan losses of $64,589 was recognized and charged to ´Result from prior years´, net of deferred taxes. The consolidated financial statements for the years ended December 31, 2016 and 2017 were restated in order to be comparative with the consolidated financial statements as of December 31, 2018.

Other Matter

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

Key Audit Matters

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

Allowance for loans losses

We consider the allowance for loan losses to be a key audit matter, because such estimate was developed Internally by Management. The development of the allowance requires the application of professional judgement in the evaluation of quantitative factors that are considered in the determination of the probability of default, severity of loss and exposure to default.

Our audit procedures included a combination of control and substantive test or tests of balances.

a) In order to identify the controls implemented by Management to ensure the appropriate integration of information from loan files during loan originations and other management processes, we performed an internal control walk-through to verify the design and implementation of these controls. During our walk-through, we noted that the information contained in loan files is properly uploaded into the portfolio system and constituted the basis for the allowance calculations. We also noted that the judgments made by the executives responsible for this process reflect those detailed in the Company´s policies.

b) In order to validate the accuracy of the allowance for loans losses, we involved to our firm's credit specialists to review the Company's internal model.

c) We reviewed and validated the completeness of the loan portfolio information utilized in the calculation of the allowance for loan losses.

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

Hedging derivatives

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company has issued securitized liabilities denominated in US dollars, which expose in to foreign currency exchange risk. However, to manage the exchange risk derived from these liabilities denominated in US dollars, the Company has contracted financial derivative instruments, which are described in Note 5 to the consolidated financial statements. Due to the complexity of the criteria that must be complied with, we have considered hedge accounting as a key audit matter.

Our audit tests included a combination of internal control and substantive or balances tests.

a) We conducted interviews with Management and those with those charged with governance to understand the risk management policy.

b) We obtained information regarding the financial derivative instruments contracted for hedging purposes and confirmed them with the respective counterparties.

c) We requested support from the firm's specialists to review the valuation of financial derivative instruments.

d) Our team of specialist also reviewed the Company's compliance with the requirements established in the standard related to the designation of financial derivatives as hedges.

e) We reviewed the accounting treatment for these instruments as of December 31, 2018.

f) We reviewed presentation in the Company's consolidated Financial Statements as of December 31, 2018.

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

Electronics systems used to process financial information

We have considered the electronic system used to process financial information as a key audit matter because, given the nature of the Company's transactions, there is an operating dependency on information technology system such that the effectiveness of general computer controls plays a critical role in ensuring proper information processing.

Our audit work included identifying the main system used to generate financial information by performing transaction walk-throughs from start to finish. Once these systems were identified, we evaluated general information technology controls and their management scope, including the general information security matters (the existence of access profile, security at the server site, etc.) and change controls.

We did not identify any exceptions or any relevant to report.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available and, 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 the annual report, if we conclude that there is a material misstatement therein, we are required to communicated the matter. We have nothing to report on this matter.

Responsibilities of Management and Those Charged with Governance of the Company in Relation to the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Accounting Criteria, and for such Internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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 consolidated financial reporting process.

Auditor's Responsibilities for the Audit to 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 detected 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 asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriated to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of international control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriated 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.

- Concluded 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 concluded that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 appropriated 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 group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonability 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 they 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 matters should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Jorge Adrián Ramírez Soriano
Mexico City, Mexico

April 12, 2019

Consolidated Balance Sheets

Of the Company with its subsidiaries as of December 31, 2018, 2017 and 2016 (restated)
(In thousands of Mexican pesos)

	2018	2017 (restated)	2016 (restated)	January 1, 2016
Assets				
Funds available	$ 435,115	$ 359,513	$ 600,885	$ 599,941
Derivatives:				
For hedging purposes	533,762	587,466	820,388	889,538
Performing loans:				
Consumer loans	7,755,350	7,399,089	6,948,862	6,507,540
Commercial loans	24,753	53,719	88,863	128,273
Total performing loans	7,780,103	7,452,808	7,037,725	6,635,813
Non-performing loans:				
Consumer loans	454,687	501,828	410,044	480,156
Total non-performing loans	454,687	501,828	410,044	480,156
Total loan portfolio	8,234,790	7,954,636	7,447,769	7,115,969
Allowance for loan losses	(556,435)	(593,545)	(485,272)	(544,745)
Total loan portfolio – net	7,678,355	7,361,091	6,962,497	6,571,224
Other accounts receivable – net	483,405	489,137	503,835	449,926
Property, plant and equipment - net	267,037	302,064	332,205	316,600
Deferred taxes and profit sharing - net	928,266	944,484	894,027	857,585
Other assets:				
Goodwill	1,587,035	1,587,035	1,587,035	1,587,035
Intangibles	92,447	100,381	108,314	116,247
Deferred charges and prepaid expenses	242,539	413,600	289,877	385,653
Total assets	$ 12,247,961	$ 12,144,771	$ 12,099,063	$ 11,773,749

	2018	2017 (restated)	2016 (restated)	January 1, 2016
Liabilities and Stockholders' Equity				
Securitization certificates	$ 4,954,275	$ 5,098,301	$ 3,978,802	$ 4,950,237
Borrowings from banks and from other entities:				
Short-term	2,128,105	2,121,809	2,506,750	2,414,468
Long-term	310,876	140,300	940,279	143,872
	2,438,981	2,262,109	3,447,029	2,558,340
Other accounts payable:				
Income taxes	22,969	20,112	19,550	21,920
Sundry creditors and other	569,394	577,467	637,404	507,344
	592,363	597,579	656,954	529,264
Deferred credits and advance collections	15,287	19,898	22,234	24,341
Total liabilities	8,000,906	7,977,887	8,105,019	8,062,182
Stockholders' equity				
Contributed capital:				
Common stock	157,191	157,191	157,191	157,191
Share premium	1,574,701	1,574,701	1,574,963	1,575,855
	1,731,892	1,731,892	1,732,154	1,733,046
Earned capital:				
Capital reserves	14,318	14,318	14,318	14,318
Result from prior years	2,143,957	1,993,315	1,854,020	1,654,868
Result from valuation of cash flow hedging instruments	65,552	152,549	113,683	75,076
Result from translation of foreign subsidiaries	34,233	50,742	57,746	25,217
Remeasurement of defined employee benefits	(4,955)	(4,109)	(880)	–
Net result	262,058	228,177	223,002	209,042
	2,515,163	2,434,992	2,261,889	1,978,521
Total stockholders' equity	4,247,055	4,166,884	3,994,043	3,711,567
Total liabilities and stockholders' equity	$ 12,247,961	$ 12,144,771	$ 12,099,063	$ 11,773,749

Consolidated Balance Sheets

Of the Company with its subsidiaries as of December 31, 2018, 2017 and 2016 (restated)
(In thousands of Mexican pesos)

		2018		2017		2016
Cuentas de orden (no auditado) NO HAY TRADUCCION						
Uncollected interest earned on non-performing loan portfolio	$	53,599	$	56,503	$	41,536
Tax losses	$	1,661,478	$	1,208,143	$	902,150
Loan portfolio written off	$	900,000	$	901,417	$	813,610

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez	Ing. José María Cid Michavila	L.C. Adrián Orocio Barreto	C.P. Juan García Madrigal
Chief Executive Officer	Chief Financial Officer	Comptroller	Audit Director

Consolidated Statements of Income

Of the Company with its subsidiaries for the years ended December 31, 2018, 2017 and 2016 (restated)
(In thousands of Mexican pesos, except earnings per share)

		2018		2017 (restated)		2016 (restated)
Interest income	$	5,031,923	$	4,944,140	$	4,692,649
Interest expense		(757,726)		(740,783)		(627,691)
Financial margin		4,274,197		4,203,357		4,064,958
Provision for loan losses		(1,331,444)		(1,381,858)		(1,188,317)
Financial margin after provision for loan losses		2,942,753		2,821,499		2,876,641
Commission and fee income		464,335		479,244		495,870
Commission and fee expense		(71,218)		(79,792)		(84,002)
Trading income		8,195		34,819		90,106
Other operating income		294,263		290,639		290,705
Administrative and promotional expenses		(3,284,094)		(3,245,771)		(3,351,955)
Operating result		354,234		300,638		317,365
Current income taxes		(56,357)		(116,212)		(126,978)
Deferred income taxes		(35,819)		43,751		32,615
		(92,176)		(72,461)		(94,363)
Net income	$	262,058	$	228,177	$	223,002
Earnings per share	$	0.40005	$	0.3398	$	0.3274

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez	Ing. José María Cid Michavila	L.C. Adrián Orocio Barreto	C.P. Juan García Madrigal
Chief Executive Officer	Chief Financial Officer	Comptroller	Audit Director

Consolidated Statements of Changes in Stockholders' equity

Of the Company with its subsidiaries for the years ended December 31, 2018, 2017 and 2016 (restated)
(In thousands of Mexican pesos)

	Contributed capital		Earned capital						
	Common stock	Share premium	Capital reserves	Result from prior years	Result from valuation of cash flow hedging instruments	Result from translation of foreign subsidiaries	Net result	Remeasurement of defined employee benefits	Total stockholders' equity
Balances as of December 31, 2015	$ 157,191	$ 1,575,855	$ 14,318	$ 1,700,081	$ 75,076	$ 25,217	$ 209,042	$ –	$ 3,756,780
Initial adoption effect of NIF C-16	–	–	–	(45,213)	–	–	–	–	(45,213)
Balances as of January 1, 2016	157,191	1,575,855	14,318	1,654,868	75,076	25,217	209,042	–	3,711,567
Entries approved by stockholders -									
Transfer of prior year results	–	–	–	209,042	–	–	(209,042)	–	–
Acquisition of proprietary shares and effect on reissuance of proprietary shares	–	(892)	–	(9,890)	–	–	–	–	(10,782)
	–	(892)	–	199,152	–	–	(209,042)	–	(10,782)
Comprehensive income -									
Net income	–	–	–	–	–	–	223,002	–	223,002
Result from valuation of cash flow hedging instruments	–	–	–	–	38,607	–	–	–	38,607
Result from translation of foreign subsidiaries	–	–	–	–	–	32,529	–	–	32,529
Others	–	–	–	–	–	–	–	(880)	(880)
	–	–	–	–	38,607	32,529	223,002	(880)	293,258
Balances as of December 31, 2016	157,191	1,574,963	14,318	1,854,020	113,683	57,746	223,002	(880)	3,994,043
Entries approved by stockholders -									
Transfer of prior year results	–	–	–	223,002	–	–	(223,002)	–	–
Acquisition of proprietary shares and effect on reissuance of proprietary shares	–	(262)	–	(54,950)	–	–	–	–	(55,212)
	–	(262)	–	168,052	–	–	(223,002)	–	(55,212)
Comprehensive income -									
Net income	–	–	–	–	–	–	228,177	–	228,177
Result from valuation of cash flow hedging instruments	–	–	–	–	38,866	–	–	–	38,866
Result from translation of foreign subsidiaries	–	–	–	–	–	(7,004)	–	–	(7,004)
Others	–	–	–	(28,757)	–	–	–	–	(28,757)
Remeasurement of defined employee benefits	–	–	–	–	–	–	–	(3,229)	(3,229)
	–	–	–	(28,757)	38,866	(7,004)	228,177	(3,229)	225,324

Consolidated Statements of Changes in Stockholders' equity

Of the Company with its subsidiaries for the years ended December 31, 2018, 2017 and 2016 (restated)
(In thousands of Mexican pesos)

	Contributed capital		Earned capital						
	Common stock	Share premium	Capital reserves	Result from prior years	Result from valuation of cash flow hedging instruments	Result from translation of foreign subsidiaries	Net result	Remeasurement of defined employee benefits	Total stockholders' equity
Balances as of December 31, 2017	157,191	1,574,701	14,318	1,993,315	152,549	50,742	228,177	(4,109)	4,166,884
Entries approved by stockholders -									
Transfer of prior year results	–	–	–	228,177	–	–	(228,177)	–	–
Acquisition of proprietary shares and effect on reissuance of proprietary shares	–	–	–	(29,058)	–	–	–	–	(29,058)
	–	–	–	199,119	–	–	(228,177)	–	(29,058)
Comprehensive income -									
Net income	–	–	–	–	–	–	262,058	–	262,058
Result from valuation of cash flow hedging instruments	–	–	–	–	(86,997)	–	–	–	(86,997)
Result from translation of foreign subsidiaries	–	–	–	–	–	(16,509)	–	–	(16,509)
Others	–	–	–	(48,477)	–	–	–	–	(48,477)
Remeasurement of defined employee benefits	–	–	–	–	–	–	–	(846)	(846)
	–	–	–	(48,477)	(86,997)	(16,509)	262,058	(846)	109,229
Balances as of December 31, 2018	$ 157,191	$ 1,574,701	$ 14,318	$ 2,143,957	$ 65,552	$ 34,233	$ 262,058	$ (4,955)	$ 4,247,055

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez
Chief Executive Officer

Ing. José María Cid Michavila
Chief Financial Officer

L.C. Adrián Orocio Barreto
Comptroller

C.P. Juan García Madrigal
Audit Director

Consolidated Statements of Cash Flow

Of the Company with its Subsidiaries for the years ended December 31, 2018, 2017 and 2016 (restated)
(In thousands of Mexican pesos)

	2018	2017 (restated)	2016 (restated)
Net income	$ 262,058	$ 228,177	$ 223,002
Adjustments for items not requiring cash flows:			
Depreciation and amortization	96,634	101,355	101,357
Remeasurement of defined employee benefits	(845)	(3,229)	(880)
Current and deferred income taxes	92,176	72,461	94,363
	450,023	398,764	417,842
Operating activities:			
Loan portfolio	(317,264)	(398,594)	(391,273)
Bank loans and securities liabilities	32,846	206,367	25,010
Other accounts receivable and payable	(113,345)	(198,689)	(59,132)
Net cash flows from operating activities	52,260	7,848	(7,553)
Investing activities:			
Acquisitions of fixed assets	(53,673)	(63,281)	(109,026)
Deferred charges and prepaid expenses	123,120	(123,723)	95,776
Net cash flows from investing activities	69,447	(187,004)	(13,250)
Financing activities:			
Acquisition of proprietary shares, net	(29,597)	(55,212)	(10,782)
Net cash flows from financing activities	(29,597)	(55,212)	(10,782)
Net increase in funds available	92,110	(234,368)	(31,585)
Result from translation of foreign subsidiaries	(16,508)	(7,004)	32,529
Funds available at the beginning of the year	359,513	600,885	599,941
Funds available at the end of the year	$ 435,115	$ 359,513	$ 600,885

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez
Chief Executive Officer

Ing. José María Cid Michavila
Chief Financial Officer

L.C. Adrián Orocio Barreto
Comptroller

C.P. Juan García Madrigal
Audit Director

Notes to Consolidated Financial Statements

For the years ended December 31, 2018, 2017 and 2016 (restated)
(In thousands of Mexican pesos)

1. Operations

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the "Company") was established and began operations in accordance with Mexican laws on July 22, 1993, for an indefinite period, and with headquarters in Mexico City. It has authorization from the Mexican Treasury Department ("SHCP") to operate as a multiple purpose financial institution, unregulated entity, in accordance with the Mexican Credit Institutions Law ("LIC").

Its primary activity is to grant loans to individuals for the consumption of goods and services. The resources necessary to fund its operation have been obtained from the stockholders and through market operations and contracting liabilities from domestic financial institutions.

The General Law on Credit Organizations and Auxiliary Activities ("LGOAAC"), applicable to Multiple Purpose Financial Institutions ("Sofom/Sofomes"), allows such entities to grant loans, factoring services and financing leases. The Sofomes may or may not be regulated by the Mexican National Banking and Securities Commission of Mexico (the "Commission"). Unregulated entities ("E. N. R.") are entities which do not have equity relationships with credit institutions or holding companies of financial groups of which credit institutions form part, and those which do not issue debt instruments or fiduciary certificates registered in the National Registry of Securities in accordance with the Stock Market Law for which they are liable, or when they are issued, the respective compliance with the obligations embodied in such securities or instruments does not depend partially or totally on such entities, for which reason they are not subject to oversight by the Commission.

On October 18, 2007 the stockholders approved the adoption of the legal form of Sociedad Anónima Bursátil (S.A.B.), for which reason, as of November 1, 2007, the Company was registered as a public stock corporation on the Mexican Stock Market (the "BMV") and listed with the ticker symbol "FINDEP".

During the process of listing its shares on the BMV, the Company carried out a public share offering in Mexico.

The Company, in its capacity as an S.A.B., applies the provisions of the General Companies Law and, if applicable, the relevant provisions of the Stock Market Law, as well as general provisions applicable to issuers of securities and other stock market participants.

Significant events 2018

On January 1, 2018, the Company adopted the new Mexican Financial Reporting Standard (NIF) C-16, Impairment of financial instruments receivable (NIF C-16). The adoption of this standard adjusted the methodology of the portfolio's allowance for loan losses, which requires Management to use its professional judgment in evaluating qualitative and quantitative factors that will be considered in the determination of the probability of default, severity of loss and exposure to default. In accordance with NIF C-16, this standard should be recognized retrospectively. Therefore, as of January 1, 2016, management recognized an increase of $64,589 in the allowance for loan losses was recognized and charged to 'Result from prior years', net of deferred taxes. The consolidated financial statements for the years ended December 31, 2016 and 2017 were restated in order to be comparative with the consolidated financial statements as of December 31, 2018.

2. Basis for presentation

a. *Explanation for translation into English* – The accompanying consolidated financial statements have been translated from the original statements prepared in Spanish into English for use outside of Mexico. The accounting criteria to prepare the accompanying consolidated financial statements of the Company conform to the financial reporting requirements prescribed by the Commission, but do not conform to Mexican Financial Reporting Standards ("MFRS or NIF") and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

b. *Monetary unit of the consolidated financial statements* – The consolidated financial statements and notes as of December 31, 2018, 2017 and 2016 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2018, 2017 and 2016 were 12,71%, 9.87% and 10.52%, respectively, accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2018, 2017 and 2016 were 4.83%, 6.77% and 3.36%, respectively.

c. *Consolidation of financial statements* – The accompanying consolidated financial statements include the financial statements of the Company and those of its subsidiaries in which control is exercised as of December 31, 2018, 2017 and 2016 and for the years then ended. All significant intercompany balances and transactions have been eliminated.

The Company's consolidated subsidiaries as of December 31, 2018, 2017 and 2016 are detailed below:

	Percentage			
Subsidiaries	2018	2017	2016	Activity
Serfincor, S.A. de C.V. ("Serfincor")	99.99%	99.99%	99.99%	Service provider
Conexia, S.A. de C.V. ("Conexia")	99.99%	99.99%	99.99%	Call center, promotional and marketing services
Fisofo, S.A. de C.V., SOFOM, E. N. R. ("Fisofo")	99.99%	99.99%	99.99%	Granting consumer loans
Confianza Económica, S.A. de C.V, Sofom, E.N.R. ("Confianza Económica")	99.00%	99.00%	99.00%	Granting consumer loans
Financiera Finsol, S.A. de C.V., SOFOM, E.N.R. ("Financiera Finsol")	99.99%	99.99%	99.99%	Granting consumer loans
Finsol, S.A. de C.V. ("Finsol")	99.99%	99.99%	99.99%	Service provider
Instituto Finsol, IF	99.99%	99.99%	99.99%	Granting commercial loans
Independencia Participações, S.A. y subsidiaria (Indepar)	99.99%	99.99%	99.99%	Granting commercial loans
Apoyo Económico Familiar, S.A. de C.V., SOFOM, E.N.R. ("AEF")	99.99%	99.99%	99.99%	Granting consumer loans
Servicios Corporativos AEF, S.A. de C.V. ("SCAEF")	99.99%	99.99%	99.99%	Service provider
Apoyo Financiero Inc. ("AFI")	100.00%	100.00%	100.00%	Granting consumer loans
Sistemas Corporativos COA, S.A., de C.V. (SICOA)	99.95%	99.95%	99.95%	Service provider
Sistemas de Captación en SITIO, S.A. de C.V.	99.99%	99.99%	100.00%	Service provider
Management trust number 851-01161	100.00%	100.00%	100.00%	Acquisition of collection rights

d. *Conversion of foreign currency financial statements of subsidiaries* – To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to accounting criteria of the Commission. The financial statements are subsequently translated to Mexican pesos using the following methodology:

Foreign operations whose functional currency is the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in other comprehensive income (loss) within stockholders' equity.

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

		Exchange rate to translate Mexican pesos		
Company	Currency	2018	2017	2016
Independencia Participações, S.A. y subsidiaria (Indepar)	Real/ US Dollar	3.8748	3.3080	3.2591
Instituto Finsol, IF	Real/ US Dollar	3.8748	3.3080	3.2591
Apoyo Financiero Inc. ("AFI")	US Dollar	19.6512	19.6629	20.6194

As the Company has investments in foreign operations, whose functional currency is not the Mexican peso, it is exposed to exchange risk. It has contracted monetary liabilities in US dollars and, during the regular course of business, is exposed to an exchange risk attributable to its commercial operations.

In order to manage the exchange risk derived from its securitized liabilities in US dollars, the Company has contracted the financial derivatives described in Note 5.

Comprehensive result – The amount of comprehensive income presented in the statement of changes in stockholders' equity is the effect of transactions other than those carried out with the shareholders of the Company during the period and is represented by the result from the valuation of available securities for sale, the cumulative translation adjustment; result from valuation of hedging instruments, remeasurements for defined benefits to employees and the net result.

3. Significant accounting policies

The significant accounting policies applied by the Company comply with the accounting criteria established by the Commission in the "General Provisions Applicable to Credit Institutions" (the "Provisions"), in its rulings, which are considered a Special Purpose Framework. These policies require management to make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures; however, actual results may differ from such estimates. The Management upon applying professional judgment, considers that estimates made, and assumptions used were appropriate under the circumstances.

On September 19, 2008, the Commission issued an amendment to the General Provisions for Issuers, whereby Sofomes, E.N.R. that are public stock corporations must prepare their consolidated financial statements in conformity with the accounting criteria which, pursuant to article 87-D of the LGOAAC, are applicable to regulated Sofomes. This article states that regulated Sofomes are subject to the provisions established for credit institutions and finance entities, as the case may be, in the LIC, and in the Commission's Law.

In accordance with accounting criterion A-1 of the Commission, the accounting framework applied by entities shall be adjusted to conform to NIF issued by the Mexican Board of Financial Reporting Standards ("CINIF"), except when, in the Commission's judgment, a specific accounting provision or standard must be applied, bearing in mind that the companies under its regulation carry out specialized operations.

Changes in accounting policies –

Improvements to NIFs 2018 – the following Improvements do not affect the consolidated financial statements of the Company.

NIF B-15, Translation of foreign currencies – In consolidated financial statements where the functional currency is different from the Mexican peso, the entity should, among others, determine in its functional currency: a) the fair value of the items in which it is applicable, b) conduct impairment tests on the value of the asset and c) determine the deferred tax liabilities or assets, etc.

The following NIF were issued and are effective January 1, 2018:
NIF C-9, Provisions, contingencies and commitments
NIF C-16, Impairment of financial instruments receivable
NIF C-20, Financial instruments receivable

NIF C-9, Provisions, contingencies and commitments – The term probable replaced the term virtually unavoidable in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the consolidated financial statements.

NIF C-16, Impairment of financial instruments receivable (FIR) – To determine when and how the expected losses from impairment of FIR should be recognized; this is when, as result of an increase in the credit risk, it is concluded that a part of the future cash flows from the FIR will not be recovered, and proposes that the expected loss should be recognized based on the historical experience of credit losses, current conditions and reasonable and sustainable forecasts of the various quantifiable future events that might affect the amount of the future recoverable cash flows of the FIR, which means that estimates must be made and should be periodically adjusted based on past experience. Furthermore, in relation to interest-bearing FIR, entities shall estimate the amount and timing for the cash flows expected to be recovered, as the recoverable amount must be recognized at present value.

NIF C-20, Financial instruments receivable – Specifies the classification of financial assets based on the business model: a) if the intention is to generate a profit through a contractual return, they are recognized at amortized cost; b) if they are also used to generate a profit based on their purchase and sale, they are recognized at fair value. Any embedded financial derivative that modifies the cash flows of principal and interest from the host instrument will not be separated; instead, all will be valued at fair value, as if it were a negotiable financial instrument.

The retrospective adoption of NIF C-16 resulted in the restatement of previously issued consolidated financial statements is shown below:

	December 31 2017		
Line item	Restated amounts reported in consolidated financial statements	Effects of applying NIF C-16	As previously reported
Balance Sheet			
Allowance for loan losses	$ (593,545)	$ (75,178)	$ (518,367)
Net deferred tax and PTU	944,484	21,693	922,791
Income Statement			
Allowance for loan losses	$ (1,381,858)	$ 51	$ (1,381,909)
Net deferred tax and PTU	43,751	2,678	41,073

	December 31 2016		
Line item	Restated amounts reported in consolidated financial statements	Effects of applying NIF C-16	As previously reported
Balance Sheet			
Allowance for loan losses	$ (485,272)	$ (75,228)	$ (410,044)
Net deferred tax and PTU	894,027	19,015	875,012
Income Statement			
Allowance for loan losses	$ (1,188,317)	$ 10,639	$ (1,177,678)
Net deferred tax and PTU	32,615	(362)	32,977

	January 1, 2016		
Line item	Restated amounts reported in consolidated financial statements	Effects of applying NIF C-16	As previously reported
Balance Sheet			
Allowance for loan losses	$ (544,745)	$ (64,589)	$ (480,156)
Net deferred tax and PTU	857,585	19,376	838,209
Retained earnings	1,654,868	(45,213)	1,700,081

	2017 (restated)	2017
Changes in earnings per share:		
Earnings per share (UPA):		
Net income	$ 228,177	$ 225,448
Divided by:		
Average weighted number of shares	671,430,984	671,430,984
UPA (Mexican pesos)	$ 0.3398	$ 0.3358

	2016 (restated)	2016
Earnings per share (UPA):		
Net income	$ 223,002	$ 234,003
Divided by:		
Average weighted number of shares	681,148,621	681,148,621
UPA (Mexican pesos)	$ 0.3274	$ 0.3435

Except for the changes mentioned above, there were no other effects arising for the adoption of these new financial reporting standards.

Reclassifications – Certain amounts in the consolidated financial statements as of and for the years ended as of December 31, 2017 have been reclassified to conform the presentation of the 2018 consolidated financial statements.

Funds available – Are recorded at face value. Funds available in foreign currency are valued at the closing exchange rate issued by Banco de México (Central Bank) at the end of the year.

Financial derivatives – The Company carries out hedging transactions with derivative financial instruments currency swaps (cross currency swaps). Its objective is to mitigate the risk of volatility in the exchange rate. Note 5 contains more detailed information on these instruments.

The Company recognizes all derivatives as assets or liabilities (depending on the rights or obligations they contain) in the consolidated balance sheet at fair value on the date of initial recognition and subsequently at fair value at the end of the reporting period. The gain or loss is recognized in the results immediately unless the derivative is designated and effective as a hedging instrument, in which case the opportunity for recognition in the results will depend on the nature of the hedging relationship.

Hedge accounting

As of December 31, 2018, 2017 and 2016 management enters into transactions with derivatives for hedging purposes using swaps.

Financial assets and liabilities which are designated and fulfill the requirements to be designated as hedged items, as well as financial derivatives which form part of a hedging relationship, are recognized in conformity with the hedge accounting provisions for the recognition of the gain or loss on the hedging instrument and of the hedged item in accordance with Accounting Criterion B-5, Derivatives and hedging transactions, issued by the Commission.

A hedge relationship qualifies for designation as such when all of the following conditions are fulfilled:

- Formal designation and sufficient documentation of the hedging relationship.
- The hedge is highly effective in achieving the offsetting of the changes in fair value or in the cash flows attributable to the risk covered.
- For cash flow hedges, the forecast transaction proposed for hedging is very likely to occur.
- The hedge is reliably measurable.
- The hedge is valued continuously (at least quarterly).

All derivatives used for hedging purposes are recognized as assets or liabilities (depending on the rights and/or obligations they contain) on the consolidated balance sheet at fair value. Note 5 contains more detailed information on these instruments.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged and forms part of the caption "Derivatives" on the consolidated balance sheet and the interest accrued is recorded in the consolidated statement of income under the caption "Interest income" or "Interest expense".

Derivatives transactions for hedging purposes are valued at fair value and the effect is recognized depending on the type of accounting hedge, as follows:

a. *Fair value hedges* – Represents a hedge against exposure to changes in the fair value of recognized assets or liabilities or of firm commitments not recognized, or a portion of both, which is attributable to a specific risk and which may affect the results for the period.

   The primary position of the risk hedged and the derivative hedge instrument are valued at fair value, with the net effect recorded in the results of the period under the heading "Trading income".

   In fair value hedges, the adjustment to the book value for the valuation of the hedged item is presented in a separate caption on the consolidated balance sheet.

b. *Cash flow hedges* – Represents a hedge against exposure to variations in the cash flows of a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability, or with a highly probable event, and which (ii) may affect the result of the period. The hedged derivative instrument is valued at fair value. The effective portion of the gain or loss on the hedge instrument is recorded in the comprehensive profit and loss account as part of stockholders' equity and the ineffective portion is recorded in the results for the year as part of the "Trading income".

   The effective hedge component recognized in stockholders' equity associated with the hedged item, is adjusted to equal the lower (in absolute terms) of the accumulated gain or loss on the financial hedge derivative since its inception, and the accumulated change in the present value of the future cash flows expected from the hedged item since the inception of the hedge.

   Any residual gain or loss on the hedge instrument is recognized in the results for the period.

As of December 31, 2018, 2017 and 2016, the Company only has derivatives contracted for cash flow hedging purposes.

The Company suspends hedge accounting when the derivative has matured, when it is canceled or exercised, when the derivative is not sufficiently effective to offset the changes in the fair value or cash flows from the hedged item, when it is determined that the forecast transaction will not occur or when it decided that the hedge designation will be canceled.

Loan portfolio – Represents the amounts disbursed to borrowers plus uncollected accrued interest. The "allowance for loan losses" is presented as a deduction from the portfolio's balances.

Credit is granted based on a credit analysis which uses the internal policies and operating manuals established by the Company.

The unpaid balance of the loans is recorded as non-performing portfolio when the respective installments have not been fully paid under the original terms established, considering the following:

- If the borrowings consist of loans with partial periodic payments of principal and interest and are 90 or more calendar days in arrears.
- If the borrowings consist of revolving credits and are two monthly billing periods past due, or, when the billing period is not monthly, when the credits are 60 or more calendar days past due.

When a loan is considered non-performing, the related interest accrual is suspended. As long as the loan is classified within non-performing portfolio, the control of the uncollected accrued interest or accrued financial revenue is maintained in memorandum accounts. With regard to uncollected accrued interest on the nonperforming portfolio, an estimated allowance is recorded for an amount equivalent to the total of such interest at the time it is transferred to non-performing portfolio. If past due interest is collected, it is recognized directly in results for the year.

Non-performing loans in which the unpaid balances (principal and interest, among others) are fully settled are returned to performing portfolio, in accordance with the Provisions.

Restructured loans are classified and presented as non-performing portfolio, so long as there is no evidence of sustained payment, which is considered to occur when there is timely payment of three consecutive repayments. Additionally, the probability of default of this portfolio in the reserve model is 100%.

Annual fee commissions collected from customers are recognized as revenues on a deferred basis and are amortized using the straight-line method over a year or the credit term. The commissions collected for the initial granting of the loan and its associated costs are not deferred over the term of the loan, because management believes that their effect is not material or significant given that the loans have short-term maturities. Commissions for borrowings on lines of credit and collection expenses are recognized in results at the time they are collected.

Allowance for loan losses – In official notification 310-85406/2009 dated March 2, 2009, the Commission informed the Company that it must calculate the allowance for loan losses based on the different methodologies established by the Commission for credit institutions, using the general methodology or the internal methodologies established in the Provisions, which, in the case of the latter, does not require approval by the Commission. As a result of this, since such date the Company rates its loan portfolio using an internal methodology based on the probability of default by the borrowers and on the severity of the credit loss, as established in article 124 of the Provisions.

The Company recognizes an Allowance for Loan Losses (EPRC) for impairment of the loan portfolio (CC) considering the credit risk of the same. The EPRC is estimated based on all possible events of default in the loan portfolio.

The Company determines the EPRC individually for the loans that have particular characteristics that require this type of evaluation. In the event that it is impractical to carry out an individual evaluation, homogeneous loans are grouped based on common characteristics and evaluated on a collective basis.

For the commercial portfolio, the Company estimates the EPRC based on its experience of past credit losses, current changes in the behavior of its clients and future economic forecasts, for which it classifies its portfolio by degree of arrears in payment and allocates different amounts of EPRC to each of the segments of its portfolio.

When determining the EPRC, the Company considers the risk that a credit loss will occur, even when the probability of its occurrence is very low. When there is already a verified default, the Probability of Default (PI) is 100%.

The Company carries out the following procedure to calculate the EPRC estimate for impairment of the loan portfolio: i) determine the PI factor, ii) determine the Severity of Loss factor (SP) and iii) apply the PI and SP factors to the loan portfolio, thereby obtaining the amount that should be recognized as EPRC for the loan portfolio.

PI can be increased by reasonable and sustainable forecasts of future quantifiable adverse events, such as the fact that a segment of the credit portfolio is facing a difficult economic situation due to extraordinary circumstances or natural causes.

The SP is determined considering historical experience, current conditions and reasonable and supportable forecasts of quantifiable future events. Therefore, the severity of loss is that which would result from not realizing part or all of the cash flows related to the loan portfolio. When determining the SP, the Company considers collateral and other credit enhancements that may be held.

The Company considers a decrease in the PI and SP factors when it has evidence that there is an improvement in the collection and in the credit risk of the loan portfolio or in some segment thereof.

When the Company's Management concludes there is zero probability of collecting a loan, it derecognizes the net book value and related EPRC. If the estimate is insufficient, the difference affects the net profit or loss of the period.

The procedure to estimate the EPRC of the IFCPI takes into account that the estimated life is usually greater than that of the accounts receivable and that their PI.

The Company determines the EPRC individually for the loans that have particular characteristics (generally, commercial portfolio) that require this type of evaluation. In the event that it is impractical to carry out an individual evaluation, homogeneous loans are grouped based on common characteristics and evaluated on a collective basis.

When increases in credit risk in a segment are significant, even when there is no evidence that there are such increases at the level of individual loans, an evaluation can be made on a collective basis, considering information that allows for the identification of significant increases in credit risk at the segment level of the loan portfolio. This is to ensure that the objective of recognizing the EPRC throughout the life of the loan portfolio is met.

To calculate the EPRC estimate, Management first determines the credit risk stage of the loans are and then the recoverable amount, considering the time value of the money.

The credit risk stages of the loan portfolio are as follows:

1. Low credit risk. Loans for which credit risk has not increased significantly since initial recognition until the date of the consolidated financial statements.
2. Significant increase in credit risk. Are those that have shown a significant increase in credit risk from initial recognition to the date of the consolidated financial statements; and
3. High credit risk. Loans that are impaired due to one or more events having occurred that negatively impact the expected future cash flows of the loan portfolio.

Once the credit risk is determined, based on the SP and the PI, the recoverable amount (MR) of the portfolio with credit risk is calculated, valuing the cash flows that are estimated to be recovered at their present value. The accumulated amount of the EPRC results from comparing the recoverable amount against the gross value of the loan or the loan segment that is being evaluated.

The EPRC is recognized as an expense under "Provision for loan losses" in the statements of income when determined, and in case of duly supported favorable changes in the credit quality of the IFCPI, the excess EPRC must be reversed in the period in which said changes occur against the same item in the statement of income. Professional judgment should be used to determine the amount to be reversed. In the event that an amount previously written off is recovered, the corresponding effect is also recorded in said account.

Evidence of sustained payment of the loan – This is considered to have occurred when timely payment is received from the borrower for the total amount of principal and interest payable, at least three consecutive repayments of the credit payment scheme, or in the case of loans with repayments covering periods greater than 60 natural days, the payment of an exhibition.

In the case of loans with a single payment of principal at maturity, irrespective of whether the interest payment is periodic or at maturity, it is considered that there is a sustained payment of the loan when one of the following assumptions occurs:

a) the borrower has covered at least 20% of the original loan amount at the time of restructuring or renewal, or,
b) the amount of accrued interest has been covered in accordance with the payment scheme for restructuring or renewal corresponding to a period of 90 days.

Restructuring and loan renewals – A restructuring includes of the following situations:

a) Extension of guarantees that cover the loan in question, or
b) Modifications to the original conditions of the loan or to the payment scheme, including:

  - Change in the interest rate established for the remaining term of the loan;
  - Change of currency or unit of account.
  - Granting a waiting period for compliance with payment obligations in accordance with the original terms of the loan, unless such concession is granted after the originally agreed period has expired, in which case it will be a renewal.
  - Extension of the term of the loan.

A renewal is a transaction in which the balance of a loan is partially or totally settled through the increase in the original amount of the loan, or with the proceeds from another loan contracted with the same entity in which one of the parties is the same debtor or another individual or entity with equity shareholding relationships thereby constituting a joint risk. A loan is not considered to be renewed when disbursements are made during the term of a pre-established credit line.

Notwithstanding the foregoing, a loan will not be considered renewed due to the provisions made during the term of a pre-established credit line, provided that the borrower has settled all the payments required by the original terms of the loan.

The specific rules regarding the recognition of restructurings and renewals are as follows

1. Non-performing loans that are restructured or renewed will remain in the non-performing portfolio, as long as there is no evidence of sustained payment.

2. Loans with single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, restructured during its term or renewed at any time, will be considered as non-performing portfolio until there is evidence of sustained payment.

3. Loans granted under a credit line, revolving or not, that are restructured or renewed at any time, may be maintained in the performing portfolio provided that there are elements that justify the ability of the borrower to pay. Additionally, the borrower must have:

   a) Paid all accrued interest, and
   b) Covered the totality of the payments to which it is bound under the terms of the contract at the date of the restructuring or renewal.

4. In the case of credit disbursements made under one line, when they are restructured or renewed independently of the line of credit that covers them, they shall be evaluated in accordance with this section, taking into account the characteristics and conditions applicable to the disbursement or restructured or renewed borrowings. When it is concluded from such analysis that one or more of the loans granted under a credit facility must be transferred to the non-performing portfolio as a result of a restructuring or renewal and such loans, individually or as a whole, represent at least the 25% of the total outstanding balance of the line of credit at the date of the restructuring or renewal, said balance, as well as its subsequent loans must be transferred to the non-performing portfolio as long as there is no evidence of sustained payment of the loans that originated the transfer to the non-performing portfolio, and the total of the loans granted under the credit line have complied with the obligations required at the date of the transfer to the performing portfolio.

5. Current loans with characteristics different from those indicated in the preceding paragraphs 2 to 4 that are restructured or renewed, without at least 80% of the original term of the loan having elapsed, will be considered to remain classified as performing portfolio only when:

   a) The borrower has covered all the interest accrued at the date of the renewal or restructuring, and
   b) The borrower is current on the principal of the original loan amount as of the date of the renewal or restructuring.

   In the case that all of the aforementioned conditions are not met, the loan will be classified as nonperforming from the moment of the restructuring or renewal until there is no evidence of sustained payment.

6. In the case of current loans with characteristics different from those indicated in subparagraphs 2 to 4 that are restructured or renewed during the course of the final 20% of the original term of the loan, these will be classified as performing loans only when the borrower has:

   a) Paid all accrued interest on the date of the renewal or restructuring;
   b) Is current with respect to payments on the principal at the date of the renewal or restructuring, and
   c) Covered 60% of the original loan amount.

If the aforementioned conditions are not met, the loan will be classified as non-performing from the moment they are restructured or renewed and until there is evidence of sustained payment.

The requirement referred to in subparagraphs 5 and 6 above in its corresponding paragraphs a) will be considered fulfilled, when the accrued interest has been covered at the last cut-off date, the period elapsed between that date and the restructuring or renewal does not exceed the minor between half of the current payment period and 90 days.

Current loans with partial periodic payments of principal and interest that are restructured or renewed on more than one occasion may remain in the performing portfolio if, in addition to the conditions established in subparagraphs 5 or 6 above, as applicable, the payment capacity of the borrower can be supported. In the case of commercial loans, such evidence supporting payment capacity must be duly documented and integrated into the credit file.

In the event that through a restructuring or renewal, various loans granted by the Company to the same borrower are consolidated, each of the consolidated loans must be analyzed as if they were restructured or renewed separately and, if such analysis concludes that one or more of said loans would have been transferred to the non-performing portfolio as a result of the restructuring or renewal, then the total balance of the consolidated loan must be transferred to the non-performing portfolio.

The foregoing shall not apply to those restructurings that, at the date of the transaction, present payment fulfillment for the total amount of principal and interest payable and only modify one or more of the following original credit conditions:

- Guarantees: only when they imply the extension or replacement of guarantees by others of better quality.
- Interest rate: when the borrower's interest rate is improved.
- Currency or unit of account: as long as the corresponding rate is applied to the new currency or unit of account.
- Payment date: only in the case that the change does not imply exceeding or modifying the periodicity of the payments. In no case shall the change in the payment date allow the omission of payment in any period.

Penalties, eliminations and recoveries of loan portfolio – The Company periodically evaluates whether a nonperforming loan should remain in the balance sheet or be written off. Such write-off is made by canceling the unpaid balance of the loan against the allowance for loan losses. When the loan to be written off exceeds the balance of the related allowance, such allowance is increased to eliminate the difference prior to the write off.

Any recovery derived from loans previously written off or eliminated is recognized in the results of the year under provision for loan losses.

Other accounts receivable – Accounts receivable different from the Company's loan portfolio represent recoverable tax balances, among others. The accounts receivable related to identified debtors with more than 90 calendar days and 60 calendar days for unidentified debtors in arrears require the creation of an allowance that reflects the degree of non-collectability. This allowance is not created for recoverable tax balances.

Property, plant and equipment – Are recorded at acquisition cost. The assets derived from acquisitions up to December 31, 2007 were restated by applying factors derived from the Investment Unit (UDI) up to that date. The related depreciation and amortization is recorded by applying a percentage determined based on the estimated useful life of the assets to the cost restated up to that date.

Depreciation is determined on the cost or restated cost up to 2007 by using the straight-line method, as of the following month of the respective purchase, applying the rates detailed below:

	Rate
Real property	5%
Computers	25%
Automatic cash dispensers	15%
Furniture and fixtures	10%
Vehicles	25%
Leasehold improvements	5 to 20%

Other assets – Technology-related development costs and intangible assets are initially recorded at the nominal value paid. The amortization of technology-related development costs and intangible assets with a definite life are calculated using the straight-line method, applying the respective rates to the restated expense.

Goodwill – Goodwill is mainly attributable to the excess of the purchase price paid over the fair value of the net assets of:

a) Financiera Finsol, S.A. de C.V., Sofom, E.N.R., Finsol, S.A. de C.V. and Instituto Finsol – IF, acquired on February 19, 2010.
b) Apoyo Económico Familiar, S.A. de C.V., Sofom, E.N.R., acquired on March 15, 2011.
c) Servicios Corporativos AEF, S.A. de C.V., acquired on February 28, 2011.
d) Apoyo Financiero Inc., acquired on February 28, 2011 and December 18, 2013.

Goodwill is not amortized but is subject to impairment tests at least once a year.

Impairment of long-lived assets in use – The Company reviews the book value of long-lived assets in use, in the presence of any indicator of impairment that shows that the book value may not be recoverable considering the higher of the present value of the future net cash flows or the net selling price in the case of their eventual disposal. Impairment is recorded if the book value exceeds the higher of the aforementioned values. The indicators of impairment considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results which, in percentage terms, in relation to revenues, are substantially superior to those from previous years, services rendered, competition and other economic and legal factors. The Company has carried out an evaluation in accordance with NIF C-15, "Impairment in the Value of Long-lived Assets and their Disposal", and no impairment was identified in the value of long-lived assets.

Income taxes – Income Tax ("ISR"), is recorded in results of the year in which it is incurred. The Company determines deferred tax by considering temporary differences, tax losses and credits, when these items are initially recognized and at the end of each period. The deferred tax derived from temporary differences is recognized by the asset and liability method, which compares the accounting and tax values of assets and liabilities.

Securitization certificates – They are represented by the issuance of debt instruments known as Securitized Certificates (Cebures) and are measured based on outstanding principal and unpaid accrued interest for the days elapsed to the date of preparation of the consolidated financial statements in results of the year.

Issuance expenses are recognized initially as deferred charges and are amortized against results for the year, taking the term of their underlying instruments as their basis.

Borrowings from banks and from other entities – Refer to credit lines and other loans obtained from other entities, which are recorded at the contractual value of the obligation, with interest recognized in results as it is accrued.

Sundry creditors and other accounts payable – Are recognized when there is a present obligation derived from a past event which will probably result in the outlay of economic resources and can be reasonably estimated.

Foreign currency transactions – Foreign currency transactions are recorded at the exchange rate in effect on the transaction date. Assets and liabilities denominated in foreign currency are adjusted at the year-end exchange rates determined and published by the Central Bank.

Revenues and expenses from foreign currency transactions are translated at the exchange rate in effect on the transaction date, except for transactions carried out by the foreign subsidiaries, which are translated at the fix exchange rate at the end of each period.

Foreign exchange fluctuations are recorded in the statements of income of the year in which they occur.

Financial margin – The Company's financial margin is composed of the difference between total interest income and total interest expense.

The interest income on the loans granted is recognized in the income statement as it is accrued, using the unpaid balances method, based on the terms and interest rates established in the contracts signed with the borrowers. The interest on non-performing portfolio is recognized in results only when it is actually collected.

Interest expense refers to bank loans, as well as issuance expenses and the discount on debt placement. The amortization of the costs and expenses associated with the initial credit granted forms part of the interest expense.

Memorandum accounts – Memorandum accounts record assets or commitments which do not form part of the Company's balance sheet because the related rights are not acquired or such commitments are not recognized as a liability of the entities until such eventualities materialize, respectively. The accumulated amounts in the memoranda accounts have only been subject to audit testing when an accounting record derives from their information.

Employee benefits – Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

i. *Direct employee benefits* – Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly commissions, bonus and other incentives.

ii. Post-employment benefits – Liabilities for seniority premiums, pensions and severance for voluntary or involuntary termination benefits are recorded as accrued and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

iii. *Employee benefit from termination* – The benefits for termination of the employment relationship which do not generate assumed obligations are recorded at the time that: a) the Company no longer has any real alternative other than to fulfill the payments of such benefits or cannot withdraw an offer or b) the Company fulfills the conditions established for a restructuring.

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

As of December 31, 2018, 2017 and 2016, PTU is determined based on taxable income, according to Section I of Article 9 of the Income Tax Law.

Earnings per share – Basic earnings per common share are calculated by dividing consolidated net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined only when there is income from continuing operations by adjusting consolidated net income and common shares on the assumption that the Company's commitments to issue or exchange its own shares are to be met.

Stock Option Plan (SOP) – The Company has a SOP plan for certain eligible employees and officers. The SOP plan was implemented through a trust administered by a Mexican bank as trustee, in accordance with Mexican laws. This plan allows for qualifying employees to acquire common stock shares through the trust. The Company finances the trust through contributions, so that the trust in turn acquires common stock shares by means of purchases on the open market through the BMV. The options awarded under the plan are generally acquired in equivalent partial distributions over a five-year period. The trust purchases sufficient shares on the stock market to handle all the awards of shares at the time they are granted, not when they are acquired. If an employee forfeits the right to an option before it is acquired, the shares represented by such options will be held in the trust until the requirements are fulfilled for their allocation to another beneficiary. The trust currently has 27,984,565 ordinary common stock shares. Historically, no share contributions have ever been made to the trust through the issuance of new shares and currently there are no plans to do so. The share price as of December 31, 2018, 2017 and 2016 was $2.36, $3.10 and $3.48, respectively.

4. Funds available

The heading of funds available is composed mainly of excess cash, bank deposits and immediately realizable investments, which are highly liquid and with little risk of changes in their value, as shown below:

	2018	2017 (Restated)	2016 (restated)
Cash on hand	$ 76,322	$ 83,025	$ 72,143
Mexican banks	303,019	180,140	268,861
Immediately realizable investments	55,774	96,348	259,881
	$ 435,115	$ 359,513	$ 600,885

Immediately realizable investments refer to the investment of treasury surpluses with the purpose to obtain a better short-term return. These investments are made through securities firms and investment funds which trade on the Mexican market.

As of December 31, 2018, 2017 and 2016 the average rates of the investments were 6.6%, 5.0% and 4.7% respectively. Furthermore, for the years ended December 2018, 2017 and 2016 interest income on the investments was $11,415, $19,280 and 19,354 respectively. In 2018, 2017 and 2016 the maturities of these investments were between one and three days. As of December 2018, 2017 and 2016 restricted investments are $53,713, $57,974 and $69,877, respectively.

5. Transactions with financial derivatives

The Company's activities expose it to a wide range of financial risks: market risks (including exchange risk and interest rate risk, principally), credit risk and liquidity risk. The risk management practice takes into account the unpredictable nature of the financial markets and seeks to minimize the potential negative effects in the Company's financial performance. Based on the guidelines issued by the Board of Directors, the Company implemented the use of financial derivatives to hedge certain exposures to market risks, particularly, a significant rise in the exchange rate of the Mexican peso vs US dollar.

The Company's policy is not to carry out speculative transactions with financial derivatives. Below is a summary of the transactions performed with financial derivatives:

2018

Type of instrument	Notional amount hedged		Annual interest rate					
Swap	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Receives	Pays	Fair value
Currency and interest rate hedge	US$ 56,758	MXN$ 1,078,402	07-sep-18	19-jul-19	19.0000	7.50%	7.4026%	$ 64,776
Currency and interest rate hedge	US$ 52,058	MXN$ 910,494	28-nov-18	19-jul-24	17.4900	8.00%	13.9050%	200,613
Currency and interest rate hedge	US$ 74,250	MXN$ 1,302,887	20-dec-18	19-jul-24	17.5473	8.00%	13.8650%	223,222
Interest rate hedge	US$ 14,807	US$ 14,807	10-jan-18	10-jan-19	17.5473	LIBOR + 3.20%	5.2250%	343
Currency and interest rate hedge	US$ 14,807	US$ 48,093	09-jan-18	10-jan-19	3.2480	6.1471%	11.30%	44,808
							Total	$ 533,762

2017 (Restated)

Type of instrument	Notional amount hedged		Annual interest rate					
Swap	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Receives	Pays	Fair value
Currency and interest rate hedge (a)	60,400 USD	MXN$ 1,147,600	28-dec-17	19-jul-19	19.0000	7.50%	7.4026%	$ 146,642
Currency and interest rate hedge (a)	55,000 USD	MXN$ 961,950	19-jul-17	19-jul-24	17.4900	8.00%	13.9050%	223,415
Currency and interest rate hedge (a)	75,000 USD	MXN$ 1,316,048	19-jul-17	19-jul-24	17.5473	8.00%	13.8650%	217,409
							Total	$ 587,466

2016 (Restated)

Type of instrument	Notional amount hedged		Annual Interest rate					
Swap	Receives (miles)	Pays	Starting date	Maturity	Exchange rate agreed	Receives	Pays	Fair value
Currency and interest rate hedge (b)	US$ 74,937	MXN$ 971,633	4-jun-14	3-jun-19	12.966	7.50%	10.85%	$ 713,391
Currency and interest rate hedge (b)	US$ 11,400	MXN$ 147,755	4-jun-14	3-jun-19	12.961	7.50%	10.85%	108,346
Currency and interest rate hedge (b)	MXN$ 118,300	BRL$ 26,118	3-marzo-16	3-mar-17	4.5294	9.25%	10.05%	(1,349)
							Total	$ 820,388

Trading markets and eligible counterparties

The financial markets through which the Company performs derivative financial transactions are known as "over the counter" ("OTC"). The Company only utilizes commonly utilized financial derivatives on OTC markets, which can be listed with two or more financial institutions to ensure optimum contracting conditions. Given that swaps are traded with financial institutions with good credit ratings, the risk of default regarding the obligations and rights acquired with counterparties is deemed to be low.

Margin, collateral and credit line policies

Margin, collateral and credit line policies are defined by the Company according to applicable policies and procedures manuals, which adhere to the guidelines, terms and conditions detailed in outline agreements, while also establishing warranties for the settlement of agreed payments.

Considering the type of transactions, the Company has not faced any adverse situations such as changes to the value of the underlying asset or reference variables. These changes could mean that contracted financial derivatives differ from the situation for which they were originally considered, significantly modify their scheme, imply a partial or total hedge loss and require that the contracting parties assume new obligations, commitments or cash flow variances that could affect their liquidity (e.g., due to margin calls).

As regards warranties or collateral, to date the Company has not delivered collateral to its counterparties. Finally, no defaults have been reported as regards the contracts executed at that date.

The Company monthly values its derivative financial instrument contracts at fair value. The fair value of a swap is considered as the difference between the current value of the active and passive legs. In order to calculate the current net value of each leg, the Company initially determines future cash flows based on the interest rate detailed in the confirmation letter. These cash flows are subsequently discounted at their current value according to an interest rate (curve) that reflects the currency in which they are denominated. This fair value is reported by the institutions or counterparties with which contracts are executed. Valuations are determined according to the Company's methodologies and by utilizing valuation procedures, techniques and models recognized by the market.

The Company periodically applies effectiveness tests through the hypothetical derivative method, which involves measuring the change in fair value of the hypothetical derivative reflecting the primary position against the change in fair value of hedge swaps. Accordingly, as of December 31, 2018, 2017 and 2016, the hedging relationship is highly effective.

Hedging

(a) *Hedging contracted for the foreign currency bonds issued in 2017*

In order to mitigate the exchange risk generated by the international bonds issued for the amount of US$ 250 million in 2018 (see Note 12), the Company contracted three cross currency swaps (CCS). Two of these were contracted in July 2018 with HSBC and Barclays (the counterparties), whereby the Company receives half-yearly cash flows at the 8.00% fixed rate and pays half-yearly cash flows at the fixed 13.9050% rate to HSBC and 13.8650% rate to Barclays based on equivalent notional amounts denominated in Mexican pesos. The period of both financial derivatives reflects the Bond's maturity. Furthermore, when the bond issuance matures, the contracted values will be exchanged for the sole purpose of setting the exchange rate in effect in 2024 at $17.49 and $17.5473 Mexican pesos per dollar, respectively, thereby eliminating the exchange risk.

In December 2017, a third CCS was contracted with HSBC, whereby the Company receives halfyearly cash flows at the 7.5% fixed rate and pays half-yearly cash flows at the 7.4026% fixed rate on equivalent notional amounts denominated in Mexican pesos. This derivative instrument will mature in July 2019, when the contracted values will be exchanged for the sole purpose of setting the exchange rate in effect in 2019 at $19.00 Mexican pesos per dollar, thereby eliminating the exchange risk.

(b) *Hedge contracted for the foreign currency bonds issued in 2014*

As of December 31, 2016, the Company had two exchange swaps contracted with HSBC and Barclays (the counterparties) to mitigate the exchange risk derived from the international bonds issued for the amount of US$ 200 million in 2014 (see Note 12). Based on these financial instruments, the Company received half-yearly cash flows at the 7.5% fixed rate and paid monthly cash flows to both counterparties at the 10.85% rate. The maturity date of these financial derivatives reflected the original contractual maturity of the bonds in 2019. However, in July 2017, the Company extended the maturity of the bonds and related hedging derivatives. The pre-maturity value of these instruments was $526,286, while the valuation recorded in the Company's stockholders' equity and which was recycled to the statement of income was $12,506.

As of December 31, 2018, 2017 and 2016, there are no ineffective portions requiring recognition in the results of the period. The effect recorded to December 2018, 2017 and 2016 for the net interest accrued by the currency swap of $122,000, $80,970 and $80,970 was recorded as financial income.

Internal liquidity sources cover this type of requirement based on the position maintained in cash and banks. As of December 31, 2018, the Company has a cash balance of $43,115 (unaudited) to cover any liquidity requirement.

When cash flow hedge accounting is suspended, the accrued profit or loss derived from the effective portion of the hedging derivative recognized in stockholders' equity as part of comprehensive income during the period in which the hedge was effective remains in stockholders' equity' until such time as the effects of the forecast transaction affect results. If it is no longer likely that the forecast transaction will occur, the profit or loss recognized in the comprehensive income account is immediately recorded in results. When the hedge of a forecast transaction is prospectively demonstrated to be satisfactory, but is subsequently not highly effective, the accrued profit or loss related to the effective portion of the hedge derivative recognized in stockholders' equity as part of comprehensive income during the period in which the hedge was effective is proportionately recorded in results as the effects of the forecast transaction affect results.

Sensitivity analysis:

The Company only contracts financial derivatives for hedging purposes. All these derivatives are intended to mitigate the risk for which they were contracted. The financial derivatives maintained in the Company's position do not lose their hedging effectiveness at any variance level. In this regard, any change to the fair value of the contracted instrument does not affect its nature, use or effectiveness level.

Market risk

As the acquired CCS are denominated in the same currency as the hedged primary position, the effectiveness ratio is high regardless of the sensitivity or stress scenario utilized. This is the case because changes to financial derivatives are offset by the cash flow changes of the primary position.

As an additional risk management measure, the Company applies sensitivity tests to the exchange risk factor to which it is exposed based on its market risk. The sensitivity percentages used are based on the scenarios that can reasonably be expected to arise, bearing in mind the historical volatility of this risk factor. As management utilizes this sensitivity analysis, it does not have a policy for performing Value at Risk (VaR) calculations.

Under a scenario whereby the depreciation of the Mexican peso versus the US dollar adversely affects debt principal by $250,000, the hedged portion would be covered by contracted swap coupons, so the effect in results derived from these coupons would be offset for an amount of up to the hedged debt percentage.

Liquidity risk

As of December 31, 2018, the Company is not exposed to liquidity risk for its financial derivatives because at the review date they show a surplus of $668,436.

Credit risk

The Company manages the credit risk related to its derivatives portfolio by only performing transactions with acknowledged counterparties with good credit ratings. As of December 31, 2018, the counterparty credit risk is immaterial.

6. Loan portfolio

The classification of the performing and non-performing loan portfolio is composed as follows:

	2018	2017 (restated)	2016 (restated)
Performing loans:			
Consumer loans	$ 7,755,350	$ 7,399,089	$ 6,948,862
Commercial loans	24,753	53,719	88,863
Total performing loans	7,780,103	7,452,808	7,037,725
Non-performing loans:			
Consumer loans	454,687	501,828	410,044
Total non-performing loans	454,687	501,828	410,044
	$ 8,234,790	$ 7,954,636	$ 7,447,769
Consumer loans:			
Performing principal	$ 7,471,797	$ 7,111,497	$ 6,673,931
Accrued interest	283,553	287,592	274,931
Performing consumer loans	7,755,350	7,399,089	6,948,862
Non-performing principal	377,529	417,989	343,302
Non-performing accrued interest	77,158	83,839	66,742
Non-performing consumer loans	454,687	501,828	410,044
Allowance for consumer loan losses	(556,435)	(593,545)	(485,272)
Total consumer loans, net	7,653,602	7,307,372	6,873,634
Commercial loans:			
Performing principal			
Performing commercial loans	24,753	53,719	88,863
Total commercial loans, net	24,753	53,719	88,863
Total loans, net	$ 7,678,355	$ 7,361,091	$ 6,962,497

As of December 31, 2018, 2017 and 2016 the restricted portfolio amounts to $1,490,113, $757,100 and $3,357,082 respectively.

As of December 2018, 2017 and 2016 the restructured and renewed portfolio is as follows:

2018			
Restructured portfolio	Performing	Non-performing	Total
Consumer loans	$ 7,041	$ 4,530	$ 11,571

2017 (restated)			
Restructured portfolio	Performing	Non-performing	Total
Consumer loans	$ 8,754	$ 5,487	$ 14,241

2016 (restated)			
Restructured portfolio	Performing	Non-performing	Total
Consumer loans	$ 13,334	$ 8,690	$ 22,024

The credit portfolio segmented by credit type is detailed below:

	2018		2017 (restated)		2016 (restated)	
Credit type	Amount	%	Amount	%	Amount	%
Performing portfolio:						
CrediInmediato	$ 1,903,034	24	$ 1,925,170	26	$ 1,881,962	27
Grupal	1,177,522	15	1,319,926	18	1,331,605	19
CrediPopular	414,050	5	453,389	6	481,423	7
Tradicional	1,648,542	22	1,505,338	20	1,491,462	22
CrediMamá	25,330	-	27,947	-	29,782	-
CrediConstruye	250	-	525	-	1,106	-
PlanCelular	52,887	1	38,030	1	13,425	-
AFI	1,760,850	23	1,447,790	19	1,152,045	16
Más Nómina	772,885	10	680,974	9	566,052	8
Commercial loans (Siempre Creciendo)	24,753	-	53,719	1	88,863	1
	$ 7,780,103	100	$ 7,452,808	100	$ 7,037,725	100

	2018		2017 (restated)		2016 (restated)	
Credit type	Amount	%	Amount	%	Amount	%
Non-performing portfolio:						
CrediInmediato	$ 169,485	37	$ 184,667	37	$ 133,942	33
Grupal	51,280	11	71,251	14	53,422	13
CrediPopular	36,077	8	54,889	11	42,855	11
Tradicional	139,852	31	126,165	26	126,705	31
CrediMamá	1,483	-	2,112	-	1,675	-
CrediConstruye	17	-	52	-	120	-
PlanCelular	3,627	1	2,324	-	216	-
AFI	39,116	9	40,727	8	30,285	7
Más Nómina	13,750	3	19,641	4	20,824	5
	454,687	100	501,828	100	410,044	100
Total loan portfolio	$ 8,234,790	100	$ 7,954,636	100	$ 7,447,769	100

As of 31 December 2018, 2017 and 2016 the types of loans held by each entity are as follows:

Financiera Independencia loans

- CrediInmediato: is a revolving credit line of between $3 and $20, which is available to individuals earning at least the minimum wage in effect in Mexico City. As of December 31, 2018, 2017 and 2016, the amount of unused credit lines was (unaudited) $325 million, $228 million and $437 million respectively.

- CrediPopular: is a loan focused on the informal sector of the Mexican economy. Loans are granted for amounts ranging from $1.8 to $4.8, for an average 26-week period, which can be renewed based on the borrower's credit behavior.

- CrediMamá: is a loan intended for mothers with at least one child under the age of 18. These loans are initially granted for amounts ranging from $1.8 to $2.4, for an average 26-week period, which can be renewed based on the borrower's credit behavior.

- CrediConstruye: is a loan available to individuals earning at least the monthly minimum wage in effect in the Mexico City, which is intended to finance housing improvements. These loans are initially granted for amounts ranging from $3 to $20, for a maximum two-year period.

- MásNómina: is a loan which is discounted via the payroll and is intended for the employees of public or private institutions affiliated with the Company. These loans are granted for amounts ranging from $3 to $80, for a maximum three-year period.

- PlanCelular: is a loan available for individuals who are formally self-employed, and is intended to finance a cell phone and/or cell phone plan, for an amount of up to $6. It has a maximum term of eighteen monthly installments.

Commercial loans

The Company acquired, under the factoring model and through a Trust contract executed with Banco Regional de Monterrey, S.A. de C.V., Institución de Banca Múltiple, Banregio Grupo Financiero, División Fiduciaria, a portion of the commercial portfolio of Siempre Creciendo, S.A. de C.V., SOFOM, E.N.R. (Siempre Creciendo). The Company will receive the principal payment plus portfolio returns from the Trust. The Trust will remain in effect until such time as the portfolio is fully collected by the Company.

Finsol loans

- Grupal: is a loan offered to micro-entrepreneurs with their own independent productive, commercial or services activity. This product is granted to groups of between 4 and 60 members for amounts ranging from $0.5 to $24, for an average 16-week period. Based on each group's credit behavior, the loan amount can be increased at the end of each cycle.

AEF loans

- Tradicional: is a loan intended for individuals who can certify their income as employees or based on their own businesses. This product involves a loan of between $1.5 and $50. The average loan period is 18 months, which can be renewed based on the credit behavior of each customer.

- Preferencial: is a loan intended for individuals who can certify their income through payroll receipts or a micro-enterprise; they must also demonstrate an excellent credit history as a loan amount of up to $80 can be granted for a maximum 36-month period.

AFI loans

These loans are granted for amounts ranging from US$ 3,000 and US$ 10,000 to individuals who can certify their income as employees. In this case, the average loan period is 15 months.

As of December 31, 2018, 2017 and 2016 loan portfolio aging based on the number of days of maturity is as follows:

	2018							
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total
Performing	$ 6,108,624	$ 1,166,777	$ 326,504	$ 178,198	$ -	$ -	$ -	$ 7,780,103
Non-performing	-	-	1,110	42,062	156,465	141,869	113,181	454,687
Total	$ 6,108,624	$ 1,166,777	$ 327,614	$ 220,260	$ 156,465	$ 141,869	$ 113,181	$ 8,234,790

2017 (restated)								
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total
Performing	$ 5,749,353	$ 1,180,604	$ 316,666	$ 206,185	–	–	–	$ 7,452,808
Non-performing	–	58	1,313	40,522	179,195	151,277	129,463	501,828
Total	$ 5,749,353	$ 1,180,662	$ 317,979	$ 246,707	$ 179,195	$ 151,277	$ 129,463	$ 7,954,636

2016 (restated)								
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total
Performing	$ 4,966,311	$ 1,647,271	$ 252,098	$ 172,045	–	–	–	$ 7,037,725
Non-performing	–	95	1,750	24,790	144,236	131,025	108,148	410,044
Total	$ 4,966,311	$ 1,647,366	$ 253,848	$ 196,835	$ 144,236	$ 131,025	$ 108,148	$ 7,447,769

Ordinary and penalty interest income associated with the loan portfolio and detailed by product is comprised as follows:

	2018		2017 (restated)		2016 (restated)	
Credit type	Amount	%	Amount	%	Amount	%
CrediInmediato	$ 1,624,812	31	$ 1,561,971	32	$ 1,542,777	33
Grupal	967,049	20	1,058,941	22	948,948	20
CrediPopular	388,373	8	499,977	10	522,084	11
Tradicional	1,150,199	23	1,059,397	21	1,071,291	23
CrediMamá	23,360	–	23,935	–	26,927	1
CrediConstruye	334	–	682	–	1,566	–
AFI	530,309	11	419,274	9	300,428	6
MásNómina	336,073	7	300,683	6	259,274	6
	$ 5,020,509	100	$ 4,924,860	100	$ 4,673,295	100

7. Allowance for loan losses

The following table indicates the percentages used to generate the allowance for loan losses as of December 31, 2018, 2017 and 2016 which were determined according to the probability of noncompliance and severity of the loan portfolio loss.

	2018			2017 (restated)			2016 (restated)		
Period	Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount
Weekly									
0	$ 46,812	0.6%	$ 286	$ 51,108	0.6%	$ 297	$ 76,530	0.6%	$ 487
1	8,437	2.2%	187	17,832	2.2%	393	18,792	2.4%	450
2	6,902	2.9%	202	7,914	2.6%	206	11,231	3.1%	350
3	4,263	7.4%	315	5,986	7.3%	438	10,329	8.5%	876
4	4,014	12.7%	511	6,236	12.4%	774	8,127	13.6%	1,108
5	2,768	17.3%	478	3,539	16.5%	583	4,653	17.0%	790
6	2,801	20.5%	575	2,357	19.5%	459	3,697	20.0%	741
7	1,150	30.8%	355	2,883	31.2%	898	3,896	31.2%	1,217
8	2,147	36.7%	787	3,669	36.0%	1,323	5,240	35.8%	1,875
9	2,154	40.5%	873	3,138	39.6%	1,244	4,034	38.3%	1,546
10	1,317	40.9%	538	2,035	40.4%	822	1,933	40.0%	772
11	1,298	51.4%	667	2,919	52.5%	1,531	2,587	51.2%	1,326
12	1,539	56.0%	862	4,139	55.8%	2,311	4,358	54.3%	2,366
13	1,732	58.1%	1,007	5,132	57.8%	2,967	6,136	55.2%	3,388
14	955	61.8%	590	1,907	61.6%	1,175	1,062	58.5%	622
15	1,059	69.6%	737	3,239	70.5%	2,285	2,000	67.9%	1,359
16	1,106	73.1%	809	3,032	73.1%	2,218	3,177	70.6%	2,242
17	1,330	73.4%	976	5,078	73.2%	3,716	4,237	70.2%	2,974
18 or more	8,472	100.0%	8,472	25,880	100.0%	25,880	19,455	100.0%	19,455
Total	$ 100,256	19.2%	$ 19,227	$ 158,023	31.3%	$ 49,520	$ 191,474	23.0%	$ 43,944

Period	2018 Amount	2018 Allowance (%)	2018 Amount	2017 (restated) Amount	2017 (restated) Allowance (%)	2017 (restated) Amount	2016 (restated) Amount	2016 (restated) Allowance (%)	2016 (restated) Amount
Biweekly									
0	$ 1,517,295	0.4%	$ 6,394	$ 1,515,345	0.4%	$ 5,773	$ 1,494,699	0.4%	$ 5,444
1	269,306	1.7%	4,599	249,951	1.4%	3,483	280,167	1.5%	4,071
2	138,241	7.2%	9,917	132,993	6.2%	8,308	106,710	5.9%	6,308
3	57,786	13.4%	7,766	59,364	11.5%	6,838	42,583	10.9%	4,640
4	64,081	23.9%	15,328	77,164	21.8%	16,850	59,630	20.0%	11,902
5	34,825	33.7%	11,720	35,624	30.9%	11,009	20,763	27.9%	5,796
6	42,113	43.9%	18,478	57,886	41.2%	23,870	48,583	37.6%	18,288
7	26,397	55.0%	14,508	27,272	52.0%	14,179	12,663	47.3%	5,996
8	33,490	62.8%	21,046	41,483	60.2%	24,987	33,148	55.5%	18,383
9	21,468	68.5%	14,697	19,204	65.6%	12,604	12,192	61.4%	7,490
10	27,792	75.5%	20,970	32,948	72.9%	24,013	29,045	69.1%	20,073
11	15,880	81.9%	13,007	14,080	80.0%	11,259	8,868	77.7%	6,890
12	25,422	87.3%	22,182	26,843	85.3%	22,902	22,134	83.1%	18,390
13 or more	-	100.0%	-	5	100.0%	5	-	100.0%	-
Total	$ 2,274,096	7.9%	$ 180,612	$ 2,290,162	8.1%	$ 186,080	$ 2,171,185	6.2%	$ 133,671

Period	2018 Amount	2018 Allowance (%)	2018 Amount	2017 (restated) Amount	2017 (restated) Allowance (%)	2017 (restated) Amount	2016 (restated) Amount	2016 (restated) Allowance (%)	2016 (restated) Amount
Monthly									
0	$ 224,110	0.5%	$ 1,014	$ 236,788	0.4%	$ 935	$ 236,610	0.4%	$ 833
1	35,079	4.8%	1,679	35,701	4.1%	1,457	31,685	3.7%	1,167
2	10,959	19.4%	2,124	13,484	17.6%	2,377	10,486	16.1%	1,689
3	5,420	39.7%	2,150	8,347	37.4%	3,122	7,064	34.2%	2,414
4	4,669	60.1%	2,808	6,030	57.8%	3,487	4,483	53.2%	2,383
5	3,046	72.6%	2,210	4,336	70.3%	3,049	3,767	66.6%	2,510
6	913	84.5%	773	1,059	82.8%	877	1,022	80.7%	824
7	-	100.0%	-	-	100.0%	-	-	100.0%	-
8	-	100.0%	-	-	100.0%	-	-	100.0%	-
9 or more	-	100.0%	-	-	100.0%	-	-	100.0%	-
Total	$ 284,196	4.5%	$ 12,758	$ 305,745	5.0%	$ 15,304	$ 295,117	4.0%	$ 11,820
Restructured portfolio	$ 11,571	28.5%	$ 3,302	$ 14,241	25.0%	$ 3,556	$ 22,024	22.7%	$ 4,996
Commercial portfolio	$ 24,753	0.0%	$ -	$ 53,719	0.0%	$ -	$ 88,863	0.0%	$ -
Plus payroll	$ 786,634	1.0%	$ 7,859	$ 700,614	1.8%	$ 12,589	$ 586,876	2.4%	$ 13,961
Group portfolio	$ 1,228,802	6.8%	$ 83,386	$ 1,391,178	8.1%	$ 113,091	$ 1,385,027	5.7%	$ 79,574
AEF portfolio	$ 1,724,516	11.3%	$ 194,276	$ 1,552,437	10.5%	$ 163,696	$ 1,524,873	10.7%	$ 162,649
AFI portfolio	$ 1,799,966	3.1%	$ 55,015	$ 1,488,517	3.3%	$ 49,709	$ 1,182,330	2.9%	$ 34,657
Total loan portfolio	$ 8,234,790		$556,435	$ 7,954,636		$ 593,545	$ 7,447,769		$ 485,272

The movements of the allowance for loan losses during the years ended of December 31, 2018, 2017 and 2016 were as follows:

	2018	2017 (restated)	2016 (restated)
Balances as of January 1 previously reported	$ 518,367	$ 410,044	$ 480,156
Effect of the adoption of NIF C-16	75,178	75,229	64,589
Balances as of January 1 restated	593,545	485,273	544,745
Add:			
Allowance for loan losses charged to income statement	1,331,444	1,381,858	1,188,317
Less:			
Loans written-off during the period	(1,368,554)	(1,273,586)	(1,247,790)
Closing balances of the year	$ 556,435	$ 593,545	$ 485,272

As of December 31, 2018, 2017 and 2016, the restructured portfolio amounted to $11,571, $14,241 and $22,024, respectively. As long as the loan portfolio remains restructured, the Company classifies and presents this portfolio as non-performing loans.

8. Other accounts receivable - net

As of December 31, 2018, 2017 and 2016, the other accounts receivable heading is comprised as follows:

	2018	2017 (restated)	2016 (restated)
Recoverable ISR	$ 116,604	$ 117,228	$ 97,324
Receivable and creditable Value Added Tax (IVA)	177,744	174,074	194,164
Recoverable flat tax (IETU)	2,790	2,790	2,790
Debtors from portfolio sales	-	9,535	9,998
Sundry debtors	22,967	28,145	25,048
Other recoverable taxes	1,599	1,198	565
Oxxo collection	47,154	76,438	61,536
MásNómina correspondents	54,083	22,721	47,200
Insurance receivable	60,464	57,008	65,210
	$ 483,405	$ 489,137	$ 503,835

9. Property, plant and equipment

As of December 31, 2018, 2017 and 2016 property, plant and equipment are comprised as follows:

	2018	2017 (restated)	2016 (restated)
Assets:			
Leasehold adaptations and improvements	$ 799,398	$ 768,254	$ 726,008
Computer equipment	337,048	326,565	322,653
Office furniture and fixtures	220,811	213,218	204,737
Building	47,644	47,644	47,644
Vehicles	16,429	24,610	28,014
ATMs	10,074	10,074	10,138
	1,431,404	1,390,365	1,339,194
Less: accumulated depreciation and amortization	(1,165,232)	(1,089,166)	(1,007,854)
	266,172	301,199	331,340
Land	865	865	865
	$ 267,037	$ 302,064	$ 332,205

For the years ended December 31, 2018, 2017 and 2016 the depreciation and amortization charged to the results of those years was $88,701, $93,422 and $93,523, respectively.

As of December 31, 2018, 2017 and 2016, certain assets have been totally depreciated for the amount of $807,844, $736,344 and $655,250, respectively.

10. Goodwill and intangibles assets

This heading is composed as follows:

	2018	2017 (restated)	2016 (restated)	Annual amortization rate (%)
With a defined life:				
Customer relations	$ 47,600	$ 55,534	$ 63,467	7
With an indefinite life:				
Trademarks	44,847	44,847	44,847	
Goodwill	1,587,035	1,587,035	1,587,035	
	$ 1,679,482	$ 1,687,416	$ 1,695,349	

The Company has performed a study to detect the impairment of its long-lived assets, as required by NIF C-15 "Impairment of Long-lived Assets and their Disposal" and did not identify any impaired assets.

For the years ended December 31, 2018, 2017 and 2016, the amortization charged to the results of those years was $7,934 in the three years.

11. Securitization certificates

As of December 31, 2018, 2017 and 2016, securitized liabilities are composed as follows:

	Total amount in USD	Issuance date	Maturity	Interest rate	2018	2017 (restated)	2016 (restated)
International Bond (1)	$ 250,000	Jul-2017	Jul-2024	8.0% USD (11.6380% swap weighted MXP)	$ 4,768,678	$ 4,915,725	$ -
International Bond (2)	120,000	May-2014	Jun-2019	7.5 %	-	-	2,473,029
			Accrued interest		185,597	182,576	4,042
			Total		$ 4,954,275	$ 5,098,301	$ 2,477,071

	Total Commitment Amount	Total Amount	Issuance date	Maturity	Interest rate	2016
Cebures (Bursa) (3)	$ 5,000,000	$ 1,500,000	Mar-2014	Feb-2018	TIIE + 220 pb	$ 1,500,000
					Accrued Interest	1,731
			Total			$ 1,501,731

(1) On July 2017, the Company placed bonds in the international bond market for USD 250 million, which were issued under rule 144A / Reg. with a term of seven years and an annual interest rate of 8.00%, payable semiannually and can be paid in advance as of July 2021. The bonds are unconditional and irrevocably guaranteed by Financiera Finsol, AEF, Fisofo and AFI.

(2) In May 2014, the Company made a bond offering on the international market for US 200 million, which were issued according to rule 144A/Reg. for a five-year period and with an 7.50% annual interest rate, payable half-yearly and which can be settled ahead of time as of the third year. In August 2016, an advance payment of US$80.7 million was made by the Company. In August 2017, the Company settled the remaining balance of the bond, the payment of the settlement amounted to US 122.9 million.

(3) On March 3, 2014, the issuance of $ 1,500,000 in Trust Securities Certificates (FIDEPCB 14 Slate Key) was made under the revolving program, authorized by the Commission of up to $ 5,000 million with a term of up to 5 years. On July 25, 2017, the Company's Management decided to liquidate the stock certificate program in advance; the liquidation value of the stock certificates at that date was $ 714,717.

12. Borrowings for banks and from other entities

As of December 31, 2018, 2017 and 2016 this heading is composed as follows:

Entity	Total borrowing and currency	Maturity Date	Guarantee	2018	2017 (restated)	2016 (restated)
Revolving credit	462,500 Mxp	nov-20	1.3 a 1.0	300,000	266,000	462,000
Revolving credit	615,000 Mxp	dec-18	1.3 a 1.0	-	-	80,000
Bradessco N/A	15,000 USD	dec-17	Corporate Guarantee/FISA	-	-	67,481
HSBC México S. A., Institución de Banca Múltiple, Grupo Financiero HSBC	20,000 USD	jan-20	1.3 a 1.0	290,976	-	-
Nacional Financiera, S. N. C. (NAFINSA)[3]						
Revolving credit	850,000 Mxp	Undefined Date	Unsecured	525,606	609,886	642,863
Revolving credit	250,000 Mxp	Undefined Date	10% in cash	74,167	156,481	245,125
Revolving credit	400,000 Mxp	Undefined Date	10% in cash	358,829	397,000	394,729
Fideicomisos Instituidos en Relación con la Agricultura (FIRA)						
Revolving credit	600,000 Mxp	Undefined Date	Unsecured	280,000	323,000	316,000
OIKO CREDIT	3,000 Eur	oct-21	Unsecured	-	62,626	83,323
BBVA Bancomer	300,000 Mxp	jul-21	Unsecured	140,000	-	216,000
Western Alliance	9,700 USD	jan-19	Letter of credit	125,768	190,730	-
Bridge Bank, N.A.	9,000 USD	feb-17	Letter of credit	-	-	200,008
ScotiaBank Inverlat, S.A.	295,000 Mxp	may-21	1.2 a 1.0	151,722	-	242,537
Banco del Bajío, S.A.	100,000 Mxp	may-22	1.25 a 1.0	-	80,000	100,000
Banco Monex, S.A.	100,000 Mxp	apr-19	1.25 a 1.0	30,000	50,000	50,000
Seguros Sura, S.A.	25,000 Mxp	feb-18	Unsecured	-	25,000	-
ACE Seguros. S.A.	9,125 Mxp	apr-18	Unsecured	-	9,125	-
Banco Safra, S/A	2,000 R$	apr-19	Back to back R$	5,072	11,889	-
Banco Sofisa, S/A	5,903 R$	apr-19	Letter of credit	54,773	35,088	-
Banco Itaú Unibanco, S/A	6,000 R$	mar-18	Letter of credit	-	35,664	-
Grupo Jorisa, S.A.	400,000 Mxp	apr-19	Unsecured	-	-	330,000
Fideicomiso del Fondo de Microfinanciamiento a Mujeres Rurales, (PRONAFIM)	120,000 MXP	feb-20	Pledge guarantee 1by 1 and 6% in cash	89,933	-	-
		Total		2,426,846	2,252,489	3,430,066
		Accrued Interest		12,135	9,620	16,963
		Total		$ 2,438,981	$ 2,262,109	$ 3,447,029

13. Sundry creditors and other accounts payable

As of December 31, 2018, 2017 and 2016, this heading balance is composed as follows:

	2018	2017 (restated)	2016 (restated)
Other taxes	$ 202,398	$ 223,308	$ 259,513
Payable ISR	22,969	20,112	19,550
Sundry creditors	113,255	116,360	140,540
Other provisions	185,396	129,396	127,276
Provision for labor obligations	41,673	53,986	48,116
Mapfre Seguros	20,880	45,513	54,719
Payable PTU	5,792	8,904	7,240
	$ 592,363	$ 597,579	$ 656,954

14. Employee benefits

a. Reconciliation of opening and closing balances of the current value of Defined Benefit Obligations OBD) for 2018, 2017 and 2016:

	2018			2017 (restated)			2016 (restated)		
	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	PA at retirement	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	PA at retirement	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	PA at retirement
OBD as of January 1	$ 24,781	$ 8,018	$ 529	$ 29,311	$ 8,174	$ 528	$ 42,030	$ 8,642	$ 526
Add (less):									
Labor cost of current service	2,447	1,316	1	3,300	1,772	1	3,824	1,516	1
Labor cost of past service	-	-	-	261	177	-	(379)	(622)	-
Financial cost	1,504	490	1	1,930	620	1	2,835	480	1
Advanced liquidation (reduction) of obligations	268	(1,732)	-	(1,085)	(1,727)	-	(12,133)	-	-
Recognition of employee's length	2	1	-	158	59	-	-	-	-
Actuarial gains (losses) generated in the period and paid benefits	(6,435)	702	3	(9,094)	(1,057)	(1)	(6,866)	(1,842)	-
OBD as of December 31	$ 22,567	$ 8,795	$ 534	$ 24,781	$ 8,018	$ 529	$ 29,311	$ 8,174	$ 528

b. As of December 31, 2018, 2017 and 2016, the value of acquired benefit obligations related to seniority premiums was $286, $(155) and $(467), respectively.

c. *Reconciliation of OBD, Plan Assets (AP) and the Net Projected Liability (PNP).*

The reconciliation of the current value of the OBD and fair value of the AP and PNP recognized in the balance sheet is detailed below:

	IL before retirement 2018	IL before retirement 2017 (restated)	IL before retirement 2016 (restated)	PA before retirement 2018	PA before retirement 2017 (restated)	PA before retirement 2016 (restated)	PA for retirement 2018	PA for retirement 2017 (restated)	PA for retirement 2016 (restated)
Employee benefit liabilities:									
OBD	$ 22,567	$ 24,781	$ 29,311	$ 8,795	$ 8,018	$ 8,174	$ 534	$ 529	$ 528
Financial situation	22,567	24,781	29,311	8,795	8,018	8,174	534	529	528
Add (less):									
Additional reserve	–	9,788	4,500	–	–	–	–	–	–
PNP	$ 22,567	$ 34,569	$ 33,811	$ 8,795	$ 8,018	$ 8,174	$ 534	$ 529	$ 528

The Company and some of its subsidiaries recognized labor liabilities as follows:

	2018	2017 (restated)	2016 (restated)
Financiera Independencia	$ 969	$ –	$ 2,756
Fisofo	2,607	1,107	1,107
Conexia	–	4,970	679
Financiera Finsol	1,061	1,061	1,061
	$ 4,638	$ 7,138	$ 5,603

d. *Net projected cost*

An analysis of the Net projected cost (CNP) by plan type is presented below:

	IL before retirement 2018	IL before retirement 2017 (restated)	IL before retirement 2016 (restated)	PA before retirement 2018	PA before retirement 2017 (restated)	PA before retirement 2016 (restated)	PA for retirement 2018	PA for retirement 2017 (restated)	PA for retirement 2016 (restated)
CNP:									
Labor cost of current service	$ 2,447	$ 3,300	$ 3,824	$ 1,316	$ 1,772	$ 1,516	$ 1	$ 1	$ 1
Labor cost of past service	–	261	(379)	–	177	(622)	–	–	–
Financial cost	1,504	1,930	2,835	490	620	480	1	1	1
Net actuarial gains (losses)	114	(3,367)	(4,700)	943	(1,057)	(1,585)	3	(1)	–
Total	$ 4,065	$ 2,124	$ 1,580	$ 2,749	$ 1,512	$ 211	$ 5	$ 1	$ 2

e. *Main actuarial hypotheses*

SERFINCOR and SICOA

Expressed in absolute terms, the main actuarial hypotheses, discount rates, AP returns, salary increases and changes to ratios or other variables as of December 31, 2018, are as follows:

Seniority premium plan and benefit plan at the end of the work relationship

Mortality table:	National Employment and Occupation Survey at the second quarter of 2010.
Disability table:	American Experience (G.B.B.)
Turnover table:	The turnover table was constructed with historical information from the real turnover experience of the customer portfolio of VITALIS, adjusted with parameters which represent the historical turnover of Serfincor, S.A. de C.V.

	2018 (%)	2017 (restated) (%)	2016 (restated) (%)
Discount rate:	8.50	7.70	7.90
Salary increase rate:	5.80	5.80	5.80
Minimum wage increase rate:	4.00	4.00	4.00

SCAEF and AEF

Expressed in absolute terms, the main actuarial hypotheses, discount rates, AP returns, salary increases and changes to ratios or other variables as of December 31, 2018, are as follows:

Biometric:

Mortality table (active):	Experience EMSSAH
Disability table:	Experience EISS-97
Turnover table:	Experience Boke 87-89 + 150%
Dismiss factor:	20%
Retirement	Age 65

f. *Value of the OBD, AP and plan situation of the last five annual periods of Serfincor:*

The value of the OBD, the fair value of the AP, the plan situation and experience adjustments of the last five years are detailed below:

Year		Historical values and OBD plan situation
Seniority premium plan		
2018	$	5,450
2017		5,351
2016		4,995
2015		6,082
2014		5,196
Benefit plan at the end of the work relationship		
2018	$	6,487
2017		7,778
2016		10,052
2015		24,023
2014		18,886

The value of the OBD, AP and plan situation of the last five annual periods of SCAEF and AEF:

Year		Historical values and OBD plan situation
Seniority premium plan		
2018	$	3,878
2017		3,196
2016		3,707
2015		3,086
2014		2,630
Benefit plan at the end of the work relationship		
2018	$	16,081
2017		20,200
2015		19,259
2014		18,007
2013		20,420

g. *PTU*

The PTU provisions created for 2018, 2017 and 2016 are analyzed below:

		2018		2017 (restated)		2016 (restated)
Deferred PTU	$	(2,299)	$	(1,461)	$	868
Current PTU		(2,644)		5,750		5,472
	$	(4,943)	$	4,289	$	6,340

The Company is subject to the payment of PTU, which is calculated by applying the procedures contained in the Income Tax Law (LISR).

The main temporary differences for which deferred PTU was recognized are analyzed below:

		2018		2017 (restated)		2016 (restated)
Provision for labor obligations	$	26,030	$	39,549	$	42,535
Sundry provisions		25,800		34,849		13,585
Prepaid expenses		(6,725)		(6,299)		(4,095)
		45,105		68,099		52,025
Applicable PTU rate		10%		10%		10%
Deferred PTU asset	$	4,511	$	6,810	$	5,202

15. Balances and transactions with related parties

As of December 31, 2018, 2017 and 2016 the transactions performed with related parties, unconsolidated, during the normal course of business primarily involve the rentals and administrative services paid to related companies for the amount of $18,206, $22,676 and $23,387, together with wages and benefits of $70,226, $51,259 and $71,347, paid to the Company's main officers. Other balances and transactions were not material according to Bulletin C-3 issued by the Commission.

16. Income taxes

The Company is subject to income tax. The rate for 2018, 2017 and 2016 was 30% and will remain at 30% for subsequent years.

ISR is calculated by considering certain effects of inflation, such as depreciation calculated according to values at constant prices, as taxable or deductible, while also accruing or deducting the effect of inflation and certain monetary assets and liabilities through the annual adjustment for inflation.

The consolidated tax provision is analyzed below:

	2018	2017 (restated)	2016 (restated)
Current:			
ISR	$ (56,357)	$ (116,212)	$ (126,978)
Deferred:			
ISR	(35,206)	44,307	32,615
PTU	(613)	(556)	–
	$ (92,176)	$ (72,461)	$ (94,363)

The income tax for the years ended As of December 31, 2018, 2017 and 2016 comes mainly from the fiscal result of AEF in the amount of $0, $8,505 and $62,263 of Serfincor for $12,208, $14,731 and $20,088, and of Fisofo for $5,351, $3,368 and $ 16,730, from Financiera Finsol, $20,800, $35,353 and $5,798, respectively.

As of December 31, 2018, 2017 and 2016 the main temporary differences over which an asset was recognized by ISR and consolidated deferred PTU are analyzed below:

	Year ended December 31 2018	2017 (restated)	2016 (restated)
Allowance for loan losses	$ 1,224,053	$ 1,258,599	$ 1,152,297
Accrued penalty interest	687,031	687,036	766,150
Tax loss carry forwards	547,611	747,459	769,407
Valuation of derivative financial instruments	71,220	(2,075)	(261,583)
Fixed assets	335,282	323,950	501,420
Liability provisions	66,795	93,964	128,103
Prepaid expenses	(70,472)	(101,140)	(120,058)
Non-accrued commissions	19,124	24,398	27,577
Derivatives	(93,646)	(174,450)	–
Others	184,920	178,047	(46,020)
	$ 2,971,918	$ 3,035,788	$ 2,917,293
Applicable ISR rate	30%	30%	30%

	Year ended December 31 2018	2017 (restated)	2016 (restated)
Deferred ISR asset	$ 891,575	$ 910,736	$ 875,188
Deferred ISR AFI	32,180	26,938	13,637
Deferred PTU	4,511	6,810	5,202
Total	$ 928,266	$ 944,484	$ 894,027

As of December 31, 2018, the Company has accrued tax losses of $548,293, which can be applied to future profits within the deadlines detailed below:

Year of loss	Restated amount	Year of expiration
2013	$ 102,155	2023
2014	319,887	2024
2015	33,412	2025
2016	88,615	2026
2017	4,224	2027
	$ 548,293	

The reconciliation of the legal and effective ISR rates expressed as a percentage of profit before income tax, is as follows:

	2018	2017 (restated)	2016 (restated)
Legal rate	30%	30%	30%
Add (less) –			
Effect of nondeductible differences	7%	4%	9%
Annual adjustment for inflation	(5%)	(7%)	(10%)
Other effects	(6%)	(3%)	1%
Effective rate	26%	24%	30%

17. Stockholders' equity

As of December 31, 2018, 2017 and 2016 stockholders' equity is composed as follows:

Number of Shares	Description		Amount
200,000,000	Series "A" (Class I)	$	20,000
515,884,712	Series "A" (Class II)		51,588
715,884,712 *			71,588
	Accrued increase due to restatement		85,603
	Common stock as of December 31, 2018, 2017 and 2017	$	157,191

* Ordinary, nominative shares at no par value, fully subscribed and paid-in.

Series "A", Class I shares represent fixed capital without withdrawal rights. Series "A", Class II shares represent the Company's variable capital.

A restriction is applicable to the declaration of dividends whenever this payment reduces the Company's capitalization level (defined as the ratio of stockholders' equity to total assets) to less than 25%.

According to the Stock Market Law and the Company's corporate bylaws, the latter is able to repurchase shares representing its common stock in the understanding that, while these shares are held by the Company, the respective voting or other related rights cannot be exercised at a Stockholders' Meeting or in any other way.

The Company has kept the share repurchase fund active. During the years 2018, 2017 and 2016 the total number of repurchased shares was 91,480,269, 81,636,451 and 64,230,144, of which 63,495,704, 53,651,886 and 36,245,579 shares or 8.9%, 7.5% and 5.1% of the total shares outstanding correspond to the repurchase fund, respectively, 27,984,565 shares or 3.9% of the total outstanding shares correspond to the trust of the employee stock option plan, in both years.

During the years of 2018, 2017 and 2016, the net amounts of acquisitions and repositions of treasury stock (repurchase fund and share purchase option plan) were $29,597, $55,213 and $10,782, respectively. Dividends paid corresponding to the shares held in the repurchase fund and in the trusts of the share purchase option plan are returned to the Company.

The market price of the share of the Company reported by the BMV as of December 31, 2018, 2017 and 2016 was $2.30, $3.10 and $3.48 per share, respectively.

Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to ISR by the Company at the rate in effect upon distribution. The tax paid on such distribution may be credited against income tax for the year in which the tax on dividends and the following two years, against the tax for the year and interim payments thereof is paid.

In the case of a capital reduction, the procedures detailed in the LISR establish that the tax treatment given to dividends must also be applied to any amount by which stockholders' equity exceeds the balances of contributed capital accounts.

According to NIF B-14, the profit per share is the result of dividing the net profit of the year by the weighted average of outstanding shares during the same period, as detailed below:

		2018		2017 (restated)		2016 (restated)
Profit per Share (UPA):						
Net profit	$	262,058	$	228,177	$	223,002
Divided by:						
Average weighted number of shares		654,258,132		671,430,984		681,148,621
UPA (pesos)	$	0.4005	$	0.3398	$	0.3274

18. Foreign currency position

As of December 31, 2018, 2017 and 2016 the Company has assets and liabilities denominated in foreign currency, primarily US dollars, which are converted based on the exchange rate issued by the Central Bank of $19.6512 and $19.6629 for one US dollar and in Brazilian Reals at the exchange rate of 3.8740 and 3.3080 for one Brazilian Real, respectively, as follows:

	Thousands of US Dollars					
		2018		2017 (restated)		2016 (restated)
Assets	$	92		78	$	62
Liabilities		319		(330)		(173)
Liability position in US dollars, net	$	(227)	$	(252)	$	(111)

	Thousands of Reals					
		2018		2017 (restated)		2016 (restated)
Assets	$	97	$	99	$	89
Liabilities		(74)		(87)		(80)
Asset position in Brazilian reals, net	$	23	$	12	$	9

On April 12, 2019, the Company's foreign currency position (unaudited) is similar to its position at the yearend close; the exchange rate in effect at that date is $18.7719 pesos for one US dollar and $4.8525 for Brazilian real, respectively.

19. Financial margin

As of December 31, 2018, 2017 and 2016 the main items composing the Company's financial margin correspond to income and interest expenses generated, are as follows:

	2018	2017 (restated)	2016 (restated)
Interest income			
CrediInmediato	$ 1,624,811	$ 1,561,971	$ 1,542,777
Grupal	967,049	1,058,941	948,948
CrediPopular	388,373	499,977	522,084
Tradicional	1,150,199	1,059,397	1,071,291
CrediMamá	23,360	23,935	26,927
CrediConstruye	334	682	1,566
AFI	530,309	419,274	300,428
MásNómina	336,073	300,683	259,274
	5,020,508	4,924,860	4,673,295
Securities investments	11,415	19,280	19,354
Total interest income	5,031,923	4,944,140	4,692,649
Interest expenses			
HSBC	(64,422)	(40,952)	(52,030)
NAFINSA	(71,441)	(107,775)	(55,521)
FIRA	(26,573)	(25,916)	(18,290)
Grupo Jorisa	-	(18,081)	(11,764)
ScotiaBank Inverlat	(20,770)	(15,555)	(20,202)
BBVA Bancomer	(2,462)	(17,154)	(19,712)
Pronafin	(5,438)	-	
Chubb	(355)	-	
Monex	(3,720)	(4,954)	(1,538)
Banco del Bajio	(2,269)	(6,704)	(2,171)
OIKO Credit	(3,725)	(11,578)	(11,492)
Bridge Bank	(10,918)	(12,276)	(11,222)
Safra	(349)	(1,378)	-
Sofisa	(3,290)	(2,273)	-
Itaú	(735)	(1,207)	-
Subtotal	(216,467)	(265,803)	(203,942)
International bond	(541,259)	(408,706)	(324,983)
Securitization certificates	-	(66,274)	(98,766)
Total interest expenses	(757,726)	(740,783)	(627,691)
Financial margin	$ 4,274,197	$ 4,203,357	$ 4,064,958

20. Collected and paid commissions and fees

As of December 31, 2018, 2107 and 2016, the main items for which the Company recorded collected and paid commissions in the statement of income are as follows:

	2018	2017 (restated)	2016 (restated)
Commissions and fee income:			
Withdrawal commissions	$ 313,400	$ 314,185	$ 284,103
Collection expense commission	150,935	165,059	211,767
	$ 464,335	$ 479,244	$ 495,870
Commissions and fee expense:			
Bank commissions	$ (23,498)	$ (30,061)	$ (29,468)
Credit line commissions	(7,379)	(3,021)	(8,105)
Service commissions	(40,341)	(46,710)	(46,429)
	$ (71,218)	$ (79,792)	$ (84,002)

21. Trading income

As of December 31, 2018, 2017 and 2016, the main items composing the Company's trading income are as follows:

	2018	2017 (restated)	2016 (restated)
Exchange rate fluctuation	$ (1,159)	$ 27,410	$ 83,033
Derivative financial instruments	9,354	7,409	7,073
	$ 8,195	$ 34,819	$ 90,106

22. Other operating income

Other operating income is as follows:

	2018	2017 (restated)	2016 (restated)
Recovery of written-off loans	$ 115,953	$ 98,925	$ 93,214
Trust Banregio	6,505	12,638	17,584
Other items	27,962	23,937	18,062
Service and insurance commissions	143,843	155,139	161,845
	$ 294,263	$ 290,639	$ 290,705

23. Information by segments

As of December 31, 2018, 2017 and 2016, the Company has identified the operating segments of its different activities and considers each as a component within its internal structure, together with its particular return risks and opportunities. These components are regularly reviewed so as to assign adequate monetary resources for their operation and evaluate their performance.

The total credit portfolio and interest income by geographical region is detailed below:

	2018		2017 (restated)		2016 (restated)	
State:	Total loans	Interest income	Total loans	Interest income	Total loans	Interest income
Aguascalientes	$ 60,461	$ 45,351	$ 60,847	$ 43,103	$ 58,393	$ 46,182
Baja California	158,094	106,107	146,667	104,224	131,831	99,564
Baja California Sur	79,010	58,591	79,896	56,744	70,662	51,528
Campeche	96,911	73,920	99,145	80,569	111,452	86,723
Chiapas	200,313	121,378	195,649	141,935	197,939	139,293
Chihuahua	29,795	22,308	30,737	21,433	27,707	21,878
Coahuila	224,971	195,469	226,958	201,273	215,376	197,551
Colima	70,978	51,535	77,645	54,840	64,454	45,662
Ciudad de México	759,297	517,910	787,537	416,961	799,148	416,679
Durango	54,740	44,180	54,542	43,316	49,504	36,928
Estado de México	819,456	550,896	768,639	545,028	754,498	539,737
Guanajuato	262,414	221,267	251,339	218,050	237,218	217,151
Guerrero	202,247	154,266	205,893	151,317	192,048	140,164
Hidalgo	144,111	88,369	123,099	87,136	119,407	88,237
Jalisco	269,868	204,653	284,559	205,498	266,482	189,911
Michoacán	175,147	106,751	171,800	100,607	167,287	91,913
Morelos	144,197	98,942	134,312	94,202	128,320	94,162
Nayarit	47,786	37,420	50,092	36,098	43,000	32,456
Nuevo León	45,712	31,269	31,149	26,177	29,710	19,063
Oaxaca	145,053	84,538	142,686	102,722	135,713	100,777
Puebla	159,592	121,791	165,453	122,931	149,028	114,196
Querétaro	128,879	99,070	126,682	92,634	126,948	92,904
Quintana Roo	203,085	155,636	197,607	149,939	190,953	143,824
San Luis Potosí	137,543	59,401	145,514	58,649	142,197	59,058
Sinaloa	127,288	79,323	122,012	78,485	101,279	70,198
Sonora	134,546	89,990	135,759	96,807	134,362	106,415
Tabasco	72,833	56,023	71,535	57,135	74,587	60,126
Tamaulipas	312,131	244,261	306,472	249,505	306,106	261,230
Tlaxcala	57,562	46,522	65,265	51,051	60,293	46,460
Veracruz	464,779	301,657	435,275	313,916	422,603	321,242
Yucatán	177,066	127,816	178,303	138,592	181,446	135,888
Zacatecas	42,712	35,620	53,312	39,590	45,995	34,681
Subtotal México	6,008,577	4,232,230	5,926,380	4,180,467	5,735,946	4,101,781
Brazil	426,247	257,970	539,739	325,120	529,493	271,085
United States	1,799,966	530,309	1,488,517	419,273	1,182,330	300,428
Total	$ 8,234,790	$ 5,020,509	$ 7,954,636	$ 4,924,860	$ 7,447,769	$ 4,673,294

24. Commitments and contingencies

As of December 31, 2018, the Company is subject to certain labor, civil and criminal lawsuits. However, Company´s management and its attorneys consider that these lawsuits arose during the normal course of business and that unfavorable verdicts would not significantly affect the Company's financial position and results. As of December 31, 2018, 2017 and 2016, the provision for lawsuits is $30,484, $25,484 and $32,010, respectively.

The Company has executed a series of lease contracts for the rental of the offices, ATMs and branches used for its operations. These contracts have terms of between 3 to 5 years. The total amount payable for rentals over the following five years is $180,889 in 2019, $143,849 in 2020, $106,522 in 2021, $58,197 in 2022 and in subsequent years of $26,815.

25. New accounting principles

As of December 31, 2018, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the consolidated financial statements of the Company.

NIF D-5, Leases – The accounting recognition for the lessor remains the same and only disclosure requirements are added. For the lessee it introduces a single recognition model for leases which eliminates their classification as operating or capital leases, so the latter should recognize the assets and liabilities of all leases of over 12 months (unless the underlying asset is low value). Consequently, the most important impact will be an increase in the assets leased and in the financial liabilities of a lessee when recognizing an asset for the right to use the underlying asset leased and a lease liability which reflects the obligation of the lease payments at present value. The following aspects should be considered when this NIF is applied: a) a lease is defined as a contract which transfers to the lessee the right to use an asset for a determined period of time in exchange for a consideration; therefore, it should be evaluated, at the start of the contract, whether the right to control the use of an identified asset for a determined period of time is obtained; b) it changes the nature of the expenses related with leases, by replacing the expense for operating lease in accordance with Bulletin D-5, with an expense for depreciation or amortization of the assets for the right of use (in operating costs) and an interest expense on the lease liabilities (in comprehensive financing result); c) it modifies the presentation in the statement of cash flows when reducing the cash flows from operating activities, with an increase in outlays of cash flows from financing activities to reflect the payments of the lease liabilities; d) it modifies the recognition of the gain or loss when a vendor-lessee transfers an asset to another entity and leases that asset back.

Approval of accounting criteria by the Commission

During 2018 the Commission modified the Provisions with the objective of incorporating the following NIF and indicating that its entry into force will be effective January 1, 2020: B-17 "Determination of fair value", C-3 "Accounts receivable" , C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 "Revenue from contracts with customers", D-2 "Costs from contracts with customers" and D-5 "Leases", issued by the Mexican Council of Financial Information Standards, AC and referred to in paragraph 3 of Criterion A-2 "Application of particular standards".

As of the date of issuance of these consolidated financial statements, the Company is in the process of determining the effects of these new standards on its financial information.

26. Authorization to issue the consolidated financial statements

As the issuance of the accompanying consolidated financial statements was authorized on April 12, 2019 by Ing. Eduardo Messmacher Henríquez, the Company's Chief Executive Officer, they do not reflect any event arising after that date. Furthermore, the consolidated financial statements are subject to the approval of the ordinary meeting of the Company's stockholders, which may request their modification according to the General Corporate Law.

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Board of Directors and Executive Team

BOARD OF DIRECTORS	Position	Years with Financiera Independencia as of December 31, 2018.
José Luis Rión Santisteban	Chairman	25
Roberto Alfredo Cantú López	Director	25
Horacio Altamirano González	Director	23
Carlos Morodo Santisteban	Director	24
Héctor Ángel Rodríguez Acosta*	Director	23
Roberto Servitje Achútegui*	Director	11
Ana Paula Rión Cantú	Director	12
José Ramón Elizondo Anaya*	Director	16
Carlos Javier de la Paz Mena*	Director	24
José Rión Cantú	Director	10
Maite Rión Cantú	Director	6
Eduardo Bernhart Messmacher Henríquez	Director	2

*Independent

EXECUTIVE TEAM

Eduardo Bernhart Messmacher Henríquez	Executive Vice President and Financiera Independencia CEO
José María Cid Michavila	Chief Financial and Administration Officer
Juan García Madrigal	Corporate Audit Director
Rubén Cohen Tietzch	Payroll Loans Director
José Alberto Pérez de Acha	FINTECH Corporate Director
María Teresa Garza Guerra	Corporate Human Resources Director
Marcelo George de Melo Pinto	Group Loans Director (Finsol Brazil)
Arturo Casillas Alfaro	Corporate Network Branch Director
Antonino Morales Vargas	Apoyo Financiero Inc. Director
Francisco José Vázquez Vázquez	Chief Legal Counsel
Lorenzo Adrián Álvarez Vita	Business Operations Director
Marco Antonio García Argaez	Chief Risk Officer

Source: Company's information.

Contacto

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