Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Consolidated Financial Statements for the years ended December 31, 2019, 2018 and 2017 and Independent Auditors' Report Dated April 13, 2020

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Independent Auditors' Report and Consolidated Financial Statements 2019, 2018 and 2017

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Independent Auditor's 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 subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019, 2018 and 2017, and the related consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of 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 Groups, Credit Institutions, Brokerage Houses, Mutual Funds and Companies that Provide Services Thereto" (the "Accounting Criteria").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of 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 appropriate to provide a basis for our opinion.

Emphasis of Matter

As mentioned in Note 1 of the 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, 2017 and 2016 were restated in order to be comparative with the consolidated financial statements as of December 31, 2018.

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Other Matter

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

Key Audit Matters

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

Allowance for loan 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 and qualitative 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 tests 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 constitutes the basis for the allowance calculation. 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 loan losses, we involved 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 it 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 testing.

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 specialists 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, 2019.
f) We reviewed the presentation in the Company’s consolidated financial statements as of December 31, 2019.

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

Electronic systems used to process financial information

We have considered the electronic systems 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 systems such that the effectiveness of general computer controls plays a critical role in ensuring proper information processing.

Our audit work included identifying the main systems 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 profiles, security at the server site, etc.) and change controls.

We did not identify any exceptions or any relevant issue 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 communicate 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 of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors´ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

C.P.A. Ernesto Pineda Fresán
Mexico City, Mexico

April 13, 2020

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Consolidated Balance Sheets

Of the Company together with its subsidiaries as of December 31, 2019, 2018 and 2017
(In thousands of Mexican pesos)

Assets

	2019	2018	2017
Funds available	$ 452,529	$ 435,115	$ 359,513
Derivatives:			
For hedging purposes	18,145	533,762	587,466
Performing loans:			
Consumer loans	8,261,049	7,755,350	7,399,089
Commercial loans	5,764	24,753	53,719
Total performing loans	8,266,803	7,780,103	7,452,808
Non-performing loans:			
Consumer loans	517,737	454,687	501,828
Total non-performing loans	517,737	454,687	501,828
Total loan portfolio	8,784,540	8,234,790	7,954,636
Allowance for loan losses	(577,673)	(556,435)	(593,545)
Total loan portfolio – net	8,206,867	7,678,355	7,361,091
Other accounts receivable – net	608,076	483,405	489,137
Property, plant and equipment – net	271,158	267,037	302,064
Deferred taxes and profit sharing – net	1,030,002	928,266	944,484
Other assets:			
Goodwill	1,587,035	1,587,035	1,587,035
Intangibles	84,514	92,447	100,381
Deferred charges and prepaid expenses	259,214	242,539	413,600
Total assets	$ 12,517,540	$ 12,247,961	$ 12,144,771

Liabilities and Stockholders' Equity

	2019	2018	2017
Securitization certificates	$ 4,702,420	$ 4,954,275	$ 5,098,301
Borrowings from banks and from other entities:			
Short-term	2,721,825	2,128,105	2,121,809
Long-term	134,525	310,876	140,300
	2,856,350	2,438,981	2,262,109
Other accounts payable:			
Income taxes	17,758	22,969	20,112
Sundry creditors and other	602,459	569,394	577,467
	620,217	592,363	597,579
Deferred credits and advance collections	23,248	15,287	19,898
Total liabilities	8,202,235	8,000,906	7,977,887
Stockholders' equity			
Contributed capital:			
Common stock	157,191	157,191	157,191
Share premium	1,574,701	1,574,701	1,574,701
	1,731,892	1,731,892	1,731,892
Earned capital:			
Capital reserves	14,318	14,318	14,318
Result from prior years	2,398,263	2,143,957	1,993,315
Result from valuation of cash flow hedging instruments	(166,993)	65,552	152,549
Result from translation of foreign subsidiaries	16,573	34,233	50,742
Remeasurement of defined employee benefits	(2,695)	(4,955)	(4,109)
Net result	323,947	262,058	228,177
	2,583,413	2,515,163	2,434,992
Total stockholders' equity	4,315,305	4,247,055	4,166,884
Total liabilities and stockholders' equity	$ 12,517,540	$ 12,247,961	$ 12,144,771

Memorandum accounts

	2019	2018	2017
Uncollected interest earned on non-performing loan portfolio	$ 56,400	$ 53,599	$ 56,503
Tax losses	$ 1,993,089	$ 1,661,478	$ 1,208,143
Loan portfolio written off	$ 1,086,523	$ 900,000	$ 901,417

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez
Chief Executive Officer

Lic. Enrique Brockmann del Valle
Chief Financial Officer

L.C. Adrián Orocio Barreto
Comptroller

C.P. Juan García Madrigal
Audit Director

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Consolidated Statements of Income

Of the Company together with its subsidiaries for the years ended December 31, 2019, 2018 and 2017
(In thousands of Mexican pesos, except earnings per share)

	2019	2018	2017
Interest income	$ 5,377,082	$ 5,031,923	$ 4,944,140
Interest expense	(806,757)	(757,726)	(740,783)
Financial margin	4,570,325	4,274,197	4,203,357
Provision for loan losses	(1,416,123)	(1,216,618)	(1,287,718)
Financial margin after provision for loan losses	3,154,202	3,057,579	2,915,639
Commission and fee income	437,995	464,335	479,244
Commission and fee expense	(81,402)	(71,218)	(79,792)
Trading income	2,428	8,195	34,819
Other operating income	197,045	179,437	196,499
Administrative and promotional expenses	(3,258,861)	(3,284,094)	(3,245,771)
Operating results	451,407	354,234	300,638
Current income taxes	(119,019)	(56,357)	(116,212)
Deferred income taxes	(8,441)	(35,819)	43,751
	(127,460)	(92,176)	(72,461)
Net income	$ 323,947	$ 262,058	$ 228,177
Earnings per share	$ 0.5560	$ 0.40005	$ 0.3398

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez
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Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Consolidated Statements of Changes in Stockholders' equity

Of the Company together with its subsidiaries for the years ended December 31, 2019, 2018 and 2017
(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, 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)	228,053
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
Entries approved by stockholders -									
Transfer of prior year results	-	-	-	262,058	-	-	(262,058)	-	-
Acquisition of proprietary shares and effect on reissuance of proprietary shares	-	-	-	(5,492)	-	-	-	-	(5,492)
	-	-	-	256,566	-	-	(262,058)	-	(5,492)

	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**
Comprehensive income -									
Net income	-	-	-	-	-	-	323,947	-	323,947
Result from valuation of cash flow hedging instruments	-	-	-	-	(232,545)	-	-	-	(232,545)
Result from translation of foreign subsidiaries Others	-	-	-	-	-	(17,660)	-	-	(17,660)
Remeasurement of defined employee benefits	-	-	-	(2,260)	-	-	-	2,260	-
	-	-	-	(2,260)	(232,545)	(17,660)	323,947	2,260	73,742
Balances as of December 31, 2019	$ 157,191	$ 1,574,701	$ 14,318	$ 2,398,263	$ (166,993)	$ 16,573	$ 323,947	$ (2,695)	$ 4,315,305

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez
Chief Executive Officer

Lic. Enrique Brockmann del Valle
Chief Financial Officer

L.C. Adrián Orocio Barreto
Comptroller

C.P. Juan García Madrigal
Audit Director

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Consolidated Statements of Cash Flows

Of the Company together with its subsidiaries for the years ended December 31, 2019, 2018 and 2017
(In thousands of Mexican pesos)

	2019	2018	2017
Net income	$ 323,947	$ 262,058	$ 228,177
Adjustments for items not requiring cash flows:			
Depreciation and amortization	92,969	96,634	101,355
Remeasurement of defined employee benefits	2,260	(845)	(3,229)
Current and deferred income taxes	127,460	92,176	72,461
	546,636	450,023	398,764
Operating activities:			
Loan portfolio	(528,512)	(317,264)	(398,594)
Bank loans and securities liabilities	165,514	32,846	206,367
Other accounts receivable and payable	(34,981)	(113,345)	(198,689)
Net cash flows from operating activities	148,657	52,260	7,848
Investing activities:			
Acquisitions of fixed assets	(89,157)	(53,673)	(63,281)
Deferred charges and prepaid expenses	(16,675)	123,120	(123,723)
Net cash flows from investing activities	(105,832)	69,447	(187,004)
Financing activities:			
Acquisition of proprietary shares, net	(5,492)	(29,597)	(55,212)
Other	(2,259)	-	-
Net cash flows from financing activities	(7,751)	(29,597)	(55,212)
Net increase in funds available	35,074	92,110	(234,368)
Result from translation of foreign subsidiaries	(17,660)	(16,508)	(7,004)
Funds available at the beginning of the year	435,115	359,513	600,885
Funds available at the end of the year	$ 452,529	$ 435,115	$ 359,513

See accompanying notes to these consolidated financial statements.

Ing. Eduardo Messmacher Henríquez
Chief Executive Officer

Lic. Enrique Brockmann del Valle
Chief Financial Officer

L.C. Adrián Orocio Barreto
Comptroller

C.P. Juan García Madrigal
Audit Director

Notes to Consolidated Financial Statements

Of the Company together with its subsidiaries for the years ended December 31, 2019, 2018 and 2017
(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 2019

The Company formalized a business alliance with Casanueva Pérez, S.A.P.I. de C.V. and Interprotección, Agente de Seguros y Fianzas, S.A. de C.V., through a minority investment in one of its subsidiaries, with the purpose of, from January 2020, that subsidiary will act as intermediary for the insurance that the Company and its affiliates, Financiera Finsol, S.A, de C.V., SOFOM, E.N.R. and Apoyo Económico Familiar, S.A. de C.V., SOFOM, E.N.R., finance for their clients as part of their activities.

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, 2019, 2018 and 2017 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, 2019, 2018 and 2017 were 15.69%, 12,71% and 9.87%, respectively, accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. The accumulated inflation for the last 3 years ended December 31, 2019 was 15.06%. Inflation rates for the years ended December 31, 2019, 2018 and 2017 were 2.83%, 4.83% and 6.77%, 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, 2019, 2018 and 2017 and for the years then ended. All significant intercompany balances and transactions have been eliminated.

The Company's consolidated subsidiaries as of December 31, 2019, 2018 and 2017 are detailed below:

Subsidiaries	**2019**	**Percentage** **2018**	**2017**	**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")	99.99%	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

Subsidiaries	Percentage 2019	2018	2017	Activity
Instituto Finsol, IF	-	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%	99.99%	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, 2019, 2018 and 2017 the exchange rates used in the different translation processes are as follows:

Company	Currency	Exchange rate to translate Mexican pesos 2019	2018	2017
Independencia Participações, S.A. y subsidiaria (Indepar)	Real/ US Dollar	4.0301	3.8748	3.3080
Instituto Finsol, IF	Real/ US Dollar	4.0301	3.8748	3.3080
Apoyo Financiero Inc. ("AFI")	US Dollar	18.8642	19.6512	19.6629

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 - NIF issued by the CINIF that could have an impact on the financial statements of the Company:

Effective as of January 1, 2019:

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.

Accounting Criteria B-6 "Performing Loans" - On December 27, 2017, the Commission issued a resolution that modified Accounting Criteria B-6 "Performing Loans" and D-2 "Statement of Income" of the Provisions, which permits credit institutions to cancel the excess in the balance of allowance for loan losses in the period when such excesses occur as well as recognize recoveries of loan portfolio previously written off against "Allowance for loan losses". The effective date of this modification was January 1, 2019. In accordance with NIF B-1 *Accounting Changes and Correction of Errors* the effects of this change in the Accounting Criteria was applied retrospectively. The Company recognized the following adjustments to "Provision for loan losses" in the consolidated statements of income: recoveries of loan portfolio previously written-off of $142,020 for the year ended December 31, 2019 and reclassifications of such recoveries from "Other operating income" to "Provision for loan losses" of $114,846 and $94,140 for the years ended December 31, 2018 and 2017.

Alignment of Accounting Criteria by the Commission

During 2019 the Commission modified the Provisions with the objective of incorporating the following NIF and indicating that its effective date will be effective January 1, 2021: 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 Financial Reporting Standards Commission, AC and referred to in paragraph 3 of Criterion A-2 "Application of particular standards".

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

The significant accounting policies of the Company are as follows:

Reclassifications - Certain amounts in the consolidated financial statements as of and for the years ended as of December 31, 2018 have been reclassified to conform the presentation of the 2019 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, 2019, 2018 and 2017 Management entered 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 carrying amount 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, 2019, 2018 and 2017, 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 accrual of interest 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 non-performing 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 based on an evaluation of credit risk. 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 (PD) is 100%.

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

PD 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 SL 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 SL, the Company considers collateral and other credit enhancements that may be held.

The Company considers a decrease in the PD and SL 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 carrying amount 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 FIRPI takes into account that the estimated life is usually greater than that of the accounts receivable and that their PD.

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 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 criteria is met:

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 non-performing 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 non-performing 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 carrying amount of long-lived assets in use, in the presence of any indicator of impairment that shows that the carrying amount 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 carrying amount 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 costs 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 memorandum 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 benefits from termination -* The benefits from 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, 2019, 2018 and 2017, 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 25,000,000 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, 2019, 2018 and 2017 was $8.50, $2.36 and $3.10, 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:

	2019	2018	2017
Cash on hand	$ 63,026	$ 76,322	$ 83,025
Mexican banks	232,255	303,019	180,140
Immediately realizable investments	157,248	55,774	96,348
	$ 452,529	$ 435,115	$ 359,513

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, 2019, 2018 and 2017 the average rates of the investments were 7.9%, 6.6% and 5.0% respectively. Furthermore, for the years ended December 2019, 2018 and 2017 interest income on the investments was $13,749, $11,415 and $19,280 respectively. In 2019, 2018 and 2017 the maturities of these investments were between one and three days. As of December 2019, 2018, and 2017 restricted investments were $64,988, $53,713 and $57,974, 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:

	2019								
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 $53,633	MXN $1,034,446	19-jul-19	19-jul-22	19.2875	8.00%	14.56800%	$	(116,938)
Currency and interest rate hedge	US $48,247	MXN $843,840	30-apr-19	19-jul-24	17.4900	8.00%	13.9050%		71,497
Currency and interest rate hedge	US $71,476	MXN $1,254,211	29-mar-19	19-jul-24	17.5473	8.00%	13.8650%		44,462
Interest rate hedge	US $14,807	US $14,807	10-jan-19	10-jan-20	N/A	LIBOR 3M + 3.20	6.1000%		(627)
Currency and interest rate hedge	US $14,807	R $55,094	10-jan-19	10-jan-20	3.7208	7.1765%	11.3000%		19,751
							Total	$	18,145

	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	7-sep18	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	R$48,093	09-jan-18	10-jan-19	3.2480	6.1471%	11.30%		44,808
							Total	$	533,762

	2017								
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	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	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	75,000 USD	MXN$1,316,048	19-jul-17	19-jul-24	17.5473	8.00%	13.8650%		217,409
							Total	$	587,466

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).

Regarding 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 asset and liability 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, 2019, 2018 and 2017, 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 2019 (see Note 11), the Company contracted three cross currency swaps (CCS). Two of these were contracted in July 2017 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 2018, a third CCS was contracted with HSBC, whereby the Company receives half-yearly 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, 2019, 2018 and 2017, there are no ineffective portions requiring recognition in the results of the period. The effect recorded to December 2019, 2018 and 2017 for the net interest accrued by the currency swap of $145,226, $122,000 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, 2019, the Company has a cash balance of $452,529 (unaudited) to cover any liquidity requirement.

When cash flow hedge accounting is suspended, the accrued gain 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 probable 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 gain 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.

The periods where the cash flows are expected to occur and will affect the results are as follows: On July 2022 Barclays Swap, July 2024 Barclays Swap and July 2024 HSBC Swap.

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, 2019, the Company is not exposed to liquidity risk for its financial derivatives because at the review date they show a surplus.

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, 2019, the counterparty credit risk is immaterial.

6. Loan portfolio

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

	2019	2018	2017
Performing loans:			
Consumer loans	$ 8,261,049	$ 7,755,350	$ 7,399,089
Commercial loans	5,754	24,753	53,719
Total performing loans	8,266,803	7,780,103	7,452,808
Non-performing loans:			
Consumer loans	517,737	454,687	501,828
Total non-performing loans	517,737	454,687	501,828
	$ 8,784,540	$ 8,234,790	$ 7,954,636

	2019	2018	2017
Consumer loans:			
Performing principal	$ 7,994,709	$ 7,471,797	$ 7,111,497
Performing accrued interest	266,340	283,553	287,592
Performing consumer loans	8,261,049	7,755,350	7,399,089
Non-performing principal	432,705	377,529	417,989
Non-performing accrued interest	85,032	77,158	83,839
Non-performing consumer loans	517,737	454,687	501,828
Allowance for consumer loan losses	(577,673)	(556,435)	(593,545)
Total consumer loans, net	$ 8,201,113	$ 7,653,602	$ 7,307,372

	2019	2018	2017
Commercial loans:			
Performing principal	$ -	$ -	$ -
Performing commercial loans	5,754	24,753	53,719
Total commercial loans, net	5,754	24,753	53,719
Total loans, net	$ 8,206,867	$ 7,678,355	$ 7,361,091

As of December 31, 2019, 2018 and 2017 the restricted portfolio amounts to $2,718,828, $1,490,113 and $757,100 respectively.

As of December 2019, 2018, and 2017 the restructured and renewed portfolio is as follows:

Restructured portfolio	2019 Performing	2019 Non-performing	2019 Total
Consumer loans	$ 9,109	$ 4,800	$ 13,909

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

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

The credit portfolio segmented by credit type is detailed below:

Credit type	2019 Amount	2019 %	2018 Amount	2018 %	2017 Amount	2017 %
Performing portfolio:						
CrediInmediato	$ 1,766,704	22	$ 1,903,034	24	$ 1,925,170	26
Grupal	1,132,475	14	1,177,522	15	1,319,926	18
CrediPopular	335,016	4	414,050	5	453,389	6
Tradicional	1,793,726	22	1,648,542	22	1,505,338	20
CrediMamá	20,799	-	25,330	-	27,947	-
CrediConstruye	31	-	250	-	525	-
Plan celular	26,209	-	52,887	1	38,030	1
AFI	2,172,852	26	1,760,850	23	1,447,790	19
Más Nómina	1,013,237	12	772,885	10	680,974	9
Commercial loans (Siempre Creciendo)	5,754	-	24,753	-	53,719	1
	$ 8,266,803	100	$ 7,780,103	100	$ 7,452,808	100
Non-performing portfolio:						
CrediInmediato	185,930	36	169,485	37	184,667	37
Grupal	58,759	11	51,280	11	71,251	14
CrediPopular	33,729	7	36,077	8	54,889	11
Tradicional	149,089	29	139,852	31	126,165	26
CrediMamá	1,593	-	1,483	-	2,112	-
CrediConstruye	15	-	17	-	52	-
PlanCelular	2,254	-	3,627	1	2,324	-
AFI	69,920	14	39,116	9	40,727	8
Más Nómina	16,448	3	13,750	3	19,641	4
	517,737	100	454,687	100	501,828	100
Total loan portfolio	$ 8,784,540	100	$ 8,234,790	100	$ 7,954,636	100

As of December 31, 2019, 2018 and 2017 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, 2019, 2018 and 2017, the amount of unused credit lines was (unaudited) $419 million, $325 million and $228 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.

<u>AEF loans</u>

- 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.

<u>AFI loans</u>

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, 2019, 2018 and 2017 loan portfolio aging based on the number of days of maturity is as follows:

	2019							
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total
Performing	$ 6,651,750	$ 1,146,792	$ 288,184	$ 180,077	$ -	$ -	$ -	$ 8,266,803
Non-performing	-	-	1,480	38,775	185,844	157,376	134,262	517,737
Total	$ 6,651,750	$ 1,146,792	$ 289,664	$ 218,852	$ 185,844	$ 157,376	$ 134,262	$ 8,784,540

	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							
	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

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

	2019		2018		2017	
Credit type	Amount	%	Amount	%	Amount	%
CrediInmediato	$ 1,660,416	31	$ 1,624,812	31	$ 1,561,971	32
Grupal	930,702	17	967,049	20	1,058,941	22
CrediPopular	354,369	7	388,373	8	499,977	10
Tradicional	1,338,884	25	1,150,199	23	1,059,397	21
CrediMamá	20,512	-	23,360	-	23,935	-
CrediConstruye	102	-	334	-	682	-
AFI	694,105	13	530,309	11	419,274	9
MásNómina	364,243	7	336,072	7	300,683	6
	$ 5,363,333,333	100	$ 5,020,508	100	$ 4,924,860	100

7. Allowance for loan losses

The following table indicates the percentages used to generate the allowance for loan losses as of December 31, 2019, 2018 and 2017 which were determined according to the probability of noncompliance and severity of the loan portfolio loss.

	Period	2019 Amount	2019 Allowance (%)	2019 Amount	2018 Amount	2018 Allowance (%)	2018 Amount	2017 Amount	2017 Allowance (%)	2017 Amount
Weekly										
	0	$ 65,318	0.6%	$ 387	$ 46,812	0.6%	$ 286	$ 51,108	0.6%	$ 297
	1	15,701	2.0%	322	8,437	2.2%	187	17,832	2.2%	393
	2	8,439	3.3%	274	6,902	2.9%	202	7,914	2.6%	206
	3	4,448	7.2%	321	4,263	7.4%	315	5,986	7.3%	438
	4	4,435	11.9%	529	4,014	12.7%	511	6,236	12.4%	774
	5	3,018	16.2%	490	2,768	17.3%	478	3,539	16.5%	583
	6	1,900	19.2%	366	2,801	20.5%	575	2,357	19.5%	459
	7	2,127	27.3%	581	1,150	30.8%	355	2,883	31.2%	898
	8	1,948	32.1%	626	2,147	36.7%	787	3,669	36.0%	1,323
	9	1,986	35.9%	714	2,154	40.5%	873	3,138	39.6%	1,244
	10	1,648	36.4%	600	1,317	40.9%	538	2,035	40.4%	822
	11	1,746	44.8%	782	1,298	51.4%	667	2,919	52.5%	1,531
	12	1,951	48.3%	943	1,539	56.0%	862	4,139	55.8%	2,311
	13	1,810	50.2%	908	1,732	58.1%	1,007	5,132	57.8%	2,967
	14	1,681	52.9%	889	955	61.8%	590	1,907	61.6%	1,175
	15	1,182	59.8%	707	1,059	69.6%	737	3,239	70.5%	2,285
	16	1,811	62.2%	1,127	1,106	73.1%	809	3,032	73.1%	2,218
	17	1,768	62.9%	1,112	1,330	73.4%	976	5,078	73.2%	3,716
	18 or more	12,429	87.9%	10,917	8,472	100.0%	8,472	25,880	100.0%	25,880
Total		$ 135,346	16.7%	$ 22,595	$ 100,256	19.2%	$ 19,227	$ 158,023	31.3%	$ 49,520
Biweekly										
	0	$ 1,401,277	0.4%	$ 5,325	$ 1,517,295	0.4%	$ 6,394	$ 1,515,345	0.4%	$ 5,773
	1	245,796	1.7%	4,216	269,306	1.7%	4,599	249,951	1.4%	3,483
	2	108,121	6.6%	7,093	138,241	7.2%	9,917	132,993	6.2%	8,308
	3	44,930	12.6%	5,657	57,786	13.4%	7,766	59,364	11.5%	6,838
	4	47,085	20.9%	9,864	64,081	23.9%	15,328	77,164	21.8%	16,850
	5	32,819	30.6%	10,055	34,825	33.7%	11,720	35,624	30.9%	11,009
	6	37,914	37.9%	14,350	42,113	43.9%	18,478	57,886	41.2%	23,870
	7	30,374	49.0%	14,895	26,397	55.0%	14,508	27,272	52.0%	14,179
	8	36,929	54.0%	19,935	33,490	62.8%	21,046	41,483	60.2%	24,987
	9	27,469	61.2%	16,804	21,468	68.5%	14,697	19,204	65.6%	12,604
	10	29,363	65.8%	19,311	27,792	75.5%	20,970	32,948	72.9%	24,013
	11	18,990	72.8%	13,834	15,880	81.9%	13,007	14,080	80.0%	11,259
	12	25,225	76.3%	19,253	25,422	87.3%	22,182	26,843	85.3%	22,902
	13 or more	-	87.9%	-	-	100.0%	-	5	100.0%	5
Total		$ 2,086,292	7.7%	$ 160,592	$ 2,274,096	7.9%	$ 180,612	$ 2,290,162	8.1%	$ 186,080

	Period	2019 Amount	2019 Allowance (%)	2019 Amount	2018 Amount	2018 Allowance (%)	2018 Amount	2017 Amount	2017 Allowance (%)	2017 Amount
Monthly										
	0	$ 204,707	0.4%	$ 795	$ 224,110	0.5%	$ 1,014	$ 236,788	0.4%	$ 935
	1	29,936	4.2%	1,265	35,079	4.8%	1,679	35,701	4.1%	1,457
	2	8,651	16.3%	1,407	10,959	19.4%	2,124	13,484	17.6%	2,377
	3	5,719	33.2%	1,900	5,420	39.7%	2,150	8,347	37.4%	3,122
	4	4,269	50.6%	2,158	4,669	60.1%	2,808	6,030	57.8%	3,487
	5	3,108	62.5%	1,942	3,046	72.6%	2,210	4,336	70.3%	3,049
	6	793	73.4%	583	913	84.5%	773	1,059	82.8%	877
	7	-	87.9%	-	-	100.0%	-	-	100.0%	-
	8	-	87.9%	-	-	100.0%	-	-	100.0%	-
	9 or more	-	87.9%	-	-	100.0%	-	-	100.0%	-
Total		$ 257,183	3.9%	$ 10,050	$ 284,196	4.5%	$ 12,758	$ 305,745	5.0%	$ 15,304
Restructured portfolio		$ 13,909	24.5%	$ 3,410	$ 11,571	28.5%	$ 3,302	$ 14,241	25.0%	$ 3,556
Commercial portfolio		$ 5,754	0.0%	$ -	$ 24,753	0.0%	$ -	$ 53,719	0.0%	$ -
Plus payroll		$ 1,029,685	0.6%	$ 6,505	$ 786,634	1.0%	$ 7,859	$ 700,614	1.8%	$ 12,589
Group portfolio		$ 1,191,234	8.7%	$ 103,878	$ 1,228,802	6.8%	$ 83,386	$ 1,391,178	8.1%	$ 113,091
AEF portfolio		$ 1,822,365	9.5%	$ 173,255	$ 1,724,516	11.3%	$ 194,276	$ 1,552,437	10.5%	$ 163,696
AFI portfolio		$ 2,242,772	4.3%	$ 97,388	$ 1,799,966	3.1%	$ 55,015	$ 1,488,517	3.3%	$ 49,709
Total loan portfolio		$ 8,784,540		$ 577,673	$ 8,234,790		$ 556,435	$ 7,954,636		$ 593,545

The movements of the allowance for loan losses during the years ended of December 31, 2019, 2018 and 2017 were as follows:

	2019	2018	2017
Balances as of January 1 previously reported	$ 556,435	$ 593,545	$ 485,273
Add:			
Allowance for loan losses charged to income statement	1,558,144	1,331,444	1,381,858
Less:			
Loans written-off during the period	(1,536,906)	(1,368,554)	(1,273,586)
Closing balances of the year	$ 577,673	$ 556,435	$ 593,545

As of December 31, 2019, 2018 and 2017, the restructured portfolio amounted to $13,909, $11,571 and $14,241, respectively. As long as the loan portfolio remains restructured, the Company classifies and presents this portfolio as non-performing loans.

As described in Note 3, on December 27, 2017, *the Commission issued a resolution that modified Accounting Criteria B-6 "Performing Loans" and D-2 "Statement of Income" of the Provisions, which which permits credit institutions to cancel the excess in the balance of allowance for loan losses in the period when such excesses occur as well as recognize recoveries of loan portfolio previously written off* against "Allowance for loan losses". The effective date of this modification was January 1, 2019. In accordance with NIF B-1 *Accounting Changes and Correction of Errors* the effects of this change in the Accounting Criteria was applied retrospectively. The Company recognized the following adjustments to "Provision for loan losses" in the consolidated statements of income: recoveries of loan portfolio previously written-off of $142,020 for the year ended December 31, 2019 and reclassifications of such recoveries from "Other operating income" to "Provision for loan losses" of $114,846 and $94,140 for the years ended December 31, 2018 and 2017.

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8. Other accounts receivable - net

As of December 31, 2019, 2018 and 2017, the other accounts receivable heading is comprised as follows:

	2019	2018	2017
Recoverable ISR	$ 127,786	$ 116,604	$ 117,228
Receivable and creditable Value Added Tax (IVA)	192,941	177,744	174,074
Recoverable flat tax (IETU)	-	2,790	2,790
Debtors from portfolio sales	-	-	9,535
Sundry debtors	107,445	22,967	28,145
Other recoverable taxes	633	1,599	1,198
Oxxo collection	61,551	47,154	76,438
MásNómina correspondents	47,745	54,083	22,721
Insurance receivable	69,975	60,464	57,008
	$ 608,076	$ 483,405	$ 489,137

9. Property, plant and equipment

As of December 31, 2019, 2018 and 2017 property, plant and equipment are comprised as follows:

	2019	2018	2017
Assets:			
Leasehold adaptations and improvements	$ 859,885	$ 799,398	$ 768,254
Computer equipment	352,370	337,048	326,565
Office furniture and fixtures	231,748	220,811	213,218
Building	47,644	47,644	47,644
Vehicles	16,617	16,429	24,610
ATMs	9,837	10,074	10,074
	1,518,101	1,431,404	1,390,365
Less: accumulated depreciation and amortization	(1,247,808)	(1,165,232)	(1,089,166)
	270,293	266,172	301,199
Land	865	865	865
	$ 271,158	$ 267,037	$ 302,064

For the years ended December 31, 2019, 2018 and 2017 the depreciation and amortization charged to the results of those years was $85,036, $88,701 and $93,422, respectively.

As of December 31, 2019, 2018 and 2017, certain assets with carrying amounts of $892,012, $807,844 and $736,344, respectively, have been totally depreciated for the amount.

10. Goodwill and intangibles assets

This heading is composed as follows:

	2019	2018	2017	Annual amortization rate (%)
With a defined life:				
Customer relations	$ 39,667	$ 47,600	$ 55,534	7
With an indefinite life:				
Trademarks	44,847	44,847	44,847	
Goodwill	1,587,035	1,587,035	1,587,035	
	$ 1,671,549	$ 1,679,482	$ 1,687,416	

The Company has performed an evaluation 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, 2019, 2018 and 2017, the amortization charged to the results of those years was $7,935 in each of the three years.

11. Securitization certificates

As of December 31, 2019, 2018 and 2017, securitized liabilities are comprised as follows:

	Total amount in USD	Issuance date	Maturity	Interest rate	2019	2018	2017
International Bond (1)	$ 250,000	Jul-2017	Jul-2024	8.0% USD (11.6380% swap weighted MXP)	$ 4,460,553	$ 4,768,678	$ 4,915,725
				Accrued interest	241,867	185,597	182,576
				Total	$4,702,420	$4,954,275	$5,098,301

(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

12. Borrowings for banks and from other entities

As of December 31, 2019, 2018 and 2017 this heading is composed as follows:

Entity	Total borrowing and currency	Maturity Date	Guarantee	2019	2018	2017
HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero HSBC						
Revolving credit	462,500 Mxp	November 2020	1.3 to 1.0	$ 426,000	$ 300,000	$ 266,000
Revolving credit	615,000 Mxp	December 2020	1.3 to 1.0	549,000	-	-
Revolving credit	20,000 USD	January 2020	1.3 to 1.0	279,323	290,976	-
Nacional Financiera, S. N. C. (NAFINSA)						
Revolving credit	850,000 Mxp	Undefined Date	Unsecured	249,939	525,606	609,886
Revolving credit	250,000 Mxp	Undefined Date	10% in cash	122,833	74,167	156,481
Revolving credit	400,000 Mxp	Undefined Date	10% in cash	368,933	358,829	397,000
Fideicomisos Instituidos en Relación con la Agricultura (FIRA)						
Revolving credit	600,000 Mxp	Undefined Date	Unsecured	35,000	280,000	323,000
OIKO CREDIT	3,000 Eur	October 2021	Unsecured	-	-	62,626
BBVA Bancomer	300,000 Mxp	July 2021	Unsecured	180,000	140,000	-
Western Alliance	9,700 USD	April 2020	Letter of credit	111,299	125,768	190,730
ScotiaBank Inverlat, S.A.	295,000 Mxp	May 2021	1.2 to 1.0	242,944	151,722	-
Banco del Bajío, S.A.	100,000 Mxp	June 2022	1.25 to 1.0	65,000	-	80,000
Banco Monex, S.A.	100,000 Mxp	September 2021	1.25 to 1.0	100,000	30,000	50,000
Seguros Sura, S.A.	25,000 Mxp	February 2018	Unsecured	-	-	25,000
ACE Seguros. S.A.	9,125 Mxp	April 2018	Unsecured	-	-	9,125
Banco Safra, S/A	2,000 R$	April 2019	Back to Back R$	-	5,072	11,889
Banco Sofisa, S/A	5,903 R$	April 2019	Letter of credit	107,659	54,773	35,088
Banco Itaú Unibanco, S/A	6,000 R$	March 2018	Letter of credit	-	-	35,664
Fideicomiso del Fondo de Microfinanciamiento a Mujeres Rurales, (PRONAFIM)	120,000 MXP	February 2020	Pledge guarantee 1by 1 and 6% in cash	6,317	89,933	-
			Total	2,844,247	2,426,846	2,252,489
			Accrued Interest	12,103	12,135	9,620
			Total	$ 2,856,350	$ 2,438,981	$ 2,262,109

13. Sundry creditors and other accounts payable

As of December 31, 2019, 2018 and 2017, this heading balance is composed as follows:

	2019	2018	2017
Other taxes	$ 236,429	$ 202,398	$ 223,308
Payable ISR	17,758	22,969	20,112
Sundry creditors	84,731	113,255	116,360
Other provisions	201,890	185,396	129,396
Provision for labor obligations	50,770	41,673	53,986
Payable Insurance	23,915	20,880	45,513
Payable PTU	4,724	5,792	8,904
	$ 620,217	$ 592,363	$ 597,579

14. Employee benefits

a. Reconciliation of opening and closing balances of the current value of Defined Benefit Obligations (DBO) for 2019, 2018 and 2017:

	2019			2018			2017		
	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
DBO as of January 1	$ -	$ -	$ -	$ 24,781	$ 8,018	$ 529	$ 29,311	$ 8,174	$ 528
Add (less):	20,095	8,794	516						
Labor cost of current service	3,150	2,417	-	2,447	1,316	1	3,300	1,772	-
Labor cost of past service	-	-	-	-	-	-	261	177	-
Financial cost	1,733	838	-	1,504	490	1	1,930	620	1
Remeasurement of DBO	2,768	1,985	-	-	-	-	-	-	-
Advanced liquidation (reduction) of obligations	-	-	-	268	(1,732)	-	(1,085)	(1,727)	-
Recognition of employee's length	-	-	-	2	1	-	158	59	-
Actuarial gains (losses) generated in the period and paid benefits	(679)	(112)	-	(6,435)	702	3	(9,094)	(1,057)	(1)
DBO as of December 31	$ 27,067	$ 13,922	$ 516	$ 22,567	$ 8,795	$ 534	$ 24,781	$ 8,018	$ 529

b. Reconciliation of DBO, Plan Assets (PA) and the Net Projected Liability (PNL).

The reconciliation of the current value of the DBO and fair value of the PA and PNL recognized in the balance sheet is detailed below:

	IL before retirement			PA before retirement			PA for retirement		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Employee benefit liabilities:									
BDO	$ 27,067	$ 22,567	$ 24,781	$ 13,922	$ 8,795	$ 8,018	$ 516	$ 534	$ 529
Financial situation	27,067	22,567	24,781	13,922	8,795	8,018	516	534	529
Add (less):									
Additional reserve	-	-	9,788	-	-	-	-	-	-
PNL	$ 22,067	$ 22,567	$ 34,569	$ 13,922	$ 8,795	$ 8,018	$ 516	$ 534	$ 529

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

	2019	2018	2017
Financiera Independencia	$ 969	$ 969	$ -
Fisofo	2,607	2,607	1,107
Conexia	-	-	4,970
Financiera Finsol	1,061	1,061	1,061
	$ 4,637	$ 4,637	$ 7,138

c. Net projected cost

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

	IL before retirement			PA before retirement			PA for retirement		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
NPC:									
Labor cost of current service	$ 3,150	$ 2,447	$ 3,300	$ 2,417	$ 1,316	$ 1,772	$ -	$ 1	$ 1
Labor cost of past service	-	-	261	-	-	177	-	-	-
Financial cost	1,733	1,504	1,930	838	490	620	-	1	1
Net actuarial gains (losses)	(679)	114	(3,367)	(112)	943	(1,057)	-	3	(1)
Total	$ 4,204	$ 4,065	$ 2,124	$ 3,143	$ 2,749	$ 1,512	$ -	$ 5	$ 1

d. The net cost of the period for the obligations related to the pensions' plan, the seniority premium and indemnification payments derived from undertaken obligations was $7,347, $6,819 and $3,637 in 2019, 2018 and 2017, respectively.

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, 2019, are as follows:

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

	SERFINCOR	SICOA
Mortality table :	EMSSAH 09	EMSSAH 09
Disability table:	EISS-97	EISS-97
Turnover table:	Booke 87-89 2 A.S. +225%	2003 SOA Pension Plan A.S. <2 +250%

	2019 (%) SERFINCOR	2018 (%) SICOA	2017 (%)	
Discount rate:	6.70	7.05	8.50	7.70
Salary increase rate:	5.50	5.50	5.80	5.80
Minimum wage increase rate:	6.77	6.77	4.00	4.00

SCAEF

Expressed in absolute terms, the main actuarial hypotheses, discount rates, PA returns, salary increases and changes to ratios or other variables as of December 31, 2019, are as follows:

Biometric:

Mortality table (active):	EMSSAH 09
Disability table:	EISS-97
Turnover table:	Boke 87-89 + 175%
Dismiss factor:	20%
Retirement	Age 65

f. Value of the DBO, PA and plan situation of the last five annual periods of Serfincor:

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

Seniority premium plan|

Year	Historical values and DBO plan situation
2019	$ 9,407
2018	5,450
2017	5,351
2016	4,995
2015	6,082

Benefit plan at the end of the work relationship

Year	Historical values and DBO plan situation
2019	$ 11,936
2018	6,487
2017	7,778
2016	10,052
2015	24,023

The value of the DBO, PA and plan situation of the last five annual periods of SCAEF and AEF:

Seniority premium plan

Year	Historical values and DBO plan situation
2019	$ 5,031
2018	3,878
2017	3,196
2016	3,707
2015	3,086

Benefit plan at the end of the work relationship

Year	Historical values and DBO plan situation
2019	$ 15,131
2018	16,081
2017	20,200
2016	19,259
2015	18,007

15. Income taxes

The Company is subject to income tax. The rate for 2019, 2018 and 2017 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.

Income taxes are comprised as follows:

	2019	2018	2017
Current:			
ISR	$ (119,019)	$ (56,357)	$ (116,212)
Deferred:			
ISR	(8,441)	(35,206)	36,934
PTU	-	(613)	6,817
	$ (127,460)	$ (92,176)	$ (72,461)

The income tax for the years ended as of December 31, 2019, 2018 and 2017 comes mainly from the tax results of AEF by $42,451, $13,544 and $8,505, Serfincor by $5,064, $12,208 and $14,731, Fisofo by $0, $5,351 and $ 3,368, and Financiera Finsol by $23,630, $20,800 and $35,353, respectively.

As of December 31, 2019, 2018 and 2017 the main temporary differences over which an asset was recognized by ISR and consolidated deferred PTU are analyzed below:

	2019	2018	2017
Allowance for loan losses	$ 1,329,378	$ 1,224,053	$ 1,258,599
Accrued penalty interest	654,492	687,031	687,036
Tax loss carryforwards	488,638	547,611	747,459
Valuation of derivative financial instruments	238,562	71,220	(2,075)
Fixed assets	379,898	335,282	323,950
Liability provisions	89,356	66,795	93,964
Prepaid expenses	51,585	(70,472)	(101,140)
Non-accrued commissions	(53,459)	19,124	24,398
Derivatives	(118,435)	(93,646)	(174,450)
Others	184,471	184,920	178,047
	$ 3,244,486	$ 2,971,918	$ 3,035,788

	2019	2018	2017
Deferred ISR asset	973,346	891,575	910,736
Deferred ISR AFI and Finsol Brasil	51,797	32,180	26,938
Deferred PTU	4,859	4,511	6,810
Total	$ 1,030,002	$ 928,266	$ 944,484

As of December 31, 2019, the Company has accrued tax losses of $488,638, which can be applied to future profits within the deadlines detailed below:

Year of Loss	Restated amount	Year of expiration
2013	$ 25,643	2023
2014	319,887	2024
2015	33,412	2025
2016	88,615	2026
2017	4,224	2027
2018	16,857	2028
	$ 488,638	

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

	2019	2018	2017
Legal rate	30%	30%	30%
Add (less) -			
Effect of non-deductible differences	7%	7%	4%
Annual adjustment for inflation	(6%)	(5%)	(7%)
Other effects	(3%)	(6%)	(3%)
Effective rate	28%	26%	24%

16. Stockholders' equity

As of December 31, 2019, 2018 and 2017 stockholders' equity is comprised as follows:

Number of Shares	Description	Amount
100,000,000	Series "A" (Class I)	$ 20,000
237,500,000	Series "A" (Class II)	51,588
337,500,000 *		71,588
	Accrued increase due to restatement	85,603
	Common stock as of December 31, 2019, 2018 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 2019, 2018 and 2017 the total number of repurchased shares was 26,179,553, 91,480,269 and 81,636,451, of which 1,179,553, 63,495,704 and 53,651,886 shares or 0.3%, 8.9% and 7.5%, of the total shares outstanding correspond to the repurchase fund, respectively, 26,179,553 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 2019, 2018 and 2017, the net amounts of acquisitions and repositions of treasury stock (repurchase fund and share purchase option plan) were $5,492, $29,597 and $55,213, 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, 2019, 2018 and 2017 was $8.50, $2.30 and $3.10 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:

Earnings per Share (EPS):	**2019**	**2018**	**2017**
Net profit	$ 323,947	$ 262,058	$ 228,177
Divided by:			
Average weighted number of shares	582,675,649	654,258,132	671,430,984
EPS (pesos)	$ 0.5560	$ 0.4005	$ 0.3398

17. Foreign currency position

As of December 31, 2019, 2018 and 2017 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 $18.8642, $19.6512 and $19.6629 for one US dollar and in Brazilian Reals at the exchange rate of 4.0301, 3.8748 and 3.3080 for one Brazilian Real, respectively, as follows:

	Thousands of US Dollars		
	2019	**2018**	**2017**
Assets	$ 117	$ 92	$ 78
Liabilities	(334)	319	(330)
Liability position in US dollars, net	$ (217)	$ (227)	$ (252)

	Thousands of Reals 2019		2018		2017
Assets	$	110	$ 97	$	99
Liabilities		(84)	(74)		(87)
Asset position in Brazilian reals, net	$	26	$ 23	$	12

On April 13, 2020, 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 $23.7427 pesos for one US dollar and $4.5814 for Brazilian real, respectively.

18. Financial margin

As of December 31, 2019, 2018 and 2017 the main items composing the Company's financial margin correspond to income and interest expenses generated, are as follows:

	2019	2018	2017
Interest income			
CrediInmediato	$ 1,660,416	$ 1,624,812	$ 1,561,971
Grupal	930,702	967,049	1,058,941
CrediPopular	354,369	388,373	499,977
Tradicional	1,338,884	1,150,199	1,059,397
CrediMamá	20,512	23,360	23,935
CrediConstruye	102	334	682
AFI	694,105	530,309	419,274
MásNómina	364,243	336,072	300,683
	5,363,333	5,020,508	4,924,860
Securities investments	13,749	11,415	19,280
Total interest income	$ 5,377,082	$ 5,031,923	$ 4,944,140

	2019	2018	2017
Interest expenses			
Borrowings from banks			
HSBC	$ (92,125)	$ (64,422)	$ (40,952)
NAFINSA	(97,114)	(71,441)	(107,775)
FIRA	(16,760)	(26,573)	(25,916)
Grupo Jorisa	-	-	(18,081)
ScotiaBank Inverlat	(19,621)	(20,770)	(15,555)
BBVA Bancomer	(18,349)	(2,462)	(17,154)
Pronafin	(4,925)	(5,438)	-
Chubb	-	(355)	-
Monex	(3,548)	(3,720)	(4,954)
Banco del Bajio	(4,624)	(2,269)	(6,704)
OIKO Credit	-	(3,725)	(11,578)
Bridge Bank	(7,029)	(10,918)	(12,276)
Safra	(140)	(349)	(1,378)
Sofisa	(4,113)	(3,290)	(2,273)
Itaú	-	(735)	(1,207)
Subtotal	(268,348)	(216,467)	(265,803)
International bond	(536,982)	(541,259)	(408,706)
Securitization certificates	(1,427)	-	(66,274)
Total interest expenses	(806,757)	(757,726)	(740,783)
Financial margin	$ 4,570,325	$ 4,274,197	$ 4,203,357

19. Collected and paid commissions and fees

As of December 31, 2019, 2018 and 2017, the main items for which the Company recorded collected and paid commissions in the consolidated statement of income are as follows:

	2019	2018	2017
Commissions and fee income:			
Withdrawal commissions	$ 318,306	$ 313,400	$ 314,185
Collection expense commission	119,689	150,935	165,059
	$ 437,995	$ 464,335	$ 479,244
Commissions and fee expense:			
Bank commissions	$ (31,028)	$ (23,498)	$ (30,061)
Credit line commissions	(8,262)	(7,379)	(3,021)
Service commissions	(42,112)	(40,341)	(46,710)
	$ (81,402)	$ (71,218)	$ (79,792)

20. Trading income

As of December 31, 2019, 2018 and 2017, the main items composing the Company's trading income are as follows:

	2019	2018	2017
Exchange rate fluctuation	$ (3,969)	$ (1,159)	$ 27,410
Derivative financial instruments	6,397	9,354	7,409
	$ 2,428	$ 8,195	$ 34,819

21. Other operating income

Other operating income is as follows:

	2019	2018	2017
Trust Banregio	$ 4,321	$ 6,505	$ 12,638
Other items	64,260	29,088	28,722
Service and insurance commissions	128,464	143,844	155,139
	$ 197,045	$ 179,437	$ 196,499

22. Information by segments

As of December 31, 2019, 2018 and 2017, 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:

	2019		2018		2017	
State:	**Total Loans**	**Interest income**	**Total loans**	**Interest income**	**Total loans**	**Interest income**
Aguascalientes	$ 60,886	$ 52,093	$ 60,461	$ 45,351	$ 60,847	$ 43,103
Baja California	144,259	111,837	158,094	106,107	146,667	104,224
Baja California Sur	76,885	59,931	79,010	58,591	79,896	56,744
Campeche	87,950	76,968	96,911	73,920	99,145	80,569
Chiapas	251,073	154,677	200,313	121,378	195,649	141,935
Chihuahua	24,497	21,226	29,795	22,308	30,737	21,433
Coahuila	204,696	198,288	224,971	195,469	226,958	201,273
Colima	60,298	48,101	70,978	51,535	77,645	54,840
Ciudad de México	809,347	421,749	759,297	517,910	787,537	416,961
Durango	50,850	44,974	54,740	44,180	54,542	43,316
Estado de México	854,862	586,717	819,456	550,896	768,639	545,028
Guanajuato	290,739	238,986	262,414	221,267	251,339	218,050
Guerrero	206,066	166,320	202,247	154,266	205,893	151,317
Hidalgo	161,243	106,774	144,111	88,369	123,099	87,136
Jalisco	245,823	199,971	269,868	204,653	284,559	205,498
Michoacán	144,334	106,328	175,147	106,751	171,800	100,607
Morelos	138,646	107,031	144,197	98,942	134,312	94,202
Nayarit	43,441	35,643	47,786	37,420	50,092	36,098
Nuevo León	54,795	26,177	45,712	31,269	31,149	26,177
Oaxaca	147,868	108,539	145,053	84,538	142,686	102,722
Puebla	162,536	124,829	159,592	121,791	165,453	122,931
Querétaro	135,893	103,177	128,879	99,070	126,682	92,634
Quintana Roo	215,081	159,647	203,085	155,636	197,607	149,939
San Luis Potosí	143,130	63,218	137,543	59,401	145,514	58,649
Sinaloa	103,128	82,476	127,288	79,323	122,012	78,485
Sonora	118,724	96,537	134,546	89,990	135,759	96,807
Tabasco	159,918	72,262	72,833	56,023	71,535	57,135
Tamaulipas	345,773	307,900	312,131	244,261	306,472	249,505
Tlaxcala	55,162	44,583	57,562	46,522	65,265	51,051
Veracruz	459,486	327,639	464,779	301,657	435,275	313,916
Yucatán	167,025	134,850	177,066	127,816	178,303	138,592
Zacatecas	38,098	32,474	42,712	35,620	53,312	39,590
Subtotal México	6,162,512	4,421,922	6,008,577	4,232,230	5,926,380	4,180,467
Brazil	379,256	243,753	426,247	257,970	539,739	325,120
United States	2,242,772	697,658	1,799,966	530,308	1,488,517	419,273
Total	$8,784,540	$5,363,333	$8,234,790	$5,020,508	$7,954,636	$4,924,860

23. Commitments and contingencies

As of December 31, 2019, 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, 2019, 2018 and 2017, the provision for lawsuits is $25,161, $30,484 and $25,484, 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 $205,338 in 2020, $163,602 in 2021, $106,041 in 2022, $50,633 in 2023 and in subsequent years of $19,104.

24. Subsequent events

As a result of the Coronavirus disease (COVID-19) and its recent world-wide expansion, certain effects to public health due to COVID-19 could have an impact on the operations of the Company. The extent of the impact on the financial performance of the Company will depend mainly on the evolution and expansion of COVID-19 in the upcoming months, as well as the response capacity and adaptation of all economic agents to future events, including, but not limited to: (i) the term and the spread of the outbreak (ii) the restrictions and recommendations from the Health Organizations and Governments, (iii) the effects on the financial markets, and (iv) the general effects in the national and international economy which are highly uncertain and cannot be predicted.

As of the date of issuance of the consolidated financial statements the Company has been evaluating the possible effects that the pandemic could have, as well as determining an action plan mainly focused on the following points which will help with the continuity of operations:

a. Work from home for the majority of the employees.

b. Safety and health measures to help to the operation in all the branches.

c. The Company focused on loan collections, more resources allocated and precise follow-up.

d. The Company ensured that there are different means for the client to make payments, considering a possible closure of the branches.

e. The Company developed offers to its clients in order to help them to be up to date on payments by giving them reductions on payments and increases in their line of credit terms.

f. The Company was more restrictive in the loan origination by reducing the number or new clients as well as giving preference to the renovation of loans of the most important clients.

g. The Company implemented measures in order to have savings in operating expenses.

In addition to the actions described above, the Company reviewed its liquidity considering different stress scenarios which range from a 60% to 20% decrease in collections. In those scenarios, the Company determined that as long as the allocation of the loan is limited to a proportion of the collection, less the control of expenses, the Company will maintain positive cash flow levels. In those exercises, it was assumed that the operations with banks is maintained at normal levels, making interest payments and installments but also using the current line of credit held by the Company.

With all the measures described, the Company expects that the adverse effects will not be of a significant magnitude and, when all restrictions issued by the Federal Government are canceled, the volume of loan originations and collections will recover and then grow.

25. New accounting principles

As of December 31, 2019 the CINIF has issued the following NIF and Improvements to NIF which may affect the consolidated financial statements of the Company.

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

NIF C-17 Investment properties (NIF C-17) – Given the absence of a NIF establishing the bases used for the accounting recognition of investment properties (held to obtain rental income or for capital appreciation purposes), entities have applied the guidance set forth in Circular 55 issued by the Accounting Principles Commission of the Mexican Institute of Public Accountants, which only allows the use of the acquisition cost model for valuation purposes. The main change detailed in NIF C-17 involves the possibility whereby investment properties held for capital appreciation purposes may be optionally valued at their acquisition cost or fair value. If the entity opts to apply the fair value model, at each financial statement closing date, investment properties shall be valued at their fair value determined in accordance with NIF B-17, Determination of fair value. The losses or gains derived from valuation adjustments must be recognized in comprehensive income or other comprehensive income (OCI) of the period in which they arise. When the entity disposes of the asset in question, OCI must be recycled to results.

This NIF establishes that investment properties must be recognized in the consolidated statement of financial position when asset definitions are fulfilled; i.e., when, for the entity, investment properties:

a) are an economic resource to which it is entitled;

b) have the potential to generate economic benefits;

c) are under its control; i.e., when it is able to manage its utilization and obtain the respective future economic benefits, while restricting third-party access to this control and economic benefits; and

c) arose as a result of past events that affected the entity economically.

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

a) investments in cryptocurrencies;
b) accounts receivable and accounts payable denominated in cryptocurrencies;
c) if applicable, mining expenses incurred to obtain cryptocurrencies;
d) the cryptocurrencies which the entity does not own, but which it holds in custody.

Cryptocurrencies must be initially recognized at their acquisition cost. Subsequently, at the date of the statement of financial position, they shall be valued at their fair value in conformity with NIF B-17, Determination of fair value, while valuation effects shall be recognized in results. However, the absence of an active market for trading cryptocurrency implies that its recovery is unlikely as there is no other way of obtaining its economic benefits. Accordingly, NIF C-22 requires that a cryptocurrency valuation utilize a Level 1 fair value and, if applicable, Level 2, but only if it is determined in accordance with NIF B-17. If these determinations cannot be made, the total fair value of a cryptocurrency must be considered to be equal to zero.

Effective as of January 1, 2020, although early adoption is permitted during 2019:

Improvements to NIF 2020 that generate accounting changes:

NIF C-16 Impairment of receivable financial instruments – Clarifies the effective interest rate to be utilized when renegotiating a financial instrument to collect principal and interest (IFCPI).

NIF C-19 Financial instruments payable, and NIF C-20 Financial instruments for collecting principal and interest – Specify that the effective interest rate need not be periodically recalculated when its amortization does not generate material effects.

NIF D-4 Income taxes, and NIF D-3 Employee benefits – Paragraphs have been included regarding uncertain tax treatments when considering the bases used to determine ISR and PTU, while also evaluating the probability whereby the tax or legal authority will accept or reject an uncertain tax treatment.

NIF D-4 Income taxes – Clarifies the accounting recognition of income taxes incurred by the distribution of dividends in relation to the transactions that generated distributable profits.

NIF D-5 Leases – a) Given the complexity that may arise when determining the discount rate, this NIF establishes the possibility of utilizing a risk-free rate to discount future lease payments and recognize the lessee's lease liability, and b) the use of a practical expedient to exclude material and identifiable components other than leases from the asset usage right measurement and lease liabilities was restricted.

Likewise, the Improvements to the NIF 2020 include improvements to the NIF that do not generate accounting changes, whose fundamental intention is to make the regulatory approach more precise and clear.

Homologation of Accounting Criteria by the Commission:

On November 15, 2018, the Commission published the amendments to Accounting Criterion A-2 "Application of particular rules" to adopt as of January 1, 2020 the following Provisions issued by the Mexican Council of Financial Information Standards, AC: 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" Income from contracts with clients ", D-2" Costs from contracts with clients "and D-5" Leases. On November 4, 2019, the Commission published a resolution that modifies the date of adoption of said standards, which will be from January 1, 2021.

As of the date of issuance of these financial statements, the Company is in the process of evaluating and 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 13, 2020 by Ing. Enrique Brockmann del Valle, 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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