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

Audited Consolidated Financial Statements

December 31, 2018 and 2017

Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries
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Report of Independent Auditors

To the Shareholders and Directors of Unifin Financiera, 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 Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and its subsidiaries (Company), which comprise the consolidated balance sheet as at December 31, 2018 and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries at December 31, 2018 and for the year then ended, are prepared, in all material respects, in accordance with accounting standards applicable to multiple purpose financial entities regulated in Mexico, issued by the National Banking and Securities Commission (CNBV, for its initials in Spanish).

Basis for Opinion

We conducted our audit 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 Ethics Standards of Mexican Institute of Public Accountants, together with other requirements applicable to our audit in Mexico. We have fulfilled our other ethical responsibilities in accordance with those requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the issue
Preventive loan loss reserve (PLLR) As mentioned in Note 1, the Company is mainly engaged in conducting commercial loans, factoring and consumer loan operations, as shown under loan portfolio, net of its reserve, in the balance sheet. Recoverability of the loan portfolio is periodically evaluated, recognizing PLLR as needed, which are determined in accordance with the Company's internal policies. In determining the aforementioned reserve, the Company classifies its clients considering their total exposure at the date of determination of the PLLR and the respective classification as performing or non-performing loan portfolio. In the case of clients with exposure above 4,000,000 Investment Units (UDIs, for its initials in Spanish), the PLLR is determined applying the 0.5% rate to the total balance of the performing portfolio and a variable percentage to the non-performing loan portfolio, considering mainly the classification assigned to the client based on its financial risk and payment history. In the case of clients whose total exposure is below 4,000,000 UDIs, the PLLR is determined applying the 0.5% rate to the total balance. The ending PLLR recorded the higher of i) the result of the aforementioned criterion and ii) 100% of the non-performing loan portfolio balance. Our work mainly focused on this caption due to the significance of the book value of the loan portfolio and the related PLLR ($7,429,683 and $199,899 thousands of Mexican pesos, respectively, at December 31, 2018), and because the process for determining the PLLR involves Management's judgment.	During the audit, we: • Evaluated the design and operating effectiveness of the control over the process for classifying the loan portfolio as performing and non-performing. • Obtained the Company's report containing the balances of the loan portfolio at December 31, 2018, classified as over and under 4,000,000 UDIs and as performing or non-performing, and we selectively compared it to the balances of the respective contracts and agreements held in the loan files, and relied on our specialists to verify that that the system is properly parameterized. • Through selective testing, we evaluated the following input data used in calculating the PLLR: - Liquidity, leveraging, yield and efficiency financial ratios (used by Management to determine financial risk) in relation to the financial statement balances of each client. - Payment historic records with respect to the credit bureau report. - Client risk classification considering amount of balance, financial risk and payment history, in accordance with the Company's internal policies.

Key audit matter	How our audit addressed the issue
We specifically focused our work on evaluating the internal methodology applied by the Company, including the basis of classification (balances over and under 4,000,000 UDIs, current and past-due balance and risk rating) and the percentages applied.	• Recalculated the PLLR considering the Company's internal policy. • Conducted a comparative analysis of the performing and non-performing loan portfolios recorded at each quarter closing in the year and their relation to the respective PLLR, using prior year's balances. • Evaluated the historical trends of balances not recovered and compared them to the respective PLLR. • Recalculated the PLLR using the method established in the CNBV provisions, and compared it to the balance recorded.

Other information

Management is responsible for the other information. The other information comprises the annual report presented to the CNBV and the annual information presented to Shareholders, but does not include the consolidated financial statements and our auditor's report thereon, which will be issued 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, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

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

The Company's and its subsidiaries' management is responsible for the preparation of the consolidated financial statements in accordance with accounting standards applicable to multiple purpose financial entities regulated in Mexico issued by CNBV, 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 financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is stated below.

PricewaterhouseCoopers, S. C.

Nicolás Germán Ramírez
Audit Partner

Mexico City, March 6, 2019

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

Consolidated Balance Sheets

(Notes 1, 2, 3, 4, 18, 19 and 23)

Thousands of Mexican pesos

Assets	December 31, 2018	December 31, 2017
Cash and cash equivalents (Note 5)	Ps 376,186	Ps 197,165
Investments in securities (Note 6)		
Securities held to maturity	3,530,359	2,238,172
Derivatives held-for-hedging (Note 7)	5,103,120	4,598,117
Performing loan portfolio (Note 8)		
Commercial loans	8,337,556	5,323,350
Consumer loans	86,317	119,792
Total performing loan portfolio	8,423,873	5,443,142
Non-performing loan portfolio (Note 8):		
Commercial loans	192,105	31,158
Consumer loans	7,794	7,586
Total non-performing loan portfolio	199,899	38,744
Total loan portfolio	8,623,772	5,481,886
Less:		
Preventive loan loss reserve (Note 8)	(199,899)	(38,744)
Loan portfolio - Net	8,423,873	5,443,142
Other accounts receivable - Net (Note 9)	4,297,780	5,057,165
Foreclosed assets - Net (Note 10)	692,067	510,484
Property, machinery and equipment - Net (Note 11)	40,680,441	32,728,822
Permanent investments (Note 12)	75,441	49,541
Deferred taxes (Note 17)	2,328,539	1,718,511
Other assets:		
Deferred charges, prepayments and intangible assets	2,276,334	2,067,219
Other current and non-current assets	5,518	7,090
	2,281,852	2,074,309
Total assets	Ps 67,789,658	Ps 54,615,428

Liabilities and Stockholders' Equity	December 31, 2018	December 31, 2017
Liabilities		
Debt securities (Note 13)		
Short-term	Ps 289,037	Ps 503,832
Long-term	38,056,606	34,525,090
	38,345,643	35,028,922
Bank borrowings and loans from other entities (Note 14)		
Short term	8,391,781	4,258,070
Long term	4,081,189	3,880,702
	12,472,970	8,138,772
Other accounts payable:		
Taxes on income payable (Note 17)	108,220	252,362
Sundry creditors and other accounts payable (Note 15)	3,179,612	2,913,726
	3,287,832	3,166,088
Deferred loans and advance collections	692,073	697,277
Total liabilities	54,798,518	47,031,059
Stockholders' equity (Note 16):		
Contributed capital		
Capital stock	957,774	957,774
Share premium	1,935,900	1,935,900
Subordinated debentures outstanding	4,531,330	-
	7,425,004	2,893,674
Earned capital:		
Capital reserves	274,062	185,528
Prior years' income	2,695,105	1,850,456
Result of valuation of financial instruments for hedging cash flows	670,373	881,250
Net income	1,923,919	1,770,682
	5,563,459	4,687,916
Stockholders' investment:		
Controlling interest	12,988,463	7,581,590
Non-controlling interest	2,677	2,779
Total stockholders' equity	12,991,140	7,584,369
Total liabilities and stockholders' equity	Ps 67,789,658	Ps 54,615,428

Memorandum accounts (Note 21)

	2018	2017
Other recording accounts	Ps 38,781,558	Ps 31,805,242

The accompanying twenty-three notes are an integral part of these consolidated financial statements, which were authorized for issuance on February 22, 2019 by the undersigned officers.

Mr. Sergio José Camacho Carmona
Chief Executive Officer

Mr. Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Mr. Luis Xavier Castro López
Corporate Controller

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

Consolidated Statements of Income
(Notes 1, 2, 3, 18, 19, 20 and 22)

Thousands of Mexican pesos, except for profit per share

	Year ended December 31,	
	2018	2017
Operating lease income	Ps 14,761,002	Ps 11,216,938
Interest income	2,587,574	2,087,677
Other lease benefits	1,595,730	1,010,812
Depreciation of assets under operating lease (Note 11)	(8,005,085)	(6,357,394)
Interest expense	(5,514,552)	(3,845,159)
Other lease expenses	(1,619,179)	(930,502)
Financial margin	3,805,490	3,182,372
Preventive loan loss reserve (Note 8)	250,635	115,000
Financial margin adjusted for credit risk	3,554,855	3,067,372
Commissions and fees paid	(43,100)	(68,710)
Intermediation results	-	-
Other operating income - Net	25,933	192,111
Administration and promotion expenses	(1,091,911)	(890,885)
	(1,109,079)	(767,484)
Operating income	2,445,777	2,299,888
Results of non-consolidated subsidiaries and associated companies (Note 12)	36,311	31,874
Income before income taxes	2,482,088	2,331,762
Income taxes payable (Note 17)	(1,168,197)	(1,096,983)
Deferred income taxes (Note 17)	610,028	535,903
Income taxes	(558,169)	(561,080)
Consolidated net income	Ps 1,923,919	Ps 1,770,682
Net income attributable to:		
Controlling interest	Ps 1,923,919	Ps 1,770,682
Non-controlling interest	(102)	2,779
Consolidated net income	Ps 1,923,817	Ps 1,773,461

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Mr. Sergio José Camacho Carmona	Mr. Sergio Manuel Cancino Rodríguez	Mr. Luis Xavier Castro López
Chief Executive Officer	Chief Financial Officer	Corporate Controller

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

Consolidated Statements of Changes in Stockholders' Equity
(Note 16)

Thousands of Mexican pesos

	Contributed capital				Earned capital					
	Capital Stock	Premium on subscription of shares	Subordinated debentures outstanding	Capital reserves	Prior years' Income	Result of valuation of instruments for hedging cash flows	Net Income	Total controlling interest	Non-controlling interest	Total stockholder's equity
Balances at January 1, 2017	Ps960,341	Ps 1,935,900	Ps -	Ps125,009	Ps 1,051,296	Ps217,738	Ps 1,210,349	Ps 5,500,633	Ps -	Ps 5,500,633
Changes arising from decisions made by stockholders:										
Transfer of consolidated net income to prior years' results	-	-	-	-	1,210,349	-	(1,210,349)	-	-	-
Creation of reserves	-	-	-	60,519	(60,519)	-	-	-	-	-
Dividend payments	-	-	-	-	(350,670)	-	-	(350,670)	-	(350,670)
Share issue expenses	(2,567)	-	-	-	-	-	-	(2,567)	-	(2,567)
Total	(2,567)	-	-	60,519	799,160	-	(1,210,349)	(353,237)	-	(353,237)
Changes arising from recognition of comprehensive income:										
Result from valuation of hedge instruments	-	-	-	-	-	663,512	-	663,512	-	663,512
Consolidated net income	-	-	-	-	-	-	1,770,682	1,770,682	2,779	1,773,461
Total	-	-	-	-	-	663,512	1,770,682	2,434,194	2,779	2,436,973
Balances at December 31, 2017	957,774	1,935,900	-	185,528	1,850,456	881,250	1,770,682	7,581,590	2,779	7,584,369
Changes arising from decisions made by stockholders:										
Transfer of consolidated net income to prior years' results	-	-	-	-	1,770,682	-	(1,770,682)	-	-	-
Creation of reserves	-	-	-	88,534	(88,534)	-	-	-	-	-
Dividend payments	-	-	-	-	(352,800)	-	-	(352,800)	-	(352,800)
Share issue expenses	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	88,534	1,329,348	-	(1,770,682)	(352,800)	-	(352,800)
Changes arising from recognition of comprehensive income:										
Result from valuation of hedge instruments	-	-	-	-	-	(210,877)	-	(210,877)	-	(210,877)
Subordinated debentures outstanding	-	-	4,531,330	-	(484,699)	-	-	4,046,631	-	4,046,631
Consolidated net income	-	-	-	-	-	-	1,923,919	1,923,919	-	1,923,919
Total	-	-	4,531,330	-	(484,699)	(210,877)	1,923,919	5,759,571	(102)	5,759,469
Balances at December 31, 2018	Ps957,774	Ps 1,935,900	Ps4,531,330	Ps274,062	Ps 2,695,105	Ps670,373	Ps 1,923,919	Ps 12,988,361	Ps 2,677	Ps 12,991,140

The accompanying twenty -three notes are an integral part of these consolidated financial statements, which were authorized for issuance on February 22, 2019 by the undersigned officers.

Mr. Sergio José Camacho Carmona	Mr. Sergio Manuel Cancino Rodríguez	Mr. Luis Xavier Castro López
Chief Executive Officer	Chief Financial Officer	Corporate Controller

Thousands of Mexican pesos

	Year ended December 31,	
	2018	2017
Net income	Ps 1,923,817	Ps 1,770,682
Adjustments for items not involving cash flows:		
Preventive loan loss reserve	250,635	115,000
Depreciation and amortization	8,005,086	6,357,394
Income taxes payable and deferred	558,169	561,080
Equity of other permanent investments	(36,209)	(31,874)
	10,773,916	8,772,282
Operating activities		
Change in investments in securities	(1,310,412)	(832,722)
Change in derivatives	(505,003)	(48,286)
Change in loan portfolio	(1,786,641)	(251,626)
Change in foreclosed assets	1,194,642	(373,340)
Change in other accounts receivable	(1,376,226)	365,201
Change in other operating assets	(1,219,117)	(1,531,792)
Change in debt securities	3,316,720	13,449,049
Change in bank borrowings and loans from other entities	4,334,198	(203,877)
Change in deferred commissions	5,204	251,589
Change in other operating liabilities	116,570	(2,575,414)
Net cash flows provided by operating activities	13,543,851	17,021,064
Investing activities		
Payment for acquisition of property, machinery and equipment - Net	(17,545,459)	(16,744,107)
Net cash flows used in investing activities	(17,545,503)	(16,744,107)
Financing activities		
Dividend payments in cash	(350,670)	(350,670)
Collections on issue of subordinated debentures	4,531,330	-
Stock issue expenses	-	(2,568)
	4,180,660	(353,238)
Net (decrease) increase in cash and cash equivalents	179,022	(76,281)
Cash and cash equivalents at beginning of year	197,165	273,446
Cash and cash equivalents at end of year	Ps 376,187	Ps 197,165

The accompanying twenty-three notes are an integral part of these consolidated financial statements, which were authorized for issuance on February 22, 2019 by the undersigned officers.

Mr. Sergio José Camacho Carmona Chief Executive Officer	Mr. Sergio Manuel Cancino Rodríguez Chief Financial Officer	Mr. Luis Xavier Castro López Corporate Controller

Thousands of Mexican pesos [Ps] (Note 2), except foreign currency, exchange rates, nominal value, number of securities, shares and price per share

Note 1 - Company operations:

Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (Company) was incorporated on February 3, 1993 in accordance with Mexican laws.

The Company is mainly engaged in providing operating leases for automotive vehicles, machinery and equipment, among other lease arrangements, and in granting loans, carrying out financial factoring operations, acting as administrator for guarantee trusts, obtaining loans, guaranteeing obligations through different means, and issuing, subscribing, accepting, endorsing, selling, discounting and pledging all kinds of credit.

The Company is an unregulated non-bank financial entity or Sofom E. N. R., as specified in article 87-B of General Law on Credit Organizations and Auxiliary Activities (LGOAAC for its acronym in Spanish).

The Company has no employees, and all legal, accounting and administrative services are provided by a related party.

On May 22, 2015, the Company issued its Initial Public Bid on the Mexican Stock Exchange (BMV for its acronym in Spanish), and for international purposes it made the issue under rule 144 A/Reg S for a total of Ps3,606,400, comprised of 50% primary shares and 50% of secondary shares. The amount includes the overallotment option, which comprised 15% of the total offer. On May 22, 2015, the Company started trading its shares on the BMV. As a result of the foregoing, it changed its business name to Sociedad Anónima Bursátil (S. A. B.).

The purpose of the aforementioned Public Bid was to strengthen the Company's capital stock structure and support the projected growth.

These consolidated financial statements include the figures of the Company and its subsidiaries as of December 31, 2018 and 2017 in which the Company has control, as mentioned in the following page:

		Ownership (%)	
Entity	Business activity	2018	2017
Unifin Credit, S. A. de C. V. SOFOM, E. N. R. (Unifin Credit)	Financial factoring	99.99	99.99
Unifin Autos, S. A. de C. V. (Unifin Autos)	Purchase and sale of cars	99.99	99.99
Inversiones Inmobiliarias Industriales, S.A.P.I. de C. V. (Inversiones Inmobiliarias)	Property leases	94.08	94.08

The financial information of the subordinated companies at the year ended on December 31, 2018 follows:

	Unifin Credit	Unifin Autos	Inversiones Inmobiliarias
Assets	Ps 8,459,916	Ps 28,283	Ps 234,242
Liabilities	7,533,513	548	22,460
Capital	926,403	27,735	211,781
Income for the period	132,205	(119)	1,893

Note 2 - Basis for preparation of the financial information:

Preparation of the financial statements

In accordance with article 78 of the General Provisions of the Sole Circular for Issuers of Securities and Other Participants of the Securities Market (Sole Circular) issued by the Mexican National Banking and Securities Commission (Commission), Unregulated Non-Bank Financial Entities issuing securities other than debt instruments must prepare and have their financial statements audited in accordance with the accounting criteria issued by the Commission (Accounting Criteria) applicable to Regulated Non-bank Financial Entities.

On the basis of the foregoing, the enclosed consolidated financial statements at December 31, 2018 and 2017 have been prepared in accordance with the Accounting Criteria established by the Commission, which observe the accounting guidelines of the Mexican Financial Reporting Standards (MFRS), except when the Commission considers it is necessary to apply a specific accounting standard or criterion. For that purpose, the Company has prepared its financial statements in accordance with the Commission's presentation requirements, the purpose of which it is to present information on the entity's operation, as well as other economic occurrences affecting it, which do not necessarily result from the decisions or transactions of the entity's stockholders over a specific period.

According to accounting criteria, in the absence of a specific accounting rule issued by the Commission, the Company must apply supplementary criteria, as established in MFRS A-8 "Supplementation" in the following order: MFRS, International Financial Reporting Standards, approved and issued by the International Accounting Standards Board (IASB), Generally Accepted Accounting Principles applicable in the United States, or otherwise any accounting standard that forms part of a group of formal and accepted standards.

The Company is mainly engaged in carrying out operating leases; therefore, the statements of income at December 31, 2018 and 2017 are shown in accordance with the provisions of Statement B-3 of the MFRS, which establishes that the "income" caption must reflect the entity's main source of income, and the "other income and expenses caption" must not include items considered operating items. Consequently, that caption must only include immaterial amounts. On the basis of the foregoing, the reported statements of income properly and transparently reflect the Company's main business activities. It should be mentioned that if the Accounting Criteria are applied literally, operating lease income should have been included under "Other income (expenses)", net of depreciation, and not under "operating net income", which, if applied, would distort the phrasing of the financial statements as a whole.

Despite the foregoing and for transparency purposes, following is a comparison of the Company's Statement of Income at December 31, 2018 and 2017, between the contents reported in the Financial Statements and the contents that would have resulted from only applying the Accounting Criteria. That comparative analysis clearly shows that the differences between both reporting methods strictly relate to the form and that the operating results, before taxes on income and net taxes, remain the same:

	December 31, 2018	
	According to the MFRS	According to the accounting criteria of the Commission
Operating lease income	Ps 14,761,002	Ps -
Interest income	2,587,574	2,001,845
Other lease benefits	1,595,730	-
Depreciation of goods under operating leasing	(8,005,085)	-
Interest expense	(5,514,552)	(1,369,485)
Other lease expenses	(1,619,179)	-
Financial margin	3,805,490	632,360
Preventive loan loss reserve	250,635	161,155
Financial margin adjusted for credit risks	3,554,855	471,205
Commissions and fees paid	(43,100)	(43,100)
Intermediation results	-	-
Administration and promotion expenses	(1,091,911)	(1,091,911)
Other operating income (expenses) 1)	25,932	3,109,583
	(1,109,079)	1,974,572
Operating income	2,445,777	2,445,777
Results of subsidiaries and associated companies	36,209	36,209
Income before income taxes	2,481,986	2,481,986
Income taxes payable	1,168,197	1,168,197
Deferred income taxes	(610,028)	(610,028)
Income taxes	558,169	558,169
Consolidated net income	Ps 1,923,817	Ps 1,923,817
Net income attributable to:		
Controlling interest	Ps 1,923,919	Ps 1,923,919
Non-controlling interest	(102)	(102)
Consolidated net income	Ps 1,923,817	Ps 1,923,817

1) The other operating income (expenses) caption is made up as follows:

Operating lease Income	Ps 3,083,651
Other operating income (expenses)	25,932
Total	Ps 3,109,583

	December 31, 2017	
	According to the MFRS	According to the accounting criteria of the Commission
Operating lease income	Ps 11,216,938	Ps -
Interest income	2,087,677	1,451,905
Other lease benefits	1,010,812	-
Depreciation of goods under operating leasing	(6,357,396)	-
Interest expense	(3,845,159)	(873,101)
Other lease expenses	(930,500)	-
Financial margin	3,182,372	578,804
Preventive loan loss reserve	115,000	25,844
Financial margin adjusted for credit risks	3,067,372	552,960
Commissions and fees paid	(68,710)	(68,710)
Intermediation results	-	-
Administration and promotion expenses	(890,885)	(890,885)
Other operating income (expenses) 1)	192,111	2,706,523
Operating income	2,299,888	2,299,888
Results of subsidiaries and associated companies	31,874	31,874
Income before income taxes	2,331,762	2,331,762
Income taxes payable	1,096,983	1,096,983
Deferred income taxes	(535,903)	(535,903)
Income taxes	561,080	(561,080)
Consolidated net income	Ps 1,770,682	Ps 1,770,682
Net income attributable to:		
Controlling interest	Ps 1,770,682	Ps 1,770,682
Non-controlling interest	2,779	2,779
Consolidated net income	Ps 1,773,461	Ps 1,773,461

2) The other operating income (expenses) caption is made up as follows:

Operating lease Income	Ps 2,514,412
Other operating income (expenses)	192,111
Total	Ps 2,706,523

Financial statements authorization

The accompanying consolidated financial statements and the notes thereto as of December 31, 2018 and for the year then ended were authorized for issuance on February 22, 2019 by Mr Sergio José Camacho Carmona, Chief Executive Officer, Mr. Sergio Manuel Cancino Rodríguez , Chief Financial Officer, and Mr. Luis Xavier Castro , Corporate Controller.

New MRFS and Revisions to MFRS and Accounting Criteria

No new MFRS, Revisions to MFRS and Accounting Criteria came into force in 2018 that would significantly affect the Company's financial information.

Note 3 - Summary of significant accounting policies:

The most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

The accounting criteria require the use of some critical accounting estimates in the preparation of the financial statements. They also require management's judgment in the process of determining and applying the Company's accounting policies.

a. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control to direct their relevant activities, has the right (and is exposed) to variable returns from its share and has the ability to affect those returns through its power. In assessing whether the Company controls an entity, the existence and effect of potential voting rights that are currently exercisable or convertible were considered. The existence of control in cases where the Company has no more than 50% of voting rights but it may decide the financial and operating policies is also assessed.

Subsidiaries consolidate as from the date on which the Company acquires control, and consolidation ceases when that control is lost

Transactions, balances and unrealized profit and loss resulting from transactions between the consolidated companies have been eliminated. Accounting policies applied by subsidiaries have been amended to ensure consistency with the accounting policies adopted by the Company, where necessary.

Consolidation was performed considering the financial statements of the subsidiaries.

Other permanent investments

Other permanent investments are represented by investments in shares of other entities where the Company has no control or the ability to have significant influence. The other permanent investments are initially measured at acquisition cost and subsequently at equity method.

b. Recording, functional and reporting currency

Given that the recording, functional and reporting currency of the Company and its subsidiaries is the Mexican peso, it was not necessary to translate any of the figures.

c. Inflation effects on the financial information

According to the MFRS B-10 "Inflation effects", the Mexican economy is not in an inflationary environment, since cumulative inflation for the last three years is below 26% (maximum limit for an economy to be considered non-inflationary under MFRS). Therefore, as of January 1, 2008, the entity discontinued recognition of the effects of inflation on the financial information. Consequently, the figures at December 31, 2018 and 2017 shown in the accompanying consolidated financial statements are expressed in historical pesos, modified by the effects of inflation on the financial information recognized until December 31, 2007.

Following are the percentages of inflation in Mexico:

	December 31,	
	2018 (%)	2017 (%)
For the year	4.83	6.77
Cumulative in the last three years	15.69	12.26

d. Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value, and cash and cash equivalents in foreign currencies are valued at the exchange rate published by Banco de México (Banxico) at the date of the consolidated financial statements.

e. Investments in securities

Investments in securities include debt and capital securities, which are classified on the basis of the intended use assigned by Company's management at the time they are acquired as "for trading". Interest is recorded in the statement of income as it is earned.

Investments in securities are valued as described below.

Financial securities and instruments forming part of the investment portfolio are valued using restated valuation prices provided by specialists in calculating security portfolios (price vendors); those prices are authorized by the Commission.

Securities for trading are valued at fair value, which is similar to market value, on the basis of market values provided by price vendors. Fair value is the amount for which a financial instrument may be exchanged between interested and willing parties in a transaction free of influence.

Adjustments resulting from valuation of these categories are applied directly to income for the period or the Company's stockholders' equity, depending on whether involving trading or available-for-sale securities, respectively.

At December 31, 2018 and 2017, the Company did not assess whether there is objective evidence that a security had deteriorated considering, among others, that investments in securities are highly liquid and mature on one or less than one day.

f. Derivative Financial Instruments (DFI)

DFIs are initially recognized at fair value in the balance sheet as assets and/or liabilities on the date on which the respective derivative financial instrument agreement is entered into. They are classified depending on their intended use (established by Management) and are subsequently re-measured at fair value, provided by a price vendor.

The fair values of DFIs are determined based on recognized market prices, and when not traded on a market, they are determined based on discounted cash flows.

The method for recognizing the profit or loss on changes in fair value of derivative financial instruments depends on whether or not they are designated as hedges.

Derivatives, other than those that form part of a hedge relationship, are valued at fair value, without deducting the transaction costs incurred in the sale or other type of disposal, applying said valuation effect to income for the period. Valuation effects are recognized in the statement of income under "Intermediation result", except when Management designates them as hedges, in which case the effective portion is temporarily recorded in comprehensive income under Stockholders' equity, and is later reclassified to income (loss) at maturity. The ineffective portion is immediately recorded in income as part of intermediation income.

Additionally, the result from the purchase/sale of a derivative and the loss for impairment of financial assets stemming from the rights established in FDIs are recorded under Intermediation income (loss), and where applicable, the reversal effect too. At December 31, 2018 and 2017, the Company has no losses for impairment of FDI transactions, and it made no sales that could have an effect on intermediation income (loss).

DFIs used by the Company are regulated by an internal policy called "Policy for managing risks through Derivative Financial Instruments", which was adopted by all of the Company's businesses.

g. Loan portfolio

Financial factoring

Factoring operations are recorded at nominal value, for which a 90% advance is made (the remaining 10% is the guarantee) on the value of the document that the Company receives for factoring. The maximum term for a factoring loan is 120 days.

Interest recognized on secured factoring operations is determined based on the differences arising between the value of the assignment received deducted from the guarantee deposit, while in the case of unsecured factoring operations it is recognized on the total value of the assignment received. Said interest is recognized in income for the period under Interest income.

The outstanding balance of the factoring portfolio is recorded as non-performing portfolio when there is knowledge that the borrower has filed for bankruptcy, as per the provisions of the Bankruptcy Law, or when amortizations towards the loan have not been duly settled in the terms originally agreed upon.

The unpaid balance of the financial factoring portfolio in which outstanding balances are settled, or if restructured or renewed, show sustained payment, are classified as current portfolio.
Commissions collected on initial granting of credit lines and commissions known after granting the loan are recognized as interest income on the date on which they are incurred.

Costs and expenses associated with the initial granting of the loan are recorded as an expense over the same accounting period in which the respective commission income collected is recorded.

Unsecured loans

Loans and commercial loans, both performing and non-performing, represent the amount actually delivered to borrowers, plus interest as it arises, as per the loan payment schedule.

Loans are made after analyzing the financial position of the borrower, the economic feasibility of investment projects and other general factors established in the Company's internal manuals and policies.

Unpaid loan balances are recorded as non-performing portfolio when it is known that the borrower has been declared bankrupt in accordance with the Bankruptcy Law. Regardless of whether a borrower that has filed for bankruptcy continues making payments, the loan will be considered non-performing if payments thereon have not been settled in full in the terms originally agreed upon, considering the following:

- The debts consist of loans payable in a lump sum plus interest upon maturity, and are more than 30 calendar days overdue.
- Loans are payable in a lump sum at maturity and with periodic interest payments, and the respective interest payment is 90 or more calendar days past due, or 30 calendar days past due on the outstanding principal.
- If the debts consist of periodic installment payments on the principal and interest, which are 90 or more days past due.

Past due loans that are restructured or renewed remain in the non-performing portfolio as long as there is no evidence of sustained payment, as established in the accounting criteria. Loans with a lump sum payment on the principal at maturity and periodic interest payments, as well as loans with a lump sum payment on the principal and interest at maturity that are restructured during the term of the loan or renewed at any given moment, are considered past-due portfolio.

Loans classifying from the outset as revolving loans that are restructured or renewed at any time are considered to be performing only when the borrower has paid all interest accrued, when the loan shows no periods of past-due invoices, and when there are elements demonstrating the debtor's payment capacity, that is to say, when there is high likelihood of the debtor covering the payment.

An loan is not considered to be restructured when the full amount of lease payments due has been made at the realization date and where any of the following original conditions are modified:

i. Guarantees: only when they are extended or replaced by others of better quality.

ii. Interest rate: when the agreed interest rate is improved.

iii. Currency: provided that the rate corresponding to the new currency is applied.

iv. Date of payment: only when the change does not involve exceeding or modifying the periodicity of payments. In no case does the change in payment date allow parties to omit payment in a given period.

When a loan is considered past due, it stops accruing interest, even in the case of loans which, for contractual purposes, capitalize interest on the amount of the debt. During the time loans are held in the past-due portfolio, interest earned is recorded in memorandum accounts. For interest accrued not collected on such loans, the Company sets up a reserve for an equivalent amount when said loans are transferred to the non-performing portfolio, which is canceled when there is evidence of sustained payment. If past due interest is collected, it is recognized directly in income for the year.

Non-performing loans where outstanding balances are settled in full (principal and interest, among others) or, in the case of restructured or renewed loans, when there is evidence of sustained payment on the loan as required by the Accounting Criteria, are reclassified to the performing portfolio.

Commissions on the initial granting of loans are recorded as a deferred credit, which is amortized against income for the period by the straight-line method for the duration of the loan, except for those giving rise to revolving loans, which are amortized over a twelve-month period. Commissions known after the loan is granted are recorded on the date they are generated against income for the period.

Costs and expenses associated with the initial granting of the loan are recorded as a deferred charge, which is amortized against income for the period as an interest expense over the same accounting period in which the respective commission income collected is recorded.

h. Accounts receivable from operating leases

Operating leases

Leases in which a significant portion of the risks and benefits related to the leased items are retained by the lessor are classified as operating leases. Income received under an operating lease is recorded in income by the straight-line method throughout the lease period.

Accounts receivable on operating leases relate to amounts due pursuant to the contractual terms.

Leases paid in advance are recorded in deferred credits and early collections and are applied to leases as monthly rent payments come due.

Commissions charged on initial granting of operating loans are recorded as deferred credits under Interest income in income for the period and are recognized as rent payments accrue.

Lease payments received as guarantee deposited by clients are recorded as other accounts payable and are returned to the client upon conclusion of the agreement.

The balances of the operating lease portfolio are recorded as past due with respect to the amount of the monthly amortization not settled in its entirety after 30 calendar days of default.

When rent payments not collected become past due as per the payment arrangement, billing of rents incurred not collected is suspended. As long as loans are classified as part of the non-performing portfolio, control thereon is kept in memorandum accounts.

The past-due balances of the operating lease portfolio are transferred to the performing loan portfolio if outstanding balances are settled entirely.

The allowance for bad debts from operating leases is the same as the past-due balances.

Costs and expenses associated to a new lease agreement are recognized as a deferred charge and are amortized over the operating lease period and must be recorded in income as lease income is recognized

i. Preventive loan loss reserve (PLLR)

Recoverability of the preventive loan loss reserve is determined periodically, recognizing the respective PLLR, based on the internal methodology for rating the Company's loan portfolio.

In determining the aforementioned allowance, the Company classifies its clients considering its total exposure at the date of determining the PLLR and its performing loan and non-performing loan portfolio classification. In the case of clients with total exposure above 4,000,000 Investment Units (UDIs), the PLLR is determined applying the 0.5% to the total balance of the performing portfolio and a variable percentage to the non-performing loan portfolio, considering the classification assigned to each client mainly based on its financial risk and payment history. In the case of clients with total exposure under 4,000,000 UDIs, the PLLR is determined applying 0.5% to the total performing loan balance. The PLLR recorded is the higher of i) the result of the aforementioned criterion and ii) 100% of the non-performing loan portfolio.

The Company periodically evaluates whether a past due loan must remain in the balance sheet or be written off instead. In the latter case, the balance is written off by canceling the unpaid balance of the loan against the preventive loan loss reserve. In the event that the loan to be written off exceeds the amount of its allowance, before writing the respective amount off, the estimation for the allowance must be increased up to the amount of the difference.

Amounts recovered associated with written off or eliminated loans in the balance sheet are recorded in income for the year.

Pardons, quitclaims, rebates and discounts, either partial or total, are recorded with a charge to the preventive loan loss reserve. In the event that the amount of those items exceeds the balance of the respective allowance, the Company sets up an allowance for up to the amount of the difference.

The most recent operating lease and loan portfolio rating was performed at December 31, 2017; Management considers that the resulting allowance is sufficient to absorb portfolio loan risk losses.

j. Foreclosed assets

Foreclosed assets are recorded at the date on which the approval of the auction resulting in the award of assets enters into effect, and assets received as a result of payment in kind are recorded at the date on which the agreement for payment in kind is signed, or when transfer of ownership over the assets is formalized.

The carrying value at which the foreclosed assets or assets received as payment in kind (hereinafter foreclosed assets) are recorded is the lower of the cost or the net realization value at the award date, less the lower of strictly indispensable costs or expenses incurred. On the date on which foreclosed assets are recorded, the total value of the assets giving rise to the award, and the respective allowance, if any, are removed from the balance sheet. Also, if the portion corresponding to payments accrued or past due is only covered by a partial payment in kind, it is removed as well.

The amount of the allowance that recognizes potential value losses due to the aging of the foreclosed assets is determined based on the value of the foreclosed assets, following the procedures established in the applicable provisions.

Foreclosed assets are valued to recognize potential losses according to the type of assets, and the effect of the valuation is recorded in the statement of income for the period under Other operating income (expenses). This valuation is determined by applying the following percentages to each foreclosed asset:

Time elapsed as from the date the award is made (months)	Percentage of reserve (%)
Up to 12	0
More than 12 and up to 24	10
More than 24 and up to 30	15
More than 30 and up to 36	25
More than 36 and up to 42	30
More than 42 and up to 48	35
More than 48 and up to 54	40
More than 54 and up to 60	50
More than 60	100

The amount of the estimate that recognizes the potential loss of value over time of foreclosed assets is determined based on the value of the award, based on the procedures established in the applicable provisions.

At the time of sale, the difference between the sales price and the book value of the respective foreclosed assets, net of allowances, is recognized in income for the period under other operating income (expenses).

k. Permanent investments in shares

The Company recognizes its investments in associated companies and joint businesses over which it has significant influence without having control or joint control, by the equity method based on the book value, according to the most recent financial statements of those entities.

l. Property, machinery and equipment

Property, machinery and equipment for own use and for assigning under operating leases are expressed as follows: i) acquisitions made as from January 1, 2008 at historical cost, and ii) acquisitions made until December 31, 2007, restated by applying National Consumer Price Index (NCPI) factors to their acquisition costs. Consequently, they are expressed at modified historical cost, less accumulated depreciation and, when applicable, impairment loss.

The acquisition cost of property, machinery and equipment is depreciated systematically by the straight-line method based on the estimated useful lives of components of property, machinery and equipment.

Property, machinery and equipment are subject to annual impairment tests only when there is indication of impairment. At December 31, 2018 and 2017, there were no signs of impairment, and accordingly no impairment tests were performed.

m. Other assets

Prepayments recorded under other assets represent expenditures made by the Company where the risks and benefits of the goods to be acquired or services to be received have not been transferred. Prepayments are recorded at cost and presented in the balance sheet as other assets, depending on the item under which they are to be recorded. Prepayments in foreign currencies are recognized at the exchange rate in effect at the transaction date, without changes for subsequent fluctuations between currencies. Once the goods and/or services related to prepayments are received, they must be recognized as an asset or an expense in the statement of income for the period, depending on their respective nature.

n. Debt securities

Debt securities relate to long-term debt issued to generate working capital (international notes and debt securities), which are recorded at the contractual value of the obligations, recognizing interest in income as it accrues.

All issuance costs incurred are recorded under other assets as deferred charges, and are recognized in income for the period as interest expenses by the straight-line method over the term of each instrument. These costs are shown in income as part of interest paid.

Securitization

Securitization refers to a transaction, whereby certain assets are transferred to a vehicle created for that purpose (usually a trust), in order for the latter to issue debt securities to be placed with public and private investors. Securitizations conducted by the Company failed to meet the conditions set forth in the accounting criteria to qualify as a transfer of ownership.

Under a financing securitization, the seller records the financing but not the outflow of assets in the balance sheet. Yields generated by financial assets (collection rights over operating lease loan portfolios) under securitization are recorded in income for the period.

o. Bank loans and loans from other entities

Bank loans and loans from other entities refer to credit lines and other loans obtained from financial institutions that are recorded at the contractual value of the obligation, recognizing interest expenses in income as they accrue.

p. Provisions

Liability provisions represent current obligations for past events where the outflow of economic resources is possible (more likely than not). These provisions have been recorded based on management's best estimation.

q. Payable and deferred income tax

Payable and deferred taxes are applied to income for the period as an expense, except when arising from a transaction or event recognized outside income for the period as other comprehensive income or an item recognized directly in stockholders' equity.

Deferred income tax is recorded based on the comprehensive asset-and-liability method, which consists of recognizing deferred tax on all temporary differences between the accounting and tax values of assets and liabilities that will be materialized in the future, at the rates enacted in the effective tax provisions at financial statement date.

r. Perpetual subordinated debentures

Perpetual subordinated debentures are recognized at nominal value, based on the contractual value of operations, and is recorded directly in stockholders' equity, including the respective yields.

s. Stockholders' equity

The capital stock, share premium, capital reserve and prior years' income are expressed as follows: i) movements made after January 1, 2008 at historical cost, and ii) movements made before January 1, 2008 at restated values determined by applying NCPI factors to their historical values. Consequently, the different stockholders' equity items are expressed at modified historical cost.

The net share premium represents the surplus between the payment for subscribed shares and the value of Ps3.1250 per share at the date of subscription.

t. Other comprehensive income

Comprehensive (loss) income is comprised of the net gain (loss), plus the effects of conversion and the effects from valuation of derivative financial instruments available for sale, which is reflected in stockholders' equity and does not constitute capital contributions, reductions and distributions.

u. Memorandum accounts

The Company keeps memorandum accounts to control future collection rights associated to operating lease agreements, classified as lease fees to be accrued held in trust (collection rights transferred to a trust) and other lease fees to be accrued (the Company's own portfolio).

v. Revenue recognition

Interest on the loan portfolio is recognized as it accrues, except for interest on the overdue portfolio, which is recorded when the respective amounts are actually collected. Commissions collected on the initial granting of operating leasing and loans are recorded as a deferred credit, which is amortized against income for the year on a straight-line basis over the life of the lease arrangements and loans.

Income arising from management of trusts and income arising from administration or custodial services is recorded in income for the period as it accrues.

Income from the sale of property, machinery and equipment is recorded in income when all of the following requirements are met: a) the asset is sold, b) the risks and benefits associated to the goods are transferred to the purchaser and no significant control over such property is kept by the seller; c) income and costs incurred or to be incurred are determined reliably, and d) it is probable that the Company will receive the economic benefits associated to the sale.

w. Earnings per share

Basic earnings per share are calculated by dividing the net income for the year by the weighted average number of outstanding shares issued during the year.

There are no effects arising from potentially dilutive shares.

x. Related parties

The Company carries out transactions with related parties in the regular course of business. Related party transactions are understood to be transactions where related parties owe amounts payable to the Company in relation to deposit transactions or other cash and cash equivalents or loans, credit or discount operations, or revocable or irrevocable discounts granted, and documented through debt securities or agreements, or restructurings, renewals or amendments to existing loans.

y. Exchange differences

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the dates they are entered into and/or settled. Assets and liabilities denominated in such currencies are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising from fluctuations in the exchange rates between the transactions and settlement dates, or the valuation at the period closing date, are recognized in interest income (losses) according to their respective nature.

z. Financial information by segment

The accounting criteria establish that in identifying the different operating segments, the Company must segregate its activities based on its credit operations. Additionally, given the importance of this matter, the Company may identify additional operating segments or sub segments in the future.

The accounting criteria do not require disclosure per each geographic area in which the Company operates, in which the identified segment generates income or holds productive assets.

Note 4 - Foreign currency position:

At December 31, 2018 and 2017, the Company held the following US dollar (Dlls.) position:

	2018	2017
Assets	Dlls.1,190,197	Dlls.1,088,384
Liabilities	(1,183,988)	(1,085,617)
Net long position	Dlls. 6,209	Dlls. 2,767

At December 31, 2018 and 2017, the exchange rates used by the Company to value its foreign currency assets and liabilities were Ps19.6566 and Ps19.7354, per dollar, respectively. At March 4, 2018, date of issue of these financial statements, the exchange rate was Ps19.2978 per US dollar.

Note 5 - Cash and cash equivalents:

This item is comprised as follows:

	Local currency		Foreign currency restated to pesos		December 31,	
	2018	2017	2018	2017	2018	2017
Cash on hand	Ps -	Ps 23,583	Ps -	Ps -	Ps -	Ps 23,583
Local and foreign banks	191,702	107,280	184,484	66,302	376,186	173,582
Total cash and cash equivalents	Ps191,702	Ps130,863	Ps184,484	Ps66,302	Ps376,186	Ps197,165

Balances in foreign currencies total Dlls.9,385,397 and Dlls.3,359,547, converted at the exchange rate of Ps19.6566 in 2018 and Ps19.7354 in 2017.

Note 6 – Investments in securities:

The investments in securities caption is comprised as follows:

	Foreign currency		Foreign currency restated to pesos		Total at December 31,	
	2018	2017	2018	2017	2018	2017
Promissory notes with yields:						
Payable at maturity (PRLV)	Ps 114,405	Ps 185,100	Ps 784,829	Ps 986,770	Ps 899,235	Ps 1,171,870
Federal Government Development Bonds (Bondes)	2,631,202	1,066,302	-	-	2,631,202	1,066,302
Total investments in securities	Ps2,745,530	Ps1,251,402	Ps 784,829	Ps 986,770	Ps3,530,359	Ps2,238,172

At December 31, 2018 and 2017, investments in Bondes relate to cash flows intended for the Company's securitization trusts.

PRLVs and Bondes bear daily interest of approximately 7.45 and 6.91% per year, respectively. The weighted average maturity of these securities is approximately 1.5 days in 2018 and 2017.

Foreign currency balances totaled Dlls.39,927,013 and Dlls.50,000,000, converted at the exchange rate of Ps19.6566 in 2018 and Ps19.7354 in 2017.

Note 7 - Operations with DFI:

At December 31, 2018 and 2017, the Company has contracted interest-rate swaps (IRS), cross-currency swaps (CCS) and CAP options, all classified as instruments to hedge cash flows, in compliance with the conditions in place for use of accounting for hedges established by the Commission.

Diciembre de 2018 y 2017 de IFD se detallan a continuación:

Hedged liability	Type of DFI	DFI rating	Notional value	Value of Underlying asset at December 31		Fair value of DFI at December 31		Maturity year	Short/Long position
				2018	2017	2018	2017		
International notes	CCS	Hedge	Ps2,370,000	19.6566	19.7354	Ps 303,403	Ps465,132	2025	Long dollar
International notes	CCS	Hedge	1,422,000	19.6566	19.7354	242,146	273,450	2025	Long dollar
International notes	CCS	Hedge	948,000	19.6566	19.7354	161,887	182,836	2025	Long dollar
International notes	CCS	Hedge	1,422,000	19.6566	19.7354	243,515	275,059	2025	Long dollar
International notes	CCS	Hedge	1,422,000	19.6566	19.7354	281,278	274,254	2025	Long dollar
International notes	CCS	Hedge	1,387,500	19.6566	19.7354	428,523	423,087	2023	Long dollar
International notes	CCS	Hedge	1,850,000	19.6566	19.7354	574,303	676,939	2023	Long dollar
International notes	CCS	Hedge	1,850,000	19.6566	19.7354	574,303	681,361	2023	Long dollar
International notes	CCS	Hedge	1,156,250	19.6566	19.7354	358,480	422,534	2023	Long dollar
International notes	CCS	Hedge	1,156,250	19.6566	19.7354	358,939	505,051	2023	Long dollar
Bank loan	CCS	Hedge	2,901,377	19.6566	19.7354	116,920	118,391	2020	Long dollar / Long Libor
Bank loan	CCS	Hedge	1,575,340	19.6566	-	61,188	-	2025	Long dollar / Long Libor
Bank loan	CCS	Hedge	472,563	-	19.7354	-	29,273	2019	Long dollar / Long Libor
Private strucutre	IRS	Hedge	2,250,000	8.5956	7.6241	(3,792)	80,269	2023	Long TIIE 28
UNFINCB 17-3	IRS	Hedge	2,500,000	8.5956	7.6241	(5,225)	85,654	2022	Long TIIE 28
UNFINCB 17-2	IRS	Hedge	1,500,000	8.5956	7.6241	4,494	22,008	2022	Long TIIE 28
UNFINCB 16	CAP	Hedge	250,000	8.5956	7.6241	5,826	2,824	2021	Long TIIE 28
UNFINCB 16	CAP	Hedge	1,000,000	8.5956	7.6241	22,427	11,295	2021	Long TIIE 28
UFINCB 16	CAP	Hedge	2,500,000	8.5956	7.6241	36,847	21,799	2021	Long TIIE 28
UNFINCB 15	CAP	Hedge	2,000,000	8.5956	7.6241	26,907	28,697	2020	Longa TIIE 28
UFINCB 15	CAP	Hedge	2,000,000	-	7.6241	-	18,204	2020	Long TIIE 28
International notes	CCS	Hedge	1,854,250	19.6566	-	44,913	-	2025	Long dollar
International notes	CCS	Hedge	927,125	19.6566	-	21,985	-	2025	Long dollar
International notes	CCS	Hedge	1,854,250	19.6566	-	43,969	-	2025	Long dollar
International notes	CCS	Hedge	1,895,000	19.6566	-	403,763	-	2026	Long dollar
International notes	CCS	Hedge	947,500	19.6566	-	198,825	-	2026	Long dollar
International notes	CCS	Hedge	1,421,250	19.6566	-	298,687	-	2026	Long dollar
International notes	CCS	Hedge	1,421,250	19.6566	-	298,611	-	2026	Long dollar
Total derivatives						Ps5,103,120	Ps4,598,117		

In 2018, the following DFIs were contracted:

Ten CCS contracts to mitigate the risks of fluctuations in the exchange rate and reference interest rate (TIIE) for the issue of 144A Reg/S international notes in the amount of 300 million dollars, 200 million dollars and 250 million dollars, as well as the Barclays USD bank loan for 83 million dollars..

In 2018 and 2017, the effects recognized in stockholders' equity for valuation of derivative financial instruments, segmented per type of instrument, were as follows:

2018				
Balance at January 1, 2018	Cross currency swap	Interest rate swap	Options CAP	Balance at December 31, 2018
Ps 881,250	(Ps 203,479)	(Ps4,802)	(Ps 2,596)	Ps670,373

2017				
Balance at January 1, 2017	Cross currency swap	Interest rate swap	Options CAP	Balance at December 31, 2017
Ps 217,738	Ps 624,431	Ps27,138	Ps 11,943	Ps881,250

Interest accrued on liabilities hedged by DFIs bear quarterly and bi-annual interest. The valuation differences of those payments between the value set in the respective agreements and the market variable at payment date are recorded in the statement of income.

Given that the reference variables per exchange rate and interest rate differed from those contracted in for DFIs at December 31, 2018 and 2017, the Company had a positive (negative) impact in the statement of income for interest paid, as opposed to the effects that would have resulted had it not contracted any FDIs at those dates. Following is the effect of hedges contracted by the Company at December 31, 2018 and 2017:

	2018	2017
Cross currency swap	(Ps 775,964)	(Ps366,634)
Interest rate swap	17,225	21,350
CAP options	135,271	9,193
	(Ps 623,468)	(Ps336,091)

In general terms, Management considers the effect to be mostly negative in 2018 and 2017, but expects it to reverse in subsequent periods when it expects to see an increase in the reference exchange rate. Additionally, at December 31, 2018 and 2017, the negative effect is compensated by the positive book entry for valuation of DFIs in stockholders' equity.

The hedge level at December 31, 2018 and 2017 is for 100% of obligations contracted in dollars for debt securities, both exchange rate and interest rate.

At December 31, 2018 and 2017, the Company has no financial assets arising from derivative financial operations that it must test for impairment.

At December 31, 2018 and 2017, the Company has given no cash or financial assets as collateral for liabilities arising from DFIs.

<u>FDI Management</u>

The acquisition of an FDI contract must be associated to a hedge for a primary position, as could be the Company's payment of interest at a specific rate and a foreign currency payment at a specific exchange rate, among others.

The Company may not conduct derivatives transactions for speculation purposes, but rather only for hedging purposes, unless the Finance and Planning Committee determines otherwise, and the Company issues prior notice of changes in its operations with derivative instruments.

Any proposals for contracting, extending, renewing and canceling DFIs are submitted for review to the Finance and Planning Committee, which relies on relevant judgment factors to decide on the advisability of the hedge. Once the Committee issues a favorable opinion, it is submitted to Senior Management for approval.

At its quarterly meetings, the Audit and Corporate Practices Committee is presented with a report that includes all DFI operations conducted in the quarter.

Following are the main Company objectives of conducting FDI operations:

- Reducing to a minimum the Company's obligations with regard to the volatility of financial and market variables to which it is exposed.

- Ensuring effective control over the financial hedge portfolio.

- Having long-term coverage, mainly of interest rates and exchange rates for financing assets, in order to provide certainty to lease, factoring and loan operations conducted by the Company.

The main derivatives operations designated as hedges by the Company in 2018 and 2017 are:

- Cross-Currency Swaps (CCS) agreements entered into to mitigate the risks of exchange fluctuations in the peso/dollar and interest rates.

- Interest-Rate Swaps (IRS) agreements entered into to mitigate the risks of interest rate fluctuations.

- Interest rate options (CAP) aimed at hedging interest rate fluctuations.

Management establishes the applicable limits (amounts and parameters) for conducting DFI operations in accordance with market conditions and the cost of each instrument. Financial risk hedging strategies are included in the Governance standards and/or practices established by Management.

The financial markets in which the Company conducts its derivative financial instruments operations are known as Over The Counter (OTC) markets.

The Company uses hedging DFIs commonly traded in OTC markets, which can be quoted with two or more financial entities to ensure ideal transaction conditions. The financial entities and counterparts with which the Company contracts said instruments have a good standing in the market. Additionally, the Company approaches financial entities with which it has a reciprocal business relationship, which, among other benefits, allows it to balance the risk positions of its counterparts. The Company designates the counterparts as the calculation agents, who periodically send in statements of account of the open positions of those DFIs. However, the Company's General Administration and Finance Office is responsible for: i) calculating the fair value of DFIs (better known as Mark to Market); ii) preparing the respective comparative analyses with the financial entities that serve as the counterparts, and; iii) supplying the necessary information to Senior Management and to the Finance and Planning Committee and the Audit and Corporate Practices Committee, where applicable.

DFIs are documented through master agreements, which contain the guidelines and policies established in international agreements, such as the rules approved by the International Swap and Derivatives Association, Inc. (ISDA), and adhere at all times to the applicable regulations and are formalized by the Company's and its counterparts' legal representatives. The additional obligations of derivatives operations contained in the master agreement include the following:

- Supplying periodic legal financial information agreed by the parties when confirming those operations.
- Documenting and managing judicial and extrajudicial processes followed in the event of non-compliance by either party.
- Complying with the applicable laws and regulations.
- Keeping internal, government or other types of authorizations in force required to comply with its obligations pursuant to the signed agreement.
- Immediately notifying the counterpart when it becomes aware of a cause for early termination.

Operations are conducted in strict adherence to the guidelines, terms and conditions set forth in the master agreements. They also establish obligations for the Company to guarantee prompt and timely compliance with the accords reached; therefore, if any of the established obligations are not met, the counterpart may demand payment of the amount established under the contractual terms

In keeping a certain level of exposure to risk within the limits approved by the Finance and Planning Committee and the Audit and Corporate Practices Committee, the General Administration and Finance Office periodically reports information on FDIs to the Senior Management, the aforementioned Committees and the Board of Directors.

The Company's Board of Directors appoints the Comprehensive Risk Management office as the body responsible for following up on the main risks to which the Company is exposed. In carrying out that work, the Board of Directors relies on the Audit and Corporate Practices Committee, which oversees the analysis of FDI operations.

In order to measure and assess the risks assumed in FDI operations, the Company has programs in place to calculate the value at risk (VaR), conduct stress tests in extreme conditions and monitor liquidity.

The latter task considers the Company's financial assets and liabilities, as well as the loans granted by the Company.

At December 31, 2018 and 2017, current DFIs are designated in full as hedge instruments, which means that the effects of changes in fair value are recognized under stockholders' equity in the "Result for valuation of cash flow hedge instruments" line item.

The hedge relationship is assessed monthly from the beginning through all its subsequent phases, through the sum of discounted flows, taking into account current and future market conditions that affect the assessment.

The present hedge ratio is 100% of the obligation contracted in US dollars, since the full amount of dollar payments is covered at a fixed exchange rate and a fixed interest rate.

DFI effectiveness is determined through prospective tests using the sensitivity method and stressing the exchange rate. The hedge percentage is arrived at, which is within the permitted parameters (80%-125%). In conducting retrospective tests, the Company uses the dollar offset method, which compares changes in fair value of the hedge instrument and the primary position. As a result of the aforementioned effectiveness tests, at December 31, 2018 and 2017 it was unnecessary to recognize an ineffective portion in the statement of income.

DFI related requirements are addressed with internal and external sources of liquidity. Internal sources of liquidity include the Company's own generation of resources from its operations and capital, which have been sufficient to cover the risks associated to those instruments, and the external source is supplied by revolving lines of credit held at different lending entities.

Comprehensive risk management (CRM)

Comprehensive risk management is overseen by the Comprehensive Risk Management Office, which, according to the Securities Market Law in force, is the body in charge of following up on the main risks to which the Company and its subsidiaries are exposed.

When entering into FDI agreements, the Company is mainly exposed to liquidity risks to comply with the obligations acquired through said FDI agreements. Prior to contracting DFIs, Management prepares projections of the cash flows it expects to receive from its credit and lease operations, in order to verify the sufficiency of future cash flows.

The Comprehensive Risk Management department monthly monitors the Company's risk exposure to liquidity, credit and market risk, in order to reduce to a minimum the potential negative effects arising from its financial operations.

Credit risk

Exposure to credit risk arises from the possibility of a counterpart not complying with its contractual payment obligations, which could cause the Company to incur losses. A counterpart, also known as the borrower, is the business entity or individual bound by an agreement in a business transaction.

The Company mitigates said risk by contracting FDIs only with well-known international financial entities with headquarters abroad and investment grade ratings recognized by the main international rating agencies.

Effective credit risk management requires ensuring accurate, timely, agile communications and knowledge on financial entities, jurisdictions, industries and products. The process for managing credit risk includes:

- Approving transactions and establishing and reporting credit limit exposures.
- Monitoring compliance with exposure to established risk limits.
- Determining the likelihood of a counterpart defaulting on its obligations.
- Measuring the Company's current and potential exposure and the losses resulting from counterpart default.
- Communicating and collaborating with other independent control and support areas, such as Operations, Legal and Compliance.

As part of the process, the credit risk management area carries out credit reviews that include initial and recurring analyses of counterparts. A credit review is an independent judgment of a counterpart's capacity and disposition to comply with its financial obligations. The core aspect of that process is a periodic review of counterparts and their exposure to credit risk. A counterpart review is an analysis of its business profile and financial capabilities.

Liquidity risk

The Company has sufficient liquidity from its own operations to settle its obligations to the counterpart. That risk is verified through stress tests whereby, in a completely adverse scenario, the Company is able to continue complying with its obligations on a timely basis.

Maturities of financial liabilities arising from issue of international bonds of Ps25,304,62, debt issue of $12,000,000 and bank loans of Ps4,476,717 hedged by DFIs at December 31, 2018, not including interest, are as follows:

	Amount
1 year	Ps -
2 years	4,901,377
3 years	5,325,340
4 years	4,000,000
5 years	9,650,000
More than 5 years	17,904,625
Total	Ps41,781,342

Market risk

Market risk is the loss in value of positions due to changes in market conditions. The Company applies the following market risk measurements:

- Interest rate risk: resulting from exposure to volatility in interest rates.

- Exchange rate risk: resulting from exposure to changes in prices due to exchange rate volatility.

The Company mitigates market risk by contracting interest rate and exchange rate derivatives, thus covering market risk arising from macroeconomic aspects of the movements of those underlying items. For this purpose, it is necessary to ensure constant communication between the cash generating areas, the risk managers and senior management.

In order to measure and assess the risks assumed in DFI operations, the Company has programs in place to calculate the value at risk (VaR), conduct stress tests in extreme conditions and monitor liquidity. The latter task considers the Company's financial assets and liabilities, as well as the loans made by the Company.

Following is a summary of prospective tests classified per liability hedged by the DFIs to measure hedge effectiveness at December 31, 2018.

Exchange rate hedge for issue of international notes maturing in 2026:

Type of contract:	DFI rate	Notional value In thousands (Dlls)	Type of DFI	Starting date	Termination date
CCS	8.85%	100,000	Hedge	12-feb-2018	12-feb-2026
CCS	8.90%	75,000	Hedge	12-feb-2018	12-feb-2026
CCS	8.91%	50,000	Hedge	12-feb-2018	12-feb-2026
CCS	8.89%	75,000	Hedge	12-feb-2018	12-feb-2026

Results of prospective tests to measure hedge effectiveness:

	Fair value of DFI	Primary position	Change in derivative	Change in primary position	Percentage of effectiveness
Fair value at December 31, 2018	Ps1,199,887	Ps1,199,887	Ps -	Ps -	-
Estimated value with -30%	9,520,321	9,520,321	(8,320,435)	(8,320,435)	100%
Estimated value with -20%	6,034,318	6,034,318	(4,834,432)	(4,834,432)	100%
Estimated value with -10%	3,322,983	3,322,983	(2,123,097)	(2,123,097)	100%
Estimated value with 10%	(620,778)	(620,778)	1,820,664	1,820,664	100%
Estimated value with 20%	(2,099,688)	(2,099,688)	3,299,574	3,299,574	100%
Estimated value with 30%	(3,351,073)	(3,351,073)	4,550,960	4,550,960	100%

Exchange rate hedge for issuing international notes maturing in 2025:

Type of contract:	DFI rate	Notional value In thousands (Dlls)	Type of DFI	Starting Date	Termination date
CCS	11.71%	125,000	Hedge	15-may-2017	15-jan-2025
CCS	11.78%	75,000	Hedge	15-may-2017	15-jan-2025
CCS	11.77%	50,000	Hedge	15-may-2017	15-jan-2025
CCS	11.76%	75,000	Hedge	15-may-2017	15-jan-2025
CCS	11.71%	75,000	Hedge	15-may-2017	15-jan-2025

Results of prospective tests to measure hedge effectiveness:

	Fair value of DFI	Primary position	Change in derivative	Change in primary position	Percentage of effectiveness
Fair value at December 31, 2018	Ps1,232,229	Ps 1,378,494	Ps -	Ps -	
Estimated value with -30%	9,776,934	10,937,456	(8,544,706)	(9,558,962)	112%
Estimated value with -20%	6,196,969	6,932,549	(4,964,740)	(5,554,055)	112%
Estimated value with -10%	3,412,551	3,817,621	(2,180,323)	(2,439,127)	112%
Estimated value with 10%	(637,510)	(713,183)	1,869,739	2,091,677	112%
Estimated value with 20%	(2,156,283)	(2,412,234)	3,388,512	3,790,728	112%
Estimated value with 30%	(3,441,399)	(3,849,893)	4,673,628	5,228,387	112%

Exchange rate hedge for issuing international notes maturing in 2023:

Type of contract:	DFI rate	Notional value In thousands (Dlls)	Type of DFI	Starting date	Termination date
CCS	8.38%	100,000	Hedge	27-sep-2016	27-sep-2023
CCS	8.42%	75,000	Hedge	27-sep-2016	27-sep-2023
CCS	8.33%	100,000	Hedge	27-sep-2016	27-sep-2023
CCS	8.38%	62,500	Hedge	27-sep-2016	27-sep-2023
CCS	8.39%	62,500	Hedge	27-sep-2016	27-sep-2023

Results of prospective tests to measure hedge effectiveness:

	Fair value of DFI	Primary position	Change in derivative	Change in primary position	Percentage of effectiveness
Fair value at December 31, 2018	Ps 2,294,548	Ps 2,294,548	Ps -	Ps -	
Estimated value with -30%	11,030,738	11,030,738	(8,736,190)	(8,736,190)	100%
Estimated value with -20%	7,588,416	7,588,416	(5,293,868)	(5,293,868)	100%
Estimated value with -10%	4,911,055	4,911,055	(2,616,507)	(2,616,507)	100%
Estimated value with 10%	1,016,712	1,016,712	1,277,836	1,277,836	100%
Estimated value with 20%	(443,667)	(443,667)	2,738,215	2,738,215	100%
Estimated value with 30%	(1,679,372)	(1,679,372)	3,973,920	3,973,920	100%

Exchange rate hedge for bank loans:

Type of contract:	DFI rate	Notional value In thousands (Dlls)	Type of DFI	Starting date	Termination date
CCS	11.85%	151,500	Hedge	14-dic-2017	14-apr-2020
CCS	11.00%	83,000	Hedge	10-aug-2018	09-aug-2021

Results of prospective tests to measure hedge effectiveness:

Interest rate hedge for issuing debt instruments in domestic markets:

	Fair value of DFI	Primary position	Change in derivative	Change in primary position	Percentage of effectiveness
Fair value at December 31, 2018	Ps 178,107	Ps 178,107	Ps -	Ps -	
Estimated value with -30%	2,675,551	2,675,551	(2,497,444)	(2,497,444)	100%
Estimated value with -20%	1,525,243	1,525,243	(1,347,136)	(1,347,136)	100%
Estimated value with -10%	630,559	630,559	(452,452)	(452,452)	100%
Estimated value with 10%	(670,799)	(670,799)	848,906	848,906	100%
Estimated value with 20%	(1,158,808)	(1,158,808)	1,336,915	1,336,915	100%
Estimated value with 30%	(1,571,739)	(1,571,739)	1,749,846	1,749,846	100%

Exchange rate hedge for bank loans:

Type of contract:	DFI rate	Notional value In thousands (Dlls)	Type of DFI	Starting date	Termination date
IRS	9.45%	1,500,000	Hedge	28-apr-2017	28-mar-2022
IRS	8.99%	2,500,000	Hedge	18-sep-2017	23-sep-2022
IRS	8.89%	2,250,000	Hedge	21-mar-2017	21-mar-2023

Results of prospective tests to measure hedge effectiveness:

	Fair value of DFI	Primary position	Change in derivative	Change in primary position	Percentage of effectiveness
Fair value at December 31, 2018	(Ps 4,523)	(Ps 4,523)	Ps -	Ps -	
Estimated value with -30%	35,890	35,890	(40,413)	(40,413)	100%
Estimated value with -20%	22,748	22,748	(27,272)	(27,272)	100%
Estimated value with -10%	12,527	12,527	(17,050)	(17,050)	100%
Estimated value with 10%	(2,340)	(2,340)	(2,183)	(2,183)	100%
Estimated value with 20%	(7,915)	(7,915)	3,392	3,392	100%
Estimated value with 30%	(12,633)	(12,633)	8,110	8,110	100%

Note 8 - Loan portfolio:

The classification of performing and non-performing loans at December 31, 2018 and 2017 is as follows:

Performing portfolio	2018	2017
Commercial loans:		
Unsecured loans	Ps4,018,038	Ps1,170,512
Car loans	1,720,813	1,668,249
Factoring	2,598,705	2,484,589
	8,337,556	5,323,350
Consumer loans:		
Car loans	86,317	119,792
Total performing portfolio	8,423,873	5,443,142
Non-performing portfolio		
Commercial loans:		
Factoring	147,762	26,046
Car loans	44,343	5,112
Consumer loans	192,105	31,158
	7,794	7,586
Car loans		
Total non-performing portfolio	199,899	38,744
Total loan portfolio	Ps8,623,772	Ps5,481,886

At December 31, 2018 and 2017, the aging of the total non-performing portfolio is as shown below:

	2018			2017		
Type of portfolio	1 to 180	181 onwards	Total	1 to 180	181 onwards	Total
Factoring	Ps24,330	Ps123,432	Ps147,762	Ps 6,721	Ps19,325	Ps 26,046
Consumer loans	4,765	3,029	7,794	7,586	-	7,586
Car loans	35,170	9,173	44,343	5,112	-	5,112
Total past due portfolio	Ps64,265	Ps135,634	Ps199,899	Ps19,419	Ps19,325	Ps 38,744

At December 31, 2018 and 2017, the loan portfolio rating and the preventive loan loss reserve are comprised as follows:

	Portfolio				Global preventive reserve		
	%		Amount			Amount	
Risk	2018	2017	2018	2017	Provision (%)	2018	2017
A-1	99.22	74.74	Ps8,297,847	Ps4,097,225	0.50	Ps 82,688	Ps32,928
A-2	-	0.92	-	50,438	0.51	-	250
B-1	-	2.59	-	141,818	1.00	-	709
B-2	0.11	12.63	8,725	692,174	5.00	380	3,460
B-3	2.74	9.12	235,741	500,228	10.00	1,230	2,697
C-1	0.01	-	1,497	-	30.00	416	-
C-2	-	-	-	-	40.00	-	-
E	0.92	-	79,963	-	60.00	39,981	-
	100.00	100.00	Ps8,623,773	Ps5,481,883		Ps124,695	Ps40,044

At December 31, 2018 and 2017, the loan portfolio rated per type of loan is made up as follows:

	December 31, 2018				December 31, 2017
Risk level	Financial factoring	Unsecured loans	Car loans	Total	Total
A-1	Ps2,422,838	Ps4,018,040	Ps1,856,969	Ps8,297,847	Ps4,097,225
A-2	-	-	-	-	50,438
B-1	-	-	-	-	141,818
B-2	8,725	-	-	8,725	692,174
B-3	234,939	-	802	235,741	500,228
C-1	-	-	1,497	1,497	-
C-2	-	-	-	-	-
E	79,963	-	-	79,963	-
Total portfolio	Ps2,746,465	Ps4,018,040	Ps1,859,268	Ps8,623,773	Ps5,481,883

The preventive loan loss reserve per type of loan is comprised as shown below:

	December 31, 2018				December 31, 2017
Risk level	Financial factoring	Unsecured loans	Car loans	Total	Total
A-1	Ps53,313	Ps20,090	Ps9,285	Ps 82,688	Ps32,928
A-2	-	-	-	-	250
B-1	-	-	-	-	709
B-2	380	-	-	380	3,460
B-3	1,175	-	55	1,230	2,697
C-1	-	-	416	416	-
C-2	-	-	-	-	-
E	39,981	-	-	39,981	-
Total portfolio	Ps94,849	Ps20,090	Ps9,756	Ps124,695	Ps40,044

At December 31, 2018 and 2017, the preventive loan loss reserve not yet recorded totaled Ps199,899 and Ps40,044, which was set up for the higher of the result of the loan portfolio rating and 100% of the non-performing loan portfolio.

The movements in the preventive loan loss reserve are as follows:

	December 31,	
	2018	2017
Balances at the beginning of the year	Ps 38,744	Ps 12,900
Increases	161,155	25,844
Balances at year end	Ps 199,899	Ps 38,744

The behavior of the loan loss reserve hedge is shown below:

	December 31,	
	2018	2017
Recorded loan loss reserve	Ps 199,899	Ps 38,744
Required loan loss reserve	199,899	40,044
(Deficit) excess in loan loss reserve	Ps -	(Ps 1,300)
Total non-performing loan portfolio hedge	100.00%	100.00%

At December 31, 2018 and 2017, no quitclaims, pardons and total or partial discounts have been made with a charge to the preventive loan loss reserve.

Policies for granting loans

The main policies and procedures in place to grant, control and recover loans, as wells as those for evaluation and follow up on credit risk, are shown below:

Criteria for acceptance

Loan applicants must comply with the following requirements:

1. The entity must not be in a state of bankruptcy.

2. The amount of the funding must not be excessive in light of the level of sales and/or stockholders' equity.

3. The total liability/total stockholders' equity leveraging financial ratio must not be above 2.0, depending on the entity's line of business.

4. The applicant's entity must not be a newly created company, unless it is an investment project that can attest to having a proper level of experience or that has successfully completed two projects similar to the project in question.

5. It must not be or have been in a state of suspension of payments.

6. The rating of the requesting party's payment history issued by other banks through the credit bureau report must be A1, A2 or B at the lowest.

7. It must not be involved in any type of lawsuits or preventive attachments.

8. It must not have reported losses in the most recent two-year period, unless the most recent financial statements of the applicant can show that the loss trend has been reversed and that profits are being generated.

Loan management policies:

1. Creation and maintenance of a loan file for the purpose of following up on a borrower and on the loans granted.

2. All documentation supporting loan transactions must be kept in the operations file, which must be safeguarded by the factoring operations deputy director's office.

3. Compulsory quarterly reviews of the rating issued for the total loan client portfolio.

4. Semiannual visual reviews and reports of such visits to the company or business.

5. Client payment behavior must be monitored through semiannual consultations with the credit bureau, which will also issue a portfolio rating.
6. Recording of preventive loan loss reserves derived from the loan rating process.

Collection policies

1. Management of a loan ends when the capital, interest and any surcharges are fully collected on each factoring operation processed with a client.

2. Collection can be made in one of three forms:

   a. Regular.
   b. Administrative.
   c. Through litigation or contentious procedures.

3. Policies for loan restructuring or loans under observation.

The heads of the collection and business departments are in charge of monitoring problem loans where the probability of default is very high.

Policies for credit risk concentrations

Amounts to be granted to each of the principal economic sectors and subsectors, determining the maximum amount to be granted in terms of a percentage of the Company's net capital, both for individuals and for business entities, establishing the desired concentrations according to the types of loans, terms and currency, that will allow locating and concentrating the effects of the rating of the portfolio from which they stem, at the levels demanding fewer preventive loan loss reserve-related requirements.

Portfolio concentration goals and quarterly follow up thereon is established, in order to properly diversify the loan portfolio based on the Company's target market.

Note 9 - Other accounts receivable - Net:

Other accounts receivable at December 31, 2018 and 2017 are comprised as follows:

	December 31,	
	2018	2017
Operating lease accounts receivable	Ps1,815,371	Ps1,298,948
Past-due operating lease accounts receivable	316,476	269,057
Operating lease preventive reserve	(366,418)	(269,057)
Operating lease accounts receivable, net	1,765,429	1,298,948
Other	2,532,351	3,758,217
	Ps4,297,780	Ps5,057,165

At December, 2018 and 2107, the Others caption includes mainly advances for fixed asset acquisitions related to the accounts payable shown under sundry creditors and accounts payable of Ps2,532,351 and Ps2,816,696, respectively.

At December 31, 2017, total future minimum lease payments under operating leases relate to the following maturities:

	Amount
Up to one year	Ps 12,976,853
Two years	11,893,020
Three years	9,313,010
Four years	4,598,675
Total	Ps 38,781,558

The terms and conditions of operating leases agreed by the Company at December 31, 2018 and 2017 are as follows:

The parties agree to the master agreement in order to establish the bases and general parameters that apply to the legal relationship between the parties, noting that the master agreement will govern multiple leases that will be documented in lease contracts known as “Amending agreements”, which must include the following information:

1. A description of Goods: brand, type, serial number, engine number, etc.
2. Term of the lease.
3. Date of the first and second payment.
4. Initial payment date.
5. Where applicable, the customer will pay the first rent in advance.
6. Monthly rent.
7. Guarantee deposit.
8. Origination fee.
9. Late- payment interest rate.
10. On vehicles, the mileage authorized.
11. Rental type, fixed or variable.
12. Legal representative’s data.
13. Where applicable, joint obligor and/or joint guarantor.
14. Designation of the depositary of the leased goods.
15. Where appropriate, constitution of further guarantees or obligations.
16. Signatures of the parties.

Use of leased property

The lessee may only use the good(s) leased in the territory of Mexico and they may be used by people or employees at its service or by persons authorized by the lessee as the solely liable party.

The lessee may only use the good(s) leased for use in accordance with the agreed terms or the nature and purpose thereof.
The lessee must not sublet or lease in any way the goods to third parties, or assign, in whole or in part, the rights and obligations under the master agreement, without the prior written consent of the lessor.

Conversely, the lessor may assign, transfer or otherwise encumber all or part of its rights under the master agreement and exhibits to contract, which will be sufficient to notify the lessee.

The lessee is solely liable for all expenses directly or indirectly related to the conservation, functionality, safety and maintenance of (the) good(s) leased.

Insurance

The lessor must contract one or more insurance policies with reputable insurers, whereby the Company is designated as the first beneficiary of any sums payable in the event of an incident.

Cases of termination

The master agreement may be cancelled or terminated in advance without liability to the lessor in the following cases, among others:

a. Any breach in relation to the principal and accessory obligations of the lessee or any of (the) joint obligor(s) and/or (the) joint guarantor(s) under the master agreement or the contract amendments.

b. If the lessee is an individual, a business entity or a commercial entity and it files for bankruptcy or is declared bankrupt, either voluntarily or at the request of any of its creditors.

c. If the good(s) leased (is) are subject to foreclosure, preventive attachment, limiting domain or any other similar charge.

d. If the lessee is subject to dissolution or a liquidation procedure by agreement of the partners or shareholders; by the authorities or any third party.

e. If the lessee makes a transfer of property or rights to the detriment of its creditors.

f. If the shares or equity participation units of the lessee are sold, foreclosed or in any way affected.

g. If the lessee is a commercial entity and it merges or its merged into another company or companies.

h. If the lessee is an individual, business entity or commercial entity and it is subjected to processing procedures by their partners or shareholders.

i. If one of the joint obligor(s) and/or joint guarantor(s) dies, except when the lessor assigns a new person as joint obligor(s) and/or joint guarantor(s).

j. If the designated depositary in all or any of the agreements, including the exhibits thereto, fails to meet its obligations assumed or presumed or, if there is an event that threatens the availability of the goods in their favor.

k. If the lessee in any form transfers or sells a substantial part of its property, assets or rights, thus falling under temporary or permanent state of insolvency.

l. If the collateral or additional requirements that relate to the last paragraph of clause twenty of the master agreement are not met.

m. If the lessee and/or any of (the) joint obligor(s) and/or joint guarantor(s) is (are) a business entity or an individual making dividend payments, reducing its capital stock or making payments for liabilities to related parties without the prior written consent of the lessor.

In the event that any of the aforementioned grounds for termination materializes, a contractual penalty is set at the rate of seven monthly rent payments if the cause for expiration takes place during the first year of the master agreement, and of five rent payments if the cause for monthly expiration takes place in years subsequent to the master agreement.

Promissory notes

The lessee undertakes to subscribe, at the request of the lessor, one or more debt securities (notes) to document the amounts of agreed monthly rent payments.

In any case, the credits must be signed by (the) joint obligor(s) and/or (the) joint guarantor(s) as guarantor(s) of the lessee. The lessor reserves the right to request the lessee to establish additional collateral for all obligations stipulated in the master agreement and the respective addendums or for specific agreement without thereby decreasing or releasing the lessee from the obligations that the joint obligor(s) and/or (the) joint guarantor(s) assume under the master agreement and its respective addenda.

Following is an analysis of the changes in the preventive loan loss reserve:

	December 31,	
	2018	2017
Balances at beginning of year	Ps 269,057	Ps 195,327
Increases	97,361	73,730
Balances at year end	Ps 366,418	Ps 269,057

Note 10 - Foreclosed assets:

At December 31, 2018 and 2017, foreclosed assets or dation in payment are comprised as follows:

	2018	2017
Foreclosed assets:		
Property	Ps 825,617	Ps 590,391
Transportation equipment	2,931	366
Allowance for impairment	(136,481)	(80,273)
	Ps 692,067	Ps 510,484

Following are the movements in the allowance for impairment of foreclosed assets:

	December 31,	
	2018	2017
Balances at beginning of year	Ps 80,273	Ps35,875
Increases	56,208	44,398
Balances at year end	Ps 136,481	Ps80,273

In the years ended on December 31, 2018 and 2017, the Company recognized increases in the foreclosed asset reserve of Ps56,208 and Ps44,582, respectively, in accordance with the policy in place. Additionally, no cancellations were made in the reserve in those years.

Note 11 - Property, machinery and equipment:

At December 31, 2018 and 2017, property, machinery and equipment were made up as follows:

	2018			Useful life
Components subject to depreciation or amortization	Own	Leased	Total	(years)
Building	Ps 2,483	Ps -	Ps 2,483	20
Transportation equipment	112,364	11,285,187	11,397,551	5
Aircraft/Ships	-	3,400,060	3,400,060	5
Computer equipment	51,543	1,875,787	1,927,330	3
Machinery and equipment	3,186	30,249,750	30,252,936	5
Furniture and equipment	52,517	6,880,327	6,932,844	10
Medical equipment	-	2,046,509	2,046,509	5
Satellite equipment	-	297,795	297,795	5
Lamps	-	1,357,376	1,357,376	5
Telecommunication	-	724,242	724,242	5
Other	20,113	126,546	146,659	5
	242,206	58,243,579	58,485,785	
Less: Accumulated depreciation	(152,418)	(18,587,587)	(18,740,005)	
Installation expenses	316,638	131,686	448,324	20
Accumulated amortization	(32,572)	(43,441)	(76,013)	
Total components subject to depreciation or amortization	373,854	39,744,237	40,118,091	
Components not subject to depreciation or amortization: Land	562,350	-	562,350	
Total property, machinery and equipment	Ps 936,204	Ps39,744,237	Ps40,680,441	

	2017			Useful life (years)
Components subject to depreciation or amortization	Own	Leased	Total	
Building	Ps 31,079	Ps -	Ps 31,079	20
Transportation equipment	99,355	9,306,871	9,406,226	5
Aircraft/Ships	-	2,795,849	2,795,849	5
Computer equipment	42,232	1,305,175	1,347,407	3.3
Machinery and equipment	-	24,147,910	24,147,910	5
Furniture and equipment	47,120	3,750,821	3,797,941	10
Medical equipment	-	1,107,342	1,107,342	5
Satellite equipment	-	294,345	294,345	5
Lamps	-	885,132	885,132	5
Telecommunication	-	601,265	601,265	5
Other	351,824	818,628	1,170,452	5
	571,610	45,013,338	45,584,948	
Less:				
Accumulated depreciation	(147,108)	(13,498,399)	(13,645,507)	
	424,502	31,514,939	31,939,441	
Installation expenses	110,261	148,199	258,460	20
Accumulated amortization	(22,505)	(25,840)	(48,345)	
Total components subject to depreciation or amortization	512,258	31,637,298	32,149,556	
Components not subject to depreciation or amortization:				
Land	579,266	-	579,266	
Total property, machinery and equipment	Ps1,091,524	Ps31,637,298	Ps32,728,822	

Depreciation and amortization recorded in income for 2018 and 2017 amounted to Ps7,948,877 and Ps6,312,996, respectively.

At December 31, 2018 and 2017, transportation equipment offered on lease and other leased assets amounting to Ps23,516,513 and Ps25,686,830, respectively, were pledged to guarantee the payment of each of the collection rights under trusts.

Note 12 - Permanent investments:

Permanent investments of other companies at December 31, 2018 and 2017, over which there is no significant influence, are comprised as follows:

	Shareholding (%)		Value at al December 31,	
Companies	2018	2017	2018	2017
Operadora de Arrendamiento Puro, S. A. de C. V.	0.01	0.01	Ps 668	Ps 668
Bosque Real, S. A. de C. V.	0.01	0.01	1,408	1,408
Club de Empresarios Bosques, S. A. de C. V.	0.01	0.01	305	305
Unión de Crédito para la Contaduría Pública, S. A. de C. V.	0.01	0.01	1,299	1,299
Unifin Agente de Seguros y Fianzas, S.A. de C.V.	49.00	49.00	71,761	45,861
Total			Ps75,441	Ps49,541

Note 13- Debt securities:

Debt securities at December 31, 2018 and 2017 are as follows:

	2018	2017
Short term:		
International notes (accrued interest)	Ps 611,436	Ps 442,868
Debt certificate program:		
Stock structure (accrued interest)	46,713	55,408
Private stock structure (accrued interest)	6,615	5,556
	(375,727)	-
Total short term	289,037	503,832
Long term:		
International notes	22,605,090	16,775,090
Debt certificate program:		
Stock structure	13,201,516	15,500,000
Private stock structure	2,250,000	2,250,000
	38,056,606	34,525,090
Total long term	Ps38,345,643	Ps35,028,922

International notes

a. On February 8, 2018, the Company concluded a private offering and placement of debt securities in the form of senior notes in the US and other foreign markets, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:

- Amount issued: Dls.300,000,000.
- Agreed anual rate: 7.00%.
- Payable at maturity: 8 years (maturing in February 2026).
- Interest payable in six-month periods over the term of the Bond.
- Place of issuance of the bond listing:: Luxemburg Stock Exchange.
- Ratings granted: BB / BB / HR BBB- (Standard & Poor's, Fitch Ratings and HR Ratings).
- Guarantors: Unifin Credit y Unifin Autos.

b. On May 15, 2017, the Company issued a number of International Notes through a private offering, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made. The main features of the international notes issued are as follows:

* Amount issued: Dlls. 450,000,000.
* Agreed annual rate: 7.0%.
* Payable at maturity: 7.8 years (maturing in January 2025).
* Interest payable semi-annually during the term of the Notes.
* Place of issuance of the bond listing: Luxemburg Stock Exchange.
* Granted Ratings: BB / BB (Standard & Poor's and Fitch Ratings).
* Guarantors: Unifin Credit and Unifin Autos.

Commitments

The international notes impose certain provisions to the Company that limit its ability to incur additional debt; create liens; pay dividends; make certain investments; reduce its share capital, among others. It also establishes that the Company and its subsidiaries may partially or totally merge or dispose of their assets if the respective transaction meets certain requirements; establishes minimum requirements for carrying out portfolio securitizations and limit the Company's ability to enter into transactions with related parties.

Trust notes under a securitization program (share structure)

The share structure is the set of operations whereby the Company transfers certain rights over certain financial assets to a securitization vehicle created for that specific purpose (usually a trust), in order for that vehicle to issue securities to be placed among the general investing public and for the Company to diversify its funds and increase its operating capacity. The Company entered into an administration, commercial commission and deposit agreement, in order for those rights to be transferred back to the Company for management purposes.

Additionally, a pledge agreement has been signed by the Company (collateral guarantor) and the trustee (Pledgee) whereby the Company pledges in first order of preference for payment, each of the leased assets from which the aforementioned collection rights are derived on behalf of the Pledgee to guarantee timely and full payment of all amounts payable by each of the Company's clients, in accordance with the lease agreements of which these clients participate.

On November 19, 2013 and September 8, 2015, the Commission issued rulings number 153/7644/2013 and 153/5726/2015 authorizing the revolving trust bonds programs (Trustee programs) for an amount up to Ps20,000 million and Ps10,000 million, respectively.

On September 14, 2017, April 5, 2017, November 29, 2016, February 9, 2016, September 8, 2015 and February 4, 2015, the Commission issued rulings number 153/10740/2017, 153/10194/2017, 153/105977/2016, 153/105236/2016, 153/5727/2015 and 153/5047/2015 authorizing the public offering of Trust Bonds under the respective trust bond programs (Trustee programs). Those bonds were issued under ticker symbols UNFINCB17-4 and UNFINCB17-3, UNFINCB17-2 and UNFINCB17, UNFINCB16-2 and UNFINCB16, UFINCB16, UFINCB15 and UNFINCB15, for an amount up to Ps1,000.0 million, Ps2,500.0 million Ps1,500.0 million, Ps1,500.0 million, Ps1,250.0 million, Ps1,250.0 million, Ps2,500.0 million, Ps2,000.0 million and Ps2,000.0 million, respectively.

The Company has conducted issuances under such Trust programs, entering into trust agreements whereby it acts as trustor of the Trust; as trustees, Banco Nacional de México, S. A., Institución de Banca Múltiple, Grupo Financiero Banamex División Fiduciaria (Banamex) and INVEX Banco, Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario; Monex Casa de Bolsa, S. A. de C. V., Grupo Financiero Monex as common representative; and the holders of the stock certificates and the Company as first and second place trustees, respectively.

According to the supplements to the Trustee Programs, the Company and the issuing trustee are not responsible for paying amounts due under these debt certificates in the event that the equity of the issuing trust is insufficient to pay in full the amounts owed under the notes, and the holders of those notes are not entitled to claim from the trustor nor the trustee payment thereof. The trustor and trustee are responsible for ensuring that the Trust equity is sufficient to cover amounts owed.

The secured notes of trust programs at December 31, 2018 are described below:

Ticker symbol	Issuing trust	Number of titles*	Maturity	Interest rate (%)	Total amount of issue	Rating S&P	Trustee
UNFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	Ps 1,701,516	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,500,000	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	1,000,000	mxAAAS&P/HRAAA	Banamex
Total					13,201,516		
Interest accrued in the short-term					46,713		
Total current issues and interest					Ps 13,248,229		

The current issues of Trust Programs at December 31, 2017 are described below:

Ticker symbol	Issuing trust	Number of titles*	Maturity	Interest rate (%)	Total amount of issue	Rating S&P	Trustee
*UNFINCB15	F/17598-4	20,000,000	Feb-2020	TIIE+1.60	Ps 2,000,000	mxAAAS&P/HRAAA	Banamex
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	2,000,000	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,500,000	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	1,000,000	mxAAAS&P/HRAAA	Banamex
Total					15,500,000		
Interest accrued in the short-term					55,408		
Total current issues and interest					Ps 15,555,408		

* A voluntary advance amortization was conducted on March 9, 2018 of all debt certificates with ticker symbol UNFINCB 15.

At December 31, 2018 and 2017, issuance expenses are as follows:

	Issuance expenses						
Ticker symbol	Opening balance 2017	Increase	Decrease	Ending balance 2017	Increase	Decrease	Ending balance 2018
UNFINCB13	Ps 18,144	Ps 549	Ps 18,693	Ps -	Ps -	Ps -	Ps -
UNFINCB15	108,728	2,247	56,674	54,301	-	54,301	-
UFINCB15	103,514	1,004	57,696	46,822	1,654	17,822	30,654
UFIN CB16	177,283	22,100	46,266	153,117	3,388	47,263	109,242
UNFIN CB16-2	1,401	71,626	17,255	55,772	1,509	19,185	38,096
UFINCB 17	-	50,324	7,210	43,114	1,658	14,703	30,069
UFINCB 17-2	-	25,062	2,950	22,112	1,658	6,202	17,568
UFINCB 17-3	-	45,615	2,440	43,175	1,465	10,481	34,159
UFINCB 17-4	-	32,523	1,708	30,815	1,190	7,440	24,565
Private structure	-	64,507	5,145	59,362	313	32,456	27,219
Bank loans	-	46,246	-	46,246	46,238	15,424	76,060
International notes 2019	147,814	-	147,814	-	-	-	-
International notes 2023	525,392	3,220	28,557	500,055	3,161	95,109	408,107
International notes 2025	-	575,348	985	574,363	1,445	94,378	481,430
International notes 2026	-	-	-	-	181,816	15,898	165,918
Total	Ps 1,082,276	Ps 940,371	Ps 393,393	Ps 1,629,254	Ps 245,495	Ps 430,662	Ps 1,444,087

Private trust bonds

On November 30, 2012, the Company in its capacity as Trustor and Second Beneficiary, entered into Irrevocable Transfer of Ownership Trust agreement "F/1355" (Trust), with Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero as Trustee (Invex) and Scotiabank Inverlat, S. A. , Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (Scotiabank) as first Beneficiary, whereby the collection rights (Trust equity) are assigned to secure the payment of cash withdrawals from the revolving credit line of Ps2,250,000 (amount of the credit line at December 31, 2017) contracted by Invex with Scotiabank on that same date.

At December 31, 2018 and 2017, private trust bonds were as follows:

	Outstanding amount					
	2018	2017	Currency	Maturity	Rate	Type
Invex	Ps2,250,000	Ps2,250,000	MXN	11/06/12 to 11/21/20	TIIE+1.60	Collection rights
Interest accrued	6,615	5,556				
	Ps2,256,615	Ps2,255,556				

At December 31, 2018 and 2017, collection rights assignments amount to Ps 7,863,986 and Ps 6,118,412, respectively.

The Company and Invex entered into an agreement for administration, commercial commission and deposit services for the purpose of managing collection rights.

Some of the Company's issues establish obligations to do and not to do, which have been covered at December 31, 2018 and 2017.

Note 14 - Bank borrowings and loans from other entities:

At December 31, 2018 and 2017, bank borrowings and loans from other entities were as follows:

	2018				
Short term:	Outstanding amount	Currency	Maturity	Rate	Guarantee
Nacional Financiera	Ps 2,500,000	MXN	Apr/19	Variable	Unsecured
Banamex	2,500,000	MXN	Jun/19	Variable	Unsecured
Scotiabank	190,685	MXN	Nov/19	Variable	Lease portfolio
Banamex USD	393,132	USD	Jan/19	Variable	Unsecured
Bancomext	349,414	MXN	Nov/19	Variable	Lease portfolio
Santander	900,005	MXN	Mar/19	Variable	Lease portfolio
Bladex USD	1,488,987	USD	Mar/19	Variable	Unsecured
Subtotal	8,322,223				
Interest accrued payable	69,558				
Total short term	8,391,781				
Long term					
Bladex USD	1,488,987	USD	Dec/20	Variable	Unsecured
Barclays	1,631,498	USD	Aug/21	Variable	Excess in guaranteed stock
Scotiabank	333,701	MXN	Sep/21	Variable	Lease portfolio
Bancomext	627,003	MXN	Dec/23	Variable	Lease portfolio
Total long term	4,081,189				
Total short and long term	Ps 12,472,970				

	2017				
Short term:	Outstanding amount	Currency	Maturity	Rate	Guarantee
Nacional Financiera	Ps 2,500,000	MXN	Apr/18	Variable	Unsecured
Banamex	394,708	USD	Jan/18	Variable	Unsecured
Barclays	296,031	USD	Dec/18	Variable	Unsecured
Actinver	300,000	MXN	Jul/18	Variable	Lease portfolio
Scotiabank	322,561	MXN	Jul/18	Variable	Unsecured
Multivalores	200,000	MXN	Feb/18	Variable	Factoring portfolio
Bancomext	170,109	MXN	Nov/18	Variable	Lease portfolio
Invex	5,264	MXN	May/18	Variable	Excess in guaranteed stock
Banco del Bajío	39,084	MXN	Nov/18	Variable	Lease portfolio
Subtotal	4,227,757				
Interest accrued payable	30,313				
Total short term	4,258,070				
Long term					
Bladex USD	2,989,913	USD	Jun/19	Variable	Excess in guaranteed stock
Barclays	197,354	USD	Jun/19	Variable	Unsecured
Scotiabank	404,897	MXN	Jun/20	Variable	Lease portfolio
Bancomext	211,545	MXN	Nov/20	Variable	Lease portfolio
Banco del Bajío	76,993	MXN	Aug/21	Variable	Lease portfolio
Total long term	3,880,702				
Total short and long term	Ps 8,138,772				

The unused amounts of the lines of credit received by the Company are as follows:

	2018	2017
Banorte	Ps 1,500,000	Ps 1,000,000
Scotiabank	725,613	522,542
Banco del Bajio, S. A.	175,000	58,923
Santander	99,995	1,000,000
Bancomext	23,583	118,346
Multiva	-	100,000
Interacciones	-	118,000
CI Banco	-	200,000
Banamex	-	1,500,000
	Ps 2,524,191	Ps 4,617,811

At December 31, 2018 and 2017, the Company is in compliance with all restrictive financial covenants to do and not do.

Note 15 - Sundry creditors and other accounts payable:

At December 31, 2018 and 2017, this balance is made up as follows:

	2018	2017
Liabilities relating to acquisition of fixed assets	Ps 2,677,873	Ps 2,544,119
Sundry creditors	352,535	106,759
Guarantee deposits	149,204	262,848
	Ps 3,179,612	Ps 2,913,726

Note 16 - Stockholders' equity:

On May 22, 2015, the Company issued its Initial Public Offering on the BMV, and for international purposes it issued it under rule 144/Reg S, for a total of Ps3,606,400, comprised of 50%primary shares and 50% secondary shares. The amount includes the over-allotment option, which comprised 15% of the total offering.

The capital stock at December 31, 2018 and 2017 is made up as follows:

Number of shares *		Description	Amount	
2018	2017		2018	2017
320,000	320,000	Series "A" fixed portion of capital	Ps 1,000	Ps 1,000
352,480,000	352,480,000	Series "A" variable portion of capital with withdrawal rights	1,101,500	1,101,500
352,800,000	352,800,000	Capital stock at December 31, 2018 and 2017	Ps1,102,500	Ps1,102,500

* Common, nominative shares with no par value, fully subscribed and paid in.

At December 31, 2018 and 2017, expenses incurred in issuing, placing and registering shares total Ps144,726 and Ps144,726, respectively, and have been recorded under capital stock.

The profit for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock.

The profit per weighted share for 2018 and 2017 Ps5.57 and Ps5.02 (pesos), respectively.

Dividends are free from income tax if paid out from the After-Tax Earnings Account (CUFIN). Dividends in excess of the CUFIN and CUFINRE are subject to 42.86% tax if paid in 2017. Tax incurred is payable by the Company and may be credited against income tax for the current period or for the following two periods. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payments. For the purpose of the foregoing, the IT Law establishes the obligation to keep the CUFIN balance with the profits generated until December 31, 2013 and to start another CUFIN with the profits generated as from January 1, 2014.

At the April 25, 2018 and March 16, 2017 Ordinary General Meetings, the shareholders agreed to pay dividends of Ps352,800 and Ps350,670, respectively, arising from prior years' income.

At December 31, 2018 and 2017, the Company's stockholders' equity includes Ps670,373 and Ps881,250, respectively, corresponding to the effect of valuation of derivative financial instruments, the accounting effects of which arise from valuations of assets not necessarily realized, which could represent a restriction for reimbursement to stockholders, as this could be considered to give rise to future liquidity problems for the Company.

On January 24, 2018, the Company concluded a private offering and placement of debt securities in the form of Subordinated Perpetual Notes in the US and other foreign markets, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made. Following are the main features of the international notes issued:

- Amount issued: Dlls.250,000,000.
- Agreed anual rate: 8.875%.
- Payable at maturity: Perpetual
- Interest payable in six-month periods over the term of the Bond.
- Place of issuance of the bond listing: Luxemburg Stock Exchange.
- Ratings granted: B / B+ (Standard & Poor's y Fitch Ratings).

Note 17 - Income tax (IT):

Income tax for the period is determined applying the 30% rate to the base of the individual tax results of the Company and its subsidiaries. At December 31, 2018 and 2017, the Company determined taxable income of Ps3,893,989 and Ps3,615,586, respectively. The tax result differs from the accounting result mainly due to items accrued over time and deducted differently for accounting and tax purposes, to recognition of the effects of inflation for tax purposes, and to items only affecting the book or tax result.

The IT Law establishes that income tax rate applicable in 2014 and subsequent periods is 30% of taxable profit.

The income tax provision is as follows:

	2018	2017
Income tax payable	(Ps 1,168,197)	(Ps 1,096,983)
Deferred income tax asset	610,028	535,903
	(Ps 558,169)	(Ps 561,080)

The reconciliation between the incurred and effective income tax rates is shown below:

	2018	2017
Income before income taxes	Ps2,481,986	Ps2,331,762
Income tax payable rate	30%	30%
Income tax at statutory rate	744,596	699,529
Plus (less) effect of the following permanent items:		
Nondeductible expenses	6,871	2,969
Annual inflation adjustment	508,468	405,844
Own and leased machinery and equipment	(416,126)	(411,146)
Deferred commissions	56,604	(43,470)
Bad debt reserve	(2,338)	1,046
Liability provisions	1,257	321
Deferred charges	(244,088)	(84,013)
Prepayments	(91,643)	(16,338)
Other assets	(5,432)	6,338
Income tax recorded in income	Ps 558,169	Ps 561,080
Effective income tax rate	22.82%	24.40%

The main temporary differences on which deferred income tax is recognized are shown below:

	December 31,	
	2018	2017
Own and leased machinery and equipment	Ps8,182,074	Ps5,952,780
Deferred commissions	692,073	697,277
Bad debt reserve	566,317	307,888
Liability provisions	(413,962)	7,471
Deferred charges and other assets)	(825,533)	(1,237,246)
Expenses related to perpetual bond	(325,490)	-
Tax losses of subsidiaries	30,062	-
	7,761,797	5,728,370
Applicable income tax rate	30%	30%
Deferred income tax asset	Ps2,328,539	Ps1,718,511

Note 18- Financial information by segment:

Following are the main assets and liabilities per Company segment:

	December 31, 2018			
Assets	Operating leasing	Financial factoring	Other loans	Total
Cash and cash equivalents	Ps 300,040	Ps 16,347	Ps 59,799	Ps 376,186
Investments in securities	2,815,750	153,406	561,203	3,530,359
DFI held for hedging	4,255,051	-	848,069	5,103,120
Loan portfolio	-	2,746,467	5,877,305	8,623,772
Preventive loan loss reserve	-	(147,762)	(52,137)	(199,899)
Other accounts receivable	4,297,780	-	-	4,297,780
Foreclosed assets	347,709	344,358	-	692,067
Property, machinery and equipment	40,063,535	-	616,906	40,680,441
Other assets	4,367,752	19,025	299,055	4,685,832
	Ps56,447,617	Ps3,131,841	Ps8,210,200	Ps67,789,658
Liabilities				
Debt securities	Ps31,910,681	Ps -	Ps6,434,962	Ps38,345,643
Bank loans and other entities' loans	8,296,357	2,523,078	1,653,536	12,472,970
Other accounts payable	3,197,625	12,077	78,129	3,287,831
Deferred commissions	692,073	-	-	692,073
	Ps44,096,736	Ps2,535,155	Ps8,166,627	Ps54,798,518

	December 31, 2017			
Assets	Operating leasing	Financial factoring	Other loans	Total
Cash and cash equivalents	Ps 102,345	Ps 94,820	Ps -	Ps 197,165
Investments in securities	1,858,452	-	379,720	2,238,172
DFI held for hedging	3,861,005	-	737,112	4,598,117
Loan portfolio	-	2,510,635	2,971,251	5,481,886
Preventive loan loss reserve	-	(26,046)	(12,698)	(38,744)
Other accounts receivable	2,229,890	-	2,827,275	5,057,165
Foreclosed assets	380,988	129,496	-	510,484
Property, machinery and equipment	32,728,822	-	-	32,728,822
Other assets	3,482,775	346,658	12,928	3,842,361
	44,644,277	3,055,563	6,915,588	54,615,428
Liabilities				
Debt securities	Ps29,413,527	Ps -	Ps5,615,395	Ps35,028,922
Bank loans and other entities' loans	4,725,730	2,510,844	902,198	8,138,772
Deferred commissions	697,277	-	-	697,277
Other accounts payable	2,891,274	106,785	168,029	3,166,088
	Ps37,727,808	Ps2,617,629	Ps6,685,622	Ps47,031,059

Given that management considers that the useful information for stakeholders is the Adjusted Financial Margin, in 2018 and 2017, the respective information is as follows:

	Year ended December 31, 2018			
	Operating leasing	Financial factoring	Other lending	Total
Operating lease income	Ps14,761,002	Ps -	Ps -	Ps14,761,002
Interest income	585,728	504,911	1,496,934	2,587,573
Other leasing benefits	1,595,730	-	-	1,595,730
Depreciation of goods under operating leases	(8,005,085)	-	-	(8,005,085)
Interest expenses	(4,145,065)	(272,732)	(1,096,753)	(5,514,550)
Other leasing expenses	(1,619,179)	-	-	(1,619,179)
Preventive loan loss reserve	(89,480)	(121,716)	(39,439)	(250,635)
	Ps 3,083,651	Ps 110,463	Ps 360,742	Ps 3,554,856

	Year ended on December 31, 2017			
	Operating leasing	Financial factoring	Other loans	Total
Operating lease income	Ps11,216,938	Ps -	Ps -	Ps11,216,938
Interest income	635,772	566,779	885,126	2,087,677
Other leasing benefits	1,010,812	-	-	1,010,812
Depreciation of goods under operating leases	(6,357,394)	-	-	(6,357,394)
Interest expenses	(2,972,058)	(284,317)	(588,784)	(3,845,159)
Other leasing expenses	(930,502)	-	-	(930,502)
Preventive loan loss reserve	(89,156)	(9,729)	(16,115)	(115,000)
	Ps 2,514,412	Ps 272,733	Ps 280,227	Ps 3,067,372

Note 19 - Related parties:

The main balances with related parties at December 31, 2018 and 2017 are shown below:

Receivable:	2018	2017
Administradora Bríos, S. A. de C. V.	Ps359,029	Ps 314,766
Unifin Administración Corporativa, S. A. de C. V.	36,941	8,437
Unifin Servicios Administrativos, S. A. de C. V.	9,994	4,800
Total	Ps405,964	Ps 328,003

In the years ended on December 31, 2018 and 2017, the following operations were carried out with related parties:

	Year ended December 31,	
Income	2018	2017
Car leases	Ps 71	Ps 107
Other income	4,807	38
	Ps 4,878	Ps 145
Expenses		
Administrative services	Ps871,908	Ps650,738
Donations	13,942	18,054
	Ps885,850	Ps668,792

Note 20 - Breakdown of the main items of the statement of income:

Following is the breakdown of the main items of the statement of income for the years ended on December 31, 2018 and 2017:

Financial margin

	2018	2017
a. Operating lease income		
Leases	Ps 14,761,002	Ps 11,216,938
b. Interest income		
Cash and cash equivalents	Ps 181,169	Ps 83,315
Loan portfolio	1,757,810	1,736,347
Commissions for opening line of credit	417,482	162,703
Gain (loss) on restatement to pesos - Net	231,113	105,312
Total interest income	Ps 2,587,574	Ps 2,087,677

Income

	2018			
	Interest	Leases	Commissions	Total
Operating lease	$ 385,157	$14,761,002	$200,571	$15,346,730
Financial factoring	414,187	-	90,724	504,911
Other loans	1,185,985	-	1,529	1,187,514
Car loans	282,389	-	27,031	309,420
	$2,267,718	$14,761,002	$319,855	$17,348,575

	2017			
	Interest	Leases	Commissions	Total
Operating lease	$ 226,297	$11,216,938	$ 68,488	$11,511,723
Financial factoring	560,143	-	6,636	566,779
Other loans	861,740	-	121,756	983,496
Car loans	208,306	-	34,311	242,617
	$1,856,486	$11,216,938	$231,191	$13,304,615

c. Other lease benefits

Income from sale of fixed assets	Ps 1,416,223	Ps 853,229
Other lease benefits	179,507	157,583
Total other lease benefits	Ps 1,595,730	Ps 1,010,812

d. Depreciation of assets under operating lease

Depreciation of assets under operating lease	Ps 8,005,085	Ps 6,357,394

e. Interest expense

Debt securities	Ps 3,838,599	Ps 2,505,930
Issuance costs	555,952	414,916
Interbank loans and other entities' loans	820,017	641,671
Costs and expenses incurred in granting loans	299,984	282,642
Total interest expenses	Ps 5,514,552	Ps 3,845,159

f. Other lease expenses

	2018	2017
Cost of sale of fixed assets	Ps 1,449,317	Ps 827,840
Fixed asset insurance	169,862	102,662
Total other lease expenses	Ps 1,619,179	Ps 930,502

Operating income

g. Commissions and rates charged and paid	2018	2017
Commission for trust management paid	(Ps 43,100)	(Ps 68,710)

h. Other income and expenses

	2018	2017
Other income	Ps 39,874	Ps 210,265
Other expenses	(13,941)	(18,154)
Total other income and expenses - Net	Ps 25,933	Ps 192,111

i. Administrative and promotion expenses

	2018	2017
Personnel management	Ps 556,343	Ps 486,158
Administrative expenses	215,568	181,850
Advertising expenses	86,685	69,323
Other expenses	137,490	89,684
Communications	14,303	8,877
Leasing	55,979	41,316
Insurance	19,626	7,863
Electric power	5,917	5,814
Total administration and promotion expenses	Ps 1,091,911	Ps 890,885

Note 21 - Memorandum accounts:

Following is the breakdown of memorandum accounts for the years ended on December 31, 2018 and 2017:

	Year ended December 31,	
	2018	2017
Accounts receivable under trust	Ps 23,616,513	Ps 25,686,830
Own lease fees receivable	15,165,045	6,118,412
Other recording accounts	Ps 38,781,558	Ps 31,805,242

Note 22 - New accounting pronouncements:

Accounting criteria

On the basis of transitory article four of the 115th Amending Resolution published in the November 15, 2018 Official Gazette amending the General Provisions Applicable to Credit Institutions (the Provisions), published on December 27, 2017, the Financial Reporting Standards 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 receivable and interest”, D-1 “Revenue from client contracts” and D-2 “Costs of client contracts” issued by the IASB and referred to in paragraph 3 of Criterion A-2 “Application of specific standards” of Exhibit 33 to the Provisions, which was amended through said Resolution, become effective on January 1, 2020.

The aforementioned new Accounting Criteria will not have a significant effect on the financial information reported by the Company.

MFRS B-17 “Fair value determination”. Establishes the rules for determining and disclosing fair value. States that fair value must rely on the assumptions used by market participants when setting the price for an asset or liability in current market conditions at a specific date, including risk assumptions. Establishes that consideration must be given to the particular asset or liability being valued and whether it is monetary and is used in combination with other assets or on an independent basis, the market in which the asset or liability will be valued, and the appropriate valuation technique or techniques for determining fair value, as well as maximizing the use of relevant observable input data and minimizing non-observable input data.

MFRS C-2 “Investment in financial instruments". Establishes standards for valuation, representation and disclosure of investments in financial instruments. Discards the concept of intention to acquire and use of an investment in financial debt or capital instruments when determining classification and eliminates the categories of instrument held to maturity and disposable for sale. Adopts the concept of business model for administration of investments in financial instruments.*

MFRS C-3 “Accounts Receivable”. Establishes the valuation, presentation and disclosure standards for initial and subsequent recognition of commercial accounts receivable and other accounts receivable in the financial statements of an economic entity. This standard also specifies that accounts receivable based on a contract qualify as financial instruments.*

MFRS C-9 “Provisions, contingencies and commitments”. Establishes standards for valuation, reporting and disclosure of liabilities, provisions and commitments, reducing their scope and relocating the matter of financial liabilities to MFRS C-19. The definition of “liability” has been modified to eliminate the concept of “virtually unavoidable" and include the term "likely".*

MFRS C-10, “Derivative Financial Instruments and hedging operations”. Establishes the features required in order for a financial instrument to be considered a derivative for trading or coverage, determines presentation and disclosure rules as well as recording and valuation rules for derivative financial instruments, including instruments for coverage and those applicable to coverage operations structured via derivatives; separate implicit derivative financial instruments existing when the host instrument is a financial asset are not allowed; if the amount of the hybrid agreement is to be modified, the modified amount will be charged; a net income and disbursement position may be designated as the covered item if it reflects the entity's risk management strategy.

MFRS C-16 “Impairment of financial instruments receivable”. Establishes standards for valuation, accounting recognition, presentation and disclosure of losses from impairment of financial instruments receivable.*

MFRS C-19 "Financial instruments payable". Establishes valuation, reporting and disclosure standards for initial and subsequent recognition of accounts payable, loans and other financial liabilities in the financial statements of an economic entity. Introduces the concepts of amortized cost to value financial liabilities and the effective interest method, which uses the effective interest rate, to carry out said valuation.
Both discounts and costs of issuance of a financial liability are deducted from the liability.

MFRS C-20 “Financial instruments receivable”. Establishes standards for valuation, presentation and disclosure for initial and subsequent recognition of financing instruments receivable in the financial statements of an economic entity engaged in conducting financing operations.
Eliminates the concept of intent to acquire and hold financial instruments under assets when determining their classification. Adopts the administration business model.*

MFRS D-1 “Revenue from client contracts”. Establishes standards for valuation, reporting and disclosure of income incurred in order to obtain or comply with contracts with clients. Establishes the most significant aspects for recognition of income through the transfer of control, identification of contractual obligations to be complied with, assignment of the amount of the transaction and recognition of collection rights. Eliminates the use as a supplement of IAS 18 "Income from regular Operations" and the respective interpretations, as established in MFRS A-8 "Supplementation”.

MFRS D-2 “Costs of client contracts”. Establishes standards for valuation, reporting and disclosure of costs incurred in connection with client contracts. Establishes standards for recognizing costs arising from client contracts, and includes the accounting treatment for costs pertaining to contracts for the construction and manufacture of capital goods, including the costs related to client contracts.
This MFRS, together with MFRS D-1 “Income from contracts with clients" replaces Statement D-7 "Contracts for the construction and manufacture of certain capital goods" and IFRS 14, "Contracts for the construction, sale and rendering of services pertaining to real property”.

MFRS

The CINIF has issued the following MFRS applicable for annual periods:

MFRS B-11 “Disposal of long-lived assets and discontinued operations”. Effective for years beginning as of January 1, 2020. Early application is not allowed, as it must be applied jointly with MFRS C-15, which will be reissued in 2019 and will also be applicable as of 2020.

First-time application of this MFRS generates no accounting changes in the financial statements.
The main aspects covered by this MFRS include:

- Explains that long-lived assets are not classified as current assets until they meet the criteria for being classified as held for sale. Additionally, assets of a certain type usually considered by an entity to be non-current assets, but that are acquired solely for the purpose of reselling them, must not be reclassified as current assets, unless they meet the criteria for being classified as held for sale.

- With regard to assets shown in the statement of financial position under a criterion based on liquidity, this MFRS considers non-current assets to include assets expected to be recovered in a period exceeding 12 months after the date of the statement of financial position, or the date of the cycle of operations if that period is greater than twelve months.

- Establishes the information to be disclosed on long-lived assets or groups of assets to be disposed of that classify as held for sale, as well as for discontinued operations.

MFRS D-5 "Leases”. Establishes standards for valuation, reporting and disclosure of leases by through a single accounting model by the lessee. Requires the lessee to recognize the following from the start of a lease: a) a lease liability (rents payable at present value), and b) in that same amount, an asset known as right-of-use asset, which represents the lessee’s right to use the leased underlying asset.

Modifies the presentation of the statement of cash flows by showing payments to reduce lease liabilities under the financing activities caption. Additionally, it modifies recognition of lease back transactions by requiring that the seller-lessee recognize as a sale any rights transferred to the purchaser-lessor that do not return to the former.

2019 MFRS revisions

In December 2018, the CINIF issued a document known as “2019 MFRS Revisions”, which contains modifications to certain existing MFRS. Those revisions do not give rise to changes in the annual financial statements, since the Company is compliance with the matters specified therein.

Note 23 – Subsequent events:

On February 28, 2019, with the approval of the Audit and Corporate Practices Committee, the Board of Directors agreed to amend the Company’s tax regime to no longer operate as a unregulated non-bank financial entity or (SOFOM), in the terms of the General Law on Credit Organizations and Auxiliary Activities, and consequently apply the International Financial Reporting Standards (IFRS and interpretations of IFRS) in preparing and auditing its financial statements, in the terms of the applicable provisions.

Said change in the regime and accounting policies will provide the Company with a more flexible corporate structure to pursue its growth strategy and will allow it to disclose financial information based on the nature of its business and to ensure greater comparability of said information for the investing public.

Mr. Sergio José Camacho Carmona
Chief Executive Officer

Mr. Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Mr. Luis Xavier Castro López
Corporate Controller