Salles Sainz
Grant Thornton

Financial statements and Independent auditor's report

Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

December 31, 2020 and 2019

Contents

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Independent auditor's report

To the General Stockholders' Meeting of
Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple,
Entidad No Regulada

Opinion

We have audited the financial statements of **Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada** (the Company), which comprise the statement of financial position as of December 31, 2020, and the statements of profit or loss, changes in stockholders' equity, and of cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada as of December 31, 2020, and its results and cash flows for the year then ended, in conformity with Mexican Financial Reporting Standards (MX FRS).

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 Financial Statements' section of our report, and the following 'Exhibit'. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Mexico in accordance with the Instituto Mexicano de Contadores Públicos A.C.'s Code of Professional Ethics (IMCP Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA and IMCP Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements for the year ended December 31, 2019 were audited by another auditor, who expressed an unmodified opinion on those financial statements on June 5, 2020.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with MX FRS, and for such internal control as deemed necessary by Management to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In the preparation of financial statements, Management is responsible for evaluating the Company's ability to continue as a going concern and disclosing, if applicable, the matters relative to the going concern and using the accounting postulate for a going concern, unless Management has the intent to liquidate the Company or suspend its operations, or there is no other realistic alternative.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, 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 it does not a guarantee that an audit conducted in accordance with IAS 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 made on the basis of these financial statements.

SALLES, SAINZ – GRANT THORNTON, S.C.

Juan Abad

C.P.C. Julián A. Abad Riera

Mexico City, Mexico
March 23, 2021

Exhibit to the Independent Auditor's Report

Additional description of our responsibilities for the audit of the 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate the scope and timing of the planned audit and the significant findings of the audit to Company Management, among other matters, as well as any significant internal control deficiency that we identified in the course of the audit.

Statements of financial position

For the years ended December 31, 2020 and 2019

(Amounts stated in Pesos)

	Note	2020	2019
ASSETS			
Liquid assets	5	$ 27,075,621	$ 14,677,663
Loan Portfolio:	6		
Current loan portfolio		251,554,075	245,789,081
Nonperforming loan portfolio		11,310,518	3,720,741
Less:			
Allowance for loan losses		(9,160,423)	(5,494,766)
Total loan portfolio, net		253,704,170	244,015,056
Other receivables		1,574,021	1,197,025
Furniture, equipment and leasehold improvements, net	7	966,914	1,250,485
Right-of-use assets, net	8	4,702,840	6,406,725
Other assets		101,029	291,633
Total assets		$ 288,124,595	$ 267,838,587
LIABILITIES AND STOCKHOLDERS’ EQUITY			
Loans and notes payable:			
Short-term	9	$ 58,542,085	$ 61,399,954
Long-term	9	101,982,959	73,484,123
		160,525,044	134,884,077
Other liabilities		5,625,201	5,047,668
Related parties	9	32,498,681	37,351,794
Derivative financial instruments		2,397,741	-
Taxes payable		3,125,830	2,669,036
Lease liabilities	8	5,199,067	6,797,718
Employee benefits	12	708,639	560,608
Total liabilities		210,080,203	187,310,901
STOCKHOLDERS' EQUITY	10		
Capital stock		89,690,000	89,690,000
Legal reserve		252,367	-
Accumulated losses		(11,897,975)	(9,162,314)
Total stockholders' equity		78,044,392	80,527,686
Total liabilities and stockholders’ equity		$ 288,124,595	$ 267,838,587

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

Statements of profit or loss

For the years ended December 31, 2020 and 2019

(Amounts stated in Pesos)

	Note	2020	2019
Interest revenue		$ 87,585,136	$ 69,782,267
Interest expense		(30,393,269)	(24,633,865)
Exchange rate effects on loans, net		(7,823,066)	1,048,882
Fees paid		(10,962,046)	(7,801,693)
		(49,178,381)	(31,386,676)
Financial margin		38,406,755	38,395,591
Allowance for loan losses		(7,885,282)	(5,380,453)
Financial margin adjusted for credit risks		30,521,473	33,015,138
Administrative expenses		(37,203,971)	(31,274,214)
Other income, net		4,199,204	3,306,424
Net (loss) profit for the year		$ (2,483,294)	$ 5,047,348

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

Dinerito Audaz, S. A. P. I. de C. V.
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Statements of changes in stockholders' equity

For the years ended December 31, 2020 and 2019

(Amounts stated in Pesos)

	Capital stock	Legal reserve	Accumulated losses	Total stockholders' equity
Balances as of December 31, 2018	$ 89,690,000	$ -	$ (14,209,662)	$ 75,480,338
Net (loss) profit for the year	-	-	5,047,348	5,047,348
Balances as of December 31, 2019	89,690,000	-	(9,162,314)	80,527,686
Transfer to legal reserve	**-**	**252,367**	**(252,367)**	**-**
Net (loss) profit for the year	**-**	**-**	**(2,483,294)**	**(2,483,294)**
Balances as of December 31, 2020	**$ 89,690,000**	**$ 252,367**	**$ (11,897,975)**	**$ 78,044,392**

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

Dinerito Audaz, S. A. P. I. de C. V.
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Statements of cash flows

For the years ended December 31, 2020 and 2019

(Amounts stated in Pesos)

	2020	2019
OPERATING ACTIVITIES:		
Net (loss) profit for the year	$ (2,483,294)	$ 5,047,348
Cost of defined employee benefits	148,031	560,608
Items related with financing activities:		
Accrued interest payable	788,716	1,039,102
Items related to investment activities:		
Depreciation and amortization	4,107,307	4,220,669
Interest earned	(99,368)	(222,536)
	2,461,392	10,645,191
Loan portfolio, net	(9,689,114)	(57,069,014)
Other receivables	(376,996)	(780,864)
Other assets	190,604	1,102,033
Loans and notes payable	20,787,854	57,912,835
Other payables and accrued liabilities	1,034,327	1,963,808
Net cash flows from operating activities	14,408,067	13,773,989
INVESTING ACTIVITIES:		
Acquisitions of furniture, equipment and leasehold improvements	(3,823,736)	(160,413)
Interest earned	99,368	222,536
Derivative financial instruments	2,397,741	-
Net cash flows from investing activities	(1,326,627)	62,123
FINANCING ACTIVITIES:		
Interest paid	(788,716)	(1,039,102)
Payments of lease liabilities, net	105,234	(3,523,433)
Net cash flows from financing activities	(683,482)	(4,562,535)
Increase in cash and cash equivalents	12,397,958	9,273,577
Cash and cash equivalents at beginning of year	14,677,663	5,404,086
Cash and cash equivalents at end of year	$ 27,075,621	$ 14,677,663

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

Notes to the financial statements

December 31, 2020 and 2019

(Amounts stated in Pesos)

1 NATURE OF OPERATIONS AND MAIN BUSINESS

Dinerito Audaz, S. A. P. I. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the Company) has as its main activity the regular and professionalperformance of payroll credit operations on a regular basis, as well as pure lease , financial lease, and financial factoring operations, which it carries out primarily in Mexico City.

The Company is a Variable Capital Investment Promotion Corporation incorporated under Mexican Laws.

Its registered office and main place of business is at Gobernador Garcia Conde no. 28, Colonia San Miguel Chapultepec, segunda seccion, Miguel Hidalgo, Mexico City, Postal Code 11850.

On March 11, 2020, the World Health Organization (‘WHO’) declared COVID-19 as a pandemic. Governments worldwide including Mexico have implemented a series of policies and actions to combat it. The Company has continued to render services regularly during the pandemic, and it did not have a significant financial encumbrance. The scope of the impact of COVID-19 for world economies, Mexico, and the Company continue to be uncertain.

2 APPROVAL AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (MX FRS), issued by the Consejo Mexicano de Normas de Informacion Financiera, A.C. (CINIF, for its acronym in Spanish). They have been prepared under the assumption that the Company operates on a going concern basis.

The accompanying financial statements were authorized to be issued by Mr. Paul Bustos Gamboa, Chief Executive Officer and Ms. Maria Elena Marin Ramirez Finance and Accounting Director on March 23, 2021. Consequently, they do not reflect events that occurred subsequent to that date.

The General Corporate Law and the Company’s bylaws grant powers to the stockholders to change the financial statements after they are issued. The accompanying financial statements will be submitted for approval at the next annual Ordinary Stockholders’ Meeting.

3 CHANGES IN ACCOUNTING POLICIES

a) New standards applicable beginning January 1, 2020

Various new standards, interpretations, and amendments to existing standards became effective on January 1, 2020, which had no effect on the financial position nor the performance of the Company.

<u>Improvements to MX FRS 2020</u>

In January 2020, the CINIF issued the "Improvements to 'MX FRS 2020'. These improvements, among other things, include the following aspects:

- MX FRS D-5 "Leases" – risk-free rate - This improvement incorporates the possibility for the lessee to use a risk-free rate to discount future lease payments, thereby recognizing the lease liability. This option is applicable provided that the rate implicit in the lease cannot be easily determined. Management did not adopt this improvement; therefore, the Company used the interest rate implicit in the lease or, if that rate cannot be determined easily, the incremental borrowing rate of the Company. Generally, the Company uses its incremental borrowing rate as a discount rate.

- MX FRS D-4 'Taxes on earnings' and MX FRS D-3 'Employee benefits' - uncertain tax treatment - These improvements incorporate the evaluation that Management must make as to whether or not the determination of taxes on earnings and Employee profit sharing (PTU), both due and deferred, is accepted by the tax authorities, who may require, if applicable, that the estimate be calculated of the corresponding effect on due and deferred taxes, as well as the disclosures deemed appropriate in terms of the provisions set forth in those standards. Management did not adopt this improvement, since it neither carries out aggressive tax planning nor has it implemented tax treatments that generate a contingency.

b) Standards, amendments, and interpretations of existing standards that are not effective and that have not been adopted early by the Company.

As of the authorization date of these financial statements, various new standards, interpretations, and amendments to existing standards have been published by the CINIF, which become effective on January 1, 2021 and subsequent years, and are estimated not to have a significant effect on the financial position nor on the profit or loss for the Company.

<u>Improvements to MX FRS 2021</u>

The CINIF issued the 'Improvements to 2021 MX FRS', which will become effective for periods that begin on January 1, 2021. Their early application is permitted. Those improvements are estimated not to have a significant effect on the financial statements of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles that have been used to prepare these financial statements are summarized below:

a. Functional and presentation currency

The financial statements are presented in the "peso" currency, which is also the functional currency of the Company.

The functional currency is that which the Company primarily generates and uses its cash flows corresponding to its revenues and expenses.

Foreign currency balances and transactions

Foreign currency transactions are translated into the functional currency by using the prevailing exchange rates as of the dates of the transactions. Exchange gains and losses arising from the settlement of those transactions and the valuation of monetary items at the year end exchange rate are recognized in profit or loss.

b. Impact of inflation

The financial statements as of December 31, 2020 and 2019 have been prepared on an original historical value basis. In conformity with MX FRS B-10, the Company does not recognize the impact of inflation on the financial information, since it has operated in an inflationary economic environment, insofar as accumulated inflation of the three years prior to the date of the financial statements is lower than 26%.

Annual inflation in 2019, 2018 and 2017 was 2.8300%, 4.8300% and 6.7730%, respectively; therefore, accumulated inflation for the prior three year period was 15.0968%.

Statements of profit or loss and statements of financial position

The statements of profit or loss are presented in a single statement, show costs and expenses based on their function. Since it is a financial services company, it considers that the information presented here is clearer. The Company did not generate other comprehensive income items in the years presented; therefore, profit or loss for the period and comprehensive income are the same. In addition, the caption of other income is included since it is considered advisable for presenting the amounts of activities therein, which are not related to the main operation of the Company.

Since the Company engages in granting financing to third parties, it presents its statements of financial position in the order of availability and when items become due and payable, instead of a presentation of short and long-term items, since it considers that this presentation is more appropriate for an adequate interpretation.

c. Statements of cash flows

The statements of cash flows have been prepared by using the indirect method, which consists of presenting profit or loss before taxes first, and then changes in working capital, investing activities, and finally financing activities.

d. Liquid assets

Liquid Cash is comprised of cash on hand and bank deposits in checking and investment accounts and highly liquid sight investments that are easily convertible into cash, and subject to an immaterial risk of changes in value. As of December 31, 2020 and 2019, interest accrued in bank and investment accounts is included in profit or loss for the year in the caption of “interest income”.

Gains or losses due to exchange effects are included in profit or loss for the year in the caption of “interest income” or “interest expense”, as appropriate.

e. Financial instruments

Recognition and derecognition of financial instruments

Financial assets and liabilities are recognized when the Company forms part of the terms and conditions of a financial instrument. Financial assets and liabilities represent contractual rights and obligations, respectively, in connection with monetary economic resources.

Financial assets are derecognized when the contractual rights on the cash flows of the financial asset expire or when the asset and substantially all its risks and benefits are transferred. A financial liability is derecognized in accounts when it is settled, extinguished, canceled or expired.

Classification and initial measurement of financial assets

The classification is determined by the business model of the Company over the management of the financial asset, as well as the contractual characteristics of the cash flow of the financial asset. Financial assets are classified in the following categories:

- Liquid assets
- Loan portfolio

All revenues and expenses related to financial assets are recognized in profit or loss and they are presented in financial costs, financial revenues or other financial items, except for the impairment of the loan portfolio which is presented in other expenses.

Subsequent measurement of financial assets

Financial instruments for collecting principal and interest (IFCPI for its acronym in Spanish)

Other receivables that do not have a financing component are subsequently measured at the uncollected transaction price.

The loan portfolio is measured at amortized costs if the assets meet the following conditions and were not designated at fair value through profit or loss (FVTPL):

- are maintained within a business model whose objective is to hold financial assets and collect their contractual cash flows; and
- the contractual terms of financial assets give rise to cash flows that are only payments of capital and interest on the balance of outstanding capital.

The measurement at amortized cost is performed by using the effective interest rate. The discount is omitted when the effect thereof is immaterial. Cash and cash equivalents of the Company, as well as the loan portfolio, which include a significant financing component, are classified in this category and measured at amortized cost.

Financial instruments held to collect or sell (IFCV)

The Company subsequently measures the IFCV at their fair value through other comprehensive income (FVTOCI), by previously allocating the gain or loss on accrued interest, exchange fluctuation, and impairment losses, provided that the assets meet the conditions of the IFCPI, and its business model also includes the possibility of selling them.

Any gain or loss recognized in other comprehensive income (OCI) will be recycled at the time it is derecognized in financial asset accounts.

Negotiable financial instruments (NFI)

Financial assets, which are maintained within a business model, other than the financial instruments for collecting principal and interest or financial instruments held to collect or sell, are subsequently measured at FVTPL. In addition, irrespective of the business model, financial assets whose contractual cash flows are not only for payments of capital and interest, they are allocated to FVTPL as well. All derivative financial instruments go into this category, except those designated and effective as hedge instruments, to which hedge accounting requirements are applied.

Financial asset impairment

Loan portfolio -

The Company presents impairment existing on the loan portfolio, as follows:

Nonperforming loan portfolio

This corresponds to outstanding balances of credits and interest, which are classified as nonperforming, in accordance with the criteria discussed below:

Credits with amortization of principal and interest agreed upon in periodic partial payments that would not have been collected and when such payments reach 150 or more days in arrears, beginning with the first default. Interest is no longer accrued once credits are considered as nonperforming portfolio.

Once the period of 360-days or more in arrears has elapsed beginning with the first default, the Company creates a 100% allowance for this type of credits. The nonperforming portfolio is applied directly against the preventive estimate for credit risks. The recovery of a previously written off portfolio is recognized directly in profit or loss for the year in the caption of “Other income, net”.

An allowance is created for the total uncollected accrued interest considered as nonperforming portfolio.

Allowance for loan losses

The Company uses the approach for measuring impairment through the Expected Loan lost rate (ECL), which is calculated with the following formula:

$$ECL = PD * LGD * EaD * D$$

Where:

ECL	- Expected loan loss rate
PD	- Probability of Default
LGD	- Loss Given Default
EaD	- Exposure at Default
D	- Discount Factor

A brief explanation of the parameters comprising the calculation of the allowances under the Expected Credit Loss approach is given below.

Probability of Default

The Probability of Default measures the probability that a financial instruments defaults over a specific period of time. To be in line with MX FRS C-16, the PD must consider the lifetime of the asset, including possible forward-looking impairment events

Accordingly, modeling lifetime Pds is a fundamental part for calculating the ECL, which can be extended over a lifetime horizon, in accordance with MX FRS C-16 requirements, based on the following formula:

$$ECL = \sum_{t=1}^{T} MPD_t * LGD_t * EaD_t * D_t$$

Where MPDt represents the marginal default probability or the unconditional default probability at an exact moment in the life of the financial instrument.

Loss Given Default

The Loss Given Default is an estimate of the amount that is contemplated to be lost, given that the financial instrument falls into default. Just like the PD, the LGD must be calculated for the lifetime of the instrument and not just for the first 12 months. To determine the value of the LGD, consideration must be given to what is discussed below:

- The recovery flows must not be affected by operating costs and expenses because they are reflected in the statement of profit or loss.
- The recovery flows must be discounted by using the effective rate of the instrument.

Exposure to Default

Exposure to Default represents the carrying value at the time of observation of the portfolio, taking into account future flows of the financial instruments, as well as additional drawdowns of lines of credit.

To determine the lifetime EaD, the exposure must be considered in each one of the future periods of the financial instrument, which must be discounted through an effective rate or the original effective interest rate of the credit.

Classification and measurement of financial liabilities

The financial liabilities of the Company include loans and notes payable and other payables. They are initially measured at fair value, and when this applies, they are adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortized cost by using the effective interest method.

Derivative financial instruments and hedge accounting

Derivative financial instruments contracted for hedging purposes on adverse movements in fair value, cash flows, or in a net investment in a foreign operation.

To the degree that the hedge is effective, changes in the fair value of derivatives designated as hedge instruments in cash flow hedges operations are recognized in income for the year. Any ineffectiveness in the hedge ratio is immediately recognized in profit or loss.

f. Loan portfolio

The balance of the loan portfolio shown in the statement of financial position is represented by financing effectively granted to borrowers, plus uncollected accrued interest. Credit is granted based on the analysis of the capacity of payment of borrowers, in conformity with the policies of the Company, based on the information furnished by the borrower, which are documented in the “Credit Manual”, approved by Management.

The Credit Committee is the primary responsible body for granting credit, once the documents that evidence it as such are authorized and signed.

The credits granted by the Company are mainly payroll credits to employees of entities of the government sector (the entities), whose only guarantee of payment arises from the labor continuity of the borrower, through payroll deductions made by the entities under the collaboration agreements signed by the Company.

g. Other receivables

They mainly represent, among other things, unsupported expenses of officers and taxes recoverable.

h. Furniture, equipment and leasehold improvements

Furniture, equipment, and leasehold improvements are recorded at acquisition cost.

Depreciation and amortization are calculated by using the straight-line method, based on the useful life estimated by Company Management. Annual depreciation and amortization rates of the main groups of assets are as shown below:

Furniture and office equipment	10%
Computer equipment	30%
Communication equipment	25%
Transportation equipment	25%
Leasehold improvements	5%

Property improvements are amortized during the useful period of the improvement, which is most estimated to be the lower of 10 years or the end of the contract.

Minor maintenance and conservation expenses are recognized directly in profit or loss for the year when disbursed.

i. Leases

The Company as a lessee

The Company enters into lease agreements mainly for its office space and automobiles. The lease agreements for offices are normally negotiated for periods between 2 and 4 years, and some have renewal options. The lease periods of automobiles have 3-year lease periods, without any extension option. All leases are negotiated individually, and they have a wide variety of different terms and conditions, such as a purchase option.

The Company evaluates if it is a contract or if it contains a lease at the inception of the contract. A lease transfers the right to direct the use and obtain substantially all the economic benefits of an asset identified during a period of time in exchange for a consideration.

Measurement and recognition of leases as a lessee

On the inception date of the lease, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, initial direct costs incurred by the Company, variable payments based on an index or rate, amounts that are expected to be settled under a guarantee of residual value and payments arising from options with a reasonable certainty of being exercised.

The Company measure the lease liability at the present value of payments not yet due on the inception date, discounted by using the interest rate implicit in the lease agreement of that rate is easily determinable, the incremental financing rate of the Company or the risk free rate. Generally, the Company uses its incremental borrowing rate as a discount rate.

The Company depreciates right-of-use assets on a straight-line from the inception date of the lease up to the lesser of the end of the useful life of the right-to-use asset or the completion of the lease term. The Company also evaluates the impairment of the value of the right-of-use asset when there are impairment indicators.

The lease payments included in the measurement of the lease liability are comprised of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be settled under a guarantee of residual value and payments arising from options with a reasonable certainty of being exercised.

After the initial measurement, the liability will be reduced by the payments made and it will be increased by interest. The financial cost is the amount generated in a constant interest rate on the remaining balance of the financial liability.

The lease liability is revalued when there is a change in the lease payments, a change in the lease payments that arise from a modification in the lease period or a change in the evaluation of a purchase option of a leased asset. The amount of the revaluation of the lease liability is reflected as an adjustment to the book value of the right-of-use asset. The exception to the foregoing takes place when the book value of the right-of-use asset has been written down to zero. Then any excess is recognized in income.

The Company presents right-of-use assets that do not conform with the definition of investment property in “furniture, equipment and leasehold improvements” and lease liabilities in “loans” in the statement of financial position.

The Company has chosen to consider the leases of printers as low value assets by using practical solutions. Instead of recognizing a right-of-use asset and a lease liability, the related payments are recognized on a straight-line as an expense in income during the lease term.

j. Employee benefits

The benefits for termination or post-employment in the Federal Labor Law in Mexico refer mainly to seniority premiums payable to employees that have completed fifteen or more years of service and indemnifications payable for voluntary or involuntary separation.

The Company recognizes the liability for employee benefits as follows:

Direct benefits such as salaries, overtime, vacations, among other things, are recognized in exchange for services rendered in the period in which they are accrued at their nominal value.

Termination benefits paid to employees before their retirement for not having pre-existing conditions are recognized in income for the year at the time of the payment, or a liability is recorded as part of short or long-term obligations.

Post-employment benefits that include payments for seniority premiums and indemnifications with pre-existing conditions of a legal type or contractual are determined based on actuarial calculations for the years of service of personnel. The defined benefit obligation (DBO) is covered in the liability.

Gains or losses on the plan arising from increases or decreases in the DBO are recorded in the net profit or loss on the date on which they are generated.

k. Income tax and employee profit sharing, prepaid or deferred

Provisions for income tax and employee profit sharing are recorded in profit or loss for the period in which they are due. The deferred effect is determined of these items arising from comparing book and tax values of assets and liabilities, including the benefit of tax loss carryforwards in the case of Income Tax. A deferred asset is recorded only when there is a high likelihood that it can be recovered. Deferred taxes are determined by applying the enacted income tax and employee profit sharing rates that are estimated to be in effect on the dates on which temporary items will be recovered or realized.

Employee Profit Sharing due and deferred is considered as an ordinary expense associated with employee benefits.

l. Provisions and liabilities

Provisions are recognized when current obligations arising from a past event will probably lead to an outflow of economic resources, and the amounts can be estimated reliably to a certain degree. The time or the amount of the outflow can still be uncertain. A present obligation arises from the presence of a legal or contractual commitment that that has arisen from past events, for example, legal disputes or onerous contracts.

Provisions are measured based on the estimated expense required to liquidate the current obligation based on the most reliable evidence available at the reporting date, including risks and uncertainties associated with the current obligation. When there is a group of similar obligations, the possibility that an outflow is required to settlement is measured overall as a single class of obligations. Provisions are discounted at their present value, in the cases in which the value in time of the money is material.

All provisions are reviewed on each date of the report, and they are adjusted to reflect the best current estimate.

In those cases in which a possible outflow of economic resources is considered improbable or remote as a result of present obligations, a liability is not recognized unless it is presumed in the course of a business combination.

m. Capital stock and other capital components

Capital stock represents the par value of shares that have been issued (see Note 10).

Retained earnings include profit or loss for the year and prior periods.

n. Recognition of interest revenue

Interest in the performing portfolio when earned is recognized in profit or loss for the year. However, the earning of interest is suspended at the time when the credit is transferred to the nonperforming portfolio. Ordinary interest of nonperforming credits is recognized as income when collected.

o. Financial margin

The financial margin consists of items which, in conformity with MX FRS, form part of the "Comprehensive gain or loss on financing; therefore, interest earned and interest expense are included, as well as exchange differences. The Company presents the financial margin in the first section of the statement of profit or loss, since it is its main source of revenue, and Company Management considers that it best reflects the financial substance of the business as such.

p. Operating expenses

Operating expense are recognized in profit or loss at the time the service is used or as incurred.

5 LIQUID ASSETS

		2020		2019
Banks (a)	**$**	**26,379,586**	$	14,000,547
Short-term investments (b)		**696,035**		677,116
	$	**27,075,621**	$	14,677,663

a) The balance of restricted cash corresponds to a bank account known as a concentration account in which all the collection is deposited, in accordance with master trust CIB/2229 and four bank accounts. Two of them are known as receiving and distribution accounts where the funds of the credits assigned as a collection guarantee are deposited. The other two are known as reserve accounts where a balance of 2.78% and 3.33% of the total amount drawn down of the credit is deposited in the understanding that the deposits may not be used, in accordance with the irrevocable management, guarantee, and source of payment CIB/2228 trust and Actinver Trust 3338, respectively. On July 30, 2020, the Company decided to liquidate the CIB/2228 Trust, which was used as a guarantee and source of payment to cover the credits that it had contracted with Altum. The Company decided not to liquidate the Actinver 3338 Trust, even when the credit with Altum and Recuperate on October 31, 2021.

   On April 12, 2019, an irrevocable management and source of payment trust agreement number F/3954 was entered into between the Company, in its capacity as trustor and secondary beneficiary, the trustee Banco Actinver, S.A., Institucion de Banca Multiple, Grupo Financiero Actinver, in its capacity as trustee of the Irrevocable Management and Source of Payment Trust No. $/3954 and OHP II LP, as primary beneficiaries. Where the funds are deposited of the credits assigned as a collection guarantee, in the understanding that under no circumstances may the amounts that the Company maintains deposited in that account be used, in accordance with the irrevocable management, guarantee, and source of payment trust.

As of December 31, 2020 and 2019, restricted cash amounts to $16,728,270 and $12,719,260, respectively.

b) As of December 31, 2020 and 2019, the investment in highly liquid instruments is in a mutual fund in debt instruments.

As of December 31, 2020 and 2019, interest earned from liquid assets amounted to $272,660 and $577,224, respectively

6 LOAN PORTFOLIO

The loan portfolio is summarized as shown below:

	2020	2019
Performing loan portfolio		
Capital	**$ 248,696,878**	$ 241,311,776
Interest	**2,857,197**	4,477,305
	251,554,075	245,789,081
Nonperforming loan portfolio:		
Capital	**5,111,210**	2,558,414
Interest	**6,199,308**	1,162,327
	11,310,518	3,720,741
	262,864,593	249,509,822
Less - Allowance for loan losses	**(9,160,423)**	(5,494,766)
	$ 253,704,170	$ 244,015,056

As of December 31, 2020 and 2019, interest earned on the loan portfolio amounts to $86,395,293 and $69,559,731, respectively.

The credit terms granted by the Company are payroll to employees of entities mainly of the Government Sector, guaranteed by the income of the workers themselves. The Company granted credits at an average rate of 34.73% and 35.07% for the years ended December 31, 2020 and 2019, respectively.

In order to guarantee the payment of the total financing received by Altum, Recuperate, and OHP II LP (see Note 9), the Company created the Master Trust CIB/2229, to which it assigns the collection rights of eligible credits in order to maintain the applicable aforo through the balance of the capital thereof at all times, as set forth in the credit agreements with ALTUM, RECUPERATE and OHP II LP until each and every one of the debentures have been duly complied with in their entirety. That trust is bound to manage, divide, and allocate the collection of the credits assigned for the payment of the debentures with Altum, Recuperate, and OHP II LP. It also includes a mechanism that binds the Company to contribute collection rights of additional eligible credits and/or an amount in cash equivalent to the additional eligible credits required to comply with the applicable aforo, in the event of an insufficiency of the aforo agreed upon contractually. The Company settled the loans that it held with Altum and Recuperate on July 31, 2020 and October 31, 2020, respectively. As of December 31, 2019, the collection rights of the portfolio referred to in the Trusts for Altum and Recuperate amounted to $71,409,905.

As of December 31, 2020 and 2019, the collection rights of the portfolio referred to in the Master Trust FD/3954 for OHP II LP amounts to $182,048,055 and $165,816,746, respectively.

As of December 31, 2020 and 2019, the amount paid for brokerage services recorded in the loan portfolio amounts to $12,612,069 and $10,675,215, respectively,

The loan portfolio by geographic region as of December 31, 2020 and 2019 is shown below:

	2020		2019	
	Performing	**Nonperforming**	Performing	Nonperforming
Aguascalientes	**$ 1,114,302**	**$ 109,285**	$ 1,927,864	$ 47,242
Chiapas	**177**	**202,944**	1,398,820	252,850
Mexico City	**32,704,111**	**486,876**	46,811,143	835,501
Coahuila	**9,011,175**	**2,649,101**	8,309,474	640,803
State of Mexico	**22,107,738**	**251,402**	23,916,589	15,718
Guadalajara	**264,284**	**361,565**	622,609	-
Hidalgo	**56,643,407**	**2,024,664**	43,981,001	440,199
Michoacán	**15,947,728**	**15,252**	3,464,371	-
Morelos	**-**	**-**	-	12,445
Puebla	**46,315,067**	**2,187,737**	41,853,579	549,188
Querétaro	**25,233,792**	**618,168**	30,075,869	678,703
Veracruz	**18,920,446**	**1,680,117**	29,280,293	206,584
Yucatán	**23,291,848**	**723,407**	14,147,469	41,508
	$ 251,554,075	**$ 11,310,518**	$ 245,789,081	$ 3,720,741

Allowance for loan losses

As of December 31, 2020 and 2019, the preventive estimate for loan risks is summarized below:

	2020	2019
Balance at beginning of year	**$ 5,494,766**	$ 18,386,063
Increase in the estimate	**7,885,282**	5,380,453
Write-offs	**(4,219,625)**	(18,271,750)
Balance at end of year	**$ 9,160,423**	$ 5,494,766

7 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

	2020	2019
Furniture and office equipment	**$ 680,880**	$ 636,932
Computer equipment	**1,130,968**	1,080,213
Communication equipment	**69,400**	-
Transportation equipment	**760,065**	829,465
Leasehold improvements	**567,906**	567,906
	3,209,219	3,114,516
Less – Accumulated depreciation	**(2,242,305)**	(1,864,031)
	$ 966,914	$ 1,250,485

As of December 31, 2020 and 2019, depreciation and amortization for the year recognized in the statement of operations amounted to $378,276 and $306,243, respectively.

8 LEASES

Right-of-use asset

		2020		2019
Transportation equipment	**$**	**5,958,021**	$	5,958,021
Buildings and facilities		**6,388,276**		4,363,130
		12,346,297		10,321,151
Less – Accumulated depreciation		**(7,643,457)**		(3,914,426)
Total right-of-use assets	**$**	**4,702,840**	$	6,406,725

Lease liability

Lease liabilities are presented in the statement of financial position as follows:

		2020		2019
Short-term	**$**	**3,769,303**	$	4,388,067
Long-term		**1,429,764**		2,409,651
	$	**5,199,067**	$	6,797,718

The Company has leased locales in different states for the objective of using them as branches for managing and granting credits, as well as certain transportation equipment to be used by executives. Leases are generally entered into for a period from 12 to 24 months. Except for short-term leases and low value assets, each lease is recorded in the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets consistently with is furniture and equipment, and leasehold improvements.

Each lease generally imposes a restriction which, unless there is a contractual right for the Company to sublease the asset to a third party, the right-of-use asset can only be used by the Company. Leases are non-cancelable or can only be canceled if a significant penalty is incurred due to termination. Some lease agreements contain the option to buy the leased underlying asset directly upon termination of the agreement or by extending the lease agreement for a longer period. The Company is prohibited from selling or furnishing the underlying asset as collateral.

The following table describes the nature of the leasing activities of the Company by type of right-of-use asset recognized in the balance sheet.

	Right-of-use asset	
	Offices and facilities	Transportation equipment
No. of leased right-of-use assets	22	12
Remaining lease term (years)	6	3
Average lease term (years)	2	2
No. of leases with an extension option	22	-
Lease with an option to buy	-	12
Leases with variable payments related to an index	22	-
No. of leases with termination options	-	12

As of December 31, 2020 and 2019, minimum lease payments are as follows:

	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	Total
December 31, 2020					
Lease payments	**$ 5,063,490**	**$ 1,758,819**	**$ 47,239**	**$ -**	**$ 6,869,548**
Financial cost	**(1,294,188)**	**(376,293)**	**-**	**-**	**(1,670,481)**
Net present value	**$ 3,769,302**	**$ 1,382,526**	**$ 47,239**	**$ -**	**$ 5,199,067**
December 31, 2019					
Lease payments	$ 5,092,475	$ 1,996,607	$ 782,044	$ 42,275	$ 7,913,401
Financial cost	(704,408)	(319,808)	(91,467)	-	(1,115,683)
Net present value	$ 4,388,067	$ 1,676,799	$ 690,577	$ 42,275	$ 6,797,718

9 FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

Note 4f) provides a description of the accounting policies for each one of the categories of financial assets and liabilities. The carrying values of financial instruments are as follows:

	2020	2019
Financial assets		
Par Value		
Liquid assets	**$ 27,075,621**	$ 14,677,663
Amortized cost		
Loan portfolio	**253,704,170**	244,015,056
	$ 280,779,791	$ 258,692,719
Financial liabilities		
Amortized cost		
Loans and notes payable	**$ 160,525,044**	$ 134,884,077
Other liabilities	**5,625,201**	5,047,668
Related parties	**32,498,681**	37,351,794
Derivative financial instruments	**2,397,741**	-
	$ 201,046,667	$ 177,283,539

Note 14 provides a description of the risks of the financial instruments of the Company, including management's objectives and policies of these risks.

a. Loans and notes payable

As of December 31, 2020 and 2019, bank loans are summarized as shown below:

	2020		2019	
	Short-term	**Long-term**	Short-term	Long-term
Unsecured credit in pesos granted by Finqro, S. A. de C. V. SOFOM, E. N. R. up to the amount of $10,000,000, with payment of ordinary interest equivalent to 18.63% annual, due December 31, 2023.	$ 1,722,249	$ 4,444,659	$ 1,453,223	$ 6,166,906
Current account unsecured credit in pesos dated September 14, 2020, granted by Finqro in the amount of $2,500,000 with payment of ordinary interest at a fixed rate equivalent to 21% annual, due every 180 days.	2,500,000	-	6,000,000	-
Current account unsecured credit in pesos, granted by Finqro in the amount of $6,000,000 with payment of ordinary interest at a fixed rate equivalent to 21% annual, due every 180 days, up to a 5-year period, counted beginning April 10, 2019.	2,000,000	-	-	-
Current account unsecured credit in pesos dated September 28, 2020, granted by Finqro in the amount of $15,000,000 with payment of ordinary interest at a fixed rate equivalent to 21% annual, due every 180 days.	1,500,000	-	-	-
Unsecured credit in pesos, granted by Altum and Recuperate up to the amount of $40,000,000 with payment of ordinary interest as follows: the highest rate resulting between: i) the equivalent of 17.5% annual; or ii) EIIR rate plus 12% payable monthly, without exceeding a 20% annual rate, due October 31, 2020.	-	-	9,436,724	-
Unsecured credit in pesos, granted by Altum up to the amount of $30,000,000 with payment of ordinary interest as follows: the highest rate resulting between: i) the equivalent of 17.5% annual; or ii) EIIR rate plus 12% payable monthly, without exceeding a 20% annual rate, due July 31, 2020.	-	-	5,718,360	-
MINTOS MARKET PLACE AS funding in the amount of 1,599,795 (January 2020) and 337,110 (January 2019) euros, obtained on a Mintos platform by placing performing loan portfolios with a discount via payroll of the PEMEX collective.	-	38,979,013	-	7,138,344
OHP II LP, credit 1st payroll distribution SD 2,026,610.13 with monthly ordinary interest payments on the 9th of every month, at an 15 % fixed annual rate, at an initial exchange rate of $18.77 Mexican pesos, according to the contract entered into in April 2019, due approximately September 9, 2021.	8,384,044	-	15,067,885	8,051,649
OHP II LP, credit 2nd payroll distribution SD 914,834.02 with monthly ordinary interest payments on the 9th of every month, at an 15.50% fixed annual rate, at an initial exchange rate of $19.0661 Mexican pesos, according to the contract entered into in April 2019, due approximately November 9, 2021.	6,453,178	-	7,747,417	5,161,930
OHP II LP, credit 3rd payroll distribution SD 413,695.13 with monthly ordinary interest payments on the 9th of every month, at an 15.50% fixed annual rate, at an initial exchange rate of $19.0894 Mexican pesos, according to the contract entered into in April 2019, due approximately March 9, 2022.	3,418,067	334,062	3,340,412	2,880,207
Sum continued on following page	**25,977,538**	**43,757,734**	**48,764,021**	**29,399,036**

	2020		2019	
	Short-term	**Long-term**	Short-term	Long-term
Sum from previous page	**25,977,538**	**43,757,734**	**48,764,021**	**29,399,036**
OHP II LP, credit 4th payroll distribution SD 436,024.71 with monthly ordinary interest payments on the 9th of every month, at an 15.25 % fixed annual rate, at an initial exchange rate of $19.9934 Mexican pesos, according to the contract entered into in April 2019, due approximately January 9, 2022.	3,744,540	429,822	3,957,985	2,900,187
OHP II LP, credit 5th payroll distribution SD 412,899.35 with monthly ordinary interest payments on the 9th of every month, at an 15.00% fixed annual rate, at an initial exchange rate of $19.4459 Mexican pesos, according to the contract entered into in April 2019, due approximately October 9, 2022.	3,343,003	980,414	2,792,318	3,988,403
OHP II LP, credit 6th payroll distribution SD 320,338.95 with monthly ordinary interest payments on the 9th of every month, at an 15.00 % fixed annual rate, at an initial exchange rate of $19.2652 Mexican pesos, according to the contract entered into in April 2019, due approximately January 9, 2022.	2,767,281	530,240	2,942,815	2,157,810
OHP II LP, credit 7th payroll distribution SD 246,134.88 with monthly ordinary interest payments on the 9th of every month, at an 14.75% fixed annual rate, at an initial exchange rate of $19.4138 Mexican pesos, according to the contract entered into in April 2019, due approximately September 9, 2021.	2,006,928	864,622	2,942,815	1,112,752
OHP II LP, credit 8th payroll distribution SD 481,451.10 with monthly ordinary interest payments on the 9th of every month, at an 14.75% fixed annual rate, at an initial exchange rate of $18.6308 Mexican pesos, according to the contract entered into in February 2020, due approximately March 9, 2022.	4,735,734	1,176,552	-	-
OHP II LP, credit 9th payroll distribution SD 402,005.74 with monthly ordinary interest payments on the 9th of every month, at an 13.25% fixed annual rate, at an initial exchange rate of $23.9012 Mexican pesos, according to the contract entered into in April 2020, due approximately October 9, 2021.	4,545,473	-	-	-
OHP II LP, credit 10th payroll distribution SD 1,254,119.00 with monthly ordinary interest payments on the 9th of every month, at an 13.25% fixed annual rate, at an initial exchange rate of $21.3677 Mexican pesos, according to the contract entered into in April 2020, due approximately November 9, 2022.	11,421,588	10,751,176	-	-
	58,542,085	**58,490,560**	61,399,954	39,558,188
Related parties				
Interest free mutual credit with Plaza Mompani, S. de R. L. de C. V.(related party) up to the amount of $14,960,308, provided that payments are made in due time and proper form. Otherwise, 14% monthly interest would be paid in pesos, due 2022.	5,976,053	-	10,237,202	-
Interest free mutual credit with Empaques Flexibles Nowpack, S. A. de C. V. (related party) up to the amount of $25,997,300, provided that payments are made in due time and proper form. Otherwise, 14% monthly interest would be paid in pesos, due 2020.	-	-	4,813,500	-
	5,976,053	-	15,050,702	-
	$ 64,518,138	**$ 58,490,560**	$ 76,450,656	$ 39,558,188

As of December 31, 2020 and 2019, interest expense on loans amounted to $18,129,011 and $14,950,763, respectively.

As of December 31, 2020 and 2019, notes payable are summarized as shown below:

	Issue I		2016 Issue	
Bondholder	**2020**	2019	**2020**	2019
Adriana Carmen Ríos Rojas	**$ 5,155,109**	$ 5,158,533	**$ -**	$ -
Brenda Ibarra Reséndez	**1,020,780**	1,021,118	**-**	-
Claudia Bardawill Matuk	**-**	-	**3,038,333**	3,042,166
Deisi Valdez Mendez	**506,028**	-	**-**	-
Edmundo Bardawill Matuk	**-**	-	**3,038,333**	3,042,166
Enrique de San Martín Bardawil Matuk	**-**	-	**8,608,998**	8,619,859
Erika Chazaro Pérez	**3,038,199**	1,516,218	**1,509,139**	1,512,834
Federico Terrazas Becerra	**1,007,753**	1,013,923	**-**	-
José Ernesto González Guerrero	**1,012,931**	1,017,502	**-**	-
Maria Guadalupe Molina Moreno	**3,038,425**	-	**-**	-
Martin Arellano Reynoso	**251,264**	-	**-**	-
Martine Magny Ruiz	**756,125**	-	**-**	-
Patricia de Marbella Creel Gómez	**778,533**	766,916	**-**	-
Rafael Avitia Enriquez	**3,805,503**	255,250	**1,771,840**	1,800,917
Rodolfo Filiberto Robles	**5,155,106**	5,158,533	**-**	-
	25,525,756	15,907,993	**17,966,643**	18,017,942
Related parties				
Arlette Escobar Moguel	**1,075,489**	1,024,500	**2,638,406**	2,159,708
Carlos Fernando Gamboa Heredia	**3,556,492**	3,555,931	**1,502,917**	1,504,667
Jorge Amado Pawling Sánchez	**261,038**	255,496	**-**	-
José Escobar Olie	**555,153**	510,500	**524,131**	524,986
Maria Cecilia Heredia Molina	**1,016,969**	1,011,201	**-**	-
María del Carmen Fernández de Castro	**251,234**	251,169	**-**	-
Martha Alicia Moya Anchondo	**1,024,404**	1,022,167	**2,004,515**	2,018,904
Paulina del Perpetuo Socorrro Portugal Pawling	**1,006,611**	1,006,611	**-**	-
Rosario Emilia Pawling Sánchez	**1,538,948**	1,539,976	**653,161**	573,388
Said Guillermo Manzur Escobar	**6,365,927**	3,560,854	**-**	-
Sergio Núñez Martínez	**1,270,583**	1,018,541	**-**	-
Wilma Frances Combs Line	**254,930**	252,615	**-**	-
Ximena Núñez Fernández de Castro	**1,021,720**	509,878	**-**	-
	19,199,498	15,519,439	**7,323,130**	6,781,653
	$ 44,725,254	$ 31,427,432	**$ 25,289,773**	$ 24,799,595

Issue I

Pursuant to the General Ordinary and Extraordinary Stockholders' Meeting held on July 5, 2018, the stockholders resolved to authorize the creation of a collective credit, in conformity with the provisions of the General Law of Securities and Transactions. That credit was through issue I of 200 debentures which, in accordance with the applicable legal system, the Company has full standing to carry out that placement in local territory. In that case, it is proposed that the total value of the debentures to be issued be in an amount up to $50,000,000, each one of them with par value in the amount of $250,000.

Adhesion agreements in which the admission of bondholders is accepted were entered into between private parties on the dates of July 5, 2018, July 25, 2018, August 8, 2018, August 13, 2018, August 22, 2018, September 12, 2018, September 24, 2018, November 1, 2018, November 22, 2018, December 3, 2018, December 20, 2018, January 31, 2019, February 12, 2019, February 20, 2019, March 12, 2019, March 13, 2019, March 19, 2019, March 27, 2019, April 2, 2019, June 17, 2019, July 12, 2019, August 14, 2019, August 19, 2019, September 1, 2019, September 4, 2019, September 18, 2019, November 1, 2019, February 9 and 12, 2020, March 13 and 24, 2020, August 24 and 31, 2020, September 1, 9, and 18 2020, October 5, 2020, and December 10, 2020.

2016 Issue

Pursuant to the General Ordinary and Extraordinary Stockholders' Meeting held on February 16, 2016, the stockholders resolved to authorize the creation of a collective credit, in conformity with the provisions of the General Law of Securities and Transactions. That credit was through the issue of 49 debentures which, in accordance with the applicable legal system, the Company has full standing to carry out that placement in local territory. In that case, it is proposed that the total value of the debentures to be issued be in an amount up to $24,500,000, each one of them with par value in the amount of $500,000.

Renewal agreements were entered into between private party "bondholders" and the Company for 36 additional months on the dates of March 4, 2019, March 7, 2019, March 14, 2019, March 15, 2019, May 5, 2019, June 21, 2019, June 8, 2019. July 11, 2019, October 6, 2019, October 31, 2019, November 8, 2019, and December 22, 2019. In addition, adhesion agreements in which the admission of bondholders is accepted were entered into between private parties on the dates of February 8, 2017, June 22, 2017, July 19, 2017, August 2, 2017, August 5, 2017, and September 1, 2017.

As of December 31, 2020 and 2019, the interest expense on the financing received for the bondholders amounted to $10,157,795 and $ $8,656,985, respectively

As of December 31, 2020 and 2019, interest earned on financing received from related party bondholders amounts to $3,617,505 and $2,777,459, respectively.

As of December 31, 2020 and 2019, the sum of the item of loans and notes payable to third parties is summarized as follows:

	2020	2019
Short-term		
Loans with third parties	**$ 58,542,085**	$ 61,399,954
Long-term		
Loans with third parties	**58,490,560**	39,558,188
Third party bondholders Issue I	**25,525,756**	15,907,993
Third party bondholders 2016 Issue	**17,966,643**	18,017,942
	$ 101,982,959	$ 73,484,123

Derivative financial instruments

As of December 31, 2020, the Company has contracted an exchange hedge on the forward call and calls with Actinver Casa de Bolsa S.A. de C.V. y Masari Casa de Bolsa, S.A., as shown below:

Amount of the purchase U.S. dollars	U.S. dollar exchange rate agreed upon	Amount in local currency	Due date
50,000	19.1780	$ 958,900	08-Jan-21
50,000	19.1780	958,900	09-Feb-21
50,000	19.5000	975,000	Jan. 08-21
50,000	19.5000	975,000	09-Feb-21
103,218	21.5000	2,219,187	Jan. 04-21
101,041	21.5000	2,172,382	03-Feb-21
196,844	21.5000	4,232,146	01-Mar-21
196,684	21.5000	4,228,706	05-Abr-21
193,974	21.5000	4,170,441	03-May-21
150,686	21.5000	3,239,749	01-Jun-21
167,268	21.5000	3,596,262	01-Jul-21
166,045	21.5000	3,569,968	02-Aug-21
164,269	21.5000	3,531,784	01-Sep-21
151,240	21.5000	3,251,660	01-Oct-21
41,086	22.3503	918,284	|8-Jan-21
40,692	22.3503	909,478	09-Feb-21
39,713	22.3503	887,597	09-Mar-21
39,905	22.3503	891,889	Apr. 09-21
39,341	22.3503	879,283	10-May-21
39,117	22.3503	874,277	03-Jun-21
2,031,123		$ 43,440,893	

As of December 31, 2020, the exchange rate of the US dollar was $19.9087; therefore, the Company recorded a loss in the amount of $1,240,573 as of that date. This loss is presented in the statement of profit or loss of 2020, which forms part of the exchange effect as an exchange loss, and as a financial instrument liability in the statement of financial position.

Hedge ineffectiveness can arise when the critical terms of the forecasted transaction no longer coincides with those of the hedging instrument. For example, if there was a change at the time of the forecasted sales transactions beginning with what was initially estimated of if the volume of the currency in the hedged item was below expectations, which leads to an excessive hedge.

Hedged items and the hedging instrument are denominated in the same currency and, as a result, the hedge ratio is always one to one.

As of the issue date of these financial statements, the hedges contracted with Actinver Casa de Bolsa, S. A. de C. V. and Masari Casa de Bolsa, S.A. de C.V. were settled at the contracted exchange rate.

10 STOCKHOLDERS' EQUITY

a Capital stock

As of December 31, 2020 and 2019, capital stock is consisted of 25,077,025 shares with no par value shown, respectively, subscribed for and paid, which is summarized as follows:

	No. shares	Historical capital
Fixed minimum capital stock (Series A)	**50,000**	**$ 50,000**
Variable capital stock (Series B)	**24,733,700**	**24,733,700**
Preferential capital stock (Series C)	**293,423**	**64,906,300**
	25,077,123	**$ 89,690,000**

b Legal reserve

Net income for the year, when generated, is subject to the legal provision which requires that 5% of that income be allocated to a legal reserve until that reserve equals 20% of the capital stock. The balance of the legal reserve may not be distributed to the stockholders, except as stock dividends.

Pursuant to the minutes of the General Ordinary Stockholders Meeting held on July 29, 2020, the stockholders approved that the amount of $252,367 be created for the legal reserve, which represent 5% of the earnings obtained as of December 31, 2019.

c Distributed earnings

Dividends or earnings that are distributed to stockholders that are drawn against the Net Taxable income Account (CUFIN) will not be subject to income tax (ISR) assessed on legal entities that reside in the country until that account is exhausted. Dividends paid to nonresident individuals or legal entities on earnings generated beginning January 1, 2014 are subject to a 10% tax, which is considered to be a final payment.

In addition to the foregoing, dividends not drawn against the CUFIN will continue to be subject to the payment of income tax payable by the entity, determined based on the general statutory rate, which is considered to be final, and it may be credited against income tax for the year and tax for the two following years.

The balance of this CUFIN account and the CUCA account discussed in the above paragraph may be restated up to the date such dividends are distributed, by using the National Consumer Price Index (NCPI).

d Capital decreases

As of December 31, 2020 and 2019, the restated balance of the Restated Paid-in Capital Account (CUCA) amounts to $ 105,314,838 and $102,098,728, respectively. In the case of a reimbursement or capital decreases in benefit of the stockholders, the excess of that reimbursement over this amount should be treated as a distributed earning for tax purposes.

In the event that stockholders equity should exceed the balance of the Restated Paid-in Capital account (CUCA), the spread will be considered as a dividend or distributed earning subject to the payment of income tax. If the earnings referred to above are drawn against the net taxable income account, there will be no corporate tax payable for the capital decrease or reimbursement. Otherwise, the spread should be treated as a dividend or a distributed earning.

11 INCOME TAX (ISR, for its acronym in Spanish)

For the year ended December 31, 2020 and 2019, the Company generated (a tax loss) taxable income amounting to $(7,436,268) and $4,945,269, respectively, which differs from net (loss) income, due mainly to the following items:

	2020	2019
Net (loss) income for the year	**$ (2,483,294)**	$ 5,047,348
Temporary items		
Tax over book depreciation	**(88,257)**	(24,624)
Amortized cost of assets and liabilities	**(2,154,555)**	9,224,124
Unamortized fees paid	**3,205,384**	(16,709,827)
Allowance for loan losses	**(4,116,348)**	5,380,453
Lease, net	**613,369**	390,992
Other items	**(2,173,677)**	299,324
Permanent items		
Annual adjustment on inflation	**(1,825,456)**	(2,052,609)
Employee benefits.	**148,031**	1,139,566
Losses	**83,979**	1,210,632
Nondeductible expenses	**1,354,556**	1,039,890
Net effect	**(4,952,974)**	(102,079)
(Tax loss) taxable income	**$ (7,436,268)**	$ 4,945,269

Taxable income determined as of December 31, 2019 was amortized against the remaining balance of restated tax losses in the amount of $4,945,269.

Deferred income tax

As of December 31, 2020 and 2019, the asset on the accrued deferred Income Tax effect is as shown below:

	2020	2019
Deferred assets:		
Undeducted write-offs	**$ 4,214,625**	$ 21,456,387
Provision for employee benefits	**708,639**	560,607
Allowance for loan losses	**9,160,423**	5,494,767
Unpaid PTU due	**21,472**	485,147
Tax loss carryforwards	**13,024,286**	5,163,303
Furniture and equipment, net and lease	**508,350**	-
Total deferred assets	**27,637,795**	33,160,211
Deferred liabilities:		
Amortized cost, net	**(18,690,525)**	(20,086,263)
Furniture and equipment, net and lease	**-**	(384,247)
Total deferred liabilities	**(18,690,525)**	(20,470,510)
Base for deferred Income Tax	**8,947,270**	12,689,701
Income tax rate	**30%**	30%
Deferred income tax asset	**$ 2,684,181**	$ 3,806,910
Valuation Allowance	**(2,684,181)**	(3,806,910)
	$ -	$ -

Company Management estimates that it will not generate sufficient taxable income to recover this asset in the short-term; therefore, it has decided to create a provision therefor.

Tax loss carryforwards

Tax loss carryforwards can be offset against taxable income subject to income tax in the following ten years. Those tax loss carryforwards may be restated by using the NCPI.

As of December 31, 2020, tax loss carryforwards restated at that date are summarized as shown below:

Year incurred	Restated amount	Year of expiration
2016	**$ 522,305**	2026
2018	**4,939,295**	2028
2020	**7,562,686**	2030
	$ 13,024,286	

12 EMPLOYEE BENEFITS

As of December 31, 2020 and 2019, the actuarial studies show the following information:

	2020		
	Severance payments	**Seniority premium**	**Total**
Net liability for defined benefits	**$ 504,271**	**$ 204,368**	**$ 708,639**
Current labor service cost	**$ 55,733**	**$ 56,215**	**$ 111,948**
Financial cost	**26,617**	**9,466**	**36,083**
Net cost for the period	**$ 82,350**	**$ 65,681**	**$ 148,031**

Actuarial hypotheses used in absolute terms:	
Nominal discount rate used for calculating the present value of obligations	**7.20%**
Nominal incremental rate in salary levels	**5.00%**
Rate of minimum wage increase	**4.80%**

	2019		
	Severance payments	Seniority premium	Total
Net liability for defined benefits	$ 421,921	$ 138,687	$ 560,608
Current labor service cost	$ 46,254	$ 36,686	$ 82,940
Financial cost	23,948	5,323	29,271
Recycling of measurements	34,927	31,280	66,207
Net cost for the period	$ 105,129	$ 73,289	$ 178,418

Actuarial hypotheses used in absolute terms:	
Nominal discount rate used for calculating the present value of obligations	7.20%
Nominal incremental rate in salary levels	5.00%
Rate of minimum wage increase	4.80%

13 EMPLOYEE PROFIT SHARING

For the year ended December 31, 2020, no base was generated for employee profit sharing (PTU, for its acronym in Spanish).

For the year ended December 31, 2019, a base was generated for employee profit sharing of $4,851,460, which differs from the Income Tax base of every year, due to the payment of PTU made and the amount of other benefits paid to employees that are not totally deductible for income tax purposes. The current rate is 10%.

As of December 31, 2020 and 2019, deferred PTU is summarized as follows:

	2020	2019
Excess (book) tax value over tax book value of assets and liabilities for income tax, net, without considering tax losses	**$ (8,313,113)**	$ 7,041,260
Rate	**10%**	10%
Deferred employee profit sharing asset	**$ (831,311)**	704,126
Less - Valuation allowance	**831,311**	(704,126)
Deferred Employee Profit Sharing	**$ -**	$ -

As of December 31, 2020 and 2019, the Company decided to provide for the deferred PTU liability and asset, respectively, by considering that it will not be possible to recover them.

14 FINANCIAL INSTRUMENT RISK:

Risk management objectives and policies

The Company is exposed to various risks related to financial instruments. The financial assets and liabilities of the Company by category are summarized in Note 9. The main types of risks are credit risk, liquidity risk, and market risk.

The maximum authority in making operating decisions is the Board of Directors, which has the general responsibility of establishing and supervising the risk management policies of the Company. The Board of Directors has determined that the General Administrative Offices be in charge of developing and supervising the Company's risk management policies, and report its activities.

The Company's risk management policies are set out to identify and analyze the risks faced by the Company, establish limits and appropriate risk controls, and monitor risks and meet deadlines. Risk management policies and systems are reviewed periodically to reflect the changes in market conditions in the Company’s activities.

Through training and management procedures, the Company’s objective is to develop a disciplined, constructive control environment in which all employees understand their duties and obligations.

Credit risk analysis

Credit risk represents the potential that an issuer of a financial instrument can cause the counterparty, by not meeting its obligations, and which arise mainly from the loan portfolio and investments in debt instruments.

Contract assets

The Company's exposure to credit risk is affected mainly by the individual characteristics of each governmental agency to which the Company lends money to their corresponding employees.

The Credit Committee has established a credit policy under which each new agreement is analyzed individually with regard to its solvency before offering standard payment conditions and delivery of the Company. The review of the Company includes external ratings when they are available, financial statements, information from credit agencies, industry information and, in some cases, bank references. Credit limits are set for each customer and they are reviewed whenever it is necessary. Any credit that exceeds those limits is required to be approved by the Credit Committee.

Upon monitoring the credit risk of customers, those risks are grouped according to their credit characteristics, including if they correspond to a governmental entity and its days in arrears.

The Company uses the Expected Loss Model (ECL) to estimate the impairment credit allowance. How the Company estimates this allowance is through the estimate of the Default Probability (PD) parameters and Severity of the Loss (LGD).

Generally, the probability of default is estimated through the estimation of loss rates observed by cuts to which they are adjusted based on distribution, in order to obtain marginal probabilities for the contractual lifetime period of the credits. The analysis is performed by the segmentation of credits by days in arrears in 3 different stages.

The Loss Given Default is estimated based on the calculation of the present value of recovery flows subsequent to impairment, divided by the balance at the moment of the event of default.

The Company does not currently incorporate prospective information in the allowance for its bad debts, since it does not have sufficient information without cost or a disproportionate effort to perform an analysis of its losses in connection with macroeconomic variables.

On the other hand, the Company is closely monitoring the governmental entities to which it grants credit to carry out actions to limit its exposure, if necessary, write them off.

The Company does not request guarantees in connection with payroll credits granted.

As of December 31, 2020 and 2019, the maximum exposure to credit risk for assets was as follows:

Stage		**2020**		2019
Stage 1 -	**$**	**222,763,035**	$	231,543,314
Stage 2 -		**14,660,703**		10,611,349
Stage 3 -		**25,440,855**		7,355,159
	$	**262,864,593**	$	249,509,822

Mutual funds

As of December 31, 2020 and 2019, the Company held mutual funds whose issuer is rated between the ‘mxA-1’ and ‘mxAAA+’, according to the S&P Rating Global Ratings Agency.

As of December 31, 2020 and 2019, the loan portfolio more than one year old amounts to $696,032 and $677,116, respectively.

Liquidity risk analysis

Liquidity risk is the risk which the Company has difficulties in meeting its obligations associated with its financial liabilities, which are settled through the delivery of cash or other financial assets.

The Company's approach for managing liquidity is to assure as much as possible that it will always have sufficient liquidity to meet its obligations when they become due and payable, in both normal and tension conditions, without incurring in unacceptable losses or risking the Company's reputation.

The Company uses the cost method based on activities to defray its products and services, which helps to monitor cash flow requirements and optimize its cash return on investments.

As of December 31, 2020 and 2019, the Company is exposed to liquidity risk due to the outflow represented by holding unsecured bank loans and issues of collective credit.

Market risk analysis

The market risk is the risk that changes in market prices, for example, exchange rates, interest rates or prices of shares, affect the Company's revenues or the value of the financial instruments that it holds. The objective of market risk management is to manage and control exposures to this risk within reasonable parameters and optimize profitability at the same time.

Currency risk

Most of the Company's transactions are carried out in pesos. Exposures to exchange rates arise from the credits that it has contracted, which are basically denominated in US dollars (USD) and euros.

To mitigate the Company's exposure to exchange risk, cash flows that are not in pesos are monitored and future exchange contracts are entered into in accordance with the Company's risk management policies. Generally, the Company's risk management procedures distinguish short-term foreign currency short-term flows (which mature within 12 months) from long-term cash flows (that mature after 12 months). Future exchange contracts are carried out for foreign currency exposures that are not expected to be able to be offset in another currency

As of December 31, 2020 and 2019, foreign currency denominated assets and liabilities that expose the Company to an exchange risk are summarized below:

	US dollars		Euros	
	2020	2019	**2020**	2019
Assets		-	2,615	-
Liabilities	**(3,359,887)**	(3,448,044)	(1,599,795)	(337,110)
Borrowing position	**(2,905,975)**	(3,448,044)	(1,597,180)	(337,110)

As of December 31, 2020 and 2019, and March 22, 2021, issue date of the accompanying financial statements, the exchange rates of the US dollar were $$19.9487, $18.8642 and $20.6408, respectively.

As of December 31, 2020 and 2019, and March 22, 2021, issue date of the accompanying financial statements, the exchange rates of the euro were $24.3593, $21.1751 and $24.5275, respectively.

As of March 22, 2021, the unaudited foreign currency position is similar to the position as of December 31, 2020.

Interest rate risk

The interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The fluctuation in interest rates depends largely on the state of the global economy.

The Company's exposure to interest rate risk is concentrated in unsecured bank loans where the cash flows of interest payable is referenced to the EIIR rate, plus a spread.

Market price risk

The Company is exposed to the price risk of securities of mutual funds classified as IFN. Significant investments in the portfolio are managed individually, and all buy and sell decisions are approved by the Finance and Accounting Division.

The main objective of the Company is to maximize investment returns. In accordance with this strategy, investments are designated at fair value with changes in income, since their yield is monitored actively, and they are managed on a fair value basis.

15 CONTINGENCIES

a) In accordance with currently enacted tax legislation, the authorities have the power to review up to the five fiscal years prior to the last income tax return filed.

b) Tax differences could arise for resident related party transactions if the tax authorities, upon reviewing such transactions, consider that the prices and amounts used by the Company are not comparable with those used with or between independent parties in arm’s length transactions.

In the event that the tax authorities should review the prices and reject the amounts determined, they could impose fines on the omitted contributions, in addition to collecting the pertinent taxes and related charges (restatement and surcharges), which could be as much as 100% of the restated amount of the contributions. To date the Company is in the process of drawing up a transfer pricing study, which supports that transactions are comparable with those used with or between independent parties in arm’s length transactions.

c) The Company is involved in various litigations and claims derived from the normal course of its operations, which are not expected to have a significant effect on its financial position and future income.

16 EVENTS SUBSEQUENT TO THE REPORTING DATE

Management permanently monitors the development of the COVID-19 pandemic and its impact on the Company. Pursuant to that monitoring, no significant event related to the pandemic has been identified between the reporting date and authorization date of the accompanying financial statements that requires any adjustment or disclosure.

No significant event has occurred between the reporting date and date of authorization of the accompanying financial statements that requires any adjustment or disclosure.