TENACITY THAT **DEFINES US**

2018 ANNUAL AND SUSTAINABLE REPORT

CRÉDITO REAL®

Beyond your limits.

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2018 HIGHLIGHTS

1

102-7

19.10%
reduction in generation of Scope 1 emissions

254,173
loans granted in the year

17.84%
reduction in energy consumption

2.10%
reduction in water consumption

588
collaborators

1.7%
default portfolio index

MXN $3.64
million donated to civil society organizations

MXN $10,287.60
million, interest income

MESSAGE FROM THE C

MESSAGE FROM THE CEO

2

102-14, 102-15

In spite of the unstable national and international context of 2018, once again our company has closed a year of financial soundness and success on the road to financial sustainability. This year, the situation was compounded by the renegotiation of the United States-Mexico-Canada Agreement (USMCA) and the economic policy of the recently elected federal government in Mexico which created even more market uncertainty.

As a result of our sound business model, consolidation of the business units, development of adequate problem-solving capacities, and the consolidation of our loan portfolio, company interest income was MXN $10,287.60 million, a growth of 20.22% with respect to 2017. Net profit was MXN $1,955.36 million, a 17.71% increase with respect to the previous year.

Our consolidated loan portfolio was MXN $36,319.12 million for an annual increase of 25.17%, 500 pbs above the estimate set in the 2018 Guide, which featured the performance of our Payroll and PyMES segments.

Reflecting the high quality of our assets, our default portfolio index was 1.70%, one of the lowest in the sector and well below the 2.10% index at the end of 2017.

In 2018 we once more proved to be a mature and institutional company. We managed to successfully close the Swiss Bond offer maturing in 2022 for CHF $170.00 million, rated BB+ by both Fitch Ratings and Standard and Poor's. This event made us the first non-banking financial company in Mexico to place debt in the Swiss market.

We placed a second issuance of the portfolio securitization program for MXN $615.00 million in the *Bolsa Institucional de Valores* (BIVA) –an institution that started operations in July in Mexico– becoming the first Mexican company to issue debt in said institution.

A great part of these results was a consequence of the transformation program we are currently undergoing and of the strengthening of our *Cultura Azul* (Blue Culture), which allows us to continue on the path to becoming a better company, achieving our goals, and fulfilling our 2022 Vision. Achieving our goals is important; yet, the manner in which these are reached is even more relevant. Thus, we continue to work on designing and implementing the tools that will allow us to reach our objectives and be more efficient and successful.

In 2018, we focused our efforts on the execution of three tracks: the first one was focused on business management for improving alignment and communication for decision-making; the second one, was aimed at boosting our *Cultura Azul*, leadership, and mentality –a management model

In 2018 we placed the second issuance of the portfolio securitization program for MXN $615.00 million in the BIVA.

Two thousand and eighteen is now a milestone in our history as the year in which we successfully concluded our offer in the Swiss market of bonds was rated BB+ by Fitch Ratings and Standard and Poor's.

In line with our commitment to investor service, our Finance and Investor Relations departments were once more recognized **among the most outstanding in Latin America by the Institutional Investor.**

In 2018 we were **ranked 11th by Great Place To Work** in the category of organizations between 50 and 500 collaborators and multinationals in the **Banking, Securities and Finance** sector. We continue to surpass the goals of our corporate culture.

based on accountability designed by our management team to fulfill our 2022 Vision; and the third track focused on digital transformation with the goal of defining the digital strategy that will take Crédito Real to next level.

In addition to presenting the economic, environmental, social and corporate governance performance results of Crédito Real, this report also constitutes our Communication on Progress, reporting on our compliance and fulfillment of the 10 principles of the UN Global Compact.

Our Finance and Investor Relations departments were once more recognized as one of the most outstanding in Latin America by the Institutional Investor for our service commitment to investors.

Diversification makes Crédito Real a sustainable company; thus, the correlation of financial, social and environmental factors is a crucial factor. Furthermore, we ensure integral progress by fulfilling our responsibility of permanently monitoring the three tracks and defining the moment at which it is necessary to focus on one of them in order to achieve common, attainable goals.

In 2018 we were recognized by the Great Place To Work Institute as one of the best places to work in Mexico. This was the result of the high level of reliability and quality of the corporate culture practices we have implemented and the trustworthiness, commitment, respect, fellowship and company pride of our extraordinary work team. We achieved a ranking above the average of the 100 best organizations between 50 and 500 collaborators and multinationals in the Banking, Securities and Finance sector.

In 2019, we shall continue to work on our cultural transformation, on adopting the best practices for continuous improvement, and on generating the tools necessary for improving our business and information systems, consolidating Crédito Real as an ever more transparent company.

I am grateful to our investors, strategic partners and suppliers for their confidence in Crédito Real; to our Board of Directors and to our Management Team for efficiently leading us on the path to the fulfillment of our 2022 Vision; and last but not least, to our collaborators for their commitment in the achievement of our common goals. We shall continue to surpass our goals and consolidate our company.

Ángel Romanos Berrondo
President and CEO

WE ARE CRÉDITO REA

WE ARE
CRÉDITO REAL

3

We are proud to be
a Mexican company
operating in six countries.

102-1, 102-4, 102-6

Twenty five years ago Crédito Real was founded as an inclusive company with the goal of providing financial solutions in Mexico. From the start we have focused on granting diverse types of loans to individuals and sectors that have been neglected by the traditional banking system.

Throughout our history we have taken our successful business model beyond Mexico's borders. We are currently present in Mexico, the United States, Costa Rica, Panama, Honduras and Nicaragua.

OUR HISTORY

OUR **HISTORY**

1993

Started operations granting loans for durables and consumer goods.

1995

First public debt emission.

2004

Started operations of payroll loans.

2007

Started operations of group loans.

2010

Emission of our first International Bond for USD $210.00 million at a 10.25% rate.

2012

Entry in the Mexican Stock Exchange (BMV).

Started PYMES and used-car loans.

2013

Recognized as one of the best 100 financial companies in the world by World Finance.

Ranked 17th in the Banking, Securities and Finance category (fewer than 1,000 collaborators) by Great Place To Work (GPTW) and ranked 89th in Gender Equality.

2014

Placed an international bond for USD $425.00 million, at 7.50% maturing in 2019; operation 6.0 times oversubscribed.

Awarded the Socially Responsible Company Distinction (ESR®) for the first time.

Joined "Mexico Small-Cap Index" (MSCI).

Institutional Investor Magazine nominates Crédito Real for Best Management Team, General Director, Financial Director, Investor Relations Director and Investor Relations Department in the LATAM category.

2015

Scaled our used car business in the US.

Successfully issued stock certificates for MXN $1.00 billion; operation 1.70 times oversubscribed.

2016

Placed an international bond for USD $625.00 million maturing in 2023, at a 7.25% rate.

2017

Recognized by the Mexican Stock Exchange and the Listing Committee as the best rated company in Corporate Governance.

Issued perpetual subordinated bonds for USD $230.00 million at a 9.12% rate.

First issuance of the Portfolio Securitization Program for MXN $800.00 million.

2018

Issued a Swiss Bond maturing in 2022 for CHF $170.00 million at a 2.87% rate graded "BB+" by Fitch Ratings and Standard and Poor's.

Second bond issuance for MXN $615.00 million, as part of the Portfolio Securitization Program, now in the *Bolsa Institucional de Valores* (BIVA).

Ranked 11th by Great Place To Work (GPTW) in the Banking, Securities and Finance sector in the 50 to 500 collaborators and multinationals category, as well as 19th in the best place to work in the Millenials category.

Ranked 52nd in Expansión magazine's Socially Responsible Company ranking; the evaluation was conducted by Expansión and Schulich (Business School of the University of York).

Recognized by British magazine The European in the categories for (I) Innovation, financial inclusion and social responsibility, and (II) Consumer finance company of the year.

For second consecutive year Crédito Real placed in the 500 companies against corruption, ranking in 131st place.

Our Finance and Investor Relations departments were once more recognized by the Institutional Investor rankings among the most outstanding in Latin America.

We are celebrating 25 years surpassing our goals!

BUSINESS **LINES**

102-2

Our business platform consists of the following lines:

Payroll loans

Consumer loans

Used car loans

Small and medium-sized business loans (PyMEs)

Group loans

Durable goods loans and others

EXPANDING **OUR VISION**

GRI 201: 103-1, 103-2, 103-3
102-48, 201-1

Business profitability is essential in the creation of value for our stakeholders. Crédito Real measures the success of its business and economic performance through diverse financial and operational indicators.

In 2018, our interest income and net profit increased by 20.22 and 17.71% respectively in relation to 2017. These are important figures as they exceed the objectives set at the beginning of the year.

The following table shows the results of Crédito Real at the close of 2018.

Concept [1]	2016 (MXN)	2017 (MXN)	2018 (MXN)	% Δ 2018 vs 2017
Revenue	$6,958.20	$8,557.34	$10,287.60	20.22
Commission and fee charged	$539.60	$826.39	$564.10	(31.74)
Other revenue	$643.04	$503.11	$404.32	21.39
Share of profit for associates [2]	$30.93	$23.90	$97.16	(12.94)
Economic Value Generated [3]	**$8,171.77**	**$9,910.74**	**$11,353.18**	**14.55**
Interest expenses	$1,916.40	$2,726.10	$3,207.40	17.70
Commissions and fees paid	$283.40	$234.61	$256.00	9.12
Administration and promotion expenses	$2,912.90	$1,828.13	$1,909.36	1.92
Taxes	$504.40	$528.30	$650.60	23.15
Dividends paid	-	$96.80	$193.44	99.83
Investment on social responsibility programs	$2.40	$1.30	$1.10	(15.38)
Donations to civil society organizations	$4.60	$4.10	$3.64	(12.20)
Sponsorships	$2.10	$1.97	$2.00	5.26
Payment of collaborator salaries and benefits	-	$1,582.00	$1,567.00	(0.95)
Net income	$1,714.00	$1,661.14	$1,955.36	17.71
Economic Value Distributed [4]	**$5,626.20**	**$7,003.31**	**$7,790.54**	**11.24**
Retained Economic Value [5]	**$2,545.57**	**$2,907.43**	**$3,562.64**	**22.54**
Concept[1]	**2016**	**2017**	**2018**	**% Δ 2018 vs 2017**
Loan portfolio	$23,927.02	$29,015.04	$36,319.12	25.17
Capitalization	38.80%	50.90%	43.50%	(7.00)
Net earnings per share	$4.37	$4.24	$4.99	17.69
ROAA	5.00%	4.50%	4.20%	(0.30)
ROAE	20.20%	15.90%	12.90%	(3.00)
Net interest margin	22.50%	22.20%	20.80%	(1.20)
Default index	2.20%	2.10%	1.70%	(0.40)

[1] Figures in millions of pesos, with exception of Capitalization, ROAA, ROAE, Net earnings per share and Default index.
[2] The 2017 Annual and Sustainability Report (p. 36), reported the item 'collaborator profit sharing'; the correct item should be 'share of profit for associates', reason why the figures for 2016 and 2017 in this report show a variation with respect the information reported in the previous year. The amount of this item is obtained by subtracting the non-controlling interest from the share of profit for associates.
These results may be consulted in Crédito Real's 2018 Annual Report (page 32).
[3] Economic Value Generated is the sum of: Revenue, commissions and fees paid, other income and share of profit for associates.
[4] Economic value distributed is the sum of: Interest expenses, commissions and fees paid, administration and promotion expenses, taxes, paid dividends, investment on social responsibility programs, donations to civil society organizations, sponsorships, and payment of collaborator salaries and benefits.
[5] Economic value retained is the difference between economic value generated and economic value distributed.

Capitalization

↓ 7.00%

2018	43.90%
2017	50.90%
2016	38.80%

ROAA

↓ 0.30%

2018	4.20%
2017	4.50%
2016	5.00%

Revenue

million pesos

↑ 20.22%

2018	MXN $10,287.60
2017	MXN $8,557.30
2016	MXN $6,958.20

ROAE

↓ 3.00%

2018	12.90%
2017	15.90%
2016	20.20%

Net income

million pesos

↑ 17.71%

2018	MXN $1,955.40
2017	MXN $1,661.10
2016	MXN $1,714.00

Loan portfolio

million pesos

↑ 25.17%

2018	MXN $36.319.12
2017	MXN $29,015.04
2016	MXN $23,927.02

CREAL LISTING, 2018

CREAL LISTING, **2018**

Our company is listed with the ticker symbol CREAL. Share price increased to MXN $42.98, MXN $27.38 and $24.69 at the start of 2016, 2017 and 2018, respectively, while the price per share at the close of 2016, 2017 and 2018 was MXN $27.36, MXN $24.56 and $17.67, respectively.

As a public company and resulting from our solid results, in 2018 we joined FTSE BIVA, an index created to promote a greater number of companies abroad and support the growth of the Mexican market; the significance of this is that our company will have greater liquidity, visibility and exposure to a great variety of global investors.

As a result of the capitalization of our company, in 2018, **we joined the FTSE BIVA Index.**

CASE OF **SUCCESS**

Swiss bond

Swiss Bonds are unsecured and cannot be redeemed before maturity in the amount of CHF $170.00 million and pay an annual rate of 2.875%.

The Swiss bonds were rated as "BB+" globally by Fitch Ratings and Standard and Poor's due to factors such as the following:

- Sustainment of solid profitability levels.
- Healthy portfolio quality, closure with low delinquency rate and adjusted delinquency rate; this quality has been sustained at adequate levels mainly through the processes of follow up and collection.
- Diversification and availability of Crédito Real's funding tools.

In addition, we use the net resources obtained from its placement to cover fees and expenses of the offer, pay diverse financial obligations, and general corporate use.

Credit Suisse AG acted as the placement agent of the Swiss Bond which is listed exclusively on the SIX Swiss (Stock Market in Switzerland).

At the start of 2018 we successfully concluded the issuance of bonds maturing in 2022 (Swiss Bond), showing the soundness and institutionality of our company.

COMPETITIVE ADVANT

COMPETITIVE **ADVANTAGES**

We make it possible for **our clients to surpass their limits** by providing a business model that is unique, flexible, scalable and focused on segments with limited access to traditional banking.

Our network of strategic partners enables us to serve a wide range of market segments.

Our unique technological platforms enable scalable operations.

We provide a **solid, diversified and developed differentiated distribution platform** that serves all client segments.

Our **healthy loan portfolio** includes the best quality assets in its class.

We offer **diversified credit risk.**

The **high margins of our products** generate the best returns.

The vast experience of our management team leads us towards success and the fulfillment of our **2022 Vision**

We have the full **support of our shareholders.**

We generate a **stable cash flow and** access to **diverse funding sources.**

"We serve segments neglected by traditional banking".

2022 VISION

2022

VISION

“To be the largest non-banking financial institution in the world serving the Latino market, providing specialized and simple financial solutions”.

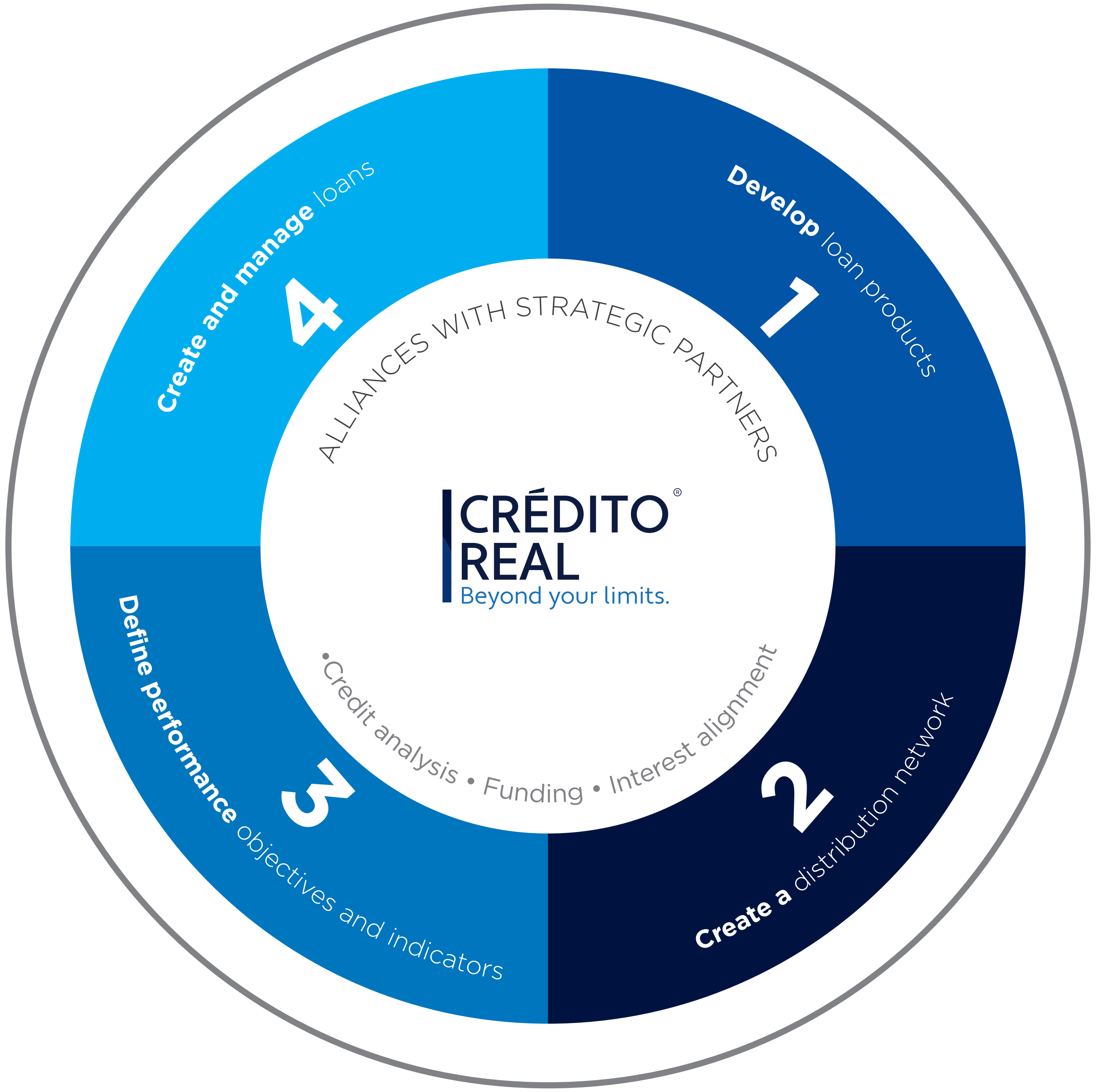
4

THE AUTHENTICITY OF
OUR BUSINESS MODEL

Our business model approach is focused on the client and on financial inclusion of the segments with limited access to traditional banking services.

Crédito Real's robust business model harnesses its own competitive advantages and those of its distributors; while our company is centered on managing credit risk, minimizing financial cost, and sustaining diversified financing sources, distributors focus on increasing the portfolio of potential clients through collaboration agreements with 320 additional organizations or the renewal of already existing contracts, and on promoting Crédito Real's products among its unionized workers.

As an example of the soundness of our business model, in 2018 we managed to exceed our objectives and goals increasing our portfolio by 25.17%, a result above the growth projected at the beginning of the year.



Tenacity that defines us

Moreover, in order to assess the results of our business, we resort to financial and operational reports of the sector and to information from the *Asociación Mexicana de Empresas de Nómina* (AMDEM), which enable us to estimate our market position.

Crédito Real is known for working with our stakeholders towards the achievement of common objectives. This virtuous circle enables us to increase our visibility among the business community, and by increasing investment value and long-term profitability we gain access to more capital, thus ensuring and repaying the confidence and loyalty of our stakeholders.

To Crédito Real our consolidation as the company with the best services in the segments in which we participate is of the utmost importance. For this reason, we focus our efforts on seeking the most innovative solutions for the needs of our clients.

Our robust business model enabled us to exceed all **our objectives and goals in 2018.**

OUR **PRODUCTS**

102-2, 102-6, FS6, FS7

The diversification of our business model allows us to implement a robust platform for developing, promoting, creating and billing a wide variety of loan services.

Portfolio by **product**

	2016	2017	2018	% Δ 2018 vs 2017
Payroll loans	60.73%	66.54%	68.30%	1.76
Consumer loans	18.35%	15.90%	12.29%	(3.61)
Used car loans	11.61%	9.35%	8.12%	(1.24)
PYMES loans	5.72%	6.02%	10.12%	4.11
Group loans	1.75%	0.79%	0.19%	(0.60)
Durable goods and other loans*	1.84%	1.39%	0.97%	(0.42)

*The origination of durable good loans ceased as of July 2016, and only internal collection activities for the performing portfolio are being carried out.

As to December 31, 2018, we had a base of 47,756 clients with an approximate worth of MXN $353.60 million.

Portfolio by **product 2018**

Durable goods and other loans*
0.97%

Group loans
0.19%

PYMES loans
10.12%

Used car loans
8.12%

Consumer loans
12.29%

Payroll loans
68.30%

Clients by **product**

	2016	2017	2018	% Δ 2018 vs 2017
Payroll loans	352,667	379,533	404,066	6.46
Consumer loans	161,785	181,314	173,974	(4.05)
Used car loans	14,875	14,154	16,544	(16.89)
PYMES loans	233	360	575	59.72
Group loans	205,019	215,139	208,956	(2.87)
Durable goods and other loans*	48,967	42,342	47,754	(12.78)
Total	**783,546**	**832,842**	**851,869**	**2.28**

* The origination of durable good loans ceased as of July 2016, and only internal collection activities for the performing portfolio are being carried out.

As to December 31, 2018, we had a base of 47,756 clients with an approximate worth of MXN $353.60 million.

Clients by **product 2018**

Durable goods and other loans*
5.61%

Group loans
24.53%

PYMES loans
0.07%

Used car loans
1.94%

Consumer loans
20.42%

Payroll loans
47.43%

AVERAGE AMOUNT OF LOAN

Average amount of loan by **product in 2018 (MXN)**

PYMES loans
MXN $6,394,233

Consumer loans
MXN $25,652

Durable goods and other loans*
MXN $6,467

Payroll loans
MXN $61,394

Used car loans
MXN $178,202

Group loans
MXN $3,663

Payroll loans

We operate this business line in Mexico and Honduras. It is aimed at union workers and pensioners in the federal and state public sector and is charged against the payroll; there are currently 13 distributors in the network.

We offer payroll loans to union workers of diverse organizations such as the *Sindicato Nacional de Trabajadores de la Educación* –SNTE (the National Teacher's Union) and the *Instituto Mexicano del Seguro Social* (IMSS), *Trabajadores de Gobierno del Estado* (State government workers), pensioners and active workers of the IMSS and other institutions such as the *Sistema de Educación Media Superior* (SEMS), the *Universidad Nacional Autónoma de México* (UNAM) and the Health Sector.

We have a wide range of agreements with national government institutions and are recognized as the best company in Mexico for payroll or direct debit loans.

Consumer loans

We have taken this type of loans to Costa Rica, Nicaragua and Panama through our Instacredit subsidiary in benefit of low-income and limited access to traditional banking sectors, offering consumer loans, car loans, PYMES loans and mortgage loans.

Recognized brand with 19 years of experience and 64 branches in Costa Rica, Nicaragua and Panama.

We provide attention and service to workers in the education sector, government institutions, and pensioners and retirees throughout Mexico.

United States

We have a catalog of semi-new vehicles for all client tastes and needs for branch sale and affordable financing options.

Crédito Real USA Finance (CRUSA Finance)
We provide car financing for dealers and serve franchises and independent dealer partners who sell semi-new cars in the U.S. We operate through 586 dealerships in 27 states in the U.S.

Used car loans

This category operates in Mexico and the United States and serves the Hispanic market with limited access to traditional banking by offering financing for the acquisition of semi-new and used cars through dealership agreements.

Mexico

CR Fact

Through our CR Fact subsidiary, we grant loans to individuals and corporations offering financing on the guarantee of commercial cars and vehicles. We have 20 branches and 89 agreements with dealers in 21 states in Mexico and operate under two brands:

PYMES loans

Through this category –present in Mexico– we finance needs for short and long-term capital with lines of non-revolving credit to fund requirements of working and investment capital. We do this through our alliance with Fondo H, an originator focused on granting loans to growing small and medium-sized companies in Mexico in the manufacturing, distribution and service branches. With one home brand we have five sale representatives: three Fondo H and two home representatives.

Group loans

This category is present in Mexico and is aimed at micro-entrepreneurs –mainly women from the un-banked sector– who form small credit groups formed by 12 to 25 individuals. Its main objective is to provide financing facilities for working capital needs of micro-businesses through the *Contigo* and *Somos Uno* associations with a network of 185 branches and 1350 promoters.

We grant productive group loans to women from rural towns for individual and family quality-of-life improvement.

We grant group loans to women who have a business or intend to start one.

Durable good loans and others

Durable good loans

On July 18, 2016 the decision was made to gradually withdraw from this type of loans; origination was stopped and only the default portfolio is being collected.

Credilikeme®

We offer online personal loans from a digital platform based on a gamification strategy.

Others

RESUELVE

We provide credit repair services focused on individuals in over-indebtedness and consultancy on saving plans. We also aid in client rehabilitation by negotiating with creditors a debt settlement plan, enabling clients to recover their credit worthiness.

BOLDNESS IN VALUE

BOLDNESS IN VALUE GENERATION

5

SOCIAL
RESPONSIBILITY MODEL

Crédito Real believes that sustainability means being able to execute our business model and generating value for society, the environment and future generations. It is our duty is to contribute to a change towards sustainability in the countries in which we operate; in order to achieve this we have developed our Social Responsibility Model based on seven key pillars.

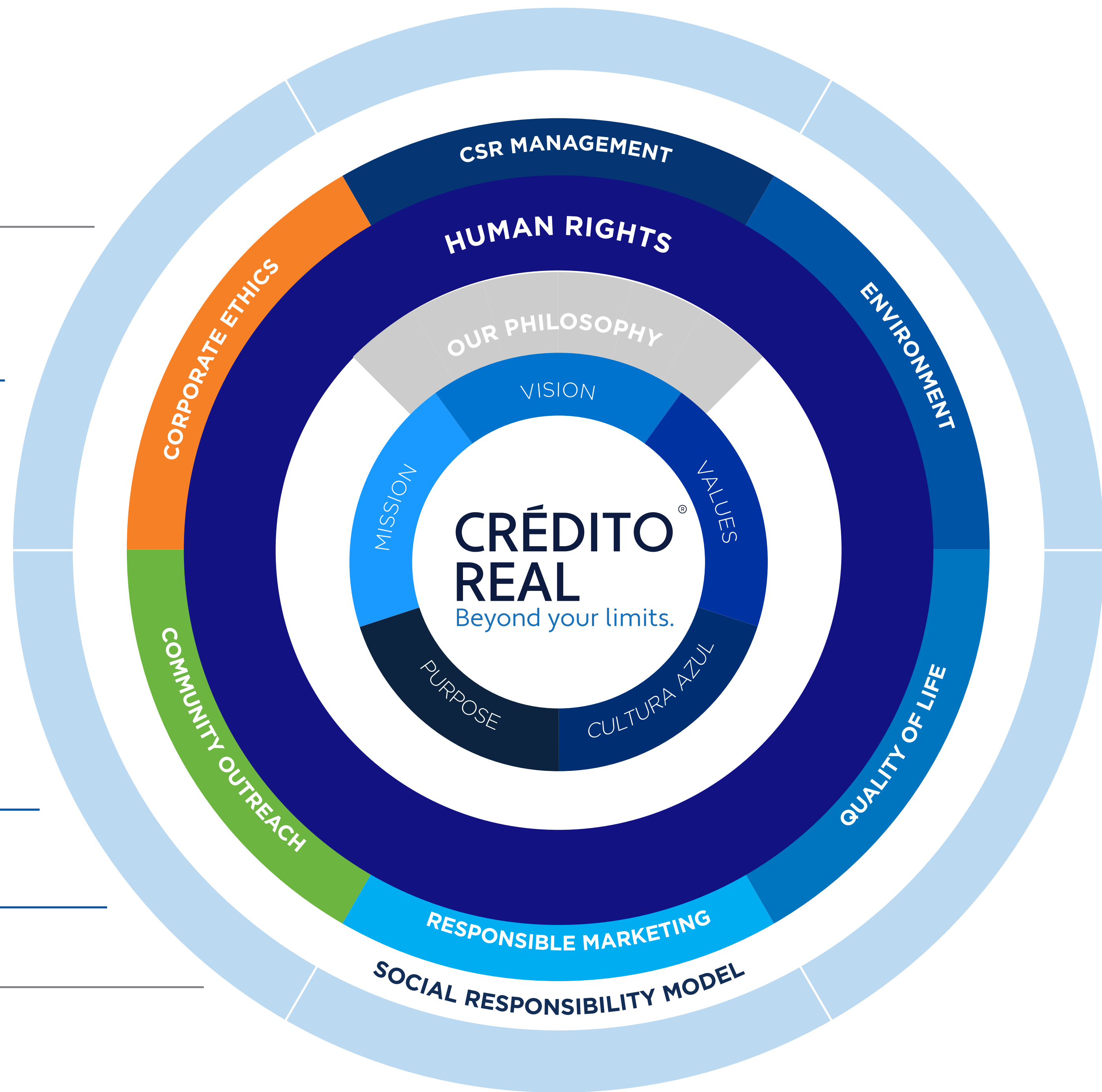
OUR PHILOSOPHY

Our philosophy is sustained by our mission, vision, values, *Cultura Azul* (Blue Culture) and purpose.

SOCIAL RESPONSIBILITY MODEL

In order to contribute to sustainable development, we manage our actions through our Social Responsibility Model, which is sustained by seven strategic pillars.

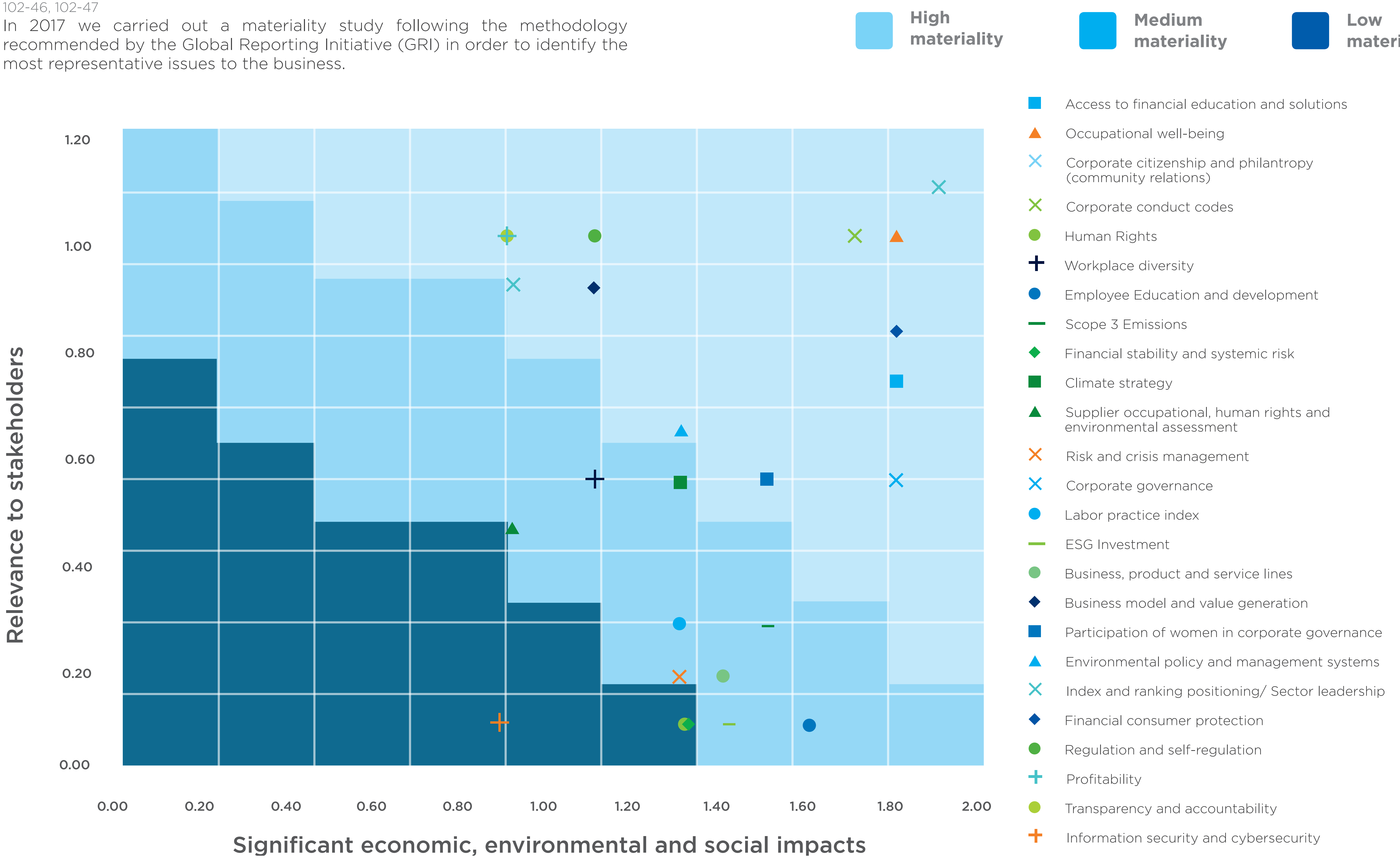
- Financial Capital
- Industrial Capital
- Intellectual Capital
- Human Capital
- Social and relational Capital
- Natural Capital



Crédito Real 2017 Materiality Matrix

102-46, 102-47

In 2017 we carried out a materiality study following the methodology recommended by the Global Reporting Initiative (GRI) in order to identify the most representative issues to the business.



Tenacity that defines us

WE SELECTED 25 TOPICS,
13 OF WHICH REPRESENTED THE MOST IMPACT:

We are committed to the improvement of our material performance, assessing the evolution of the company year after year in order to **improve our position in the sector.**

- Risk and crisis management
- Occupational well-being
- Regulation and self-regulation
- Transparency and accountability
- Index and ranking positioning / sector leadership
- Access to financial education and solution
- Corporate governance
- Corporate conduct codes
- Profitability
- Business model and value generation
- Financial consumer protection
- Environmental policy and management
- Participation of women in corporate governance

GRI 201, 202: 103-3

Today, our focus on continuous improvement and our determination for everyday progress has allowed us to be included in the ranking and reports of the following institutions:

- *Centro Mexicano para la Filantropía* (CEMEFI)
- Corporate Sustainability Report
- SAM's Corporate Sustainability Assessment Companion

Alliances **with value**

102-21, 102-33, 102-34, 102-40, 102-42, 102-43, 102-44, FS5

Crédito Real constantly strives to generate value for all its stakeholders –the individuals, organizations and institutions with whom we have established strong bonds in the performance of our activities.

Our objective is to consolidate the bonds with every one of them; we do this through a mutual dialog that provides the benefit of understanding the issues that most concern them thereby safeguarding the feasibility of our business:

FINANCIAL CAPITAL

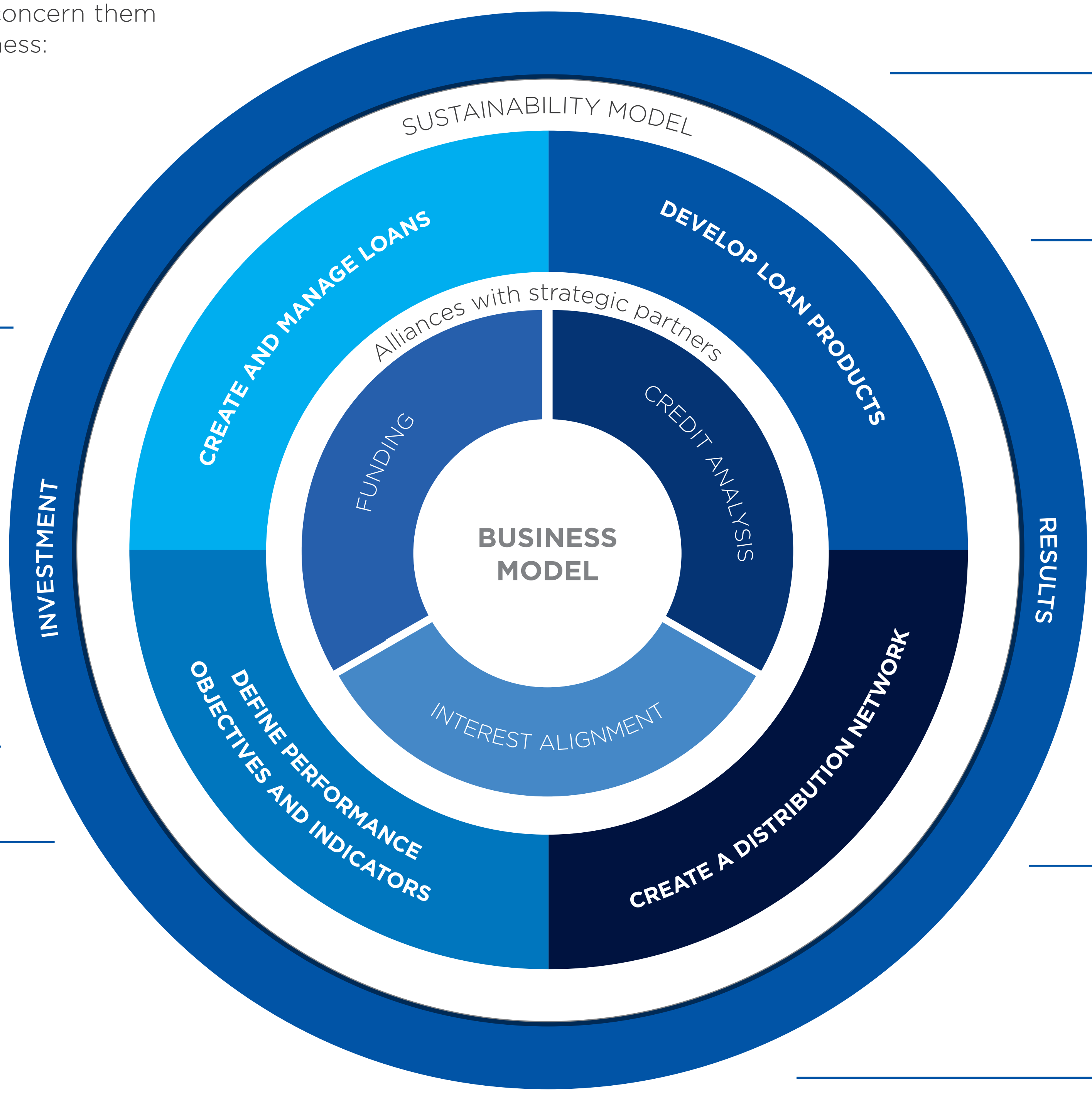
INDUSTRIAL CAPITAL

INTELLECTUAL CAPITAL

HUMAN CAPITAL

SOCIAL AND RELATIONAL CAPITAL

NATURAL CAPITAL



FINANCIAL CAPITAL

12.90%
ROAE

MXN $11,353.18 million, economic value generated

MXN $7,790.54 million, economic value distributed

INDUSTRIAL CAPITAL

Our unique technological platforms enable scalable operation

INTELLECTUAL CAPITAL

In 2018 we achieved greater agility, carrying out an average of 26,000 monthly operations

HUMAN CAPITAL

588 collaborators; 46.77% women and 53.23% men

MXN $6,165,794.00 invested in training

SOCIAL AND RELATIONAL CAPITAL

MXN $3.64 million donated to civil society organizations

NATURAL CAPITAL

19.10% and 26.50% reduction in scope 1 and 2 emissions respectively

2.10% reduction in water consumption

Stakeholders

In 2018 we conducted an evaluation which enabled us to understand the expectations and interests of our stakeholders in order to identify and prioritize them. The table below shows the results:

Frequency of stakeholder contact

- Constant
- Periodic (weekly, monthly, bimonthly, quarterly, biannual or several times per year)
- Annual

Stakeholder	Annual Report	Annual and Sustainable Report	Human Resources Intelexion	Email	Corporate social network	Crédito Real TV	Meetings and visits	Whistleblowing mechanism	Workshops	Printed media	Trainig website @prende	Surveys	Organizational climate survey*	Website	Social networks	Media advertising	Highlights and conferences	Quarterly reports	Telephone	Forum participation	Community visits	Telephone hotline: 5228 9753	Email investor_relations@creditoreal.com.mx	Shareholder meeting	Annual planning	Opinion studies	Customer Service Specialized Unit	Committees	Channels to authorities	Interests
Shareholders	Annual	Annual		Constant										Constant			Periodic	Periodic				Constant	Constant	Periodic						•Profitability •Corporate governance •Transparency •Business ethics •Financial information •Risk management •Truthful, timely and consistent information •Strategic growth plan •Diversification •New products and services
Associations				Constant			Periodic							Constant					Constant											•Strategic alliances •Participation in work groups •Cooperation and development
Authorities, government and public institutions				Constant			Periodic							Constant				Periodic										Periodic	Constant	•Activity information •Regulation compliance •Integrity of business operations and financial regulations compliance •Transparency and timely reporting •Product offer and marketing of products and services in compliance with regulations •Fight against corruption
Rating agencies				Constant										Constant				Periodic	Constant											
Academic centers				Constant										Constant					Constant											
Distributor clients and final clients	Annual	Annual					Constant							Constant	Constant	Constant						Constant					Constant	Constant		Clients •Greater trust and safety • Digital infrastructure • Accompaniment •Improved loan terms •Service efficiency • Product accesibility and innovation •Clear product-related information Distributors •Value chain development •Competitive products •New products and services •Sales force training •Operational efficiency •Synergies
Collaborators	Annual	Annual	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Periodic												•Job development •Benefits •Recognition system •Remuneration •Professional growth •Work/Life balance

*Note. The organizational climate survey is conducted every two years.

Frequency of
stakeholder contact

- Constant (green)
- Periodic (weekly, monthly, bimonthly, quarterly, biannual or several times per year) (orange)
- Annual (blue)

	Annual Report	Annual and Sustainable Report	Human Resources Intelexion	Email	Corporate social network	Crédito Real TV	Meetings and visits	Whistleblowing mechanism	Workshops	Printed media	Trainig website @prende	Surveys	Organizational climate survey*	Website	Social networks	Media advertising	Highlights and conferences	Quarterly reports	Telephone	Forum participation	Community visits	Telephone hotline: 5228 9753	Email investor_relations@creditoreal.com.mx	Shareholder meeting	Annual planning	Opinon studies	Customer Service Specialized Unit	Committees	Channels to authorities	
Competition														Constant						Periodic										
Community				Constant			Periodic							Constant	Constant				Constant		Periodic									•Community engagement •Activities favoring society and the environment •Report on activities •Social responsibility management •Business ethics •Economic or in-kind contributions
Board Members	Annual	Annual						Constant				Annual		Constant			Periodic	Periodic				Constant	Constant	Periodic						
Directors			Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant	Constant			Constant								Annual					
Affiliates and subsidiaries				Constant			Periodic							Constant					Constant											
Financial intermediaries				Constant			Periodic												Constant											
Investors and creditors (debt holders and banks)	Annual	Annual										Periodic		Constant	Constant		Periodic	Periodic				Constant	Constant	Periodic		Periodic				
Civil Society organizations				Constant			Periodic							Constant					Constant											•Community engagement •Activities favoring society and the environment •Report on activities •Social responsibility management •Business ethics •Economic or in-kind contributions •Strategic alliances •Participation in taskforces •Cooperation and development
Suppliers				Constant			Periodic							Constant					Constant											•Development of the value chain •Timely payment •Requirements and standards •Contribution to growth
Business Partners				Constant			Periodic							Constant					Constant											•Chain of value development •Competitive products •New products and services •Sales force training •Operational efficiency •Synergies

*Note. The organizational climate survey is conducted every two years.

Tenacity that defines us

UN GLOBAL **COMPACT**

GRI 406, 407, 408, 409: 103-1, 103-2, 103-3
102-12

In 2013 we adhered to the UN Global Compact, the world's largest corporate responsibility initiative. In 2018 we continued to adhere to its 10 principles that promote respect for human rights, labor standards, environmental care and the fight against corruption.

This Report also constitutes our 2018 Communication on Progress. The progress we have made during the year can be identified with the GC initials throughout the document.

Human Rights

1.- Businesses should support and respect the protection of internationally proclaimed human rights.

2.- Businesses should make sure that they are not complicit in human rights abuses.

Labour

3.- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4.- Businesses should uphold the elimination of all forms of forced and compulsory labour.

5.- Businesses should uphold the effective abolition of child labour.

6.- Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

7.- Businesses should support a precautionary approach to environmental challenges.

8.- Businesses should undertake initiatives to promote greater environmental responsibility.

9.- Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10.- Businesses should work against corruption in all its forms, including extortion and bribery.

A PHILOSOPHY THAT SURPASSES THE LIMITS

"At Crédito Real, our way of being, thinking and acting is the essence of the Company's philosophy".

6

MISSION

To provide financial services that improve the quality of life of our clients; to offer diversified services based on the ethical principles and reputation we are known for, and to offer continuous innovation in our products.

VISION

To be the best financial institution in the country that is known for the competitiveness of our people and the high-quality of our technological tools, exceeding the expectations of our customers and shareholders, committing to continuous improvement in our products and services, and being recognized abroad.

102-16

VALUES

Service
I am committed to meeting our customers' needs.

Responsibility
I fulfill my obligations and am accountable.

Teamwork
I am committed, willing, and contribute.

Humility
I learn from my achievements and failures.

Integrity and honesty
My actions are based on truth and honesty.

Respect
I treat everyone with the same dignity and respect.

Coherence
There is coherence in what I think, say and do.

Loyalty
I requite the trust of others.

A SUPERIOR **PURPOSE**

102-16

To offer the opportunity **of satisfying needs and fulfilling dreams.**

CODE OF ETHICS **AND CONDUCT**

102-16

Crédito Real is a company where we all share a common sense of pride derived from our daily work towards the fulfillment of our mission and the creation of an internal and external culture based on our values: teamwork, responsibility, integrity, honesty, humility, coherence, respect, loyalty and service.

Our Code of Ethics and Conduct is the instrument that guides all our actions, encouraging us to conduct ourselves ethically in all aspects of our life and to live the philosophy that makes Crédito Real a unique company.

In 2018 we worked on upgrading our Code of Ethics and Conduct[6].

- We added our commitment to the environment.
- We included the principles of corporate social responsibility, thereby strengthening our position regarding respect for Human Rights.
- We reinforced our reporting system and the consequences for cases of violation of the Code of Ethics and Conduct.
- We strengthened our Policy for Prevention of Corruption.
- We ratified our committed to the protection of the information of our clients and collaborators.
- We defined our political position.
- We reasserted our commitment with the community and the value of its participation by reactivating our volunteer program.

All of our Board Members are acquainted with the Code of Ethics and Conduct.

All of our collaborators are fully acquainted with our Code of Ethics and Conduct from having subscribed it and taken a related e-learning course.

[6] For more information about the upgrades to our Code of Ethics and Conduct, go to: http://bit.ly/2vlJquL

Whistleblowing **Mechanism**

GC 2, 4, 5, 10

102-17

Based on the upgrade of our Code of Ethics and Conduct we reinforced our Whistleblowing mechanism in order to set down strict monitoring controls and identify any situation which could affect the values and principles of Crédito Real. At the same time we promote the values of honesty, integrity commitment and professionalism for which we have been known for 25 years.

The Whistleblowing mechanism is a tool at the service of Board Members, executives and collaborators; it has two main characteristics: it's confidential and independent –managed by a third party. Its purpose is harnessing efforts for identification and follow up of situations such as: fraud, corruption, bribery, sexual harassment, abuse of authority, physical or verbal aggression, and theft, among others.

Individuals who wish to make a report or place a complaint may do so through the following channels:

661 collaborators* trained and certified on the use and operation of the Whistleblowing mechanism in 2018.

Telephone line:
01 800 062 1673

The line is free of charge and is available Monday to Friday from 8:00 am to 10:00 pm. Operators guide the caller and gather the information necessary for following up on the report.

Voicemail:
01 800 062 1673

The caller may leave a message describing the situation being reported as well as the individuals involved. If possible, the caller must provide contact information in case further information is required.

Website:
www.lineadedenuncia.com/creditoreal

The user may enter the information requested by the IRS (Integral Reporting System) system. Once the report is made, the system provides a user ID and a password for following up the report.

Email:
creditoreal@lineadedenuncia.com

The user may send an email describing the details of the situation being reported.

The Ethics Committee assumes the general responsibility of the Whistleblowing mechanism; if the incident being reported is of major severity, its report is received the same day by the members of the Ethics Committee via email; if it is not severe, the Human Resources department shall initiate a discretionary internal investigation of the involved individuals in order to gather all versions regarding the incident. The results of the investigation shall be submitted at an ordinary meeting of the Ethics Committee, which will decide fair and coherent disciplinary measures in accordance with the Code of Ethics and Conduct. In 2018 we received three reports concerning non-severe labor incidents.

Moreover, the Human Resources department is responsible for informing all collaborators on the use and operation of the Whistleblowing mechanism as well as on the Code of Ethics and Conduct through mandatory e-learning courses and certification.

*In 2018 we had 708 collaborators considered 'floating'.

Human **Rights**

GC1
GRI 405: 103-1, 103-2, 103-3

Crédito Real places a strong focus on responsible implementation of best practices based on the highest standards of integrity. Thus, among the upgrades in 2018 to our Code of Ethics and Conduct was the declaration for respect to Human Rights as an essential element in the conduct of our company, prioritizing the dignity of the individuals and their fundamental rights.

Our commitment to Human Rights encourages the application, respect and protection of Human Rights in accordance to the Universal Declaration of Human Rights, the UN Global Compact and the Guiding Principles on Business and Human Rights published by the United Nations, the Organization for Economic Co-operation and Development (OECD) and the International Labor Organization (ILO) throughout our value chain, thus avoiding financing activities that are illegal or contrary to the principles in said compacts and agreements.

74.00% of our workforce took voluntary training for **302.00 hours of human rights training.**

CULTURA **AZUL** (BLUE CULTURE)

102-16

In 2016 we conducted a diagnostic through the Organizational Culture inventory (OCI) in order to gauge the perception of our collaborators concerning what they believe is expected of them. Under the leadership of General Management, in 2017 we initiated *Una Cultura Consciente*, an internal, cross-cutting, medium term project with which we reinforce our work team in order to forge the Cultura Azul that will distinguish and identify us as a company.

Thus, the purpose of our organization is to consolidate *Cultura Azul,* thereby motivating all Crédito Real collaborators to think and act constructively in order to become conscious leaders.

Our goal is to assume full responsibility and conduct ourselves with integrity, humility and respect.

In 2019 we shall continue to drive institutionalization of our *Cultura Azul* by reinforcing communication with our collaborators.

"At Crédito Real we assume full responsibility for our actions and conduct ourselves with integrity, humility and respect".

OUR STEADFAST
CORPORATE GOVERNANCE

102-18, 102-22

Crédito Real has a solid Corporate Governance founded on principles, regulations and statutes which govern the operation of the organizations in charge of generating value. In addition, it safeguards company interests through efficient and transparent use of the available resources.

Our Board of Directors consists of twelve members; one executive, six independent, and five non-executive. This complies with the company's Social Statutes, which –according to Article 24 of the Securities Market Law– establish a maximum of 21 board members and a minimum of 25% of independent members.

102-28, 102-30

The Board is the government body in charge of overseeing Crédito Real's management, performance (company and relevant executives), general business strategy, policies, control guidelines, risk follow-up, and decision-making.

GRI 307, 419: 103-2

In addition, it executes the actions necessary to ensure healthy and robust Corporate Governance, based on the Securities Market Law, our Code of Ethics and Conduct, the regulations in the Code of Professional Ethics of the Mexican Financial Community and the Code of Principles and Best Practices for Corporate Governance.

The Board of Directors and our CEO lead our company for correct execution of all operations.

BOARD OF DIRECTORS

102-23

BOARD MEMBERS	BOARD OF DIRECTORS SENIORITY	ALTERNATE MEMBERS
Ángel Francisco Romanos Berrondo (1)(2)	20 years 8 months	
José Luis Berrondo Avalos (1)	19 years 3 months	Luis Berrondo Barroso (2)
Eduardo Berrondo Avalos (1)	5 months	
Moisés Rabinovitz Ohrenstein (3)	7 years 6 months	Aby Lijtszain Chernizky (3)
Iser Rabinovitz Stern (1)(3)	7 years 6 months	Marcos Shemaria Zlotorynski (3)
Allan Cherem Mizrahi (1)	4 years 8 months	
Gerardo Ciuk Díaz (1)	4 years 8 months	
Juan Pablo Zorrilla Saavedra	2 years 10 months	Francisco Javier Velásquez López
José Eduardo Esteve Recolons (1)(3)	15 years 10 months	Jorge Esteve Recolons (3)
Gilbert Sonnery Garreau-Dombasle (1)(3)	4 years 2 months	Enrique Saiz Fernández (3)
Enrique Alejandro Castillo Badía (1)(3)	1 year 10 months	
Raúl Alberto Farías Reyes (3)	3 years 7 months	

(1) Membership in the Board of Directors of other organizations.
(2) Executive.
(3) Independent member.

Average tenure: 7.6 years / 7 years 3 months.

- Guillermo Javier Solórzano Leiro (Non-member Secretary of the Board of Directors)
- Gabriela Espinosa Cantú (Non-member Pro-secretary of the Board of Directors)

The Ethics Committee holds quarterly meetings. In 2018 **it addressed –among other issues- non-discrimination, political neutrality, stakeholder segmentation and the commitments with each one of them.**

102-24

Appointment and selection of the members of our Board of Directors is conducted freely and under approval and cognizance of all shareholders.

It is possible to appoint an alternate member for every member of the Board in the understanding that alternates of independent members must be of the same condition; however, not all members have an alternate appointee.

Committees

102-22

The Board of Directors is supported by six committees: (I) Audit (II) Corporate Practices (III) Executive (IV) Value Operations (V) Ethics and (VI) Communication and Control.

AUDIT COMMITTEE

Proprietary Members

Enrique Alejandro Castillo Badía (Chairperson)

José Eduardo Esteve Recolons

Gilbert Sonnery Garreau-Dombasle

CORPORATE PRACTICES COMMITTEE

Proprietary Members

Gilbert Sonnery Garreau-Dombasle (Chairperson)

José Eduardo Esteve Recolons

Enrique Alejandro Castillo Badía

EXECUTIVE COMMITTEE

Proprietary Members

Ángel Francisco Romanos Berrondo (Chairperson)

José Luis Berrondo Avalos

Eduardo Berrondo Avalos

Luis Berrondo Barroso

Moisés Rabinovitz Ohrenstein

Iser Rabinovitz Stern

VALUE OPERATIONS COMMITTEE

Member	Position
Adalberto Robles Rábago	Chairperson
Carlos Enrique Ochoa Valdés	Spokesperson
Héctor Antonio Huelgas Lamas	Spokesperson
Luis Calixto López Lozano	Secretary

GRI 415: 103-2
102-26

ETHICS COMMITTEE

Member	Position
Adalberto Robles Rábago	Chairperson
Carlos Enrique Ochoa Valdés	Spokesperson
Héctor Antonio Huelgas Lamas	Spokesperson
Luis Calixto López Lozano	Secretary

COMMUNICATION AND CONTROL COMMITTEE

Position in the Committee	Position in the Company
Chairperson	CEO and Board Member
Member	Operations Director
Secretary	Legal Director
Member	Compliance Officer

102-19, 102-20

The Board of Directors delegates some decision-making faculties concerning economic, social and environmental matters. In addition, in order to support key strategic business lines, the CEO also delegates faculties on key executives.

307-1, 416-1, 419-1

In 2018 we complied satisfactorily with **all applicable current regulation and self-regulation.**

Compensation **Policies**

102-35, 102-36, 102-37

The Annual Shareholders' Meeting which took place on April 25, 2018 approved a compensation for certain independent board members of MXN $25,000.00 for every meeting attended (minus applicable taxes, in conformity with current fiscal regulations).

Regulation and **self-regulation**

GRI 307, 419: 103-1, 103-2, 103-3

FS2, FS9

Regulatory aspects may vary from one country to another; however, compliance must be ensured in order to guarantee the continuity of our operations. Therefore, we have established policies and procedures for compliance with external regulatory requirements, internal and external audits, and the risk management matrices that provide proof of compliance.

Our collaborators are required to comply with the laws of the country where they work; in addition, they must respect and comply with those of the countries in which we are present.

The principles of corporate social responsibility we incorporated into our Code of Ethics and Conduct are universal and across-the-board in the organization, allowing us to ensure their compliance and to continue to generate value.

1. We respect the rules, yet we transcend the letter of the law seeking a spirit of transparency, trust, and accountability.

2. We respect human dignity and conduct ourselves with justice and fairness in all our actions.

3. We provide equal work opportunities that favor quality of life and human and professional development.

4. We respect the environment in all our operational and sales processes and contribute to its preservation.

5. We prevent and fight against acts of corruption –internal or external– based on our Policy for the Prevention of Corruption.

6. We contribute to social development as part of our strategy to increase social capital and significantly contribute to common well-being.

7. We seek harm-free competitiveness and support multilateral trade, fair competition, responsible and ethical advertising, product quality and/or services, and distribution and marketing.

8. We have set down in writing the company's commitment to our stakeholders; we seek competitive, mutual benefit initiatives or strategies and verify their compliance.

9. We implement Social Responsibility management processes and systems in order to contribute to the adoption of principles applied to the environment and the stakeholders.

10. Our performance is based on public corporate values in our Code of Ethics and Conduct whose compliance we permanently encourage and oversee.

Risk **Management**

102-15, 102-29, 102-30, 102-31, FS5

At Crédito Real risk management and continuous reinforcement of the culture of prevention is a priority. Thus, through market analysis and internal evaluation we have been able to identify risk and generate the best actions to mitigate it.

Some of the main identified emerging risks are the following:

- **Risk associated with financing in times of uncertainty due to political and regulatory change**

  Were it to become a reality, potential impact would cause a possible interruption of our growth plan.

  The mitigation actions we have established include the following:

  - Understanding and communicating possible external risk and its impact on our investors.

  - Establishing a flexible growth strategy considering different financing scenarios.

  - Broadening our search for affordable financing.

- **Risk associated with the constant market technology turnover**

  If happening, the main impact would be a loss of market share and client base, since alternate loan solutions are becoming more common and available in a market which is geared towards digital solutions.

  The implemented mitigation steps are the following:

  - Planning and execution of our digital strategy, now leading in the emerging markets *vis-á-vis* the advent of digital support projects. In addition, the plan warns of cybersecurity risks and implements policies for information protection and possible cyberattacks.

  - Implementation of internal process automation and optimization, as well as creation of corporate skills for greater flexibility and efficiency.

  - Focus on driving the growth of our internal culture and our capacity to implement, innovate and harness the best existing and new technologies.

- **Risk associated with attraction and retention of talent of a constantly changing generation**

  This type of risk would impact our capacity to retain talent and the subsequent generation of strategies to attract new talent.

  We strongly believe that we will be able to mitigate this type of risk by:

  - Ratifying our commitment to the attraction of collaborators talented enough to sustain our competitiveness as the market and our company advances.

  - Understanding what drives our work team and implementing the changes necessary to attract and retain the best talent.

  - Continuing to improve leadership in the transformation of our processes as well as technology and the environment, in order to consolidate ourselves as a company that attracts an innovative workforce.

  - Encouraging our team to determine personal objectives in order to contribute to the achievement of the Company's. To do this we implemented training initiatives, a balanced scorecard, and included risk in the agenda as an issue to be evaluated in collaborator performance.

We base our risk management model on the design of policies and procedures, established control tests, and on corrective action plans that determine the areas in need of improvement. We also define an annual budget and implement prudent financial performance.

To ensure compliance of the aforesaid, the Board of Directors conducts a quarterly review supported by the Audit Committee and the Communication and Control Committee, who in turn verify that company mechanisms for risk control and operational review are being observed. In addition, the CEO submits a quarterly report to the Board of Directors that shows the situation of each one of the identified risks.

205-2

8.33% of the members of the Board of Directors have been directly informed of the policies and procedures; 91.66% was indirectly informed.

Policy for the **Prevention of Corruption**

GC10

GRI 205: 103-1, 103-2, 103-3

At Crédito Real we strive to strengthen relations with our stakeholders by forging bonds of trust that will allow us to work on our strategic lines. Our operations are based on principles of ethics and integrity; thus, we reject any form of corruption.

In addition to the principles established in our Code of Ethics and Conduct, we have also established a Policy for the Prevention of Corruption which prohibits any form of illegal payments or bribes made to organizations, individuals, and public or government authorities in return for contracts, concessions or agreements for self-benefit or Crédito Real's.

In conformity with the Policy, incidents or situations in breach of integrity must be reported immediately.

205-1

In 2018, through a third independent party, we conducted an analysis and evaluation of risk concerning corruption and bribery. 100.00% of our policies, processes, manuals and their annexes underwent a thorough review.

As a result, we drew up and implemented the Policy for the Prevention of Corruption, which among other stipulations, prohibits conducting any illegal act, establishes training of collaborators on the matter, and requires them to subscribe a letter of commitment to the Policy.

In 2018 we laid **the basis for collaborator training on anticorruption policies and procedures;** we expect training to start in 2019.

Political **Neutrality**

GRI 415: 103-1, 103-2, 103-3

In 2018 we included political neutrality in the Code of Ethics and Conduct as a result of our respect for political pluralism in all company activities everywhere we are present. For this reason we do not make contributions of any kind to election campaigns or to political parties.

Our collaborators may freely exercise their legitimate right to participate in political activities in a personal manner and as long as such activities do not compromise their professional objectivity, do not make use of company resources, and do not in any way affect the commitment to the political neutrality of Crédito Real.

Prevention of **Money Laundering**

We have published a manual for the prevention of money laundering and terrorism financing whereby we have implemented a series of verification process of our clients' operations and activities in compliance with the general regulations applicable to multiple purpose financial institutions established in the Ley de *Instituciones de Crédito* and the *Ley General de Organizaciones y Actividades Auxiliares del Crédito*. The manual includes the obligations required by the competent authority as well as the policies for Client Identification and Knowledge, use of automated systems, use of blacklisting, periodic training, and dissemination of regulation manuals. In addition, it establishes a risk-based focus –policy and risk matrix–, and procedures for sending reports to authorities. The manual complies with internal structures that establish regulations (Communication and Control Committee and Compliance Officer).

In 2018, through an external consultancy firm certified by the *Comisión Nacional Bancaria y de Valores* (CNBV), we conducted an audit fully complying with the requirements established by current law regarding money laundering.

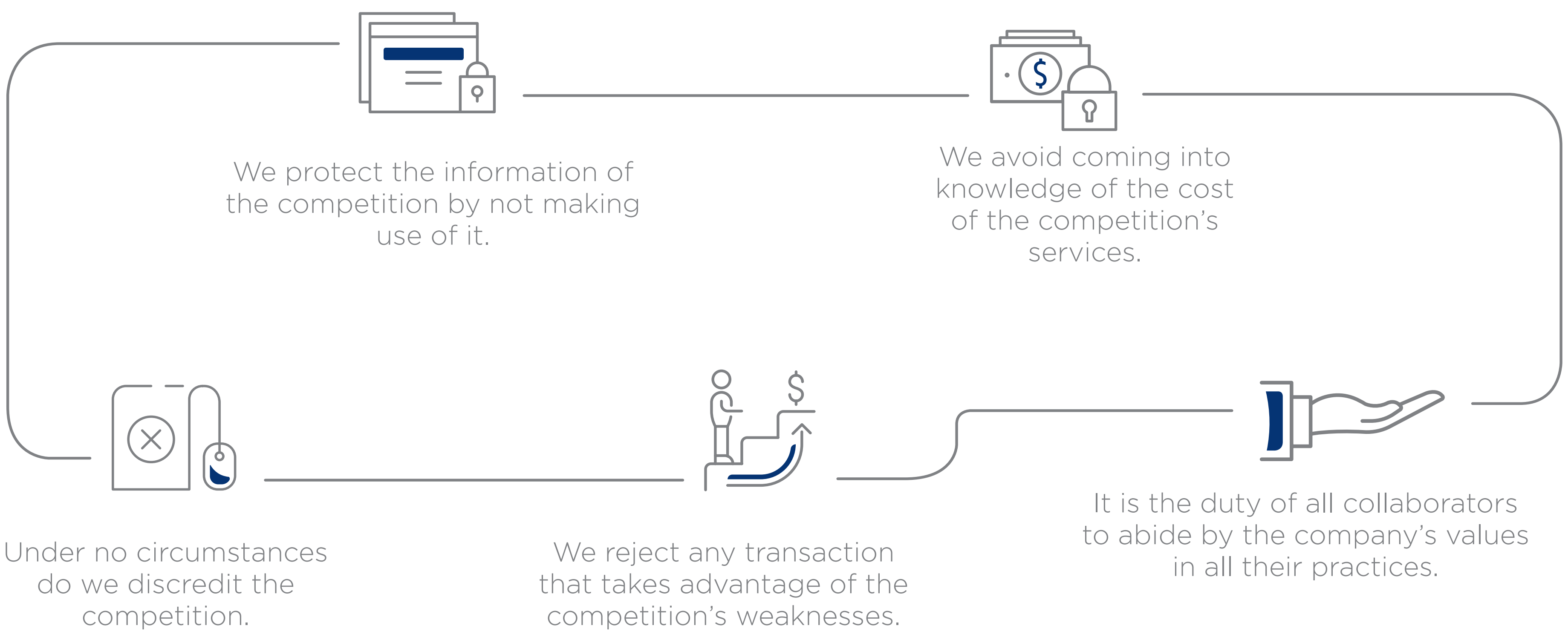
Moreover, we trained our collaborators on the processes against money laundering. The training is mandatory for all our workforce.

Free **competition**

GRI 206: 103-1, 103-2, 103-3

Clients are the top priority for Crédito Real; by providing them with the highest-quality services we will always remain as their first option. We are a competitive, ethical and committed company that fosters healthy and free competition.

We reject any information about other companies in the same business and uphold all valid agreements in order to safeguard the integrity of all. Thus, we have not incurred in non-compliances regarding the matter.



Confidencialidad
# of Information

All information that reaches us is dealt with under the corresponding process and the confidentiality required by all involved. Crédito Real board members and collaborators conduct their activities according to our principles of ethics and values, protecting the integrity and confidentiality of the information of clients and suppliers.

Among the information considered confidential is the following:

- Client credit information
- Client and collaborator personal information
- Data, formulas, methodologies and specifications of products and services.
- Marketing plans and strategies
- Techniques, methods and technology used
- Test analysis results
- Projections and new projects
- Software products, owned or licensed by Crédito Real
- Compensation policies and payroll information

We have also established guidelines that serve as indicators to board members, collaborators and service providers in order to ensure confidential and correct use of the information. Moreover, we have established a service contract process that includes confidentiality clauses.

Protection of **personal data**

GRI 418: 103-1, 103-2, 103-3

Crédito Real strictly complies with the *Ley Federal de Protección de Datos Personales en Posesión de los Particulares* (Federal Law for the Protection of Personal Data Held by Individuals) whose purpose is to regulate legal, controlled and informed management of personal data in order to guarantee privacy and the right to self-determination of individuals. Thus we have established a series of policies, procedures and actions allowing us to guarantee due management of client personal data; some of these are:

- Personal data management
- Classification of personal data according to risk degree
- Privacy notice management
- Supervisor responsibility
- Attention to ARCO rights
- Transfers and remittances
- Data retention, blocking and deletion
- Continuous compliance
- Attention to complaints
- Security breach management

Conflict **of interest**

102-25

In order to avoid conflict of interest –a situation whereby individuals find themselves having to make a choice between personal and professional interests– all Crédito Real collaborators must conduct themselves according to honesty practices which are the foundation of our company's ethical reputation. Thus, we place all our trust on our collaborators and have established indicators that identify some of the activities we deem unprofessional.

In case of situations which may be considered conflict of interest, they must be reported to the Board of Directors through the proper executives and Committees.

Transparency and **accountability**

GRI 205, 206: 103-1, 103-2, 103-3

At Crédito Real transparency and accountability are of utmost importance in the achievement of goals and to the decisions and activities that impact society, the environment and regulation compliance.

The instruments we use for managing transparency and accountability are the policies and procedures established by our governance bodies, including the Audit, Corporate Practices, Investment and Ethics Committees, whose priority is the operation and management of the business.

In 2018, we conducted a compliance oversight of the goals and objectives planned for the year. The evaluation was carried out by taskforces and committees formed specifically to establish accountability; this resulted in fulfillment of all projects goals.

THE VALUE OF
OUR TALENT

“It’s a company that offers opportunities as well as professional and personal growth”.

7

The value of **our talent**

Occupational well-being has become a subject of interest among our stakeholders, as latest trends have identified its direct link with organizational culture. In order to manage the well-being of our collaborators and achieve our 2022 Vision –to become the largest global financial institution for the Latin market– we have implemented the following talent management strategy:

1

Attract the best talent

We have updated our attraction model and now have a virtual platform that allows the candidate the best experience in its recruitment and evaluation process. Meanwhile, internal clients can i follow-up and be more involved in the procedure. In addition, we have encouraged internal recruitment in order to develop and promote our own collaborators.

2

Develop and generate the loyalty of our talent

The strategy promotes personal and professional advancement, as well as retention of our talent; it aligns it with the company's strategy and objectives and develops its capacities.

3

Talent evaluation for better decision-making

We evaluate talent in order to get information allowing us to improve the quality of related decision-making in order to provide better results for the company.

This strategy consists of diverse initiatives; one of them is the competency model, a tool that serves as a guide for human capital management processes.

ATTRACTING THE **BEST TALENT**

GC6
GRI 202, 401, 405, 406: 103-1, 103-2, 103-3
401-1

Crédito Real permanently works to become the best financial institution in Mexico. In order to achieve this, we guarantee equal opportunity and respect individuality by rejecting all types of discrimination: gender, social status, sexual orientation, ethnicity, religion or any type of disability.

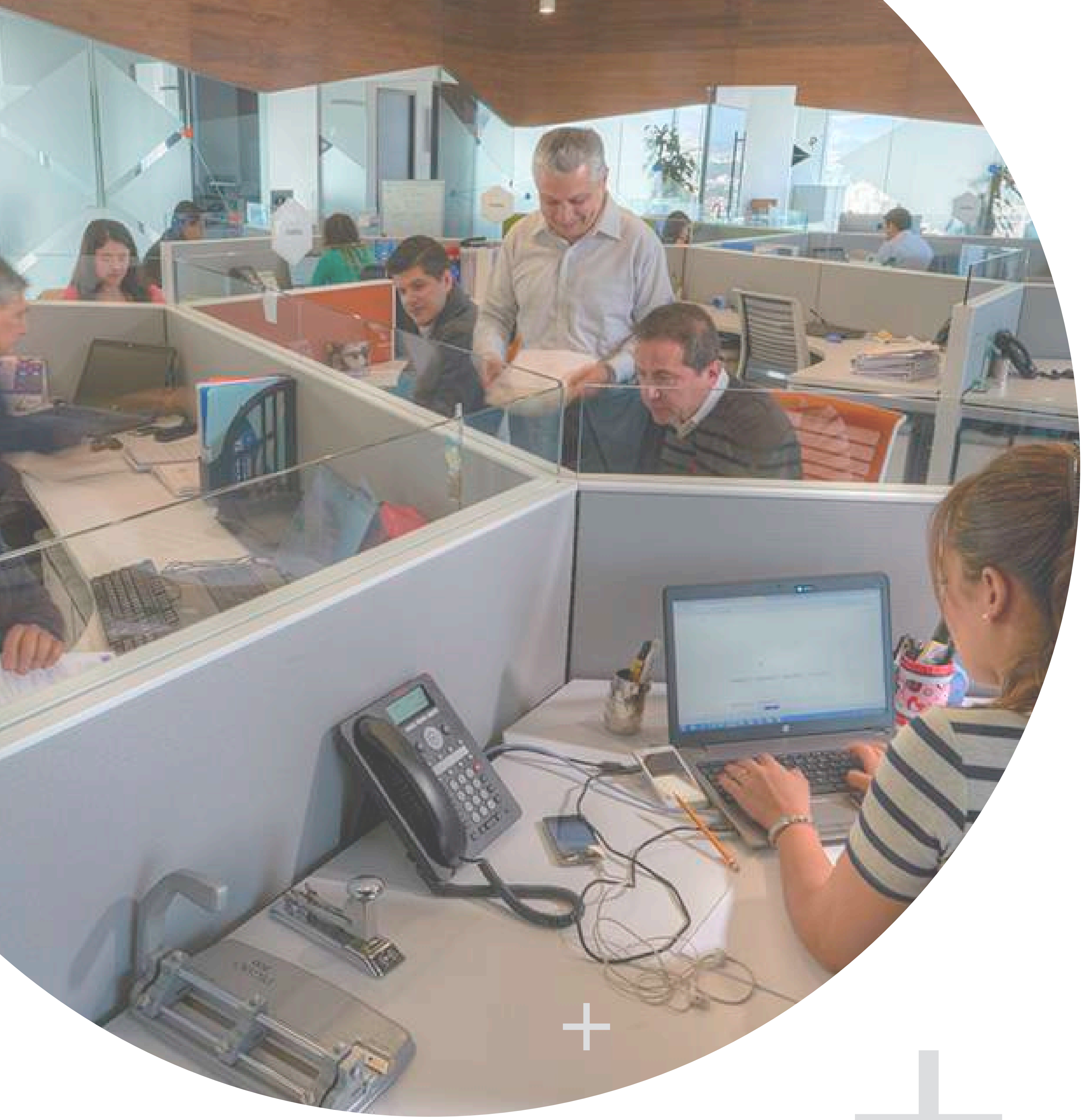
Collaborator recruitment is based on personal and professional qualities, skills, competence and experience which match the profile of the available vacant positions; this ensures getting the most talented, highly competitive and committed collaborators.

"Crédito Real is a humane company: we seek to attract talent wishing to become part of our company and fulfill its objectives".

22 vacancies were filled with internal collaborators.

In 2018 we recruited **145 new collaborators[7]; 49.66% women and 50.34% men.hombres.**

[7] We started 2018 with 544 collaborators and closed the year with a work force of 588 collaborators; the total number of new collaborators hired was 145; however, we closed 2018 with 44 new collaborators.



401-1

145 new collaborators and a new collaborator recruitment rate of 24.66%.

NUMBER AND RATIO OF NEW HIRES IN 2018

	Mexico City		Guadalajara	
	New hires	New hiring ratio	New hires	New hiring ratio
Women	41	31.06%	31	21.68%
< 30 years	22	44.00%	28	28.57%
30-50 years	18	22.78%	3	6.67%
> 50 years	1	33.33%	0	0.00%
Men	46	23.23%	27	23.48%
< 30 years	30	42.86%	23	34.85%
30-50 years	15	13.16%	4	8.33%
> 50 years	1	7.14%	0	0.00%
Total	87	26.36%	58	22.00%

Note. Scope: Mexico City and Guadalajara.

Turnover rate of 22.00% in 2018; **decreased by 11.00% with respect to the previous year.**

COLLABORATOR TERMINATION

	2016		2017		2018		% Δ 2018 vs 2017	
	CDMX	GDL	CDMX	GDL	CDMX	GDL	CDMX	GDL
Women	N/A	N/A	31	40	36	42	16.13	5.00
< 30 years	N/A	N/A	19	30	12	30	(36.84)	-
30-50 years	N/A	N/A	12	10	23	11	91.67	10.00
> 50 years	N/A	N/A	0	0	1	1	-	-
Men	N/A	N/A	45	45	24	28	(46.67)	(37.78)
< 30 years	N/A	N/A	21	16	14	17	(33.33)	6.25
30-50 years	N/A	N/A	23	29	9	10	(60.87)	(65.52)
> 50 years	N/A	N/A	1	0	1	1	-	-
Total	N/A	N/A	76	85	60	70	(21.05)	(17.65)

Note. N/A means information Not Available.

Voluntary turnover rate of 13.00%; **decreased by 6.00% with respect to 2017.**

COLLABORATOR TURNOVER

	2016	2017	2018	% Δ 2018 vs 2017
Total turnover rate	37..00%	33.00%	22.00%	(11.00%)
Voluntary turnover rate	17.00%	19.00%	13.00%	(6.00%)

Our **workforce**

102-7, 102-8

2018 Workforce **by gender**

Women

275

46.77%

Men

313

53.23%

100.00% of our collaborators work full-time.

WORKFORCE BY GENDER

Gender	2016	2017	2018	% Δ 2018 vs 2017
Women	211	270	275	1.85
Men	258	274	313	14.23
Total	469	544	588	8.09

Our team consists of **588 collaborators committed with Mexico.**

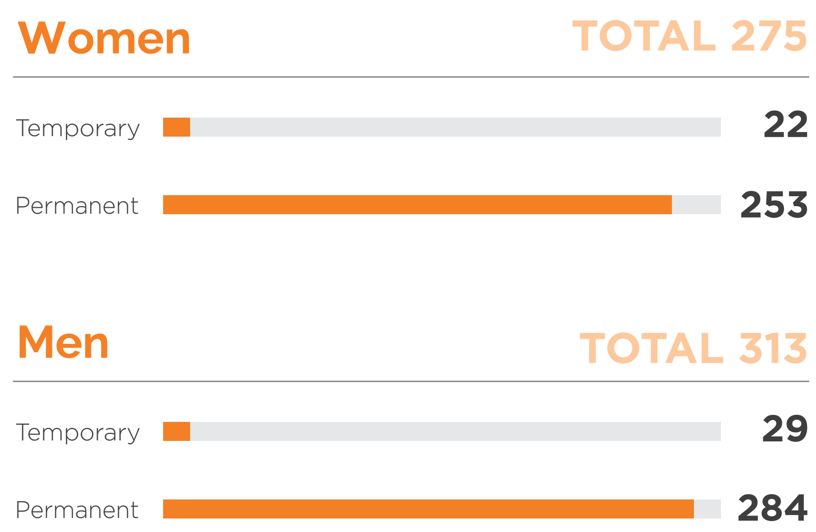
102-8

WORKFORCE BY TYPE OF CONTRACT AND GENDER

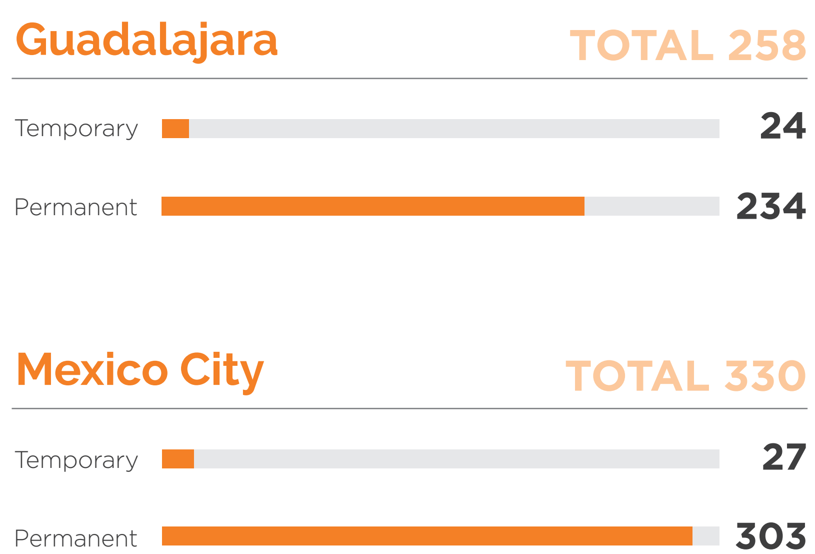
	2016		2017		2018		% Δ 2018 vs 2017	
	Women	Men	Women	Men	Women	Men	Women	Men
Permanent	N/A	N/A	249	251	253	284	1.61	12.70
Temporary	N/A	N/A	21	23	22	29	4.76	26.09
Total	N/A	N/A	270	274	275	313	1.85	14.23

Note. N/A means information Not Available.

2018 WORKFORCE BY TYPE OF CONTRACT AND GENDER



2018 WORKFORCE BY TYPE OF CONTRACT AND LOCATION



Note: The above graphs consider the total workforce at the close of 2018. Total number of collaborators in the year was 708 (649 permanent and 59 temporary).

WORKFORCE BY TYPE OF CONTRACT AND LOCATION

	2016		2017		2018		% Δ 2018 vs 2017	
	Mexico City	Guadalajara	Mexico City	Guadalajara	Mexico City	Guadalajara	Mexico City	Guadalajara
Permanent	N/A	N/A	271	229	303	234	14.39	1.75
Temporary	N/A	N/A	30	14	27	24	(23.33)	57.14
Totales	N/A	N/A	301	243	330	258	9.63	6.17

Note. N/A means information Not Available.

1.00% of our collaborators are unionized.

202-2

13 directors are native to the place where they work; **65.00% of the total.**

Diversity

405-1

Crédito Real fosters inclusion and diversity; our policies for collaborator recruitment and selection as well as for collection, management and protection of personal data have been implemented to consider equal opportunity and protection of human rights.

WORKFORCE BY WORK CATEGORY AND GENDER

	2016		2017		2018		% Δ 2018 vs 2017	
Work category	Women	Men	Women	Men	Women	Men	Women	Men
Administrative positions	N/A	N/A	247	218	252	255	2.02	16.97
Management positions	N/A	N/A	21	45	21	40	-	(11.11)
Senior management positions	N/A	N/A	2	11	2	18	-	63.64
Total	N/A	N/A	270	274	275	313	1.48	14.23

COLLABORATORS IN 2018[8]

Work category	Women below 30 years – Mexico City	Women below 30 years – Guadalajara	Men below 30 years – Mexico City	Men below 30 years – Guadalajara	Women 30 to 50 years – Mexico City	Women 30 to 50 years – Guadalajara	Men 30 to 50 years – Mexico City	Men 30 to 50 years – Guadalajara	Women older than 50 years – Mexico City	Women older than 50 years – Guadalajara	Men older than 50 years – Mexico City	Men older than 50 years – Guadalajara
Senior management (CEO, General Division Director and Functional Directors)	0	0	0	0	0	1	11	1	1	0	6	0
	0		0		1		12		1		6	
Executives (Managers)	0	0	1	3	10	9	21	13	1	0	2	1
	0		4		19		34		1		3	
Administrative (Heads, leaders, coordinators, analysts, administrative auxiliaries and assistants)	50	98	69	63	69	35	82	34	1	0	6	0
	148		132		104		116		1		6	
Total	50	98	70	66	79	45	114	48	3	0	14	1
	148		136		124		162		3		15	

NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS[9]

Work category	Women below 30 years	Men below 30 years	Women 30 to 50 years	Men 30 to 50 years	Women older than 50 years	Men older than 50 years	TOTAL
Senior management (CEO, General Division Director and Functional Directors)	0	0	0	5	0	7	12

[8] Data in the table correspond to diversity indicators for all the workforce.
[9] The data shown in the table corresponds to the diversity indicators for our Board of Directors.

Women	TOTAL RATIO	Men
275 46.77%	Total workforce 588 100.00%	313 53.23%
252 42.86%	Administrative positions 507 86.22%	255 43.37%
21 3.57%	Management positions 61 10.37%	40 6.80%
2 0.34%	Senior management positions 20 3.40%	18 3.06%

32 of our collaborators belong to vulnerable groups.

The information shown was collected in conformity with our Technical Manual of Best Practices for Labor Inclusion which establishes that vulnerable groups consist of those individuals whose social, economic, cultural or psychological conditions render them vulnerable to violation of their human rights. Included in this group are the following:

- Women: pregnant or breastfeeding, teenage mothers, single or widowed with children, abused or abandoned, exploited (including sexual exploitation).
- Disabled individuals.
- Men: single or widower with children; maltreated or abandoned; exploited (including sexual exploitation).
- The elderly.
- Indigenous groups.
- Freed individuals.
- Believers of a particular religion.
- Political refugees.
- Individuals with illnesses requiring special treatment.
- Migrant workers.
- LGBT individuals.
- Individuals with HIV/AIDS.
- Any other social group of individuals who, due to their individual characteristics may be vulnerable to violation of their human rights.

Remuneration

405-2

We strongly believe that women play an essential role in driving economic growth; therefore in 2018 we made a diagnosis using the WEPs Gender GAP Analysis Tool which allowed us to find our degree of progress in advancing the participation of women in our company, including Corporate Governance level.

The tool allowed us to **identify steps to be implemented** and executed in 2019.

Collaborator level	2016 (MXN)	2017 (MXN)	2018 (MXN)	% Δ 2018 vs 2017
EXECUTIVE LEVEL (BASE SALARY)				
Women	N/A	$128,291.00	$233,879.76	82.30
Men	N/A	$210,709.00	$170,648.20	(19.01)
Ratio*	N/A	0.61	1.37	124.59
EXECUTIVE LEVEL (BASE SALARY + INCENTIVES)				
Women	N/A	$266,880.16	$334,382.08	25.29
Men	N/A	$507,028.77	$265,002.24	(47.73)
Ratio*	N/A	0.53	1.26	137.74
MANAGEMENT LEVEL (BASE SALARY)				
Women	N/A	$71,435.00	$60,874.31	(14.78)
Men	N/A	$51,852.00	$83,811.42	61.64
Ratio*	N/A	1.38	0.73	(47.10)
MANAGEMENT LEVEL (BASE SALARY + INCENTIVES)				
Women	N/A	$83,456.00	$110,496.44	32.40
Men	N/A	$91,888.00	$143,533.93	56.21
Ratio*	N/A	0.91	0.77	(15.38)
ADMINISTRATIVE LEVEL (BASE SALARY)				
Women	N/A	$10,040.00	$14,718.12	46.59
Men	N/A	$10,988.00	$13,058.55	18.84
Ratio*	N/A	0.91	1.13	24.18
ADMINISTRATIVE LEVEL (BASE SALARY + INCENTIVES)				
Women	N/A	$16,881.68	$28,522.00	68.95
Men	N/A	$19,001.54	$24,763.75	30.32
Ratio*	N/A	0.89	1.15	29.21

*Ratio equals women average salary divided by men average salary.
N/A means Not Available.

EXECUTIVE LEVEL
(BASE SALARY), 2018

Men	MXN $170,648.20
Women	MXN $233.879.76

EXECUTIVE LEVEL
(BASE SALARY + INCENTIVES), 2018

Men	MXN $265,002.24
Women	MXN $334,382.08

MANAGEMENT LEVEL
(BASE SALARY), 2018

Men	MXN $83,811.42
Women	MXN $60,874.31

MANAGEMENT LEVEL
(BASE SALARY + INCENTIVES), 2018

Men	MXN $143,533.93
Women	MXN $110,496.44

ADMINISTRATIVE LEVEL
(BASE SALARY), 2018

Men	MXN $13,058.55
Women	MXN $14,718.12

ADMINISTRATIVE LEVEL
(BASE SALARY + INCENTIVES), 2018

Men	MXN $24,763.75
Women	MXN $28,522.00

DEVELOP AND FOSTER
TALENT LOYALTY

DEVELOP AND FOSTER

Training

GRI 404: 103-1, 103-2, 103-3

Skill development of our collaborators is a strategic priority to Crédito Real. Thus, we provide them with the tools necessary for their personal growth and the achievement of their professional goals.

Moreover, collaborator training allows us to ensure the satisfaction of our clients, by helping them to surpass their limits.

102-27, 404-2, FS4

Some of the training courses we offer to our collaborators are the following:

Leader training in *Cultura Azul*

This is a yearly training program for our leaders –Directors, Managers and Department Heads– on the skills required to drive the strategy of Crédito Real, and on talent strategy management.

Technical management

This is a program in line with corporate goals. As evidence of the acquired knowledge collaborators submit to HR proof of its practical application.

Team Coaches Program

This is a training program for call center operators; it develops and promotes the best qualified as Team Coaches. To date, six collaborators have been promoted.

Regulatory training

On average, 98.00% of our collaborators are trained on the laws and regulations applicable to Crédito Real.

Individual development plans

In order to contribute to the growth of our collaborators we have implemented a plan for individual growth as a tool for allowing our collaborators to develop their soft competencies under the 70-20-10 learning model.

Continuous training

We offer English post-graduate programs for development of collaborators identified as *talent*, requiring them to submit a project at the end of the training to demonstrate practical application of the acquired knowledge.

Inclusion and diversity

Aimed at training Directors, Managers, Department Heads and individual contributors.

In order to measure the benefits derived from the investment in collaborator training programs we resort to knowledge capitalization, a process whereby collaborators provide evidence of the practical application of knowledge acquired in training. In 2018, we achieved 53.80% of capitalization evidence.

In 2018, Crédito Real was recognized for the second time with the Gilberto Rincón Gallardo® Inclusive Company Distinction awarded by the *Secretaría del Trabajo y Previsión Social* (STPS) for the 2018-2021 period.

MXN $6,165,794.00 invested in collaborator training in 2018.

TRAINING HOURS BY GENDER MEXICO CITY

	2016		2017		2018		% Δ 2018 vs 2017	
	Women	Men	Women	Men	Women	Men	Women	Men
Total trained collaborators	N/A	N/A	127	176	136	200	7.09	13.64
Directors	N/A	N/A	2	11	1	19	(50.00)	72.73
Executives	N/A	N/A	14	29	11	24	(21.43)	(17.24)
Administrative	N/A	N/A	111	136	124	157	11.71	15.44
Total training hours	N/A	N/A	4,980.00	5,692.00	4,939.90	6,112.60	(0.81)	7.39
Directors	N/A	N/A	231.00	659.00	11.32	167.41	(95.10)	(74.60)
Executives	N/A	N/A	951.00	1,278.00	399.55	733.51	(57.99)	(42.60)
Administrative	N/A	N/A	3,799.00	3,753.00	4,529.03	5,211.68	19.22	38.87
Mean annual training hours	N/A	N/A	39.22	32.34	36.32	30.56	(7.39)	(5.49)
Directors	N/A	N/A	115.00	60.00	11.32	8.81	(90.15)	(85.32)
Executives	N/A	N/A	68.00	44.00	36.32	30.56	(46.58)	(30.54)
Administrative	N/A	N/A	34.00	27.00	36.52	33.20	7.42	22.95

Note. N/A means information Not Available.

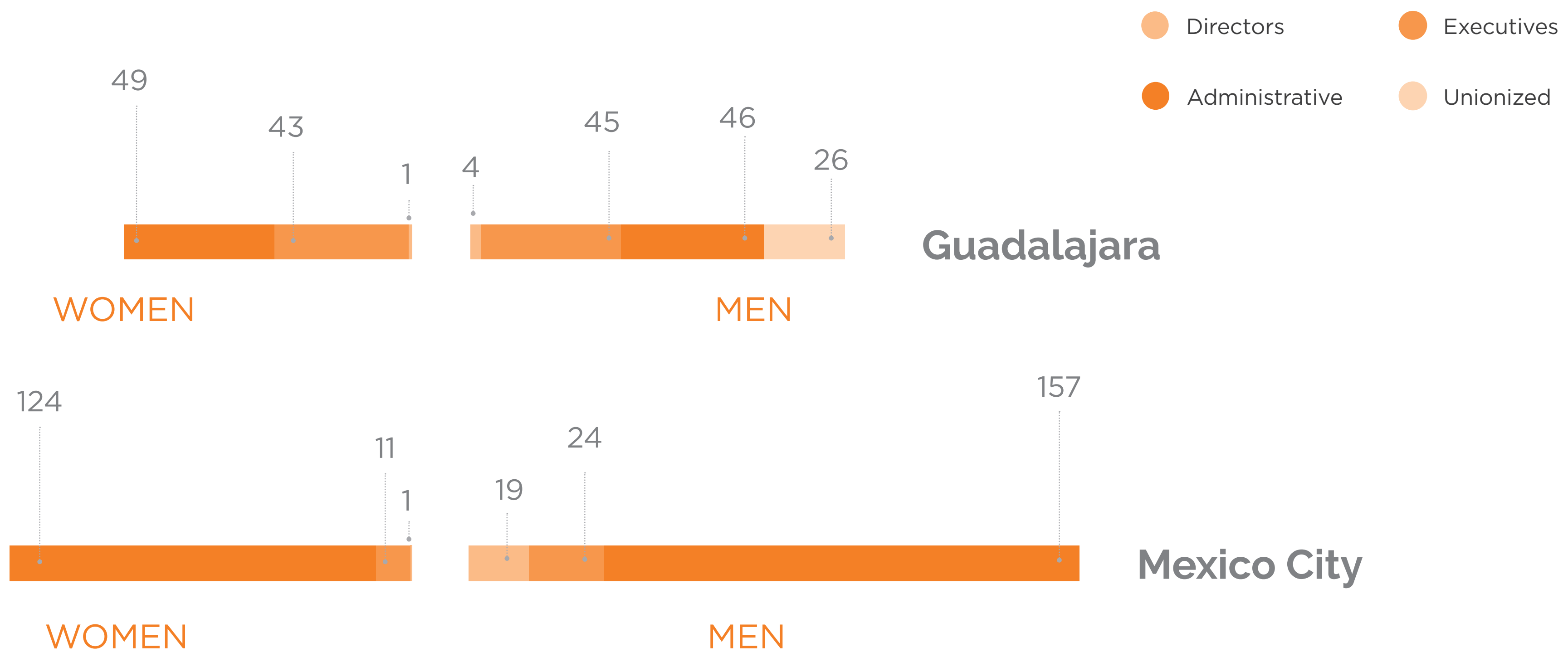
TRAINING HOURS BY GENDER GUADALAJARA

	2016		2017		2018		% Δ 2018 vs 2017	
	Women	Men	Women	Men	Women	Men	Women	Men
Total trained collaborators	N/A	N/A	148	103	93	121	(37.16)	17.48
Directors	N/A	N/A	1	2	1	4	0.00	100.00
Executives	N/A	N/A	7	16	43	45	514.29	181.25
Administrative	N/A	N/A	137	81	49	46	(64.23)	(43.21)
Unionized	N/A	N/A	-	-	-	26	-	-
Total training hours	N/A	N/A	1,104.00	984.00	1,072.00	3,128.00	(2.90)	217.89
Directors	N/A	N/A	64.00	240.00	32.00	176.00	(50.00)	(26.67)
Executives	N/A	N/A	360.00	312.00	336.00	1,720.00	(6.67)	451.28
Administrative	N/A	N/A	680.00	432.00	704.00	800.00	3.53	85.19
Unionized	N/A	N/A	-	-	-	432.00	-	-
Mean annual training hours	N/A	N/A	7.46	9.55	11.53	25.85	54.56	170.68
Directors	N/A	N/A	64.00	120.00	11.00	22.00	(82.81)	(81.67)
Executives	N/A	N/A	51.00	20.00	38.00	108.00	(25.49)	440.00
Administrative	N/A	N/A	5.00	5.00	37.00	50.00	640.00	900.00
Unionized	N/A	N/A	-	-	-	62.00	-	-

Note. N/A means information Not Available.

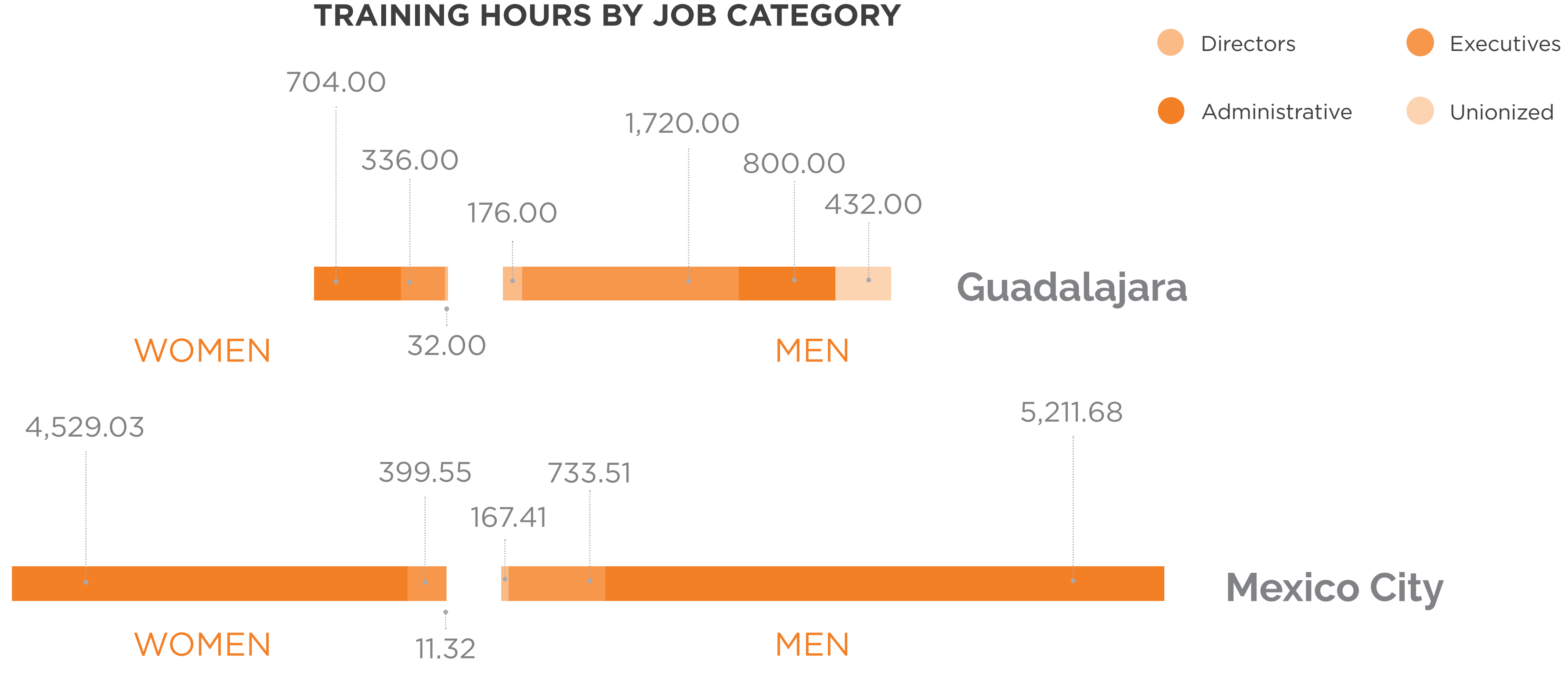
TRAINED COLLABORATORS BY JOB CATEGORY

102-41



In 2018 we provided training for **550 collaborators for a total of 15,252.50 hours of training.**

TRAINING HOURS BY JOB CATEGORY



404-1

27.73 average training per collaborator in 2018.

The internship training program allows us to provide young and innovative talent with opportunities for contributing with value to Mexico.

SUCCESS CASE

Internship training program

In order to develop young talent, we attract college students and have them join our workforce while they attend school. We train them in soft and hard skills and ask them to implement an innovative idea to be submitted to a management team panel and followed up to its conclusion.

THE MAIN GOALS OF OUR **INTERNSHIP TRAINING PROGRAM ARE THE FOLLOWING:**

Attraction of **new talent**

Multi-generational work teams

Key contribution **to projects**

Training of future **collaborators**

34

beneficiaries of the internship training program.

14

collaborators participating in the program; 2.00% of the total

26.00%

of interns have a full-time contract

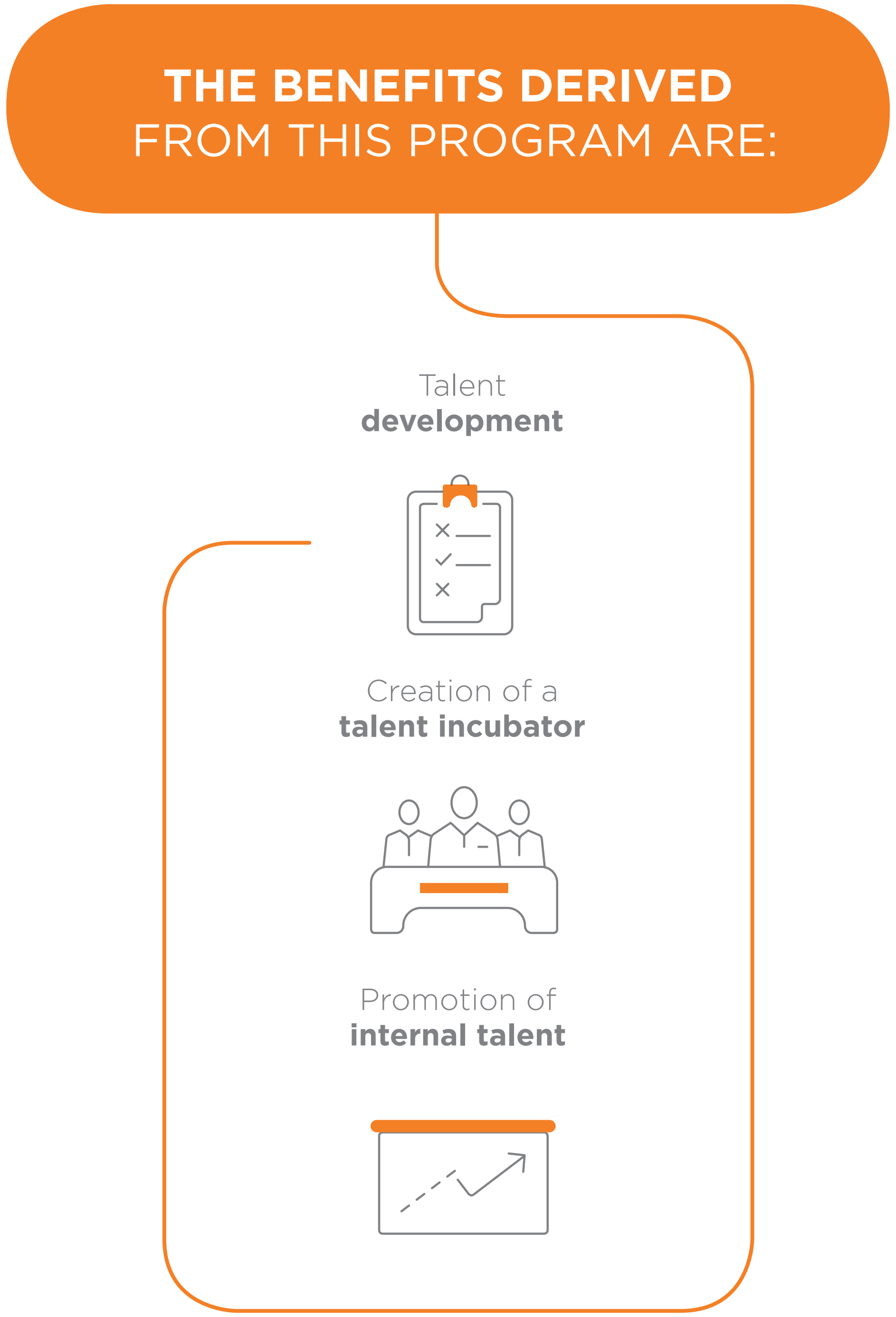
32.00% of interns are still in training

SUCCESS CASE

Operations Area Seedbed

We have established a training program for the talent incubator of the operations area; a panel of specialists considers cases submitted and selects the best talent.

In 2018 ten collaborators participated; four of them were promoted.



TALENT **LOYALTY**

In order to foster healthy organizational climate propitious for the integral growth of our collaborators, we stimulate corporate pride through the following initiatives:

• Organizational climate survey

In 2017 we conducted a Great Place To Work (GPTW) organizational climate survey achieving a grade of 83.00% –a result 6.00% higher than the one in the 2015 survey– resulting in our recognition –once more– as one of the Best Places to Work in Mexico in the sector.

In addition, it was the first time we appeared in the *Millenials* ranking. The following are our actions in 2018:

• Cultural strategy transformation

In order to support the company's strategy, we are currently undergoing a process of cultural transformation which considers aspects such as training of our leaders in the skills required for achievement of goals, dissemination of communication campaigns, involvement of executives in the promotion of result transparency, and planning and alignment of strategic processes. The pillars for culture we are currently developing are the following:

-Responsibility
-Humility
-Integrity
-Respect

• Dress code

In order to advance a more flexible culture, we launched a new dress code: "*Dress for your day*".

We have implemented a successful strategic alignment model divided in three phases:

1. Strategic planning
It defines the global objectives of the company; derived are the strategic objectives of every area, whose manager defines objectives and replicates the activity down to the operational level.

2. Strategic management
Work is in line with the strategy of the company and is carried out in order to contribute to the fulfillment of its mission and vision. We are focused on managing the strategy and validating it through performance evaluation.

Performance evaluation is conducted quarterly and is the tool used by leaders to monitor the achievement of objectives and the competencies of their collaborators in conformity with Crédito Real's model. Results are reviewed in feedback meetings between leader and collaborator.

The process is a bridge for mutual understanding and dialog between leaders and collaborators; it improves communication, and helps to further motivate collaborators by identifying the strengths and areas of opportunity to be worked on towards the fulfillment of their goals and involves them in the company's business strategy.

Moreover, it contributes to corporate-wide analysis of process execution and helps to define our targets.

3. Strategic planning (reboot)
Once the previous phase ends, we restart the cycle with a new strategic plan, making sure that all collaborators know what their contribution to the business was.

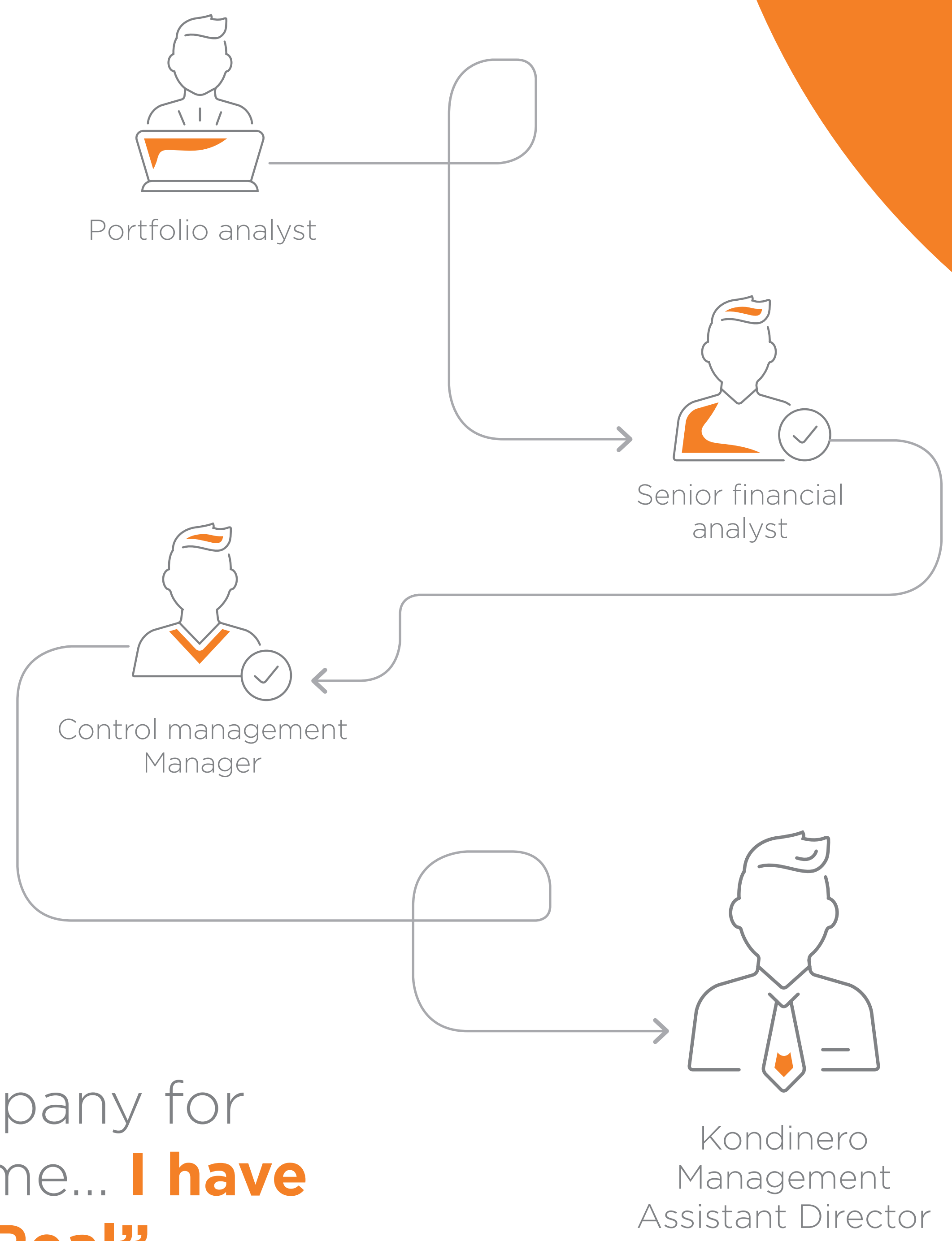
SUCCESS CASE

Julio Aldana

The relation between the development of Crédito Real's team and its growth materializes in a virtuous circle; as the company advances, it provides the opportunities for motivating our collaborators to surpass their limits.

Julio Aldana joined our talented team eight years ago; today, he is an example of the dedication and perseverance with which the collaborators of Crédit Real conduct themselves every day on the road to the fulfillment of their dreams.

Julio began his successful career at Crédito Real in the Payroll business; his leaders identified in him capacities and skills which they stimulated, encouraging him to compete for the positions he has held in the company.



"There is an atmosphere of freedom of expression at Crédito Real... **individual opinion is always welcome".**

"I am most grateful to the company for the opportunities it has given me... **I have grown together with Crédito Real".**

While he was a manager, our company offered him the opportunity of taking two postgraduate courses:

- Diploma Program in Financial Simulation at the *Universidad de las Américas* (UDLA).

- Diploma Program in Digital Banking and FINTECH Business at the *Instituto Tecnológico de Estudios Superiores de Monterrey* (ITESM).

In this way, Julio contributed the knowledge he acquired to the generation of value of the company.

According to Julio, in addition to the support received by his leaders, permanent monitoring by the Human Resources area is essential for the growth of all collaborators, as it always takes into account the needs and expectations of the work team.

At Crédito Real, feedback allows the evaluation of monthly and quarterly goal achievement, facilitating the establishment of individual collaborator commitments, tangible follow up of every project, and the achievement of collective goals.

In addition to this, fostering leadership skills is essential, since it is the best way to generate professional growth and teamwork, and thus, value for our company.

To Julio, being a part of Crédito Real is a source of great pride; to him the company fosters actions that give back to society and the environment what the company gives to its collaborators. Beyond providing the conditions for carrying out our everyday work, the company imbues collaborators with a sense of belonging and makes them proud to work for Crédito Real.

"I am very happy to be a part of Crédito Real... **I live it!"**

WE ARE MORE AGILE A

WE ARE MORE
AGILE AND EFFICIENT

In line with our 2022 Vision, in 2018 we carried our diverse actions for financial sustainability. Among them is the execution of three Tracks –defined as the way through which objectives are achieved.

The process for defining a track is crucial, more so than the track itself; the importance of a track is that it allows things to be done in a better manner optimizing processes; it develops successful tools and generates habits which do not only aim to achieve goals, but also make us more agile and more efficient.

Each track has a leader who is in charge of creating the right methodology and verifying its performance in order to achieve the expected results.

Different Tracks executed during the year did the following:

1. Focused on Business Management in order to improve alignment and communication for decision-making at Crédito Real.

2. Strengthened *Cultura Azul*, our key leadership and mentality. The management model is based on the accountability required by the management team to achieve our 2022 Vision.

3. Centered on Digital Transformation in order to define the digital strategy for taking the company to the next level.

The following are some of our successful actions in 2018:

- Upgrading of our videoconference and remote meeting technology in order to improve our communication capability and reduce times and costs.

- Strategic alignment and integration of all management levels.

- Creation of work teams and quarterly meetings for monitoring results and future planning.

- Boosting of our cultural transformation.

In 2019 we shall continue to work on the development of new habits that will allow us to be more agile, on the motivation of our collaborators, on strengthening transparency and cultural transformation, and on implementing systems to achieve short and long-term objectives.

TALENT ASSESSMENT

TALENT ASSESSMENT
FOR BETTER DECISIONS

GRI 404: 103-1, 103-2, 103-3

The assessment of talent is a key process to Crédito Real; it allows collection of valuable information for improving the quality of decision-making and better company results.

The initiatives we have established are the following:

1

Evaluation of the efficiency of human capital management

We have implemented several mechanisms to allow us to evaluate the effectiveness of our processes and services.

2

Talent identification

It is the process that enables identification of our talented collaborators and places them on the talent map.

3

Talent Map

It is the mechanism that establishes the criteria for taking actions to determine collaborator growth and retention. It supports decision-making in terms of promotion, mobility, educational support (post-graduate and English scholarships) and salary increase.

4

Talent review

The internship program is supported by diverse mechanisms that support decisions to be made concerning their future at Crédito Real.

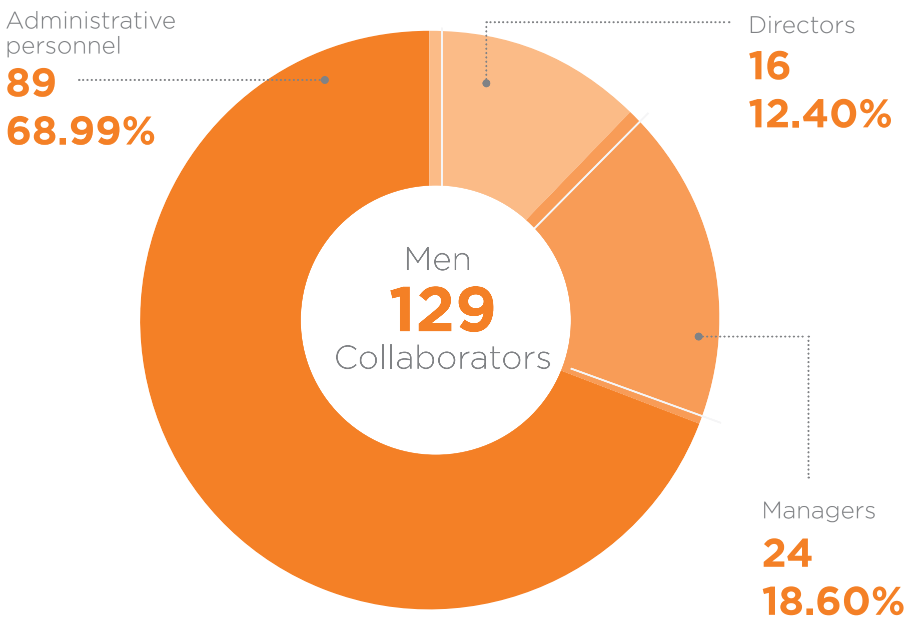
COLLABORATORS WHO HAVE UNDERGONE PERIODIC PERFORMANCE EVALUATION

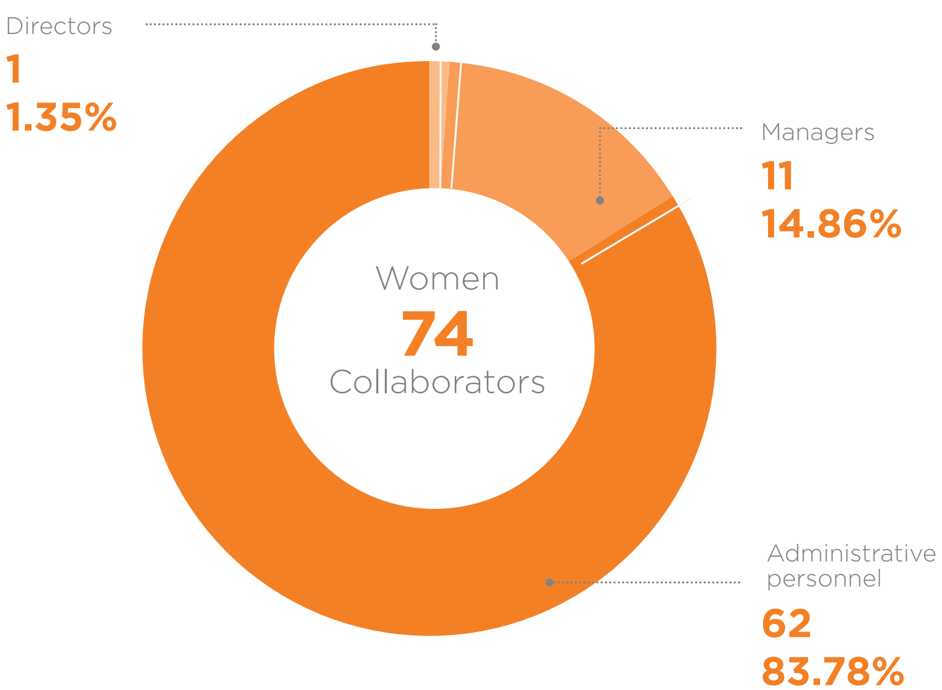
	2016		2017		2018		% Δ 2018 vs 2017	
	Women	Men	Women	Men	Women	Men	Women	Men
Directors	N/A	N/A	2 100.00%	10 91.00%	1 50.00%	16 88.89%	(50.00) (50.00)	60.00 (2.22)
Managers	N/A	N/A	12 57.00%	19 42.00%	11 52.38%	24 60.00%	(8.33) (8.33)	26.32 42.11
Administrative personnel	N/A	N/A	111 45.00%	136 63.00%	62 24.60%	89 34.90%	(44.14) (45.26)	(34.56) (44.06)
Total of evaluated collaborators	N/A	N/A	125 46.30%	165 60.22	74 26.71%	129 41.48%	(40.80) (42.31)	(21.82) (31.12)

404-3

203 collaborators were periodically evaluated for performance and professional development in 2018; 34.52% of the total workforce.

Evaluated collaborators by **gender and labor type**





26.71%

of women in the workforce underwent performance evaluation.

41.48%

of men in the workforce underwent performance evaluation.

Salaries and **benefits** GC3

201-3, 202-1

We strive to provide our personnel with the best labor conditions. Thus, our collaborators are compensated with wages above the minimum established for Mexico City in 2018 (139.00%).

Furthermore, we established a compensation system based on the MERCER methodology consisting of a base salary + a variable compensation + benefits. Variable compensation depends on performance.

401-2

The benefits we offer are above those required by law. Some of them are the following:

Benefit	Temporary Contract	Permanent Contract
Christmas bonus	15 days proportional to worked days	20 days proportional to worked days
Vacation	6 days the first year	12 days from first year until fourth year
Vacation bonus	25.00%	50.00%
IMSS (Social Security)	Company subsidizes 100.00% of dues	
Life insurance	12 months' salary for natural death	
Savings fund	×	13.00% monthly by the Company and 13.00% monthly by the collaborator
Food vouchers	×	10.00% monthly by collaborator
Transportation bonus	MXN $278.00	
Marriage leave	2 working days	
Maternity leave	1 week paid leave in addition to leave entitled by law.	
Paternity leave	1 working day paid leave in addition to leave entitled by law.	
Funeral benefits	$5,000.00 help for payment of funeral costs in case of death of spouse, children, stepchildren, parents or siblings economically dependent on the collaborator. In addition, the collaborator is entitled to 2 working days' paid leave.	

In addition, we provide:

- Car insurance help
- Parking space
- Dental assistance
- Lactation room and maternity or paternity baby product basket
- Payroll loan for collaborators under permanent contract
- Seniority bonus every five years for collaborators under permanent contract
- Medical insurance for directors, assistant directors and managers
- Subsidy of 100.00% of our cafeteria service for interns, security personnel, kitchen and maintenance staff, and 50.00% for permanent and temporary collaborators

401-3

In 2018 we granted 12 parental leaves (seven maternity and five paternity). All collaborators who exercised their right to termination due to maternity/paternity returned to work in the same year.

400.00 hour of training on matters of occupational health and safety in 2018.

Health and **safety**

GRI 403: 103-1, 103-2, 103-3
403-1, 403-8

The health and safety of our collaborators is an essential factor for adequate organizational climate. To achieve it we have established a management system based on the regulations issued by the *Secretaría del Trabajo y Previsión Social* (STPS) applicable at all Crédito Real facilities. Some of these regulations are the following:

- NOM-001-STPS-2008, Buildings, stores, facilities and areas at work centers-Safety conditions.
- NOM-002-STPS-2010, Safety conditions-Fire prevention and protection at work centers.
- NOM-004-STPS-1999, Protection systems and safety devices in machinery and equipment used at work centers.
- NOM-005-STPS-1998, Health and safety for handling, transportation and storage of hazardous chemical substances at work centers.
- NOM-006-STPS-2014, Handling and storage of materials - Occupational health and safety
- NOM-009-STPS-2011, Safety for work at heights.
- NOM-010-STPS-1999, Health and Safety for handling, transportation, processing or storing chemical substances which can contaminate the work environment.
- NOM-011-STPS-2001, Health and safety for work centers that generate noise.
- NOM-017-STPS-2008, Personal protection equipment –Selection, use, and handling at work centers.
- NOM-018-STPS-2000, System for identifying and communicating hazards and risks of Hazardous chemical substances at work centers.
- NOM-022-STPS-2008, Static electricity at work centers – Safety conditions.
- NOM-025-STPS-2008, Lighting conditions at work centers.
- NOM-026-STPS-2008, Health and safety colors and signs and identification of risks of liquids in pipes.
- NOM-029-STPS-2011, Maintenance of Electrical installations at work centers – Safety conditions.
- NOM-030-STPS-2009, Health and safety prevention services at work centers – Functions and activities.

All our collaborators are covered by this management system; it is externally audited by the STS whenever it is deemed necessary.

403-2, 403-4

In addition, the Health and Safety Commission meets twice a year; its members are individual contributors, supervisors or managers that represent 100.00% of the workforce.

In 2018 we trained 43 safety brigade members and six members of the health and Safety Commission on matters of occupational health and safety.

403-7
Members of the commission are trained once a year to reinforce their skills and knowledge and to provide them with the tools necessary for carrying out their duties. One of the main activities of the commission is making quarterly rounds of the facilities in order to verify compliance with collaborator safety regulations established in the applicable NOM to prevent work risk and accidents.

Thus, the Commission ensures the quality of the health and safety management processes of our facilities. In case risks or hazardous actions were to be detected, the commission shall be in charge of documenting the findings, defining improvement actions, and following up on their execution.

403-4, 403-7
In order to inform and involve our collaborators in the development, implementation and evaluation of the management system and its processes, we have established internal communication media such as electronic displays, email, and corporate social networks to disseminate information and prevent and mitigate risks that could have an impact on occupational health and safety. Moreover, our team may warn about the existence of hazardous acts or conditions via the following email: serviciosalpersonal@creditoreal.com.mx.

403-5
Furthermore, in order to safeguard the safety of our collaborators, we have created emergency brigades that are trained quarterly on evacuation and rescue, communication, first aid, and firefighting and prevention. This type of training is conducted by specialists and drills are carried out in order to reinforce the acquired knowledge. Furthermore, in order to safeguard the safety of our collaborators, we have created emergency brigades that are trained quarterly on evacuation and rescue, communication, first aid, and firefighting and prevention. This type of training is conducted by specialists and drills are carried out in order to reinforce the acquired knowledge.

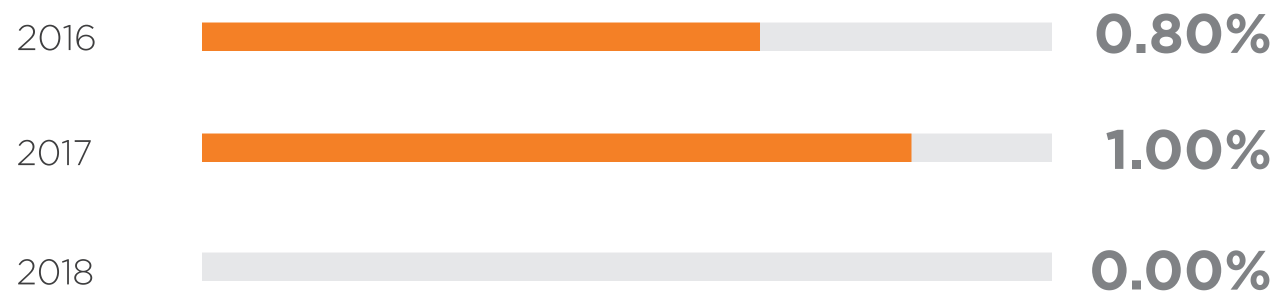
Health and **safety indicators**[10]

403-9, 403-10

352 men and 358 women enrolled in the IMSS

Indicator	Women	Men
Work-related accidents	4	1
Rate of work-related accidents	1777.77	444.44
Recorded accidents	4	1
Rate of recorded accidents[11]	1777.77	444.44
Severe work-related accidents	0	0
Lost days	31.00	6.00
Lost day rate	8.65	1.70

Absenteeism rate



[10] For the purpose of calculating health and safety rates, total number of working hours was 2,250.
[11] Falls accounted for the main cause of incapacitating accidents and absenteeism..

WELL-BEING

GRI 403: 103-1
403-7
Crédito Real strives to provide the best work conditions, organizational climate, and salary, as well as to promote physical, psychological and financial health. In order to do this, we have implemented a well-being program which allows us to mitigate stress-derived risks, reinforce our mutual commitment with collaborators, and foster high performance for the sake of individual and corporate objectives.

GRI 403: 103-2
To implement it, we have created a specialized department that follows up on the annual objectives and assigns the budget necessary for carrying out the different activities described below.

GRI 403: 103-3
For evaluating the results of our well-being activities, we conducted surveys in order to find out the degree of satisfaction of collaborators with the events we had carried out.

Occupational well-being is a comprehensive model whose **purpose is to improve the quality of life of our collaborators.**

Tenacity that defines us

Health and **quality of life**

403-3, 403-6

In order to strengthen our prevention culture and foster the adoption of healthy lifestyles, we have raised the awareness of our collaborators through several initiatives.

In 2018, we organized different events that offered clinical studies, medical insurance, dental services, optical article sales and psychological attention. In addition, talks were conducted on matters such as cancer prevention, weight control and health programs.

Some of our achievements in 2018 are:

64

free studies for breast and prostate cancer prevention were provided to collaborators.

24

collaborators participated in the weight challenge program.

403-3

In order to guarantee the confidentiality of the results of our clinical studies, they were directly delivered to collaborators by the service providers in a closed envelope, or via email.

Family

Aware of the importance of family to the principles, values and the competencies necessary in life, we assume the responsibility of fostering work-family integration through diverse activities.

Among these, we celebrate with our collaborators special days such as Family Day, Children's Day, Mother's Day, Father's Day, Summer Day and the Day of the Dead.

Self-development

Crédito Real we believe that collaborators are responsible for 70.00% of the acquired learning, 20.00% is responsibility of the leaders, and Crédito Real is responsible for the remaining 10.00%. The following initiatives support this strategy.

- *Intégrate* Program
- Team Buildings
- Team Coaches talent seedbed
- Training for duty
- Training of Blue Leaders
- Internship Program
- Corporate and regulatory training
- Development plans
- Internal recruitment
- Talent identification program
- Objective-based performance

Healthy **finances**

Due to the nature of our business, we have the responsibility of strengthening the financial education of our collaborators and their families in order to improve their quality of life. To do this, we have developed the program *Hablemos de Finanzas con Crédito Real* (Let's Talk Finance with Crédito Real); it consists of a series of internal events that provide our collaborators with the tools necessary for efficient management and investment of their economic resources.

In 2018 we identified some of the areas of opportunity of our collaborators through talks dealing with savings and financial health. In order to attend and strengthen continuous improvement, we have established two specific lines of action: incorporating this module into Crédito Real's induction course, and involving our executives for permeating the culture of savings and prevention to all the organization.

Work **climate**

102-43

We strive to generate quality work climate; one in which our collaborators can experience Crédito Real's philosophy.

In order to find out how our collaborators perceive the work environment, every two years we conduct the Great Place to Work (GPTW) survey, a certification methodology that assesses five dimensions and allows us to identify the strengths of our organizational culture and harness its best practices, optimizing opportunity areas and generating value for business management.

Moreover, this survey allows us to find out commitment trends among our collaborators. The results are the following:

	2015	2017
Percent of collaborators actively committed to Crédito Real	87.00%	87.00%
Percent of total collaborators	81.00%	83.00%

Recreation

Integration and sharing activities are of great importance to Crédito Real, as they strengthen work climate and add to its quality and generate collaborator satisfaction.

In 2018, we carried out different celebration events fostering our traditions:

- Three King's Day
- *Día de la Candelaria*
- Day of the Dead
- Secret Friend
- Anniversaries
- Birthdays
- New Year's Day

EFFICIENCY AND AGILITY

8

Our main objective is to sustain the optimum time response time of five days for inquiries, clarifications and complaints received by the UNE; **at the close of 2018, all of those received were adequately attended.**

GRI 416: 103-1, 103-2, 103-3

Clients are Crédito Real's *raison d'etre*; our responsibility is to protect them and provide them with quality services in order to always be their first choice.

102-13, FS12

We are registered with the *Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF)*, an institution with which we have established a synergy. We fully comply with the laws and regulations concerning the protection and defense of users of financial services.

The contracts we issue derived from the relations with our clients comply with the following laws and regulations:

- Law for Transparency and Order of Financial Services.
- General Law of Credit Organizations and Auxiliary Activities.
- General Provisions for Transparency applicable to the SOFOM ENR.
- General Provisions for registration of contracts of adherence.
- General provisions for the organization and operation of the Financial Institution Bureau.
- General Provisions applicable to financial institutions in matters of collection agencies.
- General provisions for the registration of commissions, total portfolio and contracts of financial institutions.
- General provisions referenced by Article 115 of the Law of Credit Institutions, in relation to 87-d of the General Law of Credit Organizations and Auxiliary Activities and 95-bis of the latter provision, applicable to multiple purpose financial institutions.
- Federal Law for the Protection of Personal Data Held by Individuals.
- Regulation of the Federal Law for the Protection of Personal Data Held by Individuals.

FS3, FS9

The Internal Audit area evaluates the data of contracts with clients, as well as applications and the commitments made in order to verify compliance. Monitoring carried out in 2018 by Internal Audit showed satisfactory results.

In case of client breach of contract, and based on the strategy defined by the operational area, the Collection department is in charge of following up each case and collecting default payments.

In addition to providing our clients and users of financial services with due regulatory guarantees, we have manuals and processes for proper attention to inquiries, clarification and complaints received by the *Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros* (CONDUSEF) through the channels provided by the *Unidad Especializada de Atención* (Specialized Attention Unit) (UNE).

In addition to the information published by the CONDUSEF in the Financial Institutions Bureau, in order to evaluate the results derived from the actions we carried out to ensure the protection of users of financial services, we take into consideration the statistics of a monthly report and the assessment of quarterly objectives. The results from these verifications confirmed that we managed to fulfill the expectations of authorities and clients. However, our commitment is to continue working on continuous improvement and sustaining the highest levels of service attention.

DIGITAL **TRANSFORMATION**

At Crédito Real we firmly believe that digital technologies drive the dynamics of companies, and therefore, of economic development. Thus, we are betting on digital transformation and innovation as essential elements in the capacity of companies for stretching the limits of their business. In addition, they provide the opportunity to offer more dynamic services optimizing time and cost and offering a better experience for collaborators and clients.

In fulfillment of our 2022 Vision and of becoming more agile and more efficient, in 2018 we set goals whose fulfilment implied the adoption of new technologies, execution of innovation programs and development of the existing ones.

Thus, we optimized different areas and business lines –such as semi-new cars and credit bureau– through automation. In addition, we consolidated the service load of mobile applications.

Our 2019 objectives will continue to focus on reinforcing our strategy for becoming a digital company, making our collection processes more effective, and standardizing the systems of our business units in order to strengthen corporate harmony.

SUCCESS **CASE**

Operational agility

97.00% of loans are granted in less than 30 minutes.

As a result of our confidence in the development of new technologies for digital transformation, we established the goal of increasing our service index through operation centralization.

In this way we achieved greater agility, reaching 26,000 average monthly operations in 2018, an increase of 73.00% with respect to the previous year.

This result is due in part to the consolidation of the Business Process Management (BPM) system that we implemented to simplify our client loan process. The procedure starts with a loan application whose information our system evaluates by monitoring stages and flows and establishing the steps needed for granting the loan, including the necessary instrumentation and approvals.

The system is one more example of the efforts of our company for staying at the forefront and consolidating its agility of response to the needs of our clients. Its importance lies in the fact that as a digital platform, it guarantees loan approval in less than 30 minutes.

Once the loan has been granted, our clients have the possibility of using the digital application to manage their account and consult movements and notices.

Furthermore, in order to boost our operational agility and provide a high-quality service to our clients, we have implemented a preventive approach to our collection activities which are conducted beforehand by phone, SMS and WhatsApp.

Likewise, in the case of our car loan business line, we work with Kobra, a specialized platform for direct debit portfolio recovery that works with expert professional negotiators who use an application that shows results in a practical way.

Cybersecurity

The security of our information and management systems is crucial to the continuity of our business, normal operation of the organization, our offer of high-quality financial services, and to the preservation of our clients' confidence.

Our Systems area is responsible for the IT and communications of the company, as well as for managing data bases and providing maintenance. On the other hand, the main platform for portfolio management is owned by the company and is subject to industry standards of security and quality control. As part of the risk management process, we permanently conduct vulnerability revision and analysis in order to identify and work on remediation of opportunity areas and mitigate materialization of risks beforehand. Moreover, we have state-of-the-art tools for cybernetic protection (Firewall, Antispam, Antivirus, IDP, Server Access Monitoring and Control, among others).

We have put in place policies and procedures for safeguarding critical information and we conduct email campaigns to raise awareness among collaborators. In 2019 we plan to open a mandatory online course on Cybersecurity for addressing common risks and how to prevent them.

We have implemented a Business Continuity Plan which keeps an electronic registry of all loans and the different stages of their lifecycle in the portfolio management platform. These registries are updated every time there is contact with the client, when any changes that take place are entered into the registry. Thus, 100.00% of the data bases are automatically backed up every day. Moreover, Crédito Real keeps its communications site at headquarters; in addition, for reasons of security, continuity and integrity of our operations, we have an external data center.

The modular structure of our technological platform permits adjusting the operational processes to the different products or market segments we serve in an agile and efficient way.

Our technological platform keeps a record of 2 million loans granted to 2 million clients since the start of our operations. Each one of these entries includes the origination date, programmed amortization table, and client behavior. In addition, it keeps a record of all contacts with the client throughout the lifecycle of the loan, either by collection or service management.

We also keep a record of the individuals involved in the origination of the loan and of its subsequent management. This information is important because it allows daily rating of every portfolio account by arrearage and activity. Such evaluation is used to prepare the indexes used for monitoring operations and measuring the management efficiency of each one of the products in the portfolio.

Concerning processing of applications and rulings, we keep a record of all applications received with date and time of reception; the originating distributor, branch –if applicable– and the promoter entering it. Moreover, we keep a log of the personnel who participated in the ruling and the different stages followed until the final decision.

In addition to the Business Continuity Plan, we have also established a Disaster Recovery Plan; both were upgraded in 2018. Among the possible risks, the plans consider cyberattack and address the procedures for operation recovery in a period of time proportional to the magnitude of the situation.

An Independent third party conducts an annual review of our management systems in order to identify opportunity areas, for which we must establish remediation plans. It should be mentioned that our security strategy is based on the ISO 27001 standard; in 2019 we will assess the level of maturity for certification.

MARKETING

GRI 417: 103-1, 103-2, 103-3
417-1, FS15
Our Marketing Direction consists of four areas:

- Brand – responsible for dissemination and promotion of the company and its products; support for business units, and generation of value for each one of them.

- Corporate communication – brand identity, use of a consistent image and one language; responsible for dissemination of key messages among stakeholders.

- Social responsibility – dissemination and reinforcement of our values of corporate social responsibility.

- Support to business units – generate value for the units.

Brand

Crédito Real marketing is committed to the company, its brand, lines of business and its commercial partners. Our strategy considers activities for satisfying the needs of our clients and investors by establishing an annual plan to promote the brand.

We have built a solid Brand image which is currently renowned among the financial community. In 2018 we relied on using digital platforms and CRM to promote our Leasing, Factoring and Car products, using technology and apps for direct contact with our clients and for providing them with tools and information to improve their business.

With this new approach, in 2018 we improved the levels of association and brand consideration, getting 68 million impacts domestically. We also launched the Crédito Real USA brand in the United States with the goal of becoming a financial reference to the Latin population in the U.S who seek to improve their quality of life. In addition, we reaffirmed our international expansion in Central America and Spain through our brands *Instacredit* and *Resuelve tu Deuda.*

It is still a long way for Crédito Real and all our clients who want to secure a solid future for bigger dreams.

STRATEGIC **ALLIANCES**

102-9

Our supply chain is an extension of the business; for this reason, we contribute to its economic development by supporting the engagement of domestic suppliers in favor of the communities where we operate.

Crédito Real's chain of value consists of subsidiaries whereof we own 51.00% of the shares; commercial partners with whom we operate, but not always share ownership; and goods and service providers through whom we offer high-quality and performance services.

In 2018 we had 416 suppliers; 16 of them for products and 400 for services.

MXN $364.00 million pesos invested in payment of suppliers of goods and services.

93.75%

of our suppliers are domestic.

We only work with suppliers who share our ethical values and are known for integrity and fairness in their dealings. We choose our suppliers in a fair and impartial way based on quality, profitability and service criteria.

Our sales professionals are responsible for procuring goods and services within their specialized region and category through impartial and transparent processes in order to guarantee fair and equal participation of all suppliers. They must offer and demand equal and honest treatment in every transaction, always in benefit of the company.

The Code of Ethics and Conduct of Crédito Real establishes the guidelines that govern our interaction with suppliers; among the matters it addresses are: confidentiality, law and regulatory compliance, and the prohibition to accept benefits that compromise the decisions of our collaborators regarding supplier selection.

We identify key suppliers based on their relevance to the continuity of our business; for example, the lease of the building for our corporate headquarters, ERP support, operations development support, and Investor Relations platforms.

At the end of 2018, we began the constitution of a centralized procurement area in order to integrate a supplier base with the documentation necessary to know and monitor several factors: financial, legal, environmental, quality and reputation; this will provide us with the tools necessary to make an annual assessment of our supplier base.

FOR THE DEVELOPMENT **OF OUR COMMUNITY**

“There is much that can be done. I’m interested in leaving proof of what I’m doing”.

9

GRI 203, 413: 103-1, 103-2

The essence of Crédito Real is granting loans to individuals with limited access to traditional banking services thereby contributing to economic development of the places in which we are present.

The growth of our company makes a positive impact on the generation of Jobs among distributors, affiliates, subsidiaries and suppliers.

In addition to the purpose of Crédito Real, the company develops actions in support of the communities, environment and societies we are involved with. Therefore, we channel our attention to important activities like education and inclusion, which allow plural participation, and allow us to promote and fund projects that respond to social needs we deem relevant.

We have created a corporate voluntary service through which we foster participation of our collaborators in support activities and benefits, encouraging them to contribute while fully respecting their free will to do so.

On July 20, 2018, and on occasion of the World Environment Day, we organized a reforestation drive at the community of San Francisco Magú, in Tepotzotlán, State of Mexico, where more than 99 volunteers planted over 1,900 trees in half a hectare of land.

Our goal is to maintain a minimum of 13.00% participation in corporate volunteer activities.

MXN $3.64 million donated to civil society organizations in 2018.

We operate our business through more **than 20 strategic partners** with whom we generate **indirect jobs for over 10,000 people.**

203-1, 203-2

DONATIONS

	2016 (MXN)	2017 (MXN)	2018 (MXN)	% Δ 2018 vs 2017
Financial inclusion of small agricultural producers	N/A	$0.50	$0.33	(34.00)
Reforestation	N/A	N/A	$0.04	-
México Incluye short film project: "First Mexican inclusive expedition to the Revillagigedo Archipelago"	N/A	N/A	$0.06	-
Crédito Real Tennis Center	$3.6	$3.66	$3.21	(12.30)
TOTAL	N/A	$4.16	$3.64	(12.50)

Note: N/A means not applicable.

"At Crédito Real, we seek to be a constructive organization and, nowadays, much more efficient for strengthening our products, always with a sustainability basis".

FINANCIAL **INCLUSION**

413-1, 413-2, 416-1, FS1, FS13, FS14, FS15, FS16

Consistent with our commitment to Human Rights, we have developed small actions of great impact for fulfilling our goal of fostering financial inclusion. Thus, our loan policies are not limiting for disadvantaged or disabled individuals.

The design of our offices, halls, doors and gates, takes into consideration the extension and clearance required by individuals with impaired physical mobility in order to allow free movement of individuals in wheel chairs, crutches, walkers and/or walking canes. In addition, we provide visual and sound alarms for emergency situations.

Together with the *Banco Interamericano de Desarrollo* (BID) we are currently developing an initiative for granting special benefits and financing for business women and companies run by women, or companies whose shareholder base is female by more than 51.00%.

Alliance **Crédito Real-Nuup-El Buen Socio**

GRI 203, 413: 103-3

In order to provide access to funding for a greater number of individuals, in 2028 we continued our alliance with the Mexican social organizations *Nuup* and *El Buen Socio*. The goals of this joint effort were the following:

- Facilitate contact between producers and potential funding organizations through the creation of a pre-qualifying credit tool.
- Training small farmers in basic financial and entrepreneurial issues in order to help them gain access to credit.

The main activities of the Alliance in 2018 were:

- Nuup

-Review and analysis of the main information requirements of allied financial institutions (*El Buen Socio*, Root Capital, Alterfin) for pre-qualification of potential clients.

-Design of an on-line loan pre-application questionnaire for small-producer organizations.

-Joint development with the systems area of Crédito Real of an online questionnaire.

-Adaptation of an online questionnaire to the technical needs of the Nuup server.

-General monitoring of the project; coordination with Crédito Real and *El Buen Socio*; field assessment of the methodology of *El Buen Socio*.

- *El Buen Socio*

-Financial education workshops focused on productive activities; analysis of concepts such as revenues and expenditures, profitability, and break-even point.

-Workshops for Diagnosis of Productive Organizations and Financial Design focused on market issues; cost-benefit ratio, decision-making, financial indicators and strategy.

-Participation in the design of a pre-application questionnaire for small-producer organizations.

-Design of the online loan application of *El Buen Socio*.

-Call-center training will be carried out after online consultation of credit track record.

> **“We believe that the collaboration of the different Crédito Real teams was essential in achieving the results of the project.** We should highlight the participation of the Systems and Operations team in programming the first online tool, and the Marketing team in printing the materials for *El Buen Socio”.*

The achievement of the goals of the alliance presented challenges, however, our tenacity has allowed us to continue to improve and imbue our stakeholders with our vision, taking these challenges as learning steps for the future. The main challenges were:

- The short duration of the project and the subsequent lack of time for implementing the pre-qualification loan tool; problems in the synchronization of the development of the tool with the projects for sector strengthening of the Nuup; and the launch of the 2.0 version of the online platform.

  It was initially considered carrying out the first implementation of the tool within the framework of the project for sector strengthening of the Nuup for bee-keeping (Bee-keeping Co-creation Agenda Project). However, field activities for the bee-keeping project are to be started in early 2019; for this reason it will be massively implemented until next year.

  It was also considered to include a questionnaire in the second online version of the Nuup. However, in order to coincide with the start of the field activities of the Bee-keeping Co-creation Agenda, Nuup decided to postpone the launch until late 2018 or early 2019.

- Alignment and coordination of Nuup and *El Buen Socio*. In coordination with El Buen Socio, a shared vision of potential solutions to the major challenge of financial inclusion of small producers was initially proposed. However, there were different visions and readings of the needs of the sector by both organizations during the execution of the project which translated into areas of opportunities in communication and the harnessing of potential synergies of both components of the project.

Notwithstanding the challenges, we achieved outstanding results with this Alliance, among them:

- Nuup
  -Development of a better understanding of the information needs of the social financial institutions for pre-qualifying potential clients.

  -Development of a tool to facilitate financial inclusion of small-producer organizations in different value chains in the coming months (honey) and years (strawberries, milk, fruit and vegetables, etc.).

- *El Buen Socio*
  -Conducted 505.00 hours of training for 102 individuals, of which 56.00% of the population lives in municipalities where 90.00% lives in extreme poverty.

  -Organized eight workshops: Financial Education (4) and Diagnosis (4).

  -Conducted a workshop in Coatepec, Veracruz for civil society organizations that work with coffee producers in different regions of Veracruz.

Financial **education**

GRI 203, 413: 103-3

Access to financial solutions and education is a matter of the highest relevance to our company; when consumers know the best way to use the financial services being offered to them, they have a better opportunity of achieving their goals. This improves individual and family well-being, as well as the confidence of having a healthy, solid and competitive financial system.

The objective of the financial education we provide is to make our clients and beneficiaries know the offering of financial services they can have access to. They usually decide for more expensive alternatives due to a lack of knowledge of the workings of the product or of its financial and fiscal benefits.

Over 100 publications on different subjects shared with collaborators and external communities through the program **"Let's talk Finance with Crédito Real" in synergy with CONDUSEF.**

THEREFORE, WE PROVIDE THREE FINANCIAL EDUCATION INITIATIVES:

102 small farmers trained and 505.00 hours of training through the program "Financial inclusion of small farmers: technology and financial education for fostering financing access".

1

Synergy with CONDUSEF

-This internal and external program is called "*Hablemos de finanzas con Crédito Real*"; it consists of:

- Sponsorship of printed material
- Weekly bulletin: "*Consejos para tu Bolsillo*" and "*Educación Financiera en tu institución*"
- Banner space in our website linked to the CONDUSEF Financial Education microsite *Educa tu Cartera**
- Training Workshop for Financial Education Trainers that addresses and explains Budget and Savings issues

2

Talk

"*El seguro que necesitas, para las sorpresas que no quieres*" (The insurance you need for the surprises you don't want), conducted with the purpose of broadening the scope of information necessary for acquiring an insurance financial solution.

3

Project

The project "*Inclusión financiera de pequeños productores agrícolas: tecnología y educación financiera para fomentar el acceso al financiamiento*" (Financial inclusion of small farmers: technology and financial education for fostering financing access).

* Activity applicable to collaborators and community.

In 2018 we invested MXN $0.33 million in the project "Financial inclusion of small farmers: technology and financial education for fostering financing access".

We assessed the performance of our programs through reports sent to CONDUSEF and reports sent to us by non-government organizations with whom we collaborate. In this way, in 2019 we plan to upgrade our Financial Education program in order to broaden its scope.

Crédito Real **Tennis Center**

GRI 203, 413: 103-3

The Crédito Real Tennis Center is located in Mérida, Yucatán. It is a high-performance tennis academy for children and youngsters, equipped with state-of-the-art facilities, the most adequate personalized programs, and qualified world-class coaches to improve performance of the future talents of this sport.

In 2018 we had 75 students: 19 interns, 12 external and 44 summer students from different states in Mexico and the U.S. Of these, 24 have been granted scholarships in different amounts; some are world-class competitors. The following are some of the results:

- Our player Victoria Rodríguez "Chely", won four championships and a second place in tournaments in the U.S., Canada and Thailand.
- Luis Patiño –another of our first-rate students– won first-place titles in Turkey, Mexico City, Guadalajara and Colombia.
- Isaac Arévalo won a first place in El Salvador and Cuba.
- Fátima Gutiérrez was a doubles champion in Cuba.
- In other categories, Rodrigo Pacheco and Lucca Lemaitre won in Francia and Spain.

The following improvements were made to the facilities of the Tennis Center:

- Painting maintenance of all the center.
- Purchase of a clay tennis court roller.
- Purchase of gym material, such as medicine balls, bands, etc.
- Purchase of a year's supply of player and coach jerseys.
- Change of blackout curtains for all rooms.
- Purchase of a transportation van for players.

For more information about the Crédito Real Tennis Center go to: http://www.creditoreal.com.mx/tenniscenter.

In 2018 we invested MXN $3.21 million in the Crédito Real Tennis Center.

México Incluye

Short Film Project

GRI 203: 103-3

In 2018 we collaborated with the *México Incluye* foundation, an organization whose purpose is to contribute to making the dreams of disabled individuals come to fruition. Therefore, we participated in the short film project "First inclusive Mexican expedition to the Revillagigedo Archipelago", whose goal is to produce a 12-minute short film which will show the story of a group of disabled and non-disabled individuals working together in order to get certified as scuba divers and become the first inclusive scuba divers in the Revillagigedo Islands in the Mexican Pacific, showing that anything is possible through teamwork.

Through this initiative, 400 hours of film were shot inside the largest marine protected area in North America. This was made possible by the support of the *Comisión Nacional de Áreas Naturales Protegidas* (CONANP) and the *Secretaría de Marina* (SEMAR).

SOME OTHER OBJECTIVES OF THIS INITIATIVE ARE:

- Raising social awareness on the subject of inclusion.
- Creating a movement for making inclusion an everyday value and encouraging Mexicans to participate in concrete actions.
- Achieving social integration of disabled individuals.

In 2018 we invested MXN $0.06 million in the *México Incluye* short film project "First inclusive Mexican expedition to the Revillagigedo Archipelago".

The film crew consisted of 24 members; among them four disabled divers –one quadriplegic– who scuba-dived with assistance. The expedition included supervisors from the Jack Baron School of the *Universidad Nacional Autónoma de México* (UNAM), the support team, and the underwater film crew.

SPONSORSHIPS

SPONSORSHIPS

GRI 203: 103-3

Crédito Real invests in society and its citizens by fostering and financing initiatives and projects which attend relevant social needs. The promotion of education, knowledge and inclusion are top priorities of our Corporate Social Responsibility Policy.

Our Code of Ethics and Conduct prohibits conditioning of services or concession of facilities or products to clients or suppliers. Furthermore, donations, sponsorships or subsidies must respect the Policy for the Prevention of Corruption and the commitment to political neutrality of the company.

If a client, supplier, or third party asks Crédito Real for its contribution to a specific cause or charity, our collaborators must send such request to the Social Responsibility Specialist; when in doubt, they must consult the Donations Policy.

Crédito Real **Morelos Open**

In 2018, we continued to promote healthy lifestyles, practice of sports, and discipline. Thus, in a joint effort with Promotenis –a leading tennis tournament organization company– we consolidated as the main sponsor of the Crédito Real Morelos Open.

Every year, this tournament brings together the best world-class pro and semi-pro tennis players at Cuernavaca, in Morelos.

The 5th edition of the Crédito Real Morelos Open took place at the Hotel Sumiya in Cuernavaca Morelos. The tournament was a singles tournament. 60 international players participated and approximately 1,000 spectators attended the matches during the week. The tournament complies with ATP requirements, and it has become one of the events being sought by players for adding points to their ranking.

SPONSORSHIPS

	2016 (MXN)	2017 (MXN)	2018 (MXN)	% Δ 2018 vs 2017
Morelos Open Crédito Real	$1.40	$1.97	$2.00	1.52

60 international players participated in the 5th edition of the Crédito Real Morelos Open. MXN $2.00 million were invested.

RESILIENCE FOR A **BETTER WORLD**

"What we did with this reforestation drive is contribute to a greener country and to the creation of more 'lungs' for the planet. Individual participation is crucial for a balanced coexistence with the environment".

10

GC7
GRI 302: 103-2
102-11

At Crédito Real we believe that social well-being and a prosperous economy depend to a large extent on responsible management of natural resources and mitigation of climate change. For this reason, in 2018 our commitment to environmental protection and sustainability was asserted by incorporating it into our Code of Ethics and Conduct.

We assume the responsibility of conducting ourselves guided by principles based on preservation of the environment. Thus, we follow environmental care guidelines in order to reduce the impact of our activities on the environment and achieve the sustainability objectives which Crédito Real has established.

In 2018 we upgraded our **Code of Ethics and Conduct** by incorporating into it our commitment to the environment.

The actions with which we contributed to this subject in 2018 were two: the optimization in the use of resources and the volunteer program "*Reforestemos juntos*", which we implemented at the forest area of Tepotzotlán in the State of Mexico. The latter was a reforestation drive through which we raised the awareness of participants of the value of trees and the importance of the preservation of green areas and forests.

In 2019 we will implement an action plan for understanding the impact of these initiatives on our community and promoting actions of mitigation and adaptability to climate change of our activities.

We evaluated our energy and emission results with the methodology established by the *Registro Nacional de Emisiones* (RENE) *para Gases y Compuestos de Efecto Invernadero* (National Registry of Greenhouse Gas Emissions). Operational limits of the inventory are defined by the standard NMX-SSA-14064-1-IMNC-20071; that is, the identification of operation-related emissions of the company and their classification into direct and indirect emissions.

Our 2019 commitments are to continue with the identification of environmental risks and opportunity areas and develop a climate strategy.

Through or volunteer program "*Reforestemos juntos*" we managed to reforest half a hectare in the community of San Francisco Magú, Tepotzotlán, in the State of Mexico, planting more than 1,900 trees, that achieved a survival rate of 80.00% by the end of the year.

In 2018 we invested MXN $0.16 million in the initiative "*Reforestemos juntos*".

ENERGY

GRI 302: 103-1, 103-2, 103-3
302-1, 302-2

Our headquarters building is LEED Gold-certified; its infrastructure is designed to increase our energy efficiency by means of physical adaptations and monitoring, as well as through energy-saving initiatives such as double-glazing windows and use of natural light in addition to the time of our work activities.

The energy consumption of our operations derives from two sources: electricity for interior use, and fossil fuel (gasoline) for exterior use.

302-4

1,518.38 GJ was the total energy consumed in 2018; a reduction of 17.84% with respect to the previous year.

ENERGY CONSUMPTION (GJ)

302-4

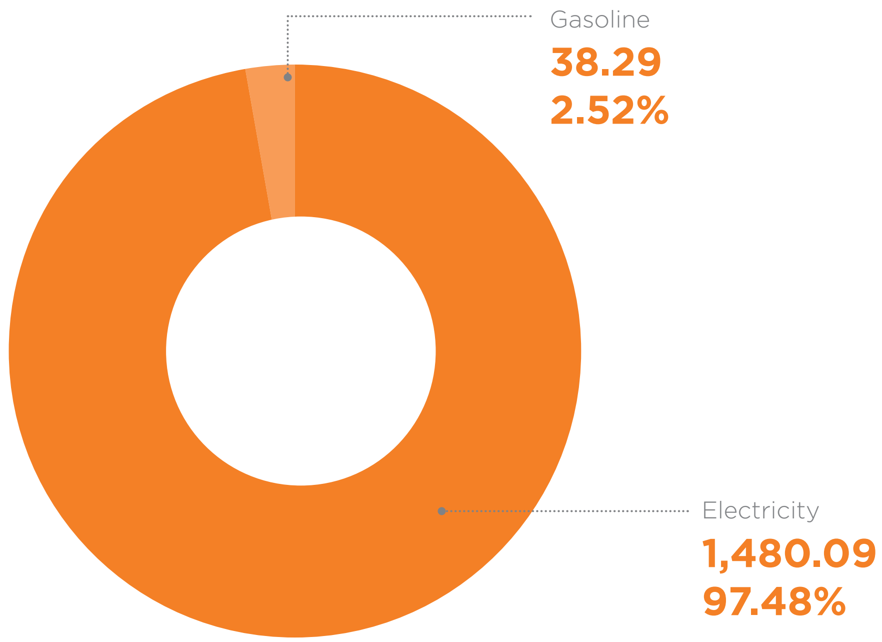
	2016 (MXN)	2017 (MXN)	2018 (MXN)	% Δ 2018 vs 2017
Electricity	1,886.00	1,823.00	1,480.09	(18.81)
Gasoline	383.00	25.00	38.29	53.16
Total	2,269.00	1,848.00	1,518.38	(17.84)

302-3

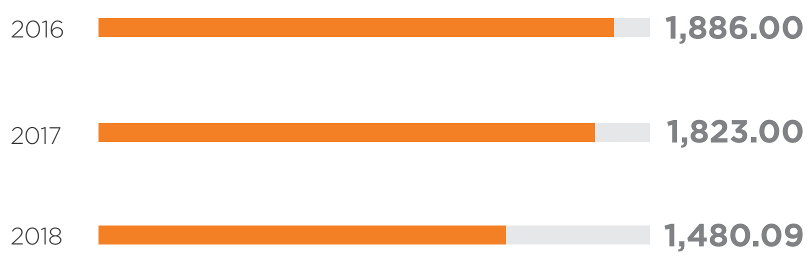
2.58 GJ consumed per collaborator in 2018; a reduction of 137.77% with respect to the previous year.

We managed to reduce **our electricity consumption by 18.81%.**

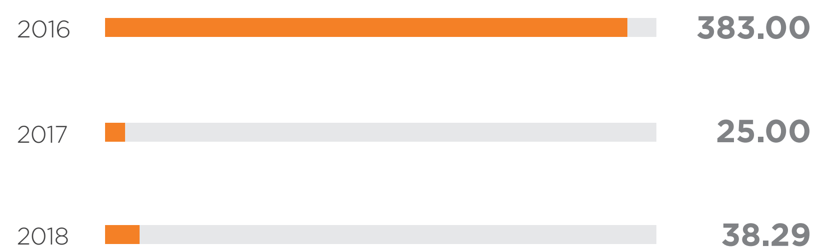
2018 Energy consumption (GJ)



Electricity consumption (GJ) ↓ 18.81%



Gasoline consumption (GJ) ↑ 53.16%



302-5

Gasoline consumption increased by 53.16% with respect to 2017 due to delivery of shipments among our client distributors, affiliates, subsidiaries, civil society organizations, suppliers and business partners.

EMISSIONS

GRI 305: 103-1, 103-2, 103-3

We firmly believe that simple actions, like the upgrading of our videoconference and remote meeting capacities to improve communications has had a deep impact on our progress towards environmental sustainability.

We fully comply with the emissions regulation applicable to Crédito Real:

- NMX-SAA-14064-1-IMNC-2007
- ISO 14064-1:2006
- *Reglamento de la Ley General de Cambio Climático (LGCC) en materia del Registro Nacional de Emisiones* (RENE)
- Advice note on the factor for electricity emission 2018. CRE. 28/02/2019

19.10%
reduction of Scope 1 emissions in 2018.

26.50%
reduction in Scope 2 emissions in 2018.

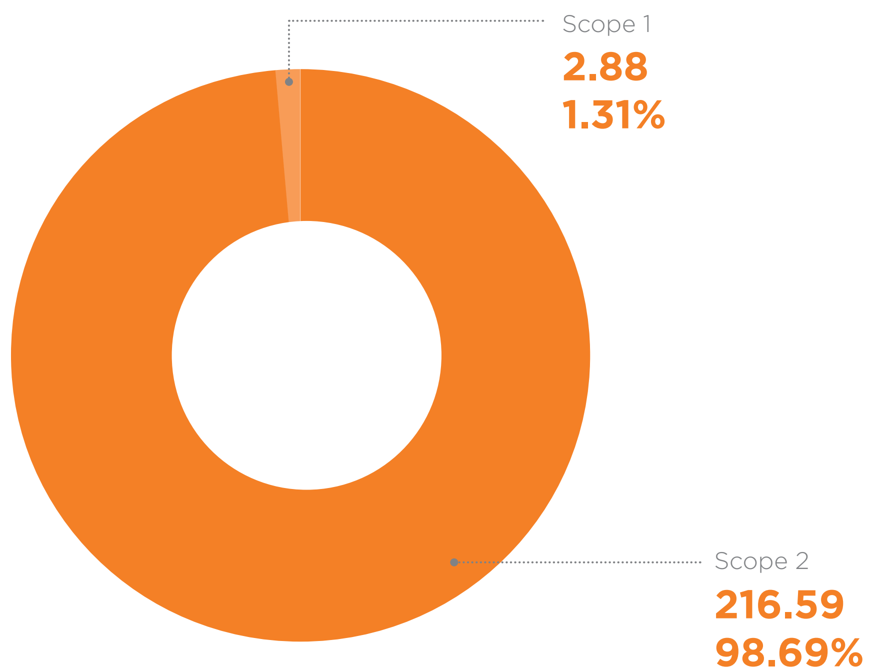
Notes:
- Scope of the information: Mexico operations.
- Methodology used is established in the *Registro Nacional de Emisiones* (RENE).
- Gases included in the calculation of Greenhouse gas emissions (Scope 1) are: CO_2, with a conversion factor of 6.93E-05 (t/MJ); CH_4, with a conversion factor of 2.50E-05 (kg/MJ); and N_2O, with a conversion factor of 8.00E-06 (kg/MJ).
- Gas included in the calculation of Greenhouse gas emissions (Scope 2) is: CO_2, with an emission factor of metric tons of CO_2e/MWh, established in the *Sistema Eléctrico Nacional, 2018.*

GHG Emissions, Scopes 1 and 2

305-1, 305-2, 305-5

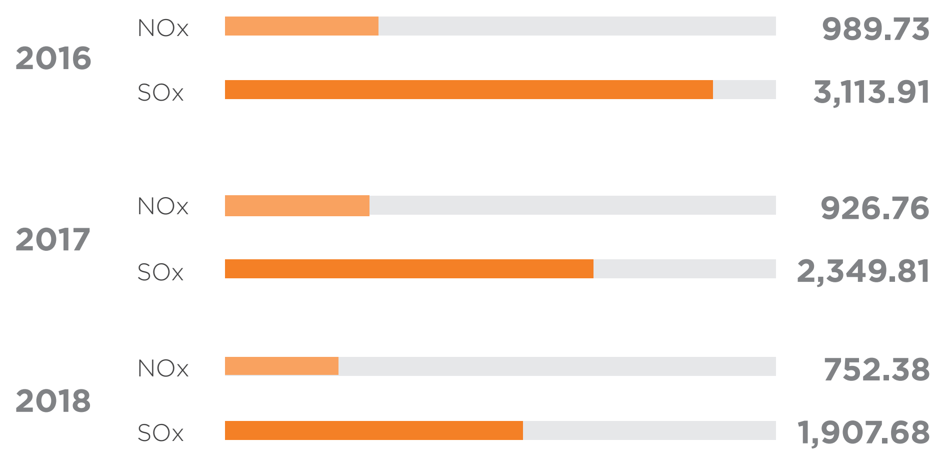
GHG Direct	Unit	2016	2017	2018	% Δ 2018 vs 2017
Scope 1	Metric tons of CO_2e	29.40	3.56	2.88	(19.10)
Scope 2		240.00	294.70	216.59	(26.50)
Total		269.40	298.26	219.47	(26.41)

2018
GHG Emissions



305-7

NO_x and SO_x emissions (kg) ↓ 18.82%



Note. Methodology used in the calculation: *Inventario de Emisiones de Compuestos* y *Gases de Efecto Invernadero 2016* (Inventory of Greenhouse Gas and Compounds Emission 2016).

CONTAMINANT EMISSIONS (KG)

	2016	2017	2018	% Δ 2018 vs 2017
NO_x	989.73	926.76	752.38	(18.82)
SO_x	3,113.91	2,349.81	1,907.68	(18.82)

305-6

Our operations use refrigerant HCFC (R-22); 1.76 kg with an emission factor of 0.55.

In order to make further reductions of our emissions, we plan to have our collaborators answer questionnaires that will help us find out the viability of implementing sustainable corporate mobility (carpooling), as well as other types of flexible work options (home office).

305-4

0.41 metric tons of CO_2e emitted per collaborator in 2018; a reduction of 58.59% with respect to the previous year.

[12] Gas included in the calculation of emission intensity was for Scopes 1 and 2: CO_2, CH_4 and N_2O.

WATER

GC9
GRI 303: 103-1, 103-2, 103-3
303-1[13], 303-2, 303-3, 303-4, 303-5, 306-1

Since 2015, Crédito Real's headquarters has been the Torre Vistral building, the first one with LEED Gold certification in the Insurgentes corridor. The building's water is supplied through two hydraulic systems:

- Potable water: 100.00% of it comes from the Mexico City water system. This line supplies sinks and washbasins of the bathrooms in common areas.
- Treated water: produced by the Waste Water Treatment Plant (WWTP) in the facility. This line supplies toilets and urinals.

Correct operation and balance of the WWTP depends on the amount, quality and cleanness of the wastewater it receives, as well as on the quantity and effectiveness of the beneficial bacteria in the sludge it handles, as it feeds on the organic matter in the sewage received.

In consequence, cleaning products and detergents must be biodegradable and approved by the building's management, who will issue a policy for use of green cleaning products.

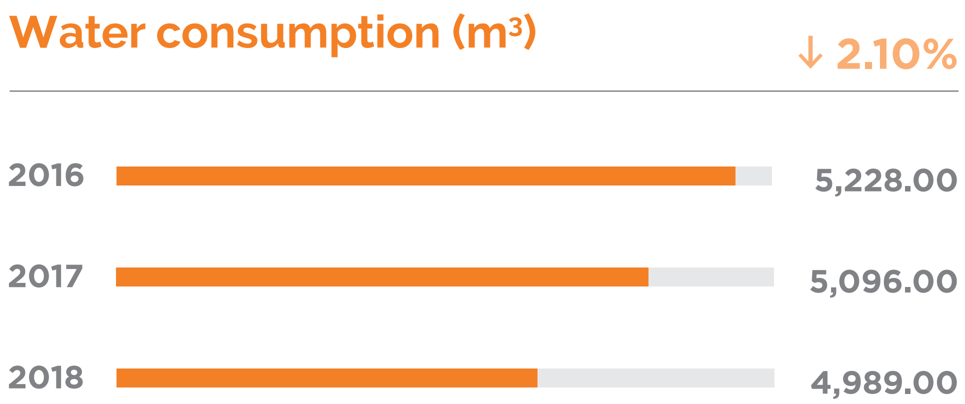
Products made from the following should not be sent into the sewage: plastic, rubber, textiles, aggressive cleaning materials, and chemicals, among others.

Water use is included in the operation expenses of the building; water consumption in 2018 was 4,989.8 m³, a reduction of 2.10% with respect to 2017.

WATER CONSUMPTION (M³)

	2016	2017	2018	% Δ 2018 vs 2017
Water consumption (m³)	5,228.00	5,096.00	4,989.00	(2.10)

Note. Water consumption is for Mexico City only.



Water is discharged into the Drainage System of the Water System of Mexico City.

Savings in water consumption are partly due to the awareness the company has raised among collaborators through posts in the internal social networks, as well as through the *"Cuidado del agua"* (Water care) online training course for new collaborators. The purpose of these initiatives is to explain to our collaborators the source of the water we use and the difficulties in its supply; we also make recommendations for water care.

[13] For this indicator only the Mexico City facility is taken into consideration, since it is the legal address of the company.

MATERIALS AND **WASTE**

GC8
GRI 306: 103-1, 103-2, 103-3
306-2

The most significant activity in the operation of our business is printing, therefore paper is our most relevant input. Hence, 50.00% of the paper we use has been recycled.

We are part of the program HP Planet Partners whose goal is to process recycle toner and ink cartridges in order to turn them into raw materials which may be used to manufacture new plastic and metal items.

Our goal for 2018 was to reduce our consumption of paper and toner cartridges; however, consumption of the latter increased by 26.09%.

In order to reduce paper consumption, in December we implemented an initiative for supplying every one of our collaborators with a reusable cup; disposable cups will remain to be used only by clients and suppliers.

In 2018,

37.79%

of our inputs were recycled.

USED MATERIALS

	Total 2016	Total 2017	Total 2018	% Δ 2018 vs 2017
Toner cartridges (units)	31	23	29	26.09
Alkaline batteries (tons)	0.0046	0.0045	0.0020	(55.56)
Paper (tons)	2.90	1.80	1.75	(2.78)
Paper coffee cups (tons)	N/A	N/A	0.40	-

Note. N/A means that information is not available.

2.78% reduction in paper consumption with respect to the previous year fulfilling our annual goal.

EXTENSION OF **OUR COMMITMENT**

RECOGNITIONS AND

RECOGNITIONS AND **ADOPTED INITIATIVES**

102-12, 102-13

Statute, principle or document	Date of adoption	Involved stakeholders
Code of Professional Ethics of the Financial Community in Mexico	2012	Shareholders Authorities Financial intermediaries Board members
Corporate Governance Code of Principles and Best Practices	2012	Shareholders Authorities Financial intermediaries Board members
Mexican Association of Payroll Companies	2012	Authorities Distributor clients and final clients Competition Business partners Financial intermediaries
Socially Responsible Company Distinction	2013	Shareholders Distributor clients and final clients Collaborators Competition Community Board members Directors Civil Society Organizations Suppliers Business partners Financial intermediaries

Statute, principle or document	Date of adoption	Involved stakeholders
Global Compact	2013	Shareholders Customers Collaborators Competition Community Board members Directors Government Civil Society Organizations Suppliers Business partners Affiliate and subsidiaries
Great Place to Work (GPTW)	2013	Collaborators Competition Directors
Institutional Investor	2015	Shareholders Competition Board members Business partners Affiliate and subsidiaries

Statute, principle or document	Date of adoption	Involved stakeholders
"Gilberto Rincón Gallardo"® Inclusive Company Distinction	2016	Collaborators Competition Board members Directors
H Distinction	2016	Collaborators Suppliers
Family-responsible Company	2016	Collaborators Directors
GEI México	2017	All
ISO 26000	2018	All

ABOUT THIS REPORT

ABOUT THIS REPORT

ABOUT THIS **REPORT**

102-32
For seventh consecutive year we assert our commitment to transparency, value creation and sustainability; therefore, we are presenting the Crédito Real 2018 Annual and Sustainability Report endorsed by all company Directions.

102-54
This report has been prepared in accordance with the GRI Standards: Core option. We have also applied the Principles for defining report content –Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness– and the Principles for defining report quality –Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness.

102-50
In addition, it includes the most relevant economic, social and environmental results, data and events for the company and its stakeholders for the period between January 1st and December 31st, 2018.

102-45, 102-49
The financial, social, environmental, and labor results, as well as those concerning Corporate Governance, consider only our operations in Mexico; we do not report on the labor, environmental or social performance of our subsidiaries or strategic partners.

Amounts are expressed in Mexican pesos (MXN), unless otherwise noted: US dollars (USD) or Swiss francs (CHF).

102-10
In 2018, main changes were the geographical diversification of payroll products in Honduras, and the start of the *Resuelve tu Deuda* commission business in Argentina.

102-56
The practice of submitting this report for assessment by an external third party responds to the Principles of Corporate Social Responsibility of our Code of Ethics and Conduct, Crédito Real's Policy of Social Responsibility, and the principles of accountability, transparency, ethical conduct, and respect for the interests of the interested parties. The assessment presented in this edition of the report was made by *Valora Sostenibilidad e Innovación, S.A. de C.V.*

GRI CONTENT **INDEX**

Materiality Disclosures Crédito Real — GRI Service Jun 2019

The service was performed on the Spanish version of the report.

102-55

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 101: Foundation 2016	Foundation		115		
GENERAL DISCLOSURES					
	Organizational profile				
GRI 102: General Disclosures 2016	102-1	Name of the organization	9, 184		
	102-2	Activities, brands, products, and services	11, 20		
	102-3	Location of headquarters	184		
	102-4	Location of operations	9 The scope of the information presented herein is only for Mexico.		
	102-5	Ownership and legal form	184		
	102-6	Markets served	9, 20		
	102-7	Scale of the organization	4, 56		
	102-8	Information on employees and other workers	56, 57		✓
	102-9	Supply chain	90		
	102-10	Significant changes to the organization and its supply chain	115		
	102-11	Precautionary Principle or approach	104		
	102-12	External initiatives	35, 112		
	102-13	Membership of associations	85, 112		
	Strategy				
	102-14	Statement from senior decision-maker	6		
	102-15	Key impacts, risks, and opportunities	6, 46		
	Ethics and integrity				
	102-16	Values, principles, standards, and norms of behavior	37, 38, 39, 42		
	102-17	Mechanisms for advice and concerns about ethics	40		✓

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
	Governance				
GRI 102: General Disclosures 2016	102-18	Governance structure	43		✔
	102-19	Delegating authority	44 1 vote per share.		
	102-20	Executive-level responsibility for economic, environmental, and social topics	44		
	102-21	Consulting stakeholders on economic, environmental, and social topics	32		
	102-22	Composition of the highest governance body and its committees	43, 44		✔
	102-23	Chair of the highest governance body	43		
	102-24	Nominating and selecting the highest governance body	44		
	102-25	Conflicts of interest	50		
	102-26	Role of highest governance body in setting purpose, values, and strategy	44		
	102-27	Collective knowledge of highest governance body	63		
	102-28	Evaluating the highest governance body's performance	43		
	102-29	Identifying and managing economic, environmental, and social impacts	46 The maximum authority regarding operational risk management is Carlos Enrique Ochoa Valdés, CFO; while Christopher Vega Siliceo, Internal Control Manager, is responsible for corporate monitoring and auditing of operational risk management. The decision-making process for risk management is ultimately supported by the Executive Committee.		✔
	102-30	Effectiveness of risk management processes	43, 46		✔
	102-31	Review of economic, environmental, and social topics	46		
	102-32	Highest governance body's role in sustainability reporting	115		
	102-33	Communicating critical concerns	32		
	102-34	Nature and total number of critical concerns	32	Information not available. There is no information about the number of interactions, only about the issues addressed by different stakeholders through different channels.	
	102-35	Remuneration policies	45		
	102-36	Process for determining remuneration	45		
	102-37	Stakeholders' involvement in remuneration	45		
	102-38	Annual total compensation ratio	MXN $740,797.00; ratio: 10.47 times.		
	102-39	Percentage increase in annual total compensation ratio	Ratio: 3.03 times in Mexico.		
	Stakeholder engagement				
	102-40	List of stakeholder groups	32		
	102-41	Collective bargaining agreements	66		
	102-42	Identifying and selecting stakeholders	32		
	102-43	Approach to stakeholder engagement	32, 83		✔
	102-44	Key topics and concerns raised	32		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
		Reporting practice			
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	115		
	102-46	Defining report content and topic Boundaries	30		✓
	102-47	List of material topics	30		
	102-48	Restatements of information	12		
	102-49	Changes in reporting	115		
	102-50	Reporting period	115		
	102-51	Date of most recent report	2017		
	102-52	Reporting cycle	Annual		
	102-53	Contact point for questions regarding the report	184		
	102-54	Claims of reporting in accordance with the GRI Standards	115		
	102-55	GRI content index	116		
	102-56	External assurance	115, 128		
MATERIAL TOPICS					
Profitability / Business model and value generation / Index and ranking positioning /sector leadership					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	12		
	103-2	The management approach and its components	12		
	103-3	Evaluation of the management approach	12, 31		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	12		✓
	201-3	Defined benefit plan obligations and other retirement plans	77		
	201-4	Financial assistance received from government	MXN $1,500.00 million line of Credit with NAFINSA for supporting productive activities in Mexico.		
FSSS Product Portfolio	FS1	Policies with specific environmental and social components applied to business lines	95		
	FS2	Procedures for assessing and screening environmental and social risks in business lines	45		
	FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	85		
	FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	63		
	FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	32, 46		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
FSSS Product Portfolio	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	20		
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	20		
FSSS Active Ownership	FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	85		
Participation of women in corporate governance					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	53		
	103-2	The management approach and its components	53		
	103-3	Evaluation of the management approach	31, 53		
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	77		
	202-2	Proportion of senior management hired from the local community	58		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	41, 53		
	103-2	The management approach and its components	41, 53		
	103-3	Evaluation of the management approach	41, 53		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	58 Board of Directors 11 men between 30 and 50 years of age. 7 men over 50 years of age Executive level 8 men between 30 and 50 years of age. 1 woman over 50 years of age 2 men over 50 years of age		✓
	405-2	Ratio of basic salary and remuneration of women to men	61		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
Access to financial education and solution					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	93		
	103-2	The management approach and its components	93		
	103-3	Evaluation of the management approach	95, 97, 99, 100, 101		
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	94		
	203-2	Significant indirect economic impacts	94		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	93		
	103-2	The management approach and its components	93		
	103-3	Evaluation of the management approach	95, 97, 99		
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	95		
	413-2	Operations with significant actual and potential negative impacts on local communities	95		
	FS13	Access points in low-populated or economically disadvantaged areas by type.	95	Information not available. We have the information of the geographical region of our portfolio, but no economic information thereof.	
	FS14	Initiatives to improve access to financial services for disadvantaged people	95		
	FS16	Initiatives to enhance financial literacy by type of beneficiary	95		
Corporate conduct codes / Regulation and self-regulation / Transparency and accountability / Risk and crisis management					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	47, 50		
	103-2	The management approach and its components	47, 50		
	103-3	Evaluation of the management approach	47, 50		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	47		
	205-2	Communication and training about anti-corruption policies and procedures	47		
	205-3	Confirmed incidents of corruption and actions taken	There were no confirmed corruption cases in the period covered by the report.		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	48, 50		
	103-2	The management approach and its components	48, 50		
	103-3	Evaluation of the management approach	48, 50		
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no cases of unfair or monopolistic competition practices in the period covered by this report.		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35, 53		
	103-2	The management approach and its components	35, 53		
	103-3	Evaluation of the management approach	35, 53		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Resulting from our commitment to the principles of the UN Global Compact, we reject all types of discrimination; thus, there were no cases of discrimination in the period covered by this report.		✓
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Resulting from our commitment to the principles of the UN Global Compact, we support freedom of association and collective bargaining; thus there were no cases in violation of this right in the period covered by this report.		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Resulting from our commitment to the principles of the UN Global Compact, we reject child labor; thus, there were no cases of this type in the period covered by this report.		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	35		
	103-2	The management approach and its components	35		
	103-3	Evaluation of the management approach	35		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Resulting from our commitment to the principles of the UN Global Compact, we reject forced or compulsory labor; thus, there were no cases of this type in the period covered by this report.		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	48		
	103-2	The management approach and its components	44, 48		
	103-3	Evaluation of the management approach	48		
GRI 415: Public Policy 2016	415-1	Political contributions	Crédito Real does not make contributions to political parties (Commitment to political neutrality of the Code of Ethics and Conduct).		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	45		
	103-2	The management approach and its components	43, 45		
	103-3	Evaluation of the management approach	45		
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	45 There were no cases of infringement of socio-economic laws and regulations in the period covered by this report.		
FSSS Audit	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	45, 85 There is no specific internal audit process for assessing social and environmental policies.		
Environmental policy and management					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	105		
	103-2	The management approach and its components	104, 105		
	103-3	Evaluation of the management approach	105		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	105		✓
	302-2	Energy consumption outside of the organization	105		
	302-3	Energy intensity	106		
	302-4	Reduction of energy consumption	105, 106		
	302-5	Reduction in energy requirements of products and services	106		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	109		
	103-2	The management approach and its components	109		
	103-3	Evaluation of the management approach	109		
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	109		✓
	303-2	Management of water discharge-related impacts	109		
	303-3	Water withdrawal	109		
	303-4	Water discharge	109		
	303-5	Water consumption	109		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	107		
	103-2	The management approach and its components	107		
	103-3	Evaluation of the management approach	107		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	107		✓
	305-2	Energy indirect (Scope 2) GHG emissions	107		✓
	305-4	GHG emissions intensity	108		
	305-5	Reduction of GHG emissions	107		
	305-6	Emissions of ozone-depleting substances (ODS)	108		
	305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	108		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	110		
	103-2	The management approach and its components	110		
	103-3	Evaluation of the management approach	110		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	109		
	306-2	Waste by type and disposal method	110		
	306-3	Significant spills	Due to the nature of the business, there are no significant spills caused by Crédito Real.		
	306-4	Transport of hazardous waste	Due to the nature of the business, Crédito Real does not transport hazardous waste.		
	306-5	Water bodies affected by water discharges and/or runoff	Due to the nature of the business, there are no water bodies affected by discharges or runoffs.		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	45		
	103-2	The management approach and its components	43, 45		
	103-3	Evaluation of the management approach	45		
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	There were no cases of infringement of environmental laws and regulations in the period covered by this report.		
Occupational well-being					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	53		
	103-2	The management approach and its components	53		
	103-3	Evaluation of the management approach	53		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	53, 54		✓
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	77		
	401-3	Parental leave	77		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	78, 81		
	103-2	The management approach and its components	78, 81		
	103-3	Evaluation of the management approach	78, 81		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	78		
	403-2	Hazard identification, risk assessment, and incident investigation	79		
	403-3	Occupational health services	82		
	403-4	Worker participation, consultation, and communication on occupational health and safety	79		
	403-5	Worker training on occupational health and safety	79		
	403-6	Promotion of worker health	82		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	79, 81		
	403-8	Workers covered by an occupational health and safety management system	78		
	403-9	Work-related injuries	80		
	403-10	Work-related ill health	80		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	63, 74		
	103-2	The management approach and its components	63, 74		
	103-3	Evaluation of the management approach	63, 74		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	66		✓
	404-2	Programs for upgrading employee skills and transition assistance programs	63		✓
	404-3	Percentage of employees receiving regular performance and career development reviews	75		
Financial consumer protection					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	85		
	103-2	The management approach and its components	85		
	103-3	Evaluation of the management approach	85		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	45, 95		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There were no cases impacting the health and safety of products and services in the period covered by this report.		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	89		
	103-2	The management approach and its components	89		
	103-3	Evaluation of the management approach	89		
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	89		
	417-2	Incidents of non-compliance concerning product and service information and labeling	There were no cases of non-compliance concerning the information of products and services in the period covered by this report.		
	417-3	Incidents of non-compliance concerning marketing communications	There were no cases of non-compliance concerning marketing communications in the period covered by this report.		
	FS15	Policies for the fair design and sale of financial products and services	89, 95		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	50		
	103-2	The management approach and its components	50 IT Security is within the scope of responsibility of the IT Systems Director: Eduardo Aguilar Sánchez.		
	103-3	Evaluation of the management approach	50		

GRI Standard		Disclosure	Page / Direct Response	Omission	Assurance
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Total information security breaches or other cybersecurity-related incidents: 2015: 0 2016: 1 (DDoS attack to an IP of the CR) 2017: 0 2018: 2 (Ban of an IP of the CR; one PC was compromised by sent SPAM) Total information security breaches involving client personal data: 2015: 0 2015: 0 2017: 0 2018: 0 Total amount paid in fines and penalties related to information security breaches and other cybersecurity-related incidents: 2015: 0 2015: 0 2017: 0 2018: 0		

Tenacity that defines us

INDEPENDENT ASSURANCE REPORT

102-56

Informe de Revisión Independiente para la Dirección de Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada y Subsidiarias

A la Dirección de Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada y Subsidiarias (en adelante la "Entidad"),

Conforme a su solicitud, hemos sido requeridos para proporcionar un nivel de aseguramiento limitado sobre el contenido del Informe Anual y Sustentable 2018 (en adelante "Informe") del ejercicio cerrado a 31 de diciembre de 2018, preparado de conformidad con los contenidos propuestos en los Estándares GRI de *Global Reporting Initiative* (en adelante "Estándares GRI") y en el Suplemento Sectorial de *"Financial Services"* de la Guía GRI versión G4 (en adelante el Suplemento Sectorial *Financial Services*).

Responsabilidades de la Dirección

La Dirección de la Entidad ha sido responsable de la preparación, del contenido y presentación del Informe, según la opción de conformidad "esencial" de los Estándares GRI, considerando además el Suplemento Sectorial *Financial Services*.

Esta responsabilidad incluye el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que la información contenida en el "Informe" esté libre de incorrección material, debido a fraude o error.

Nuestra Responsabilidad

Nuestra responsabilidad consistió en proporcionar un nivel de revisión limitado sobre el contenido del Informe en cuanto a los indicadores de desempeño incluidos en los Estándares GRI.

Con el fin de asegurar que el proceso de verificación cumple con los requerimientos éticos necesarios para asegurar la independencia de nuestro trabajo como auditores de información no financiera, nuestro trabajo va de acuerdo a la Norma ISAE3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, emitida por la *International Auditing and Assurance Standard Board* (IAASB) de la *International Federation of Accountants* (IFAC). Esta norma exige, además que planifiquemos y realicemos nuestro trabajo de forma que obtengamos una seguridad limitada sobre si el Informe está exento de errores materiales.

El alcance de los procedimientos de recopilación de evidencias realizados en un trabajo de revisión de seguridad limitada es menor al de un trabajo de seguridad razonable y por ello también el nivel de seguridad que se proporciona. El presente informe en ningún caso debe entenderse como un informe de auditoría.

Los procedimientos que realizamos se basan en nuestro juicio profesional e incluyeron consultas, inspección de documentación, procedimientos analíticos, y pruebas de revisión por muestreo que, con carácter general, se describen a continuación:

- Análisis de riesgo de la información para la identificación de eventos materiales ocurridos durante el ejercicio cubierto por el informe.

- Entrevistas con el personal de la Entidad responsable de proporcionar la información contenida en el Informe.
- Análisis de procesos de recopilación y control interno de los datos cuantitativos reflejados en el Informe, en cuanto a la fiabilidad de la información, utilizando procedimientos analíticos y pruebas de revisión por muestreo.
- Revisión de la aplicación de los requerimientos establecidos en los Estándares GRI.
- Verificación de Índice de contenidos GRI del borrador final del informe, según la opción de conformidad exhaustiva.

Los indicadores revisados en la elaboración del Informe durante el ejercicio cerrado de 31 de diciembre 2018 fueron los siguientes:

102-8, 102-17, 102-18, 102-22, 102-29, 102-30, 102-43, 102-46, 201-1, 302-1, 303-1, 305-1, 305-2, 401-1, 404-1, 404-2, 405-1, 406-1

Conclusiones

Con base en los procedimientos realizados, descritos anteriormente, sobre el Informe Anual 2018 de Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada y Subsidiarias, concluimos que:

- No se ha puesto de manifiesto ningún aspecto que nos haga creer que la información contenida en el “Informe” no hay sido obtenida de manera fiable, que la información no esté presentada de manera adecuada, ni que existen desviaciones ni omisiones significativas, ni que el Informe no haya sido preparado de acuerdo con los requerimientos establecidos en los Estándares GRI.

Este Informe de Revisión Independiente ha sido preparado exclusivamente en interés de Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, de acuerdo a los términos de este encargo.

Valora Sostenibilidad e Innovación S.A. de C.V

Jose Luis Madrid

Ciudad de México
11 de junio de 2019

CONSOLIDATED FINANCIAL STATEMENTS

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries
(Formerly Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries)

For the Years Ended December 31, 2018, 2017 and 2016 and Independent Auditors' Report Dated March 22, 2019

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Deloitte.

Galaz, Yamazaki,
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Independent Auditors' Report to the Board of Directors and Stockholders of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries (formerly Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries), (the "Entity"), which comprise the consolidated balance sheets as of December 31, 2018, 2017 and 2016, the consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with the accounting criteria established by the National Banking and Securities Commission (the "Commission"), through the "General Provisions applicable to public bonded warehouses, exchange houses, credit unions and regulated multiple purpose financial institutions" (the "Accounting Criteria").

Basis for Opinion

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

Other Matter

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

Key Audit Matters

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

Deloitte.

Accounting for Financial Derivatives Instruments (See Notes 3 and 6 to the consolidated financial statements)

The accounting for the Entity's financial derivatives instruments was considered as a key audit area given the degree of complexity involved of certain of the financial instruments.

In the Entity's accounting policies, Management has described the principal accounting policies related to the recognition of the financial derivatives.

Our audit procedures to address this significant matters included:

- Testing the design and implementation of the key controls in the processes of identifying, measuring and registration of financial derivatives instruments of the Entity.
- Testing the accounting records underlying the balance sheet and the statements of income accounts as of August 31 and December 31, 2018 based on a sample of financial instruments. In our opinion, the information tested in the accounting records was reasonable.
- Involved the Deloitte's internal specialists to review accounting records.
- Validated as of the appropriate presentation and disclosure in the consolidated financial statements as of December 31, 2018.

The results of our audit procedures were reasonable.

Allowance for loan losses (See Notes 3 and 8 to the consolidated financial statements)

The Entity establishes the allowance for loan losses of its loan portfolio based on the portfolio classification rules established in the Provisions issued by the Commission, which establish methodologies for the evaluation and creation of reserves by type of loan. However, when classifying the loan portfolio, the Entity considers the Probability of Default, Severity of Loss and Exposure to Default, while also classifying the aforementioned loan portfolio into different groups and establishing different variables for the estimate of the probability of default. The estimate has been considered a key audit matter due to the significance of the completeness and accuracy of the information used for the determination of the risk parameters and the updating of the risk parameters in the determination of the calculation.

Our audit procedures to address this key audit matter included:

- We tested the design and operating effectiveness of the relevant controls with a focus on the review-type controls, for the classification of the commercial loan portfolio into different groups, as well as consumer loans and home loans and the review of the variables for the estimate of the probability of default for each type of loan.
- We tested the design and operating effectiveness of the determination of the credit rating and/or score, which are determined based on the quantitative factors related to the financial information of the borrower, credit bureau information and qualitative factors related to their environment, behavior and performance.
- We tested a sample of loans as of August 31 and December 31, 2018, assessing the reasonableness of the criteria and considerations used for the determination of the estimate based on an independent calculation procedure, compared the results against those recorded by the Entity with the aim of assessing any indication of error or Management bias, and concluded that the results were within reasonable ranges.

The results of our audit procedures were reasonable.

Deloitte.

Other Information Included in the Document Containing the Consolidated Audited Financial Statements

Management is responsible for the other information. The other information will include the consolidated financial information which will be included in the Annual Report that the Entity is required to prepare in accordance with Article 33, section I, subsection b) of Title Four, First Chapter of the *General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico* (the "Annual Report") and the instructions accompanying such provisions (the "Provisions applicable to Issuers"). The Annual Report is expected to be available after the date of this audit report.

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

In relation to our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it is available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or appears to contain a material misstatement. When we read the Annual Report, we will issue the representations on the reading of the annual report, as required in Article 33, section I, subsection b) number 1.2 of the Provisions applicable to Issuers.

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as Management determines is necessary to enable the preparation of 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 Entity´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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity´s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

Deloitte.

- 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 Entity'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 concerns 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors´ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

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

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

C.P.C. Juan Ramón Carcaño López
Mexico City, México

March 22, 2019

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018, 2017 and 2016 | (In thousands of Mexican pesos)

Assets	**2018**	2017	2016
Cash and cash equivalents	$ 575,719	$ 810,622	$ 315,774
Investment in securities:			
Trading securities	940,865	529,768	992,675
	940,865	529,768	992,675
Derivatives:			
Trading purposes	-	-	286,792
Hedging purposes	1,028,013	1,920,898	2,180,134
	1,028,013	1,920,898	2,466,926
Performing loan portfolio:			
Commercial loans:			
Commercial or business activity	26,090,647	20,903,887	16,656,043
Consumer loans	9,610,914	7,505,932	6,753,971
Total performing loan portfolio	35,701,561	28,409,819	23,410,014
Non-Performing loan portfolio:			
Commercial loans:			
Commercial or business activity	307,551	331,398	323,793
Consumer loans	310,004	273,821	193,215
Total non-performing loan portfolio	617,555	605,219	517,008
Loan portfolio	36,319,116	29,015,038	23,927,022
Less – Allowance for loan losses	(1,067,923)	(1,067,540)	(767,460)
Loan portfolio, net	35,251,193	27,947,498	23,159,562
Other accounts receivable, net	5,378,802	4,629,673	3,577,298
Foreclosed assets, net	10,510	3,269	28,004
Property, furniture and fixtures, net	341,453	342,170	262,126
Long-term investment in shares	1,193,412	1,265,322	1,057,821
Other assets, net			
Deferred charges, advance payments and intangibles	4,793,722	4,130,920	3,849,668
Other short and long-term assets	48,771	327,573	205,502
	4,842,493	4,458,493	4,055,170
Total assets	$ 49,562,460	$ 41,907,713	$ 35,915,356

Liabilities	**2018**	2017	2016
Notes payable (Securitized Certificates)	$ 1,463,518	$ 1,000,000	$ 2,759,170
Senior notes payable	17,018,849	13,543,874	14,129,273
	18,482,367	14,543,874	16,888,443
Bank loans:			
Short-term loans	7,359,690	2,927,873	5,051,718
Long-term loans	4,804,689	6,112,759	2,648,335
	12,164,379	9,040,632	7,700,053
Derivatives:			
Hedging purposes	-	137,637	-
	-	137,637	-
Other accounts payable			
Income taxes payable	263,951	390,906	236,252
Employee profit sharing payable	18,290	16,183	18,427
Accrued liabilities and other accounts payable	439,074	1,229,108	448,921
	721,315	1,636,197	703,600
Deferred taxes, net	2,258,849	1,781,022	1,345,913
Total liabilities	33,626,910	27,139,362	26,638,009
Stockholders' Equity			
Paid in Capital:			
Capital stock	660,154	660,154	660,154
Share subscription premium	1,407,522	1,462,618	1,450,269
Perpetual bond	4,206,685	4,206,685	-
	6,274,361	6,329,457	2,110,423
Earned Capital:			
Legal reserve	132,030	132,030	132,030
Retained earnings	6,561,118	5,442,351	4,244,142
Result from valuation of cash flow hedges, net	128,622	359,727	229,447
Cumulative translation adjustment	(30,074)	93,665	167,623
Re-measurements of employee defined benefits	5,611	1,087	2,459
Net income attributable to controlling interest	1,955,358	1,661,144	1,714,001
Non-controlling interest	908,524	748,890	677,222
Total stockholders' equity	15,935,550	14,768,351	9,277,347
Total liabilities and stockholders' equity	$ 49,562,460	$ 41,907,713	$ 35,915,356

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018, 2017 and 2016 | (In thousands of Mexican pesos)

Memorandum accounts (Note 23)	2018	2017	2016
Credit commitments	$ 354,728	$ 300,573	$ 452,071
Uncollected interest earned on non-performing portfolio	$ 366,701	$ 290,276	$ 505,852
Unused credit lines	$ 156,023	$ 1,999,177	$ 1,996,956

“The historical balance of capital stock as of December 31, 2018, 2017 and 2016 is $660,154, for each year. The comprehensive effects of inflation that were of recognized through December 31, 2007 amounted to $2,916”.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

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

	2018	2017	2016
Interest income	$ 10,287,586	$ 8,557,339	$ 6,958,201
Interest expense	(3,207,389)	(2,726,088)	(1,916,396)
Financial margin	7,080,197	5,831,251	5,041,805
Provisions for loan losses	(1,800,735)	(1,343,143)	(831,593)
Financial margin after provision for loan losses	5,279,462	4,488,108	4,210,212
Commissions and fees income	564,138	826,388	539,596
Commissions and fees paid	(255,989)	(234,613)	(283,383)
Intermediation income	(20,822)	152,947	375,786
Other operating income	425,142	350,162	267,251
Administrative and marketing expense	(3,483,129)	(3,417,456)	(2,921,990)
Operating result	2,508,802	2,165,536	2,187,472
Equity in income of associates	154,715	177,743	136,096
Income before income taxes	2,663,517	2,343,279	2,323,568
Current income taxes	(172,773)	(92,722)	(234,046)
Deferred income taxes	(477,827)	(435,574)	(270,356)
	(650,600)	(528,296)	(504,402)
Net income	2,012,917	1,814,983	1,819,166
Non-controlling interest	57,559	153,839	105,165
Net income attributable to controlling interest	$ 1,955,358	$ 1,661,144	$ 1,714,001
Earnings per share	$ 4.99	$ 4.24	$ 4.37
Weighted average shares outstanding	392,219,424	392,219,424	392,219,424

See accompanying notes to consolidated financial statements.

Tenacity that defines us

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Paid in Capital			Earned Capital							
	Capital stock	Share subscription premium	Perpetual bond	Legal reserve	Retained earnings	Results from valuation of cash flow hedges	Cumulative translation effect	Re-measurements of employee defined benefits	Net income attributable to controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2015	$ 660,154	$ 1,447,985	$ –	$ 132,030	$ 2,904,308	$ 89,270	$ 2,754	$ (1,155)	$ 1,371,358	$ 105,841	$ 6,712,545
Changes arising from stockholder decisions-											
Transfer of prior year results	–	–	–	–	1,369,636	–	–	–	(1,371,358)	–	(1,722)
Sale of own shares	–	2,284	–	–	(27,910)	–	–	–	–	–	(25,626)
Total entries approved by stockholders	–	2,284	–	–	1,341,726	–	–	–	(1,371,358)	–	(27,348)
Changes affecting comprehensive income-											
Result from consolidation of minority interest companies	–	–	–	–	–	–	–	–	–	485,312	485,312
Result from valuation of cash flow hedging instruments	–	–	–	–	–	140,177	–	–	–	–	140,177
Cumulative translation effect	–	–	–	–	–	–	164,869	–	–	(19,096)	145,773
Re-measurements of employee defined benefits	–	–	–	–	(1,892)	–	–	3,614	–	–	1,722
Net income	–	–	–	–	–	–	–	–	1,714,001	105,165	1,819,166
Total comprehensive income	–	–	–	–	(1,892)	140,177	164,869	3,614	1,714,001	571,381	2,592,150
Balances as of December 31, 2016	660,154	1,450,269	–	132,030	4,244,142	229,447	167,623	2,459	1,714,001	677,222	9,277,347
Changes arising from stockholder decisions-											
Transfer of prior year results	–	–	–	–	1,714,001	–	–	–	(1,714,001)	–	–
Dividend payments	–	–	–	–	(96,800)	–	–	–	–	–	(96,800)
Constitution of reserves	–	–	–	–	(361,899)	–	–	–	–	–	(361,899)
Repurchase of own shares	–	12,349	–	–	(58,465)	–	–	–	–	–	(46,116)
Total entries approved by stockholders	–	12,349	–	–	1,196,837	–	–	–	(1,714,001)	–	(504,815)
Changes affecting comprehensive income-											
Result from consolidation of minority interest companies	–	–	–	–	–	–	–	–	–	(82,140)	(82,140)
Result from valuation of cash flow hedging instruments	–	–	–	–	–	130,280	–	–	–	–	130,280
Cumulative translation effect	–	–	–	–	–	–	(73,958)	–	–	(31)	(73,989)
Re-measurements of employee defined benefits	–	–	–	–	1,372	–	–	(1,372)	–	–	–
Subordinated obligations in circulation	–	–	4,206,685	–	–	–	–	–	–	–	4,206,685
Net income	–	–	–	–	–	–	–	–	1,661,144	153,839	1,814,983
Total comprehensive income	–	–	4,206,685	–	1,372	130,280	(73,958)	(1,372)	1,661,144	71,668	5,995,819

CONSOLIDATED STATEMENTS
OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Paid in Capital				Earned Capital						
	Capital stock	Share subscription premium	Perpetual bond	Legal reserve	Retained earnings	Results from valuation of cash flow hedges	Cumulative translation effect	Re-measurements of employee defined benefits	Net income attributable to controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2017	$ 660,154	$ 1,462,618	$ 4,206,685	$ 132,030	$ 5,442,351	$ 359,727	$ 93,665	$ 1,087	$ 1,661,144	$ 748,890	$ 14,768,351
Changes arising from stockholder decisions-											
Transfer of prior year results	–	–	–	–	1,661,144	–	–	–	(1,661,144)	–	–
Dividend payments	–	–	–	–	(193,436)	–	–	–	–	–	(193,436)
Sale of own shares	–	(55,096)	–	–	(91,528)	–	–	–	–	–	(146,624)
Dividends of subordinate obligations payment	–	–	–	–	(252,889)	–	–	–	–	–	(252,889)
Total entries approved by stockholders	–	(55,096)	–	–	1,123,291	–	–	–	(1,661,144)	–	(592,949)
Changes affecting comprehensive income-											
Result from consolidation of minority interest companies	–	–	–	–	–	–	–	–	–	121,558	121,558
Result from valuation of cash flow hedging instruments	–	–	–	–	–	(231,105)	–	–	–	–	(231,105)
Cumulative translation effect	–	–	–	–	–	–	(123,739)	–	–	(19,483)	(143,222)
Re-measurements of employee defined benefits	–	–	–	–	(4,524)	–	–	4,524	–	–	–
Net income	–	–	–	–	–	–	–	–	1,955,358	57,559	2,012,917
Total comprehensive income	–	–	–	–	(4,524)	(231,105)	(123,739)	4,524	1,955,358	159,634	1,760,148
Balances as of December 31, 2018	$ 660,154	$ 1,407,522	$ 4,206,685	$ 132,030	$ 6,561,118	$ 128,622	$ (30,074)	$ 5,611	$ 1,955,358	$ 908,524	$ 15,935,550

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2018	2017	2016
Net income	$ 2,012,917	$ 1,814,983	$ 1,819,166
Adjustments for items that do not result in cash flows:			
Depreciation of furniture and fixtures	47,355	72,518	117,098
Amortization of intangibles assets	36,579	64,035	42,727
Provisions	40,689	124,987	63,834
Deferred income taxes	650,600	528,297	504,402
Equity in income of associates	(154,715)	(177,743)	(136,096)
	2,633,425	2,427,077	2,411,131
Operating activities			
Change in investment in securities	(411,097)	462,907	(449,409)
Change in derivatives (asset)	524,143	683,665	(354,108)
Change in loan portfolio (net)	(7,303,695)	(5,149,835)	(6,035,429)
Change in other accounts receivables (net)	(749,129)	(1,052,375)	(1,318,400)
Change in foreclosed assets (net)	(7,241)	24,735	(28,004)
Change in other assets	(420,579)	(403,323)	(110,699)
Change in senior notes and notes payable	3,938,493	(2,344,569)	5,943,521
Change in bank loans	3,123,747	1,340,579	1,201,123
Change in other accounts payable	(1,128,344)	714,422	(357,825)
Net cash flows from operating activities	(2,433,702)	(5,723,794)	(1,509,230)

	2018	2017	2016
Investing activities:			
Net cash and marketable securities (delivered) acquired in connection with business acquisition	–	–	(1,136,393)
Acquisitions of property and equipment	(46,638)	(216,597)	(230,109)
Dividends received in cash	113,895	95,116	96,672
(Increase) decrease in investments in shares	179,192	(207,014)	283,443
Net cash flows from investing activities	246,449	(328,495)	(986,387)
Financing activities:			
Cash flow generated from hedging instruments	–	130,280	140,177
Dividends paid in cash	(193,436)	(96,800)	–
Share subscriptions premium	–	12,349	2,284
Repurchase of own shares	(91,528)	(58,465)	(27,910)
Subordinate obligations	–	4,206,685	–
Dividends paid in subordinate obligations	(252,889)	–	–
Net cash flows from financing activities	(537,853)	4,194,049	114,551
Net (decrease) increase in cash and cash equivalents	(91,681)	568,837	30,065
Effect of change in the value of cash and equivalents	(143,222)	(73,989)	164,869
Cash and cash equivalents at beginning of year	810,622	315,774	120,840
Cash and cash equivalents at end of year	$ 575,719	$ 810,622	$ 315,774

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED **FINANCIAL STATEMENTS**

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

1. Activities, regulatory environment and significant events

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries (formerly Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries), (the "Entity" or "Crédito Real"), is a non-banking institution in Mexico, focused on consumer lending which has diversified business platform integrated mainly by six business lines: (i) payroll lending, (ii) durable goods loans, (iii) small and medium business loans, (iv) group loans, and (v) used car loans. Loans paid via the payroll are offered to unionized government employees through a national network of 13 distributors with which credit granting agreements have been executed. Crédito Real has executed exclusivity agreements with three of the main distributors and also holds a significant amount of their common stock. The origination of consumer loans ceased as of July 2016, and only internal collection activities for the performing portfolio are being carried out. Loans are granted to small and medium businesses to cover the working capital requirements and investment activities of micro, small and medium enterprises; these resources are provided through a specialized broker or under the Entity's own trademark. Group loans are mainly offered to groups of women with a productive activity by using the joint credit methodology; these loans are granted by two associate entities with a network of 1,385 promoters and 185 branches. Used car loans are granted to acquire preowned automobiles through agreements with 11 car dealers specialized in the purchase-sale of automobiles and a subsidiary with a network of 20 branches that offers financing by receiving automobiles and commercial vehicles as collateral; and finally through two entities which focus mainly on the Hispanic-American market with limited credit history in the United States of America ("EUA"): Don Carro, with five branches in Texas, and AFS Acceptance, which has around 586 distributors in 27 US states. The Entity has a presence in Costa Rica, Nicaragua and Panama with the brand Instacredit, through a network of 64 branches and more than 372 promoters. Instacredit is a recognized brand in Central America, with more than 16 years' experience, and has a multiproduct platform offering loans in the segments of personal loans, automobile loans, PYMES and mortgage-secured loans.

Payroll loans

The Entity purchases loans with payment via payroll from distributors which offer credit products to the unionized workers of government agencies. These loans are also offered at times to pensioners or retired persons from the public sector. These loans are granted by distributors with which the Entity operates, and are then acquired by the Entity through financial factoring contracts in portfolio purchase transactions.

The payroll loans are settled through semimonthly installments which are made by the borrowers' employers, which consist of government agencies and other entities, in accordance with loan agreements signed by the borrower. Based on such loan agreements, a borrower authorizes the employer to use amounts deducted from the payroll for the fixed installment payments of the loan during its effective term. The risk of nonperformance decreases substantially over the term of the typical loan. The maximum limit established by government agencies in terms of the percentage of a worker's net salary that can be applied to settle a loan is 30%. The Entity offers certain customers the option of renewing their loans before they expire. However, the Entity does not preauthorize loans under any circumstances.

The relationships that have been established by the distributors, directly and through service providers such as public relations agencies, with the entities and unions that they use or affiliate workers of the federal government agencies and state agencies in different parts of the country, have been formalized through the execution of cooperation agreements, which enable the distributors to offer payroll loans to the affiliated workers of such unions and establish that the government agencies and entities execute the instruction received from the borrowers for the installments of principal and interest on the loans.

In accordance with the cooperation agreements, the government agencies and entities or unions process and grant the "discount codes" so that such agencies or entities can pay the loans by payroll directly (on behalf of the borrowers). Apart from making the payroll deductions and rendering payments directly to the collection trust in which the Entity is the beneficiary, the employers compile periodic reports to the distributors regarding the payroll deductions made on behalf of borrowers. The Distributors are responsible for coordinating with the different agencies and entities, so that the respective computer systems are accurate, and the payments are issued on a timely fashion. The employers do not intervene in any way in the negotiation, credit approval process or in the negotiations of the terms of the loan contract executed by the distributors with the affiliated workers.

The Entity estimates that the cost of procurement and maintenance of the aforementioned cooperation agreements ranges between 3% and 5% of the revenues generated by the payroll loan portfolio. Such cost is fully covered by the distributors.

The Entity's business model enables both the Entity and its distributors to make the most of their respective competitive advantages. While the Entity concentrates on administrating the credit risk, minimizing financial costs and maintaining diversified financing sources, the Distributors concentrate on increasing the number of possible customers through the execution of contracts with additional government agencies and entities or unions or renewing existing contracts, and on promoting the Entity's products among the affiliated workers of such agencies.

PYMES loans

The Entity has a partnership with Fondo H, S.A. de C.V. SOFOM, ENR ("Fondo H"), a company engaged in making short and medium-term loans to small and medium businesses (PYMES) in Mexico. Its customer base includes businesses from the manufacturing, distribution and services sectors. Based on this partnership, financing is provided exclusively for loans originated by Fondo H.

Used car loan

Used car loans in Mexico are originated through contracts with car companies that sell used cars. Currently 11 partnerships have been executed with distributors in more than 150 points of sale. Additionally, the Entity has a 51% holding in a company which operates under the brand "Drive & Cash", which is engaged in offering financing through the warranty of automobiles and commercial vehicles. As of December 31, 2018, the distribution network of Drive & Cash is composed of 20 branches and 89 agreements located in 21 States Nationwide.

The Entity also offers loans for used cars in the US through a subsidiary and/or distributor in which it has a majority stake that operates under the brand "Don Carro" with 1 branches in Texas. It also has a majority stake in a credit operator for used cars doing business as "AFS Acceptance". Such operator has a service platform which enables it to operate in 27 states throughout the US, and also operating agreements in place with more than 586 distributors in that country.

Consumer loans

On February 22, 2016, the Entity announced the acquisition of 70% of the share capital of Instacredit. The Entity decided to invest in Instacredit to diversify and expand to the Central American market, focusing in the same type of customer segment that serves in Mexico, the middle and low income segment of the population unattended by the traditional banking system.

At the end of 2018, Instacredit contributed 24.9% of the Entity's consolidated income. It also represented 12.3% of the total credit portfolio. Instacredit has a recognized brand with a multiproduct platform, with 19 years of experience and 64 branches located in Costa Rica, Nicaragua and Panama with a customer base of 173,974. Instacredit offers credit services through the following products: personal loans, car loans, small and medium business loans, and mortgage-secured loans.

Group loans

Group loans are originated through two specialized operators which have 1,385 promoters in a network comprising 185 branches. The promoters are familiar with the specific needs of micro-entrepreneurs and the self-employed.

The aforementioned group credit loans refer to non-revolving consumer loan portfolio, with a weekly or half-monthly payment period, granted to groups of persons in which each member is held jointly and severally liable for the total payment of the loan, although the classification of such loan is made individually for each member of the group.

Regulatory environment

Article 87-D of the General Law on Credit Organizations and Ancillary Activities ("LGOAAC") establishes that multiple purpose financing companies that issue securities listed on the National Securities Registry pursuant to the Securities Law must prepare consolidated financial statements according to the accounting criteria set forth in the General Provisions applicable to public bonded warehouses, exchange houses, credit unions and regulated multiple purpose financial institutions (the "Provisions") established by the National Banking and Securities Commission (the "Commission").

As the Entity is a not regulated multiple purpose financial institution, it is obligated to prepare its consolidated financial statements in accordance with the accounting criteria established by the Commission as set forth in the Provisions.

Significant events 2018 –

a) On January 3, 2018 the Entity requested to the Commission cancel the preventive subscription for the short and long–term revolving bonds program for a total of MX $7,500,000, due to the total redemption of the bonds issued under this program.

b) On January 26, 2018, the Entity fully redeemed the outstanding principal and accrued interest of long–term notes with ticker symbol "CREAL 16", in the amount of MXP $1,000,000 issued on March 31, 2016 in accordance with the terms of such notes.

c) On January 31, 2018, the Entity announced the issuance of bonds maturing in 2022 ("Swiss Bonds–CHF"), which are unsecured and cannot be redeemed before maturity in the amount of CHF $170,000,000. The CHF bonds pay an annual rate of 2.875%. The Swiss bonds were rated as "BB+" globally by Fitch Ratings and Standard and Poor's. These CHF bonds are not admitted to transactions in a market regulated in the European Economic Area or in any other outside of it, and are listed exclusively on the SIX Swiss (Stock Market in Switzerland).

d) On April 13, 2018, the Commission, by conduct of the director general of issuers and the Director General of legal affairs, issued the documentation, under which, effective as of that date, resolved the cancellation of the registration, in the national securities registry: (i) of the long–term notes, issued under the program modality, "CREAL 15"; (ii) of the long–term notes, issued under the program modality, "CREAL 16"; and, (iii) preventive, according to the modality of the placement program, of short and long–term notes.

   As the Entity does not have any debt instruments issued or registered in the National Securities Registry in accordance with the Stock Market Law, it ceased applying its modality as a "SOFOM Entidad Regulada" and changed its denomination to that of "SOFOM Entidad No Regulada.

e) In November 2018, the Entity completed the second issue of its portfolio securitization program for $615,000, earning interest at 225 points above the TIIE rate for a five–year period, under the securitization program approved by the Commission based on official notice No. 153/10865/2017.

f) In May and November 2018, the Entity made the semiannual payments of interest on the perpetual bond issued on November 29, 2017 for US $230 million (two hundred thirty million US dollars).

g) During the last quarter of 2018, the Entity drew down the lines of credit with Barclays for a total of MX $1,000,000, which is used for working capital. One of the lines of credit is not secured and the other is guaranteed with credit rights.

2. Basis of presentation

Explanation for translation into English – The accompanying consolidated financial statements has been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented under the accounting rules issued by the Commission. Certain accounting practices applied by the Entity that are in conformity with the accounting rules issued by the Commission may not conform with accounting principles generally accepted in the country of use.

Monetary unit of the consolidated financial statements – The consolidated financial statements and notes as of December 31,2018, 2017 and 2016 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three–year periods ended December 31, 2018, 2017 and 2016, were 12.17%, 9.87% and 10.52% in each period. Accordingly, the economic environment is not inflationary in either such period and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31 2018, 2017 and 2016 were 4.83, 6.77%, and 3.36%, respectively.

As of January 1, 2008, the Entity's suspended the recognition of the effects of inflation in the consolidated financial statements; however, nonmonetary assets and liabilities and stockholders' equity include the effects of re–expression recognized up to December 31, 2007.

Consolidation of financial statements – The consolidated financial statements include those of the Entity and those of its subsidiaries, in which it has control as of December 31, 2018, 2017 and 2016 and for the years ended on those dates. The balances and significant transactions between the consolidated entities have been eliminated.

The shareholding in its capital stock is shown below:

Subsidiaries	Share holding porcentaje 2018	2017	2016
Servicios Corporativos Chapultepec, S.A. de C.V.	**99.99%**	99.99%	99.99%
Directodo México, S.A.P.I. de C.V.	**99.99%**	99.99%	99.99%
CR-Fact, S.A.P.I. de C.V.	**51.00%**	51.00%.	51.00%
Controladora CR México, S.A. de C.V.	**99.97%**	99.97%	99.97%
CRholdingint, S.A. de C.V.	**99.94%**	99.94%	99.94%
Crédito Real USA, Inc.	**100.00%**	100.00%	100.00%
Creal Dallas, LLC (a)	**-**	-	80.00%
CR-Seg, Inc.	**100.00%**	-	-
Fideicomiso irrevocable de emisión, administración y pago No. 3200	**100.00%**	100.00%	-
Fideicomiso irrevocable de emisión, administración y pago No. 3670	**100.00%**	-	-

(a) In October 2017, Creal Dallas, LLC merged with Crédito Real USA, Inc., the latter remaining as a merging entity.

Servicios Corporativos Chapultepec, S.A. de C.V. ("Servicios Corporativos") –

The main activity of Servicios Corporativos is the provision of services. The majority of service revenues are derived from contracts with Crédito Real.

Directodo México, S.A.P.I. de C.V. ("Directodo") –

Directodo's main activity is lending cash to employees of government entities with which Directodo has entered into payroll discounting agreements, which are given in factoring arrangements with Crédito Real.

CR-Fact, S.A.P.I. de C.V. ("CR-Fact") –

CR-Fact's main activity is providing financing through lending that is secured by cars and commercial vehicles.

Controladora CR México, S.A. de C.V. ("Controladora CR") –

Controladora CR became a subsidiary of Crédito Real on November 6, 2015. The principal activity is to make investments in companies acquired in national territory; at the close of December 2017, it maintains the following investments:

I. *CAT 60, S.A.P.I. de C.V. ("CAT 60") –*

CAT 60, as of December 13, 2015, this company is a subsidiary of Controladora CR.

CAT 60 is the holding company of four subsidiaries, of which the most important is Reparadora RTD, S.A. de C.V. ("RTD"), offering credit repair services focusing on individuals who have taken on excessive debt, advising on savings plans and negotiating with creditors to reach an agreement and liquidate their debts, thereby rehabilitating the customer and enabling them to once again gain access to credit. RTD has rendered services to approximately 120,000 customers in Mexico and manages more than 4.5 billion pesos in debt without assuming the credit risk of its customers.

Currently, CAT 60 has investments in the following subsidiaries: Reparadora RTD, S.A. de C.V. (99.998%), RTF Agente de Seguros, S.A. de C.V. (99.98%), Resuelve tu Deuda Colombia, S.A.S. (100%), Reparadora Resuelve tu Deuda Colombia, S.A.S. (100%), RTD España, S.L. (100%) y FMG Servicio Técnicos y Especializados, S.A. de C.V. (99.90%).

II. *Servicios Adquiridos, S.A. de C.V. ("Servicios Adquiridos") –*

Acquired Services became a subsidiary of Controladora CR on December 14, 2015 by virtue of Controladora CR's, shareholding of 77.77%.

III. *Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R. ("Credilikeme") –*

Credilikeme became an associate of Controladora CR on December 1, 2015 by virtue of Controladora CR's shareholding of 33.11%. Credilikeme's main activity is financing by granting loans through a Plataforma Digital Gamificado (Digital Gaming Platform), which incorporates gaming elements into its digital platform to generate stimulating experiences, as well as desirable credit behavior and habits. The payment terms range from 2 to 6 months and the credit amounts from $2,800.

IV. *CReal Arrendamiento, S.A. de C.V. ("CReal Arrendamiento") –*

CReal Arrendamiento, as of November 1, 2016 is an associated company of Controladora CR, which holds 49% of its equity. Its main activity is the provision of financing through operating leases.

V. *Controladora CR,* has other subsidiaries which currently have no operations, such as: IVSD2, S.A. de C.V., Mega tendencias, S.A. de C.V., Ascendium Servicios, S.A. de C.V., Ideal Real, S.A. de C.V., SGED, S.A. de C.V., Capacitadora Celce, S.A. de C.V., Capacitadora Erkel, S.A. de C.V. and CREAL Nómina, S.A. de C.V.

Crédito Real USA, Inc. ("CR USA") –

As of June 1, 2015, CR USA is a subsidiary of Crédito Real. The main activity is making investments in companies' resident in the USA; it currently maintains the following investment:

I. *Crédito Real USA Finance, LLC (Crédito Real USA) (formerly AFS Acceptance, LLC) –*

As of October 21, 2016, Crédito Real USA is a subsidiary of CR USA, which holds 99.28% of its equity.

Crédito Real USA is a financial institution that focuses on offering loans to buy used cars in the US. The most notable characteristics of CR USA Finance are: (1) its management team, who are also principal stockholders, have broad experience in the used car market in the US, as well as specific market intelligence with regard to the US Hispanic market; (2) operations in 27 states with a network of 586 used car dealerships; (3) sound knowledge of the Hispanic market; and (4) a proven sophisticated process for handling collections, risk analysis and loan origination. It currently holds an investment in Auto Funding Services, LLC.

II. *CR MPM, LLC ("CR MPM")*

After the merger of Crédito Dallas, LLC with Crédito Real USA went into effect. CR MPM consolidates its financial information with Crédito Real USA.

Don Carro focuses on offering loans to buy used cars in the US, and has one branch located in Texas at the close of the year 2018.

III. *CREAL Houston, LLC*

Established on June 22, 2016, with the aim of operating a used car minority concessionaire business in the metropolitan Houston area, 80% owned by Crédito Real USA. CREAL Houston, LLC was liquidated in 2018.

IV. *CR Fed, LLC*

Established on February 22, 2017, the company provides invoice discounting services to other companies, mainly in the construction industry, for purposes of short-term liquidity and working capital. The company is 51% owned by Crédito Real USA.

V. *CR-FED, Leasing LLC*

Established on June 22, 2017, with the aim of providing equipment leasing services to other businesses. The company is 51% owned by Crédito Real USA.

VI. *CR-FED ABL, LLC*

Established on November 15, 2018, with the aim of rendering loan services for asset returns to other businesses. The company is 51% owned by Crédito Real USA.

VII. *DC Reinsurance Company, LTD*

DC Reinsurance Company, LTD is registered to carry out reinsurance activities under US laws. As of January 1, 2016, DC Reinsurance Company, LTD signed a contract with American Nation County Mutual Insurance Company to provide physical damages insurance coverage to the financial customers of Don Carro.

VIII. *CR-MPM, LLC*

CR-MPM, LLC was established on September 19, 2014 and began operations on February 1, 2015. The company operates used-car concessions located in the metropolitan area of Dallas/ Fort Worth in Texas. The company is 80% owned by Crédito Real USA. The concessionaires of CR-MPM, LLC sell used vehicles and provide their custodians with minority installation contracts in their purchases of such vehicles. These contracts are mainly with persons who have a limited or problematic credit history. During 2018, the businesses changed to a used-car operation only for retail sales.

CRholdingint, S.A. de C.V. ("CRholdingint") –

CRholdingint as of November 6, 2015 is a subsidiary of Crédito Real, which holds 99.99% of its equity.Its primary activity is to make investments in companies acquired abroad; at the close of December 2018 it holds the following investments:

I. *Marevalley Corporation –*

   CRholdingint holds 70% of the shares of Marevalley Corporation, which is the holding company of the entities located in Costa Rica, Nicaragua and Panama operating under the brand "Instacredit". Instacredit is a group of financial institutions which collectively offer loans geared to medium and low income segments, whose credit needs are poorly served by traditional banking institutions.

   As of December 31, it has 64 branches in the aforementioned three countries, deals with 173,974 customers and has a total portfolio of more than $4,463.

II. *Crédito Real Honduras, S.A. de C.V. ("Crédito Real Honduras") –*

   Crholdingint holds 99% of the shares of Crédito Real Honduras, is a company engaged in the provision of financing through factoring and has a commercial partnership with "CA Capital".

III. They currently have investments in Crédito Real Guatemala, S.A. and Crédito Real Panamá, S.A. in the pre-operating stage.

Irrevocable issuance, management and payment Trust No. 3200

In November 2017, Trust No. 3200 was established for the portfolio securitization of the product "payroll discount" for $800,000 with a capacity of 1.22 at a five-year term with repayments beginning in month 25.

Irrevocable issuance, management and payment Trust No. 3670

In November 2018, Trust No. 3670 was established for the portfolio securitization of the product "payroll discount" for $615,000 with a capacity of 1.5 at a five-year term with repayments beginning in month 25.

Conversion of financial statements of subsidiaries in foreign currency – In order to consolidate the financial statements of foreign operations, they are modified in the recording currency to be presented under NIF. The financial statements are converted to Mexican pesos based on the following methodologies:

The foreign operations whose recording and functional currency are the same convert their financial statements using the following exchange rates: 1) closing for assets and liabilities and 2) historical for stockholders' equity and 3) that of the accrual date for revenues, costs and expenses. The effects of conversion are recorded in stockholders' equity.

The recording and functional currencies of the foreign operations and the exchange rates used in the different conversion processes are as follows:

Companies	Recording currency	Functional currency	Reporting currency
Crédito Real USA	US dollar	US dollar	Mexican peso
CR Seg	US dollar	US dollar	Mexican peso
Marevalley Corporation	US dollar	US dollar	Mexican peso
Crédito Real Honduras	Lempira	US dollar	Mexican peso

Comprehensive income and loss. This item reflects the modification of stockholders' equity during the year for items which are not capital contributions, reductions and distributions; it comprises the net gain (loss) for the year plus other items that represent a gain or loss for the same period, which are presented directly in stockholders' equity without affecting the statement of income. As of December 31, 2018, 2017 and 2016, the comprehensive income and losses are represented by the net result, the result of the valuation of the cash flow hedge instruments and the actuarial losses on the defined benefit plans.

Classification of costs and expenses – These are presented in accordance with their function because that is the practice of the sector to which the Entity belongs.

Results of operations – Is determined based on the financial margin adjusted for credit risks plus the commissions and charges collected and other revenues from the operation, less commissions and charges paid, the result from intermediation and administrative expenses. Even though it is not a requirement under NIF B-3, *Statement of comprehensive income and loss*, this caption is included in the statements of comprehensive income and loss (income) presented because the Entity believes it is a relevant data for users of its financial information.

3. Summary of significant accounting policies

The significant accounting policies of the Entity are in accordance with the accounting criteria prescribed by the Commission, which are set forth in the Provisions, which require management to make certain estimates and use certain assumptions to determine the valuation of certain items and disclosures included in the consolidated financial statements. Although actual results may differ, management believes that the estimates and assumptions used were appropriate under the current circumstances.

According to Accounting Criterion A-1 issued by the Commission, entities shall apply Mexican Financial Reporting Standards ("MFRS", which is comprised of individual standards that are referred to as "NIF") as issued by the Mexican Board of Financial Reporting Standards, A.C. ("CINIF"), except when in the opinion of the Commission, it is necessary to apply a specific accounting standard or criterion.

The regulations of the Commission referred to in the previous paragraph refer to standards of recognition, valuation, presentation, and, as the case may be, disclosure, applicable to specific captions within the consolidated financial statements, as well as those applicable to their preparation.

In this regard, the Commission clarifies that the application of accounting criteria, or the concept of deficiency supplementation, will not be appropriate in the case of operations which by express law are not permitted, or are prohibited, or are not expressly authorized.

Below we describe the principal accounting practices followed by the Entity:

Changes accounting issued by the CINIF –

a) As of January 1, 2018, the CINIF issued the following NIF:

B-17 "Determination of fair value", C-3 "Accounts Receivable", C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 "Revenues from contracts with customers", D-2 "Costs of contracts with customers" and D-5 "Leases", whereby, according to the amendment resolution of the General Provisions applicable to public bonded warehouses, exchange houses, credit unions and regulated multiple purpose financial institutions of November 15, 2018 to the resolution published on December 27, 2017, these new NIF issued by the CINIF and referred to in paragraph 3 of Criterion A-2 "Applications of specific standards" of Annex 33, will go into effect on January 2020, which are described in Note 30 "New accounting principles".

At the date of issuance of these consolidated financial statements, the Entity did not have any effects from these new standards in its financial information.

b. The following improvements were issued and went into effect as of January 1, 2018, which generate accounting changes:

NIF B-10, Effects of inflation – Also requires disclosure of the accumulated inflation percentage for three years, which includes the previous two years and the period referred to in the current financial statements, that will be used as the basis to classify the economic environment in which the entity will operate in the following year.

NIF C-6, Property, plant and equipment and NIF C-8, Intangible assets – The depreciation and amortization method based on revenues cannot be used, except where the revenues and the consumption of the economic benefits from the assets follow a similar pattern.

NIF C-14, Transfer and cancellation of financial assets – To avoid contradictions in the standard, it is clarified that the transferor should continue recognizing any revenue and loss from impairment originated from the asset transferred up to the degree of its continuous involvement and should recognize any expense related with the associated liability. If the transferred asset continues to be recognized at amortized cost, the associated liability should not be valued at fair value.

c) Improvements to NIF 2018 – The following improvements do not generate accounting changes:

NIF B-7, Business acquisitions – It is clarified that a contingent liability of a business acquired should be recognized at the purchase date as a provision, if such item represents a present obligation for the business acquired as a result of past events.

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

d) The following NIF were issued and are effective January 1, 2018:

NIF B-17, Determination of fair value
NIF C-2, Investments in financial instruments
NIF C-10, Financial derivatives and hedging relationships

NIF B–17, Determination of fair value – Defines fair value as the exit price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date (in other words, a current value based on an exit price). To determine the fair value the following must be considered: a) The specific asset or liability being valued; b) for a nonmonetary asset, the highest and best use of the asset, and, if the asset is used in combination with other assets or on an independent basis; c) the market in which an orderly transaction would take place for the asset or the liability; and d) the appropriate valuation technique or techniques to determine the fair value, which should maximize the use of relevant observable entry data and minimize non–observable entry data.

NIF C–2, Investment in financial instruments (FI) – The main change in this standard is the classification of the FI in which the investment is made. The intention of acquisition and utilization of an investment in an FI is discarded for purposes of determining its classification, and is replaced by the business model concept for the management of investments in FI to procure cash flows, which may be obtaining a contractual return from an FI, from the collection of contractual returns and/or sale or obtaining profits from their purchase and sale, with the aim of classifying the different FI. Furthermore, the investments in FI cannot be reclassified between the different categories (loans and receivables, financial liabilities at fair value and trading), unless the business model changes, which is considered unlikely to occur.

NIF C–10, Financial derivatives and hedging relationships – a) the hedging relationships must be aligned with the risk management strategy so that they qualify as hedging relationships. Otherwise, they would not qualify as such and shall not be recognized as hedging relationships; b) specific measures are eliminated (between 80% and 125% in relation to the effectiveness of the hedged item) to determine whether a hedge is effective and any effectiveness is recognized immediately in results; c) the restriction on being able to establish a hedging relationship for the assets and liabilities valued at fair value was eliminated; d) the hedging relationship is only discontinued if the hedge instrument or the hedged item cease to exist or if the risk management strategy changes, which would be unusual and infrequent; e) the hedging percentage must be rebalanced if there is ineffectiveness, either by increasing or decreasing the hedged item or the hedging instrument; f) any embedded financial derivatives that exist cannot be separated when the host instrument is a financial asset; and g) a net position for revenues and expenses may be designated as a hedged item, as long as such designation reflects the risk management strategy of the Entity.

At the date of issuance of these consolidated financial statements, the adoption of these improvements did not have a material effect on the Entity's financial information.

Recognition of the effects of inflation – As of January 1, 2018, the Entity suspended recognition of the effects of inflation in the financial statements; however, nonmonetary assets and liabilities and stockholders' equity include the effects of re–expression recognized up to December 31, 2007.

Below is a description of the significant accounting policies followed by the Entity:

Cash and cash equivalents – It consists mainly of bank deposits in checking accounts, which are presented at face value, bank deposits and equivalent in foreign currency are valued at the exchange rate issued by Banco de Mexico at year end.

Investments in securities – The Entity invests in highly liquid, readily convertible into cash and subject to insignificant risk of changes in value. The investments of the Entity as of December 31, 2018, 2017 and 2016, are classified as trading securities, which are securities that are acquired with the purpose of selling them in the near term to realize gains arising from changes in market prices. The investments are initially recognized at their acquisition price, and subsequently valued at fair value using market values provided by price vendors authorized by the Commission. Changes in fair value are recorded in results of the year.

Impairment in the value of investments in securities – The Entity assesses whether the date of the consolidated balance sheet there is objective evidence that a security is impaired. A security is considered to be impaired and, therefore, a loss from impairment is incurred if, and only if, there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the security, which had an impact on its estimated future cash flows that can be determined reliably. It is highly unlikely that one event can be identified that is the sole cause of the impairment, and it is more likely that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of how probable they are. As of December 31, 2018, 2017 and 2016, management has not identified objective evidence of impairment of any investment in security.

Transactions with derivative financial instruments – The Entity recognizes all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. The accounting for changes in the fair value of the derivative financial instruments varies, depending on whether the derivative is considered to be in a hedge for accounting purposes, and whether the hedging relationship is a fair value or a cash flow hedge, as follows:

1. Certain derivative financial instruments, although considered to be an effective hedge from an economic perspective, are not designated as hedges for accounting purposes. Such contracts are recognized in the balance sheet at fair value with changes in fair value recognized in earnings.

2. For fair value hedges, changes in the fair value of the derivative instrument and the hedged item are recognized to the income or expense line item that is affected by the hedged item.

3. For cash flow hedges, the effective portion is recognized in stockholders' equity under other comprehensive income and the ineffective portion is recognized in earnings. The unrecognized gain or loss of the hedging instrument is recognized in earnings when the hedged transaction occurs.

4. Derivatives are presented in a specific heading of assets or liabilities, depending on whether their fair value (as a result of the rights and/or obligations they may establish) refers to a debit or credit balance, respectively. Such debit or credit balances may be offset subject to compliance with the applicable criteria.

Management performs transactions with derivatives for hedging purposes using interest rate and foreign exchange swaps to cover fluctuations in both interest rates and foreign currency exchange rates.

Financial assets and liabilities that are designated and qualify to be designated as hedged items and derivative financial instruments which are part of a hedging relationship are recognized in accordance with the provisions relating to hedge accounting in accordance with the provisions of Criterion B–5, Derivatives and hedging, issued by the Commission.

A hedging relationship qualifies to be designated as such when all the following conditions are met:

- Formal designation and sufficient documentation of the hedging relationship
- Hedge must be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk.
- For cash flow hedges, the forecasted transaction to be hedge must be highly likely to occur
- Hedge must be reliably measurable.
- Hedge must be continually evaluated (at least quarterly).

The Entity suspends hedge accounting when the derivative instrument matures, has been sold, canceled or exercised, when the derivative does not reach a high effectiveness to offset the changes in fair value or cash flows of the hedged item, or when the Entity decides to cancel the hedge designation.

The Entity formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various derivative transactions. The Entity´s policy is not to acquire these instruments for speculative purposes.

Foreign currency transactions – Transactions denominated in foreign currencies are recorded at the exchange rate of the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into Mexican pesos at the exchange rate published by Banco de México in effect at the balance sheet date; the effect of changes in exchange rates is recorded in the income statement as profit or loss.

Performing and non–performing loan portfolio – Represents amounts granted to borrowers plus uncollected and interest which is accrued on the unpaid balance. Interest collected in advance is recognized in the income statement during the period in which it is earned.

The unpaid balance of the loans is classified as Non–performing loan portfolio when the borrower fails to pay installments under the original contractual terms and the loan is 90 days past due. The unpaid balance of the loans considers the joint and several obligation of the distributor. The distributor is considered jointly and severally liable with the debtors for the unpaid amounts in the non–performing loan portfolio. The joint and several obligations arise in accordance with the financial factoring contracts and executed agreements. The amount of the joint and several obligations is equivalent to the percentages of the unpaid balances determined as part of each origination. The recognition of the interest income on these loans is suspended and is only recorded as income once it is collected. For control purposes, this unrecognized interest is recorded in memorandum accounts. The Entity's policy is to write off loans that are more than 180 days past due against the respective allowance for loan losses.

Payroll loans are originated by Directodo México, S.A.P.I. de C.V., SOFOM, E.N.R., by certain subsidiaries of Grupo Empresarial Maestro, S.A. de C.V. and Publiseg, S.A.P.I. de C.V. SOFOM ENR under the brand names Kondinero, Credifiel and Crédito Maestro, respectively, and other independent distributors from which the Entity acquires them subsequently through financial factoring contracts in portfolio purchase transactions.

Such financial factoring contracts stipulate (i) the payment owed by the Entity (principal) of a determinable price to the distributor (agent) for the acquisition of the credit rights (the financial factoring contracts contain the formulas to determine the final price based on variable discount rates, considering the quality of the credit rights acquired, in accordance with their actual collection); (ii) the payment of the price in installments (part of the price is paid at the time the credit rights are acquired and part is paid subsequently under the terms established in the financial factoring contract); (iii) the establishment of the distributor as partial joint and several obligor, if the debtor of the credit rights acquired by the Entity does not settle the amounts owed to the Entity, under the terms established in article 419, section II of the LGTOC (for the percentage of the unpaid amount owed); and (iv) the Entity's right to offset, pursuant to article 2185 of the Federal Civil Code ("CCF"), any and all amounts which are owed to it by the distributors as a result of such partial joint and several obligation, against the amounts owed by the Entity to the distributor in question.

Pursuant to article 419, section II of the LGTOC, the financial factoring contracts executed by the Entity establish the partial recourse against the distributor if the debtor of the credit rights acquired by the Entity does not fulfill its respective payment obligations. Pursuant to the financial factoring contracts themselves, the distributors are considered jointly and severally liable with the debtors for the percentages defined in such contracts for any amounts not paid to the Entity.

With regard to the ordinary uncollected accrued interest on loans that are considered non–performing portfolio, the Entity creates an allowance for the total amount of such interest, at the time of the transfer of the loan as non–performing portfolio.

The transfer from non–performing portfolio to performing portfolio is made when the borrower achieves sustained payment on the loan and does not present any arrears. Sustained payment is achieved when three consecutive installment payments that comply with the terms of the loan are received. The advance payment of the installments is not considered as sustained payment.

Restructurings and renewals

A restructuring is a transaction which derives from any of the following situations:

a) Extension of credit enhancements (i.e. guarantees or collateral) which cover the loan in question, or,

b) Modifications to the original conditions of the loan or the payment scheme, which include:

 - A change in the interest rate established for the remaining term of the credit:
 - A change in currency or account unit, or
 - The granting of a payment grace period that offers temporary relief from compliance with the payment obligations under the original terms of the loan, unless such concession is granted after the conclusion of the original contractual term, in which case it will be treated as a renewal.

Restructurings do not include transactions that involve performing loans and only result in modifications to one or more of the following original conditions of the loan:

Credit enhancements: only when they involve the extension or substitution of credit enhancements for others of higher quality.

Interest rate: when the interest rate is agreed.

Currency: provided that the market exchange rates applicable to the new currency are used.

Payment date: only if the change does not mean extending or modifying the scheduled payments. The change in scheduled payments must under no circumstances permit nonpayment in any period.

A renewal occurs when the term of the loan is extended during such term or upon its maturity, or when settlement occurs using the proceeds derived from a new loan entered into among the same counterparties or when the debtor is another party that, due to common shareholders with the original debtor, has similar credit risks. Take downs on existing lines of credit are not considered to be renewals.

Classification of loan portfolio – The loans made by the Entity to businesses or individuals with a commercial or financial business activity are classified as commercial portfolio.

The Entity classifies direct loans, including liquidity loans which do not have collateral for real property, granted to individuals, derived from credit card operations, personal loans, payroll loans, loans for the acquisition of consumer durables, including among others, auto loans and finance leasing operations carried out with individuals, as consumer loans.

Allowance for loan losses

The Entity recognizes the allowance for loan losses on commercial portfolio based on the criteria of the Commission, as follows:

Methodology for commercial loan portfolio

When classifying the commercial loan portfolio, the Entity considers the Probability of Default, Severity of Loss and Exposure to Default, and also classifies the aforementioned commercial loan portfolio into different groups and establishes different variables for the estimate of the probability of default.

The amount of the allowance for loan losses of each loan will be determined by applying the following formula:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

Ri = Amount of the allowance for loan losses to be created for the nth credit.
PIi = Probability of default of the nth credit.
SPi = Severity of loss of the nth credit.
Eli = Exposure to default of the nth credit.

The probability of default of each credit La (PI i), will be calculated using the following formula:

$$PI_i = \frac{1}{1 + e^{-(500 - \text{Total Credit Score}_i) \times \frac{\ln(2)}{40}}}$$

For purposes of the above:

The total credit score of each borrower will be obtained by applying the following:

$$\text{Total credit score } i = \propto \times (\text{Quantitative credit score }_i) + (1 - \propto) \times (\text{Qualitative credit score }_i)$$

Where:

Quantitative Credit Score $_i$ = is the score obtained for the i–esimo borrower when evaluating the risk factors.
Qualitative Credit Score i = is the score obtained for the i–esimo borrower when evaluating the risk factors.
$\propto$ = is the relative weight of the quantitative credit score.

Unsecured loans

The Severity of Loss (SPi) of commercial loans which are not secured by real, personal guarantees or credit–based collateral will be:

a. 45%, for Preferential Positions.

b. 75%, for Subordinated Positions, in the case of syndicated loans, those which for purposes of their payment order or preference, are contractually subordinated in relation to other creditors.

c. 100%, for loans which report 18 or more months of arrears in payment of the due and payable amount under the terms originally agreed.

The Exposure to Default of each loan (EIi) will be determined based on the following:

I. For disposed balances of uncommitted credit lines, which may be canceled unconditionally or which in practice permit an automatic cancellation at any time and without prior notice:

$$EI_i = S_i$$

II. For the other lines of credit:

$$EI_i = S_i * Max \left\{ \left(\frac{S_i}{\text{Authorized Line of Credit}} \right)^{-0.5794}, 100\% \right\}$$

Where:

Si: The unpaid balance of the i-esimo credit at the classification date, which represents the amount of credit effectively granted to the borrower, adjusted for interest accrued, less payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted. In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet, for loans classified as non-performing portfolio.

Authorized Credit Line: the maximum authorized amount of the credit line at the classification date.

The Entity may recognize the security interest in personal or real property, personal security and credit derivatives in the estimate of the Severity of the Loss of the loans, in order to decrease the reserves derived from the portfolio classification. In any case, it may elect not to recognize the aforementioned securities if greater reserves are generated as a result. The provisions established by the Commission are utilized for such purpose.

The classification of the commercial portfolio is carried out quarterly and is calculated based on the outstanding balance as of the final day of each month, considering the classification levels of the portfolio classified at the last known quarter, restated for the modification of the risk at the close of the current month. The allowance for loan losses is calculated according to the current methodology, as explained below.

Methodology for consumer loan portfolio

When classifying the consumer portfolio, the Entity considers the Probability of Default, the Severity of the Loss and Exposure to Default, while also classifying the aforementioned portfolio into different groups of risks.

As it is a non-revolving consumer credit portfolio, the calculation of the Probability of Default, Severity of the Loss and Exposure to Default, must adhere to the following:

Determination of the following items for each credit operation.

Due and payable amount: The amount payable by the borrower in the billing period in accordance with the loan agreement. For loans with weekly and half-monthly billing periods, the accumulation of previous unpaid due and payable amounts must not be included. For loans with a monthly billing period, the due and payable amount must include both the amount applicable to the month and the previous unpaid due and payable amounts, as the case may be.

Rebates and discounts may decrease the due and payable amount, only when the borrower fulfills the conditions required in the credit contract to do so.

Payment made: The amount applicable to the sum of the payments made by the borrower in the billing period.

Write-offs, reductions, waivers, rebates and discounts made to the credit or group of loans are not considered as payments. The value of this variable must be greater than or equal to zero.

Days in arrears: The number of calendar days at the classification date, during which the borrower has not fully paid off the due and payable amount under the terms originally agreed.

Total term: The number of billing periods (weekly, half-monthly or monthly) established contractually in which the credit must be settled.

Remaining term: Number of weekly, half-monthly or monthly billing periods which, as established in the contract, remain pending to settle the credit at the portfolio classification date. In the case of loans whose maturity date has elapsed without the borrower making the respective payment, the remaining period must be equal to the total term of the credit.

Original loan amount: The amount applicable to the total loan amount at the time it is granted.

Original value of the asset: The amount applicable to the value of the financed asset recorded by the borrower at the time the loan is granted. If the loan is not to finance the purchase or acquisition of an asset, the original value of the asset will be equal to the original amount of the loan. Also, the original amount of the loan may be used for loans which do not reflect the original value of the asset and were granted prior to the enactment of these Provisions.

Loan balance: The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less payments for financed insurance coverage, collections of principal and interest, and any applicable reductions, waivers, rebates and discounts granted.

In any case, the amount subject to the classification must not include uncollected accrued interest, recognized in memorandum accounts on the balance sheet for loans classified as non-performing portfolio.

Type of loan: Personal loans include those that are collected by the Entity through any means of payment other than from the payroll account.

The recognition of the allowance for loan losses on the non-revolving consumer loan portfolio are based on outstanding balances as of the final day of each month.

The Entity determines the percentage used to determine the allowances to be created for each loan, which will be the result of multiplying the Probability of Default by the Severity of the Loss.

$$R_i = PI_i \ x \ SP_i \ x \ EI_i$$

Where:

Ri = Amount of reserves to be established for the nth credit.
PIi = Probability of Default on the nth credit.
SPi = Severity of the Loss on the nth credit.
EIi = Exposure to Default of the nth credit.

The Probability of Default of the non-revolving consumer loan portfolio whose Billing Periods are monthly or when involving loans with a single payment at maturity, as follows:

a) If $ATR_i^M > = 4 \ then \ PI_i^M = 100\%$

b) If $ATR_i^M < 4$ then:

$$P_i^M = \frac{1}{1 + e^{= (= 0.5753 + 04056 \, \mathrm{ATR}_i^M + 0.7923 \, VECES_i^M = 4.1891 \, \% \, \mathrm{PAGO}_i^M + 0.9962 \, PER_i^M)}}$$

Where:

P_i^M = Probability of monthly noncompliance nth for the loan.
ATR_i^M = Number of observed late payments at the date of calculation of new reserves, which are derived from the application of the following formula:

$$Number\ of\ Monthly\ Days\ in\ Arrears \ = \left(\frac{Days\ in\ Arrears}{30.4}\right)$$

When this number is not complete, it will take the value of the immediately higher complete number.

VECES_i^M = Number of times that the borrower pays the original value of the asset or, if there is no financed asset, the number of times that the borrower pays the original amount of the loan. This number will be the coefficient resulting from dividing the sum of all the scheduled payments at the time of origination, by the original value of the asset.

If the payments of the loan include a variable component, the Entity's best estimate will be used to determine the value of the sum of all the scheduled payments to be made by the borrower. The value of such sum cannot be less than or equal to the original amount of the credit.

$\% \ \mathrm{PAGO}_i^M$ = Average Percentage which the payment made represents of the due and payable amount in the last four monthly billing periods at the calculation date. The average must be obtained after having calculated the payment as a percentage of the due and payable amount for each of the most recent four monthly billing periods at the calculation date of the reserves. If less than four monthly billing periods have elapsed at the calculation date of the reserves, the percentage of those monthly billing periods remaining needed to comprise four billing periods will be 100% for purposes of calculating this average, so that the variable of this calculation element will always be obtained using the average of four monthly percentages.

The Severity of the Loss (SP) for the non-revolving consumer loan portfolio will be 65%, provided that the element ATR_i^M does not exceed 9. Otherwise, an SP of 100% is determined.

The Exposure to Default (*EIi*) of each loan from the non-revolving consumer loan portfolio will be equal to the Loan Balance (*Si*).

Loan portfolio acquisitions – On the acquisition date of the loan portfolio, the contractual value of the acquired portfolio is recognized and classified in accordance with the type of portfolio acquired. Any difference between the acquisition price and the contractual values are recorded as follows:

a) When the acquisition price is lower than its contractual value, a gain is recognized in "Other revenues from operations" up to the amount recognized as allowance for loan losses, with the remaining difference recognized as a deferred credit, which will be recognized as the loan is amortized;

b) When the acquisition price of the portfolio is greater than its contractual value, a deferred charge is recognized which will be recognized as the collections are made according with the proportion which these represent in the credit contract;

c) For revolving loans, such difference will be recognized directly to results of the year on the acquisition date.

Other accounts receivable, net – Represents amounts owed to the Entity but not included in the loan portfolio and includes recoverable taxes, amounts paid to distributors and the amounts to be received from the distributors, interest accrued in a period before the first repayment of the loan, other debtors, as well as allowances for bad debts on these accounts. The amounts paid or to be received from the distributors are comprised of both (a) the amounts related to the distributor's jointly and severally liable for the amounts not paid by the debtors established in the financial factoring contracts, which are in non–performing portfolio and (b) the advances applicable to the distributor established in the financial factoring contract.

This items are also comprised of balances that are aged less than 90 days from initial recognition. Balances older than 90 days are reserved in full against income, regardless of their chances of recovery or the collection process for such assets.

Foreclosed assets – Foreclosed assets are recorded at fair value and are presented net on the balance sheet, discounting the reserve for impairment due to the drop in value, which is calculated as established in Accounting Criterion B–7 and Article 132 of the General Provisions Applicable to Credit Institutions. The reserve is recorded in the statement of income under other income (expenses) from operations.

Furniture and fixtures, net – Furniture and fixtures is recorded at acquisition cost. Depreciation and amortization are calculated using a percentage based on the economic useful life of the assets.

Investments in subsidiaries – Permanent investments in entities in which they have control, are initially recognized based on the net fair value of identifiable assets and liabilities of the entity at the date of acquisition. This value is adjusted after the initial recognition of the corresponding portion of both the comprehensive income or loss of the subsidiary and the distribution of earnings or capital reimbursements thereof.

When the fair value of the consideration paid is greater than the value of the investment in the subsidiary, the difference represents goodwill, which is presented as part of the same investment.

Other permanent investments – Permanent investments made by the Entity over which control, joint control or significant influence are not exercised are recorded at acquisition cost.

Goodwill: The excess of cost over the fair value of the shares of subsidiaries at the date of acquisition is not amortized and is subject to impairment tests at a minimum, on an annual basis.

Impairment of long–lived assets in use – The Entity makes an impairment tests for the long–lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the book value exceeds the greater of the aforementioned amounts.

Income taxes – Income tax ("ISR") is recorded in the result of the year in which it is incurred. The Entity records deferred taxes by comparing accounting and tax basis of assets and liabilities. The resulting deductible and taxable temporary differences are multiplied by the tax rate expected to be in effect when such items reverse.

Employee Benefits – They are those granted to personnel and / or their beneficiaries in return for services rendered by the employee including all kinds of remuneration accrues as follows:

I. Direct benefits to employees – They are assessed in proportion to the services provided, considering their current salaries and liability is recognized as it accrues. It includes mainly the Employee Profit Sharing ("PTU"), compensated absences, such as vacation and vacation premiums, and incentives.

II. Employee benefits from termination, retirement and other The liability for seniority premiums and termination of the employment relationship are recognized as they accrue and are calculated by independent actuaries based on the method of projected unit credit using nominal interest rates, as indicated in Note 16 to the consolidated financial statements.

III. Employee participation in profits – PTU is recorded in income for the year in which it is incurred and presented under the heading of "Administrative expenses" in the income statement. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

As of December 31, 2016 the Entity determined a tax loss, for which reason it did not have a basis for the determination of current and deferred PTU. For the years 2018 and 2017, there is a basis for current PTU.

Other assets, net – Are represented mainly by (i) fees and expenses required financing activities as bank lines of credit and debt issues in the market that are amortized according to the term of the related contract, (ii) ISR, (iii) advance to third parties and (iv) other intangible assets. Intangible assets are classified as definite and indefinite useful life, the amortization of intangible assets is calculated using the straight–line method over the remaining life and are subject to impairment tests. Within this category in other assets short and long term car inventory is presented. Vehicles are initially recognized at acquisition value. The acquisition value of vehicles, including the costs have been incurred initially to be acquired and subsequently incurred to replace or increase its service potential. The repair and maintenance costs are recognized in the income statement as incurred.

Notes payable (Securitized certificates), bank loans and other loans – Include financial liabilities from the issuance of debt financial instruments in the stock market and bank loans and other agencies, which are recorded at the value of the contractual obligation to represent and includes accrued interest related to the debt. In the case of foreign currency obligations these are valued at the exchange rate on the last day of the year. Accrued interest is recorded in the income statement under "Interest expense".

Senior notes – They include financial liabilities from the issuance of financial instruments of unsecured debt securities in US dollars, listed on the Luxembourg Stock Exchange. These notes are aimed at institutional investors under Regulation 144A (CUSIP 22547AAA9) and under Regulation S of the Securities Act of 1933 of USA. The value of the Senior Notes at year–end is estimated considering the exchange rate on the last day of the year and the valuation of the primary position using the same consideration valuation Instrument Cross Currency Swaps ("CCS") and accrued interest. Furthermore, all premiums and discounts paid for the issue of the Senior Notes are recorded in such item. Likewise, the Entity issued Swiss bonds ("Swiss Bonds–CHF"), which are not guaranteed and can not be exchanged before maturity. Swiss Bonds–CHF are not allowed in transactions in a regulated market in the European Economic Area or any other outside it, and will be quoted exclusively in the SIX Swiss (Securities Market in Switzerland).

Sundry creditors and other payables – They are represented mainly by disposals of portfolio and Value Added Tax ("VAT") derived from portfolio purchases to various distributors pending payment.

Provisions – When the Entity has a present obligation as a result of a past event, which will probably result in the use of economic resources and that can be reasonably estimated, a provision is recognized.

Financial margin – The net interest margin of Entity consists of the difference resulting from total interest income less interest expense.

Recognition of interest income – Interest income is determined by applying the applicable interest rate to the outstanding principal balance during the reporting period.

The accrual of interest is suspended when an outstanding loan balance is deemed to be non–performing and is recorded as non–performing portfolio. Interest on non–performing loans is recognized as collected.

When installment payments are received on past due repayments which include principal and interest, they are first applied to the oldest interest.

Interest income recognized by the Entity refers exclusively to the Entity's share and, accordingly, excludes the share applicable to the distributors. Pursuant to the agreements executed, the Entity shares with each distributor the credit risk and the revenues generated on the loans originated by the distributor. The distributor is responsible for servicing the loan and covering all of the operating expenses related to the portfolio that it originates.

Interest expenses – They are recorded as accrued in accordance with contracts made are recorded in the income statement monthly.

Statements of cash flows – The cash flows statement presents consolidated Entity's ability to generate cash and cash equivalents, as well as how the entity uses those cash flows to meet your needs. The preparation of the cash flow statement is performed on the indirect method, based on the net income for the period based on the provisions of Criterion D–4, cash flow statements, the Commission.

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

Memorandum accounts (see Note 23)

Loan commitments – The balance represents irrevocable letters of credit and unused credit lines.

Uncollected interest earned on non performing portfolio – They represent accrued interest recognized in the income statement, because it loans classified as non–performing loans.

Lines of credit not drawn down – Represent lines of credit authorized but not drawn done by the Entity.

4. Cash and cash equivalents

As of December 31 2018, 2017 and 2016, the cash and cash equivalents were as follows:

	2018	2017	2016
Banks:			
National currency	$ 148,022	$ 651,675	$ 126,921
Foreign currency	427,697	158,947	188,853
	$ 575,719	$ 810,622	$ 315,774

5. Investments in securities

As of December 31 2018, 2017 and 2016, investments in securities were as follows:

	2018		
	Amount invested	Rate	Amount
Investments in Mexican pesos (a)			
Bank promissory notes	$ 724,048	7.55%	$ 724,048
Government paper	80,004	8.16%	80,004
Commercial paper	55,214	5.00%	55,214
Total securities to trade in pesos	859,266		859,266
Investments in foreign currency USD (b)			
Bank promissory notes	81,599	4.50%	81,599
Total securities to trade in dollars	81,599		81,599
Total investments in securities	$ 940,865		$ 940,865

	2017				
	Amount invested		Rate		Amount
Investments in Mexican pesos (a)					
Bank promissory notes	$	208,614	6.96%	$	208,614
Government paper		38,404	6.98%		38,404
Commercial paper		203,810	7.48%		203,981
Total securities to trade in pesos		450,828			450,999
Investments in foreign currency USD (b)					
Bank promissory notes		78,769	3.06%		78,769
Total securities to trade in dollars		78,769			78,769
Total investments in securities	$	529,597		$	529,768

	2016				
	Amount invested		Rate		Amount
Investments in Mexican pesos					
Commercial paper (c)	$	473,470	5.39%	$	561,566
Bank promissory notes (c)		200,000	5.91%		200,000
Bank promissory notes (c)		44,862	Entre TIIE +1.75 y +2.25		45,642
Total securities to trade in pesos		718,332			807,208
Investments in foreign currency USD					
Government paper (d)		10,306	0.64%		10,306
Commercial paper (d)		170,541	7.25%		175,161
Total securities to trade in dollars		180,847			185,467
Total investments in securities	$	899,179		$	992,675

(a) Investments denominated in Mexican pesos are comprised as follows:

Investments in bank paper are comprised of bank debt in pesos, with a 2-day maturity. At the close of December 2018 and 2017, they represent a total value of $724,048 and $208,614, respectively.

Investments in government paper are comprised of government debt in pesos with maturity at 2 days. At the close of December 2018 and 2017, they represent a total value of $80,004 and $28,404, respectively.

Investments in corporate paper are comprised of corporate debt in pesos with maturities of between 3 and 330 days. At the close of December 2018 and 2017, they represent a total value of $55,214 and $203,981, respectively.

(b) As of December 31, 2018 and 2017, investments in bank paper denominated in US dollars, with a maturity of between 30 and 293 days, represent a total value of $81,599 and $78,769, respectively.

(c) Investments denominated in Mexican pesos are comprised as follows:

Investments in bank paper are comprised of bank debt in pesos, with a 3-day maturity. At the close of December 2016, they represent a total value of $561,566.

Investments in corporate paper are comprised of corporate debt in pesos with maturities of between 3 and 132 days. At the close of December 2016, they represent a total value of $245,642.

(d) Investments denominated in US dollars are comprised as follows:

As of December 31, 2016, investments in government paper denominated in US dollars with a 10 day maturity are $10,306.

As of December 31, 2016, investments in corporate paper in US dollars are $175,161.

6. Financial Derivatives Instruments

The policy established by management is to contract financial derivatives with the aim of hedging the risks inherent to exposure in foreign currency (exchange rate) and due to interest rate risk generated by the contracting of debt instruments established in a currency other than the Mexican peso or a variable interest rate.

Margin Call

Any appreciation of the Mexican peso with respect to the U.S. dollar during the term of the debt issued by Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada may result in mark–to–market losses, which in turn, could trigger margin calls. Therefore, the Entity has entered into credit lines with its cross currency swap counterparties that help mitigate the risks of having to post collateral with its swap counterparties in order to satisfy margin calls. As of December 31, 2018, the Entity does not have collateral to satisfy margin calls with its various counterparties.

Derivatives for hedging purposes

Derivatives designated as hedges recognize the changes in valuation according to the type of hedge in question: (1) when they are fair value hedges, the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in earnings; (2) when they are cash flow hedges, the effective portion of the result of the hedge instrument is recognized in stockholders' equity as part of other comprehensive income and loss, and the ineffective portion of the result of the hedge instrument is recognized immediately in results for the period.

Furthermore, in fair value hedges, the fair value of the debt in foreign currency is recognized on the consolidated balance sheet, and changes to this debt are recognized in earnings.

The changes in fair value of the financial derivatives and the changes in fair value of the debt are recorded in the intermediation income. The valuation of financial derivatives and primary position is based on valuation techniques widely accepted in the financial community.

Relationship of Senior Notes with maturity in 2019 (figures in US dollars expressed in thousands)

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate applicable to its issue of Senior Notes with a coupon rate of 7.50%, maturing in 2019. The Senior Notes were issued for US $425,000. However, on August 9, 2016, a portion was prepaid, resulting in a remaining outstanding balance of US $134,853. With the original amount, there were five financial derivatives for hedging purposes; however, when the prepayment was made, there were also modifications in the derivatives in order to not generate over–hedging. Below is a description of the derivatives in effect as of December 2018, which continue to hedge the Senior Notes.

On July 2, 2015, the Entity entered into a Cross Currency Swap with Bank Morgan Stanley (France) ("Morgan") for US $75,000 at an exchange rate of MX $14.50 per US dollar, in which a fixed rate of 6.30% is paid, to cover part of the Senior Notes maturing in the year 2019. Furthermore, the Entity contracted a strategy with exchange rate options (collar) with the purchase of a put option at MX $14.50 per US dollar and the sale of a call option at MX $20.00 per US dollar in the final exchange.

On August 9, 2016, the Entity restructured a Cross Currency Swap with Deutsche Bank, modifying only the notional amount to a remaining balance of US $59,853 at an exchange rate of MX $14.50 per US dollar, in which a fixed rate of 7.18% is paid to cover the rest of the Senior Notes maturing in the year 2019.

On December 31, 2018 the Entity restructured a Cross Currency Swap with Deutsche Bank, modifying only the notional amount by applying a new exchange rate of MX $20.00 per US dollar to the remaining balance of US $59,853 at a fixed rate of 7.18% to cover the rest of the Senior Notes 2019.

For accounting purposes, given that the option is a zero cost collar, the Entity has designated the aforementioned financial derivatives as cash flow hedges. In the case of the currency swaps, the changes in the fair value of the derivative are recorded in other comprehensive income, by reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect the results for the year. With regard to the options, only the intrinsic value was designated as cash flow hedges, for which reason the changes in the intrinsic value of the derivative are recorded in other comprehensive income, reclassifying any ineffective portion to the statement of income and the extrinsic value is recognized immediately in results for the period.

Trading characteristics:

Characteristics of CCS	Morgan Stanley ID ELGKW	Deutsche Banck (2) ID 6258211MX
Currency A:	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Morgan Stanley	DB
Required to pay fixed rate amounts in currency B:	CR	CR
Transaction date:	July 2, 2015	August 9, 2016
Reference exchange amount in both currencies:	At the beginning and at Maturity	At the beginning and at Maturity
Start date:	March 13, 2014	March 13, 2014
Maturity date:	March 13, 2019	March 13, 2019
A currency settlement date A:	USD 75,000	USD 59,853
A currency settlement date B:	MXN $1,087,500	MXN $867,869
Fixed rate for the amount in currency B for the first period:	$14.5000 MXN per USD	$14.5000 MXN per USD
Floating or Fix rate for currency A:	7.50%	7.50%
Spread	N/A	N/A
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360
A currency payment dates A:	The 13th day of every March and September	The 13th day of every March and September
A currency settlement date A:	March 13, 2019	March 13, 2019
A currency payment dates B:	Every 28 days as of March 3, 2014	Every 28 days as of March 13, 2014
Floating or fixed rate for currency B:	6.30%	7.18%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360
Market value MXN (thousands)	$ 434,185	$ 15,163
Market value USD (thousands)	$ 22,095	$ 772

Option Details	Morgan Stanley ID ELGKW
Style of option:	European
Type of option	USD Call / USD Put Collar (Call Corto, Put Largo)
Currency and amount of Call:	USD 75,000
Currency and amount of Put:	USD 75,000
Floor Rate:	$ 14.50
Cap Rate:	$ 20.00
Maturity date:	March 13, 2019
Day of payment	March 13, 2019
Premium:	–
Market value MXN (thousands)	$ (31,752)
Market value USD (thousands)	$ (1,616)

As of December 31, 2018, the fair value of the aforementioned financial derivatives for the hedging relationship of the Senior Notes maturing in 2019, is MX $417,596 (equivalent to 21,250 US dollars), which was recorded as an asset with a credit to the supplemental account subsequent to the effect of the period through comprehensive income. The effect as of December 31, 2018 recognized in equity is $31,431 (equivalent to $1,599 US dollars) and the effect recognized in the statement of income, as a gain, due to the extrinsic value of the options is MX $31,752 (equivalent to 1,616 US dollars) for the Call, and MX $0.1 ($0.005USD), for the Put. The effect reclassified to the statement of income as accrued interest income is MX $52,455 (equivalent to 2.670 US dollars).and FX impact MX $365,463 (equivalent to 18,598 US dollars).

Please note that the Entity received a benefit of MX $316,384 (equivalent to US $16,100), due to a modification in the exchange rate agreed, which changed from MX $14.50 to $20.00 per US dollar.

The periods in which the cash flows from the derivatives in relation to the hedging of the Senior Notes maturing in 2019 are expected to occur and impact the statement of results are as follows:

Year	Pesos		US dollars
2019	$	31,431	1,599

Syndicated line relationship (figures in US dollars expressed in thousands)

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate and the interest rate applicable to its line of credit with Credit Suisse, for US $110,000, whose transaction date was February 21, 2017, and will be payable on February 19, 2020 at the Libor rate plus 5.5% of monthly.

On February 21, 2017, the Entity executed a Cross Currency Swap with Credit Suisse AG, Cayman Islands Branch ("CS"), at MX $20.4698 per US dollar, where it receives a floating LIBOR interest rate +5.5% and pays fixed interest of 7.22% denominated in Mexican pesos under pure interest swaps in order to hedge the interest on the line of credit executed with Credit Suisse.

For accounting purposes, the Entity has designated the aforementioned financial derivative as a cash flow hedge, recognizing the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portions and the respective amounts to the statement of income when the forecast cash flows hedged affect the results of the year.

Characteristics of CCS	Credit Suisse ID 9003636
Currency A:	Dollars (USD)
Currency B:	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Credit Suisse
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	February 21, 2017
Reference exchange amount in both currencies:	N/A
Start date:	February 21, 2017
Maturity date:	February 21, 2020
A currency settlement date A:	USD 110,000
A currency settlement date B:	MXN $2,251,678
Fixed rate for the amount in currency B for the first period:	$20.4698 MXN per USD
Floating rate for currency A:	USD–LIBOR–BBA
Spread	5.50%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Actual/360
A currency payment dates A:	Quarterly, beginning February 21, 2017
A currency settlement date A:	N/A
A currency payment dates B:	The 21th day of each month beginning February 21, 2017
Floating or fixed rate for currency B:	7.22%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360
Market value MXN (thousands)	$ 33,451
Market value USD (thousands)	$ 1,702
Collateral MXN	$ –

As of December 31, 2018, the fair value of the aforementioned financial derivative in relation to the syndicated line hedge is MX $33,451 (equivalent to 1,702 US dollars) which was recognized as an asset with a credit to the stockholders' equity supplemental account subsequent to the effect of the period through comprehensive income. The effect as of December 31, 2018 recognized in equity is MX $153,509 (equivalent to 7,812 US dollars) and the effect reclassified to the statement of income for accrued interest income is MX $79,459 (equivalent to 4,043 US dollars), and the exchange rate component is of MX $5,677 (equivalent to 289 US dollars).

Also, there was an impact due to an offsetting charge of MX $272,095 (equivalent to 13,846 US dollars); this commission was paid in March 2017 to Credit Suisse in order to record the derivative with these characteristics.

The periods in which the cash flows from the derivative in the syndicated line hedging relationship are expected to occur and impact the statement of income are as follows:

Year		Pesos	US dollars
2019	$	(31,452)	(1,600)
2020	$	(122,055)	(6,211)

Senior Notes Relationship with maturity in 2023 (figures in US dollars expressed in thousands)

The Entity uses financial derivatives for hedging purposes to manage the risks related to the fair value of its issue of Senior Notes with a coupon rate of 7.25%, maturing in 2023.

On August, 2016, the Entity contracted five Cross Currency Swaps which hedge the fair value of the principal debt for the Senior Notes maturing in 2023 with the following financial institutions: (i) Barclays, (ii) Morgan Stanley, (iii) UBS, (iv) Banamex and (v) Deutsche Bank. This is because it is being converted from a debt that pays a fixed rate in US dollars to one payable in Mexican pesos at a variable rate. The issue of the Senior Notes maturing in 2023 was for US $625,000, while the financial derivatives were only contracted for a portion of the amount exposed. For accounting purposes three Cross Currency Swaps were designated as fair value hedges; i.e., the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in results in the same periods, and for the Cross Currency Swaps agreed with Morgan Stanley, 13.2% is recorded at fair value and the remaining 86.8% is recorded as cash flow, as well as that agreed with Barclays, where the changes in the fair value of the derivative are recorded in other comprehensive income and loss, and any ineffective portion and the respective amounts are reclassified to the statement of income when the projected cash flows hedged affect the results of the period.

Given that in the Cross Currency Swaps acquired at the beginning, the Entity paid MX4 million at a variable rate, the Entity executed 4 interest rate swaps to partially change from the variable rate to a fixed rate during the current year with the following institutions: Barclays, Morgan Stanley and two IRS with Credit Suisse. These instruments are designated as cash flow hedges for accounting purposes, with the changes in the fair value of the derivative recorded in other comprehensive income and loss and any ineffective portion and the respective amounts reclassified to the income statement when the hedged projected cash flows hedged affect the results for the period.

Trading characteristics	Barclays 9007408	Morgan Stanley DMFS4	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Currency A:	Dollars (USD)	Dollars (USD)	Dollars (USD)	Dollars (USD)	Dollars (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Obligated to pay fixed rate for amounts in currency A:	Barclays	Morgan Stanley	UBS	Banamex	Deutsche Bank
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR	CR	CR	CR
Date of transaction:	August 5, 2016	August 5, 2016	August 5, 2016	August 5, 2016	August 5, 2016
Swap reference amount in both currencies:	At the start and at maturity	At the start and at maturity	At the start and at maturity	At the start and at maturity	At the start and at maturity
Starting date:	July 20, 2016	July 20, 2016	July 20, 2016	July 20, 2016	July 20, 2016
Maturity date:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Reference amount in currency A:	USD 125,000	USD 100,000	USD 100,000	USD 100,000	USD 125,000
Reference amount in currency B:	MXN $2,361,250	MXN $1,889,000	MXN $1,889,000	MXN $1,889,000	MXN $2,361,250
Exchange rate used to calculate reference amount in currency B:	$18.8900 MXN per USD	$18.8900 MXN per USD	$18.8900 MXN per USD	$18.8900 MXN per USD	$18.8900 MXN per USD
Fixed rate for amounts in currency A:	7.25%	7.25%	7.25%	7.25%	7.25%
Spread	N/A	N/A	N/A	N/A	N/A
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360	30/360	30/360	30/360
Payment dates currency A:	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016
Settlement date currency A:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Payment dates currency B:	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016
Floating rate for amounts in currency B:	TIIE 28D	TIIE 28D	TIIE 28D	TIIE 28D	TIIE 28D
Spread Currency B:	6.13%	6.16%	6.215%	6.19%	6.17%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXN (thousands)	$ 86,311	$ 66,855	$ 82,661	$ 64,660	$ 82,653
Market value USD (thousands)	$ 4,392	$ 3,402	$ 4,206	$ 3,290	$ 4,206
Colateral MXN	$ -	$ -	$ -	$ -	$ -

Characteristics IRS	Credit Suisse 9003699	Barclays 9009053	Morgan Stanley OZNJJ	Credit Suisse 9003793
Notional:	$1,500	$1,000	$1,000	$500
Currency:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay fixed rate:	CR	CR	CR	CR
Required to pay floating rate:	Credit Suisse	Barclays	Morgan Stanley	Credit Suisse
Transaction date:	April 18, 2017	May 15, 2017	June 14, 2017	June 14, 2017
Start date:	March 29, 2017	May 16, 2017	May 24, 2017	May 24, 2017
Maturity date:	July 29, 2023	July 20, 2023	July 23, 2023	July 20, 2023
Fixed rate:	7.26%	7.27%	7.12%	7.12%
Floating rate:	TIIE	TIIE	TIIE	TIIE
Fraction for the count of days applicable to floating or fixed rate:	Real/360	Real/360	Real/360	Real/360
Interest payment dates:	Every 28 days as of March 29, 2018	Every 28 days as of May 16, 2018	Every 28 days as of June 21, 2018	Every 28 days as of May 24, 2018
Market value MXN (thousands)	$ 77,442	$ 51,268	$ 57,269	$ 28,621
Market value USD (thousands)	$ 3,941	$ 2,609	$ 2,914	$ 1,456

As of December 31, 2018 the fair value of the Cross Currency Swaps in relation to the coverage of the senior bonds maturing in 2023 is MX $383,140 (equivalent to US $19,497), recorded as a credit in assets for MX $144,309 (equivalent to US $7, 344) with its counterparty to the stockholders' equity complementary account through comprehensive income and loss (due to the portion as a cash flow hedge) with a debit of MX $238,831 (equivalent to US $12,154) as a gain in the statement of income (due to the portion as a fair value hedge). The effect as of December 31, 2018 recognized in net assets is MX $5,191 (equivalent to US $264) and the exchange rate gain plus the accrued interest comes to MX $256,783 (equivalent to US $13,067), which amount is recognized in the statement of income. The effect as of December 31, 2018 recognized in the statement of income for the hedged item (related with the foreign currency swaps which form part of the fair value hedge) represents a loss of MX $238,831 (equivalent to US $12,154). The hedged portion had an offsetting effect that was recognized as a debit in liabilities for MX $117,665 (equivalent to US $5988) with its counterparty in net assets, as part of other comprehensive income).

As of December 31, 2018, the fair value of the interest rate swaps for the Senior Notes 2023 in a hedging relationship is MX $241.,602 ($10,921 US dollars), which was recorded as an asset with a debit to the stockholders' equity supplemental account through comprehensive income. The effect as of December 31, 2018 recognized in equity is MX $211,329, ($10,754 US dollars) and in the statement of income with an effect of MX $3,273 (equivalent to US $167) due to the accrued interest.

The periods in which the cash flows derived from the derivatives in relation to the hedge of the Senior Bonds that mature in 2023 are expected to occur and impact the income statement are as follows:

Year	Pesos	US dollars
2018	$ 27,703	$ 1,410
2019	$ (202,251)	$ (10,292)
2020	$ (206,508)	$ (10,509)
2021	$ (143,307)	$ (7,293)
2022	$ (122,930)	$ (6,256)
2023	$ 652,484	$ 33,203

Perpetual Bond Relationship (figures in US dollars expressed in thousands)

The Entity uses financial derivatives as hedges to manage the risks related to redemptions in the interest rate applicable to their issue of the perpetual bonds (long-term notes, which were offered on November 29, 2017 and accrue interest at a fixed rate of 9.125%.

On December 5, 2017, the Entity contracted six Cross Country Swaps (CCS) with Morgan Stanley, Credit Suisse and Barclays for $230,000, of these, a first tranche with three derivatives has a fixed rate of 9.125%, maturing in 2019, while the second tranche with the remaining three derivatives pays a variable rate (28 day TIIE) plus a spread, to cover 100% of the perpetual bonds.

For accounting purposes, the Entity has designated the aforementioned financial derivatives as fair value hedges; i.e., the fluctuations of the derivative and the item hedged are valued at fair and are recognized in results in the same periods.

Characteristics of CCS	Barclays 9009347	Barclays 9009344	Credit Suisse 9003986	Credit Suisse 9003980
Currency A:	Dollar (USD)	Dollar (USD)	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Barclays	Barclays	CR	CR
Required to pay fixed rate amounts in currency B:	CR	CR	Credit Suisse	Credit Suisse
Transaction date:	December 5, 2017	December 5, 2017	December 5, 2017	December 5, 2017
Reference exchange amount in both currencies:	At the beginning and at Maturity	At the beginning and at Maturity	At the beginning and at Maturity	At the beginning and at Maturity
Start date:	November 29, 2017	November 29, 2019	November 29, 2017	November 29, 2019
Maturity date:	November 29, 2019	November 29, 2022	November 29, 2019	November 29, 2022
A currency settlement date A:	USD 65,000	USD 65,000	USD 65,000	USD 65,000
A currency settlement date B:	MXN $1,216,800	MXN $1,216,800	MXN $1,216,800	MXN $1,216,800
Fixed rate for the amount in currency B for the first period:	$18.7200 MXN per USD	$18.7200 MXN per USD	$18.7200 MXN per USD	$18.7200 MXN per USD
Floating rate for currency A:	9.13%	9.13%	9.13%	9.13%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360	30/360	30/360
A currency payment dates A:	Half - year as November 29, 2017	Half - year as November 29, 2019	Half - year as November 29, 2017	Half - year as November 29, 2019
A currency settlement date A:	November 29, 2019	November 29, 2022	November 29, 2019	November 29, 2022
A currency payment dates B:	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019
Floating or fixed rate for currency B:	9.56%	TIIE 28D	9.56%	TIIE 28D
Spread currency B:	N/A	3.57%	N/A	3.60%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXN (thousands)	$ 11,371	$ (39,057)	$ 11,417	$ (39,745)
Market value USD (thousands)	$ 579	$ (1,987)	$ 581	$ (2,023)
Collateral MXN	$ -	$ -	$ -	$ -

Characteristics of CCS	Morgan Stanley HLOTZ	Morgan Stanley HLOUO
Currency A:	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Morgan Stanley	Morgan Stanley
Required to pay fixed rate amounts in currency B:	CR	CR
Transaction date:	December 5, 2017	December 5, 2017
Reference exchange amount in both currencies:	N/A	N/A
Start date:	November 29, 2017	November 29, 2019
Maturity date:	November 29, 2019	November 29, 2022
Reference amount in currency A:	USD 100,000	USD 100,000
Reference amount in currency B:	MXN $1,872,000	MXN $1,872,000
Exchange rate used to calculate reference amount in currency B:	$18.7200 MXN per USD	$18.7200 MXN per USD
Fixed rate for amounts in currency A:	9.13%	9.13%
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360
Payment dates currency A:	Half – year as November 29, 2017	Half – year as November 29, 2019
Settlement date currency A:	November 29, 2019	November 29, 2022
Payment dates currency B:	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019
Floating rate for amounts in currency B:	9.56%	TIIE 28D
Spread currency B:	N/A	3.60%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360
Valor de mercado MXN (miles)	$ 14,989	$ (61,378)
Valor de mercado USD (miles)	$ 763	$ (3,123)

As of December 31, 2018, the fair value of derivatives related to perpetual bond hedge is MX $102,403 (equivalent to 5,211US dollars), which was recorded as an asset and income in the income statement.

CHF Bond Relationship (figures in US dollars expressed in thousands)

The Entity uses financial derivatives as hedges to manage the risks related to redemptions in the interest rate applicable to their issuance of the CHF Bond, which were offered on February 13, 2018 and accrue interest at a fixed rate of 2.875%.

On February 13, 2018, the Entity contracted three Cross Currency Swaps to hedge the exchange rate of the interests and principal for the CHF Bond, with the following financial institutions: (i) Credit Suisse, (ii) Deutsche Bank, (iii) Barclays. The debt is being converted from one that pays a fixed rate in CHF to Mexican pesos at a fixed rate. The issuance of the Bond maturing in 2022 was for CHF $170,000, while the financial derivatives were only contracted for a 71% of the amount exposed. For accounting purposes these three Cross Currency Swaps were designated as cash flow hedges; i.e., the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in other comprehensive income in the same periods.

On June 7, 2018, the Entity contracted a Cross Currency Swap to hedge to hedge the exchange rate on an additional 18% of the principal and the interest rate for the CHF Bond, with Deutsche Bank. This portion of the debt is being converted from one that pays a fixed rate in CHF to Mexican Pesos at a variable rate. For accounting purposes this Cross Currency Swap was designated as a fair value hedge; i.e., the fluctuations of the derivative and the hedged item are valued at fair value and are recognized in results in the same periods. In total, the Entity has hedged 88% of the debt.

Trading characteristics of CCS	Credit Suisse 9004110	Deutsche Bank D948548M	Barclays 9009487	Deutsche Bank G370871M
Currency A:	Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Required to pay amounts in currency A:	Deutsche Bank	Deutsche Bank	Barclays	Deutsche Bank
Required to pay amounts in currency B:	CR	CR	CR	CR
Transaction date:	Febraury 13, 2018	February 13, 2018	February 13, 2018	June 7, 2018
Reference exchange amount in both currencies:	At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity
Start Date:	Febraury 9, 2018	Febraury 9, 2018	Febraury 9, 2018	Febraury 9, 2018
Maturity date:	Febraury 9, 2022	Febraury 9, 2022	Febraury 9, 2022	Febraury 9, 2022
A currency settlement date A:	CHF 40,000	CHF 40,000	CHF 40,000	CHF 30,000
A currency settlement date B:	MXP $797,857	MXP $625,942	MXP $796,600	MXP $625,942
Fixed rate for the amount in currency B for the first period:	$19.9464 MXP por CHF	$19.9150 MXP por CHF	$19.9150 MXP por CHF	$20.8647 MXP por CHF
Fix rate for currency A:	2.88%	2.88%	2.88%	2.88%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency	30/360	30/360	30/360	30/360
A currency settlement date A:	Annually as of February 9,	Annually as of February 9,	Annually as of February 9,	Annually as of February 9,
A currency payment dates A:	Febraury 9, 2022	Febraury 9, 2022	Febraury 9, 2022	Febraury 9, 2022
A currency payment dates B:	Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018
Fix rate for currency B:	11.97%	11.97%	11.96%	TIIE 28D
Spread currency B:	0.00%	0.00%	0.00%	3.26%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXP (thousands)	$ 32,135	$ 32,379	$ 33,214	$ (27,143)
Market value USD (thousands)	$ 1,635	$ 1,648	$ 1,690	$ (1,381)
Collateral MXP	$	$ -	$ -	$ -

As of December 30, 2018, the fair value of the Cross Currency Swaps in relation to the hedge of the CHF Bond maturing in 2022 is MXP $70,586 (equivalent to USD $3,592), which was recorded as an liability, against an impact as a loss other comprehensive income of MXP $50,899 (equivalent to USD $2,590) due to the portion as a cash flow hedge, as a loss in profit or loss of MXP $(27,143) (equivalent to USD $(1,381)) due to the portion as a fair value hedge and as a loss in profit or loss of MXP $46,830 (equivalent to USD $2,383) due to the exchange rate and accrued interests. The effect as of December 31, 2018 recognized in the consolidated statement of income for the hedged item (related to the CCS that are in a fair value hedge) is a gain of MXP $27,143 (equivalent to USD $1,381).

The periods in which the cash flows from the derivatives in relation to the hedging of the CHF Bond Relationship are expected to occur and impact the consolidated statement of income are as follows:

Year	Mexican Pesos		U.S. Dollars	
2018	$	(132,828)	$	(6,759)
2019	$	(200,551)	$	(10,206)
2020	$	(180,749)	$	(9,198)
2021	$	(161,462)	$	(8,216)
2022	$	726,489	$	36,969

CREAL–16 Bond Relationship

At the end of the first quarter of 2018, these instruments were settled because the hedged debt that was covered was prepaid (issuance of notes with ticker symbol CREAL16), for an amount of MXP $5,879 (equivalent to USD $299) as a revenue in the consolidated statement of income.

Securitized portfolio

The Entity has a securitized portfolio in two trusts whose purpose is to mitigate the account rate risk with hedge derivatives with a balance sheet valuation of $18,172 at the close of 2018.

Nature and degree of risks arising from the derivatives

As of September 30, 2018, the exchange rates are $19.6512 Mexican Peso per U.S. dollar and $19.1650 Mexican Peso per Swiss franc. In order to mitigate the volatility of the exchange rate, Crédito Real has entered into several hedging strategies described below.

The risks associated with variations in the USD/MXP exchange rates arise from the instruments that are denominated in foreign currency such as the 2019 Senior Notes, 2023 Senior Notes, Syndicated Line and the Perpetual Notes. The interest rate risk arises from foreign currency instruments at fixed rates and of local instruments at a variable rate like the 2019 Senior Notes, 2023 Senior Notes, and Perpetual Notes. The risk associated with variations in the CHF/MXP exchange rates arises from the instruments held in foreign currency CHF like the CHF Bond.

Sensitivity analysis

The Entity performed a sensitivity analysis so as to foresee situations that could result in extraordinary losses regarding the valuation of the derivative financial instruments composing its position at the December 2018 close.

A derivatives sensitivity analysis is performed by considering the following elements:

Estimate the surplus value or shortfall of the securities valuation in the event of:

- An increase of +1 peso in the MXN/USD exchange rate
- A decrease of –1 in the MXN/USD exchange rate
- An increase of +100 interest rate basis points
- A decrease of –100 interest rate basis points

Foreign currency sensitivity

Hedging derivatives fair value	+1 exchange rate	-1 exchange rate
Foreign currency swap	$ 480,667	$ (477,803)

Cash flow hedge derivatives	+1 exchange rate	-1 exchange rate
Foreign currency swap	$ 701,669	$ (705,033)
Foreign currency option	$ (46,388)	$ 23,509

Interest rate sensitivity of interest rate

Cash flow hedge derivatives	+100 bp interest rate	-100 bp interest rate
Interest rate swap	$ 99,289	$ (142,458)

If any of the sensitivity scenarios detailed in the above table actually arise, the losses generated by derivative instruments held for trading purposes and fair value hedges will directly affect the statement of income, while cash flow hedges will affect the Entity's capital.

Maturity analysis

Below is an analysis of the future obligations of the financial derivatives. Please note that even though the foreign currency swaps represent active positions as of December 31, 2018, the Entity elects to present the undiscounted future flows which represent a liability according to their maturity.

	2019	2020	2021	2022	2023
Foreign currency swaps	$ (649,916)	$ (1,295,663)	$ (1,150,825)	$ (892,413)	$ 337,768
Interest rate Swaps	$ 57,390	$ 60,202	$ 51,807	$ 61,020	$ 29,275

7. Loan Portafolio

At December 31, 2018, 2017 and 2016, the loan portfolio was comprised as follows:

	2018	2017	2016
Loan portfolio -			
Commercial portfolio	$ 30,989,761	$ 27,052,994	$ 25,425,100
Consumer portfolio	9,610,914	7,505,932	6,753,971
Performing loan portfolio	40,600,675	34,558,926	32,179,071
Less-			
Interest accrued on factoring operations	(4,870,974)	(6,129,035)	(8,748,522)
Gauging warranty	(28,140)	(20,072)	(20,535)
Performing Loan Portfolio	35,701,561	28,409,819	23,410,014
Non-performing loan portfolio	617,555	605,219	517,008
Loan Portfolio	36,319,116	29,015,038	23,927,022
Less-			
Allowance for loan losses	(1,067,923)	(1,067,540)	(767,460)
Performing Loan Portfolio, net	$ 35,251,193	$ 27,947,498	$ 23,159,562

As of December 31, 2018, 2017 and 2016, there is a restricted current portfolio of $6,447,633, $4,738,331 and $2,260,406, respectively, in accordance with the collateral loan contracts.

The portfolio is comprised of 804,921, 883,195 and 783,546 customers at the end of 2018, 2017 and 2016, respectively.

The average loan balance is $32, $35 and $30 at December 31, 2018, 2017 and 2016, respectively, with an average term of 41, 38, and 38, respectively, for both the commercial and consumer portfolios.

The interest income recognized by the Entity refers exclusively to the Entity's participation and, accordingly, excludes the participation applicable to the distributors. In accordance with the agreements executed, the Entity shares with the distributor the credit risk and the revenues generated by the loans originated by the distributor. The distributor is responsible for administering the service of the credit granted and covering all the operating expenses related to the portfolio that it originates.

At December 31, 2018, the performing loan portfolio that has a balance with at least one day of aging is as follows:

	0 to 30	31 to 60	61 to 90	Total
Commercial loan	$ 24,558,086	$ 1,006,917	$ 525,644	$ 26,090,647
Consumer loan	9,308,825	222,861	79,228	9,610,914
	$ 33,866,911	$ 1,229,778	$ 604,872	$ 35,701,561

At December 31, 2018, the non-performing loan portfolio that has balance with at least once day of aging is as follows:

	91 to 180
Commercial loan	$ 307,551
Consumer loan	310,004
	$ 617,555

8. Allowances for loan lossess

At December 31, 2018, 2017 and 2016, the Entity maintained an allowance for loan losses equivalent to 173%, 176% and 148% of non-performing portfolio, respectively.

As of December 31, 2018, 2017 and 2016, changes in the allowance for loan losses were as follows:

		2018		2017		2016
Opening balance	$	1,067,540	$	767,460	$	485,506
Portfolio applications		(1,758,642)		(1,285,192)		(1,026,759)
CR USA, Creal Dallas and Controladora CR consolidation effect		(41,710)		242,129		477,120
Charge to results		1,800,735		1,343,143		831,593
Closing balance	$	1,067,923	$	1,067,540	$	767,460

9. Other account receivable, net

As of December 31, 2018, 2017 and 2016, other accounts receivable were as follows:

		2018		2017		2016
Other accounts receivable from distributors	$	4,546,336	$	4,159,428	$	2,707,174
Value added tax (VAT) receivable		37,380		42,555		60,968
Other debtors		493,521		445,453		828,910
Recoverable income tax		304,821		13,947		11,351
		5,382,058		4,661,383		3,608,403
Allowance for other accounts receivable		(3,256)		(31,710)		(31,105)
	$	5,378,802	$	4,629,673	$	3,577,298

As of December 31, 2018, 2017 and 2016, other accounts receivable from distributors were as follows:

		2018		2017		2016
Interest accrued in advance period	$	200,518	$	252,232	$	113,247
Advances to distributors		2,311,271		2,072,234		1,610,107
Joint and several liability of the distributor		509,708		802,014		409,307
Other debts		1,524,839		1,032,948		574,513
Total	$	4,546,336	$	4,159,428	$	2,707,174

10. Property, furniture and fixtures

At December 31, 2018, 2017 and 2016, property, furniture and equipment are as follows:

	Depreciation period (years)		2018		2017		2016
Office Furniture and fixtures	10	$	347,186	$	340,378	$	175,833
Computers	3		202,305		198,338		137,428
Transportation equipment	4		20,350		19,951		25,225
			569,841		558,667		338,486
Less - Accumulated depreciation			(256,490)		(246,112)		(173,594)
			313,351		312,555		164,892
Installation expenses	20 and 10		128,501		125,982		129,566
Less - Accumulated amortization			(100,399)		(96,367)		(32,332)
			28,102		29,615		97,234
		$	341,453	$	342,170	$	262,126

11. Investment in shares of associates

At December 31, 2018, 2017 and 2016, investments in shares of associates are as follows:

Entity	% Ownership 2018, 2017 and 2016	Book Value 2018	Book Value 2017	Book Value 2016	Ownership in results 2018	Ownership in results 2017	Ownership in results 2016
Publiseg, S.A.P.I. de C.V. SOFOM [a]	49.00%	$ 484,852	$ 489,193	$ 463,119	$ 33,446	$ 26,074	$ 14,617
Grupo Empresarial Maestro S.A. de C.V. [a]	49.00%	546,367	512,568	502,949	109,298	120,533	114,043
Bluestream Capital, S.A. de C.V. (b)	23.00%	4,666	3,331	1,173	1,544	793	666
Cege Capital, S.A.P.I. de C.V., SOFOM ENR [c]	36.30%	96,407	95,493	89,245	333	11,042	13,830
Other	-	61,120	164,737	1,335	10,094	19,301	(7,060)
		$ 1,193,412	$ 1,265,322	$ 1,057,821	$ 154,715	$ 177,743	$ 136,096

(a) Directodo, Publiseg, and Grupo Empresarial Maestro, are the Entity's principal distributors, and their origination efforts are performed exclusively for the Entity. As of December 31, 2018, 2017 and 2016, these companies have cooperation agreements executed with different unions around the country, including several chapters of the National Education Workers' Union, the National Social Security Workers' Union, the Union of the Federal Public Education Department and the Health Workers' Union. Their operations began in 2006, 2005 and 2002, respectively, and their work forces have a nationwide presence and they have over 342 branches.

(b) By unanimous resolutions adopted at shareholders' meeting held on January 14, 2014, the Entity subscribed and paid 29,862 no par value, Class II common shares of Bluestream, which represent 23% of Bluestrem's outstanding shares.

(c) In the Ordinary General Meeting of Shareholders held on March 31, 2014, the shareholders authorized the subscription and payment of 245,000 no par value, Class I, Series "B" common shares of Cege, which accounts for 37.98% of Cege's outstanding shares.

At the Extraordinary General Meeting of Shareholders held on December 17, 2015, the subscription and payment of 100,000,000 Series "C" preferred shares was approved, which is part of the variable capital of Cege, which was paid on December 29, 2014.

12. Other assets

At December 31, 2018, 2017 and 2016, other assets were as follows:

	2018	2017	2016
Goodwill [a]	$ 1,978,716	$ 1,414,780	$ 1,053,517
Costs for issuance of securities and bank loans	112,830	43,675	40,400
Prepaid expenses [b]	48,771	327,573	205,502
Other long and short term assets [c]	340,125	315,057	441,961
	2,480,442	2,101,085	1,741,380
Intangible asset branch network [d]	80,641	80,640	80,641
Instacredit's intangible assets (See Note 1c)	1,052,750	1,052,750	1,052,750
Directodo's intangible assets	1,267,380	1,264,176	1,255,013
	2,400,771	2,397,566	2,388,404
Accumulated amortization	(47,053)	(44,432)	(77,676)
	2,353,718	2,353,134	2,310,728
Guarantee	8,333	4,274	3,062
	$ 4,842,493	$ 4,458,493	$ 4,055,170

(a) The acquisition of 49.00% of Grupo Empresarial Maestro implied the recognition of goodwill of $580,223 for 2014, based on the book value and the price paid.

The acquisition of 36.11% of Credilikeme implied the recognition of goodwill of $11,887 for 2015, based on the book value and the price paid.

The acquisition of 55.21% of RTD implied the recognition of goodwill of $242,288 for 2015, based on the book value and the price paid.

The acquisition of 100% of CR-USA finance (formerly AFS Acceptance) implied the recognition of goodwill of $99,412 for 2015, based on the book value and the price paid.

The acquisition of 70% of Marevalley resulted in the recognition of goodwill of $30,981 for 2016, in accordance with the fair value and the purchase price paid.

(b) The other short- and long-term assets represent an inventory of 799 automobiles derived from consolidating the figures with Creal Dallas; the balance at the close of December 2018 in is $10,538 US dollars.

(c) Is comprised of licenses acquired for the portfolio system and expenses incurred for the execution of the loan portfolio operation and acquisition agreement with Fondo H, which will be amortized during the life of the portfolio acquired.

(d) In a contract dated December 26, 2006, between the Entity and Crediplus, S.A. de C.V. (an affiliated Entity), the Entity acquired Crediplus' branch network, which originated and issued loans, as well as the know how developed by Crediplus regarding its branch network. This know how consists of: (i) analyzing and studying markets (ii) analyzing and studying customers; (iii) analyzing and studying demographic and socio-demographic profiles of zones; (iv) analyzing and studying area flows; (v) analyzing and studying backgrounds of zones; (vi) analyzing and studying competition; (vii) designing branches internally and externally; (viii) preparing operating and policies and procedures manuals; (ix) developing and implementing advertising schemes, and (x) preparing market strategies. The Entity also registered the Crediplus trademark and commercial advertisements with the Mexican Institute of Industrial Property. Such intangible was defined by Management as having a definite life of 20 years, for which reason it is being amortized over such term beginning May 2007.

13. Indebtedness

At December 31, 2018, 2017 and 2016, indebtedness was comprised as follows:

	Rate	Date of maturity	2018	2017	2016
Notes payable (Securitized Certificates)	TIIE + 2.70%	2018	$ -	$ 1,000,000	$ 2,750,000
Notes payable (Securitized Certificates)	TIIE + 2.25%	Between November 2023 and July 2023	1,431,729	-	-
Senior Notes	7.50% y 7.25%	Between March 2019 and July 2023	16,824,892	13,186,350	13,817,895
Accrued interest			225,746	357,524	320,548
Total			$ 18,482,367	$ 14,543,874	$ 16,888,443

As of December 31, 2018, there are two unsecured issues of Senior Notes for $1,315,000. Both issues were classified by Fitch Ratings, which gave a "AAA(mex) vra" rating, and by HR Ratings, which gave a "HR AAA(E)" rating, both with a stable outlook.

Currently, the Entity has two issues of Senior Notes, which is unsecured debt issued abroad for a total amount of US $759 million.

The first issue was carried out on March 13, 2014, for US $425 million, bears interest of 7.50% a year payable on a semiannual basis on March 13 and September 13 of each year until maturity on March 13, 2019. In July 2016, the option was taken to make a partial prepayment, for which reason the remaining balance as of December 31, 2016 is US $134 million.

This first issue was rated by Standard & Poor's, which granted a long-term global rating of "BB", which rose to "BB+", on February 3, 2015. By the same token, HR Ratings on May 27, 2015 assigned the rating of HR BB+ (G), which rose to HR BBB-(G), on May 25, 2016.

The second issue was made on July 20, 2016, for US $625 million, bearing interest of 7.25% a year payable on a semiannual basis on January 20 and July 20 of each year until maturity on July 20, 2023, and may be prepaid as of the fourth year of the issue.

This second issue was rated by Standard & Poor's, which granted a long-term global rating of "BB+"; by Fitch Ratings, which granted a rating of "BB+(EXP)"; and by HR Ratings, which granted a rating of HR BB-(G).

The Securities were issued and offered in accordance with Rule 144A and Regulation S of the US Securities Act of 1933. Principal will be paid at maturity of the instruments or, as the case may be, on the date of their advance redemption.

14. Bank loans and other loans

At December 31, 2018, 2017 and 2016, debt was comprised as follows:

	Rate	Date of Maturity	2018	2017	2016
Bank Loans in MXN (a)	TIIE + spread	Between 2018 and 2020	$ 6,553,913	$ 3,751,315	$ 2,502,786
Bank Loans in USD (b)	LIBOR + spread	In the 2018	5,576,540	5,129,177	5,147,597
Accrued Interest			33,926	160,140	49,670
Total			$ 12,164,379	$ 9,040,632	$ 7,700,053

(a) As of December 31, 2018, the Entity has bank loans guaranteed with portfolio for $6,268,201 and unsecured bank loans for $6,143,358. Such lines were granted by 32 institutions to finance the growth of the loan portfolio and increase working capital. The loans are granted by financial institutions widely recognized in the Mexican Financial System. The lines of credit have maturity dates of between 90 days and three years and pay interest at a variable rate.

(b) As of December 31, 2018, the Entity has two syndicated bank loans in foreign currency for a total of US $110 million, which, valued at the close of the year, represents MX $1,281,415 pesos and the second, for a total of US $79 million which, valued at the close of the year, represents MX 1,562,807, both paying interest at several percentage points above the variable LIBOR rate.

Contractual maturities of debt are as follows:

	Amount
2019	$ 9,466,231
2020	3,804,481
2021	1,078,203
2022	4,211,617
2023	11,826,542
Accrued interest	259,672
Total	$ 30,646,746

15. Accrued liabilities and other accounts payable

At December 31, 2018, 2017 and 2016, accrued liabilities and other accounts payable are integrated as follows:

	2018	2017	2016
Provisions for various obligations	$ 185,932	$ 575,294	$ 125,215
Liability for employee retirement obligations	36,838	37,684	29,615
Taxes payable	46,323	39,949	50,472
Dividends payable	2,350	2,361	2,361
Other accounts payable to distributors	59,770	142,961	208,087
Value Added Tax (VAT) payable	48,713	65,332	15,812
Accrued liabilities	59,148	365,527	17,359
	$ 439,074	$ 1,229,108	$ 448,921

16. Labor obligations

Under the Federal Labor Law, the Entity has obligations for severance and seniority premiums payable to employees who cease rendering services under certain circumstances, as well as other obligations derived from a labor agreement.

Net periodic cost for the obligations derived from seniority premium and severance payments for obligations assumed was $6,352, $5,301 and $5,236 on 2018, 2017 and 2016, respectively.

The Entity each year records the net periodic cost to create a fund to cover the net projected liability for seniority premiums, pensions and severance, thereby increasing the related liability, in accordance with actuarial calculations made by independent actuaries. These calculations are based on the projected unit credit method. Therefore, a provision is being created for the liability which at present value will cover the defined benefits obligation at the estimated retirement date of all the covered employees.

As of December 31, 2018, 2017 and 2016, the balance of the defined benefits plan fund was $335, $319 and $307, respectively.

As of December 31, 2018, 2017 and 2016, the Entity amortizes the variations in actuarial assumptions for seniority premiums over approximately 4.75, 4.28, and 4.29 years, respectively, based on the average remaining years of employee services.

As of December 31, 2018, 2017 and 2016, he gains and losses recorded in the OCI are presented net of their deferred tax liability (asset), which amounted to $5,611, $1,087 and $2,459, respectively.

The actuarial gains and losses at the time of adoption were recognized in the equity account Other Comprehensive Income and Loss. This amount will be recycled in the results for the year over the remaining average labor life.

As of December 31, 2018, 2017 and 2016, the balances and movements of the liabilities related to the Entity's defined benefits plan, which includes the pension plan, seniority premiums and severance payments, are shown below:

		2018		2017		2016
Obligations from defined benefits	$	(37,173)	$	(35,985)	$	(30,037)
Fair value of plan assets		335		319		307
Projected net liability	$	(36,838)	$	(35,666)	$	(29,730)

Net periodic cost is composed as follows:

		2018		2017		2016
Services cost for the year	$	3,223	$	2,692	$	2,899
Financial cost		3,157		2,636		2,361
Expected yield on assets		(102)		(27)		(24)
Services cost for the year	$	6,278	$	5,301	$	5,236

Interest rated used in actuarial calculation in nominal terms for 2018, 2017 and 2067 were as follows:

	2018	2017	2016
Discount rate	10.00%	9.00%	9.00%
Percentage increase in wages	4.75%	4.75%	4.75%

The movement of the projected net liability was as follows:

		2018		2017		2016
Opening balance	$	(35,683)	$	(29,730)	$	(24,891)
Loss recognized		-		(635)		-
Gains recognized		-		138		-
Re-measurements recognized in ORI		4,485		(138)		180
Provision of the year		(6,260)		(5,301)		(5,019)
Payments with a charge to the reserve		620		-		-
Projected net liability	$	(36,838)	$	(35,666)	$	(29,730)

17. Stockholders' equity

Capital stock as of December 31, 2018, 2017 and 2016, was comprised as follows:

	Number of Shares (Class I) Fixed Capital	Number of Shares (Class II) Variable Capital	Total stocks
"Unique" Series shares at no par value	$ 37,555,390	$ 354,664,034	$ 392,219,424

Pursuant to a resolution of the Stockholders' Ordinary Meeting held on March 1, 2018 the financial statements were approved which reported net income of $1,661,144 in the fiscal year 2017 and the following application was made:

a. The transfer of $1,661,144 of the Entity's separate net income was transferred to the account "Result from previous years".

As of December 31, 2018, 2017 and 2016 common stock is $657,238, of which $62,931, refers to fixed capital (with no right of withdrawal), represented by 37,555,390 Unique Series, Class I ordinary, no par value shares, while $594,223 refers to variable capital, represented by 354,664,034 Unique Series, Class II ordinary, no par value shares. The restatement effect recognized in common stock as of December 31, 2007 is $2,916.

Pursuant to a resolution of the Stockholders' Ordinary General Meeting held on March 1, 2018 the payment of dividends was declared for $96,800, which was applied with a charge to "Results from previous years". The dividends werr distributed to the stockholders, based on their current equity percentage, from the Net Tax Income Account ("CUFIN").

The Entity has a share buyback program up to the amount of net income, including the retained earnings from the immediately preceding year. At the close of the year 2018, 2017 and 2016, the amount of repurchased shares is $221,785, $141,963 and $75,570 equivalent to 12,551,534, 5,259,479 and 2,612,248 shares, respectively.

In accordance with the General Corporate Law, at least 5% of the net profits for the year must be set aside to form the legal reserve until reaching 20% of common stock at par value. The legal reserve may be capitalized, but cannot be distributed unless the Entity is dissolved, and must be replenished when it is decreased for any reason. As of December 31 2018, 2017 and 2016, the legal reserve established by the Entity amounts to $132,030.

Stockholders' equity, except restated paid-in capital and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against income tax of the year in which the dividend tax is paid and, in the following two years, against tax for the year and the related estimated payments.

Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

Period	Amount	Distributed earnings	Reinvested earnings	Amount not subject to withholding
2015	$ -	$ 156,888	$ 156,888	$ -
2017	$ -	$ 96,800	$ 96,800	$ -
2018	**$ -**	**$ 193,436**	**$ 193,436**	**$ -**

The balances of the stockholders' equity tax accounts as of December 31, 2018, 2017 and 2016, are:

	2018	2017	2016
Net tax income account	$ 1,097,116	$ 18,470	$ 16,894
Contributed capital account	$ 2,935,410	$ 2,800,162	$ 2,622,611

18. Transactions and balances with related parties

The Entity, its subsidiaries and affiliates perform transactions between related parties including investments, credit and the provision of services, among others, the majority of which generate income for one entity and expenses for another. Transactions and balances with consolidated entities consolidate were eliminated and those of entities which do not consolidate are reflected in these consolidated financial statements.

a) The balances with related parties as of December 31, are:

	2018	2017	2016
Assets:			
Corporate loan portfolio	$ 2,942,097	$ 2,888,524	$ 2,441,264
Receivables for services provided	5,247	6,267	10,032
Total Assets	$ 2,947,344	$ 2,894,791	$ 2,451,296
Liabilities:			
Intercompany loans	$ (2,942,097)	$ (2,888,524)	$ (2,441,264)
Payables for services received	(5,247)	(6,267)	(10,032)
Total Liabilities	$ (2,947,344)	$ (2,894,791)	$ (2,451,296)

b) Transaction with related parties, carried out in the ordinary course of business was as follow:

	2018	2017	2016
Results:			
Positive interest accrued	$ 1,142,960	$ 889,587	$ 704,933

19. Balances and transactions in foreign currencies

a. The monetary position of foreign currencies as of December 31, 2018, 2017 and 2016 is:

		2018		2017		2016
USD Dollars:						
Monetary assets		466,620		471,792		390,012
Monetary liabilities		(267,767)		(209,241)		(257,494)
Position (short) long		198,853		262,551		132,518
Equivalent in pesos	$	3,907,702	$	5,162,514	$	2,732,495

b. Transactions in foreign currencies were as follows:

	2018	2017	2016
		(USD Dollars)	
Interest expenses	163,421	144,012	107,182
Interest income	(26,564)	(20,612)	(18,173)

c. Exchange rates in pesos wing force date of the consolidated financial statements and the date of the auditor's report were as follows:

	December 31 of						March 22,	
		2018		2017		2016		2019
Dollar, banking	$	19.6512	$	19.6629	$	20.6198	$	19.1369

20. Other operating income

As December 31, 2018, 2017 and 2016, the other income from the operation, were as follows:

		2018		2017		2016
Other revenue Central America	$	107,792	$	159,791	$	143,932
Other revenue USA		170,453		104,077		108,393
Other revenue management services		146,897		86,294		14,926
	$	425,142	$	350,162	$	267,251

21. Income taxes

The Entity is subject to ISR. According with the ISR law, the rate is 30% in 2018, 2017 and 2016 and it will continue at 30% thereafter.

ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on values in constant pesos, increased or reduced by the effect of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

The provision of ISR results is as follows:

		2018		2017		2016
ISR:						
Current	$	(172,773)	$	(92,722)	$	(234,046)
Deferred	$	(477,827)	$	(435,574)	$	(270,356)
Stock deferred	$	(126,704)	$	(77,590)	$	(98,335)

As of December 31 2018, 2017 and 2016, the deferred tax balance is as follows:

		2018		2017		2016
Deferred ISR assets:						
Allowance for loan losses	$	407,366	$	638,198	$	497,977
Furniture and fixtures		23,227		52,619		22,950
Provisions		18,606		254,836		17,152
Tax loss carryforwards		75,520		161,326		369,168
Other assets, net		21,291		83,695		37,078
Deferred ISR		546,010		1,190,674		944,325
Deferred ISR (liability):						
Other accounts receivable, net (a)		(2,566,439)		(2,281,574)		(1,749,544)
Advance payments		(153,666)		(250,679)		(167,109)
Derivative financial instruments		(84,754)		(439,443)		(373,585)
Deferred ISR liability		(2,804,859)		(2,971,696)		(2,290,238)
Deferred ISR (net)	$	(2,258,849)	$	(1,781,022)	$	(1,345,913)

(a) Mainly advance earned income in the first period loan amortization.

Value-added tax – Pursuant to the Value-Added Tax Law, in order to obtain a credit for the value-added taxes paid by the Entity in the years 2018, 2017 and 2016, the Entity determined the amount of the credit considering the total of its taxed activities compared to the total activities subject to that tax. As a result, the Entity determined tax that was non-creditable and deductible for income tax purposes in the amount of $55, $82 and $26, respectively, which was recognized in results of such year.

Accounting-tax reconciliation – The main items that affected the determination of the Entity's tax result were those related to the annual adjustment for inflation, interest accrued in advance period, advance payments and the allowances for loan losses which have not been deductible.

Following is a reconciliation of the statutory ISR rate and the effective rate expressed as a percentage of income before ISR:

	2018	2017	2016
Statutory rate	30%	30%	30%
Effects of inflation	(2%)	(1%)	-
Interest accrued in advance period	(6%)	(4%)	(6%)
Allowance for loan losses	1%	2%	1%
Advance payments	3%	2%	1%
Others	-	(2%)	1%
Effective rate	25%	28%	27%

Tax loss carry forwards – As of December 31, 2018, the Entity has tax loss carry forwards for ISR purposes:

Maturity Date	Amount
2026	$ 246,675

Review and tax matters

Action for annulment filed against the unpaid tax liability for rejection of deductions for the year 2007.

On July 9, 2015, the Entity filed an action for annulment against the Federal Tax Court to challenge official notice 900 06-2017-13558, dated April 29, 2015, whereby the Central Administrator for Inspection of the Financial Sector of the General Administration for Large Taxpayers of the Tax Administration Service, assessed against the Entity an unpaid tax liability for $38,000,000, related to income tax payable for fiscal year 2007, plus the respective restatements, surcharges and fines. Such lawsuit was turned over to the First Metropolitan Regional Chamber of the Federal Tax Court, which in a ruling of September 1, 2015, admitted it under docket number 17549/15-17-01-8.

On January 4, 2018, the First Metropolitan Regional Chamber of the Federal Tax Court issued a verdict on the aforementioned proceeding for annulment filed by the Entity, declaring it null and void, because it considers illegal the tax liability determined in official notice 900 06-2015-13558, dated April 29, 2015, but also declared as valid the rejection of the deduction taken by the Entity in the year 2007.

On August 17, 2018 the Entity filed a protection lawsuit with the Circuit Appeals Court in Mexico City against the verdict declaring the partial nullity of the tax liability originated from the rejection of the deduction taken by the Entity in the year 2007.

The Entity is currently waiting for the final verdict to be issued by the Circuit Appeals Court in Mexico City, México.

Furthermore, the Entity has a surety that was offered and accepted by the authorities on February 7, 2018 through official notice 400-73-02-05-2017-16444 dated December 13, 2017, issued by the General Collections Administration.

In official notice 211-2/20913-JC/2018, related to docket number 211.115.11(8331)"2018"/316/3 dated December 6, 2018, the Commission concluded the penalty procedure initiated as a result of the on-site visit made to Crédito Real in 2017, by levying the minimum fine, with the Entity paying MX $72.47 thousands on January 10, 2019.

According to Management and its outside legal advisors, there is a remote possibility that an unpaid tax liability will be confirmed.

22. Earnings per share

The amounts used to determine diluted earnings per share were as follows:

	Income		Number of shares	Mexican pesos per share	
2018					
Net income attributable to common stock	$	1,955,358	392,219,424	$	4.99
2017					
Net income attributable to common stock	$	1,661,144	392,219,424	$	4.24
2016					
Net income attributable to common stock	$	1,714,001	392,219,424	$	4.37

23. Memorandum accounts

Memorandum accounts for purposes of presentation required by the Commission in accounting policies are an integral part of the balance sheet, however, the memorandum accounts were only subject of external audit and relate to operations that have a direct bearing on the balance sheet accounts, however, these are not reviewed.

		2018		2017		2016
Credit Commitments	$	354,728	$	300,573	$	452,071
Uncollected interest earned on non-performing portfolio	$	366,701	$	290,276	$	505,852
Unarranged Credit Lines	$	156,023	$	1,999,177	$	1,996,956

24. Comparative table of main asset and liability maturities

Below are the maturity dates of the main assets and liabilities as of December 31, 2018

		Until 6 months		From 6 months to 1 year		From 1 year to 5 years		Total
Cash and cash equivalents	$	575,719	$	–	$	–	$	575,719
Investment in securities		859,307		81,558		–		940,865
Derivative financial instruments		1,028,013		–		–		1,028,013
Loan portfolio, net		7,571,956		6,285,288		21,393,949		35,251,193
Other accounts receivable		5,378,802		–		–		5,378,802
Total assets	$	15,413,797	$	6,366,846	$	21,393,949	$	43,174,592
Notes payable and senior notes	$	(2,327,726)	$	(22,484)	$	(16,132,157)	$	(18,482,367)
Bank loans								
Derivative financial instruments		(2,936,412)		(4,179,609)		(5,048,358)		(12,164,379)
Other accounts payable		(721,315)		–		–		(721,315)
Total liabilities		(5,985,453)		(4,202,093)		(21,180,515)		(31,368,061)
Assets less liabilities	$	9,428,344	$	2,164,753	$	213,434	$	11,806,531

25. Rating (unaudited)

As of December 31, 2018, the ratings assigned to the Entity are as follows:

Rating agency	Short term	Long term	Perspective	Date
Standard & Poor's				
Foreign currency	–	BB+	Stable	November 5, 2018
National issue	mxA-1	mxA+	Stable	November 5 2018
Fitch Ratings				
Foreign currency	B	BB+	Stable	February 16, 2018
Stock certificates	F1(mex)	A+(mex)	Stable	February 16, 2018
Fiduciary stock certificates	–	AAA(mex)	–	September 28, 2018
HR Ratings				
Foreign currency	–	HR BBB-	Stable	July 24 2018
Stock certificates	HR1	HR AA-	Stable	July, 24, 2018
Fiduciary stock certificates	–	HR AAA	–	October 31, 2018

26. Contingencies

As of December 31, 2018, 2018 and 2016, management and its legal, tax and labor internal and external advisers, consider that it has not received any legal claims or has not been subject to lawsuits that arise in the recognition of a contingent liability by the Entity.

27. Commitments

The Entity at December 31 2018, 2017 and 2016, has its own commitments and the operation mentioned in Note 13 "Indebtedness" and Note 14 "Bank Loans and other loans".

28. Subsequent events

On February 7, 2019 the Entity announced the issue of bonds maturing in 2026 (Senior Notes 2026), which are unsecured and cannot be enforced before maturity, for the amount of US $400,000,000. The Senior Notes 2026 pay an annual rate of 9.5%. The Senior Notes 2026 were classified as "BB+" globally by Fitch Ratings and Standard and Poor's. These bonds are not acceptable for transactions in a regulated market of the EEA ("European Economic Area") or any other outside such area.

On February 27, 2019 the Entity contracted two Cross Currency Swap ("CCS") with a notional value of US $150,000,000 for each Derivative to cover exchange rate and interest rate fluctuations in relation to its Senior Notes 2026. The first CCS was contracted with Barclays where a fixed rate of 9.5% will be received, with payment of monthly coupons at a fixed rate of 15.84%; the second CCS was contracted with Goldman Sachs, where a fixed rate of 9.5% will be received, with payment of semiannual coupons at a fixed rate of 15.75%.

On March 11, 2019, the Entity fully repaid, under the terms established, the principal and interest for the long-term debenture issued on July 2, 2015 abroad with ticker symbol "SN2019", for the amount of US $134,853,000 (one hundred thirty-four million eight hundred fifty-three thousand US dollars).

29. Business segment information

Currently, the Entity has one operating segment, the loan portfolio, which represents the Entity's sole strategic business unit. Operating segment information is determined based on the information used by management to assess performance and allocate resources. The following presents information for each business unit determined by Management. In addition, information is presented by products and geographical area.

	2018			
	Mexico	USA	Central America	Total
Payroll loans	$ 24,224,222	$ –	$ 5,045,889	$ 29,270,111
Group loans	70,531	–	–	70,531
Durable goods loans	353,616	–	–	353,616
Small business loans	3,676,684	–	–	3,676,684
Used car loans	917,690	2,030,484	–	2,948,174
Total	$ 29,242,743	$ 2,030,484	$ 5,045,889	$ 36,319,116

	2017			
	Mexico	USA	Central America	Total
Payroll loans	$ 19,307,798	$ –	$ 4,612,722	$ 23,920,520
Group loans	229,991	–	–	229,991
Durable goods loans	224,511	–	–	224,511
Small business loans	1,926,053	–	–	1,926,053
Used car loans	613,563	2,100,400	–	2,713,963
Total	$ 22,301,916	$ 2,100,400	$ 4,612,722	$ 29,015,038

	2016			
	Mexico	USA	Central America	Total
Payroll loans	$ 14,530,433	$ –	$ 4,390,736	$ 18,921,169
Group loans	418,402	–	–	418,402
Durable goods loans				
Small business loans	1,368,462	–	–	1,368,462
Used car loans	460,797	2,317,811	–	2,778,608
Total	$ 17,218,475	$ 2,317,811	$ 4,390,736	$ 23,927,022

The loan portfolio which shows arrears in excess of 90 calendar days, and up to 180 calendar days, at the end of December 2018, 2017 and 2016, was $799,171, $705,811 and $926,315, respectively. By the same token, the joint and several liability of the distributors for overdue loans as of those dates is $181,615, $100,592 and $409,309, respectively, and is presented under other accounts receivable. Accordingly, as of December 31 2018, 2017 and 2016, the overdue loan portfolio was $617,556, $605,219 and $517,006, respectively.

30. New accounting principles

On November 15, 2018, the National Banking and Securities Commission issued, through the Federal Official Gazette, a resolution modifying the Provisions published in the Federal Official Gazette on January 23, 2018. The most important changes in the resolution are outlined below:

– 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 to collect principal and interest", D-1 "Revenues from contracts with customers", D-2 "Costs of contracts with customers" and D-5 "Leases", issued by the Mexican Financial Reporting Standards Board and referred to in paragraph 3 of Treatment A-2 "Application of specific standards" of Annex E will go into effect on January 1, 2020."

As of December 31, 2017, the CINIF has enacted the following NIF and Improvements to the NIF:

Effective January 1, 2019

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

Based on a preliminary assessment of the subsidiaries to which the recognition of NIF–D–5 applies as of January 1, 2019, the Entity will recognize an asset for use right of $470,032, a liability from lease agreements for $467,509, and an effect for guarantee deposits of $2,523, in relation to its lease contracts which fulfill the aforementioned characteristics. The net impact in results for lease expenses and depreciation will decrease by $1534, and interest expense will increase by $8,399. Furthermore, the agreements related to leases shorter than one year and low value assets will continue to be recognized in results as they are accrued.

NIF B–17, *Determination of fair value* – Defines fair value as the exit price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date (in other words, a current value based on an exit price). To determine the fair value the following must be considered: a) The specific asset or liability being valued; b) for a nonmonetary asset, the highest and best use of the asset, and, if the asset is used in combination with other assets or on an independent basis; c) the market in which an orderly transaction would take place for the asset or the liability; and d) the appropriate valuation technique or techniques to determine the fair value, which should maximize the use of relevant observable entry data and minimize non–observable entry data.

NIF C–2, *Investment in financial instruments (FI)* – The main change in this standard is the classification of the FI in which the investment is made. The intention of acquisition and utilization of an investment in an FI is discarded for purposes of determining its classification, and is replaced by the business model concept for the management of investments in FI to procure cash flows, which may be obtaining a contractual return from an FI, from the collection of contractual returns and/or sale or obtaining profits from their purchase and sale, with the aim of classifying the different FI. Furthermore, the investments in FI cannot be reclassified between the different categories (loans and receivables, financial liabilities at fair value and trading), unless the business model changes, which is considered unlikely to occur.

NIF C–3, *Accounts receivable* – The main changes consist of specifying that: a) the accounts receivable based on a contract represent a financial instrument; b) the allowance for bad debts for commercial accounts is recognized from the time the revenue is accrued, based on the expected credit losses; c) the time value of money should be considered as of the initial recognition; consequently, if the effect of the present value of the account receivable is material based on its term, it should be adjusted based on such present value, and d) required disclosures include an analysis of the change between the opening and closing balances of the allowance for bad debts.

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

NIF C–10, *Financial derivatives and hedging relationships* – a) the hedging relationships must be aligned with the risk management strategy so that they qualify as hedging relationships. Otherwise, they would not qualify as such and shall not be recognized as hedging relationships; b) specific measures are eliminated (between 80% and 125% in relation to the effectiveness of the hedged item) to determine whether a hedge is effective and any effectiveness is recognized immediately in results; c) the restriction on being able to establish a hedging relationship for the assets and liabilities valued at fair value was eliminated; d) the hedging relationship is only discontinued if the hedge instrument or the hedged item cease to exist or if the risk management strategy changes, which would be unusual and infrequent; e) the hedging percentage must be rebalanced if there is ineffectiveness, either by increasing or decreasing the hedged item or the hedging instrument; f) any embedded financial derivatives that exist cannot be separated when the host instrument is a financial asset; and g) a net position for revenues and expenses may be designated as a hedged item, as long as such designation reflects the risk management strategy of the entity.

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

NIF C–19, *Financial instruments payable* – Establishes: a) the possibility of valuing, after their initial recognition, certain financial liabilities at fair value, when certain exceptional conditions are fulfilled; b) the valuation of long–term liabilities at their present value at initial recognition, considering their present value when their term exceeds one year or outside normal credit conditions, and c) when a liability is restructured, but the future cash flows to settle the liability are not substantially modified, the costs and commissions disbursed in this process will affect the amount of the liability and will be amortized based on a modified effective interest rate, instead of directly affecting the net income or loss.

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

31. Authorization to issue the consolidated financial statements

Los estados financieros consolidados fueron autorizados para su emisión el 22 de marzo de 2019, por el Director General y Director General Adjunto y de Finanzas de la Entidad, consecuentemente éstos no reflejan los hechos ocurridos después de esa fecha, y están sujetos a la aprobación de la Asamblea Anual Ordinaria de Accionistas de la Entidad, quien puede decidir su modificación de acuerdo con lo dispuesto en la Ley General de Sociedades Mercantiles. Los estados financieros adjuntos al 31 de diciembre de 2017 fueron aprobados en Asamblea General Ordinaria de Accionistas celebrada el 24 de abril de 2018.

INVESTOR INFORMATION

102-1, 102-3, 102-5, 102-53

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