GRUPO ELEKTRA, S. A. B. DE C. V.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020
AND INDEPENDENT AUDITORS' REPORT

Grupo Elektra, S. A. B. de C. V. and subsidiaries

Consolidated financial statements as of December 31, 2021 and 2020 and independent auditors' report

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INDEPENDENT AUDITORS' REPORT

To the Stockholders meeting of
Grupo Elektra, S. A. B. de C. V. and subsidiaries

(Thousands of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Grupo Elektra, S. A. B. de C. V. and subsidiaries (the "Company") which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Elektra, S. A. B. de C. V. and subsidiaries, as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of this report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Mexican Institute of Public Accountants, A. C. and we have fulfilled the other ethical responsibilities in accordance with such code. We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is matter that, according to our professional judgment, has been more significant in our audit of the consolidated financial statements of the current year. This issue has been addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion on them, and we do not express a separate opinion on this matter.

Allowance for credit risks

As of December 31, 2021, for the qualification, constitution and accounting record of the allowance for credit risks, the Company applied internal methodologies authorized by the National Banking and Securities Commission (CNBV), as well as the classification and qualification rules of the credit portfolio, established by the CNBV based on the type of credit that comprises it, be they consumer, home mortgage or commercial, which consists of a allowance methodology under a risk-based approach, by determining the probability of default, the severity of the loss, as well as the exposure at the time of default.

The audit procedures for verifying the appropriate valuation and classification of the portfolio and addressing the risk of the effectiveness of key controls included:

a) Tests of the design and operating efficiency of the relevant controls, including, among other things, those applied to information technology security and the source of information of data from the systems that the Company has for managing and determining allowances for credit risks.

b) Through selective tests, we evaluate the key input data, such as loan amount, credit history and days in arrears, among others, as well as the recalculation of formulas of internal methodologies and those established by the CNBV.

c) Reconciliation of the information generated automatically by the systems of the distinct operating systems involved in the allowance for loan loss process against the accounting records.

d) We reviewed the adequate presentation and disclosure of the allowance for loan losses in the consolidated financial statements and their notes.

Other information "Other information than the consolidated financial statements and corresponding audit report"

Management is responsible for the other information. The other information consists of the information included in the annual report to the Mexican Stock Exchange (Bolsa Mexicana de Valores or "BMV", for it's acronym in Spanish) and the Institutional Stock Exchange (Bolsa Institucional de Valores "BIVA", for it's acronym in Spanish), but it neither includes the consolidated financial statements nor our corresponding audit report. We expect to have the other information after the date of this audit report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of conclusion that provides a degree of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read and consider the other information that we identified above and when we have it available, and upon doing it, consider if there is any material incongruence between the other information and the consolidated financial statements or the knowledge obtained by us in the audit or if it seems that there is a material misstatement in the other information due to another reason.

When we read and considered the annual BMV and BIVA reports, if we conclude that it contains a material misstatement in this other information, we are bound to report it to those responsible for the governance of the Company.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 ISA 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

- We also provide those in charge of the Company's governance with a statement that we have met the relevant ethical requirements in connection with independence, and communicated all relationships and other matters to them that can be reasonably expected to influence our independence and, if applicable, the corresponding guarantees.

- Among the matters that have been the subject of communication with those responsible for the Company's governance, we determine those that have been most significant in the audit of the consolidated financial statements of the current period and which are, therefore, the key audit matters. We describe those matters in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be reported in our report because it can reasonably be expected that the adverse consequences thereof would exceed the benefits of public interest.

These consolidated financial statements have been translated into English solely for the convenience of readers of this language. In all cases, where there are any disagreements between the English and Spanish versions, the Spanish version shall be considered authoritative and controlling.

CASTILLO MIRANDA Y COMPAÑÍA, S. C.

C.P.C. Carlos Enrique Chárraga Sánchez

Mexico City,
March 30, 2022

Grupo Elektra, S. A. B. de C. V. and subsidiaries
(Note 1)

Consolidated statements of financial position
December 31, 2021 and 2020
(Thousands of Mexican pesos)

	Note	2021	2020
Assets			
Current			
Cash and cash equivalents	2.9 and 5	$ 38,563,087	$ 37,659,384
Investments in securities	2.11 and 6	104,080,879	89,141,313
Debtors from repurchase agreements	2.12 and 7	1,976,162	900,109
		144,620,128	127,700,806
Loan portfolio, net	2.13 and 8	69,966,812	63,583,826
Financial derivative instruments	2.15 and 9	283,461	476,853
Senior notes service reserve	20-b	761,124	-
Related parties	10	170,110	562,258
Other accounts receivable	2.16 and 11	19,941,882	17,519,934
Inventories	2.17 and 12	18,368,832	14,323,834
Prepayments	2.18 and 13	6,707,672	5,218,241
Assets held for sale		74,525	334,038
		260,894,546	229,719,790
Assets			
Non-current			
Investments in securities	2.11 and 6	27,431,684	26,987,401
Loan portfolio, net	2.13 and 8	55,617,620	44,824,907
Financial derivative instruments	2.15 and 9	32,204,679	24,888,819
Related parties	10	191,420	191,420
Property, plant and equipment, net	2.19 and 14	15,058,810	15,234,384
Investment properties	2.21 and 15	119,082	125,568
Right-of-use assets	2.20 and 29	11,220,322	10,198,705
Intangible assets	2.22 and 16	9,642,162	7,587,029
Investment in non financial assets	6	6,419,795	6,514,478
Investment in associates	2.2-b and 17	2,267,147	1,710,695
Deferred income tax	2.30 and 23	1,230,751	1,437,600
Other non financial assets		1,395,945	1,302,733
		162,799,417	141,003,739
Total assets		$ 423,693,963	$ 370,723,529

Grupo Elektra, S. A. B. de C. V. and subsidiaries
(Note 1)

Consolidated statements of financial position (continued)
December 31, 2021 and 2020
(Thousands of Mexican pesos)

	Note	2021	2020
Liabilities			
Current with financial cost			
Demand and term deposits	2.25 and 19	$ 184,897,903	$ 172,627,078
Creditors from repurchase agreements	2.12 and 7	36,270,828	21,813,635
Bank loans and other loans	2.26 and 20	14,464,050	10,839,621
Lease liabilities	2.20 and 29	2,474,113	2,017,562
		238,106,894	207,297,896
Current without financial cost			
Suppliers	2.27	6,692,496	6,071,426
Other accounts payable	2.28 and 21	24,144,532	20,258,637
Provisions	2.29 and 22	5,282,646	4,339,914
Provision for income tax	23 y 31	3,475,943	-
Related parties		385,733	444,094
Financial derivative instruments	2.15 and 9	225,953	688,675
Deferred credits		277,718	288,834
Liabilities attributable to assets held for sale		227,436	363,581
		40,712,457	32,455,161
		278,819,351	239,753,057
Non-current liabilities			
Bank loans and other loans	2.26 and 20	18,128,749	14,275,152
Leases	2.20 and 29	9,809,595	9,081,469
Financial derivative instruments	2.15 and 9	402,450	377,493
Provisions	2.29 and 22	58,491	55,623
Other financial liabilities		216,275	222,105
Income tax	23	1,297,204	1,689,749
Deferred income tax	2.30 and 23	6,153,562	8,484,988
Employee benefits	2.31 and 24	2,381,025	2,164,190
Deferred credits		972,764	974,711
		39,420,115	37,325,480
Total liabilities		318,239,466	277,078,537
Stockholders' equity			
Capital stock	25	566,024	566,024
Additional paid-in capital		4,747,878	3,547,255
Retained earnings		91,061,869	82,622,411
Reserve for repurchase of shares	25-b and d	198,333	151,498
Other comprehensive items		8,877,664	6,755,015
Total controlling equity		105,451,768	93,642,203
Total non controlling equity		2,729	2,789
Total stockholders' equity		105,454,497	93,644,992
Total liabilities and stockholders' equity		$ 423,693,963	$ 370,723,529

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

Grupo Elektra, S. A. B. de C. V. and subsidiaries
(Note 1)

Consolidated statements of comprehensive income
For the years ended December 31, 2021 and 2020
(Thousands of Mexican pesos except for the figures of income per share)

	Note	2021	2020
Revenue	2.33 and 26	$ 146,018,753	$ 120,507,134
Costs	27	69,178,707	59,748,608
Gross profit		76,840,046	60,758,526
General expenses	27	54,824,904	50,946,089
Depreciation and amortization		8,445,601	8,187,044
Other incomes, net	28	(98,856)	(431,693)
		63,171,649	58,701,440
Profit from operations		13,668,397	2,057,086
Comprehensive financial results:			
Interest income on financial assets		865,255	975,079
Interest expense on financial liabilities		(3,725,437)	(3,559,242)
Foreign exchange profit, net		292,016	1,696,199
Financial derivate instruments	9	6,987,091	(2,186,728)
Profit (loss) on investments		196,212	(458,820)
		4,615,137	(3,533,512)
Profit (loss) before results from associated companies		18,283,534	(1,476,426)
Equity in the net profit of Comunicaciones Avanzadas, S. A. de C. V. and other associated companies	17	304,338	(295,787)
Profit (loss) before income tax		18,587,872	(1,772,213)
Income tax	23	(5,512,589)	1,070,622
Profit (loss) before discontinued operations		13,075,283	(701,591)
Loss from discontinued operations	18	(131,519)	(1,211,997)
Profit (loss) for the year		12,943,764	(1,913,588)
Other comprehensive income			
Exchange gains arising on translation of foreign operations in subsidiaries		896,077	1,591,964
Equity in other comprehensive results of associated companies		(4,236)	(90,579)
Titles valuation available for sale		30,970	(7,089)
Cash flow hedges		667,397	(511,662)
Actuarial gains on labor obligations	24	145,305	(488,440)
Others		(17,605)	705
		1,717,908	494,899
Total comprehensive income (loss)		$ 14,661,672	$ (1,418,689)
Profit (loss) for the year attributable to:			
Non-controlling interest		$ (46)	$ 111
Controlling interest		12,943,810	(1,913,699)
		$ 12,943,764	$ (1,913,588)
Total comprehensive income (loss) attributable to:			
Non-controlling interest		$ (14)	$ 343
Controlling interest		14,661,686	(1,419,032)
		$ 14,661,672	$ (1,418,689)
Profit (loss) per share for profit attributable to controlling interest:			
Basic and diluted (Note 2.32)		$ 56.91	$ (8.42)

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

Grupo Elektra, S. A. B. de C. V. and subsidiaries
(Notes 1 and 25)

Consolidated statements of changes in equity
For the years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	Capital stock	Additional paid in capital	Retained earnings	Reserve for repurchase of shares	Accumulative effect of foreign currency translation	Equity in in other comprehensive income of associates	Actuarial (loss) gains recognized in other comprehensive income	Total controlling equity	Total non controlling equity	Total equity
Balances at December 31, 2019	$ 566,024	$ 2,859,287	$ 87,636,223 (*)	$ 472,765	$ 6,681,236	$ (367,226)	$ (53,894)	$ 97,794,415	$ 2,335	$ 97,796,750
Comprehensive (loss) of the year										
Loss for the year			(1,913,699)					(1,913,699)	111	(1,913,588)
Other comprehensive income			-		1,073,918	(90,579)	(488,440)	494,899	343	495,242
			(1,913,699)		1,073,918	(90,579)	(488,440)	(1,418,800)	454	(1,418,346)
Payment of dividends (Note 25-f)			(1,100,113)					(1,100,113)		(1,100,113)
Reserve for repurchase of shares			(2,000,000)	2,000,000				-		-
Sale and repurchase of shares, net		687,968		(2,321,267)				(1,633,299)		(1,633,299)
		687,968	(5,013,812)	(321,267)	1,073,918	(90,579)	(488,440)	(4,152,212)	454	(4,151,758)
Balances at December 31, 2020	566,024	3,547,255	82,622,411 (*)	151,498	7,755,154	(457,805)	(542,334)	93,642,203	2,789	93,644,992
Comprehensive income of the year										
Profit for the year			12,943,810					12,943,810	(46)	12,943,764
Other comprehensive income			(404,741)		1,576,839	(4,236)	550,046	1,717,908	(14)	1,717,894
			12,539,069		1,576,839	(4,236)	550,046	14,661,718	(60)	14,661,658
Payment of dividends (Note 25-f)			(1,099,611)					(1,099,611)		(1,099,611)
Reserve for repurchase of shares			(3,000,000)	3,000,000				-		-
Sale and repurchase of shares, net		1,200,623		(2,953,165)				(1,752,542)		(1,752,542)
		1,200,623	8,439,458	46,835	1,576,839	(4,236)	550,046	11,809,565	(60)	11,809,505
Balances at December 31, 2021	$ 566,024	$ 4,747,878	$ 91,061,869 (*)	$ 198,333	$ 9,331,993	$ (462,041)	$ 7,712	$ 105,451,768	$ 2,729	$ 105,454,497

(*) Includes $ 159,981 from the legal reserve as of December 31, 2021 and 2020.

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

Grupo Elektra, S. A. B. de C. V. and subsidiaries
(Note 1)

Consolidated statements of cash flows
For the years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	2021	2020
Operating activities		
Profit (loss) before income tax	$ 18,587,872	$ (1,772,213)
Items related to income not affecting resources:		
Allowance for credit risks	13,423,953	17,054,805
Net cost for the period of employee benefits	197,395	227,823
Other items not realized	492,988	184,240
Items related to investment and financial activities:		
Valuation of financial derivative instruments	(6,987,091)	2,186,728
Depreciation and amortization	8,445,601	8,187,044
Impairment loss of assets	60,491	70,234
Equity in the net profit of associated companies	(304,338)	295,787
(Profit) loss the disposal non current assets	(905,363)	235,823
Interest earned	(865,255)	(975,079)
Interest paid	3,725,437	3,559,242
Other financial results	(488,228)	(1,237,379)
	35,383,462	28,017,055
Increase in loan portfolio	(30,599,651)	(26,299,017)
Increase in inventories	(4,044,998)	(3,231,144)
Increase in other accounts receivable and other assets	(804,305)	(7,215,793)
increase (decrease) in suppliers	621,070	(813,246)
Increase in other liabilities	28,184,718	30,767,237
Discontinued operations	-	(870,991)
Paid income tax	(3,920,286)	(2,131,890)
Net cash flows from operating activities	24,820,010	18,222,211
Investing activities		
Payments for property, furniture and equipment	(5,509,226)	(5,322,424)
Payments for intangibles	(1,752,594)	(583,592)
Investment in associates	(252,024)	-
Business layout	-	(639,468)
Sale of property, plant and equipment	1,150,000	578,653
Interest collected	516,631	747,283
Temporary investments	(15,971,674)	6,788,674
Net cash flows from investing activities	(21,818,887)	1,569,126
Excess in cash to be applied in financing activities	3,001,123	19,791,337
Financing activities		
Additional paid in capital	1,200,623	687,968
Repurchase of shares	(2,953,165)	(2,321,267)
Proceeds from debt	19,885,045	5,811,927
Payments of debt	(12,436,565)	(5,102,401)
Interests paid	(2,570,360)	(2,653,936)
Payments of lease liabilities	(4,123,387)	(3,468,301)
Dividends paid	(1,099,611)	(1,100,113)
Net cash flows from financing activities	(2,097,420)	(8,146,123)
Net increase in cash and cash equivalents	903,703	11,645,214
Cash and cash equivalents at beginning of year	37,659,384	26,014,170
Cash and cash equivalents at end of the year (Note 5)	$ 38,563,087	$ 37,659,384

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

1. Activity of the Company

Grupo Elektra, S. A. B. de C. V. ("Grupo Elektra") is a Mexican entity, which through its subsidiaries has operations in Mexico, the United States of America (USA) and Central America.

Grupo Elektra is a leading specialty retailer and provider of financial services in Mexico and Central America, focusing mainly on the middle and low-income economic sector of the population (the C+, C, C- y D+ socio-economic levels in Mexico). In addition, Grupo Elektra has operations in USA, where it is a leading provider of non-bank cash advance services.

The main activities of Grupo Elektra and its subsidiaries (hereinafter "the Company or Group Elektra"), are:

- Specialized trade (retailer of goods and services, money transfers);

- Banking and credit services (receive deposits, accept and grant loans and credits, raise funds from the public, make investments in securities, enter into repurchase agreements, issue bank bonds, issue subordinated debentures and carry out other multiple banking operations).

- Other financial services (short-term cash advances in the USA ("payday loans"), insurance and reinsurance services in accident and illness operations, in the trade of personal accidents and medical expenses; insurance, coinsurance and reinsurance services in damage operations, in the trade of civil liability and professional risks, maritime and transportation, fire, automobiles, miscellaneous, earthquake and other catastrophic risks; pension and retirement funds management; and brokerage services).

The aforementioned activities are conducted through more than 6,279 points of sales in Mexico, USA, and Central América. The main points of contact are Elektra, Salinas y Rocha stores and branches of Banco Azteca and Purpose Financial (formerly Advance America).

The common shares of Grupo Elektra (ELEKTRA*) are listed in the Mexican Stock Exchange (BMV for its acronym in Spanish) and Latibex, an international stock dedicated to Latin American Shares in Euros, regulated by the current laws of the Spanish Stock Exchange.

Headquarters are located in: Av. Ferrocarril de Río Frío N° 419-CJ, Col. Fraccionamiento Industrial del Moral, Delegación Iztapalapa, C.P. 09010, Mexico City.

These consolidated financial statements have been translated into English solely for the convenience of readers of this language. In all cases, where there are any disagreements between the English and Spanish versions, the Spanish version shall be considered authoritative and controlling.

The Company, to conduct its financial activities, has the following authorizations and is regulated for the following authorities:

Subsidiary	Type of authorization	Regulatory entity
Banco Azteca, S. A., Institución de Banca Múltiple (Banco Azteca)	Banking operations in the manner and terms established in the Mexican Credit Institutions Law.	Mexican National Banking and Securities Commission (CNBV, for its acronym in Spanish) and the Mexican Central Bank (Banxico, for its acronym in Spanish).

Subsidiary	Type of authorization	Regulatory entity
Afore Azteca, S. A. de C. V.	Management of retirement and pension funds through specialized investment companies called Siefores.	Mexican National Commission for the Retirement Funds (CONSAR, for its acronym in Spanish).
Seguros Azteca, S. A. de C. V.	Life, accident and illness, and damage insurance and reinsurance operations.	Mexican National Commission of Insurance and Bonding (CNSF, for its acronym in Spanish).
Seguros Azteca Daños, S. A. de C. V.	Damage insurance and reinsurance operations.	CNSF
Banco Azteca (Panamá), S. A.	Banking operations	Panama Bank Superintendence
Banco Azteca de Honduras, S. A.	Banking operations	National Commission on Banking and Insurance of Honduras
Banco Azteca de Guatemala, S. A.	Banking operations	Monetary Council of Guatemala
Punto Casa de Bolsa, S. A. de C. V.	Trading operations	CNBV
Purpose Financial, Inc. (formerly Advance America, Cash Advance Centers, Inc.)	Short-term cash advances ("Payday loans")	Several state regulators in the USA.

Relevant events:

a. Outsourcing Law

In accordance with the reform that regulates outsourcing contained in the presidential decree published in the Mexican Official Gazette on April 23, 2021, the Company made the adjustments required to meet the obligation of request and obtain the records with the Ministry of Labor and Social Security for those subsidiaries that render specialized services or execute specialized works.

Specific measures that implied the migration of collaborators who provide specialized services to the subsidiaries of the Company categorized as specialized were carried out in this framework, as well as collaborators that formed part of the predominant economic activity of the subsidiaries, by formalizing the hiring of personnel and granting corresponding the benefits of the Law in effect. In addition, regulatory compliance of the new dispositions with suppliers that render specialized services were archived.

b. Impact of the COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of SARS-CoV2 (COVID-19) to be a pandemic. Subsequently, on March 30, 2020, the Federal Government of Mexico declared a sanitary emergency and announced the implementation of various protective measures, including the suspension of all non-essential activities, as well as voluntary confinement. Similar local measures were implemented in various states and in Mexico City beginning as of that date.

As of the issue date of the financial statements, the Company has growth rates that place it below pre-pandemic levels, with inflation data above the target of the Central Bank. Interest rates are expected to rise in the near future; therefore, the impact on the results of Grupo Elektra in the long-term, both directly and indirectly, through repercussions on customers, counterparties, suppliers, and other interested parties, will depend, among other things, on the duration of the COVID-19 pandemic, compliance with the vaccination plan, the appearance of variants that can lead authorities to retake protection measures, such as the suspension of non-essential activities and confinement.

The Mexican commercial sector in general has been considerably affected by confinement measures imposed as a response to the COVID-19 pandemic, and retailers that do not have a mature strategy for their digital channels were affected the most. The COVID-19 spurred growth of e-commerce, which partially offset the impact of COVID-19 in the commercial and financial performance of Grupo Elektra, given the investment in the onmi-channel strategy and in digital channels started up by Grupo Elektra more than four years ago.

On the other hand, Grupo Elektra continues to take various measures at its contact points to protect customers and employees from exposure to COVID-19. Each point of contact has implemented certain restrictions or requirements for customers, among other things, such as the following:

- Obligatory use of masks;
- Disinfecting customers' hands with products containing alcohol before entering the point of contact;
- Taking body temperature;
- Sanitizing shoes with special mats at the entrance of the point of contact;
- Limit in total occupation, among other things.

c. On March 2020, an important borrower of Banco Azteca filed bankruptcy proceedings (Chapter 11) in the US.

In spite of the customer's solid business plan, the unstable economic climate on financial markets on that date prevented them from gaining access to previously committed sources of financing.

Due to this situation, the Company prudentially decided to provide for 100% of the amount of the credit, which gave rise to a charge amounting to $ 5,589 million in income for the first quarter of 2020 (the net deferred tax effect amounts to $ 4,052 million). For the closing off the second quarter of 2020, Banco Azteca eliminated the credit discussed amounting to $ 7,120 million from its assets, thereby writing off the unpaid balance of the credit against the allowance for loan losses.

Banco Azteca received a contribution for future capital increases in the amount of $ 7,277 million from Grupo Elektra at the closing of the first quarter 2020. This measure preserved the solid financial position of the bank, which will seek to enforce its rights through legal procedures in due time and proper form.

2. Basis of preparation and summary of significant accounting policies

a. Basis of preparation and measurement

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB).

b. Use of estimates

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

c. Functional and reporting currency

The reporting currency of the consolidated financial statements of the Company is the Mexican peso. Since the Company maintains investments in subsidiaries abroad, the items included in the financial statements of each one of the entities comprising Grupo Elektra are measured in the currency of the primary economic environment where each entity operates, that is, its "functional currency". The Company is exposed to a foreign currency translation risk.

d. Main accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to the previous year presented in this consolidated financial statements, unless otherwise stated.

2.1 Accounting changes

The new International Financial Reporting Standards, Interpretations and amendmends current and adopted on January 1, 2021

The new Standards that have been adopted in the consolidated financial statements for the year ended December 31, 2021, but have not had a significant effect on the Company:

COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16)

Effective as of June 1, 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- The reduction in lease payments that affects only payments originally due on or before June 30, 2021; and

- There are no substantive changes to other terms and conditions of the lease.

Rental concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means that the lessee does not assess whether the rental concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

New IFRS and interpretations issued not in force

The following amendments are effective for the period beginning January 1, 2022:

- Onerous contracts. Cost of fulfilling a contract (amendments to IAS 37);
- Property, Plant and Equipment. Proceeds before intended use (amendments to IAS 36);
- Annual improvements to IFRS standards 2018-2020 - (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to conceptual framework (amendments to IFRS 3); and
- Interest rate benchmark reform – IBOR "phase 2" (Amendments to IFRS 9, IAS 39 and IFRS 7); and

The following amendments are effective for the period beginning January 1, 2023:

- Disclosure of accounting policies (amendments to IAS 1 and IFRS practice statement 2);
- Definition of accounting estimates (amendments to IAS 8); and
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period. The amendments also clarify that "settlement" includes the transfer of cash, goods, services or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023.

IFRS 17 Insurance contracts

IFRS 17 was issued by the IASB on May 18, 2018, and it is effective for periods that start from January 1, 2023, with comparative amounts required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on the date on which IFRS 17 is applied for the first time.

IFRS 17 is a new, complete accounting standard for insurance contracts that covers the recognition and the measurement, presentation, and disclosure. Once it becomes effective, IFRS 17 will replace IFRS 4 "Insurance Contracts that was issued in 2005. IFRS 17 is applied to all types of contracts (that is, life insurance, non-life insurance, direct insurance, and reinsurance), irrespective of the type of entities that issue them, as well as certain guarantees and financial instruments with discretionary participation characteristics. Some scope exceptions will be applied. The general objective of IFRS 17 is to provide an accounting model from insurance contracts that is more useful and coherent for insurance companies. Unlike the requirements of IFRS 4, which are based mainly on prior local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts that cover all relevant accounting aspects. The core of IFRS 17 is the general model, complemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the assigned premium approach) mainly for short-term contracts.

The Company is in the process of evaluating the financial effects arising from adopting these new and modified standards and interpretations.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of Grupo Elektra and its subsidiaries together with the equity in the net results of associates and joint ventures. The results of subsidiaries sold or acquired are included in the statement of comprehensive income to, or from the date on which control is transferred.

a. Subsidiaries

A subsidiary is an entity controlled, directly or indirectly, by Grupo Elektra. Control is effective if, and only if, the following criteria is met:

- Power over the subsidiary
- Exposure or rights, to variable returns from its involvement with the subsidiary.
- The ability to use its power over the subsidiary to affect the amount of the Company's returns.

For the purposes of consolidation, accounting policies of subsidiaries have been aligned to ensure consistency with the policies adopted by Group Elektra.

When Group Elektra ceases to have control, any retained interest in the entity is re-measured at its fair value at the date when control is lost; the change in carrying amount is recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Balances and transactions between the companies have been eliminated in consolidation.

The main subsidiaries of Grupo Elektra are the following:

Company	Percentage of equity (%)	Activity
Banco Azteca, S. A. Institución de Banca Múltiple, a Mexican entity (Banco Azteca)	100%	Banking and credit services
Banco Azteca de Guatemala, S. A., a Guatemalan entity	100%	Banking and credit services
Banco Azteca de Honduras, S. A., a Honduran entity	100%	Banking and credit services
Banco Azteca (Panamá), S. A., a Panamanian entity	100%	Banking and credit services
Seguros Azteca, S. A. de C. V., a Mexican entity (SAZ)	100%	Life insurance operations
Nueva Elektra del Milenio, S. A. de C. V., a Mexican entity (Elektra)	100%	Retail
Salinas y Rocha, S. A. de C. V., a Mexican entity (SyR)	100%	Retail
Comercializadora de Motocicletas de Calidad, S. A. de C. V., a Mexican entity (CMC)	100%	Sales of motorcycles
Intra Mexicana, S. A. de C. V., a Mexican entity	100%	Money transfers services
Afore Azteca, S. A. de C. V., a Mexican entity (AAZ)	100%	Pension and retirement funds
Seguros Azteca Daños, S. A. de C. V., a Mexican entity (SAZ)	100%	Damage insurance
Punto Casa de Bolsa, S. A. de C. V., a Mexican entity	100%	Brokerage firm
Purpose Financial, Inc., an American entity (PF)	100%	Short-term cash advances

b. Associates

Associates are all entities over which the Company has significant influence but not control, that is, the faculty to just only participate in decisions of the financial and operating policies. It is presumed that significant influence exists if the Company possess directly or indirectly, 20% or more of the voting power in the associate, unless it can be clearly demonstrated that there is no such influence.

Investments in associates are initially recognized at cost and are subsequently accounted for using the equity method. The Company's investment in associates includes goodwill identified at time of purchase.

The Company's share of profits or losses after acquisition is recognized in the statement of comprehensive income, except when the losses exceed the Company's investment in the associate.

If there is objective evidence that the investment in an associate is impaired, the carrying amount of the investment is subject to impairment tests, by comparing the recoverable amount and the carrying value of the investment, which is recognized together with the participation in the results of associates

The main associate company of Grupo Elektra is the following:

Company	Percentage of equity (%)	Activity
Comunicaciones Avanzadas, S. A. de C. V., a Mexican entity (CASA)	39.77%	Holding company

c. Business acquisition

When there is a business acquisition fair value is attributed to the net assets, including identifiable intangible assets and acquired contingent liabilities, fair values must reflect the current conditions as of the acquisition date. The costs related with the acquisition are generally recognized as they are incurred.

When the acquisition cost exceeds the fair value attributable to the Company's share in the net assets acquired and assumed liabilities, the difference is treated as goodwill.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively.

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based payments" at the acquisition date.

- Non-current acquired assets (or investments to be disposed) that are classified as held for sale at the acquisition date will be measured in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations".

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity, and the contingent consideration classified as an asset or liability must be measured at fair value and any resulting gain or loss must be recognized in the result of the period or in other comprehensive income in accordance with IFRS 9 or IAS 37 "Provisions, contingent liabilities and contingent assets", as applicable.

2.3 Segment information

The condensed financial information regarding business segments operated by the Company, whose operating results are reviewed in decision-making, is presented in Note 30.

2.4 Translation of foreign currency

According to the IAS 21 "The effects of changes in foreign exchange rates" ("IAS 21"), Transactions in foreign currencies are recorded at the exchange rates prevailing on the dates on which they are entered into. Assets and liabilities denominated in these currencies are stated in local currency, applying the exchange rates prevailing as of the date of the financial position statement. Differences arising from fluctuations in the exchange rates between the dates on which transactions are entered into and those on which they are settled or valued at the close of the year are applied to the results of the year.

The financial statements of the subsidiary companies abroad maintain a registry currency that matches the functional currency, which served as the base to convert foreign operations to the Company's presentation currency, considering that in these cases there was a non-inflationary environment. The accumulated effect originated by the translation of such financial statements is presented within the stockholders' equity in the accumulative effect of foreign currency translation.

2.5 Financial assets

Financial instruments are contracts that simultaneously give rise to a financial asset in an entity and a financial liability or a capital instrument in another. In the case of the Company, financial instruments correspond to primary instruments, such as cash and cash equivalents, financial instruments at fair value with changes in profit or loss, debt instruments at fair value with changes in other comprehensive income, loan portfolios, other receivables, loans and accounts payable, as well as financial derivatives designated as hedge instruments or not designated as hedging instruments.

I. Financial assets:

Financial assets are classified in the initial recognition as measured at amortized cost, fair value with changes in other comprehensive income, and fair value with changes in profit or loss.

The classification of financial assets in the initial recognition depends on the characteristics of the contractual cash flow of the financial asset, and the business model of the Company for managing them. The Company initially measures a financial asset at its fair value plus transaction costs, in the event that a financial asset should not be at fair value with changes in profit or loss. Trade accounts receivable that do not contain a significant financing component or on which the Company has applied a practical solution, that is, it is permitted not to adjust any possible financial component to the transaction price determined, according to IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value with changes in other comprehensive income, it must give rise to cash flows that are "only payments on principal and interest (SPPI) on the amount of the remaining principal. This evaluation is known as the SPPI test, and it is performed at an instrument level.

The business model of the Company for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines if cash flows will be derived from the collection of contractual cash flows, the sale of financial assets or both.

Purchases or sales of financial assets that require assets to be delivered within a period of time set forth by regulation or convention on the market (regular operations) are recognized on the trading date, that is, the date on which the Company commits itself to buy or sell the asset.

II. Financial liabilities:

Financial liabilities are classified in the initial recognition at fair value with changes in profit or loss, loans and credits, accounts payable, or as derivatives designated as hedge instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at their fair value, and loans and credits are recognized, net of directly attributable transaction costs.

The financial liabilities of the Company include financial obligations such as loans, lines of credit, demand deposits, repurchase agreements (repos), lease liabilities, trade payables, derivative financial instruments and other accounts payable.

a. Classification, recognition and valuation of financial assets

For purposes of subsequent measurements, financial assets are classified in four categories:

(i) Financial assets at amortized cost
(ii) Financial assets at fair value with changes in other comprehensive income and accumulated deficits to income (debt instruments)
(iii) Financial assets at fair value with changes in other comprehensive income without reclassification of accumulated profits and losses after derecognition in accounts (Equity instruments)
(iv) Financial instruments at fair value with changes in profit or loss

Financial assets at amortized cost

This category is the most relevant for the Company. The Company measures financial assets at amortized cost if it meets the two following conditions:

- The financial asset is held in a business model intended to hold financial assets in order to collecting contractual cash flows; and

- The contractual terms of the financial assets five rise to cash flows on specific dates that are only payments of principal and interest on the amount of the unpaid principal.

Financial assets at amortized cost are subsequently measured at amortized cost, by using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized in accounts, modified, or becomes impaired.

The financial assets of the Company at amortized cost include investments in securities, receivables under repurchase agreements (repos), loan portfolio, and other receivables.

Financial assets at fair value with changes in other comprehensive income (debt instruments)

The Company measures debt instruments at fair value with changes in other comprehensive income if the two following conditions are met:

- The financial asset is held in a business model intended to hold it in order to collect contractual cash flows and/or sell it; and

- The contractual terms of the financial assets five rise to cash flows on specific dates that are only payments of principal and interest on the amount of the unpaid principal.

For debt instruments at fair value with changes in other comprehensive income, interest income, exchange revaluation (an increase in the price of the local currency in connection with a foreign currency under a fixed exchange rate), and impairment losses or their reversals (in reference to when the allowance for expected credit losses is reversed) are recognized in profit or loss and calculated in the same way as financial assets measured at amortized cost. Changes in the remaining fair value are recognized in other comprehensive income. After derecognition in accounts, the change in accumulated fair value recognized in other comprehensive income is reclassified to income.

The Company's debt instruments at fair value with changes in other comprehensive income include investments in listed debt instruments included in investments in securities.

Financial assets designated at fair value with changes in other comprehensive income (Equity instruments)

After initial recognition, the Company can choose to classify irrevocably its investments in equity instruments as equity instruments designated at fair value with changes in other comprehensive when they comply with the definition of equity, according to IAS 32, "Financial Instruments: Presentation", and they are not held for trading. The classification is determined instrument by instrument.

Gains and losses in these financial assets are never reclassified to income. Dividends are recognized as other revenues in profit or loss when the right of payment has been established, except when the Company benefits from such revenues such as a recovery of a part of the cost of the financial asset, in which case, those gains are recorded in other comprehensive income. Equity instruments designated at fair value with changes in other comprehensive income are not subject to an impairment evaluation.

The Company chose not to classify its instruments in equity instruments in this category.

Financial instruments at fair value with changes in profit or loss

Financial assets at fair value with changes in profit or loss include financial assets held for trading, financial assets designated at fair value in the initial recognition with changes in profit or loss or financial assets mandatorily required to be measured at their fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling them or repurchasing them in the short-term. Derivatives including separate embedded derivatives are also classified as held for trading (that is, derivatives contracted for speculative purposes), unless they are designated as effective hedge instruments. Financial assets with cash flows that are not only payments of principal and interest are classified and measured at fair value with changes in profit or loss, irrespective of the business model. Without prejudice to the criteria for which debt instruments are classified at amortized cost or at fair value with changes in other comprehensive income, as described above, debt instruments can be designated at fair value with changes in profit or loss in the initial recognition, if it eliminates or significantly reduces an accounting symmetry upon doing so.

These financial assets are recorded in the financial position statement at their fair value with net changes in the fair value recognized in profit or loss.

This category includes derivative instruments and investments in listed equity instruments that the Company has not irrevocably chosen to classify at fair value with changes in other comprehensive income, as well as debt instruments at fair value are required to be at fair value with changes in profit or loss, due to their business model. Dividends from investments in listed equity instruments are also recognized as other revenues in profit or loss when the right of payment has been established.

b. Classification, recognition, and measurement of financial liabilities

For purposes of subsequent measurement, financial liabilities are classified in two categories:

(i) Financial instruments at fair value with changes in profit or loss
(ii) Financial liabilities at amortizade cost

Financial liabilities at fair value with changes in profit or loss

Financial liabilities at fair value with changes in profit or loss include financial liabilities held for trading and financial liabilities designated as fair value in the initial recognition with changes in profit or loss.

Financial Liabilities are classified as held for trading if they are incurred for the purpose of repurchasing them in the short-term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedge instruments in the defined hedge instruments defined by IFRS 9. Embedded derivatives are also classified as held for trading, unless they are designated as effective hedge instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Designated financial instruments at fair value in the initial recognition with changes in profit or loss are designated on the initial recognition date, and only if they meet the criteria of IFRS 9. The Company has not designated any financial liability at fair value with changes in profit or loss.

Financial liabilities at amortized cost

This is the category most relevant for the Company. After the initial recognition, loans and credits that accrue interest are measured subsequently at amortized cost, by using the effective interest rate method. The amortization process of the effective interest rate is recognized in profit or loss, as well as when liabilities are derecognized in accounts.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are a comprehensive part of the effective interest rate. Amortization of the effective interest rate is included as financial expenses in the statement of operations.

III. Retirement of financial assets and liabilities

Financial assets:

A financial asset (or when applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Company has transferred the rights to receive the cash flows of the asset or assumed the obligation to pay the total cash flows received immediately from a third party under a transfer agreement, and (iii) the Company has substantially transferred all the risks and benefits of the asset, or has neither transferred nor substantially retained all the risks and benefits of the asset, if it has transferred its control.

Financial liabilities:

A liability is derecognized off when the obligation is extinguished, cancelled, or expires.

2.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated financial position statement when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.7 Impairment of financial assets

The Company recognizes an allowance for expected credit losses on all financial instruments, which are not measured at fair value through profit or loss. The expected credit loss for financial assets is estimated as the difference between the present value of the sum of contractual cash flows and the sum of cash flows that the Company expects to receive, discounted at the original effective interest rate. Those losses are recognized in profit or loss in the period in which impairment occurs. Recoveries or previously recognized losses are recorded in profit or loss in the period in which impairment no longer exists or is reduced.

Expected credit losses ("ECL")

ECL for the next 12 months. If the credit risk of an asset at the reporting date has not increased significantly since its initial recognition, then the allowance will be considered as the ECL in the next 12 months. These losses are associated with instruments classified as normal risk.

ECL for the lifetime of the instrument. They are derived from potential events of nonperformance that are estimated to occur during the lifetime of the instruments. The contractual term is the maximum period considered for measuring expected credit losses. In the case of financial instruments with an undefined expiration period, for example, credit cards, the expected life is determined through a quantitative analysis to define the period in which the entity is exposed to the credit risk. The effectiveness is also considered of the procedures carried out by management to mitigate that exposure.

The Company classifies its financial instrument at amortized cost or fair value through other comprehensive income, subject to impairment tests in one of the following categories:

Normal risk (stage 1). It includes all instruments that do not meet all the requirements to be classified in the rest of the categories.

Significant risk (stage 2). It includes all instruments which, without meeting the criteria to be classified as uncollectible accounts or with a risk of default, have experienced a significant increase in the credit risk since their initial recognition.

By evaluating if the credit risk in a financial instrument has increased significantly since the initial recognition, the Company compares the risk that default may occur at the reporting date with the risk of default at the date of initial recognition. Upon realizing this evaluation, the Company considers both quantitative and qualitative information that is reasonable and supported, including historical experience and prospective information that is available at no cost or disproportionate effort for the Company. The prospective information considered includes future perspectives of the industries in which the Company's debtors operate, obtained from reports of economic experts, financial analysts, government agencies, groups of experts, and other similar organizations, as well as the consideration of various external sources of real and projected economic Information that is related to the central operations of the Company.

In particular, the following information is taken into account by evaluating if the credit risk has increased significantly since the initial recognition:

Existing or expected significant impairment in the external or internal (if any) rating of the financial instrument;

Significant impairment on external market indicators for a specific financial instrument, for example, a significant increase in the credit spread, credit default swap for the debtor swap, or the time period or the scope at which the fair value of a financial asset is lower than its amortized cost;

Existing or expected adverse changes in economic, financial or business conditions that are expected to cause a significant decrease in the ability of the debtor to meet its debt obligation;

Current or expected significant impairment in the operating income of the debtor;

Significant increases in the credit risk in other financial instruments of the same debtor;

An existing or expected adverse change in economic, financial or technological conditions of the debtor that result in a significant decrease in the ability of the debtor to meet its obligation.

Irrespective of the result of the above evaluation, IFRS 9 irrefutably assumes that the credit risk of a financial asset has increased significantly since the initial recognition when contractual payments have a due date of more than 30 days, unless the Company has reasonable, reliable information that evidences the contrary.

The Company regularly monitors the effectiveness of the criteria used to identify if there has been a significant increase in the credit risk and reviews them as appropriate to be assured that such criteria are able to identify a significant increase in the credit risk before the amount has become due and payable.

If the Company has measured the provision for losses for a financial instrument in an amount equal to the lifetime of the expected credit loss in the reporting period, but it determines that the conditions for estimating the expected credit loss for the remaining lifetime of the credit at the valuation date (for example: the risk level is reduced with regard to what is defined for the significant increase), the Company can estimate the expected loss at 12 months at the reporting date, except for assets on which the simplified approach was used, since all losses are measured for the remaining lifetime of the operation under this approach.

Risk of nonperformance (stage 3). A financial asset has credit impairment when one or more events have occurred that have an adverse impact on the estimated future cash flows of that financial asset.

ECL measurement and recognition.

In order to measure ECLs, the portfolio is segmented into homogeneous risk groups that share characteristics within the group. Credit risk characteristics for grouping the instruments are, among other things, the type of instrument, industry, geographic area, type of guarantee, credit rating, date of recognition, remaining time, and any other relevant factor for estimating future cash flows.

By using expected loss experience for estimating expected losses, it is important to apply the information about the loss rates to groups that are defined consistently with the groups for which historical loss rates have been observed.

In addition, historical information must be adjusted so that it reflects current conditions and its forecast of future conditions that do not affect the period on which historical information is based, and eliminate the effects of the conditions in the historical period that are not relevant for future contractual cash flows.

Thus, each one of these segments obtains its own allowance for estimated loss that is calculated based on the parameters of default probability, severity of the loss (that is, the magnitude of the loss given a default) and exposure to the default. The estimate of the probability of default and severity of the loss is based on historical information adjusted by prospective information (forward-looking).

- The probability of default is a key parameter for building the expected impairment loss model. The probability of default is seen as the estimate of how probable a default is given a time frame. The calculation includes historical data, assumptions and expected future conditions.

- The severity of the loss is the estimated losses once that default has occurred. It is based on the differences between contractual cash flows at the time of the default and those flows that are expected to be received taking into consideration the cash flows for guarantees and improved credit.

- The exposure to default for financial assets is estimated as the gross carrying value on the date of the report. Committed credit line contract exposure includes the amount used on the date of the report, together with the additional amount which is expected to use in the future in case of default. It is determined based on the historical trend, the understanding of the company of the specific financial needs of debtors and other relevant future information.

- Discount rate is the rate used to discount the expected loss at present value of the reporting date, by using the effective interest rate.

The Company performs retrospective tests to evaluate the reasonableness of the collective estimate. On the other hand, the methodology requires that ECLs be estimated considering possible scenarios, insofar as the expected credit loss is required to be a weighted, unbiased probability that it is determined pursuant to the evaluation of a range of possible results. An entity does not need to identify all scenarios. However, it must consider the risk that a credit loss may occur, by reflecting the probability that it may or may not occur, though the probability may be very low, always taking into account the value of money in time, as well as all the relevant available information of prior events, current conditions, and forecasts of the evolution of macroeconomic factors that are shown as relevant for the estimation of this amount: for example, the GDP, unemployment rate, interest rates, etc.

For the estimate of parameters used in the estimate of impairment, the Company bases its experience on internally developed models in the regulatory area, as well as for management purposes, by adopting the developments of these models under IFRS 9.

The Company applies a simplified for the calculation of the ECLs of trade accounts receivable therefore, it does not follow changes in credit risk. Instead, it recognizes an ECL for the total lifetime of the credit at each reporting date. The Company has established a matrix of provisions based on its historical credit loss experience, adjusted by future specific factors of customers and the economic environment.

The Company recognizes an impairment loss in gain or loss of all financial instruments with a corresponding adjustment to their carrying value through a provision account for losses, except investments in debt instruments that are measured at fair value through other comprehensive income. Toward that end the provision for losses is recognized in other comprehensive income and the investment revaluation reserve and it does not reduce the carrying amount of the financial asset in the financial position statement.

2.8 Derivative financial instruments and hedge accounting

The Company participates in a variety of derivative financial instruments to manage its interest rate and exchange rate exposure, such as futures, forwards, options and interest rate swaps, and cross currency swaps. Additional details of derivative financial instruments are disclosed in Note 9.

Derivatives are initially recognized at fair value at the date on which the derivative contract is entered into, and they are subsequently measured at their fair value again at the end of each reporting date. The resulting gain or loss is immediately recognized in profit or loss, unless the derivative is designated and is effective as a hedging instrument. In that case, the time of recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset, whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements, unless the Company has the legal right, as well as the intent to offset. A derivative is presented as a noncurrent asset or a noncurrent liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or liquidated within 12 months. Other derivatives are presented as a current assets or current liabilities.

Hedge policies set forth that those derivative financial instruments that do not qualify to be treated as hedges be classified as instruments held for trading purposes; therefore, changes in fair value are recognized immediately in profit or loss.

The Company has chosen to adopt the hedge accounting model of the Standard IFRS 9. This requires that the Company assure that the hedge accounting relationships are aligned with its objectives and risk management strategy, and that it apply a more qualitative, forward-looking approach for evaluating hedge efficiency.

The policies include the formal documentation of all the transactions between hedge instruments and positions hedged, management's risk objectives, and the strategies to carry out hedge transactions. Derivatives designated as hedges recognize changes in fair value, as follows:

Fair value hedges

The change in fair value of designated hedge instruments is recognized in profit or loss, except when the hedge instrument hedges a designated equity instrument at fair value through other comprehensive income. In that case, it is recognized in other comprehensive income.

The carrying amount of a hedged item that has not been measured at fair value yet is adjusted by the change in fair value attributable to the risk hedged with a corresponding journal entry in profit or loss. When hedge gains or losses are recognized in profit or loss, they are recognized on the same line as the hedged item.

The Company interrupts hedge accounting only when the hedge relationship (or part thereof) no longer meets the designation criteria (after rebalancing, if appropriate). This includes the cases in which the hedge instrument expires or is sold, is cancelled or is exercised. The suspension is recorded prospectively in the accounting. The adjustment of fair value to the carrying value of the hedged item derived from the hedged risk is amortized in profit or loss as of that date.

Cash flow hedges

The effective part of the changes in fair value of derivatives and other designated hedge instruments that are designated and qualify as cash flow hedges are recognized in other comprehensive income, and they are accumulated in the item of the cash flow hedge reserve, limited to the accumulated change in fair value of the hedged item since the inception of the hedge. The gain or loss related to the ineffective portion is recognized immediately in profit or loss, and it is included in the line item of "other gains and losses".

The amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to gain or loss in the periods in which the hedged item affects the gain or loss on the same line as the recognized hedged item. However, when a hedged forecasted transaction gives rise to the recognition of a non-financial asset or a non-financial liability, losses or gains previously recognizing them in other comprehensive income and accrued in stockholders' equity are transferred and included in the initial measurement of the cost of the non-financial asset or the non-financial liability. This transfer does not affect other comprehensive income. In addition, if the Company expects part or the total accumulated loss in the cash flow hedge reserve will not be recovered in the future, that amount will be immediately reclassified to profit or loss.

The Company interrupts hedge accounting only when the hedge relationship (or part thereof) no longer meets the designation criteria (after rebalancing, if appropriate). This includes the cases in which the hedge instrument expires or is sold, is cancelled or is exercised. The suspension is recorded prospectively in the accounting. Any gain or loss recognized in other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and it is reclassified to profit or loss when the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the accumulated gain or loss in the cash flow hedge reserve is immediately reclassified to profit or loss.

Requirements to comply with hedge accounting

The Company designates certain derivatives as hedge instruments to deal with the foreign currency risk and interest rate risk, by establishing fair value hedge relationships or cash flow hedge relationships. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the item hedged, together with their risk management objectives and strategy to carry out various hedge transactions. In addition, at the inception of the hedge, the Company continuously documents if the hedge instrument is effective to offset the changes in fair value or cash flows of the hedged item attributable to the hedged risk, which is when hedge relationships meet all the following hedge effectiveness requirements:

- There is an economic relationship between the hedge instrument and the hedged item;

- The effect of credit risk does not dominate the value of the changes resulting from the economic relationship; and

- The hedge ratio of the hedge relationships is the same that results from the amount of the hedged item that the Company actually hedges and the amount of the hedged instrument that the Company really uses to hedge that amount of the hedged item.

If a hedge relationship no longer meets the hedge effectiveness requirement related to the hedge relationship, but the risk management objective for that designated hedge relationship continues to be the same, the Company adjusts the hedge relationship of the hedge relationship (that is, it rebalances the hedge) in order for it to meet the designation criteria again.

The Company only designates the intrinsic value of the options contracts as a hedged element, that is, by excluding the time value of the option. Changes in the fair value of the aligned time value of the option are recognized in other comprehensive income, and they are accumulated in the cost of the hedge reserve. If the hedged item is related to the transaction, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is related to the time period, then the amount accumulated in the cost of the hedge reserve is reclassified to profit or loss rationally. The Company applies the amortization on a straight-line. Those reclassified amounts are recognized in profit or loss on the same line as the hedged item. If the hedged item is a non-financial item, the amount accumulated in the cost of the hedge reserve is eliminated from equity, and it is included in the initial carrying amount of the recognized non-financial item. In addition, if the Company expects that part or the total accumulated loss in the cost of the hedge reserve will not be recovered in the future, that amount will be immediately reclassified to profit or loss.

2.9 Cash and cash equivalents

Cash and cash equivalents are valued at their nominal value, which include: (i) cash, (ii) readily realizable deposits and temporary investments in Mexican pesos and in other currencies held at banks and other financial institutions in Mexico and abroad, (iii) the amount of short-term interbank loans known as "call money", provided they do not exceed three days, (iv) deposits from monetary regulations issued by Banxico and local banking authorities from Central and South America, and (v) the commitments of purchase and sale of currency forward transactions to be settled within 24 and 48 hours. These assets are subject to an insignificant risk of changes in fair value, and are used by the Company in the management of short-term commitments.

2.10 Restricted cash

Restricted cash includes: (i) monetary regulation deposits granted as a guaranty to Banxico, Central Banks of Central and South America and certain regulatory entities in the USA; (ii) interbank loans, known as "call money"; and (iii) currencies and collaterals granted for derivative transactions.

2.11 Investments in securities

Investments in securities and other contracts that give rise to a financial asset or liability are recognized in accordance with the business model as follows:

a. Financial instruments at amortized cost

   Securities at amortized cost are those securities held for collecting contractual cash flows, which give rise to cash flows on certain dates, which are only payments of principal and interest on the amount of the unpaid principal, which are initially recorded at their acquisition cost, and are subsequently measured by using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

b. Financial instruments at fair value with changes in other comprehensive income (debt instruments)

   They are the instruments that hold a business model to collect contractual cash flows and/or sell them, and the contractual terms give rise to cash flows on certain dates that are only payments of principal and interest on the amount of the unpaid principal.

   For debt instruments at fair value with changes in other comprehensive income, interest income, exchange fluctuation and impairment losses or their reversals, are recognized in the income statement and calculated as the financial assets measured at amortized cost. Changes in the remaining fair value are recognized in other comprehensive income. After they are derecognized, the fair value recognized in other comprehensive income is reclassified to profit or loss.

c. Financial instruments designated at fair value with changes in other comprehensive income (equity instruments)

After initial recognition, the Company can choose to classify irrevocably its equity instruments investments as equity instruments designated at fair value with changes in other comprehensive income and they are not held for trading. The classification is determined instrument by instrument.

Gains and losses in these financial instruments are never reclassified as profit or loss. Dividends are recognized as other revenues in profit or loss when the right of payment has been established, except when the Company benefits from such revenues as a recovery of a part of the cost of the financial asset, in which case, those gains are recorded in other comprehensive income. Equity instruments designated at fair value with changes in other comprehensive income are not subject to an impairment testing.

The Company does not present equity instruments in this category.

d. Financial instruments measured at fair value with changes in profit or loss

Financial assets at fair value with changes in profit or loss include instruments held for trading, (acquired for selling or buyback purposes in the short-term), designated in the initial recognition at fair value with changes in profit or loss or mandatorily required to be measured at fair value. Financial instruments with cash flows that are not only payments of principal and interest are classified and measured at fair value with changes in profit or loss. Without prejudice to the criteria for which debt instruments are classified at amortized cost or at fair value with changes in other comprehensive income, as described above, debt instruments can be designated at fair value with changes in profit or loss in the initial recognition.

These financial instruments are recorded in the financial position statement at their fair value with net changes in the fair value recognized in profir or loss.

This category includes investments in listed equity instruments that the Company has not irrevocably chosen to classify at fair value with changes in other comprehensive income, as well as debt instruments at fair value are required to be at fair value with changes in profit or loss, due to their business model. Dividends from investments in listed equity instruments are also recognized as other revenues in profit or loss when the right of payment has been established.

2.12 Repurchase transactions

For legal purposes these are considered a sale where a repurchase agreement is established for the financial assets transferred. The recognition is made on the basis of the economic substance of these transactions, which is a financing with collateral, in which the buyer delivers cash as financing in exchange for the obtainment of financial assets that can be used as a guaranty in the event of default.

Acting as seller, the cash inflow is recognized, as well as an account payable, initially measured at the agreed price, and it represents the obligation to return the cash to the buyer. The liability is subsequently measured at its amortized cost through the recognition of the interest in the consolidated statement of comprehensive income as it is accrued.

In the case that financial assets recorded in the balance sheet been surrendered as collateral, these are classified as restricted assets, following the corresponding rules of valuation. Regarding operations for which collateral is delivered, these are controlled in memorandum accounts under the caption of the collaterals received, sold or delivered.

As purchaser, the cash outflow is recognized by recording an account receivable, initially measured at the agreed price, which represents the right to recover the delivered amount. Subsequently, it is measured at amortized cost, through the recognition of the interest from repurchase operations in the consolidated statement of comprehensive income as it is accrued.

Financial assets received as collateral are recognized in memorandum accounts in the item of collateral received by the Company, by following the standards relative to custody operations.

2.13 Loan portfolio

The balance of the loan portfolio is represented in the consolidated financial position statement by the amounts actually granted to borrowers, plus any uncollected accrued interest, less any interest collected in advance and the allowance for credit risks.

Lending is based on an analysis of the debtors' ability to pay, in conformity with established credit analysis corporate policies, and based on information provided by the debtor and statistics of its credit history, which are documented in the "Institutional Credit Manual" approved by the Board of Directors.

Loans are considered past due for their total unpaid balance, when interest or installment payments are not received within the terms shown below:

- Loans with a single payment of principal and interest upon maturity, 30 days or more after maturity.

- Loans with a single payment of principal at due date and periodic interest payments, 90 days or more after maturity of interest payment date or 30 days or more after maturity of the payment of principal.

- Loans with installments on the principal and interest, 90 days or more after maturity.

- Revolving loans, if there are two monthly billing periods, or 60 or more days past due.

- Mortgage loans, when principal and interest payments are 90 days or more past due.

Loan portfolio write-offs will be realized in accordance with the provisions of the write-off Manual and Deductibility of Bad Loans, and the internal portfolio rating methodology.

The portfolio write-off process (write-off) is carried out by credit, which considers the consumer loan portfolio, mortgage loan portfolio, and commercial loan portfolio. Toward this end, the entity periodically (monthly) evaluates if a nonperforming loan must remain on the balance sheet or be written off.

The book portfolio write-off policy defines that loans to be written off must be provided for at 100%. The book write-off of loans will be carried out by writing off the balance of the loan against the allowance for loan losses. When the balance of the loan to be written off exceeds that balance of its allowance, the allowance must be increased up to the amount of the difference before carrying out the write-off. The loans cannot be written off if the missing allowance is not created.

In the cases in which there is evidence that a borrower may not comply with his payments and the Bank decides to write it off, it will have to refer to the above paragraph:

In accordance with the guidelines established by Company Management, loans should be provided for at 100%, in accordance with the following classification:

- Non-revolving consumer loans billed weekly or group credits when the loan is in default 36 or more weeks.

- Non-revolving consumer loans billed every fifteen days when the loan shows 20 defaulted payments or more at the date of the rating.

- Non-revolving consumer loans billed monthly or at the maturity, when the loan shows 10 defaulted payments or more at the date of the rating.

- Credit card consumer credits and other revolving credit when the credit shows 10 or more payment defaults in consecutive periods.

- Mortgage loans when the loan shows 48 or more defaults observed at the date when allowances for loan losses are calculated.

- Commercial loan portfolio when the loan reports 18 or more months of default in the payment of the amount due in the original terms agreed upon.

Collection procedures will continue after the loan is written off in the accounting. Any recovery is allocated to other income, and it is accrued for purposes of the Income Tax Law.

With respect to the credit lines that Bank Azteca has granted in which the amount has not been totally exercised, the unused part is maintained in memorandum accounts as "loan commitments".

Regarding the cash advances granted by PF in the USA, each new client must present certain personal information. Such information is uploaded into the PF information system, or the third party who grants the loan (when applicable). The identification, earnings or employment proof, bank account statements are corroborated, and it is determined if the cash advance is approved, as well as the amount of the loan, based on the client's income.

The Company do not make credit check through credit verifying agencies in the USA but use eligibility assessment models that use attributes to detect frauds jointly with the information presented by the client, in order to take proper decisions regarding new clients and to reduce the fraudulent loan rate. This helps PF to comply with the standards denominated "Fair Lending and Equal Credit Opportunity" in the USA.

2.14 Allowance for credit risks

Based on what is indicated in Note 2.7. Impairment of financial assets, the Company follows the following methodology:

A methodology was developed on which the determination of the amount of impairment of the loan portfolio under an expected loss model, in accordance with the requirements and guidelines set forth in IFRS 9, which adheres to the best international practices, which give continuity to the internal model currently implemented in Banco Azteca, which gives greater strength to the allowances.

The standard IFRS 9 prescribes a three stage model for recognizing credit default, based on changes in the quality of the credit since its initial recognition.

Stage 1

Stage 1 includes financial instruments that have not had an increase in the credit risk since the initial recognition or that have had a low credit risk on the date of analysis. ECLs at 12 months ("ECL12m") are recognized for these assets where interest is calculated on the gross carrying value of the asset. The ECL12m are the expected credit losses that are the result of the events by defect that are possible within 12 months after the date of presentation of the financial statements.

Stage 2

Stage 2 includes financial instruments that have had a significant increase in the credit risk since their initial recognition (unless they have a low credit risk on the date of presentation), but they do not have objective impairment Indicators ("OII"). The lifetime expected credit loss ("LECL") is recognized for these assets, but interest income is still calculated on the gross carrying value of the asset. LECLs are expected credit losses that result from all possible credit events during the expected lifetime of the financial instrument. ECLs are the weighted average credit losses with the probability of default (PD) as the weighting factor.

Obtaining the PD is based on the historical analysis of defaults of operations at different due date terms, in order to obtain an accumulated default curve.

Once accumulated default curves are built, the marginal default curve is then estimated which corresponds to the probability of unconditional default in the exact period with regard to the due date. Thus, the marginal PD can be obtained from each one of the future cash flows of a credit.

Stage 3

Stage 3 includes financial assets that have ECL (>= 90 days) on the date of presentation. The LECL is recognized and interest is calculated on the net carrying value (that is, net of the credit allowance) for these assets.

The methodology of the current allowance model is applied to credits in Stage 3. A 100% probability of default is contemplated in this case, and an allowance is created for the amount exposed pursuant to the Severity of the Loss obtained.

2.15 Transactions with financial derivative instruments

a. Derivatives for trading purposes

   With regard to trading operations, the objective is to take advantage of the possibilities of arbitration that arise on the main financial markets within the authorized global risk limits.

   All derivatives are recognized in the consolidated financial position statement as assets or liabilities, depending on the rights or obligations that they contain, initially at fair value, which corresponds to the agreed upon price of the transaction. They are subsequently recognized at fair value, and the effect of valuation is recognized in profit or loss.

b. Derivatives for hedging purposes

   As regards the transactions for hedging purposes, see what is indicated in Note 2.8.

2.16 Other receivables

The Company recognizes as other receivables the collection rights arising from services rendered in the ordinary course of business. If the collection is expected to realize in a year or less are classified as short-term, otherwise presented as noncurrent assets.

The amounts corresponding to other receivables that are not recovered within 90 days subsequent to their initial journal entry, they are provided for with a charge to income for the year, irrespective of the possibility of recovering them, except those relative to recoverable tax balances and creditable value added tax.

2.17 Inventories

Inventories are initially recognized at cost and subsequently, whichever is the lower of cost and net realizable value using the weighted average cost formula. Cost comprises all costs of purchase, assembly and other costs incurred in bringing the inventories to their present location and condition.

2.18 Prepayments

They are represented by the face value of various advances for services, rents, advertising, tax advances, among others.

2.19 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation as well as impairment losses. The cost includes the purchase price and the direct cost attributable to the acquisition of the asset.

Subsequent costs, which represents a capacity increase and hence an extension of the useful life of the goods, are also capitalized. All other repair and maintenance costs are recognized in the statement of comprehensive income in the period they are incurred.

Land is not depreciated. The depreciation on assets under construction does not start but until they are completed and are available for use. The depreciation is registered in all the other property, plant and equipment items, with the purpose of cancelling its value in books during its economic useful life and it is calculated by the straight line method over the initial monthly balances. See Note 14.

When significant parts of a property, plant and equipment element have different useful life, these are registered as separated component, and its depreciation is also calculated separately.

The useful life of all the property, plant and equipment elements are reviewed and are adjusted if necessary at the end of each period.

The Company periodically evaluates the recovery value of its property, plant and equipment to determine the existence of any indication that those values exceed its recovery value. If it is determined that the book values are excessive the Company records the necessary estimates to reduce them to their recovery value.

2.20 Leases

In order to conduct its operations, the Company leases commercial premises, which involve payment of rent previously established or determined (fixed rents), or as a percentage of each store's monthly sales (variable rents). Up to December 31, 2018, rent payments were expensed by using the straight-line method, during the corresponding lease period.

Beginning January 1, 2019, leases are recognized as a right-of-use asset and a lease liability on the the date on which the leased asset is available to be used by the Company.

Assets and liabilities arising from a lease are initially measured on the basis of present value.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed lease payments), less lease incentives receivable;
- variable lease payments based on an index or a rate, initially measured by using he index or rate on the date of inception;
- amounts that are expected to be paid by the company as a guarantee of scrap value;
- the exercise price of a call option if the company were reasonably certain of exercising that option; and
- the payment of penalties for rescinding the lease agreement if the lease period considers that the company would exercise that option.

Lease payments considered low with reasonable certainty of exercising extension options would also be included in the measurement of the liability.

Lease payments are discounted by using the discount rate of the implicit interest rate in the lease.

In the determination of the implicit interest rate in real property lease agreements, the Company:

- Uses rates based on market benchmarks for comparable asset, arising from debt issues that have been made by various Investment Trusts and Real Estate ("FIBRAs" or "REITS") recently on the mexican market.
- FIBRAs were selected with properties for commercial use, offices and mixed-use properties, with current public debt instruments, in pesos and with a validity similar to that of lease agreements.
- A market yield curve demanded by investors is constructed for real estate assets in periods ranging from 3 u to 10 years.

- Finally, a premium is added by size. The lessor base is medium-sized companies on the average.
- The same methodology is used in the determination of foreign rates, but based on REITs issued in the U.S., plus the corresponding country risk (EMBIG, Div. of JP Morgan).

The Company is exposed to possible future increases in variable lease payments, based on an index or rate, which are not included in the lease liability until those increases go into effect.

When adjustments to lease payments based on an index or rate go into effect, the lease liability is reevaluated and the right-of-use asset is adjusted.

Lease payments are allocated between the principal and the financial cost. The financial cost is charged to income during the lease period to generate a constant periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, which is comprised of the following:

- the amount of the initial measurement of the lease liability;
- any lease payment made on or before the inception date, less any lease incentive received;
- any direct initial cost; and
- restoration costs

Right-of-use assets are generally depreciated on a straight-line basis during the shortest period existing between the useful life of the asset and the lease term. In the event that the Company should be reasonably certain of exercising a call option, the right-of-use asset is depreciated during the useful life of the underlying asset.

Payments associated with short-term leases and all leases of right-of-use assets are recognized on a straight-line as an expense in profit or loss.

- Short-term leases are leases with a lease period of 12 months or less.
- Low value assets consist of small office furniture items.

Variable payments. Some local leases contain variable payment terms that are linked to sales generated at a point of sale. Lease payments for certain points of sale up to 100% are based on variable payment terms. Variable payment terms are used for various reasons, including the minimization of the base of fixed costs for recently established stores. Variable lease payments that depend on sales are recognized in the period in which the condition takes place that gives rise to those payments.

Extension option and termination in the determination of the lease period. The Company considers all the events and circumstances that give rise to an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options will only be included in the termination of the lease agreement if it is considered to be reasonably certain that the lease agreement will be extended (or it will not be terminated).

As of December 31, 2020, the Company has not executed scrap value guarantees in connection with the leases of equipment.

2.21 Investment properties

The investment properties are those that the Company has to obtain rents, and are recognized as assets whenever it is probable that the future economic benefits associated with such properties flow towards the company and its cost can be measured in a reliable manner.

Investment properties are initially recorded at their acquisition cost, which comprises its purchase price and any disbursement directly attributable, and subsequently through the cost model, which includes the cost less the accrued depreciation and any impairment losses. The depreciation of investment properties is recognized in the results of the period over its estimated useful life using the straight-line method.

The income from rents originating from the investment properties are recognized in the statement of comprehensive position in the line "other income", using the straight line method during the period corresponding to the leasing.

2.22 Goodwill and intangible assets

When the acquisition cost exceeds the fair value attributable to the Company's share in the net assets acquired, the difference is treated as goodwill. The goodwill generated from acquisitions prior to the adoption of the IFRS was measured at its deemed cost.

The intangible assets which are considered to have a limited economic life are amortized in straight line over such lives and are tested for impairment when the events or circumstances indicate that their carrying value cannot be recoverable. The goodwill and the intangible assets that have indefinite economic useful life are not amortized. Such assets are tested for impairment at least annually or when there is an indicator that the assets could be impaired. To assure that the assets are not recorded in excess of their recovery values, the impairment analysis compares the carrying amounts with the recoverable value, being the recoverable value the value in use. The amortization and impairment are charged to the operation results in the statement of comprehensive income.

For business combinations completed prior to January 1, 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

For business combinations completed on or after January 1, 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquired. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through profit or loss. Direct costs of acquisition are recognized immediately as an expense. See Note 16.

2.23 Review of the values of long-lived assets

The Company periodically evaluates the recovery value of its tangible and intangible long-lived assets, including goodwill, to determine the existence of any indication that those values exceed their recoverable value. The recovery value represents the amount of the potential revenues reasonably expected to be obtained as a result of the use of such assets. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If it is determined that the carrying amounts are excessive, the Company records the necessary estimates to reduce them to their recovery value.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

2.24 Non-current assets held for sale

The non-current assets and the group of assets for disposal are classified as held for sale, when the recorded amount will be recoverable mainly through a sale transaction, and this, is highly probable.

Immediately before being classified as held for sale, these assets are measured to the lesser between their carrying amount and their fair value less cost of sales. Once they are classified as held for sale, the non-current assets are no longer depreciated.

2.25 Demand and term deposits

The liabilities for this item consist of demand deposits and term deposits. Demand deposits consist of concentration accounts, savings and investment accounts, while term deposits consist of deposits obtained from the public in general and the money market. These liabilities are recorded at their cost of deposit-taking plus accrued interest, determined on the basis of the number of days elapsed at the end of each month, which is debited to results for the period as they are accrued.

2.26 Bank Credits and other loans

These are initially recognized at fair value net of any operation cost attributable directly to the issuance of the instrument. Liabilities that bear interests are subsequently measured at amortized cost, using the effective interest rate method, which assures that any interest expense during the period up until the complete payment is at a constant rate applied at the balance of the liability registered in the financial position statement. The interest expense includes the initial transaction costs, premiums payable at the time of the amortization, as well as any interest or payable coupon while the liability is outstanding.

2.27 Suppliers

The liability for this concept represents the obligation payment for the goods or services that have been acquired from suppliers during the normal course of the business.

2.28 Other accounts payable

The other commercial accounts payable and other short-term monetary liabilities are initially recognized at a fair value and are recorded later at amortized cost, using the effective interest rate method.

2.29 Provisions

The provisions are recognized when the Company has a current or assumed legal obligation as a result of past events; it is probable that the exit of cash flows being required in order to pay for the obligation; and the amount can be reliably estimated.

2.30 Income tax

Income tax of the period comprises current and deferred tax. The incurred tax, determined on the basis of the tax provisions in force, is recorded in the results for the year to which it is attributable. The deferred income tax is determined based on the assets and liabilities method with comprehensive approach.

The deferred tax assets and liabilities are recognized when the carrying amount of an asset or liability in the financial position statement differs from its tax base. The value of the deferred tax asset or liability is determined using the tax rates that have been made public or are substantively enacted at the date of reporting and that are expected to be applied when the deferred tax assets or liabilities are settled or recovered.

The deferred tax assets or liabilities are compensated when the Company has an enforceable legal right to compensate the current assets and liabilities and the deferred tax assets and liabilities are related with the taxes applied by the same tax authority. Deferred tax assets are recognized only to the extent that it is probable that the tax benefits will be realized.

2.31 Employee benefits

The liabilities derived from benefits granted by the Company to its employees are determined as follows:

a. Liabilities for direct short-term benefits are recognized as they are earned, based on the present salaries, expressed at their nominal value.

b. The retirement benefits under the defined benefits scheme require actuarial assumptions to measure the obligations contracted and the expense corresponding to each period, and also there is the possibility of obtaining actuarial profits or losses. They are measured using the projected unit credit method by considering the present value of the obligation to the date of the statement of consolidated financial position.

2.32 Earnings per share

Basic earning per share are calculated by dividing the controlling interest by the weighted average number of outstanding ordinary shares during the year. The diluted earning per share are determined by adjusting the controlling interest and the common shares under the assumption that there would be the entity's commitments to issue or exchange its own shares. Basic earnings are equal to diluted earning because there are no transactions that may potentially dilute income.

The calculation of basic earnings per share as of December 31, 2021 and 2020 was based on the profit (loss) for the period attributable to controlling participation of $ 12,943,810 and $ (1,913,699), respectively, and a weighted average number of ordinary shares outstanding of 227,454,021 and 227,414,544, respectively.

2.33 Revenue

Interest income

Interest of the loan portfolio is recognized as income when accrued by using the effective interest rate method, whereby interest is distributed and recognized throughout the corresponding period. However, the recognition of interest is suspended at the time when loans are transferred to the nonperforming portfolio.

With respect to uncollected ordinary accrued interest corresponding to loans classified in the past-due portfolio, a doubtful account allowance is created for an amount equivalent to the total amount thereof at the time the loan is reclassified into the past-due portfolio.

Fees on the initial granting of the loan on loans are recorded as a deferred credit and amortized against income, in the item of portfolio interest throughout the duration of the loan.

The commissions for the initial granting of the loan are recorded as a deferred loan and are amortized against results, under interest on the loan portfolio during the life of the loan.

Interests generated due to investments in securities and operations, the returns generated by the disposals as well as the effects of valuation of foreign currency are recognized as interests' revenues as they are earned in profit or loss.

Revenue by goods

Revenues from sales of products are recognized when all the significant risks and benefits inherent to the ownership of the merchandise are transferred to customers, and there is no unsatisfied obligation that can affect the acceptance of the products by the customer. The discounts granted, as well as returns carried out are presented by reducing revenues on this line item.

Internet sales

Revenues on Internet product sales are recognized in the accounting period in which they are considered realized effectively, that is, up to the time at which the risks and benefits are transferred to the customer with the delivery of the product. Since there is a time difference between the time at which the customer makes the payment for the goods and the time at which the product is delivered, revenue recognition is deferred and a contractual liability is recognized in that amount, as well as an adjustment to the cost of sales for merchandise in transit of the delivery to the customer.

Purchase prices agreed upon with the customer are set and charged prior to the delivery of the product. In the event of granting a discount, they are presented by reducing revenues for this item.

Revenue from extended warranty services

At the time of the sale, the Company offers the customer the possibility of extending the warranty period of its products by contracting extended warranty service. At the time of collecting the warranty, the Company recognizes a customer contract liability in the amount of the payment received, which represents the obligation to render repair services or replace the product in the future in the terms of the contract. The purchase price agreed upon with customers is fixed and it does not include future variable considerations. The extended warranty service revenue is recognized during the validity of the warranty (4 and 5 year terms). The customer contract liability is reduced based on revenue recognition. However, in those cases in which the guaranteed product is replaced, the obligation with the customer will be considered as satisfied and, therefore, the total unrecognized revenue at that date is recognized.

Money transfer revenues

Money transfer revenues represent the fees derived from the transfer service of local and international funds rendered to customers through points of sale of the Company and certain authorized distributors.

Fee revenue is recognized in the accounting period in which the service is rendered. Each remittance has a fixed price determined based on the amount remitted by the customer, and it is charged in case at the time at which the service is rendered.

The Company occasionally operates loyalty program in which customers accrue electronic money in a prepaid card for remittances made, which entitles the customer to a discount on future remittances. In these cases, a performance obligation is considered in addition to the original remittance of money, and part of the revenue is allocated thereto in order to recognize it thereafter. Revenues from prepaid cards are recognized when the electronic money is exchanged or when the 12 months expire after the last remittance.

Receipt of various services payments

The Company offers customers the receipt of various service payments, and the company receives a consideration in exchange for this service, which is charged shortly thereafter. This type of revenues is recognized in the accounting period in which the service is rendered and liabilities are recognized with customers in the amount of the service collected per order and account for others.

Income from telephone services

This type of revenues includes services related to telephony (data, sms, and voice), under the OUI trademark, and taken as a whole, they are considered as a unique performance obligation. The amounts of the plans are fixed and recognized during the period of time for which the customer is entitled to receive the benefits of those services or consumes the amount pre-established in each plan, whichever occurs first. The payments corresponding to each one of the plans does not include any telephone equipment, but rather such equipment is acquired by the customer in independent operations of telephony service.

Revenues on motorcycle sales

The Company recognizes revenues on motorcycle sales when control over the goods is transferred to the customer, that is, when the motorcycles are delivered to the customer, and there is no unsatisfied obligation that can affect the acceptance of the products by the customer.

The delivery is effective when the products are sent to a specific location, and the risks of obsolescence and loss are transferred to the customer.

These retail sales are made with volume discounts, based on total sales during a period of time. Revenues from these sales are recognized based on the price set forth in the contract, net of volume discounts, promotions, consideration paid to the customer, and other variable considerations that are estimated through accumulated experience, by recognizing a liability that is expected to be paid to customers and effectively applied when the conditions required by contract have materialized.

A receivable is recognized when the goods are delivered, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Moreover, it does not contain significant financing component, since sales are made with 60 to 90 days of credit terms.

Commissions and fees charged

Fees and tariffs collected other than those relative to granting credit are recognized when the service is rendered or the terms are complied with for its collection.

Account managing fees, fiduciary activities, fund transfers, letters of credit, and others are recognized with the service is rendered, the amounts are fixed and collected only in cash thereafter.

AAZ fee revenues represent fee revenues for services rendered by the Pension Fund Manager (Afore) to workers as manager of their contributions to the fund for their retirement. They are recognized daily when the service is rendered. The amounts are fixed and collected only in cash thereafter.

Revenues from insurance premium and reinsurance premiums

Revenues from casualty operations are recorded based on the premiums corresponding to policies contracted, which are reduced by the reinsurance premiums, net of the reinsurance commission.

Insurance premiums corresponding to such transactions that have not been paid by the insured within the term set forth by the Insurance Law are cancelled, releasing the current risk reserve. In the case of rehabilitations, this reserve is reconstituted starting in the month in wich the effectiveness of such insurance is restored. Premium revenues from life operations are recorded based on receipts issued upon collection, reduced by premiums given for reinsurance.

Rights on insurance policies and surcharges on premiums

Revenues from rights on insurance policies correspond to the recovery of the costs of issuing such policies and are recognized directly as income on the date such policy is issued.

Revenues from premium surcharges correspond to the financing derived from policies with installment payments and are recognized an income as they accrue.

2.34 Cyclical or seasonal behavior

Historically, the demand for the products and services of Grupo Elektra tend to increase in the second and fourth quarters of the year, due to the increase in consumer spending associated with Mothers' Day in Mexico in May, the annual nationwide "Buen Fin" shopping event in November, and the Christmas period. The Financial Purpose business is seasonal. Demand has been the highest in the third and fourth quarters every year, which corresponds to back to school and vacation seasons. The lowest is the first quarter of each year, which corresponds to receiving the income tax refund of customers.

2.35 Reclassifications

The statement of cash flows for the year ended December 31, 2020 includes some reclassifications to make it comparable with the presentation for the year ended December 31, 2021.

3. Critical accounting estimates and judgments

The main accounting estimations, provisions or reserves, which we have identified, are the following:

a. Critical accounting estimates

Allowance for credit risks (impairment of financial assets)

The methodologies to assess credit risk used in connection with each business segments may differ depending from the real collection of existing account receivables derived from changes in the following factors (among others): (i) the performance of each receivable, (ii) the economic conditions of the country of such receivables was granted, (iii) the volatility of interests rates, and (iv) the variations in the exchange rate of the currency in which the credit was granted.

The calculation of the allowance for credit risks is described in Note 2.14. and the related to credit risk in Note 4.

Transactions with financial derivative instruments

The Company entered into transactions with derivative financial instruments, which seek to reduce its exposure of the primary position to adverse movements in interest rates and exchange rates.

There are also trading operations to take advantage of the arbitrage possibilities that arise in the financial markets within the overall authorized global limits risks.

In some instances, there is an observable market that provides the estimated fair value of the financial instruments; in the absence of such a market, the value of the financial instrument is determined through valuation techniques such as the net present value of the cash flows projections or mathematical valuation models.

The estimated fair values of the derivative instruments are supported by confirmations of such values that the Company receives from the counterparties. Notwithstanding the foregoing, a thorough evaluation is required to properly account for the effects of derivative operations in the financial statements.

Inventory valuation

The Company periodically reviews its valuation of inventories to determine that the value of such inventories does not exceed their net realizable value. The main effects on inventory valuation are, among others: (i) technological obsolescence in certain lines, (ii) deterioration over time or its handling, (iii) prices established by the suppliers, (iv) physical conditions on its storage, etc.

Long-lived assets impairment

The Company mainly considers fixed assets, goodwill and intangible assets as long-lived assets. In accordance with the specific accounting standards; the recoverable amount of long-lived assets is estimated at least once a year and compared to their carrying amount.

The recovery value represents the amount of potential net income that is reasonably expected to be derived from the use or realization of said assets. If the discounted values are determined to be excessive, the estimates necessary to reduce them to the salvage value are recorded.

The recoverable amount is estimated in accordance with generally accepted valuation techniques recognized by various associations such as *The American Society of Appraisers and The Institute of Business Appraisers*. Depending on the specific characteristics of each CGU'S, the valuation approach to be used is defined, always giving priority to market inputs.

It is required a significant judgment to appropriately determine the recoverable value. The impairment assessments may be affected, among other factors, by: (i) the estimated future income of our CGU'S, (ii) the variation of our operating costs and expenses, (iii) the national and international economic trends, (iv) the discount rates and (v) the perpetuity growth rates.

Deferred income tax

The calculation of deferred income tax is based on the assets and liabilities method with a comprehensive approach, which consists in applying the corresponding tax rate to all those temporary differences between the carrying amounts and the tax base of the assets and liabilities that are expected to materialize in the future.

Significant management judgment is requiered to estimate: (i) the value of the temporary differences, (ii) the time frame in which such differences will be made, (iii) the future generation of profits against which tax losses could be applied, etc.

Employee benefits

The valuation of employee benefits is carried out by independent experts based on actuarial studies. Among others, the following assumptions are used, wich may have a significant effect: (i) discount rates, (ii) expected increase rate of wages, (iii) expected real growth rates of the fund, and (iv) turnover and mortality rates based on recognized tables.

A change in economic, labor or fiscal conditions could modify the estimates.

b. Critical accounting judgments

   Revenue recognition (See Note 2.33)

   Investments in securities

   Investments in securities and other contracts that give rise to a financial asset or liability are recognized in accordance with the business model as follows:

   a. Financial instruments at amortized cost

      Securities at amortized cost are those securities held for collecting contractual cash flows, which give rise to cash flows on certain dates, which are only payments of principal and interest on the amount of the unpaid principal, which are initially recorded at their acquisition cost, and are subsequently measured by using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

   b. Financial instruments at fair value with changes in other comprehensive income (debt instruments)

      They are the instruments that hold a business model to collect contractual cash flows and/or sell them, and the contractual terms give rise to cash flows on certain dates that are only payments of principal and interest on the amount of the unpaid principal.

      For debt instruments at fair value with changes in other comprehensive income, interest income, exchange fluctuation and impairment losses or their reversals, are recognized in the income statement and calculated as the financial assets measured at amortized cost. Changes in the remaining fair value are recognized in other comprehensive income. After they are derecognized, the fair value recognized in other comprehensive income is reclassified to profit or loss.

c. Financial instruments designated at fair value with changes in other comprehensive income (equity instruments)

After initial recognition, the Company can choose to classify irrevocably its equity instruments investments as equity instruments designated at fair value with changes in other comprehensive income and they are not held for trading. The classification is determined instrument by instrument.

Gains and losses in these financial instruments are never reclassified as profit or loss. Dividends are recognized as other revenues in profit or loss when the right of payment has been established, except when the Company benefits from such revenues as a recovery of a part of the cost of the financial asset, in which case, those gains are recorded in other comprehensive income. Equity instruments designated at fair value with changes in other comprehensive income are not subject to an impairment testing.

The Company does not present equity instruments in this category.

d. Financial instruments measured at fair value with changes in profit or loss

Financial assets at fair value with changes in profit or loss include instruments held for trading, (acquired for selling or buyback purposes in the short-term), designated in the initial recognition at fair value with changes in profit or loss or mandatorily required to be measured at fair value. Financial instruments with cash flows that are not only payments of principal and interest are classified and measured at fair value with changes in profit or loss. Without prejudice to the criteria for which debt instruments are classified at amortized cost or at fair value with changes in other comprehensive income, as described above, debt instruments can be designated at fair value with changes in profit or loss in the initial recognition.

These financial instruments are recorded in the financial position statement at their fair value with net changes in the fair value recognized in profir or loss.

This category includes investments in listed equity instruments that the Company has not irrevocably chosen to classify at fair value with changes in other comprehensive income, as well as debt instruments at fair value are required to be at fair value with changes in profit or loss, due to their business model. Dividends from investments in listed equity instruments are also recognized as other revenues in profit or loss when the right of payment has been established.

4. Financial risk management (non audited)

General Comprehensive Risk Management Process

The Company has adopted carrying out a conservative risk profile as a fundamental premise in its operations, thereby managing its balance sheet and its operation prudently, which seeks making the best use of its patrimony and investment of funds.

The Company has defined the following objectives for efficient performance of the comprehensive Risk Management process:

- Promote the development and application of a Comprehensive Risk Management culture by establishing the guidelines that allow for applying prudential Comprehensive Risk Management policies and procedures efficiently.

- Implement an independent Comprehensive Risk Management Unit (UAIR - for its acronym in Spanish) for managing and executing successfully.

- Set up a clear organizational structure whereby the Comprehensive Risk Management Policy and Procedures manual is disseminated and applied correctly.

- Have solid Comprehensive Risk Management practices, consistent with the prudential criteria set out by national authorities and with the recommendations drawn up in the international environment.

- Implement the necessary elements for identifying, measuring, overseeing, limiting, controlling, reporting, and disclosing the distinct types of quantifiable and unquantifiable risks from a comprehensive perspective, congruent with the institutional mission and with the business strategy set out by the Board of Directors.

- For managing and executing the Risk Management function efficiently, the UAIR has the necessary technological support for operating and generating reports on the distinct types of risks: Credit, Market, Liquidity, and Operational Risks that covers storage, processing and using data that allows for generating quality information.

General risk management seeks to minimize the possible adverse effects on the financial profile of the company and the effects of these risks, by using derivative financial instruments which to hedge risk exposures, The use of financial derivatives is governed by Company policies approved by the Board of Directors, which provide written principles on exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and investment of surplus liquidity.

The criteria, policies, and procedures adopted by the company in risk management matters are based on institutional guidelines and applicable regulations, as well as the best practices drawn up nationally and internationally.

4.1 Risk factors

a. Market risk

The market risk is the potential loss from changes in risk factors that influence on the valuation or over the expected results in the assets and liabilities operations or that cause a contingent liability, interest rates, such as exchange rates, prices index, raw materials, among others.

To cover such risks, the Company uses different derivative financial instruments. The objective of carrying out hedging transactions is to reduce the exposure of primary position (securities, loan portfolio, deposits, debt) in light of adverse market movements in the risk factors. The hedge position must comply with the condition of behaving inversely to the primary position, i.e., increases in the risk factors that translate into losses in value in the primary position, diminishing the risk in a significant manner. It is worth to mention that to cover the primary position derivative instruments are used which operate in stock-exchange and non stock- exchange markets.

The Company has follow-up and control policies for these operations, in order to comply with the best practices. All the hedge operations made with derivative instruments, must be informed to the follow-up, registry, valuation, and supervision areas with the purpose of carrying out internal control functions concerning to each one of them. In the case of the risk management area, it presents the related information of the hedging derivative operations to the different collegiate of the Company, such as the Board of Directors and the Risk Committee. In a proactive way the integral risk management unit monitors the fulfillment of risks limits and reports, in its case, excesses.

Measurement of market risk

The Company measures the market risk with the Value at Risk (VaR) model, considering the following parameters:

Parameters

Method:	Historic simulation
Level of trust:	97.5%
Horizon:	1
Days of history:	253

Additionally, to the analysis of historical scenarios to measure the impact on the global position value with regards to unusual changes in market prices, some tests of stress and sensibility are used. To assess the effectiveness of the methodology used in the estimation of VaR, periodically there are tests of "back testing", and if it is the case, the calculation parameters are redefined.

The risk under historic scenarios in the money market, changes and derivatives position, consists in evaluating the market position considering the historical risk factors (prices, rates, exchange rates, indexes and raw materials) of the last 252 days and obtain the worst loss as a result of such valuations.

Market risk exposure of money market, derivative, and currency portfolios, specifically, that is, the Value at Risk (overnight VaR) represents the maximum loss that the Company could observe (for a determined position or investment portfolio, which is not supposed to change the next day) under normal market situations, with a determined level of probability.

As a measure of hedge effectiveness, a risk reduction ratio (RRR) is used by comparing the VaR of the primary position and the resulting VaR of the offset between the primary position and the derivative instrument. In addition, a retrospective test is performed that consists of comparing the gains/losses of a base period of the primary position and the derivative, based on estimates are market prices of both positions.

As measurement method for the commercial segment, was established the cash flow payable quotient of the primary position and the cash flow receivable from the derivative financial instrument. For the IRS in effect at 2021-year end, it was documented that the characteristics of the derivative are equal to the characteristics of the primary position. It was further determined that it complies with critical terms and the qualitative effectiveness evaluation, since it will always be 100% due to the effectiveness ratio. Moreover, exchange forwards were contracted to hedge certain forecasted transactions in 2021, which do not comply with critical terms. Consequently, the effectiveness of these derivative financial instruments was documented and calculated, pursuant to the Dollar Offset Method hypothetical derivative method which resulted in 100.00%.

The objective is to take advantage of the possibilities of arbitration that arise on the main financial markets within the authorized global risk limits. Just like the rest of trading portfolios, the market risk of the derivatives portfolio is measured by the Value at Risk (VaR), and consumption of that limit is measured daily.

The fair value of the derivatives trading portfolio at the December 2021 closing is not sensitive to variations of market risk factors, since exposure is perfectly neutralized by netting between identical long and short trades of currency forwards, rate swaps, currency options, and rate options.

Transactions with financial derivatives based on the prices of stock certificates (equity swaps), agree to settle differences over an initial reference value. Such settlement is made on the termination date of the agreements, which can be anticipated prior notice to the financial institutions which the financial instruments were contracted. The amount of the settlement corresponds to the open market value of the underlying less the initial value.

The Company is exposed to the inherent risk of the fluctuations in the price of the underlying assets of such financial derivative instruments. The Company reflects these fluctuations in its results through a periodical "mark-to-market" of such instruments. This not necessarily means a favorable or unfavorable cash flow, but until the maturity of them. In order to meet its possible payment obligation upon the termination thereof, the Company establishes a collateral deposit on the date of beginning of each agreement. The fact that it is collateralized means that the amount will be the maximum outflow against would be if the underlying asset had a zero value at the maturity of the instrument, in which case the Company would lose the collateral initially agreed. (See Note 9).

b. Liquidity risk

Is the potential loss due to the impossibility or difficulty of renewing liabilities or being financed by them under normal conditions for the Company, for the advanced or inevitable sale of assets at unusual discounts to face its obligations, or due to the fact that a position cannot be opportunely transferred, acquired or covered through the establishment of an equivalent contrary position.

The income of the commercial business is mainly destined to the payment of suppliers, operating expenses, investments for expansion, and maintenance of the stores and distribution centers. The excess of generated cash flows, are generally invested in governmental securities and/or in bank notes, as well as foreign currency with first class financial institutions, since they are used to face the acquired commitments for the business, according to the agreed payment conditions with each one of them.

On the other hand, the bank's business model is mainly oriented to the bank intermediation through lending consumer loans and to a funding strategy sustained in the traditional deposit. This has allowed that the operation carried out by the Company to be in a prudent manner and without speculations, with the purpose of assuring the efficient allotment of resources towards the credit placement.

The bank's treasury has an investment portfolio with the excess of the deposits, which are invested mainly in high liquidity and low risk governmental instruments. In foreign currency operations, such resources are invested in first class foreign banks and always at short terms, complying with the market and liquidity risk limits as well as the maximum exposure in foreign currency established by the authorities.

The Company has solid liquidity that extensively meets the liquidity regulatory requirements.

The liquidity coverage equation of Banco Azteca was 666% at December 2021 closing, whereas the average at which it placed was 845%, thereby exceeding the institutional limit of 100% and regulatory limit.

Liquidity risk management is realized by following up on daily and monthly indicators, together with the treasury area. In addition to the foregoing, there is an early alert system that is set forth in the contingency financing plan.

Liquidity risk measurement:

The liquidity risk is determined by the marketability level of each one of the instruments that form the position, obtaining a VaR measure adjusted by liquidity, such methodology consists in adding in the market VaR the cost that would represent not to be able to sell the instrument for lack of liquidity in the market.

The liquidity risk model (VaR adjusted for liquidity risk) considers the following:

Marketability	Adjustment factor	Liquidity risk
High	0	0
Medium	1	VaR
Low	3	3*VaR
Null	7	7*VaR

The risk determination under stressful conditions is made by degrading in a level the marketability of the instruments that form the position.

Liquidity risk (liquidity VaR) is determined by adjusting the market VaR by a marketability factor, considering the trading levels of the instrument on the market. This measure estimates potential losses under the assumption that the instrument cannot be sold on the market, or that the selling price is written down by the low trading level.

In connection with the liquidity risk due to expirations of the liabilities related to derivatives trading, the Treasury area plans its liquidity risk and does not leave gaps between its financial assets and liabilities, thereby managing its lines granted effectively. In addition, there is a highly marketable, liquid asset portfolio in the event of any contingency.

c. Credit risk

Credit risk on financial instruments

The credit risk is defined as the potential loss due to a payment default, caused by changes in the ability or intention of the counterparty or the issuer of financial instruments to fulfill their contractual obligations. This loss could mean the non-fulfillment that is known as default or "no payment".

The Company employs expected and unexpected loss measures that indicate potential losses in dealing with the default of the issuer or counterparty with regard to its obligations or payment commitments.

To estimate the risk of credit in financial instruments an assets valuation methodology is used based on Monte Carlo simulation model, which starts from a binomial distribution of these default events to create the different loss scenarios, as well as the probability that these occur.

Credit risk on mortgage credit and commercial portfolio

To measure the risk of mortgage credit and commercial portfolio, BAZ implemented a methodology of assets valuation based on a Monte Carlo simulation model of default, due to its capacity to determine different loss scenarios as well as the probability that these occur based on the most recent quality valuation of its loans.

Credit risk of the consumer portfolio

This is the result of the potential loss for the non-fulfillment of payment for the credits granted to individual people.

The expected loss refers to the risk of credit first element, this depends on the impairment that the portfolio presents on the date of the analysis and it is determined with the quality of each one of the accredited through the qualification.

The rating system used has a functional design of the database that it has for generally describing how non-revolving consumer portfolio information is summarized and processed of the weekly billing of Banco Azteca, in order to obtain Default Probability indicators (PI - for its acronym in Spanish), Severity of the Loss (SP - for its acronym in Spanish), and Expected Loss (PE - for its acronym in Spanish), which will serve to estimate preventive allowances that are appropriate for the Company's risk profile.

The databases and systems used for generating information on the follow-up on originated credits are maintained and updated for validating the information.

Credit risk of the derivatives portfolio

The company estimates the exposure to credit risk for both hedge derivative and trading operations. Toward that end, the Effective Expected Positive Exposure (EEPE) is used, which measures maximum positive market value which, on the average, the derivatives portfolio at a counterparty level could eventually have during the life thereof. Thus, the potential loss that the Company would have in the event of a counterparty default is estimated, assuming that the recovery rate is zero.

Therefore, the Exposure to Default (EAD) is used to monitor the consumption of lines of credit for derivatives at a counterparty level, which is based on the EEPE metric with a one year horizon and a fixed factor $\alpha = 1.4$, established by Basel III.

Framework contracts for derivatives under which the regulated business operates contain close out netting clauses for balance sheet and off-balance sheet positions; therefore, counterparty transactions are netted between positive and negative market positions. Counterparties can trade up to the amount and for the period of the line of credit authorized by the Credit Committee.

On the other hand, the Company has defined that each margin call with its counterparties be carried out in strict adherence with the provisions of the corresponding framework contracts in the process of managing guarantees in its policies for derivative financial instruments trading. This action is carried out through an automated Treasury operation system where all clauses that define the exchange of collateral as the maximum exposure threshold are parameterized; therefore, all exposure that exceeds that threshold and the minimum transfer amount must be covered.

Moreover, the events arising from that action are reported to the operating, control, and risk management areas, based on valuation processes and margin calls, actions to follow in dealing with possible margin call disputes, liquidation of margin calls, settlement of margin calls for delivering as well as receiving guarantees. All of this is documented in operating manuals authorized by the corresponding committees.

The counterparties that trade derivatives are:

Financial institutions
Trusts
Company
States and municipalities

The Company has set out that an entity will be considered to be exposed to adverse correlation risk as an adverse correlation policy ("Wrong Way Risk"), if it is foreseeable that its future exposure will be high when its probability of default is also high.

d. Operating risk

For identifying operating risks, the Company appliesan expert judgment methodology, whereby the person responsible for each business unit as an expert determines the key processes required to meet strategic objectives. With regard to the processes selected, risk factors are identified that threaten meeting the process and line of business objectives, as well as the control measures that have been established for that purpose.

The methodology uses risk matrix and controls that allow for gathering qualitative and descriptive information of both risks and controls, as well as their classification by expected loss risk factor, type of operating risk factor, likelihood of occurrence, and magnitude of impact. These risks are detected and itemized in the relevant process of each process, which facilitates identification of each risk as well as the controls of each business unit.

Two forms of evaluating operating risk are considered for the quantification of risks:

Qualitative Methodology **Ex-ante (Experts judgement)**	**Quantitative Methodology** **Ex-post (Materialized Risks)**
➢ Estimate of risks and possible impacts through the evaluation thereof by the Operating Risk Business Agent. ➢ Reinforcement of control measures.	➢ Recognition of losses by identifying events. ➢ Operating risk measurement through the journal entry of losses caused.

The Company has an advanced methodology for operating risk measurement, which is comprised of two components: on one hand, qualitative methodology whereby operating risk is quantified by considering the frequency, medium impacts, worst case scenario, as well as expected loss, the value at Risk (VaR), the likelihood of occurrence and the economic impact of risks (information obtained from the operating risk business agents of each business unit); on the other hand, the quantitative methodology which generates the operating risk exposure starting with the information gathered in the database of loss events.

Pursuant to the foregoing, the Company comprehensively quantifies the operating risk by inputting the relevant variables on the prospective view of the likelihood of occurrence of the risk and retrospectively with the materialized impacts, that is, not only are operating risks quantified, but quantified risks are quantified as well.

Additionally, Banco Azteca has developed an operating risk methodology theory to establish tolerance levels and appetite for risk, which have the following parameters:

a) Tolerance level

Analysis period: January 2017 to August 2020. (*)
Temporal horizon: Monthly
Analysis Type:

- Elimination of outliers
- Standard deviation scenarios
- Adjustment to a net capital.

Limit: 1.30% of the net capital

b) Appetite for risk

Analysis period: January 2017 to August 2020.
Temporal horizon: Monthly
Analysis Type:

- Elimination of outliers
- Standard deviation scenarios
- Adjustment to a net capital

Limit: 1.00% of the net capital

(*) The model parameter of the last analysis period does not change.

Such methodology considers the historical experience of BAZ accounts of observed losses and penalties/smatterings (by risk type); and has the purpose monitor losses on a monthly basis against defined and approved risk appetite and tolerance levels.

Part of operating risk management is designed to foster ongoing improvement in the main processes of the company, which identifies risks and possible impacts arising from new products and/or services approved by the Risk Committee.

In addition, BAZ has developed an institutional rating for monthly operating risk, which considers qualitative aspects (expert judgment) and quantitative aspects (materialized losses).

The methodological process adopted by BAZ for the management of technological risks is implemented by the IT Audit Area, through the Information Technology (IT) and consists in: the identification of risks, controls assessments, risks reports, risks management and monitoring of controls. This methodology takes two of the most recognized methodologies worldwide as the basis for the IT evaluation: COBIT and ISO27002.

4.1.1 Quantitative Information

The quantitative information as of December 31, 2021, except for the exchange rate, was determined with information from Banco Azteca, main subsidiary of the financial business.

a. Value at risk

Market Risk:

Concept	Value MKT theoric [3]	Value at risk VaR (1 day)	VaR/Value MKT	Con-sumption limit [1]	VaR/Net Capital [2]
Trading securities:					
Unrestricted	$ 48,045,000	$ 16,000	0.03%	6.50%	0.07%
Date value	291,000	-	0.04%	0.04%	0.00%
Restricted repurchase	36,827,000	11,000	0.03%	4.46%	0.04%
Repurchase	(35,465,000)	2,000	0.00%	0.65%	0.01%
Foreign currency values	1,707,000	20,000	1.16%	8.03%	0.08%
Money market	51,405,000	28,350	0.06%	11.49%	0.11%
Exchange and metals	6,483,000	122,000	1.88%	19.78%	0.99%
Derivatives	217,000	9,000	3.95%	2.31%	0.03%
Total	$ 58,105,000	146,490	0.25%	11.87%	0.59%

1 The risk limit for the Money market portfolio and derivatives is 1% of the net capital. For derivatives is the 1.5% of the net capital and for changes and metals the limit is 2.5%.
2 Is the net capital last known at year end.
3 The negotiation derivatives portfolio did not present open positions since its operations are perfectly netted.

(i). Exchange rate

	US dollars (thousand of US dollars) December 31,		Other currencies (thousand of US dollars) December 31,		Total	
	2021	2020	2021	2020	2021	2020
Monetary assets						
Current assets	$ 1,932,208	$ 1,700,616	$ 396,970	$ 390,926	$ 2,329,178	$ 2,091,542
Non-current assets	487,466	567,172	46,483	42,548	533,949	609,720
	2,419,674	2,267,788	443,453	433,474	2,863,127	2,701,262
Monetary liabilities						
Current liabilities	334,706	355,291	326,120	307,740	660,826	663,031
Non-current liabilities	1,440,846	992,993	2,893	-	1,443,739	992,993
Long position	1,775,552	1,348,284	329,013	307,740	2,104,565	1,656,024
Long position, net	$ 644,122	$ 919,504	$ 114,440	$ 125,734	$ 758,562	$ 1,045,238

As of December 31, 2021, long-term liabilities include a position in derivative financial instruments for US$905,327 ($18,529,500), which is presented net of an equivalent asset position in pesos in the statement of financial position.

The column of other currencies includes assets and liabilities denominated in various currencies, which were converted into U.S. dollars, considering the exchange rates at December 31, 2021.

The exchange rate used to evaluate the position in U.S. Dollars at year end 2021 and 2020 was $ 20.4672 and $ 19.9087, respectively. At the issue date of the audited consolidated financial statements, the exchange rate of the U.S. Dollar was $ 19.8632.

At December 31, 2021, the Company presents a net long position in dollars; therefore, if the peso had strengthened (weakened) 10% against the dollar, and the rest of the variables had remained constant. Income of the year after taxes (decreased) increased in the amount of $ 1,352,837 as a result of the net exchange gain (loss) in the translation of monetary assets and liabilities in dollars not hedged in a derivative financial instrument.

A substantial portion of the monetary liabilities denominated in a foreign currency correspond to the Company's operations in the local currency in the countries where it has presence, and they are corresponded by assets in the same currency, which naturally covers any exchange risk. The long net position is maintained by eliminating those monetary assets and liabilities.

The majority of assets and liabilities and revenues of the Trade segment in Mexico are denominated in pesos. However, there is a percentage of its debt that is denominated in a foreign currency, mainly U.S. dollars. Consequently, the Company is exposed to the risk of devaluation of the peso against the dollar. As part of our risk management policy, the Company has contracted foreign currency swaps to reduce the impact of exchange fluctuations. The main condition of this instrument is the purchase of US dollars at the exchange rate determined on the day of contracting, which is settled on a predetermined date in the future.

Moreover, the Company has designated foreign currency derivative financial instruments under the cash flow hedge model, in the terms permitted by international accounting standards, the effectiveness of these hedges is evaluated quarterly, supported by independent experts.

(ii). Interest rate

Part of the Company's debt pays interest at a variable rate (TIIE 28 days), and there is an issue denominated in UDIS, which might have an effect on its cash flow. However, that effect is partially covered since the bank loans with bank loans with Bancomext and Multiva, and the Elektra 21U issue have an Interest Rate Swap, whereby the Company pays a fixed interest rate in pesos to AAA Financial Institutions, and it receives such interest at a variable rate and a real rate, respectively. In addition, the Company invests its cash surpluses in short term repurchase agreements (repos) in the short-term and/or that pay at a variable interest rate.

In 2021, the 28 day TIIE was adjusted downward once in February. Since June, there were five increases in the benchmark rate; therefore, the 28 day TIIE went from 4.48% in January up to 5.72% in December. The average quote was 4.63%.

Liquidity risk:

Description	Value MKT theoric	Value at risk VaR (1 day)	VaR/Value MKT	Consumption limit [1]	VaR/Net Capital [2]
Marketability:					
High	$ 50,816,000	$ -	0.00%	0.00%	0.00%
Medium	418,000	-	0.00%	0.00%	0.00%
Low	171,000	7,000	3.85%	1.81%	0.01%
Null	-	-	0.00%	0.00%	0.00%
Total	$ 51,405,000	6,680	0.01%	1.81%	0.01%

1 The risk limit is 1.5% of net capital, last known at year's closing.
2 Is the net capital, last known at year's closing.

Operating risk:

Operating risk months 2020	Amount damaged	Non discretionary risk limits: Risk appetite	Non discretionary risk limits: Level of tolerance	Losses in risk appetite	Operating risk rating	Losses/ net capital month
October	$ 18,830	$ 241,260	$ 313,640	6%	Medium	0.00%
November	17,770	242,160	314,810	6%	Medium	0.00%
December	14,180	243,570	316,640	4%	Low	0.00%

Portfolio coverage of the primary position of investments in foreign currency at December 31, 2021.

Description	Change: Primary position (*)	Change: Hedging position (*)	Residual exposure	Average effective reason
Investments and balances	13,870	(13,870)	-	100.00%

(*) Accumulated change in valuation as of December 31, 2021.

Coverage portfolio of the primary position of investments in foreign currency at December 31, 2021.

Description	Change: Primary position (*)	Change: Hedging position (*)	Residual exposure	Average effective reason
Portfolio in:				
American dollars	1,638,730	(1,639,810)	(1,080)	100.00%

(*) Accumulated change in valuation as of December 31, 2020.

Coverage effectiveness ratio = Retrospective test

To prove the effectiveness of the coverage, the retrospective test was made which consists in comparing the profits/losses of the primary position and the derivative accumulated from the origin, based on estimations to market prices in both positions.

b. Evaluation of varations in financial income, in the level of risk and capital.

Concept	December 2021
Net income of the year	$ 1,448,000
Net capital (*)	27,645,000
Market risk value	142,750
Operational value at risk	25,340
Total net credit risk exposure (**)	-

(*) Last known net capital at the end of the period (net capital as of December 2021).
(**) The unexpected loss of the loan portfolio is fully covered with additional reserves and capital.

c. Credit risk stadistics

Credit risk of the consumer portfolio

Concept	December 2021
Consumption portfolio:	
Portfolio balance (*)	$ 73,688,000
Expected loss	6,483,000
Unexpected loss	5,488,000
Expected loss / total	8.80%
Unexpected loss / total	7.40%

(*) Non-revolving consumer portfolio with weekly turnover.

d. Average values of the exposition by type of risk

Market risk

Description	Value MKT theoric [2]	Value risk VaR (1 day)	VaR/Value MKT	VaR/Net Capital [1]
	(Average amounts of 2021)			
Money market	$ 62,138,000	$ 32,400	0.05%	0.13%
Derivatives	214,000	7,700	0.00%	0.03%
Changes and metals	6,462,000	126,100	1.95%	0.51%
Total	$ 68,814,000	$ 144,800		0.59%

1. It is the net capital, last known as of November 2021.
2. The portfolio of negotiation derivatives did not present open positions since its operations are perfectly netted.

Liquidity risk

Concept	Value MKT theoric [2]	Value risk VaR (1 day)	VaR/Value MKT	VaR/Net Capital [1]
	(Average amounts of 2021)			
Tradable:				
High	$ 59,088,000	$ -	0.00%	0.00%
Medium	752,000	-	0.00%	0.00%
Low	176,000	6,820	3.87%	0.03%
Null	-	-	0.00%	0.00%
Total	$ 60,016,000	$ 6,820	1.14%	0.03%

1. Is the net capital, last known as of November 2021.

Credit risk

Description	December 2021
Consumption portfolio:	
Portfolio balance (*)	$ 72,459,000
Expected loss	6,530,000
Unexpected loss	5,428,000
Expected loss / total	9.0%
Unexpected loss / total	7.5%

(*) Non-revolving consumer portfolio with weekly turnover.

4.2 Capital management

The Company's consolidated capital management goals are:

- To keep its ability to continue as an ongoing concern.
- To provide an attractive profitability to the shareholders.
- To maintain an optimal capital structure to reduce the cost of capital.

In order to comply with the mentioned objectives, the Company constantly monitors its different business units to ensure that these maintain the expected profitability. However, the Company also could vary the amount of paid dividends to shareholders, issue new shares or monetize assets to reduce its debt.

The Company monitors the ratio of adjusted capital over debt with cost. This ratio is the result of dividing the net debt and the consolidated equity. Also the net debt is defined as a total of the short and long term debt with cost in the consolidated financial position statement (excluding demand terms deposits and debtors from repurchase agreements), less the non-restricted cash and cash equivalents.

The adjusted capital ratio per debt as of December 31, 2021 and 2020, is calculated as follows:

	2021	2020
Total debt with cost (1)	$ 32,592,799	$ 25,114,773
Less: Cash and cash equivalents (2)	(29,809,248)	(30,735,535)
Deficit (surplus) net debt	$ 2,783,551	$ (5,620,762)
Total equity	$ 105,454,497	$ 93,644,992
Ratio	$ 0.03	$ (0.06)

(1) Does not include leases and deposits of immediate and term demand.
(2) Does not include restricted cash.

As a result of increase in the cash of the company, the ratio is at a comfortable level at the closing of the year 2021 of only 0.03x, vis-a-vis (0.06)x at the closing of 2020.

Capitalization index (Banco Azteca)

In addition of the consolidated equity administration, the Company has to closely monitor the equity of its regulated subsidiaries been the most important one Banco Azteca. The standards of Banxico for the determination of the capitalization index consider that a net equity over the market risk, credit and operational has to be maintained. The mentioned net equity cannot be lower than the resulting amount of adding the equity requirements for those types of risks.

	2021	2020
Capitalization indexes:		
Net capital / Total credit assets	18.88%	21.77%
Basic capital fundamental / Total risk assets	13.77%	14.36%
Basic capital / Total risk assets	13.77%	14.36%
Net capital / Total risk assets (ICAP)	14.18%	14.36%

Banco Azteca has as a policy, that the capitalization index cannot be lower than 12%.

4.3 Estimation of fair value

1. The fair values of the assets and liabilities at amortized cost are based on the discounted cash flows, using a discount rate appropriate for each instrument. The Company considers that the fair value of such short term financial instruments is equal to its value in books, since the discount effect is not significant.

2. The following chart analyzes the financial instruments measured in fair value for its valuation method. The different hierarchies of fair value have been defined as follows:

    a. Prices quoted in active markets for identical assets and liabilities (Level 1).

    b. The variables different from quoted prices included in Level 1 that are observable for the asset or liability, whether is directly (that is, as prices) or indirectly (that is, derivatives of the prices) (Level 2).

    c. Variables for the asset or liability which are not based on the observable market data (variables non-observable) (Level 3).

Reference values at December 31, 2021.

Description	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at fair value with changes in profit or loss:				
- Titles for trading	$ 92,994,786	$	$	$ 92,994,786
- Non-negotiable titles	1,583,548			1,583,548
- Derivatives held for trading	31,965,287			31,965,287
- Derivates hedging purposes	522,853			522,853
Financial assets available for sale:				
- Capital securities	96,329			96,329
Total assets	$ 127,162,803	$ -	$ -	$ 127,162,803
Liabilities:				
Derivatives for trading	$ 11,733	$	$	$ 11,733
Hedging derivatives	616,670			616,670
Total liabilities	$ 628,403	$ -	$ -	$ 628,403

5. Cash and cash equivalents

a. Cash and cash equivalents are as follows:

	2021	2020
Cash	$ 16,364,235	$ 16,054,539
Banks	13,389,656	14,606,924
Other availabilities	55,357	74,072
Restricted cash	8,753,839	6,923,849
Cash and cash equivalents	$ 38,563,087	$ 37,659,384

b. The balance of restricted availabilities is as follows:

		2021	2020
Monetary regulation deposits to Banxico	(1)	$ 5,043,376	$ 2,042,039
Interbank loans call money	(2)	1,648,835	3,163,641
Central Banks	(3)	596,419	666,613
Foreing exchange	(4)	410,150	7,963
Others		1,055,059	1,043,593
Restricted cash		$ 8,753,839	$ 6,923,849

(1) In accordance with the monetary policy stablished by Banxico, Banco Azteca is due to maintain funds for monetary regulation in this central bank. As of December 31, 2021 and 2020 these amounts accrue an interest rate of 4.35% and 4.25%, respectively.

(2) Commitments for inter-bank loans from 1 to 3 days.

(3) Regulatory deposits Central Banks from Central America.

(4) Balance in dollars to be received pending settlement at 24 and 48 hours.

6. Investments in securities

a. The investments in securities are as follows:

Assets	2021	2020
- Equity instruments		
- Debt securities		
Financial assets designated at fair value through of results		
- Equity instruments	$ 1,583,548	$ 1,185,232
- Debt securities	-	-
Financial assets that are not necessarily negotiable at fair value through results	1,583,548	1,185,232
- Equity instruments	716,355	328,799
- Debt instruments	92,278,431	83,002,783
Financial assets at fair value through results	92,994,786	83,331,582
- Equity instruments	-	-
- Debt securities	96,329	40,100
Financial assets at fair value through others comprehensive results	96,329	40,100
- Debt instruments	36,837,900	31,571,800
– Loans and advances	-	-
Financial assets at amortized cost	36,837,900	31,571,800
Total investments	131,512,563	116,128,714
Less, current investments	(104,080,879)	(89,141,313)
Non-current investments	$ 27,431,684	$ 26,987,401

b. The restricted investment balances are as follows:

	2021	2020
Collateral granted for derivative financial instruments transactions (See note 9-b)	$ 17,416,171	$ 17,136,119
Restricted securities for repurchase	36,952,926	22,551,332
Investment in special Siefores reserve (minimum regulatory margin)	1,280,424	1,054,930
Others	404,852	972,831
Restricted investments	$ 56,054,373	$ 41,715,212

c. Investments in non-financial assets

The Company has an investment in Gold Ounces that allows it to protect its bank capital in the current economic context.

7. Debtors and creditors from repurchase agreements

As of December 31, 2021 and 2020 the Company has held repurchase agreements acting as a reporter, where it acquires ownership of the values, with the obligation to return them at the end of the contract and collect interest, resulting in a position that is as follows:

Instrument	As of December, 2021 Collateral received	Agreed amount	Fair value	As of December, 2020 Collateral received	Agreed amount	Fair value
GUBER	$ 1,076,580	$ 1,076,000	$ 1,076,162	$ 900,089	$ 900,000	$ 900,109
BPAG28						
BPAG91						
BPA182						
CERBURST						
BONDS	600,039	600,000	600,000			
BONDESD	299,910	300,000	300,000	-	-	-
Government securities	1,976,529	1,976,000	1,976,162	900,089	900,000	900,109
Total	$ 1,976,529	$ 1,976,000	$ 1,976,162	$ 900,089	$ 900,000	$ 900,109

Acting as reported, where the Company transmits the ownership of the securities with the obligation that the reporter returns them at the end of the contract and pay an interest, a position results as of December 31, 2021 and 2020, which is as follows:

	As of December 31, 2021				As of December 31, 2020			
	Collateral granted				Collateral granted			
Instruments	Own position	Third parties	Agreed amount	Fair value	Own position	Third parties	Agreed amount	Fair value
CETES	$ 20,815,340	-	$ 20,663,337	$ 20,681,202	$ 16,753,012	-	$ 16,370,306	$ 16,377,169
BPAG28	1,088,104		1,088,351	1,088,351				
BREMS	3,206,227		3,200,000	3,201,343				
BPAG91	419,861		419,928	419,941				
CERTBUR	1,928		1,945	1,945	108,873		108,355	108,368
BONDES D	10,273,185		9,824,701	9,825,511	4,400,049		4,401,084	4,401,286
BONDES F	105		100	101	-			
GUBER	18,178	$ 1,034,187	1,052,287	1,052,434	3,439	$ 849,100	852,456	852,553
Government securities	35,822,928	1,034,187	36,250,649	36,270,828	21,265,373	849,100	21,732,201	21,739,376
CEDES	-		-	-	74,271		74,155	74,259
Total banking	-		-	-	74,271		74,155	74,259
Collateral sold or given as collateral				-				-
Total	$ 35,822,928	$ 1,034,187	$ 36,250,649	$ 36,270,828	$ 21,339,644	$ 849,100	$ 21,806,356	$ 21,813,635

All repurchase transactions carried out by Banco Azteca and Punto Casa de Bolsa are cash based.

During 2021, annual interest rates fluctuate between 1% and 5.52%, and the average term in repurchase transactions is 40 days. The amounts recognized in profit or loss as a gain (buyer) and expense (seller) for this item are $ 238,755 and $ 1,097,865, respectively.

During 2020, annual interest rates fluctuate between 1% and 5.52%, and the average terms in repurchase transactions are 22 days. The amounts recognized in profit or loss as a gain (buyer) and expense (seller) for this item are $ 540,953 and $ 968,394, respectively.

8. Loan portfolio, net

a. The balance of the loan portfolio is as follows:

	2021	2020
Consumer loans	$ 107,582,764	$ 87,605,530
Commercial portfolio	37,218,822	42,612,547
Mortgage loans	461,819	371,671
Cash advances (PF)	6,061,406	5,814,973
Total loan portfolio	151,324,811	136,404,721
Less:		
Past due receivables in the year	(10,619,059)	(17,298,693)
	140,705,752	119,106,028
Allowance for credit risks (Note 2.14)	(15,121,320)	(10,697,295)
Total net portfolio	125,584,432	108,408,733
Less, current loan portfolio	(69,966,812)	(63,583,826)
Non-current portfolio	$ 55,617,620	$ 44,824,907

The maturity of the long term portfolio as of December 31, 2021, is as follows:

Year	Amount
2023	$ 12,270,328
2024	18,400,977
2025	1,873,478
2026	1,182,144
2027 hereafter	25,668,418
Total	59,395,345
Estimate for write-offs	(3,777,725)
Total	$ 55,617,620

b. The classification of current and past due loans as of December 31, 2021 and 2020 is analyzed below:

	December 31, 2021			December 31, 2020		
Type of credit	Current	Past due	Total	Current	Past due	Total
Consumer	$ 91,859,827	$ 6,615,446	$ 98,475,273	$ 75,871,513	$ 4,676,054	$ 80,547,567
Commercial	37,218,822	-	37,218,822	34,193,227	371,103	34,564,330
Mortgage	449,275	12,544	461,819	355,661	16,010	371,671
Cash advances	3,891,348	658,490	4,549,838	3,138,690	483,770	3,622,460
Total	$ 133,419,272	$ 7,286,480	$ 140,705,752	$ 113,559,091	$ 5,546,937	$ 119,106,028

The classification of the past due loan portfolio as of December 31, 2021 and 2020, is analyzed below:

	2021	2020
1 - 90 days	$ 1,416,114	$ 1,277,671
91 - 180 days	3,171,350	1,735,804
181 - 365 days	2,279,219	2,133,536
366 - 2 years	1,925	377,321
Over 2 years	417,872	22,605
Total	$ 7,286,480	$ 5,546,937

The fair value of the non-current portfolio is as follows:

	December 31, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Consumer	$ 98,475,273	$ 86,218,997	$ 80,547,567	$ 71,038,568
Commercial	37,218,822	35,113,145	34,564,330	34,008,868
Mortgage	461,819	457,774	371,671	366,680
Cash advances	4,549,838	3,794,516	3,622,460	2,994,617
Total portfolio	$ 140,705,752	$ 125,584,432	$ 119,106,028	$ 108,408,733

c. The roll forward of the allowance for credit risks is as follows:

	2021	2020
Balance at beginning of the year	$ 10,697,295	$ 10,056,057
Increases	14,131,307	18,694,520
Write-offs	(9,736,851)	(17,629,658)
Business layout (Note 18-iii)	-	(507,186)
Exchange effects	29,569	83,562
Balance at the end of the year	$ 15,121,320	$ 10,697,295

	December 31, 2021		December 31, 2020	
	Book value	Reserve	Book value	Reserve
Consumer credit	$ 87,522,745	$ 7,008,552	$ 73,663,441	$ 3,755,772
Commercial loan	37,218,822	902,989	34,191,163	419,218
Mortgage credit	414,229	604	367,151	339
Cash advances	3,891,348	316,632	3,138,689	306,335
Stage 1	129,047,144	8,228,777	111,360,444	4,481,664
Consumer credit	4,114,219	1,791,656	2,999,010	1,003,143
Commercial loan	-	-	-	-
Mortgage credit	35,046	254	2,169	1,984
Cash advances	658,490	438,689	483,771	321,508
Stage 2	4,807,755	2,230,599	3,484,950	1,326,635
Consumer credit	6,838,309	4,658,935	3,885,116	4,750,084
Commercial loan	-	-	373,167	136,244
Mortgage credit	12,544	3,009	2,351	2,668
Stage 3	6,850,853	4,661,944	4,260,634	4,888,996
Total	$ 140,705,752	$ 15,121,320	$ 119,106,028	$ 10,697,295

9. Financial derivative instruments

The Company uses forwards, futures and swaps, for trading purposes in order to take advantage of arbitrage possibilities that arise on the main financial markets within authorized risk limits. On the other hand, the Company uses currency forwards, currency futures, currency swaps, rate swaps, and rate options to manage its exposure to volatility risks in interest rates and exchange rates, which are designated as cash flow or fair value hedges.

The Company has a variety of hedging strategies where it seeks to eliminate the risk for movements in exchange rates through exchange rate Forwards and Futures. With Interest Rate Swaps (IRS), it seeks to eliminate the interest rate risk and set the loan portfolio funding rate and investments in securities in pesos. Cross Currency Swaps (CCS) are intended to eliminate the risk from interest rate movements and exchange rates to set the credit funding rate granted in foreign currency.

The markets on which the distinct derivative financial instruments used by the Company include the MEXDER, the Chicago Board of Trade, and over the counter markets known as OTC (Over The Counter).

a. Derivatives for hedging purposes

The Company has designated those hedge instruments under the cash flow hedge scheme in terms permitted by international accounting standards, and it has formally documented each hedge relationship, establishing objectives, the risk hedging management strategy, identification of the hedging instrument, the hedged item, the nature of the risk to be hedged, and the methodology of the evaluation of the effectiveness.

When the economic relationship is not aligned perfectly, effectiveness tests are performed quantitatively by applying the cash flow offset method by using a hypothetical derivative. That method consists of comparing changes in fair value of the hedging instrument with changes in fair value of the hypothetical derivative, and they are offset in the range of effectiveness established by the Company.

For items whose effectiveness test is calculated qualitatively when the economic relationship is aligned perfectly, it is documented that these hedges are highly effective, given that the characteristics of the derivative and the credit are perfectly aligned and, therefore, it is confirmed that there is an economic relationship. Furthermore, both the credit profile of the Company and the counterparty are good and they are not expected to change in the medium-term; therefore, the credit risk component is not considered to dominate the hedge relationship.

The possible sources of ineffectiveness in these hedge relationships can be any movement in the credit profile of the counterparties or that the amount of the hedged item is lower than the notional of the hedge instrument.

Interest rate swap contracts

In accordance with interest rate swap contracts, the Company agrees to exchange the difference between the amounts of the fixed and variable interest rate, calculated on the amounts of agreed on notional capital. Those agreements allow the Company to mitigate the interest rate exchange risk on the fair value of debt issued at fixed interest and exposures to cash flow on debt issued at a variable interest rate.

The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows, by using curves at the end of the reporting period and the inherent credit risk in the contract, which is listed hereinbelow. The average interest rate is based on current balances at the end of the reporting period.

Given that the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Company performs a qualitative evaluation of the effectiveness, and the value of the interest rate swap contracts and the value of the corresponding hedged items are expected to change systematically in the opposite direction in response to movements in underlying interest rates.

The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the credit risk of the Group itself on the fair value of the interest rate swap contracts, which are not reflected in the fair value of the hedged item attributable to the change in interest rates.

No other source of ineffectiveness emerged from these hedge relationships.

Foreign currency forward contracts

Company policy is to enter into foreign currency forward contracts to cover specific payments and collections in foreign currency. The Company also enters into foreign currency forward contracts to manage the risk associated with forward sale and purchase transactions Adjustments are made based on the carrying values of hedged non-financial items when the forward purchase or sell transaction is carried out.

For hedges of probable highly forecasted sales and purchases, the Company performs a quantitative evaluation of the effectiveness, and the value of futures contracts and the value of the corresponding hedged elements are expected to change systematically in the opposite direction in response to movements in the underlying exchange rates, in spite of the critical terms (that is, the notional amount, the lifetime, and the underlying asset) of the foreign currency futures contracts and their corresponding hedged items are the same for measuring possible differences on delivery dates of the derivative instrument and the hedged item.

The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the credit risk of the Group itself on the fair value of futures contracts, which are not reflected in the fair value of the hedged item attributable to changes in exchange rates. No other source of ineffectiveness emerged from these hedge relationships.

b. Derivatives with trading purposes

(i). Equity swaps

Transactions with financial derivatives based on the prices of Company's stock certificates agree to settle differences over an initial reference value. Such settlement is made on the termination date of the agreements, which can be anticipated prior notice to the financial institutions which the financial instruments were contracted. The amount of the settlement corresponds to the open market value of the underlying less the initial value.

The underlying values at year end and of issuance of the financial statements were as follows:

Date	Amount
March 30, 2022	$ 1,293.11
December 31, 2021	1,550.66
December 31, 2020	1,319.68

In order to meet its possible payment obligation upon the termination thereof, the Company establishes a collateral deposit on the date of beginning of each agreement, which as of December 2021 and 2020 amounted $ 17,416,171 and $ 17,136,119, respectively, which represent restricted investments at the maturity of the agreement, which can be realized in case that the instrument is early terminated. Collateralization means that this amount would be the highest potential loss the Company would face if the value of the underlying asset be zero at the time of termination of the agreement, canceling if any, the effect on valuation of the financial instrument considered as asset.

These instruments are expressed at fair value and their valuation effects are recognized in profit or loss within the comprehensive financial income. As of December 31, 2021 and 2020, the net effects derived from these transactions and recognized in the results for the year accounted for income (loss) of $ 6,987,091 and $ (2,186,728), respectively.

Any fluctuations in the underlying asset can significantly affect the valuation of these derivative financial instruments. In case of a 20% decrease in the value of the underlying asset over the closing price at December 31, 2021 and 2020, would represent a decrease in the total assets of $ 9,875,847 and $ 8,404,781, respectively, and an additional loss of $ 6,913,093 and $ 5,883,347, respectively.

(ii). Forwards, futures, cross currency swaps and foreing exchange

As of December 31, 2021 and 2020 the Company maintains exchange rate forward agreements, futures and interest rates and cross currency swaps. In both cases the operations are matched between long and short identical operations.

As of December 31, 2021 and 2020, the assets and liabilities recognized in the financial position statement are as follows:

Derivate financial asset	2021	2020
Derivatives designated as cash flow or fair value hedging instruments		
Forwards and futures	$ 276,440	$ 330,242
Swaps	246,413	699
	522,853	330,941
Derivatives that are not designated as instruments of coverage (negociation)		
Forwards and futures	2,212	146,612
Stock swaps and cross currency	31,963,075	24,888,119
	31,965,287	25,034,731
Derivate financial assets	$ 32,488,140	$ 25,365,672
Current	$ 283,461	$ 476,853
Non-current	32,204,679	24,888,819
	$ 32,488,140	$ 25,365,672

	2021	2020
Derivative financial liabilities		
Derivatives designated as hedging instruments of cash flow or fair value		
Interest rate Swap	$ 457,472	$ 562,138
Forwards and futures	159,198	348,851
	616,670	910,989
Derivatives non designated as hedging instruments (negotiation)		
Interest rate Swaps	11,733	300
Forwards and Futures	-	154,879
	11,733	155,179
Derivates financial liabilities	$ 628,403	$ 1,066,168
Current	$ 225,953	$ 688,675
Non-current	402,450	377,493
	$ 628,403	$ 1,066,168

The maturities of long-term derivative liabilities are as follows:

	2021
2022	$ 225,953
2023	35,074
2024	-
2025	-
2026 onwards	367,376
	628,403
Less, short-term portion	(225,953)
Long-term portion	$ 402,450

The following tables detail the amounts of notional capital and the remaining terms of the contracts at the end of the reporting period.

The position of current operations as of December 31, 2021 is analyzed below:

Forwards and futures:

Position (1)	Instrument	Market	Intention	Risk	Underlying	National amount (2)	Nominal amount	Collateral granted (3)	Accounting net balance
Sale	Forward	OTC	Hedging	Market (exchange rate)	US dollar	$ 67,360	$ 1,379,369	$ (4,534)	$ (7,931)
Sale	Forward	OTC	Trading	N/A	Canadian dollar	1,500	24,418	-	(209)
Sale	Future	Organized	Trading	N/A	Euro	1,500	35,768	2,522	332
Purchase	Forward	OTC	Trading	N/A	US dollar	41,048	855,049	(2,763)	(4,116)
Sale	Forward	OTC	Trading	N/A	US dollar	41,048	855,807	(2,763)	4,863
Purchase	Forward	OTC	Trading	N/A	US dollar	50,929	1,045,912	(3,428)	8,492
Sale	Forward	OTC	Trading	N/A	US dollar	47,028	965,949	(3,166)	(7,150)
Purchase	Forward	OTC	Hedging	Market (exchange rate)	US dollar	2,104,792	2,104,792	-	(45,582)
Purchase	Forward	OTC	Hedging	Market (exchange rate)	US dollar	5,161,005	5,161,005	-	(86,304)
Sale	Future	Organized	Hedging	Market (exchange rate)	US dollar	107,790	2,260,324	185,809	(19,380)
Sale	Forward	OTC	Hedging	Market (exchange rate)	US dollar	228,545	4,919,987	(15,384)	182,093
Sale	Future	Organized	Hedging	Market (exchange rate)	US dollar	245,000	5,247,052	411,882	94,346
							$ 24,855,432	$ 568,175	$ 119,454

(1) The entry recorded of the market value of purchases of forwards is shown in assets. The nominal amount is recorded in the liability. The record of the market value of the sales of forwards is shown in the liability. The nominal amount is recorded in the asset.
(2) In function to underlying.
(3) The Company maintains cash collaterals.

Swaps:

Instrument	Market (1)	Intention	Risk	Underlying	National to receive (2)	Price to receive	National a deliver (2)	Price to deliver	Receivable flow (3)	Payable flow (4)	Collateral granted /margin account	Accounting net balance
IRS	OTC	Negotiation	N/A	TIIE 28	$ 7,200,000	MXP	$ 7,200,000	MXP	$ 7,012,786	6,796,852	$ 50	$ (11,004)
IRS	OTC	Fair value hedge	Market (interest rate)	TIIE 28	6,645,428	MXP	6,645,428	MXP	1,842,519	1,646,455	46	196,065
CCS	OTC	Fair value hedge	Market (exchange rate)	TIIE 28	655,020	MXP	683,925	USD	661,599	721,800	46,037	(60,201)
IRS	OTC	Fair value hedge	Market (interest rate)	TIIE 28	3,156,098	MXP	3,156,098	MXP	152,640	108,314	22	44,326
CCS	OTC	Fair value hedge	Market (exchange rate)	TIIE 28	514,584	MXP	550,831	USD	514,377	553,904	37,078	(39,526)
CCS	OTC	Negotiation	N/A	TIIE 28	630,039	MXP	630,039	MXP	126,155	126,197	4	(42)
CCS	OTC	Fair value hedge	Market (exchange rate)	TIIE 28	2,117,134	MXP	2,419,175	USD	2,200,365	2,591,083	162,843	(390,717)
IRS	OTC	Negotiation	N/A	FIJA	830,039	MXP	830,038	MXP	159,159	159,846	6	(688)
IRS	OTC	Negotiation	N/A	FIJA	50,000	MXP	50,000	MXP	1,088	1,435	0.3	(347)
IRS	OTC	Negotiation	N/A	TIIE 28	50,000	MXP	50,000	MXP	1,432	1,075	0.3	357
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	1,116,667	MXP	1,116,667	MXP	1,116,667	1,118,333	-	(1,666)
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	3,194,512	MXP	3,194,512	MXP	3,194,512	3,149,428	-	45,083
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	453,390	MXP	453,390	MXP	453,390	457,812	-	(4,423)
									$ 17,436,689	$ 17,432,534	$ 246,086	$ (222,783)

Instrumt	Market (1)	Intention	Risk	Underlying	National to receive (2)	Price to receive	National to deliver (2)	Price to deliver	Receivable flow (3)	Payable flow (4)	Collateral granted /margin account (5)	Accounting net balance
ES	OTC	Negotiation	Market (stock)	N/A	$ 7,153,186	MXP	$ 7,153,186	MXP			$ 7,153,186	$ 9,118,220
ES	OTC	Negotiation	Market (stock)	N/A	10,262,985	USD	10,262,985	USD			10,262,985	22,844,846
					$ 17,416,171		$ 17,416,171		$ -	$ -	$ 17,416,171	$ 31,963,066

(1) Over the counter.
(2) Amount expressed in terms of the underlying.
(3) Asset portion.
(4) Liability portion.
(5) The Company maintains cash collaterals.

The position of current operations as of December 31, 2020 is analyzed below:

Forwards and futures:

Position (1)	Instrument	Market	Intention	Risk	Underlying	Notional amount (2)	Nominal amount	Collateral granted (3)	Accounting net balance
Sale	Forward	OTC	Hedging	Market (exchange rate)	US dollar	$ 228,764	$ 4,781,169	$ (181,811)	$ 193,435
Sale	Forward	OTC	Hedging	Market (exchange rate)	US dollar	27,411	545,223	-	(2,346)
Sale	Forward	OTC	Trading	N/A	US dollar	73,776	1,617,403	-	135,123
Sale	Future	Organized	Hedging	Market (exchange rate)	US dollar	256,830	5,302,644	743,886	136,806
Purchase	Forward	OTC	Hedging	Market (exchange rate)	US dollar	990,880	990,880	48,562	(115,358)
Purchase	Forward	OTC	Hedging	Market (exchange rate)	US dollar	2,767,894	2,767,894	223,376	(224,482)
Purchase	Forward	OTC	Trading	N/A	US dollar	73,776	1,612,317	-	(130,069)
Sale	Future	Organized	Hedging	Market (exchange rate)	US dollar	50,000	1,006,750	-	(6,665)
Sale	Future	Organized	Trading	N/A	US dollar	82,000	1,657,704	-	11,488
Sale	Future	Organized	Trading	N/A	Gold ounce	1,649,747	1,631,494	85,913	(24,808)
							$ 21,913,478	$ 919,926	$ (26,876)

(1) The entry recorded of the market value of purchases of forwards is shown in assets. The nominal amount is recorded in the liability. The record of the market value of the sales of forwards is shown in the liability. The nominal amount is recorded in the asset.
(2) In function to underlying.
(3) The Company maintains cash collaterals.

Swaps:

Instrument	Market (1)	Intention	Risk	Underlying	Notional to receive (2)	Price to receive	Notional to deliver (2)	Price to deliver	Receivable flow (3)	Payable flow (4)	Collateral granted /margin account	Accounting net balance
IRS	OTC	Fair value hedge	Market (interest rate)	TIIE 28	$ 6,589,729	MXP	$ 6,589,729	MXP	$ 1,009,487	$ 1,096,757	$ 47,260	$ (87,270)
CCS	OTC	Fair value hedge	Market (interest rate and exchange rate)	TIIE 28	71,300	MXP	69,680	USD	72,379	71,680	-	699
CCS	OTC	Fair value hedge	Market (interest rate and exchange rate)	TIIE 28	700,109	MXP	709,347	USD	704,196	714,017	-	(9,821)
CCS	OTC	Fair value hedge	Market (interest rate and exchange rate)	TIIE 28	3,414,853	MXP	3,693,458	USD	3,484,460	3,976,699	492,239	(200,934)
CCS	OTC	Negotiation	Market (interest rate)	TIIE 28	50,000	MXP	50,000	MXP	3,384	3,051	-	332
CCS	OTC	Negotiation	Market (interest rate)	TIIE 28	50,000	MXP	50,000	MXP	3,051	3,352	-	(301)
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	1,350,000	MXP	1,350,000	MXP	1,350,000	1,386,905	17,503	(36,905)
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	1,316,667	MXP	1,316,667	MXP	1,316,667	1,427,478	40,033	(110,812)
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	5,500,000	MXP	5,500,000	MXP	5,500,000	5,555,443	-	(55,443)
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	2,605,932	MXP	2,605,932	MXP	2,605,932	2,660,267	-	(54,335)
IRS	OTC	Cash flow hedge	Market (interest rate)	TIIE 28	2,500,000	MXP	2,500,000	MXP	2,500,000	2,506,617	-	(6,617)
									$ 18,549,556	$ 19,402,266	$ 597,035	$ (561,407)

Instrument	Market (1)	Intention	Risk	Underlying	Notional to receive (2)	Price to receive	Notional to deliver (2)	Price to deliver	Receivable flow (3)	Payable flow (4)	Collateral granted /margin account	Accounting net balance
ES	OTC	Negotiation	Market (stock)	N/A	$ 7,153,186	MXP	$ 7,153,186	MXP	-	-	$ 7,153,186	$ 6,694,497
ES	OTC	Negotiation	Market (stock)	N/A	9,982,933	USD	9,982,933	USD	-	-	9,982,933	18,193,290
					$ 17,136,119		$ 17,136,119		$ -	$ -	$ 17,136,119	$ 24,887,787

(1) Over the counter.
(2) Amount expressed in terms of the underlying.
(3) Asset portion.
(4) Liability portion.
(5) The Company maintains cash collaterals.

10. Balances and transactions with related parties

	2021	2020
Accounts receivable:		
Tiendas Súper Precio, S. A. de C. V. (Súper Precio)	$ 36,846	$ 162,555
Comunicaciones Avanzadas, S. A. de C. V. and subsidiaries (CASA)	195,209	369,988
Total Play Telecomunicaciones, S. A. P. I. de C. V. (Total Play)	23,165	-
Others	106,310	221,135
Total	361,530	753,678
Less, current	(170,110)	(562,258)
Total non-current	$ 191,420	$ 191,420
Balances payable:		
CASA	$ 148,730	$ 5,020
Total Play	-	2,886
Procesos Boff, S. de R. L. (Procesos Boff)	214,156	394,578
Others	22,847	41,610
Total	$ 385,733	$ 444,094
Concepts in favor:		
Rents	$ 96,259	$ 101,563
Interesest	56,444	66,560
Others	72,100	45,662
Total	$ 224,803	$ 213,785
Concepts in charge:		
Administrative service and recovery, net	$ 2,600,996	$ 3,612,124
Publicity	1,128,488	1,129,313
Telecommunication Services	472,952	453,578
Interests	70,131	67,487
Others	-	-
Total	$ 4,272,567	$ 5,262,502

The main transactions with related parties are as follows:

Contracts entered into with Total Play:

The Company has entered into several contracts with indefinite duration with Total Play and / or its subsidiaries for the provision of voice, data, connectivity, monitoring and management of last mile equipment mainly (broadband connection), corporate Internet, networks, fixed telephony and rental of dedicated links. The rates charged depend on the destination of the call or the ability to link.

At the same time, the Company and Total Play entered into a contract under which Elektra offers Total Play the service of receiving payments of the services that Total Play provides to its customers, as well as another administrative services.

As a result of these services, the Company recorded income and expenses for the aforementioned items, which represented a net expense of $ 431,632 and $ 453,578 as of December 31, 2021 and 2020, respectively.

Contracts entered into with CASA and subsidiaries:

TV Azteca

The Company and Estudios Azteca, S. A. de C. V. (Estudios Azteca) have entered into various annual advertising contracts, in order to render advertising transmission services on channels 1.1, 7.1, 7.2 and 40.1 of TV Azteca. Estudios Azteca received $ 1,122,418 and $ 1,126,061 for these services at December 31, 2021 and 2020, respectively.

The Company and TV Azteca, S. A. B. de C. V. (TV Azteca) signed a contract, whereby the parties bind themselves to render administrative, technical, financial analysis, air taxi services to each other, as well as accounting assistance, legal, financial, and management and preparation of specific plans for developing commercial, industrial or technical, and support services of the operation of each one of the parties, as well as other services related to the corporate purpose of each one of the parties, against payment of a consideration.

Pursuant to these services, the Company recorded revenues and expenses for the above items, which represented a net expense amounting in 2021 and 2020 of $ 1,085,103 and $ 1,221,513, respectively.

The Company has entered into a lease agreement with TV Azteca for the use of corporate offices, which amounts to $ 132,104 as of December 31, 2021, and it is presented on the lease liability line. Accrued interest in income derived from the lease amounted to $ 8,140 for 2021.

Arrendadora Internacional Azteca

Seguros Azteca has entered into an unsecured loan agreement with Arrendadora Internacional Azteca, S. A. de C. V. (AIA), at a 7-year term, with an EIIR rate 28 + 3.25, with the possibility of being prepaid without any penalty. The principal and interest amount to $ 194,249 at December 31, 2021.

The Company has acquired transportation equipment, computer equipment, rights of use of "SAP" system licenses, and corporate office improvements, by entering into capitalized lease agreements with AIA, which amount to $ 912,615 and $ 483,569 at December 31, 2021 and 2020, respectively, and it is presented in line with the lease liability. The Company has further entered into pure lease agreements to improve its points of sale.

Accrued interest in profit or loss derived from the lease amounted to $ 94,555 and $ 66,768 for 2021 and 2020, respectively.

The corresponding liability of these leases have the following due dates:

	2021
2022	$ 286,199
2023	239,371
2024	205,226
2025	147,663
2026 hereafter	34,156
	912,615
Less, short-term portion	(286,199)
Long-term portion	$ 626,416

Servicios de Asesoría en Medios de Comunicación GS, S. A. de C. V. (SAM)

The Company entered into contracts with SAM for sending and reproducing advertising material in 2021, on which the Company recognized expenses amounting to $ 151,377 and $ 257,432 in 2021 and 2020, respectively.

Contracts entered into with Súper Precio

The Company, through its subsidiary Inmuebles Ardoma, S. A. de C. V. (lessor), has entered into various contracts for use or temporary enjoyment of real property with Super Precio (lessee), in which they agree that the lessee company carries out its business operations, such as a grocery store and mini-supermarket under the trade name of Super Precio. The Company obtained revenues for rents for this operation amounting to $ 86,622 and $ 99,814 in 2021 and 2020, respectively.

The Company, through its subsidiary Elektra, entered into a contract to render administrative services of accounting assistance, legal, and financing plans for developing the commercial business and operating support of Super Precio, as well as any other service related to the corporate purpose thereof, and obtained revenues amounting to $ 8,627 and $ 10,652 in 2021 and 2020, respectively.

Moreover, through its subsidiary Elmex Superior, S. A. de C. V., a company that mainly renders subordinated personnel service, it has entered into an indefinite contract to give this service to Super Price. This operation was carried out in fiscal years 2021 and 2020, and revenues were obtained in the amount of $ 437,902 and $ 501,734, respectively.

Contracts entered into with Process Boff

During 2021 and 2020 the Company rendered operation and process analysis administrative services to Procesos Boff to carry out its activities, on which the Company received revenues amounting to $ 100,429 and $ 236,871 during 2021 and 2020, respectively.

Moreover, Procesos Boff renders administrative, technical, and assistance services, on which the Company recognized expenses amounting to $ 1,483,906 and $ 2,325,348 in 2021 and 2020, respectively

Contracts entered into with UPAX, S. A. de C. V. (UPAX)

The Company has entered into various contracts with UPAX, whereby UPAX renders market research services, trademark experience, promotion, animation staff, specialized sales force, operating audits, information compilation, socioeconomic studies, among other things, on which the Company recognized an expense amounting to $ 196,692 and $ 350,364 in 2021 and 2020, respectively.

Employee benefits

The benefits granted to the Company's executive personnel amounted to $ 3,289,351 and $ 2,511,110 in 2021 and 2020, respectively.

In management's opinion, there is no controlling party of the Company in the final analysis.

11. Other accounts receivable

	2021	2020
Receivable value added tax	$ 6,552,812	$ 5,139,271
Reinsurers and Backers	2,348,996	2,505,970
Values and currency to be settled	1,660,270	1,039,925
Transfer money services	1,245,790	1,031,273
Distributors and self-services	1,197,000	1,183,000
Administration Dependencies and Entities Federal Public	340,676	708,443
Advances to suppliers	2,033,540	552,143
Granted collateral on derivative financial operations	214,047	357,688
Debtors for premiums and reinsurance	66,010	241,265
Others accounts receivable	4,282,741	4,760,956
Total	$ 19,941,882	$ 17,519,934

12. Inventories

a. At December 31, 2021 and 2020 is integrated as follows:

	2021	2020
Connectivity	$ 4,751,688	$ 4,133,165
Household appliances	2,967,923	2,027,272
Transport	2,518,310	2,633,043
Electronics	1,873,427	1,409,002
Gold	1,689,269	1,883,150
Furniture	615,636	567,367
Others	210,133	389,128
Total	14,626,386	13,042,127
Goods in transit	2,627,624	535,216
Raw material	1,114,822	746,491
	$ 18,368,832	$ 14,323,834

b. The reserve for slow-moving inventories and obsolete is analyzed as follows:

	2021	2020
Balance at January 1	$ 426,220	$ 308,662
Charges (credits) to income statement:		
Additional reserve	1,250,435	467,649
Applications	(1,060,826)	(338,811)
Cancellations	-	(8,000)
Exchange differences	(535)	(3,280)
	$ 615,294	$ 426,220

The amount of the reserve related to obsolescence is presented netted in each caption of the inventories.

13. Prepayments

At December 31, 2021 and 2020 is comprised as follows:

	2021	2020
Tax prepayments	$ 4,085,926	$ 2,864,638
Maintenance to stores and branches	953,522	987,785
Insurance	327,222	183,088
Other prepayments	1,341,002	1,182,730
	$ 6,707,672	$ 5,218,241

14. Property, plant and equipment

As of December 31, 2021, the balance of property, plant and equipment is reconciled as follows:

	Land	Buildings	Construction in progress	Computer equipment	Trans-portation equipment	Office furniture and equipment	Machinery and equipment	Satellite network	Investment in store	Total
At January 1, 2021	$ 589,224	$ 547,109	$ 754,160	$ 2,812,577	$ 862,556	$ 999,858	$ 997,806	$ 11,026	$ 7,660,068	$ 15,234,384
Valuation effect of foreign subsidiaries	767	7,942	1,203	23,192	1,860	3,655	293	69	8,095	47,076
Adittions		6,687	326,060	1,190,528	104,369	198,373	415,884		3,267,325	5,509,226
Adittions through business combinations										-
Transfer			(274,231)	279,533		(71,331)	6,675		59,354	-
Business disposal										-
Sales	(7,212)	(165,846)		(52,020)	(48,408)	(7,900)	(375)		(13,566)	(295,327)
Reclassifications			(645,319)	(76,948)	(16)	76,902	55		(3,605)	(648,931)
Depreciation		(20,610)		(1,392,929)	(237,499)	(152,507)	(163,630)	(4,804)	(2,815,639)	(4,787,618)
Impairment										-
At December 31, 2021	$ 582,779	$ 375,282	$ 161,873	$ 2,783,933	$ 682,862	$ 1,047,050	$ 1,256,708	$ 6,291	$ 8,162,032	$ 15,058,810
Cost of investment	$ 696,106	$ 1,843,715	$ 161,873	$ 10,264,792	$ 1,912,976	$ 3,104,723	$ 2,337,327	$ 219,356	$ 22,390,957	$ 42,931,825
Accumulated depreciation and impairment	(113,327)	(1,468,433)	-	(7,480,859)	(1,230,114)	(2,057,673)	(1,080,619)	(213,065)	(14,228,925)	(27,873,015)
Carrying amount, net	$ 582,779	$ 375,282	$ 161,873	$ 2,783,933	$ 682,862	$ 1,047,050	$ 1,256,708	$ 6,291	$ 8,162,032	$ 15,058,810

As of December 31, 2020, the balance of property, plant and equipment is reconciled as follows:

	Land	Buildings	Construction in progress	Computer equipment	Trans-portation equipment	Office furniture and equipment	Machinery and equipment	Satellite network	Investment in store	Total
At January 1, 2020	$ 620,851	$ 562,586	$ 192,220	$ 3,197,417	$ 1,136,127	$ 1,055,580	$ 905,041	$ 15,684	$ 7,648,024	$ 15,333,530
Valuation effect of foreign subsidiaries	881	10,270	4,076	29,813	5,425	30,288	622	217	23,199	104,791
Adittions		3,304	867,215	1,470,986	126,203	217,376	239,713	718	2,396,909	5,322,424
Adittions through business combinations										-
Transfer			(354,150)	266,010	387	28,513			59,240	-
Business disposal	(32,508)	(8,544)		(65,211)	(26,798)	(29,888)	(4,413)		(32,267)	(199,629)
Sales				(587,861)	(106,394)	(35,881)	(69)	(629)	(81,628)	(812,462)
Reclassifications			44,799	(12,964)					37,000	68,835
Depreciation		(20,507)		(1,485,613)	(272,394)	(266,130)	(143,088)	(4,964)	(2,390,409)	(4,583,105)
Impairment										-
At December 31, 2020	$ 589,224	$ 547,109	$ 754,160	$ 2,812,577	$ 862,556	$ 999,858	$ 997,806	$ 11,026	$ 7,660,068	$ 15,234,384
Cost of investment	$ 702,551	$ 2,040,776	$ 754,160	$ 9,167,636	$ 2,035,468	$ 2,954,280	$ 1,941,330	$ 220,100	$ 19,128,970	$ 38,945,271
Accumulated depreciation and impairment	(113,327)	(1,493,667)	-	(6,355,059)	(1,172,912)	(1,954,422)	(943,524)	(209,074)	(11,468,902)	(23,710,887)
Carrying amount, net	$ 589,224	$ 547,109	$ 754,160	$ 2,812,577	$ 862,556	$ 999,858	$ 997,806	$ 11,026	$ 7,660,068	$ 15,234,384

As of December 31, 2021, the useful lives of the main groups of assets are shown below:

	Useful life
Buildings	2% and 2.2%
Computer equipment	30% and 33%
Transportation equipment	20% and 25%
Office, furniture and equipment	10%, 20% and 33%
Machinery and equipment	10%
Satelital Network	20%
Other components (transport equipment)	5% and 6.7%

15. Investment properties

As of December 31, 2021, the balance of investment properties is reconciled as follows:

	Land	Buildings	Total
As of January 1, 2021	$ 107,110	$ 18,458	$ 125,568
Disposal	(5,979)		(5,979)
Depreciation		(507)	(507)
As of December 31, 2021	$ 101,131	$ 17,951	$ 119,082
Cost of investment	120,197	349,111	469,308
Accumulated depreciation and impairment	(19,066)	(331,160)	(350,226)
Carrying value, net	$ 101,131	$ 17,951	$ 119,082

As of December 31, 2020, the balance of investment properties is reconciled as follows:

	Land	Buildings	Total
As of January 1, 2020	$ 107,110	$ 19,133	$ 126,243
Reclassifications			
Depreciation		(675)	(675)
As of December 31, 2020	$ 107,110	$ 18,458	$ 125,568
Cost of investment	126,176	349,111	475,287
Accumulated depreciation and impairment	(19,066)	(330,653)	(349,719)
Carrying value, net	$ 107,110	$ 18,458	$ 125,568

16. Intangible assets

As of December 31, 2021, the balance of intangible assets is reconciled as follows:

	Goodwill	Trademarks	Rights and permissions	Customers relationships	Other intangibles	Total
As of January 1, 2021	$ 4,831,736	$ 1,851,510	$ 879,599	$ -	$ 24,184	$ 7,587,029
Valuation effect of foreign subsidiaries	121,345	51,940	8,845		201	182,331
Additions			1,741,774		10,820	1,752,594
Business disposal						-
Disposals						-
Reclassifications			645,319			645,319
Amortization			(484,511)		(21,898)	(506,409)
Impairment	-	-	(18,702)	-	-	(18,702)
As of December 31, 2021	$ 4,953,081	$ 1,903,450	$ 2,772,324	$ -	$ 13,307	$ 9,642,162
Cost of investment	$ 8,158,438	$ 1,903,450	$ 5,204,580	$ 587,827	$ 305,774	$ 16,160,069
Accumulated amortization	(3,205,357)	-	(2,432,256)	(587,827)	(292,467)	(6,517,907)
Carrying amount, net	$ 4,953,081	$ 1,903,450	$ 2,772,324	$ -	$ 13,307	$ 9,642,162

As of December 31, 2020, the balance of intangible assets is reconciled as follows:

	Goodwill	Trademarks	Rights and permissions	Customers relationships	Other intangibles	Total
As of January 1, 2020	$ 4,604,797	$ 1,754,371	$ 1,046,558	$ -	$ 5,910	$ 7,411,636
Valuation effect of foreign subsidiaries	226,939	97,139	16,858		2,008	342,944
Additions			572,094		11,498	583,592
Business disposal					(3,804)	(3,804)
Disposals					(2,013)	(2,013)
Reclassifications			(233,511)		16,222	(217,289)
Amortization	-	-	(522,400)	-	(5,637)	(528,037)
As of December 31, 2020	$ 4,831,736	$ 1,851,510	$ 879,599	$ -	$ 24,184	$ 7,587,029
Cost of investment	$ 7,956,873	$ 1,851,510	$ 2,871,082	$ 587,827	$ 288,419	$ 13,555,711
Accumulated amortization	(3,125,137)	-	(1,991,483)	(587,827)	(264,235)	(5,968,682)
Carrying amount, net	$ 4,831,736	$ 1,851,510	$ 879,599	$ -	$ 24,184	$ 7,587,029

The average annual amortization rate is as follows:

	Useful life
Goodwill	Indefinite
Trademarks	Indefinite
Licenses (PF)	Indefinite
Other rights and licenses	1 - 3 years
Other intangibles	1.5 - 8 years

Goodwill

As of December 31, 2021, the carrying amount of goodwill is related to PF and CASA (CGEs) for an amount of $ 4,446,909 and $ 506,171, respectively, and as of December 31, 2020 for an amount of $ 4,325,565 and $ 506,171, respectively.

Trademarks

PF utilizes different brands in different regions of the USA including "Advance America", "National Cash Advances", and "Valued services" (the "Trademarks"). PF's Trademarks are well recognized in the payday lending industry and carry a reputation for quality and experience in their respective operating markets. The Advance America name has been used since 1997 and is the number one payday lender in the U.S. market. Therefore, the Trade Names and Trademarks' reputation and positive brand recognition provide a valuable intangible asset to PF.

Licenses (PF)

The Company has licenses to operate as a payday loan provider in 28 American states (the "Licenses"). These licenses are legally required in order for PF to conduct payday lending and provide other financial services in the states which the Company operates.

17. Investments in associates

As of December 31, 2021, investments in associates are integrated as follows:

	Investment	(Loss) Profit for the year
CASA (*)	$ 1,727,367	$ 232,416
Procesos Boff	176,740	47,424
GS Definición, S. A. de C. V.	40,456	15,902
Selabe Diseños. S. A. de C. V.	15,217	(3,133)
Adamantium, S. de R. L. de C. V.	26,602	6,554
Fraternitas, LLC.	18,415	4,893
Melandas Payments, S. A. P. I. de C. V.	252,024	-
Cecoban, S. A. de C. V.	10,326	282
	$ 2,267,147	$ 304,338

(*) At December 31, 2021, Grupo Elektra directly and indirectly held 39.77% of the capital stock of CASA which, in turn, holds 56.45% of the stock of TV Azteca, S. A. B. de C. V. The Company has no effective control over CASA.

18. Disposal of business

(i) On May 8, 2015, Grupo Elektra announced the beginning of the retirement process of all subsidiary operations in the Federative Republic of Brazil. As a result of the liquidation of subsidiary companies, the Company is still recognizing in the results of the year the effects of this process. See Note 31.

(ii) On August 6, 2013 Elektra del Milenio, S. A. de C. V. and Elektra Centroamerica, S. A. de C. V. (subsidiaries of Grupo Elektra) signed a purchase agreement in respect of 100% of the share capital of Elektra de Argentina, S. A. for a total value of US$ 80,000 to be paid in five installments; and since the purchaser's payment obligation is overdue in the amount of US$ 72,000 plus default interests, the Company initiated the related legal actions. That they are still pending. Such actions in 2018 was resolved one relating to the recognition of debts and default interest (We are now in the implemention stage). The receivable amounting is totally reserved as of December 31, 2021.

(iii) During the fourth quarter of 2020, the Company sold the total shares of Banco Azteca del Peru to a group of Peruvian investors with recognized experience in the financial sector. The parties announced the implementation of an orderly transition process to assure continuity of operations and provide its users with security.

At the time of the sale, the operations of Banco Azteca del Peru represented an immaterial proportion in connection with its total activities of the financial business of Grupo Elektra. As a result of this transaction, the company will concentrate its efforts in Mexico, the United States, and Central America, which will even further its solid perspectives.

Likewise, in December 2020, the Company management decided to begin the closure of its commercial operation in Peru in December 2020.

The Company recognized equity in earnings of Banco Azteca and Elektra of Peru as a discontinued operation in the company's consolidated financial statements for the year ended December 31, 2020.

19. Demand and term deposits

	2021	2020
Immediate demand deposits and term deposits (A):		
Azteca Investment	$ 64,042,923	$ 59,959,556
"Guardadito" Savings	64,974,493	57,740,380
"Socio and Nómina" accounts	11,658,208	8,961,911
Concentration accounts	22,240,899	22,037,222
Term deposits:		
General public	26,196,880	28,261,764
Money market	4,232	220,085
	189,117,635	177,180,918
Less collection funds with inter-companies	(4,219,732)	(4,553,840)
Total demand and term deposits	$ 184,897,903	$ 172,627,078

(A) Immediate demand deposits:

As of December 31, 2021, immediately available deposits "Guardadito" accrue interest from 0.1% to 0.75% per year, "Inversión Azteca" in pesos accrues interest from 1.66% to 2.24% and "Nómina" and others accrue a rate of 0.11%. and 7% per year, respectively.

As of December 31, 2020, immediately available deposits "Guardadito" accrue interest from 0.1% to 0.75% annually, "Inversión Azteca" in pesos accrues interest from 1.66% to 3.27% and "Payroll" and others accrue a rate of 0.11% and 7% per year, respectively

20. Bank and other loans

		2021	2020
Stock exchange certificates	(a)	$ 20,204,317	$ 22,276,000
Senior notes	(b)	9,976,833	-
Banco Nacional de Comercio Exterior	(c)	1,116,667	1,316,667
Multiva	(d)	453,389	605,931
Line of credit	(e)	716,352	696,805
Other financial leasing		125,241	219,370
		32,592,799	25,114,773
Less, current debt		(14,464,050)	(10,839,621)
Non-current debt		$ 18,128,749	$ 14,275,152

The maturities of total debt of the Company are shown below:

	2021
2022	$ 14,464,050
2023	3,118,515
2024	2,209,620
2025	2,216,738
2026 hereafter	10,583,876
	32,592,799
Less current portion	(14,464,050)
Non-current debt	$ 18,128,749

a. Stock exchange certificates

As of December 31, 2021, Grupo Elektra had the following short and long term issues amounting $ 20,204,317.

Beginning date	Ticker code	Amount	Return rate	Maturity	
19-02-19	Elektra 19	$ 5,000,000	TIIE + 2.40	March 3, 2022	
07-04-16	Elektra 16-2	500,000	8.16% (fija)	March 30, 2023	
25-04-19	Elektra 19-2	2,500,000	TIIE + 2.30	October 6, 2022	
13-05-20	Elektra 20	2,500,000	9.35% (fija)	May 5, 2027	(1)
13-12-21	Elektra 121	2,500,000	TIIE + 2.20	October 25, 2022	(2)
13-04-21	Elektra 21	4,009,805	TIIE + 2.20	October 25, 2022	(3)
13-04-21	Elektra 21U	3,194,512	4.53% (fija)	April 7, 2026	(3)
		$ 20,204,317			

(1) On May 13, 2020, the Company issued $ 2,500,000 of its Cebures Elektra 20 due May 5, 2027, at a fixed rate of 9.35%.

(2) The Elektra 120 issue was renewed upon its maturity on Decembrer 13, 2021, with funds received from the Elektra 121 issue in the same amount.

(3) The Elektra 18 issue for $7,500,000 was fully amortized at maturity on April 13, 2021, with resources obtained from the Elektra 21 and Elektra 21U issues for a total of $7,054,512, and with Company cash.

(4) On June 15, 2021, the Trust Stock Certificates DINEXCB 16 and DINEXCB 16-2 were amortized in advance at their Fair Market Value. The unpaid balance of the DINEXCB 16 issue was Ps.1,350 million, whose contractual maturity was in October 2023 and paid a rate of TIIE + 2.8%, while the unpaid balance of the DINEXCB 16-2 issue was Ps.680 million, whose contractual maturity was in October 2026 and paid a fixed rate of 8.8%.

As of December 31, 2020, Grupo Elektra had the following short and long term issues amounting $22,276,000:

Beginning date	Ticker code	Amount	Return rate	Maturity	
19-02-19	Elektra 19	$ 5,000,000	TIIE + 2.40	March 3, 2022	
07-04-16	Elektra 16-2	500,000	8.16% (fija)	March 30, 2023	
15-05-18	Elektra 18	7,300,000	TIIE + 2.30	April 13, 2021	
25-04-19	Elektra 19-2	2,500,000	TIIE + 2.30	October 6, 2022	
13-05-20	Elektra 20	2,500,000	9.35% (fija)	May 5, 2027	(1)
14-12-20	Elektra 120	2,500,000	TIIE + 1.80	December 13, 2021	(2)
21-10-16	DINEXCB16	1,296,000	TIIE + 2.80	October 12, 2023	
21-10-16	DINEXCB16-2	680,000	8.80% (fija)	October 8, 2026	
		$ 22,276,000			

(1) On May 13, 2020, the Company issued $ 2,500,000 of its Cebures Elektra 20 due May 5, 2027, at a fixed rate of 9.35%.

(2) The Elektra 00119 issue was renewed upon its maturity on Decembrer 14, 2020, with funds received from the Elektra 120 issue in the same amount.

b. Senior Notes

On January 20, 2021, Nueva Elektra del Milenio, S.A. de C.V.("NEM"), a subsidiary of Grupo Elektra, as the originator, placed Senior Notes through a special purpose vehicle set out under the laws of Luxembourg, by an amount of US$ 500 million at a seven-year term and a 4.875% rate, in reliance on a financing program. NEM, among other things, subscribed a trust agreement and a contribution agreement to transfer certain collection rights irrevocably ("Receivables" as defined in the transaction documents) that serve as the source of main payment of Senior Notes. The Senior Notes also have the Company's corporate guaranty.

c. Banco Nacional de Comercio Exterior (Bancomext)

Grupo Elektra entered into a Pure Project Finance with Bancomext in the amount of $ 2 billion on July 17, 2017. Its main source of payment is the fees generated by the remittance payment service collected by Nueva Elektra del Milenio, a subsidiary, from various business partners. Toward that end, an Irrevocable Trust Management Agreement, Source of Payment and Guarantee, was entered into on that same July 17. On July 21, 2017, Grupo Elektra made the first drawdown on the credit in the amount of $ 2 billion on a 10 years' term, which has monthly payments on capital and interest at a variable interest rate on the EIIR of 28 days plus 2.5%.

d. Multiva

Grupo Elektra entered into a Pure Project Finance with Banco Multiva in the amount of $1,000,000 on May 10, 2018, which was aggregated to the structure of the Pure Project Finance with Bancomext, and it has the same source of payment, which is the fees generated for the remittance payment service collected by Elektra from various business partners. On June 11, 2018, Grupo Elektra made the drawdown on the credit in the amount of $1,000,000 on a 5 year term, which will be amortized in seventy payments and accrue interest at a variable interest rate on the TIIE of 28 days plus 2.75%.

e. Line of credit

In April 2020, the Company signed an unsecured credit agreement with Bank of China in a total amount of US$ 35 million, at a libor rate plus 2.4%, due on April 1, 2023.

The fair value of debt is as follows (1):

	2021		2020	
	Book value	Fair value	Book value	Fair value
Stock exchange certificates	$ 20,204,317	$ 19,975,292	$ 22,276,000	$ 22,090,127
Senior notes	9,976,833	9,574,658	-	-
Banco Nacional de Comercio Exterior	1,116,667	1,124,035	1,316,667	1,324,941
Banco Multiva	453,389	455,060	605,931	608,577
Line of credit	716,352	716,602	696,805	697,239
Other loans	125,241	125,241	219,370	219,370
	32,592,799	31,970,888	25,114,773	24,940,254
Less, current portion	(14,464,050)	(14,464,050)	(10,839,621)	(10,839,622)
Long term debt	$ 18,128,749	$ 17,506,838	$ 14,275,152	$ 14,100,632

(1) 2021: Bond Price Elektra16-2 98.7171, Elektra 19 100,0532, Elektra 19-2 100.0760, Elektra 20 92.4379, Elektra 21 99.9988, Elektra 21U 702.5332, Elektra 00121 99.9675, Senior Notes 2021-1 93.5610, Bank of China 100.0000, Bancomext 55.8333 and Multiva 45.3390 Source: Bloomberg, Princing vectors PiP and Valmer.

(2) 2020: Bond Price Elektra16-2 98.1828, Elektra 18 100.4038, Elektra 19 100.7013, Elektra 19-2 100.1895, Dinex16 67.6148, Dinex16-2 74.7274, Bancomext 75.8333 and Multiva Source, Vector7: 75.84 Bloomberg

At 31 December 2020 there were no assets pledged as collateral related to the loans described above.

21. Other accounts payable

	2021	2020
Taxes to pay	$ 4,120,458	$ 3,005,069
Merchandise reserve	2,588,585	3,112,584
Provisions and accrued expenses	6,141,153	4,961,352
Employee benefits	1,454,370	325,370
Money transfers	1,398,346	1,052,961
Values and purchase of foreign currency pending settlement	938,151	1,350,796
Collateral received derivative instruments	315,420	48,384
Otras cuentas por pagar	7,188,049	6,402,121
Total	$ 24,144,532	$ 20,258,637

22. Provisions

Below is an analysis of the most important provisions for the period ended as of December 31, 2021 and 2020.

	Technical reserves			Third-party		
	Current risks	Contractual obligations	Prevision	lender losses	Repairs reserves	Total
Balance at January 1, 2021	$ 1,917,619	$ 2,315,863	$ 20,323	$ 67,291	$ 74,441	$ 4,395,537
Debits (credits) to income statement:						
Additional provision	34,548	1,121,214	5,457	31,460	137,246	1,329,925
Applications	(267,102)				(126,942)	(394,044)
Cancellations						-
Business layout						-
Foreign exchanges effects	-	-	-	2,172	7,547	9,719
Balance at December 31, 2021	$ 1,685,065	$ 3,437,077	$ 25,780	$ 100,923	$ 92,292	$ 5,341,137
Total provisions analyzed:						
Current	$ 1,685,065	$ 3,437,077	$ 25,780	$ 100,923	$ 33,801	$ 5,282,646
Non-current					58,491	58,491
Total	$ 1,685,065	$ 3,437,077	$ 25,780	$ 100,923	$ 92,292	$ 5,341,137

Below is an analysis of provisions, for the year ended December 31, 2020:

	Technical reserves			Third-party		
	Current risks	Contractual obligations	Prevision	lender losses	Repairs reserves	Total
Balance at January 1, 2020	$ 1,619,455	$ 1,225,402	$ 44,510	$ 69,232	$ 54,647	$ 3,013,246
Debits (credits) to income statement:						
Additional provision	298,164	1,090,461	-	-	99,824	1,488,449
Applications			(24,187)	(6,232)	(80,202)	(110,621)
Cancellations						-
Business layout					(2,097)	(2,097)
Foreign exchanges effects	-	-	-	4,291	2,269	6,560
Balance at December 31, 2020	$ 1,917,619	$ 2,315,863	$ 20,323	$ 67,291	$ 74,441	$ 4,395,537
Total provisions analyzed:						
Current	$ 1,917,619	$ 2,315,863	$ 20,323	$ 67,291	$ 18,818	$ 4,339,914
Non-current					55,623	55,623
Total	$ 1,917,619	$ 2,315,863	$ 20,323	$ 67,291	$ 74,441	$ 4,395,537

Through its subsidiaries SAZ Vida y Daños, the company creates and values mathematical reserves set forth in the Law, in conformity with the general provisions issued by the CNSF (the Commission) in Title 5 of the Circular. Mathematical reserves are created and valued in connection with the insurance obligations that the Company has assumed in dealing with insured persons and beneficiaries of insurance contracts, administrative expenses, and acquisition expenses, if applicable, assumed in connection therewith.

In order to create and value mathematical reserves, actuarial methods are used based on the application of actuarial practice standards, set forth by the Commission through general provisions, and considering the information available on financial markets, as well as information available on technical insurance risks and reinsurance. The valuation of these reserves is audited by an independent actuary who is registered with the Commission.

In the case of mathematical reserves relative to catastrophe risk insurance and other reserves determined by the Commission in conformity with the Law, the actuarial methods of creating and valuing employees for the Company were determined by the Commission through general provisions.

The most significant aspects of their determination and accounting are discussed below.

1. Current risk reserve

   The Company registered the technical notes and actuarial methods with the Commission, through which they create and value the current risk reserve. The purpose of this reserve is to cover the expected value of future obligations (best estimate), derived from the payment of claims, benefits, guaranteed values, dividends, acquisition expenses, and administration, as well as any other future obligation derived from insurance contracts, in effect at the time of valuation, plus a risk margin.

   The best estimate is equal to the expected value of future flows, by considering income and expenses of obligations, understood as the weighted means by probability of those flows. The temporary value of money in time is considered based on interest rate curves, free of market risk for each currency or monetary unit furnished by the independent price vendors at the date of valuation. The hypothesis and procedures with which future flows of obligations are determined based on which the best estimate will be obtained were defined by the Institution in its own method that it recorded for the calculation of the best estimate.

   Premiums are not considered for purposes of calculating future flows of income, which are past due and unpaid at the time of valuation, nor the fractioned payments that are recorded in the item of "premium receivable" in the balance sheet.

a. Catastrophe risk insurance

   The Company determines the balance of the current risk reserve of earthquake, hurricane, and other hydrometeorological risk coverage with the unaccrued part of the annual risk premium, considering the technical bases established by the Commission.

b. Risk margin

   It is calculated by determining the net cost of capital corresponding to Admissible Proprietary Funds required to back the Solvency Capital Requirement (SCR), necessary to meet insurance obligations and reinsurance of the Company, during its validity period. The SCR corresponding to the month end immediately preceding the date of valuation is used for purposes of valuation of the current risk reserve. In case of presenting relevant increases or decreases in the amount of the Company's obligations at the date of the report, the Company makes adjustments to that risk margin, which allows it to recognize the increase or decrease that the margin can have arising from the situations discussed. The adjustment made and the procedures used to make that adjustment is reported to the Commission in these cases.

   The risk margin is determined for each line and type of insurance, in accordance with the term and currency considered in the calculation of the best estimate of the corresponding insurance obligation.

   The net capital cost rate used to calculate the risk margin is 10%, which is equivalent to the additional interest rate, in connection with the market risk free interest rate that an insurance institution would require to cover the cost of capital required to maintain the amount of Admissible Proprietary Funds that support the respective SCR, which is determined by the regulator.

2. Reserve for outstanding obligations

   The creation, increase, valuation, and recording of the reserve for outstanding obligations is carried out through the estimate of obligations, which is carried out by using the actuarial methods that the Company has recorded for such purposes with the Commission.

   This reserve is intended to cover the expected value of claims, benefits, guaranteed values or dividends, once the unforeseen contingency provided for in the contract occurs, plus a risk margin.

   The amount of the reserve for outstanding obligations will be equal to the sum of the best estimate and a risk margin, which is calculated separately and in terms of the provisions of Title 5 of the Circular.

   This reserve consists of the following components:

a. Reserve for outstanding obligations for claims and other obligations of a known amount.

   They are obligations at year end that are outstanding payments for claims reported, guaranteed values and accrued dividends, among other things, whose amount payable is determined at the time of valuation and it may not be adjusted in the future. The best estimate for purposes of creating this reserve is the amount corresponding to each one of the obligations at the time of valuation.

   In the case of a future obligation payable in partial payments, the current value of future flows of discounted payments is estimated by using market risk free interest rate curves for each currency or monetary unit, plus the risk margin calculated in accordance with the provisions in effect. The corresponding recovery is recorded simultaneously in ceded reinsurance operations.

b. Reserve for outstanding obligations for losses occurred, but not reported and adjustment expenses allotted to the loss.

   They are obligations arising from losses which, having occurred at the date of valuation and have not been reported yet or have not been completely reported, as well as their adjustment expenses, salvages and recoveries. At the time of valuation, the reserve is determined as the best estimation of future obligations, brought to present value by using the discount rates by using market risk free interest rate curves for each currency or monetary unit, plus the risk margin calculated in accordance with the provisions in effect. The corresponding recovery is recorded simultaneously in ceded reinsurance operations.

   For the purposes of calculating this reserve, it is defined as a claim that has not been fully reported, when having occurred on dates prior to the valuation, future claims or adjustments to the initially made estimates may arise from that incident.

c. Risk margin

   It is calculated by determining the net cost of capital corresponding to Admissible Proprietary Funds required to back the SCR, necessary to meet insurance obligations and reinsurance of the Institution, during its validity period. The SCR corresponding to the month end immediately preceding the date of valuation is used for purposes of valuation of the outstanding obligations reserve. In case of presenting relevant increases or decreases in the amount of the Institution's obligations at the date of the report, the Institution makes adjustments to that risk margin, which allows it to recognize the increase or decrease that the margin can have arising from the situations discussed.

   The adjustment made and the procedures used to make that adjustment is reported to the Commission in these cases.

The risk margin is determined for each line and type of insurance, in accordance with the term and currency considered in the calculation of the best estimate of the corresponding insurance obligation.

The net capital cost rate used to calculate the risk margin is 10%, which is equivalent to the additional interest rate, in connection with the market risk free interest rate that an insurance institution would require to cover the cost of capital required to maintain the amount of Admissible Proprietary Funds that support the respective SCR.

d. Reserve for outstanding obligations on contingent dividends

This reserve corresponds to dividends that do not yet account for or past due obligations. However, the Company estimates that they will be paid in the future for the obligations of distributing the earnings provided for in the insurance contracts, arising from the favorable risk behavior, yields or expenses during the accrued period of validity of the policies in effect. The best estimate is determined by applying the method recorded with the Commission and it is determined by the regulator.

e. Reserve for outstanding obligations for managing payments and past due benefits

It corresponds to managing the sums entrusted by insured persons or their beneficiaries to the Company for dividends or other indemnifications. The best estimate of future obligations with which the reserve is created correspond to the amount known of each one of those obligations and, if applicable, the yields that must be credited to those amounts.

3. Precautionary Measure Catastrophe risks

(i) Earthquake coverage and/or volcanic eruption – This reserve is intended to cover the value of the probable maximum loss arising from the occurrence of losses of a catastrophic nature of the obligations contracted by the Company in the retained part of earthquake insurance and/or volcanic eruption. It is a cumulative reserve and may only be applied in case of accidents and under certain situations contemplated in the regulation in force, upon prior authorization by the Commission.

(ii) Hurricane coverage and other hydrometeorological risks – This reserve is intended to cover the value of the probable maximum loss arising from the occurrence of losses of a catastrophic nature of the obligations contracted by the Company in the retained part of hurricane coverage and other hydrometeorological risks. It is a cumulative reserve and may only be applied in case of accidents and under certain situations contemplated in the regulation in force, upon prior authorization from the commission

Those reserves are increased by the release of the current risk reserve retention of the earthquake and/or volcanic eruption and hurricane and other hydrometeorological risks, respectively, and with the capitalization of financial proceeds, in accordance with regulations in effect. The balance of these reserves will have a maximum limit, determined by the technical procedure set forth in the provisions issued by the Commission.

4. Allowance for third party loan losses ("Third party lender")

This allowance represents the losses that management estimates to be probable for those loans and certain fees related to the loans that are processed by the Company through its provider in the state of Texas, USA. The allowance is based primarily on models that analyze a specific statistics portfolio, and it also reflects, to a lesser degree, management's judgment about its accuracy in general. The analytical models consider various factors, including the number of transactions completed by customers, additional charges, and recovery rates, as well as additional factors such as changes in state legislation, shutting down of centers, the period of time that centers have been open in a state, and the relative mix of new centers in a state.

5. Allowance for repairs ("Extended Guaranties")

Pursuant to the sale of extended guaranties, the Company records an allowance relative to the amounts that, in management's opinion, will be incurred in the purchase of replacement parts and other substitutes of damaged items of customers who have acquired this type of guaranties. The provision is based on historical trends, prices of merchandise, the sale of extended guaranties, among other factors.

23. Income taxes

The income taxes are made as follows:

	2021	2020
Current income tax	$ 4,207,525	$ 2,593,725
Deferred income tax	1,305,064	(3,664,347)
Total	$ 5,512,589	$ (1,070,622)

The income tax or the Mexican Income Tax (ISR for its acronym in Spanish) is incurred at 30% rate on a basis that differs from the consolidated net income, mainly because of the inflationary effects recognized for tax purposes through depreciation of assets and the annual inflationary adjustment, in addition to some non-deductible expense items.

The Law of the ISR establishes a new optional regime for groups of companies, in which the integrator and the integrated companies can differ the tax for three annual years, which is determined with a tax integration factor without considering companies that have carry forward tax losses prior to 2014.

(i) The effects of the principal temporary differences, without including items corresponding to foreign subsidiaries, on which deferred taxes were recognized, are as follows:

	2021	2020
Deferred tax liability:		
Inventories	$ 1,207,260	$ 1,207,260
Contingent provisions (See Note 31)	-	3,475,943
Derivative financial instruments	11,127,029	9,804,928
Deferred income	3,799,653	3,647,404
Right-of-use assets	3,235,794	2,636,785
Goodwill	583,927	563,813
Prepaid expenses	710,827	760,493
	20,664,490	22,096,626
Deferred tax asset:		
Tax losses carry forwards from subsidiaries	2,391,958	2,737,770
Leases	3,460,188	2,855,967
Property, furniture, equipment and investment in stores and branches	2,118,780	2,111,725
Allowance for credit risks	4,450,761	3,744,144
Accrual liabilities	2,026,613	2,570,835
Employee benefits	629,730	586,085
Valuation of investments and others	663,649	442,712
	15,741,679	15,049,238
Deferred tax liability, net	4,922,811	7,047,388
Plus: deferred tax asset	1,230,751	1,437,600
Deferred tax liability	$ 6,153,562	$ 8,484,988

(ii). The reconciliation of the balance of the deferred tax liability is as follows:

	2021	2020
Balance at January 1	$ 7,047,388	$ 10,694,408
Deferred Income tax of the year	1,305,064	(3,664,347)
Reclassification (*)	(3,475,943)	-
Translation effects of foreign subsidiaries	46,302	17,327
Balance at December 31	$ 4,922,811	$ 7,047,388

(*) Short-term income tax provision

(iii). The reconciliation between the legal and effective income tax rate is shown below:

	2021	2020
Legal Income Tax rate	30.00%	30.00%
Plus (less):		
Inflation effects and other	0.15%	0.01%
Deferred tax reversal		14.74%
Difference in tax rates		11.41%
Income tax rate reduction in USA		16.35%
Equity in the net profit of associated companies	(0.49%)	(12.10%)
Effective rate	29.66%	60.41%

24. Employee benefits

Employee benefit plans are established, related to the termination of the labor relation and for retirement due to reasons other than restructuring. The benefit plans at the end of the labor relation consider the severance indemnities (including the seniority premium earned), and which are not going to reach the benefits of the retirement or pension plan. The retirement benefit plans consider the years of service completed by the employee and his/her remuneration as of the retirement or pension date. The retirement plan benefits include the seniority premium that the workers are entitled to earn upon termination of the labor relation, as well as other defined benefits. The valuation of both benefit plans was made on the basis of actuarial calculations prepared by independent experts. Details of defined benefit schemes of the Company are as follows:

	2021	2020
Projected net liability	$ 2,381,025	$ 2,164,190
Benefits paid	(43,279)	(55,777)
Actuarial losses (profits) recognized in other comprehensive income	(22,672)	634,972
Exchange effect	-	26,141
Total cost of the period	197,395	227,823

The most important assumptions used in determining the net cost of the plans for the period are as follows:

	2021	2020
Discount rate	7.97%	6.61%
Salary increase rate	5.50%	4.13%

IAS 19 sets forth the determination of the discount rate for the calculation of present value of labor liabilities, based on high quality business bonds or debentures in the event that there should be a broad (deep) market and the use of government bonds in the event that there should be no such market.

On February 29, 2016, the Ministry of Finance and Public Credit made a pronouncement, which concludes that the necessary conditions exist in Mexico to be considered a deep market. Accordingly, the high quality business bonds or debentures will be applicable in the determination of the discount rate corresponding to labor obligations. At the issue date of this financial statement, the Company is evaluating the possible effects of the application of this pronouncement.

25. Stockholders' equity

a. Share structure

As of December 31, 2021 and 2020, the common stock is represented by 284,291,164 common shares, ordinary, without face value, with a complete vote right, distributed as follows.

	Number of shares	Amount
Authorized capital	284,291,164	$ 655,236
Treasury shares	(38,707,055)	(89,212)
Subscribed and paid in common stock	245,584,109	$ 566,024

In the event that dividends should be paid and charged to retained earnings that are not paid out of the Net Taxable Income Account (CUFIN), a 30% tax will be assessed payable by the Company, on the result of multiplying the dividend paid by the 1.4286 factor.

The corresponding tax may be credited against Income Tax assessed on the Company in the year in which the tax referred to is paid, as well as the subsequent two tax years. In the event of a capital decrease, the excess of stockholders' equity over the sum of the balances of the paid-in capital and net taxable income accounts will be considered as a dividend, in conformity with the procedures set forth in the Income Tax Law. At December 31, 2021 and 2020, the CUFIN amounted to $ 28,672,858 and $ 25,486,983, respectively, and the paid-in capital account amounted to $ 15,499,210 and $ 15,191,356, respectively, determined in accordance with currently enacted tax legislation.

b. Reserve to repurchase shares

The reserve authorized by the shareholders is for the Company to buy its own complying with certain criterion established in the statutes and the securities market law.

c. Legal reserve

According to the Mexican Corporate Law, the Company will constitute the fund for legal reserve separating annually; at least five percent of its net income, until such reserve reaches 20% of the common stock. As of December 31, 2021 and 2020 the legal reserve amounted $ 159,981.

d. Shares in treasury

The consideration paid/received on the purchase and sale of treasury stock in equity. The cost of treasury stock held is presented as a separate reserve (repurchase of treasury stock). Any surplus of the consideration received for the sale of treasury stock over the weighted average cost of the stock sold, is credited to the premium on the sale of stock.

e. Share purchase option plan for executives

In February 1994 Grupo Elektra established a share purchase option plan for executives, through which some employees may acquire shares of Grupo Elektra at an average price of $ 0.01250 and $ 0.01625 (par value) per share. Options may be exercised in equal parts during a five-year period, provided the Company fulfills certain annual goals mainly related to the increase in net income. If these goals are not achieved, the exercise of the options may be postponed until the next year, but not later than February 28, 2024.

During 2021 and 2020 there were no shares exercised to the aforementioned plan.

As of December 31, 2021 and 2020 there were 21,966 allocated options to be exercised.

f. Payments of dividends

The ordinary annual general meeting of shareholders of March 19, 2021 approved the payment of dividends from CUFIN in the amount of $ 1,099,611, which was paid on March 29, 2021 through the Society for the Securities Depository (SD Indeval).

The ordinary annual general meeting of shareholders of March 27, 2020 approved the payment of dividends from CUFIN in the amount of $ 1,100,113, which was paid on April 7, 2020 through the Society for the Securities Depository (SD Indeval).

26. Income

As of December 31, 2021 and 2020 the principal income of the Company is as follows:

	2021	2020
Income:		
Sales of merchandise	$ 58,120,461	$ 45,643,003
Interest earned from loan portfolio	61,654,558	53,296,697
Money transfers	4,797,304	4,352,333
Interest and returns on investments	5,211,652	5,982,720
Commissions and fees earned, net	9,454,914	6,624,125
Earned premiums	4,578,519	3,609,131
Other income	2,201,345	999,125
Total	$ 146,018,753	$ 120,507,134

27. Costs and expenses by nature

The Company presents costs and expenses based on their function, however, IFRS requires additional disclosures about the nature thereof.

As of December 31, 2021 and 2020 costs and expenses by nature are as follows:

	2021	2020
Costs:		
Sales of merchandise	$ 45,778,589	$ 34,037,916
Allowance for credit risks	13,423,953	17,054,805
Interest paid	4,649,699	5,186,202
Commissions and fees paid	1,365,789	1,024,275
Insurance cost	2,863,807	1,512,957
Other costs	1,096,870	932,453
Total	$ 69,178,707	$ 59,748,608

	2021	2020
Expenses:		
Workforce	$ 28,633,680	$ 29,254,733
Operation	22,225,433	17,966,278
Rents	392,873	471,081
Advertising	3,046,731	2,690,109
Taxes and duties	526,188	563,888
Total	$ 54,824,904	$ 50,946,089

28. Other (incomes) expenses, net

These headings are made up as follows:

	2021	2020
Renegotiation of leases (*)	$ (92,261)	$ (336,239)
Cancellation leases contracts	(67,086)	(165,688)
Impairment of assets for right of use (See Note 29)	41,789	70,234
Impairment of Licenses (See Note 16)	18,702	-
Total	$ (98,856)	$ (431,693)

(*) Pursuant to the economic consequences due to COVID-19, the company has renegotiated lease agreements in the amounts of $ 92,261 and $ 336,239 in 2021 and 2020, respectively.

29. Leases

a. As lessee

a.1 Right of use assets

	Properties	Computer equipment	Transportation equipment	Investment in store and branches	Total assets
January 1, 2021	$ 9,738,098	$ 34,332	$ 285,184	$ 141,091	$ 10,198,705
Exchance Diferences	39,227				39,227
Additions for new contracts and rent update	3,551,375	570,469	183,319	14,393	4,319,556
Disposals	(121,546)	-	-	-	(121,546)
Impairment	(41,789)	-	-	-	(41,789)
Amortization	(2,829,214)	(177,082)	(138,345)	(29,190)	(3,173,831)
Total	$ 10,336,151	$ 427,719	$ 330,158	$ 126,294	$ 11,220,322

a.2 Lease liability

	2021
January 1, 2021	$ 11,099,031
Additions for new contracts and rent update	4,410,991
Interest accrued in the period	1,176,002
Disposals	(230,129)
Payments for leases	(4,123,387)
Currency effects	43,461
Decrease in lease payments	(92,261)
Total liabilities	$ 12,283,708

a.3 Classification of short and long term lease liability

	2020
Short Term (*)	$ 2,474,113
Long Term (**)	9,809,595
Lease liability	$ 12,283,708

(*) Corresponds to the 12 subsequent payments to the reporting date.

a.4 Weighted average rate

The weighted average of the implicit rate applied to the lease liability as of December 31, 2021 and 2020 was 10.71% and 10.61%, respectively.

a.5 The contractual maturities of the lease liabilities are shown below:

	2021	
1 year	$ 3,758,635	
From 1 to 2 years	2,762,156	
From 2 to 3 years	2,358,721	
From 3 to 4 years	1,838,132	
From 4 to 5 years	1,320,390	
More than 5 years	6,022,383	
Total lease liability (not discounted)	18,060,417	(1)
Less, future financing charges	(5,776,709)	(2)
Total lease liability	$ 12,283,708	(3)

(1) Corresponds to total income payable without discounting at present value (contractual amount).
(2) Corresponds to the difference between the amount of accounts payable and income payable at present value.
(3) Corresponds to the liability amount at the reporting date discounted at present value.

a.6 Amortization of assets for right of use

		2021
	Property	$ 2,829,214
	Computer equipment	177,082
	Transportation equipment	138,345
	Investment in stores and branches	29,190
a)	Total amortization expense	$ 3,173,831
b)	Interest expense included in the financial cost	$ 1,176,002
c)	Variable and low-value lease expense	392,873
d)	Total cash outflow from leases	4,123,387

b. As lessor

The Company has contracts related to its investment property, rents agreed minimum annual lease contracts with maturities over one year.

Year	Amount
2022	$ 23,049
2023	23,660
2024	24,287
2025	24,930
2026	25,591
2027 hereafter	26,269
Total minimum payments agreed	$ 147,786

30. Information by segments

The Company has two main segments: financial and commercial business.

Financial business

Grupo Elektra's financial services business segment is mainly comprised of Banco Azteca and other local subsidiaries of Grupo Elektra that operate banks under the Banco Azteca brand name in Guatemala, Honduras and Panama. This segment also includes PF a leading non-bank provider of cash advance services in USA. In addition, Grupo Elektra´s financial services business segment includes Afore Azteca (a pension fund administrator in Mexico), Seguros Azteca (a life and health insurance products provider in Mexico), Seguros Azteca Daños (a casualty insurance products provider in Mexico under the "Seguros Azteca" brand name) and Punto Casa de Bolsa (a brokerage firm that provides fixed income and equity instruments and other financial products to its customer base in Mexico).

Commercial business

Grupo Elektra's commercial business segment includes sale of products and services such as motorcycles, mobile phones, telephony, home appliances, household items, entertainment, consumer electronics, furniture, computers, electronic money transfers, extended warranties and mobile phone airtime, among other services and products. The commercial business operates mainly through two retail stores: Elektra in Mexico and Central America and Salinas y Rocha in Mexico.

Condensed financial information regarding business segments operated by the Company as of December 31, 2021 and 2020 is presented below:

	2021	2020
Financial business:		
Investment in associates	$ 10,326	$ 4,331
Property, furniture, equipment, and investment properties, net	7,351,817	7,937,541
Total assets	290,435,103	258,491,224
Commercial business:		
Investment in associates	2,256,821	1,706,364
Property, furniture, equipment, and investment properties, net	7,826,075	7,422,411
Total assets	133,258,860	112,232,305

	2021	2020
Consolidated:		
Investment in shares	$ 2,267,147	$ 1,710,695
Property, furniture, equipment, and investment properties, net	15,177,892	15,359,952
Total assets	423,693,963	370,723,529
Financial business:		
Revenue	80,488,984	68,253,135
Profit from operations	5,433,796	(6,487,254)
Depreciation and amortization	(4,996,437)	(4,710,212)
Income taxes	(1,772,980)	2,585,961
Commercial business:		
Revenue	65,529,769	52,253,999
Profit from operations	8,234,601	8,544,340
Depreciation and amortization	(3,449,164)	(3,476,832)
Income taxes	(3,739,609)	(1,515,339)
Consolidated:		
Revenue	146,018,753	120,507,134
Profit from operations	13,668,397	2,057,086
Depreciation and amortization	(8,445,601)	(8,187,044)
Income taxes	(5,512,589)	1,070,622

Condensed financial information by geographic area is presented below:

	2021	2020
Mexico:		
Revenue	$ 128,483,927	$ 103,128,483
Profit from operations	12,246,005	787,732
Depreciation and amortization	(7,137,076)	(6,657,498)
Income taxes	(5,360,719)	843,660
Central America:		
Revenue	9,710,905	8,417,518
Profit from operations	1,138,579	1,027,490
Depreciation and amortization	(383,751)	(423,536)
Income taxes	(313,206)	(240,367)
North America:		
Revenue	7,823,921	8,961,133
Profit from operations	283,813	241,864
Depreciation and amortization	(924,774)	(1,106,010)
Income taxes	161,336	467,329
Consolidated:		
Revenue	146,018,753	120,507,134
Profit from operations	13,668,397	2,057,086
Depreciation and amortization	(8,445,601)	(8,187,044)
Income taxes	(5,512,589)	1,070,622

31. Contingencies

Cancellation of the vehicle producer registry

At December 31, 2016, an annulment proceeding filed by GS Motors, S. A. de C. V. and GS Distribucion, S. A. de C. V. against the decision of the Ministry of Economy was in progress against the motion for reconsideration that confirmed the non-renewal of companies of their registry as a manufacturer of New Light Motor Vehicles in Mexico, as well as the dismissal of the extension of the renewal period and suspension of the period for the construction of the automotive plant in Michoacan.

On January 19, 2016, the company was served notice of the ruling handed by the Tenth Metropolitan Regional Division of the Federal Court of Tax and Administrative justice, which has decided, on one hand, to declare the annulment of the ruling challenged in order to have the Ministry of Economy hand down a new ruling in which it bases and states the grounds for the admissibility of the motion for the modification of the 3 year period petitioned by the company and, on the other hand, declare the validity thereof with respect to the motion for the modification of the period to build the automotive plant.

In disagreement with that sentence, upon considering that there are various procedural violations in the court proceeding, a petition for a direct writ of amparo was filed on February 10, 2016, which was recorded with number 118/2016 in the Eighteenth Bench of Judges, which granted the writ of amparo to the petitioners in order for the responsible division to order that the proceeding be replaced.

In performance with the foregoing, the Tenth Metropolitan Regional Division of the Federal Court of Administrative Justice vacated the judgment under appeal, and served notice of the judgment whereby the procedural violations are cured. Witness and expert testimonies are presently being examined in the Federal Court of Administrative Justice.

In the event that the legal proceeding should hand down a sentence on the companies as a last resort, there is the risk that the Federal Government may attempt to collect the tariffs at a 50% rate of the cost of the vehicle, instead of the 0% rate with which they were legally imported by starting an administrative proceeding. However, there is no contingency as of today, since the powers of the authority to claim the tariffs have been barred by the statute of limitations.

The Government of Michoacan, GS Motors, and GS Distribucion signed the termination agreement to the collaboration agreement to build the automotive plant dated November 21, 2007, thereby mutually holding each other harmless. Pursuant to the foregoing, we estimate that there is no contingency for that contract.

Lawsuits of Purpose Financial

1. Silva v. Advance America, Cash Advance Centers of California LLC. On July 2, 2018, Silvia Silva, a former employee, filed a class action, claiming violations of the Private Attorneys General act of 2014, Cal. Lab. Code §2698, et. Seq.). The plaintiffs claim that they were not properly reimbursed for expenses incurred by them in benefit of the Company. They were not provided with meal breaks for every five hours worked and / or uninterrupted breaks. They were not properly paid for overtime, and they were not provided with a proper pay stub. The matter was settled between the parties, and they agreed to solve the matter with a total payment amounting to US$ 1.85 MM in September 2019. This amount was recorded by the Company in 2019, but the payment will not be made until the class is certified only for purposes of settlement, approved by the Court and requested by the settlement administrator to be distributed to the claimants.

2. Viamontes v. Advance America, Cash Advance Centers of California, LLC, et al. (class action) On January 11, 2019, Liset Viamontes, a former employee, filed a class action, claiming that the Company failed to provide meal times, breaks, payment of minimum wages, overtime, wages due after termination of employment, provide itemized information of wages, and indemnify employees for expenses necessary in discharging their duty. This matter is currently stayed and awaiting a ruling to be handed down on the Silva matter.

3. Viamontes v. Advance America, Cash Advance Centers of California, LLC, et al. (Individual lawsuit) On September 25, 2019, Liset Viamontes, a former employee, filed an individual lawsuit claiming numerous violations by the Company of the California Fair Employment and Housing Act), and an unjustified termination of employment. The Company answered the complaint and had the matter removed to a Federal Court, where a ruling has not been handed down thereon yet.

4. Braun-Hoover v. Advance America, Cash Advance Centers of South Carolina Inc. On May 6, 2019, Janice Braun-Hoover, a former employee, filed a lawsuit claiming unjustified termination of employment and violations of the Americans with Disabilities Act and Family Medical Leave Act). The parties are concluding the settlement of this matter in an immaterial amount.

Processes in Central and South America

The closure of operations in the Federative Republic of Brazil is divided into two processes:

1. Closing of commercial operations (Brazilian real=R$)

On May 8, 2015, the commercial subsidiaries started a judicial recovery procedure (similar to commercial bankruptcy) before the 31st Civil Court in the capital of the State of Pernambuco, Brazil with procedure number 6174-66-2015.8.17.0001, in order to make the orderly payment to their creditors, which consist of liquid credits with various creditors amounting to R$ 22 million (US$ 7 million) at December 1, 2015 (date on which the most recent list of creditors was published), and non-liquid credits of labor creditors are assumed in an amount approximating R$ 132 million (US$ 42 million).

In June 2016, the meeting of creditors (maximum body for recovery to approve any novation of obligations) approved the judicial recovery plan filed by the commercial subsidiaries (the "Recovery Plan"), which in turn was approved by the Lower Court. That plan reduced the liquid contingency from R$ 22 million (US$ 7 million) to R$ 7 million (US$ 2 million), and we estimate that the non-liquid contingency will be reduced from R$ 132 million (US$ 42 million) to R$ 2 million (US$ 600 thousand) as a result of the Plan.

In August 2016, junior creditors challenged the approval of the Recovery Plan before the Court of Justice of the State of Pernambuco, since that authority ruled that the plan discussed was juridically valid on April 12, 2017, since it complied with the formalities set forth in Brazilian legislation. That ruling was final.

The Recovery Plan has been complied with in 2017 until the ended of the fourth quarter 2021, and payments have been made to various creditors with the approved plan.

2. Closing of bank transactions:

On May 11, 2015, Banco Azteca de Brasil informed the Banco Central de Brasil of its decision to stop operating the bank business in Brazil. As of that time and up to the end of December 2016, all the necessary activities were carried out to liquidate its bank assets and pay its bank creditors, always in constant communication with the bank regulatory agency.

As part of that closing process, on January 8, 2016, the Central Bank of Brazil notified the beginning of the out-of-court settlement process of Banco Azteca de Brasil.

Simultaneously with the petition, Banco Azteca de Brasil and the Central Bank of Brazil started a plan to close banking activities which, among other matters, included: (I) the change of name from Banco Azteca de Brasil to Deler Consultoria, S. A. and the amendment to its corporate purpose (which were approved by the Stockholders' Meeting of the bank); and (ii) the cancellation of the bank license, which was approved by the Central Bank on November 27, 2018.

To date, Deler Consultoria, S. A. (unregulated business in the financial system) continues to make the corresponding negotiations with its creditors and hopes to solve the contingencies.

Tax proceedings (1)

1. Tax proceeding against liquidation of income tax of fiscal year 2006.

Grupo Elektra, S. A. B. de C. V. filed before the Chambers of the Federal Court of Administrative Justice, an annulment claim against the tax credit for income tax for the 2006 fiscal year.

Following legal procedures, the Superior Chamber of the Federal Court of Administrative Justice issued a judgment and declared the validity of the contested resolution.

Against said sentence, a direct amparo claim was filed, which was resolved by a Collegiate Court in the sense of denying the amparo.

Dissatisfied with the foregoing, the company filed a direct amparo claim under review that was transferred to the Supreme Court of Justice of the Nation (SCJN), which was resolved in session on January 19, 2022 in the sense of dismissing the claim.

Said sentences were notified by the SCJN through lists published on February 16, 2022, and the records were sent to the Collegiate Court in Administrative Matters.

By means of a document presented on March 4, 2022, Grupo Elektra, S. A. B. de C. V. filed an unnamed incident before the Collegiate Court on Administrative Matters, in order to determine the form and terms in which the sentence issued by that Collegiate Court must be complied with.

Currently, the aforementioned unnamed incident is pending resolution.

The historical contingency of this matter amounts to $2,636,428,880.

2. Tax proceeding against income tax liquidation of fiscal year 2006.

A tax liability was imposed on Grupo Elektra, S. A. B. de C. V. for income tax of fiscal year 2006, supposedly in compliance with the resolution issued by the Federal Court of Administrative Justice, through which nullity of such tax liability in the amount of $ 327,193,027 was declared.

Against such resolution, Grupo Elektra, S. A. B. de C. V. filed the following:

a) A complaint appeal before the Federal Court of Administrative Justice, in which it was decided that the sentence was duly complied with, against said resolution, an indirect amparo claim was filed, which in session of February 17, 2021 was resolved in the sense of denying the amparo, for which reason the appeal for review that was filed against said sentence is currently pending (RA 43/2021).

b) A nullity proceeding before the Federal Court of Administrative Justice, which is currently suspended until resolution of the complaint mentioned in subsection a) above.

The historical contingency of this matter amounts to $ 45,664,124.

3. Tax proceeding against income tax liquidation regarding fiscal year 2007.

Grupo Elektra, S. A. B. de C. V. filed a claim for annulment against the tax credit for income tax for the 2007 fiscal year before the Chambers of the Federal Court of Administrative Justice.

After legal procedures, the Superior Chamber of the Federal Court of Administrative Justice issued a ruling and declared the validity of the contested resolution.

Against said sentence, the company filed a direct amparo claim, which was resolved by a Collegiate Court in the sense of granting the company the amparo.

In compliance with said sentence, the Superior Chamber of the Federal Court of Administrative Justice issued a new sentence and decided to declare the nullity of the contested resolution.

Against the previously mentioned sentence in compliance, the tax authority filed an appeal for tax review, which was declared partially founded by a Collegiate Court.

Because of the resolution to the appeal for tax review, the Superior Chamber of the Federal Court of Administrative Justice issued a new sentence and decided to declare the nullity for the purposes of the contested resolution.

Currently, we are waiting for the Federal Court of Administrative Justice to declare that the sentence that resolved the nullity of the contested resolution has become firm.

The historical contingency of this matter amounts to $ 2,973,173,576.

4. Tax proceeding against liquidation of income tax on fiscal year 2008.

Grupo Elektra, S. A. B. de C. V. filed before the Chambers of the Federal Court of Administrative Justice, a claim for annulment against the tax credit for income tax for the fiscal year 2008, which was resolved in the sense of confirming the tax credit by session of December 2, 2020.

Against said sentence, on February 9, 2021, a direct protection claim was filed before the Collegiate Circuit Courts, so we are currently awaiting its resolution.

The historical contingency of this matter amounts to $ 1,431,466,606.

5. Tax proceeding against liquidation of income tax on fiscal year 2010.

Grupo Elektra, S. A. B. de C. V. filed before the Chambers of the Federal Court of Administrative Justice a lawsuit to declare null and void a tax liability for income tax on fiscal year 2010. The court confirmed the tax liability in a session held on October 14, 2020.

Against said sentence, on November 30,2020 a direct amparo was presented before the Collegiate Circuit Courts by that we are currently waiting the resolution.

The historical contingency of this matter amounts to $ 2,004,761,834.

6. Tax proceeding against income tax liquidation of fiscal year 2011.

Grupo Elektra, S. A. B. de C. V. filed before the Metropolitan Regional Chambers of the Federal Court of Administrative Justice, a claim for nullity against the tax credit for income tax for the fiscal year of 2011, which was resolved in the sense to confirm the tax credit by session of January 27, 2021.

Against said sentence, on March 26, 2021, a direct protection claim was filed before the Collegiate Circuit Courts, so we are currently awaiting its resolution.

The historical contingency of this matter amounts to $ 4,916,910,792.

7. Tax proceeding against liquidation of income tax on fiscal year 2012.

Grupo Elektra, S. A. B. de C. V. filed before the Regional Metropolitan Chambers of the Federal Court of Administrative Justice, a lawsuit to declare null and void the tax liability for income tax on fiscal year 2012.

Grupo Elektra, S. A. B. de C. V. is currently awaiting resolution of such matter by the Superior Chamber by the Federal Court of Administrative Justice.

The historical contingency of this matter amounts to $ 1,603,813,882.

8. Tax proceeding against liquidation of income tax on fiscal year 2013.

Grupo Elektra, S. A. B. de C. V. filed before the Chambers of the Federal Court of Administrative Justice a lawsuit to declare null and void the resolution of the appeal filed by Grupo Elektra, S. A. B. de C. V. against the tax liability for income tax on fiscal year 2013. The court confirmed this tax liability in a session held on October 21, 2020.

Against said sentence, on January 8, 2021, a direct amparo action was filed before the Collegiate Circuit Courts, so it is currently awaiting its resolution; however, it is suspended until the Request for Protection is resolved. Exercise of Faculty of Attraction that was presented before the Supreme Court of Justice of the Nation.

It is important to remember that, in the tax credits determined for the years 2008, 2010, 2011, and 2012, the tax authority declared the losses on the sale of shares for those years non-existent. Notwithstanding, the foregoing, in the liquidation of the 2013 fiscal year, determined that said losses must be reversed; that is, it accepts that said losses are existing and valid, a situation that is contradictory and causes double damage to the company.

In this regard, in the resolution to the appeal for revocation filed against the credit that concerns us, the authority indicated that it does not intend to benefit on two occasions to the detriment of the taxpayer, but rather to pay the 2008 tax credits (judgment identified with the number 4 of this document), 2010 (lawsuit identified with number 5 of this document) and 2011 (lawsuit identified with number 6 of this document), and 2012 (lawsuit identified with number 7 of this document), Grupo Elektra, S. A. B. de C. V. It will no longer have the obligation to reverse said losses in 2013, so the contingency would be reduced proportionally.

The historical contingency of this matter amounts to $ 18,455,467,083.

We consider that there are serious and reasonable elements of defense to obtain a definitive resolution favorable to the interests of the company in the aforementioned matters; however, as in the case of any litigious matter, results cannot be guaranteed.

9. Tax proceeding against liquidation of income tax on fiscal year 2013.

Grupo Elektra, S. A. B. de C. V. presented before the Chambers of the Federal Court of Administrative Justice an annulment claims against the fiscal credit for consolidated income tax, updates, surcharges and fine, corresponding to the 2013 fiscal year.

Currently, we are waiting for the Superior Chamber of the Federal Court of Administrative Justice to resolve the matter.

The historical contingency of this matter amounts to $66,242,296.

Finally, it is important to mention that the aforementioned tax credits are duly guaranteed before the tax authorities.

The Company is subject to various lawsuits and claims during the normal course of its operations (such as litigation, arbitration, administrative proceedings that are incidental to its business including, without limitation, regulatory enforcement matters, contract disputes, labor lawsuits, clients, among others). Management believes that none of these lawsuits will have any material adverse effect on its business or financial condition.

All tax credit figures are presented in pesos. The reference to historical contingency indicated in the previously mentioned numerals, is determined on the date on which the tax authority issued the official letter with the resolution of each tax credit, and said historical contingency considers and includes the determination of the supposedly omitted tax, update by inflation, surcharges and fines as of that date.

32. Issuance of the financial statements

These financial statements have been approved on March 2, 2022, by Mr. Gabriel Alfonso Roqueñí Rello, Special Delegate on behalf of the Chief Executive Officer and by Mr. Mauro Aguirre Regis, Finance Director. Said financial statements will be subject to the approval of the Board of Directors and the Shareholders of Grupo Elektra in their next meetings.