



**Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto
Múltiple, Entidad No Regulada**
(Incorporated under the laws of Mexico)

**US\$1,500,000,000
Medium-Term Note Program**

Under this Medium-Term Note Program (the “Program”) described in this base offering memorandum (this “Offering Memorandum”), Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, a publicly listed variable capital stock corporation, multiple purpose financing company, non-regulated entity, incorporated in accordance with the laws of the United Mexican States (“Mexico”), may from time-to-time issue notes (the “notes”) on a senior or subordinated basis. Subject to the terms set forth herein, the maximum aggregate nominal amount of all notes issued and outstanding under the Program will not exceed US\$1,500,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject to the terms set forth herein).

The notes will be unsecured and may or not be guaranteed by certain of our subsidiaries, as specified in relevant Pricing Supplement (as defined below). The notes will have maturities and be denominated in any currency agreed upon between the Company and the relevant Dealer (as defined below). Notes will be issued in one or more series (each a “Series”) having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). Each Series shall be all in registered form and may be issued on different issue dates. Details applicable to each Series will be specified in the relevant Pricing Supplement.

Notes issued under the Program may be rated or unrated. Where notes are rated, such rating will not necessarily be the same as the rating(s) assigned to notes already issued. Where notes are rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, or withdrawal at any time by the assigning rating agency.**

An investment in notes issued under the Program involves certain risks. For a discussion of these risks, see “Risk Factors” beginning on page 43.

This Offering Memorandum does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 (as amended or superseded, the “Prospectus Regulation”). This Offering Memorandum has not been reviewed or approved by any regulator which is a competent authority under the Prospectus Regulation. Application may be made to Luxembourg Stock Exchange to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market, which is not a regulated market within the meaning of Directive 2014/65/EU concerning markets in financial instruments, as amended (the “MIFID II”). Application may also be made to list a Series of notes on another exchange, or a Series of notes may be unlisted. The Pricing Supplement applicable to a Series will specify whether or not the notes of such Series will be listed and, if listed, the applicable stock exchange and/or market. With respect to the Program and any listed notes issued under the Program, there can be no assurance that a listing on the Official List of the Luxembourg Stock Exchange or any other stock exchange will be achieved prior to the issue date of any notes or otherwise. In relation to the notes listed on the Official List of the Luxembourg Stock Exchange, this Offering Memorandum is valid for a period of 12 months from the date hereof. The notes may also be listed and traded on other non-EU regulated markets or not be listed at all.

We have not and will not register the notes under the United States Securities Act of 1933, as amended (the “Securities Act”), or any securities laws of any state or any other jurisdiction. The notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, unless the notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. You are hereby notified that sellers of the notes may be relying on an exemption from the registration requirements of the Securities Act or any state securities laws. See “Plan of Distribution” and “Transfer Restrictions.”

Neither the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the “CNBV”) nor the U.S. Securities and Exchange Commission (the “SEC”), nor any state or foreign securities commission or regulatory authority, has approved or disapproved of the Program or the notes to be issued thereunder nor have any of the foregoing authorities passed upon or endorsed the merits of an offering of the notes or the accuracy, adequacy or completeness of this Offering Memorandum. Any representation to the contrary is a criminal offense.

Arrangers

BNP PARIBAS

SMBC Nikko

Dealers

BNP PARIBAS

SMBC Nikko

The date of this Offering Memorandum is April 30, 2021.

This Offering Memorandum should be read and understood in conjunction with any supplement hereto. Full information on the Company and any notes issued under the Program is available on the basis of the combination of this Offering Memorandum (including any supplement and any document incorporated by reference herein) and the relevant Pricing Supplement.

None of the Dealers, or any of their respective affiliates, makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum and assumes no responsibility for such information. Nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Dealers.

We, in our capacity as issuer, accept responsibility for the information contained in this Offering Memorandum. We, having taken all reasonable care to ensure that such is the case, confirm that the information contained in this Offering Memorandum is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

THE PROGRAM AND THE NOTES TO BE ISSUED THEREUNDER HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*, OR “*RNV*”), MAINTAINED BY THE CNBV, AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO OR OTHERWISE BE SUBJECT TO INTERMEDIATION ACTIVITIES IN MEXICO. THE NOTES MAY ONLY BE OFFERED OR SOLD, ON A PRIVATE PLACEMENT BASIS, TO INVESTORS IN MEXICO THAT QUALIFY AS INSTITUTIONAL INVESTOR (“*INVERSIONISTA INSTITUCIONAL*”) OR ACCREDITED INVESTOR (“*INVERSIONISTA CALIFICADO*”), PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*) AND REGULATIONS THEREUNDER. WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF ANY OFFERING OF THE NOTES OUTSIDE MEXICO. SUCH NOTICE WILL BE SUBMITTED TO THE CNBV TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND REGULATIONS THEREUNDER, AND FOR STATISTICAL AND INFORMATIONAL PURPOSES ONLY. THE DELIVERY TO, OR RECEIPT BY, THE CNBV OF SUCH NOTICE DOES NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OF OUR OR THE SUBSIDIARY GUARANTORS’ (IF ANY) SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN OR IN ANY SUPPLEMENT TO THIS OFFERING MEMORANDUM. THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED NOR AUTHORIZED BY THE CNBV AND MAY NOT BE PUBLICLY DISTRIBUTED IN MEXICO. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN INVESTOR, WHO MAY ACQUIRE NOTES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF CRÉDITO REAL, S.A.B. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, ENTIDAD NO REGULADA AND THE SUBSIDIARY GUARANTORS (IF ANY), AND THE TERMS OF THIS OFFERING MEMORANDUM AND THE RELEVANT PRICING SUPPLEMENT WITH RESPECT TO ANY SERIES OF NOTES.

No person is or has been authorized to give any information or to make any representations, other than that which is contained in or consistent with this Offering Memorandum, and we take no responsibility for any other information or representations that you may receive from others. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Company during the life of the Program or to advise any investor in the notes of any information that comes to their attention. Neither this Offering Memorandum nor any other information supplied in connection with the Program or any notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Company or any of the Dealers that any recipient of this Offering Memorandum or any recipient of any other information supplied in connection with the Program or any notes should purchase any notes. Each investor contemplating purchasing any notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company. In the absence of a relevant Pricing Supplement, neither this Offering Memorandum nor any other information supplied in connection with the Program or the issue of any notes constitutes an offer or invitation by or on behalf of the Company or any of the Dealers to subscribe for or to purchase any notes.

Neither this Offering Memorandum nor any Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy any notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The

distribution of this Offering Memorandum and the offer or sale of the notes may be restricted by law in certain jurisdictions. The Company and the Dealers do not represent that this Offering Memorandum may be lawfully distributed, or that any notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

In particular, no action has, to date, been taken by the Company or the Dealers that would permit a public offering of any notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Offering Memorandum or any notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of notes. There are restrictions on the distribution of this Offering Memorandum and the offer or sale of notes in the United States, Mexico, Canada, Japan, Hong Kong, Singapore, and the European Economic Area, among others. See “Plan of Distribution” and “Transfer Restrictions.”

YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD. SEE “RISK FACTORS” IN THIS OFFERING MEMORANDUM AND ANY SUPPLEMENT HERETO FOR A DESCRIPTION OF SPECIFIED FACTORS RELATING TO AN INVESTMENT IN THE NOTES. NEITHER WE, THE DEALERS, NOR ANY OF OUR OR THEIR RESPECTIVE REPRESENTATIVES IS MAKING ANY REPRESENTATION TO YOU REGARDING THE LEGALITY OF AN INVESTMENT BY YOU UNDER APPROPRIATE LEGAL INVESTMENT OR SIMILAR LAWS. YOU SHOULD CONSULT WITH YOUR OWN ADVISORS AS TO LEGAL, TAX, BUSINESS, FINANCIAL AND RELATED ASPECTS OF A PURCHASE OF THE NOTES.

A series of notes issued under the Program may be rated or unrated. Where a series of notes is rated, such rating will not necessarily be the same as the rating assigned to the Program. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Company may adversely affect the market price of the notes issued under the Program. The rating of certain series of notes to be issued under the Program may be specified in the applicable Pricing Supplement. Whether or not each credit rating applied for in relation to a relevant series of notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009/EC, as amended (the “**CRA Regulation**”), will be disclosed in the Pricing Supplement. In general, and subject to and in accordance with the provisions of the CRA Regulation, European regulated investors are restricted from using a credit rating for regulatory purposes if such credit rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

In making an investment decision, investors must rely on their own examination of the Company and its subsidiaries, and the terms of the notes being offered, including the merits and risks involved.

For the purposes of the Luxembourg Stock Exchange (Euro MTF market), this Offering Memorandum shall constitute a “Base Prospectus” under the Prospectus Law. References herein to Offering Memorandum shall be construed as references to “Base Prospectus” and references to Pricing Supplement shall be construed as references to “Pricing Supplement” under the Prospectus Law. This Offering Memorandum may only be used for the purpose for which it has been published.

In connection with the offering of any notes, the Dealer or Dealers (if any) named as Stabilizing Manager(s) (the “Stabilizing Manager(s)”) in the Pricing Supplement (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant notes is made and, if begun, may be ended at any time. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager(s) (or persons acting on behalf of the Stabilizing Manager(s)) in accordance with all applicable laws and rules.

NOTICES TO INVESTORS

Notice to Persons in the United States

The offer and sale of notes has not been, and is not required to be, registered with the SEC. The notes will be offered and sold in the United States solely to “qualified institutional buyers” under Rule 144A of the Securities Act, and in offshore transactions to persons other than U.S. persons, in reliance on Regulation S under the Securities Act. Following any such offering, the notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act; or
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under “Transfer Restrictions.”

Accordingly, each purchaser, in making its purchase, will be deemed to have represented to, and agreed with, the Company that it is:

- a “qualified institutional buyer” under Rule 144A; or
- a non-U.S. person purchasing the notes in an offshore transaction, to the extent such offering is made in accordance with Regulation S under the Securities Act.

Notice to Persons in the United Kingdom

In the United Kingdom, this communication is being distributed only to, and is directed only at, (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), or (ii) high net worth entities and other persons to whom it may be lawfully be communicated falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Prohibition on Sales to EEA Retail Investors

If the Pricing Supplement in respect of any notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II Product Governance / Target Market

The Pricing Supplement in respect of any notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the notes and which channels for distribution of the notes are appropriate. Any person subsequently offering, selling, or recommending the notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of the notes about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any notes is a manufacturer in respect of such notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

TABLE OF CONTENTS

	<u>Page</u>
NOTICES TO INVESTORS	iii
AVAILABLE INFORMATION	ii
SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES	iv
FORWARD-LOOKING STATEMENTS	v
PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION	viii
SUMMARY	15
RISK FACTORS	42
USE OF PROCEEDS	¡Error! Marcador no definido.
CAPITALIZATION	¡Error! Marcador no definido.
SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA	68
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	72
MANAGEMENT	152
RELATED PARTY TRANSACTIONS.....	160
SUPERVISION AND REGULATION OF THE MEXICAN FINANCIAL INDUSTRY	163
DESCRIPTION OF THE NOTES.....	168
BOOK-ENTRY CLEARANCE SYSTEMS	169
TRANSFER RESTRICTIONS.....	174
TAXATION	177
PLAN OF DISTRIBUTION	190
LEGAL MATTERS	200
INDEPENDENT AUDITORS	201
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS.....	F-1
ANNEX A - SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN SOFOM GAAP AND U.S. GAAP.....	A-1
ANNEX B – FORM OF PRICING SUPPLEMENT.....	B-1

Unless otherwise indicated or the context otherwise requires in this Offering Memorandum:

- references to “Crédito Real,” “the Company”, “the Issuer”, “we”, “us”, “our”, “our company,” “ourselves” or any similar terms are to Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, a publicly listed variable capital stock corporation, multiple purpose financing company, non-regulated entity, incorporated in accordance with the laws of Mexico, and its consolidated subsidiaries;
- references to “Dealers” are to BNP Paribas Securities Corp., SMBC Nikko Securities America, Inc., and any other Dealer appointed from time to time in accordance with the Dealer Agreement; and
- references to “relevant Dealer” are, in the case of an issue of notes being (or intended to be) subscribed by more than one Dealer, to all Dealers agreeing to purchase such notes.

AVAILABLE INFORMATION

We file annual and quarterly reports and other information, all of which is in the Spanish language, with the Bolsa Mexicana de Valores, S.A.B. de C.V. (the “BMV”) and the Bolsa Institucional de Valores, S.A. de C.V. (the “BIVA”) in accordance with the requirements applicable to issuers of securities registered with the RNV maintained by the CNBV. Our BMV and/or BIVA filings are available to the public on the Internet at our website, www.creal.mx, at the BMV’s website, www.bmv.com.mx, and at the BIVA’s website, www.biva.mx. The address of our website is included in this Offering Memorandum as active textual references only. The information on our website is not a part of, and is not incorporated by reference into, this Offering Memorandum or any supplement thereto.

Rule 144 Information

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). To permit compliance with Rule 144A under the Securities Act in connection with resales of notes, we will be required under the indenture under which the notes are issued (the “**Indenture**”), upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under “**Transfer Restrictions**”), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

Any such request may be made to us in writing at our main office (see “—Principal Executive Offices”).

Principal Executive Offices

The address of our principal executive offices, which is the business address of our Board of Directors, is Avenida Insurgentes Sur No. 730, 20th Floor, Colonia del Valle Norte, Alcaldía Benito Juárez, 03103, Mexico City, Mexico, Attention: Investor Relations.

Listing

Application may be made to Luxembourg Stock Exchange to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market, which is not a regulated market within the meaning of MIFID II. Application may also be made to list a Series of notes on another exchange, or a Series of notes may be unlisted. The Pricing Supplement applicable to a Series will specify whether or not the notes of such Series will be listed and, if listed, the applicable stock exchange and/or market. With respect to the Program and any listed notes issued under the Program, there can be no assurance that a listing on the Official List of the Luxembourg Stock Exchange or any other stock exchange will be achieved prior to the issue date of any notes or otherwise. In relation to the notes listed on the Official List of the Luxembourg Stock Exchange, this Offering Memorandum is valid for a period of 12 months from the date hereof. The notes may also be listed and traded on other non-EU regulated markets or not be listed at all.

Authorization

Our shareholders approved our financial program for year 2020 at their meeting held on January 27, 2020 and delegated to our Board of Directors the authority to approve the terms and conditions of each financing, including each issuance of notes under the Program.

No Material Adverse Change

Other than as disclosed in this Offering Memorandum, as of December 31, 2020, there has been no material adverse change in our prospects and there has been no significant change in our financial or trading position.

No Material Litigation

See “Business—Litigation.”

Company Registration

We, as a company incorporated in Mexico, are duly registered before the Public Registry of Commerce of Mexico City (*Registro Público de Comercio de la Ciudad de México*), under number 170,184.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a variable capital public stock corporation (*sociedad anónima bursátil de capital variable*) organized under the laws of Mexico. Each of our subsidiaries are legal entities formed and existing under the laws of Mexico and Panama, as applicable. Most of our and our subsidiaries' directors, executive officers and controlling persons named herein are non-residents of the United States and substantially all of the assets of such non-resident persons and substantially all of our and the subsidiaries' assets are located in Mexico or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside Mexico, judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws.

As of this date, no treaty exists between the United States and Mexico for the reciprocal enforcement of judgments issued in the other country. Generally, Mexican courts would enforce final judgments rendered in the United States if certain requirements were met, including the review in Mexico of the U.S. judgment to ascertain compliance with certain basic principles of due process and the non-violation of Mexican law or public policy or order, provided that U.S. courts would grant reciprocal treatment to Mexican judgments. Additionally, there is uncertainty as to the enforceability (i) in original actions in Mexican courts, of liabilities predicated, in whole or in part, on U.S. federal securities laws and (ii) in Mexican courts, of judgments of U.S. courts obtained in actions predicated on the civil liability provisions of U.S. federal securities laws. See "Risk Factors."

If proceedings are brought in Mexico seeking to enforce our obligations in respect of the notes, we would not be required to discharge such obligations in a currency other than the Mexican peso. Pursuant to Mexican law, an obligation in a currency other than the Mexican peso, which is payable in Mexico, as a result of the enforcement of a judgment or an initial claim, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payment is made. Such rate of exchange is currently determined by *Banco de México* each business day in Mexico and published the following banking-business day in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*).

We have appointed CT Corporation System, with offices located at 28 Liberty St., New York, New York 10005, as our authorized agent upon which process may be served in any action which may be instituted in any United States federal or state court having subject matter jurisdiction in the Borough of Manhattan, The City of New York, New York arising out of or based upon the notes issued under the Program or any indenture governing such notes. See "Description of the notes".

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum relating to our plans, forecasts and expectations regarding future events, strategies and projections are forward-looking statements. Examples of such forward-looking statements include but are not limited to: (i) statements regarding our results of operations and financial position; (ii) statements of plans, objectives or goals, including those related to our operations; and (iii) statements of assumptions underlying such statements. Words such as “anticipate,” “assume,” “believe,” “can,” “consider,” “continue,” “could,” “estimate,” “expect,” “foresee,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seeks,” “shall,” “should,” “strategy,” “target,” “will,” “would,” or the negative of these terms, and other similar terms are used in this Offering Memorandum to identify such forward-looking statements. Forward-looking statements included in this Offering Memorandum are based on our current expectations and projections related to future events and trends which affect or would affect our business, the economy and other future conditions.

Forward-looking statements include risks, uncertainties, changes in circumstances that are difficult to predict and assumptions, since these refer to future events and, therefore, do not represent any guarantee of future results. Therefore, our financial condition and operating income, strategies, competitive position and market environment may significantly differ from our estimates, in view of a number of factors, including, but not limited to:

- general economic conditions in the countries in which we conduct our business and globally, and any significant economic, trade, political, health-related or social instability and other developments in those countries, and globally;
- our ability to implement our operating strategy and business plan;
- our ability to freely determine the interest rates we charge our clients (including changes in relevant laws and regulations, or judicial rulings that may result in the imposition of maximum limits on the interest rates and fees and commissions for other services we charge our customers);
- our ability to attract new customers, maintain our existing customers (in particular, significant customers), and expand our business;
- our level of capitalization and reserves;
- our level of outstanding indebtedness, our ability to comply with the provisions set forth in our debt instruments and make timely payments thereon, and our ability to incur new debt;
- changes to or termination of our agreements and relationships with our loan distributors;
- changes to the relationships our distributors have with government agencies and unions;
- possible disruptions to commercial activities due to natural and human-induced disasters, such as weather conditions, earthquakes, terrorist activities, social unrest and violence, armed conflicts and health epidemics and pandemics, including the ongoing COVID-19 pandemic;
- our ability to collect on our loans, including as a result of the failure of our customers to repay their loans, as a result of changing economic conditions, including in connection with the COVID-19 pandemic;
- changes in the currency exchange rates, including the peso/U.S. dollar exchange rate;
- increases in defaults by our customers, as well as any increase in our allowance for loan losses;
- credit risks, market risks and any other risks related to financing activities;
- competition in the Mexican markets for payroll loans, group loans, small business loans (“SME loans”), home equity loans and used car loans;
- negative perception of our business by investors and authorities;

- availability of funds and related funding costs;
- the stability of global credit markets;
- changes in the economy that alter the demand for consumer goods, consequently affecting offer and demand for our products and services;
- loss of reputation of our brands;
- inflation, devaluation of the peso and interest rate fluctuations in Mexico and other countries in which we conduct our business;
- risks inherent in international operations;
- interruptions or failures in our technology systems, including as a result of cyber-attacks, and the impact of such interruptions or failures on our reputation, operations and results;
- difficulties, uncertainties, liabilities and regulations related to mergers, acquisitions, joint ventures or acquisition of portfolios of loans;
- actions taken by the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*), the CNBV, Mexico's Central Bank or the CONDUSEF with respect to our business and the Mexican financial industry, generally;
- trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from, free trade agreements to which Mexico is a party, and the effectiveness and implementation of the United States Mexico Canada Agreement ("USMCA");
- changes in the policies of central banks and/or Mexico's or foreign governments, including policies related to convertibility or transferability, or changes to the independency of Mexico's Central Bank;
- changes to accounting principles, laws, regulations, taxation and governmental policies related to our activities, including, but not limited to, usury, consumer and financial services users protection laws, austerity measures imposed by governments in the countries where we operate (such as job cuts, reorganization of agencies or maximum limits on salaries for government employees);
- loss of key personnel;
- terrorist and organized criminal activities as well as geopolitical events;
- adverse administrative or legal proceedings;
- our clients' ability to pay their loans and the stability of their sources of income;
- potential volatility in the foreign currency exchange market;
- decreases in our credit ratings;
- potential acquisitions, mergers or joint ventures;
- voting interests of our majority shareholders;
- declarations of insolvency, bankruptcy or becoming subject to "*concurso mercantil*," "*quiebra*" or similar proceedings; and
- other developments, factors or trends affecting our financial condition and our operating income, including the risk factors presented under "Risk Factors" in this Offering Memorandum.

Therefore, our actual performance may be adversely affected and may significantly differ from the expectations set forth in these forward-looking statements, which do not represent a guarantee of our future performance. In view of these uncertainties, you must not rely on the estimates and forward-looking statements included in this Offering Memorandum to make an investment decision.

Forward-looking statements included herein are made only as of the date of this Offering Memorandum. Except as required by law, we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events or circumstances.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Financial Information

This Offering Memorandum contains our audited consolidated financial statements as of December 31, 2020, 2019, and 2018 and for the years then ended, together with the notes thereto (which we refer to as the “audited financial statements”).

We are a non-regulated multipurpose financial entity (*sociedad financiera de objeto múltiple*, or “Sofom,” *entidad no regulada*, or “Sofom E.N.R.”), organized and operating under the General Law of Auxiliary Credit Organizations and Credit Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito* or “LGOAC”), among others. We are under the supervision of and subject to the general provisions issued by the CNBV in connection with prevention of transactions with illegal funds. Additionally, we are also subject to the general provisions issued by the CNBV regarding accounting, external auditors, and external audit services. Pursuant to the General Provisions Applicable to Securities Issuers and other Securities Market Participants (*Disposiciones de carácter general aplicables a las emisoras de valores y otros participantes del mercado de valores*), the Company, as a Sofom that issues securities in the public markets, has to prepare and audit its financial statements under the accounting and audit criteria applicable to the regulated Sofomes prescribed in article 87-D, section V of the LGOAC, established by the CNBV, which are contained in the General Provisions Applicable to Public Bonded Warehouses, Exchange Houses, Credit Unions and Regulated Multipurpose Financial Institutions and General Provisions Applicable to Credit Institutions (*Disposiciones de carácter general aplicables a los almacenes generales de depósito, casas de cambio, uniones de crédito y sociedades financieras de objeto múltiple reguladas and Disposiciones de carácter general aplicables a las instituciones de crédito*, collectively “Sofom GAAP”). Sofom GAAP adheres to Mexican Financial Reporting Standards, which are individually referred to as Financial Reporting Standards (*Normas de Información Financiera*), as established by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.*), modified in certain aspects based on the judgment of the CNBV in order to take into consideration the specialized operations of financial institutions.

Sofom GAAP differs in certain significant respects from accounting principles generally accepted in the United States (“U.S. GAAP”). See “Annex A—Summary of Certain Significant Differences between Sofom GAAP and U.S. GAAP” for a description of certain differences between Sofom GAAP and U.S. GAAP as they relate to us. We are not providing any reconciliation to U.S. GAAP of the financial statements or other financial information in this Offering Memorandum. We cannot assure you that a reconciliation would not identify material quantitative differences between the financial statements or other financial information as prepared on the basis of *Sofom GAAP* if such information were to be prepared on the basis of U.S. GAAP or any other accounting principles.

In connection with external auditors and external audit services, we are subject to the General Provisions Applicable to Entities and Issuers Supervised by the CNBV that engage the Services for External Auditing of Basic Financial Statements (*Disposiciones de Carácter general aplicables a las entidades y emisoras supervisadas por la comisión nacional bancaria y de valores que contraten servicios de auditoría externa de estados financieros básicos*, or “CUAE”) issued by the CNBV on April 26, 2018 and in effect since August 1, 2018. Some of the most important features and innovations of the CUAE include (i) uniform requirements applicable to financial entities and other issuers subject to the regulations of the CNBV; (ii) new requirements in connection with the experience and independence of the external auditors, such as at least ten years of experience in auditing assignments or duties to provide audit services to issuers, and the decrease in the threshold to determine if an issuer is an important client of the auditor from 20% to 10% of the auditor’s annual revenue; (iii) the creation of a quality control system with the specific requirements described on the CUAE; (iv) new reporting requirements for auditors with respect to certain events affecting issuers, such as the obligation of auditors to report to the CNBV about any irregularities that might jeopardize the company’s solvency, liquidity or stability, and reduced deadlines to comply with the reporting obligations of the external auditors; and (v) the obligation to draw up and implement an action plan to attend to the observations made by the external auditors.

Our audited consolidated financial statements present consolidated information of the issuer and its consolidated subsidiaries, taken as a whole, including its subsidiary guarantors and its non-guarantor subsidiaries. The information of the Subsidiary Guarantors in this Offering Memorandum is presented on a combined consolidated basis.

The financial statements reflect our investments in Publiseg, S.A.P.I. de C.V., SOFOM, E.N.R. (“Publiseg”), Grupo Empresarial Maestro, S.A.P.I. de C.V. (“GEMA”), Bluestream Capital, S.A.P.I. de C.V. (“Bluestream Capital”), Cege Capital, S.A.P.I. de C.V., SOFOM, E.N.R. (“Cege Capital”), Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R. (“Credilikeme”), and the consolidation of Servicios Corporativos Chapultepec, S.A. de C.V. (“Servicios Corporativos Chapultepec”), CR Fact, S.A.P.I. de C.V. (“CR-Fact”), Crédito Real USA, Inc. (“CR USA”), Controladora CR México, S.A. de C.V. (“Controladora CR”), Directodo Mexico, S.A.P.I. de C.V., SOFOM, E.N.R. (“Directodo”), CRHOLDINGINT, S.A. de C.V. (“Holding”), and CR-Seg, Inc.

See “Business—Overview—History and Development.”

Non-GAAP Financial Measures

This Offering Memorandum contains non-GAAP financial measures. Non-GAAP financial measures are metrics regarding our results of operations and financial position that contain adjustments that include or exclude amounts as the case may be, from the most directly comparable measure calculated and presented in accordance with *Sofom* GAAP in our consolidated financial statements.

We consider these measures to be key financial performance metrics that management uses in assessing our operating results and financial condition, capital adequacy and liquidity and for comparison purposes with other companies. Although our calculation of non-GAAP financial measures may not be comparable to calculations of similarly titled measures used by other companies, our management believes that disclosure of certain non-GAAP financial measures can provide useful information to investors in their evaluation of our operating performance.

Except as otherwise expressly indicated (i) references to “total stockholders’ equity” and “average stockholders’ equity” include the Subordinated Perpetual Notes in accordance with IFRS, and (ii) non-GAAP financial measures presented in the offering memorandum include the following:

- *Return on average stockholders’ equity (ROE)* - This measure consists of net income attributable to controlling interest for the period divided by average quarterly stockholders’ equity excluding the Subordinated Perpetual Notes. For quarterly figures, cumulative income is annualized by multiplying the amounts by four.

Below is a reconciliation of ROE for the periods indicated excluding the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Net income attributable to controlling interests	1,955.4	1,980.1	756.4
Average stockholders’ equity	15,170.8	16,132.0	17,710.1
Subordinated Perpetual Notes ⁽¹⁾	4,206.7	4,206.7	4,206.7
Net income attributable to controlling interests / Average stockholders’ equity - Subordinated Perpetual Notes ⁽²⁾	17.8%	16.6%	5.6%

(1) Subordinated Perpetual Notes issued in November 2017.

(2) Represents Net income attributable to controlling interests divided by average stockholders’ equity less Subordinated Perpetual Notes.

Below is a reconciliation of ROE for the periods indicated including the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Net income attributable to controlling interests	1,955.4	1,980.1	756.4

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Average stockholders' equity	15,170.8	16,132.0	17,710.1
Net income attributable to controlling interests /	12.9%	12.3%	4.3%
Average stockholders' equity ⁽¹⁾			

(1) Represents Net income attributable to controlling interests divided by average stockholders' equity.

- *Debt to equity ratio* - This measure consists of total debt at the end of the period divided by total stockholders' equity at the end of the period excluding the Subordinated Perpetual Notes.

Below is a reconciliation of the debt-to-equity ratio for the periods indicated excluding the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Total debt.....	30,646.7	41,511.2	49,826.1
Total stockholder's equity	15,935.6	16,063.9	16,068.5
Subordinated Perpetual Notes ⁽¹⁾	4,206.7	4,206.7	4,206.7
Total debt / Total stockholder's equity -			
Subordinated Perpetual Notes ⁽²⁾	2.6	3.5	4.2

(1) Subordinated Perpetual Notes issued in November 2017.

(2) Represents total debt divided by total stockholder's equity less Subordinated Perpetual Notes.

Below is a reconciliation of the debt-to-equity ratio for the periods indicated including the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Total debt.....	30,646.7	41,511.2	49,826.1
Total stockholder's equity	15,935.6	16,063.9	16,068.5
Total debt / Total stockholder's equity ⁽¹⁾	1.9	2.6	3.1

(1) Represents total debt divided by total stockholder's equity.

- *Total capitalization ratio* - This measure consists of total stockholders' equity at the end of the period including the Subordinated Perpetual Notes divided by total portfolio.

Below is a reconciliation of the total capitalization ratio for the periods indicated excluding the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Total stockholder's equity	15,935.6	16,063.9	16,068.5
Subordinated Perpetual Notes ⁽¹⁾	4,206.7	4,206.7	4,206.7
Total portfolio ⁽³⁾	36,319.1	46,958.4	51,134.4
Total stockholder's equity - Subordinated Perpetual Notes / Total portfolio ⁽²⁾⁽³⁾.	32.3%	25.3%	23.2%

(1) Subordinated Perpetual Notes issued in November 2017.

(2) Represents total stockholder's equity less Subordinated Perpetual Notes divided by total portfolio expressed as a percentage.

(3) Total portfolio comprises the loan portfolio, leasing, and factoring portfolios (that are recorded in fixed assets and other accounts receivable, respectively) which are included in the SMEs portfolio.

Below is a reconciliation of the total capitalization ratio for the periods indicated including the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Total stockholder's equity	15,935.6	16,063.9	16,068.5
Total portfolio ⁽¹⁾	36,319.1	46,958.4	51,134.4
Total stockholder's equity / Total portfolio	43.9%	34.2%	31.4%

(1) Total portfolio comprises the loan portfolio, leasing, and factoring portfolios (that are recorded in fixed assets and other accounts receivable, respectively) which are included in the SMEs portfolio.

- *Capitalization ratio* - This measure consists of the total stockholders' equity at the end of the period including the Subordinated Perpetual Notes divided by the loan portfolio.

Below is a reconciliation of the capitalization ratio for the periods indicated, excluding the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Total stockholder's equity	15,935.6	16,063.9	16,068.5
Subordinated Perpetual Notes ⁽¹⁾	4,206.7	4,206.7	4,206.7
Loan portfolio	36,319.1	46,958.4	47,509.9
Total stockholder's equity - Subordinated Perpetual Notes / Loan portfolio ⁽²⁾	32.3%	25.3%	25.0%

(1) Subordinated Perpetual Notes issued in November 2017.

(2) Represents total stockholder's equity less Subordinated Perpetual Notes divided by loan portfolio expressed as a percentage.

Below is a reconciliation of the capitalization ratio for the periods indicated, including the Subordinated Perpetual Notes.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Total stockholder's equity	15,935.6	16,063.9	16,068.5
Loan portfolio	36,319.1	46,958.4	47,509.9
Total stockholder's equity / Loan portfolio	43.9%	34.2%	33.8%

- *Efficiency ratio* - This measure consists of the sum of (i) administrative and marketing expense for the period plus, (b) commissions and fees paid net of (c) CRA's depreciation expense divided by the sum of (ii) financial margin and (a) commissions and fees collected net of (c) CRA's depreciation expense.

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Administrative and marketing expense⁽ⁱ⁾			
Administrative and marketing expense Crédito Real	3,483.1	3,607.0	3,539.2
Less: Administrative and marketing expense Reparadora RTD.....	592.9	569.7	-
	3,423.9	3,037.3	3,539.2
Financial margin⁽ⁱⁱ⁾			
Financial margin Crédito Real.....	7,080.2	7,261.9	5,538.6
Less: Financial margin Reparadora RTD	1.7	17.0	-
	7,078.5	7,278.9	5,538.6
Commissions and fees income^(a)			
Commissions and fees income Crédito Real	564.1	515.7	137.3
Less: Commissions and fees income Reparadora RTD.....	567.6	511.1	-
	(3.4)	4.6	137.3
Commissions and fees paid^(b)			
Commissions and fees paid Crédito Real	256.0	373.4	247.3
Less: Commissions and fees paid Reparadora RTD	2.8	2.1	-
	253.1	371.3	247.3
Other income from operation^(c)			
Other income from operation Crédito Real	164.7	126.6	1,097.3
Less: Other income from operation Resuelve	-	-	-
	164.7	126.6	1,097.3

	Year Ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Depreciation expense^(d)			
Depreciation expense CREAL Arrendamiento	-	-	326.6
	-	-	326.6
Efficiency ratio	42.4% ⁽¹⁾	43.9% ⁽¹⁾	53.7% ⁽²⁾

- (1) Represents (i) administrative and marketing expense for the period divided by the sum of (ii) financial margin and (iii) the difference between (a) commissions and fees collected and (b) commissions and fees paid, in each case, excluding amounts attributable to Reparadora RTD for the period.
- (2) Represents the sum of (i) administrative and marketing expense for the period plus, (b) commissions and fees paid net of (c) CRA's depreciation expense divided by the sum of (ii) financial margin and (a) commissions and fees collected net of (c) CRA's depreciation expense.

Currency Information

Unless otherwise specified, references to “\$,” “US\$,” “U.S. dollars” and “dollars” are to the lawful currency of the United States. References to “€,” and “Euro” are to the lawful currency of the member states of the European Monetary Union that have adopted or that will adopt the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union. References to “Ps.” and “pesos” are to the lawful currency of Mexico. References to “CHF\$” and “CHF Francs” are to the lawful currency of Switzerland. References to “¢” and “colones” are to the lawful currency of Costa Rica. References to “S/” and “PEN” are to the lawful currency of Peru.

This Offering Memorandum contains translations of various peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all. Unless otherwise indicated, the dollar translations provided in this Offering Memorandum are calculated using an exchange rate of Ps. 19.9087 per U.S. dollar, the exchange rate determined by Banco de México on December 31, 2020 and published in the Official Gazette of the Federation (*Diario Oficial de la Federación*, or the “Official Gazette”) on January 1, 2021.

Rounding

We have made rounding adjustments to certain numbers presented in this Offering Memorandum. As a result, numerical figures presented as totals may not always be the exact arithmetic results of their components, as presented.

Industry and Market Data

Market data and other statistical information (other than in respect of our financial results and performance) used throughout this Offering Memorandum are based on independent industry publications, government publications, reports by market research firms or other published independent sources, including the World Bank, Euromonitor, Asociación Mexicana de Agencias de Investigación de Mercado y Opinión Pública (“AMAI”), ACCION International, Asociación Mexicana de Distribuidores Automotores, and ProDesarrollo (“ProDesarrollo”). Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information from such sources and cannot guarantee its accuracy or completeness. You should not place undue reliance on estimates as such information is inherently uncertain.

Any information sourced from third parties contained in this Offering Memorandum has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

SUMMARY

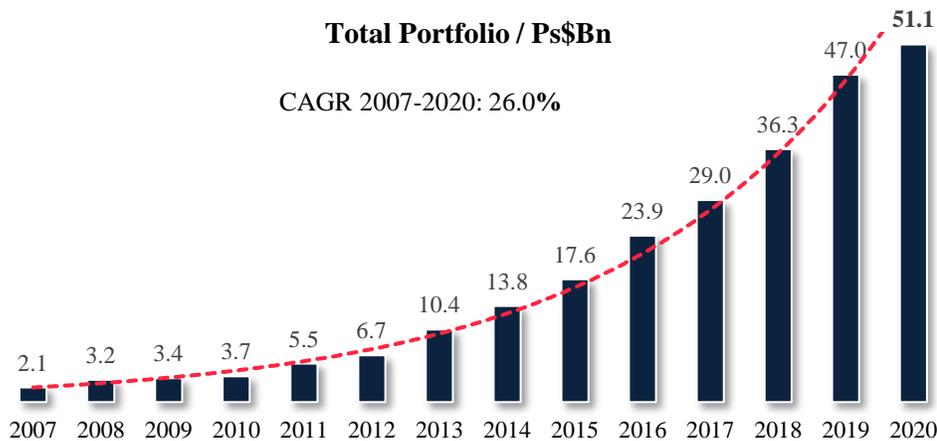
This summary highlights certain information contained in this Offering Memorandum and may not include all the information relevant to you. For a more complete understanding of our business, you should read the following summary together with the more detailed information appearing elsewhere in this Offering Memorandum, including that set forth under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the notes thereto included elsewhere in this Offering Memorandum.

Our Company

We are a leading specialty finance company with operations in Mexico, the United States, Costa Rica, Honduras, Nicaragua, and Panama. We offer innovative financial solutions to segments generally underserved by the traditional banking system. As a result of more than 27 years of experience, we have built a diversified and scalable business platform focused primarily on the following types of financing products: (i) loans paid via payroll deduction (“payroll loans”), (ii) SME loans, (iii) loans for used car purchases (“used car loans”), and (iv) personal loans. Our business model focuses on providing differentiated, ethical, and comprehensive financial services to the low- and lower middle-income segments of the population in the countries where we operate. According to the Mexican National Statistics and Geographical Institute (*Instituto Nacional de Estadística y Geografía*, or “INEGI”), these segments account for approximately 75.9% of the total working population, which represents approximately 40.8 million potential customers in Mexico.

All loans made or purchased by us are denominated in pesos, U.S. dollars, colones, Nicaraguan cordobas, or Honduran lempiras, bear interest at fixed rates and are amortized in more than one periodic installment. We design our credit products with terms that we believe can be easily understood by customers, even if they have no previous credit history.

We have experienced consistently high portfolio growth rates over the past fourteen years.



Our open-ended platform allows us to enter into new credit products and new regions to support our future expansion. We currently offer our payroll loans to unionized government employees through our distributors, which include Directodo (which operates under the brand name Kondinero), Publiseg (which operates under the brand name Credifiel), GEMA (which operates under the brand name Crédito Maestro) and other distributors. We believe our network of distributors and promoters offering credit products to the low- and lower middle-income segments of the population gives us a significant competitive advantage to access a large number of potential customers. We have entered into financial factoring agreements with 15 distributors who originate payroll loans and manage loan collection. We have a 99.99% interest in Directodo, and a 49% interest in each of Publiseg and GEMA, which are three of the leading payroll loan distributors in Mexico in terms of number of clients and loan origination, as well as exclusivity in the origination of loans from these distributors, creating a network of 267 branches. Our payroll loan distributors have access to workers and unions in federal, state and local governments and other public-sector employers in most states in Mexico, as well as to pensioners from the Mexican Social Security Institute (“IMSS”).

SME loans cover three products: credit loans, factoring, and leasing. This segment provides different financing solutions for SMEs in Mexico and in the United States so customers can meet their working capital requirements and/or carry out their investment plans. For this segment, our Mexican subsidiary, CREAL Arrendamiento (“**CRA**”) offers credit loans, leasing, factoring and fleet management. In addition, the Company has an alliance with Fondo H, S.A. de C.V. (“**Fondo H**”), which is a SOFOM E.N.R. focused on granting short- and medium-term loans to SMEs with growth needs in Mexico. On the other hand, through “Crédito Real USA” credit loans and factoring are granted to the Hispanic market with a limited credit history in the United States, to offer the products in the United States, there are two strategic alliances with Crédito Real Business Capital and Camino Financial, which operate in Texas and California, respectively.

Used car loans are a type of financing for the purchase of a certified pre-owned car with a maximum age of 10 years. This type of credit with a guarantee on the car is granted through agencies and car dealers with which the Company has alliances. In Mexico, the distribution network is made up of 20 branches and 7 distributors located in all states in Mexico, which provide secured financing for cars and commercial vehicles. Regarding the used car loans business in the United States, we have one strategic alliance, with Crédito Real USA Finance (“**CRUSA Finance**”). As of December 31, 2020, CR USA Finance had agreements with over 1,637 car dealers in 29 states of the United States.

Personal loans are consumer loans, SMEs loans, car loans, and home equity that are granted with or without guarantee to consumers of medium and low incomes, whose needs for financing are not met by traditional banks. The Company operates this type of product in Central America through the “Instacredit” brand, of which Crédito Real acquired a 70% stake in February 2016. Instacredit started its business in April 2000 in San José, Costa Rica and since 2007 has expanded into other countries in Central America. Instacredit has a network of 65 branches in Costa Rica, Nicaragua, and Panama.

Distributors of payroll loans, personal loans, SME loans, group loans and car dealerships that promote our used car loans use their own brands. Regardless of the brand, we leverage our expertise and standardized processes across our business in order to analyze and approve loans originated by distributors, promoters and specialized retail chains to deliver and process credit products tailored to their customers in an efficient manner.

We analyze credit applications according to our own credit policies and procedures, regardless of the type of credit origination mechanism used. Based on this analysis, we approve or reject loans on an individual basis. This gives us the assurance that the loans we underwrite comply with our credit risk policies and procedures and are in line with our business strategy.

We strive to enhance the social well-being of our clients through our loans, which we believe provide them with the opportunity to access funds that would otherwise not be easily obtained, given the limited or nonexistent credit records of most of the individuals we serve.

Our business strategy is primarily focused on serving market segments that are underserved by larger financial institutions. We believe that the markets in which we operate present high growth and profitability potential.

We have grown our business and have maintained and implemented initiatives to consolidate our leading presence in each type of loan we offer with the exception of durable goods lending. Nevertheless, in August 2020, as part of the commercial agreement formed with Grupo Famsa, principally in the payroll business, Crédito Real became a financial provider of its durable good business. For example, the compound annual growth rate (“**CAGR**”) of our total portfolio from 2009 through December 31, 2020, was 28.0%. During the more than 27 years that we have been in business, we have disbursed approximately 5.4 million loans to over 2.7 million customers based on our estimates.

From 2017 through 2020, our total portfolio and total income have increased at a CAGR of 20.8% and 10.2%, respectively, driven by the expansion of our used car loans, SME loans, payroll loans and personal loans.

For the year ended December 31, 2020, we had interest income of Ps. 10,453.7 million, net financial margin of Ps. 5,538.6 million and net income attributable to controlling interest of Ps. 756.4 million. As of December 31, 2020, we had 930,507 customers and a Ps. 51,134.4 million total portfolio.

The table below shows the percentage breakdown of our interest income, total portfolio, customers and loan origination by product category for our main products as of each of the dates indicated:

	As of and for the Year Ended December 31,					
	2018		2019		2020	
	<i>(In millions of pesos)</i>					
Interest Income						
Payroll loans	6,256.4	60.8%	6,989.3	58.6%	5,224.6	50.0%
SMEs loans MX	476.1	4.6%	836.6	7.0%	813.3	7.8%
SMEs loans USA	266.7	2.6%	306.8	2.6%	488.7	4.7%
Used cars loans MX	422.2	4.1%	426.7	3.6%	465.7	4.5%
Used cars loans USA	239.8	2.3%	393.9	3.3%	587.4	5.6%
Personal loans (Instacredit)	2,538.3	24.7%	2,881.2	24.1%	2,784.4	26.6%
Group loans	15.6	0.2%	59.3	0.5%	61.0	0.6%
Durable Goods loans and Other	72.5	0.7%	39.0	0.3%	28.8	0.3%
Total	10,287.6	100.0%	11,933.0	100.0%	10,453.7	100.0%
Total Portfolio ⁽¹⁾						
Payroll loans	24,807.4	68.3%	28,242.3	60.1%	29,402.8	57.5%
SMEs loans MX	3,676.7	10.1%	7,419.7	15.8%	10,931.3	21.4%
SMEs loans USA	140.2	0.4%	1,945.5	4.1%	1,181.5	2.3%
Used cars loans MX	917.7	2.5%	1,401.0	3.0%	1,360.8	2.7%
Used cars loans USA	1,890.3	5.2%	2,136.0	4.5%	2,526.4	4.9%
Personal loans (Instacredit)	4,462.7	12.3%	4,918.0	10.5%	4,805.3	9.4%
Group loans	70.5	0.2%	622.4	1.3%	492.7	1.0%
Durable Goods loans and Other	353.6	1.0%	273.5	0.6%	433.6	0.8%
Total	36,319.1	100.0%	46,958.4	100.0%	51,134.4	100.0%
Clients						
Payroll loans	404,066	47.4%	432,173	47.2%	455,858	49.0%
SMEs loans MX	575	0.1%	730	0.1%	628	0.1%
SMEs loans USA	219	0.0%	2,200	0.2%	2,808	0.3%
Used cars loans MX	8,132	1.0%	11,360	1.2%	12,614	1.4%
Used cars loans USA	8,193	1.0%	10,080	1.1%	10,775	1.2%
Personal loans (Instacredit)	173,974	20.4%	172,628	18.8%	153,259	16.5%
Group loans	208,956	24.5%	246,029	26.8%	214,305	23.0%
Durable Goods loans and Other	47,754	5.6%	41,120	4.5%	80,260	8.6%
Total	851,869	100.0%	916,320	100.0%	930,507	100.0%
Origination ⁽²⁾						
Payroll loans	6,523.4	27.1%	5,528.5	18.0%	4,673.8	14.9%
SMEs loans MX	5,434.3	22.6%	10,481.8	34.1%	12,218.1	38.8%
SMEs loans USA	705.8	2.9%	1,582.7	5.2%	1,879.5	6.0%
Used cars loans MX	1,475.0	6.1%	1,355.2	4.4%	906.4	2.9%
Used cars loans USA	1,335.2	5.6%	1,812.5	5.9%	1,521.2	4.8%
Personal loans (Instacredit)	2,992.1	12.4%	3,312.8	10.8%	2,817.3	9.0%
Group loans	5,318.2	22.1%	6,365.3	20.7%	6,934.7	22.0%
Durable Goods loans and Other	254.4	1.1%	281.8	0.9%	503.7	1.6%
Total	24,038.3	100.0%	30,720.5	100.0%	31,454.6	100.0%

(1) Total portfolio comprises the loan portfolio, leasing, and factoring portfolios (that are recorded in fixed assets and other accounts receivable, respectively) which are included in the SMEs portfolio.

(2) Includes strategic alliances.

We fund our portfolio primarily through our own capital, debt securities issued in the capital markets and bank credit lines. As of December 31, 2018, 2019 and 2020, we had capitalization ratios over loan portfolio of 32.3%, 25.3% and 25.0% (33.8% including the Subordinated Perpetual Notes), respectively. As of December 2020, we had a capitalization ratio over total portfolio of 23.2% (31.4% including Subordinated Perpetual Notes). Our efficiency ratio

was 53.7% for the year ended December 31, 2020 compared to 43.9% for the year ended December 31, 2019, reflecting our ongoing generation of synergies and greater efficiencies in both structure and commercial outreach. In addition, our return on average stockholders' equity (including the Subordinated Perpetual Notes) for the year ended December 31, 2020 and December 31, 2019 was 4.3% and 12.3%, respectively. As of December 31, 2020, our non-performing loans ("NPL") were 3.3% of our loan portfolio.

For the year ended December 31, 2020, the net income of the Company (on a standalone basis) and its Restricted Subsidiaries (as such term is defined in "Description of the Notes") was Ps. 336.2 million. As of December 31, 2020, the Company (on a standalone basis) and its Restricted Subsidiaries, on a combined basis contributed to 94.3% of the total consolidated assets of the Company and its subsidiaries (including Unrestricted Subsidiaries (as such terms are defined in "Description of the Notes"). As of December 31, 2020, the consolidated net worth of the Company (on a standalone basis) and its Restricted Subsidiaries was Ps. 14,089.8 million (US\$707.7 million).

The following is a brief description of our loan products:

- *Payroll Loans.* Our payroll loans are granted mainly to Mexican unionized federal public-sector employees, retirees and pensioners. These loans are originated by our distributors before we acquire the loans through portfolio purchasing operations. The loans are repaid through payroll deductions pursuant to the borrowers' prior written instructions. These instructions authorize a borrower's public-sector employer to deduct amounts from the borrower's payroll wages in order to make fixed installment payments on the loans (including interest), significantly mitigating the risk of default. Government agencies typically set limits for the percentage of net available salary that can be deducted from employees' wages to repay a loan. We offer some of our customers the option to renew their loans before they reach maturity. Historically, approximately 30% of our payroll customers have renewed their loans.

The relationships established by our distributors, either directly or through service providers, such as public relations firms, with labor unions which represent public sector employees in various regions of Mexico are formalized through cooperation agreements among our distributors, the labor unions and the public sector employers. These agreements provide that the distributor will offer loans that are payable through payroll deductions.

As part of our strategy to expand and strengthen our payroll loan distributions and increase profitability, we acquired a 99.99% interest in Directodo in two steps, in 2011 and 2014, and 49% of Publiseg and GEMA in 2011 and 2012, respectively. Such entities operate under the brand names Kondinero, Credifiel and Crédito Maestro, respectively, and are three of the leading distributors of payroll loans in Mexico in terms of number of clients and loan origination. Collectively, Directodo, Publiseg and GEMA have a network of 267 branches nationwide and a sales force of more than 3,299 promoters for loan origination. We believe that the elements that distinguish the Kondinero, Credifiel and Crédito Maestro brands from their competitors include their extensive nationwide coverage, high percentage of market share and experienced sales teams, which allow more efficient distribution and collection.

The acquisition of the ownership interests in Directodo, Publiseg and GEMA granted us exclusivity in the origination of payroll loans under the brands Kondinero, Credifiel, Crédito Maestro and allowed us to vertically integrate our operations and increase our profitability by ensuring the receipt of a greater percentage of the proceeds of the loan portfolio originated by these three brands, as well as optimizing the use of their sales force. The exclusivity we have with Directodo, Publiseg and GEMA grants the right, but not the obligation, to originate loans from those three distributors.

In September 2020, we started a commercial alliance with Grupo Famsa, which joined as a new distributor in our payroll business, to consolidate Credito Real's presence in the north of Mexico. As of December 31, 2020, Grupo Famsa had a network of 242 branches in 26 states of the Mexican Republic. In addition, its salesforce was around 1,094 credit origination promoters.

As of December 31, 2020, our average payroll loan had a principal amount of Ps. 64,500, an average term of 40 months and was payable in bi-weekly fixed installments of interest and principal, with an average annual interest rate of 56.9% and an average annual yield of 18.0%, net of risk and profit sharing with our distributors. As of December 31, 2020, we had 455,858 payroll loans outstanding and a Ps. 29,402.8 million

payroll loan portfolio, which represented an estimated customer market share of 42% based on our internal estimates, with an average delinquency rate of 1.7%. For the year ended December 31, 2020, our payroll loan portfolio generated total income of Ps. 5,224.6 million, or 45.6% of our total income.

- *SME Loans.* This business aims to capture a market segment that is underserved by banks in both Mexico and the United States. Our policy is to grant loans for working capital needs and no loans are granted for debt substitutions, payment of dividends or project financing. As of December 31, 2020, our average loan had a principal amount of Ps. 3.5 million, an average term of 21 months and was payable in a monthly basis fixed installment of interest and principal, with an average annual interest rate of 23.0% and an average annual yield of 14.6%. As of December 31, 2020, we had 3,436 SMEs loans outstanding and a Ps. 12,112.8 million (including leasing and factoring portfolios, which are registered in “Fixed assets” and “Other accounts receivable”, respectively), with an average delinquency rate of 9.0%. For the year ended December 31, 2020, our SMEs total portfolio generated total income of Ps. 2,307.7 million, or 20.1% of our total income.

In Mexico, in October 2013, in order to strengthen our position in the SME loan market, we entered into an alliance with Fondo H and also acquired a Ps. 657.5 million loan portfolio from them. Fondo H’s customer base includes businesses in the manufacturing, distribution, and services sectors. Through this alliance agreement, we provide exclusive funding for the loans originated by Fondo H. The average loan amount is of Ps. 10.2 million with an average term of 37 months. We believe this market represents a great opportunity because of the large number of small businesses in Mexico. Likewise, our Mexican subsidiary, CRA, offers financial products for credit loans, leasing, factoring, and fleet management. As of December 31, 2020, the average loan amount is Ps. 17.4 million, with an average term of 21 months.

In the United States we serve the Hispanic market that has limited access to credit through two companies that operate under Crédito Real Business Capital and Camino Financial brands, its headquarters are located in Texas and California, respectively. As of December 31, 2020, the average loan amount was Ps. 420,769 with an average term of 20 months.

- *Used Car Loans.* We grant these loans to finance the purchase of semi-new or used cars in Mexico and in the United States, through alliances with various car dealers, which use their own salesforce to promote our loans. The financed cars must be less than 10 years old; they must be insured, and a GPS (location system) is installed to transmit the location of the car. As of December 31, 2020, the used car portfolio generated income of Ps. 1,053.0 million or 9.2% of our total income.

In Mexico, during the first quarter of 2014, we acquired a 51% interest in CR Fact, S.A.P.I. de C.V. (“Drive & Cash” and “Toma Uno”), a company operating under the brand name Drive & Cash and Toma Uno, which specializes in providing secured financing for privately owned cars and commercial vehicles. In December 2020, we increased our stake in CR Fact to 99.28%. We also have our own brand through which we provide financing services under our own brand to purchase semi- new and used vehicles through vehicle dealerships to a market which we believe has not been historically served by the traditional banking system. As of December 31, 2020, the distribution network of this product in Mexico consisted of 20 branches and seven distributors located in all states in Mexico. The average term of this product is 44 months with an annual interest rate of 36.1%.

In the United States, we attend the Hispanic market segment with limited credit history or access to credit through our subsidiary CRUSA Finance. As of December 31, 2020, our distribution network in the United States had licenses to operate in 29 states in the United States with 1,637 car dealers. The average term of this product is 67 months with an annual interest rate of 24.9%.

- *Personal loans.* On February 22, 2016, we acquired a 70% equity interest in Instacredit. We invested in Instacredit to diversify and expand into the Central American market, focusing on the same type of customer segment that we serve in Mexico, which is the lower middle- to low-income segment of the population underserved by the traditional banking system.

As of December 31, 2020, Instacredit represented Ps. 4,805.3 million, or 9.4% of our total portfolio. Instacredit has a well-recognized brand with a multi-product platform, over 20 years of experience and 65 branches located in Costa Rica, Nicaragua, and Panama with a large base of customers. Instacredit primarily

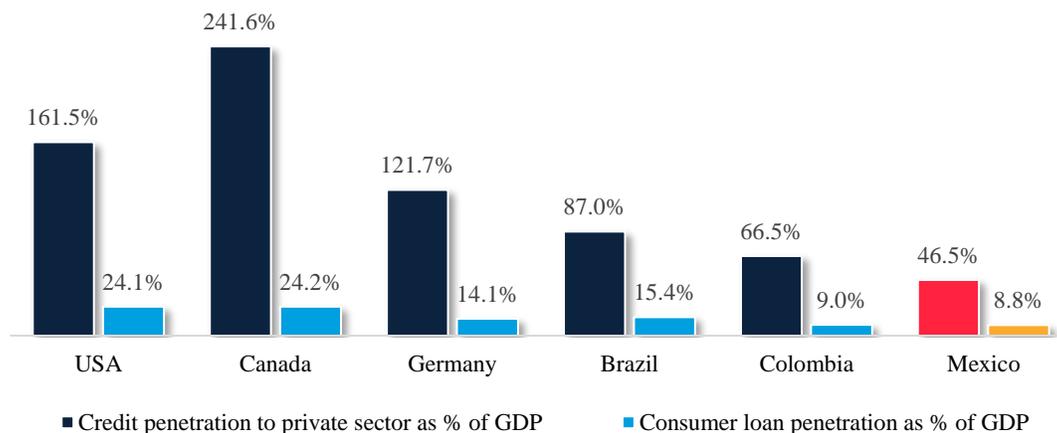
offers: personal loans without guarantee, and car loans, SME loans with guarantee, and home equity loans. For the year ended December 31, 2020, our Instacredit portfolio generated interest income of Ps. 2,784.4 million, or 24.3% of our total income.

Our Target Markets

According to the Financial Inclusion National Survey (*Encuesta Nacional de Inclusión Financiera*, or “ENIF”), Mexico has a large unbanked population, estimated at 31.7% or 25.0 million of the adult population in 2018. The unbanked segment is primarily composed of low- and lower middle-income individuals, mostly living in rural areas. As of 2018, 37.3 million or 47% of the total adult population has at least a savings account with a bank or financial institution, while 41.8 million or 53.0% of the total adult population does not have a savings account in a financial institution but rather uses informal saving mechanisms. Additionally, only 31.0% or 24.6 million of the adult population has obtained some kind of financing from a financial institution. We believe that this environment provides significant growth potential for financial institutions capable of catering to the unbanked portion of the Mexican population. Mexico’s large unbanked population is also reflected in the low loan penetration levels relative to other Latin American countries.

The chart below presents the penetration level of private credit and consumer loans as a share of GDP in the third quarter of 2020 and in 2018, respectively for selected countries.

Credit Penetration in Mexico (% of GDP)



Source: Credit Penetration to private sector as a % of GDP - "Bank for International Settlements as of 3Q20" and Consumer Loan penetration as a % of GDP - "World Bank and Euromonitor with information as of 2018"

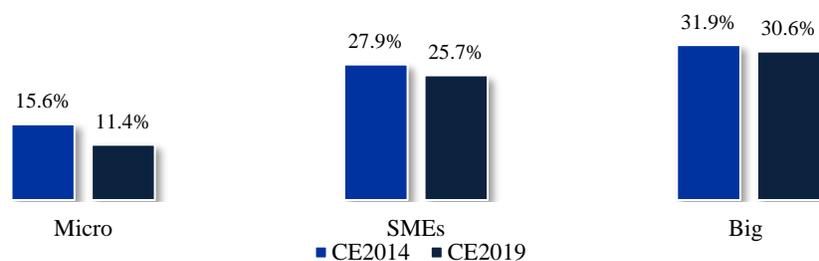
Industry Overview

- Payroll Lending.** The Mexican payroll lending market is fragmented and dominated by regional competitors. Only a few market participants offer payroll lending nationally and can access the capital markets for funding. The total number of government employees in Mexico, including municipal, federal and state government employees, as well as pensioners, is approximately seven million according to the Institute of Security and Social Services for State Employees (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, or “ISSSTE”). We serve 455,858 active clients out of approximately 8.4 million potential payroll loan clients throughout the country according to our internal estimates.
- SME Loans.** According to Banco de México, a company is considered as a SME if it meets each of the following three conditions: (i) employs up to 100 people if its main activity is related to services; (ii) has annual sales of no more than Ps. 250 million; and (iii) has an indebtedness level of less than or equal to 3

million investment units (*unidades de inversión*, or “UDIs”), equivalent to Ps. 19.8 million as of December 31, 2020. According to the Mexican Commission for the Protection of Financial Services Users (*Comisión Nacional para la Defensa y Protección de Usuarios de Servicios Financieros*, or “CONDUSEF”) as of 2015, this group was made up of more than 4.1 million business entities in Mexico, accounting for 41.8% of total employment. The market leaders are HSBC under the brand Estímulo HSBC, BBVA under the brand Crédito Simple, Citibanamex under the brand Crédito Negocios and Banorte under the brand Crediactivo. According to Banco de México, 21% of all SME loans are financed by non-bank financial institutions, of which 67% are organized as non-regulated financial entities. The market is highly fragmented, as most of these institutions target microfinancing with an average loan equivalent to US\$500.

According to 2019 Economic Censuses published by INEGI, access to credit or financing by establishments has been reduced from 2014 to 2019, thus showing the inattention by banks of the SMEs segment and the market opportunity that exists in this segment.

Financing access for establishments according to size

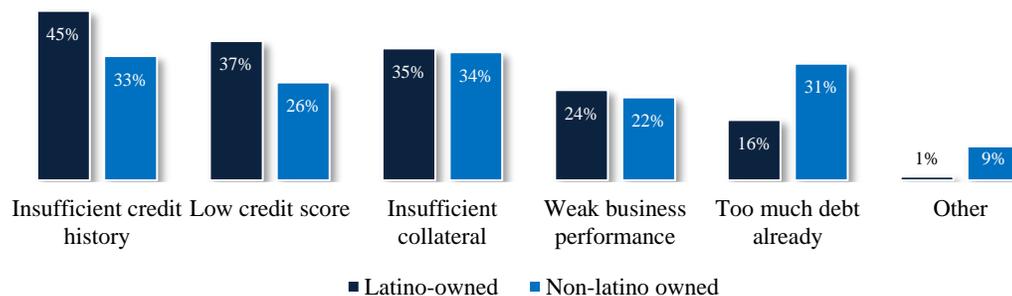


Source: INEGI Economic Census 2019 (CE2019)

In recent years, we entered into the business of loans for SMEs in the United States with the aim to serve the Hispanic market, where for the past 10 years Latino-owned business have grown 34% compared to a 1% increase in the total number of business owners within the United States according to a research published by Stanford University in collaboration with Federal Reserve Bank of New York in November 2018, however, Latinos continue to face numerous limitations when trying to access any type of financing. In addition, Latino-owned businesses contribute US\$500 billion in annual sales to the United States economy.

Reasons for credit denial

% of applicants with financing shortfall

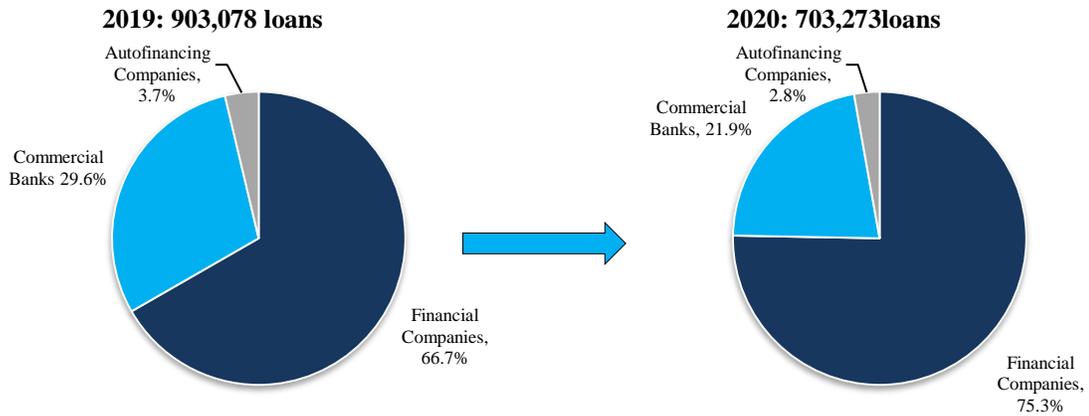


Respondents could select multiple options.

Source: 2017 Small Business Credit Survey, Federal Reserve Banks

Auto Loans in Mexico. The total number of auto loans in Mexico showed a CAGR of 2.3% from 2013 to 2020. The auto loan industry decreased from 903,078 loans in 2019 to 703,273 loans in 2020, representing a 22.1% contraction. Out of the total number of loans in 2019, 66.7% were financed by non-commercial

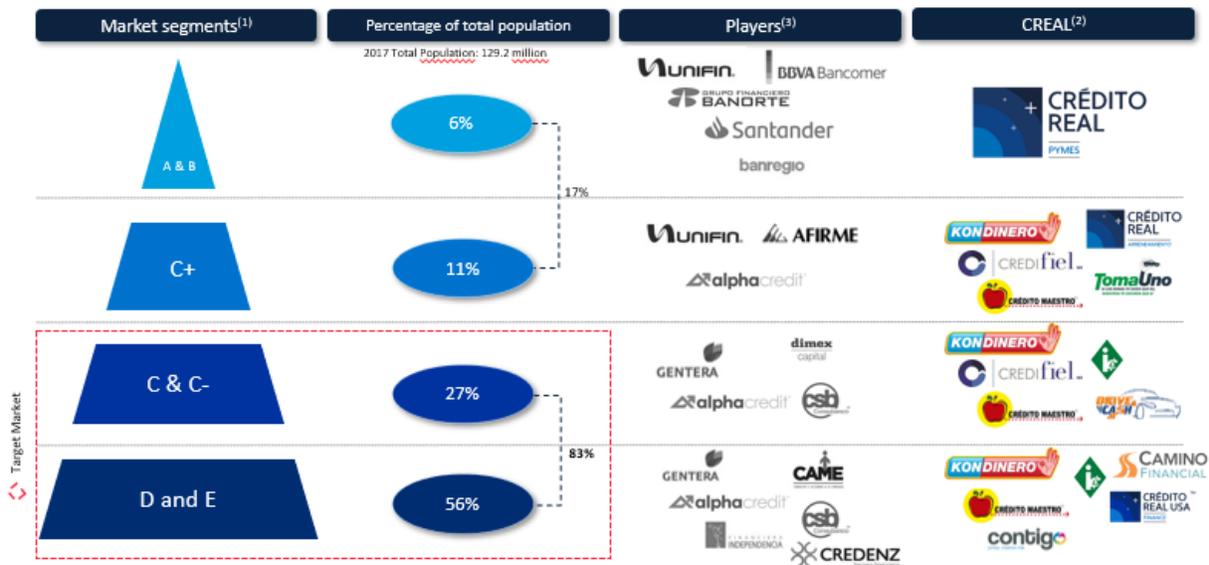
banking companies, while in 2020 that share stood at 75.3%. The top four players in auto financing in Mexico are:



Source: Mexican Automobile Distributors' Association (*Asociación Mexicana de Distribuidores Automotores*), as of December 2020.

Regarding loans for used cars in the United States, 40.8 million vehicles were sold in the retail used car market as of the third quarter of 2019, an increase of 1.4% compared to the third quarter of 2018, when the figure stood at 10.3 million. With high sales, lenders are looking to finance purchases of used vehicles. We mainly target the Hispanic population, which the U.S. Census Bureau estimated in July of 2018 to represent the largest ethnic minority in the United States, with 59.8 million people, or 18.3% of the total population.

The following chart presents the main financial services providers for the different population segments in Mexico as of December 31, 2020, and highlights our segments of focus:



- (1) Market segments are defined based on monthly family income, in accordance with the categories established by AMAI: Segment E, from zero to Ps. 2,699; Segment D, from Ps. 2,700 to Ps. 6,799; Segment C, from Ps. 11,600 to Ps. 34,999, Segment C+, from Ps. 35,000 to Ps. 84,999, Segment A and B, Ps. 85,000 or more.
- (2) Source: AMAI based on cities with a population greater than 100,000 inhabitants.
- (3) The trademarks images of other companies showed in the image above are used only for the purposes of this filing, either as a reference and / or for informational purposes, and not for a profit matter. Therefore, those trademarks belong to their respective owners according to the Mexican Institute of Industrial Property Index. The use of the aforementioned trademarks as graphic representations do not constitute a relationship and / or association of products and / or services between their respective owners and Crédito Real.

According to National Council for Financial Inclusion, (CONAIF for its Spanish acronym), as of 2015, approximately one in every five adults in Mexico with an income of less than Ps. 3,000 per month has an outstanding line of credit. By contrast, approximately 70% of the population with a monthly salary higher than Ps. 20,000 are reported to have an outstanding line of credit.

Our Competitive Strengths

Proven Track Record and Extensive Experience Providing Valuable and Easy-to-Understand Credit Products to the Underserved Segments of the Mexican Population

Our more than 27 years of experience in serving the financing needs of the low- and lower middle-income segments of the Mexican population provide us with unparalleled knowledge and understanding of our customers and their potential market. For example, our loan underwriting and origination methodology for these market segments is based on our knowledge of our clients' needs and behavior. For our first-time customers, we run a statistical credit analysis. We have tailored our products, credit underwriting approval systems and operating infrastructure to serve these segments of the population. All of our loan products have fixed installments, and bear interest at fixed rates. We believe these terms make our loan products easier to understand, and thus, more attractive for borrowers in the low- and lower middle-income segments by facilitating payment planning, which helps to reduce default rates. We strive to be a leader in every market in which we participate, and we believe that we have a strong market position in all the segments where we participate.

As of December 31, 2020, we had 455,858 payroll loan clients, which represented a loan portfolio of Ps. 29,402.8 million, equal to 57.5% of our total portfolio. In SMEs loans, as of December 31, 2020, we had 3,436 clients and a total portfolio of Ps. 12,112.8 million, representing 23.7% of our total portfolio. In the used car loans segment, as of

December 31, 2020, we had 23,389 clients and a loan portfolio of Ps. 3,887.2 million, representing 7.6% of our total portfolio. In the personal loans segment, as of December 31, 2020, we had 153,259 clients and a loan portfolio of Ps. 4,805.3 million, representing 9.4% of our total portfolio. Meanwhile, we reported 214,305 group loan clients and a loan portfolio of Ps. 492.7 million, accounting for 1.0% of our total portfolio. Finally, in the durable goods and other loans segment, as of December 31, 2020, we had 80,260 clients and an outstanding portfolio of durable goods and other loans of Ps. 433.6 million, representing 0.8% of our total portfolio.

Loan Portfolio with Superior Quality and Performance

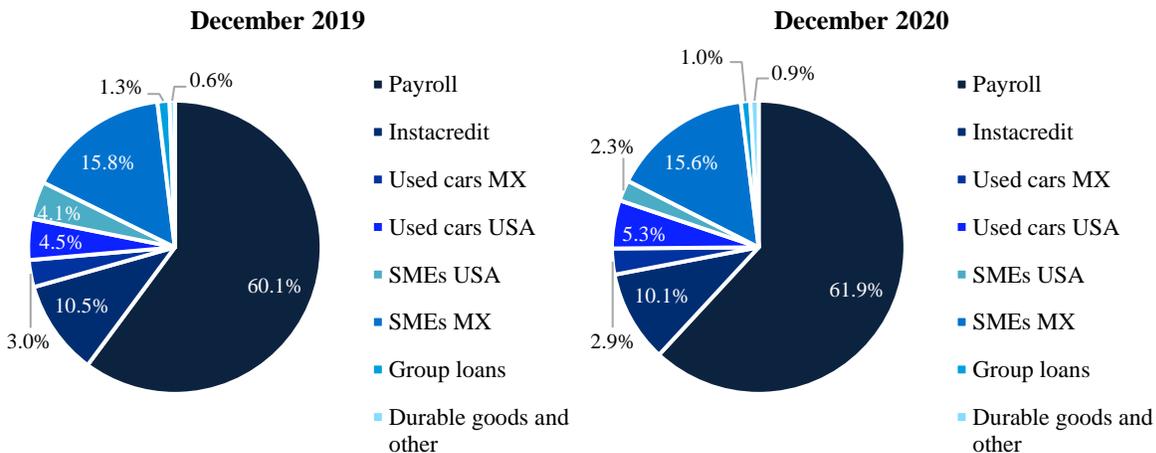
We believe that the nature of our loan products and the application of our operating models result in low delinquency rates of the loans in our portfolio. As of December 31, 2020, our NPLs were 3.3% of our total portfolio. Our policy is to value the quality of the asset over the size of the portfolio.

For our payroll loans, payments are collected directly from government agencies before any wages are paid to our borrowers (pursuant to the borrower’s prior written instructions) and the maximum amount of loans is capped pursuant to either the terms of the applicable collaboration agreement with the relevant governmental agency or our internal policies which do not allow us to provide loans in an amount in excess of 30% of the customer’s base salary (without taking into account other components of the customer’s compensation, such as bonuses) and after giving effect to other borrowings and payroll deductions. Additionally, public sector unionized employees typically have low turnover rates, thus mitigating our exposure to collection risks.

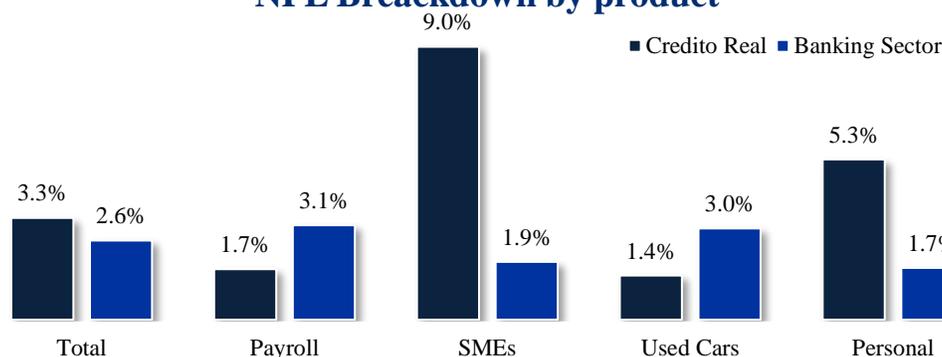
For our SME loans, we believe that the best way to maintain a low delinquency rate is to build a close relationship with the customer and create a product that matches the cash flow of the customer’s business, providing an expedited and reliable source of funding when such funding is required. Our tailored approach and responsive customer service help us maintain an SME loan portfolio with stronger asset quality and controlled performance. For our used car loans, the car secures the loan, and it is insured. In addition, we believe our standardized and proven collection process, which allows for the continuous monitoring of client repayment dynamics and the implementation of early action in the case of delayed payments, has allowed us to maintain low delinquency rates across our product lines.

For our personal loans, we have implemented centralized collection processes (which are managed directly by the branches) to maintain low levels of delinquency rates. Additionally, we are focusing on standardizing several collection strategies in Costa Rica, Nicaragua and Panama as well as improving the collection process. In addition, to monitor and prevent any significant deviations in the delinquency rate, we have established a monthly committee that is in charge of reviewing and implementing preventative and corrective credit risk measures.

The charts below illustrate the diversification of our loan portfolio as of December 31, 2020, as compared to December 31, 2019:



NPL Breakdown by product



We believe that our profitability, the quality of our assets and our capitalization ratio compare favorably with banking and other players in Mexico. The following table shows relevant statistics of selected financial services companies in Mexico and Latin America as of December 31, 2020:

Name	Return on Average	Consumer Loan	Efficiency Ratio ⁽³⁾	Capitalization
	Equity ⁽¹⁾	Portfolio NPL Ratio ⁽²⁾		Ratio ⁽⁴⁾⁽⁵⁾
Microfinance and Personal Consumer Companies				
Crédito Real	4.3%	3.3%	53.7%	31.4%
Banco Azteca.....	(18.1%)	4.7%	91.7%	23.2%
Compartamos.....	(7.2%)	5.4%	76.5%	54.8%
Consubanco	4.9%	6.0%	47.2%	39.0%
Financiera				
Independencia.....	(9.2%)	5.1%	83.5%	56.8%
Unifin	11.0%	4.8%	38.8%	20.5%
Banks				
Citibanamex.....	7.2%	2.9%	59.5%	16.1%
Banorte	14.4%	1.1%	44.8%	27.8%
Banregio	13.8%	1.4%	57.9%	19.8%
HSBC	0.0%	2.8%	70.7%	14.1%
Inbursa.....	8.3%	2.2%	35.3%	68.6%
Santander.....	13.5%	3.1%	48.8%	22.6%

Source: Company filings presented to CNBV as of December 31, 2020, except Citibanamex and HSBC which were obtained from public filings. Includes all subsidiaries.

- (1) Public information (2020 net income / total equity average during 2020).
- (2) Calculated as consumer non-performing loans divided by total consumer loans as of December 31, 2020.
- (3) Represents the sum of (i) administrative and marketing expense for the period plus, and (b) commissions and fees paid net of (c) CRA's depreciation expense divided by the sum of (ii) financial margin and (a) commissions and fees collected net of (c) CRA's depreciation expense.
- (4) Calculated as total shareholder's equity as of December 31, 2020, divided by total portfolio as of December 31, 2020.
- (5) After giving effect to the offering of the Subordinated Perpetual Notes.

Strong and Diversified Origination Platform

We have an open-ended platform with flexibility to develop, promote, underwrite and collect a wide variety of consumer loan products and support the expansion of our diversified business model.

In the payroll loans business line, we own a 99.99% interest in Directodo and a 49% interest in Publiseg and GEMA, which are three of our main distributors. We also have financial factoring agreements with twelve other independent distributors, through which we provide national coverage for loan origination.

In the SMEs loans business line, our Mexican subsidiary, CRA, offers financial solutions for leasing, factoring and fleet management. In addition, we have an alliance with Fondo H, which is a SOFOM E.N.R. focused on granting short and medium-term loans to SMEs with growth needs in Mexico. On the other hand, through “Crédito Real USA” credit loans and factoring are granted to the Hispanic market with a limited credit history in the United States. To offer the products in the United States, there are two strategic alliances Crédito Real Business Capital and Camino Financial, that operate in Texas and California, respectively.

Our used cars loans in Mexico are originated through seven distributors, and one partnership with 20 branches Mexico. On the other hand, our used car loans in the United States are originated through a strategic alliance with CR USA Finance with over 1,637 car dealers in 29 states of the United States.

Personal loans are consumer loans, SMEs loans, car loans, and home equity that are granted with or without guarantee to consumers of medium and low income, whose credit needs are not met by traditional banks. The Company operates this type of product in Central America through the “Instacredit” brand, of which Crédito Real acquired a 70% stake in February 2016. Instacredit started its business in April 2000 in San José, Costa Rica and since 2007 has expanded into other countries in Central America. Instacredit had a network of 65 branches in Costa Rica, Nicaragua, and Panama.

We also acquired interest in two group loan distributors, Contigo (2015) and Somos Uno (2014) to strengthen our group loan market participation in Mexico. These group loans are originated through our own network of 180 branches and over 1,265 promoters.

These origination platforms are independent from each other, operate under different brand names and respond to different market dynamics, thereby allowing us to expand the types of consumer credit products we offer. Through this solid loan origination network, we increased our total portfolio by 8.9% as of December 31, 2020, as compared to December 31, 2019.

Diversified Credit Risk

We use separate processes to originate loans in our various lines of businesses, since each line of business has distinct customer bases with different credit needs and repayment dynamics. The tenor of the loans we offer varies from one loan to another, ranging from four (4) to sixty-seven (67) months. We believe that our business model enables us to effectively manage our exposure to credit risk by dispersing that risk across a large number of borrowers in different product categories and diverse geographic regions. The average balance of each loan in our portfolio is: Ps. 64,500 for payroll loans, Ps. 3.5 million for SMEs loans, Ps. 166,196 for used car loans, Ps. 31,354 for personal loans, Ps. 2,299 per participant for group loans, and Ps. 5,403 for durable goods and other loans resulting in our credit risk being dispersed among 930,507 customers as of December 31, 2020.

Proprietary Platform Tailored for the Segments We Serve

With more than 27 years of experience, we have developed and refined our proprietary underwriting standards and a digitalized credit review system, which help ensure consistency in the quality of our loans and efficiency in our credit approval process. As part of our credit review process, we evaluate both quantitative and qualitative aspects of each credit application, allowing us to leverage our customer knowledge and prior experience to better assess credit risk on a case-by-case basis. Traditional credit providers, such as banks, typically have relatively low approval rates for customers in the market segments we serve, in part because many customers have limited or no credit records. We believe our lean and efficient operation allows us to service and monitor loans that would typically be unprofitable for large traditional banks. We believe our risk analysis systems allow us to make better credit decisions when evaluating

credit applications in the segments we target. As a result of our credit underwriting procedures and analysis, we have been able to maintain low delinquency rates in our loan portfolio. As of December 31, 2020, our NPLs were 3.3% of our total portfolio. The development of our proprietary platform has also allowed us to reduce the response time to our customers without compromising the quality of our loans.

Our credit analysis process begins with our commercial partners filling out an application form for the applicant and uploading it to our secure channel platform, accompanied by identification and additional documents for proof of residence and income. The analysis process is initiated once all documents and information provided have been validated. Generally, we validate references through our call center or a door-to-door service provider. Then, we review the applicant's following credit reports: (i) for customers with previous accounts, an internally generated credit report and (ii) for all applicants, a report from a third-party credit bureau which is requested through a secure, password-protected, server-to-server connection. In analyzing the credit reports, we take into consideration payment behavior, previous reported income, addresses and phone numbers for future reference, total account balances and existing monthly payment obligations, either with us or with other financial institutions. Once all the above financial and credit behavior information is received about the applicant, our analyst calculates the "debt-to-income" and "pay-to-income" ratios for the individual applicant to determine the applicant's maximum monthly payment amount, and the total amount of the approved loan.

Our commercial partners can monitor the status of each application in real time, including whether the application has been approved or rejected, along with some brief commentary from the analyst regarding the application such as total amount approved or reason for rejection.

Our platform keeps a record of all the persons involved as well as any changes performed on every credit application during the entire credit analysis process.

Scalability of Our Business through Unique Technological Platform

The modular architecture of our origination platform and our standardized operational process enhance our flexibility and new product development capabilities to support future growth across current and new consumer loan segments. We believe our standardized origination and collection processes, our strong recruiting, e-learning and continuous training programs, as well as our proprietary information technology systems, provide us with a scalable platform that enhances efficiency. Our internally-developed software allows us to effectively manage and service large volumes of loan applications and track the performance of our loan portfolio on a daily basis. Furthermore, our systems provide us with the flexibility to manage multiple loan products with different characteristics, as well as with the ability to expand our product offerings.

In addition to safeguarding all documentation in physical form, we digitalize 100% of our credit records and believe our scoring system is one of the core technological tools that allow us to grow without compromising asset quality. Our technological platform currently allows us to have a response time ranging from 30 minutes to 3 hours. We believe that our credit application processing times are shorter than those offered by our competitors and represent a significant competitive advantage. Additionally, we believe that our unique loan origination, processing and servicing technology allows us to serve large numbers of borrowers efficiently, providing us with a significant competitive advantage.

In addition, on average, our technological platform has historically allowed us to answer 83% of all customers' incoming calls in less than 20 seconds.

During 2015 we began the first implementation stage of the roll-out of the Oracle FLEXCUBE Core Banking System ("FLEXCUBE"). This platform has allowed us to generate robust information for our entire portfolio of products, increasing our capacity and response speed, while also adding flexibility to our current platform. In this way, FLEXCUBE enhances our system capacity in order to better serve our customers.

Solid Cash Flow Generation Combined with Strong Capitalization and Diversified Liquidity Sources

As of December 31, 2020, our payroll loans, SMEs loans, used cars loans, and personal loans had annual yields averaging 18.0%, 14.6%, 26.3%, and 50.7% respectively, and had average terms of 40 months, 21 months, 59 months, and 44 months, respectively. The average yield of our portfolio, the frequency of collections and the relatively short-

term nature of our loans result in a strong and steady cash flow. As of December 31, 2020, we collected principal and interest payments of Ps. 33,061.0 million, representing 64.3% of the average total portfolio.

In addition to this strong internal generation of operating cash flow, we have diverse sources of funding, including access to the domestic and international debt and securities markets, as well as bank credit lines. As of December 31, 2020, at a consolidated level, we had 37 credit lines for a total aggregate principal amount of Ps. 21,359.3 million with national and international banking institutions. On February 7, 2019, we raised US\$400 million in Senior Notes due 2026 in the international capital markets, with an initial annual interest rate of 9.50% (“Senior Notes 2026”), and in October 2019 we raised €350 million in Senior Notes due 2027 in the international capital markets, with an initial annual interest rate of 5.0% (the “Euro Notes”). Additionally, on October 24, 2019, we carried out a second issuance within our securitization program (CRELCB-19) for a total amount of Ps. 750 million with a 5-year term. Global scale credit ratings are BB with Standard & Poor’s, BB + with Fitch Ratings and BBB- for Japan Credit Rating. On the other hand, national issues are assigned a rating of mxA by Standard & Poor’s, A+ (mex) by Fitch Ratings and HR AA- by HR Ratings.

As part of our strategy, we continue to evaluate other financing sources, such as additional securitization of portions of our loan portfolio, additional issuances of debt securities in jurisdictions other than Mexico and additional credit lines. We believe that our cash flow from operations and funding sources provide us with the financial flexibility to meet our liquidity requirements, including our expected loan originations, and to continue growing our business, representing a competitive advantage in comparison with competitors who operate in the same market segments.

As of December 31, 2020, the unused portion of our uncommitted bank credit lines totaled Ps. 1,562 million and the authorized, unissued amount under our securitized certificates program totaled Ps. 8,739 million in the aggregate.

Throughout our history of growth, we have maintained a strong equity base, which we believe reflects solid and prudent capital management. As of December 31, 2018, 2019 and 2020, our capitalization ratio over loan portfolio was 43.9%, 34.2% and 33.8%, respectively. As of December 2020, we had a capitalization ratio over total portfolio of 31.4%. To further strengthen our capital structure for future growth, in 2017 we issued the Subordinated Perpetual Notes. As of December 2020, our capitalization ratio over total portfolio, excluding the Subordinated Perpetual Notes, was 23.2%.

Experienced Management with Proven Track Record and Shareholder Support

Our management team consists of experienced professionals who have an average of 14 years of experience working in different segments of the Mexican financial sector. We believe our management team has been responsible for the profound organic growth that we have experienced since our incorporation in 1993 and has a proven track record of successfully expanding into new markets and introducing new products. Our main shareholders also have significant experience in the Mexican financial sector, having participated as either operating directors or shareholders of different financial institutions during the past 4 years. Moreover, some of our shareholders have been active players in the direct origination of our payroll loan business. Their combined knowledge, experience and support have proven to be valuable assets to us when formulating our strategy, developing new products or accessing new segments of the market. We believe that the knowledge, experience and support from our executive team and principal shareholders represent a significant competitive advantage.

Our Strategy

We believe that we are well-positioned to take advantage of the expected growth in the Mexican payroll loan, SME loan, and used car loan segments in Mexico and to strengthen our diversified product mix in countries outside of Mexico, such as the United States and Central America. We intend to strengthen our presence in markets in which we already operate and to continue our geographic expansion by finding new partners already operating in untapped markets. We also intend to improve our operational efficiency by reducing our operating expenses as well as our cost of funding while maintaining high levels of market share and customer satisfaction. The following are the key elements on which our strategy is based:

- ***Grow Our Payroll Loan Business.*** We plan to continue growing our payroll loan business by increasing the number of government agencies and labor unions we serve, in addition to increasing our penetration among the employees of those agencies and members of those unions with which we already have established payroll

lending relationships through our distributors. Additionally, we are making greater efforts to penetrate new markets, which now represent an important part of our origination. As of December 31, 2020, we believe we had a market share of approximately 42% of the government-agency and labor-union markets we serve, and we believe this level of penetration will allow for future growth. We believe the overall payroll loan business represents a market opportunity of more than 8.4 million people, which represents a significant growth opportunity for our payroll loan portfolio over the next several years. We frequently evaluate the inclusion of new distributors in our network in order to expand our geographic presence and grow in this market segment. Additionally, we will continue to consider strategic opportunities to vertically integrate our payroll loan business in order to further expand and improve our profitability. We believe these strategic opportunities will allow us to further consolidate and define the growth of our loan origination through distributors. We believe another area of opportunity is to increase the renewal rate of our loans, given that historically, approximately 30% of our payroll customers have renewed their loans.

- ***Downsize Our SME Loan Business.*** During 2018, we started offering leasing and factoring through our CRA subsidiary to complement our mix of financial products within this segment along with our existing alliance with Fondo H. In this regard during the second quarter of 2020, Crédito Real obtained control over CRA. However, following the Company's strategy of focusing on the most profitable assets and limiting its exposure to the businesses most affected by the pandemic, SMEs loan portfolio share of the total loan portfolio is foreseen to decrease during next years. Consequently, we will focus on products that require less use of capital within our SMEs mix product. On the other hand, in the United States we provide SME loans to the Hispanic market segment with limited credit history or access to credit through two companies that operate under the Credito Real USA Business Capital and Camino Financial brands. In 2017, we further expanded our business in the United States through the acquisition, together with a business partner, of Crédito Real USA Business Capital, a company that focuses on helping contractors and small businesses get access to capital and equipment financing, and finally, in 2019, we partnered with Camino Financial a company that provides financing to small business from Hispanics. Limited product expansion will continue with restrictive origination standards, prioritizing asset quality over portfolio growth.
- ***Expand Our Used Car Loan Business.*** We believe that this market represents significant growth opportunities and is an underserved market, both in Mexico and the Hispanic market in the United States. We believe that recent partnerships with distributors of used car loans, CR Fact with its two products, and our own brand in Mexico, along with CRUSA Finance in the United States, provide a solid base for continued distribution and expansion in this segment.

In Mexico, we provide loans for used cars through various partnerships with distributors that utilize their own sales force to promote our credit products. As of December 31, 2020, we operated through seven distributors dedicated to buying and selling used cars. Additionally, during the first quarter of 2014, we acquired 51% of a company operating under the Drive & Cash brand name, dedicated to offering secured financing for commercial vehicles. As of December 31, 2020, the distribution network of CR Fact consisted of 20 branches and seven distributors located in all states in Mexico. Regarding Drive & Cash, commercial and operational strategies revolve around branch performance. CR Fact frequently evaluates results from each branch to maintain profitability standards and is always on the lookout for high potential markets for expansion. For Toma Uno, CR Fact is looking to capitalize its current alliances with original equipment manufacturers ("OEMs") and create new ones enabling an expansion of brand recognition, geographical footprint and product penetration. We expect to continue taking advantage of the surging demand of last year for this product in Mexico, seeking a more effective granting policy, without leaving aside our strict risk control.

In the United States, we serve the Hispanic market segment with limited credit history or access to credit through a company that operates under Crédito Real USA Finance brand. As of December 31, 2020, CRUSA Finance had licenses to operate in 29 states in the United States with over 1,637 car dealers. CRUSA Finance is currently focused on growing the base of dealerships submitting applications and in increasing the loans granted per month whilst the other businesses are continuing to penetrate the Small and Medium Enterprises of the Hispanic population. We will seek to continue with the deployment of renewed origination standards, thus giving priority to allocate our resources to businesses that historically have had higher profitability.

- **Expansion in Central America.** Following the strategy of attending underserved markets in Mexico and abroad, we will seek to consolidate the presence of Instacredit in Costa Rica and continue its expansion in Panama, Nicaragua, and other countries in Central America. We seek to continue improving the efficiency and technology of Instacredit's operational structure to serve the target market. The four main products that Instacredit currently offers are consumer loans, car loans, SME loans and home equity loans.
- **Capitalize on the Growth Potential of Underserved Markets.** We believe that growth opportunities for consumer credit financing continue to be substantial in light of a growing demand for consumer credit from a large portion of the population that has no or limited access to traditional financial services. We believe that given our leading market position and recognition, as well as our understanding of the customer segments we serve, we are well positioned to capitalize on the growth potential of non-traditional financial services in Mexico, including segments in which we do not currently operate. Our aim is to target these underserved markets with our various products. We plan to continue evaluating strategic opportunities to take advantage of the scalability and standardization of our business model, including our capacity for loan analysis and risk management in the markets in which we operate.
- **Preserve Our Diversified Sources of Funding and Strong Capital Base.** Throughout our history of growth, we have maintained a strong equity base, which we believe reflects solid and prudent capital management. As of December 31, 2018, 2019 and 2020, our capitalization ratio over loan portfolio was 43.9%, 34.2% and 33.8%, respectively. As of December 2020, we had a capitalization ratio over total portfolio of 31.4%. Our strong balance sheet and responsible capital management have allowed us to issue debt in both the international and domestic capital markets. During 2014, we issued a series of notes in the international bond markets for an aggregate principal amount of US\$425 million, which were repaid in part with the proceeds of our subsequent US\$625 million debt offering in 2016 and the remaining amount was prepaid with the proceeds of our US\$400 million debt offering in 2019. In February 2017, we succeeded in refinancing our syndicated credit line with Credit Suisse for an aggregate amount of US\$110 million. In 2017, we issued Subordinated Perpetual Notes in the international capital markets in a principal amount of US\$230 million, improving our capital structure since they are deemed as 100% equity under Sofom GAAP and under IFRS. The issuance of these perpetual notes enhanced our capitalization ratio. Additionally, in January 2018, we issued CHF\$170 million unsecured bonds due 2022 in the Swiss market. In February 2019, we issued US\$400 million senior notes due 2026 and finally, in October 2019, we issued €350 million Euro Notes due 2027, part of the proceeds of which were used to prepay a portion of our US\$625 million due in 2023. As of December 31, 2020, debt securities represented 57.1% of our total debt (excluding accrued interest and mark-to-market), and the remaining 42.8% was represented by bank loans. As of December 31, 2020, we had uncommitted credit lines with various financial institutions totaling Ps. 21,359.3 million, of which the unused portion represented Ps. 1,562.0 million. In terms of maturity profile, 28.4% of our debt (excluding accrued interest and mark-to-market) is scheduled to mature by December 31, 2021, and the remaining 71.6% will mature by January 2022 or later.
- **Focus on Profitability and Efficiency.** We believe that our efforts to grow successfully beyond our core business across regions will enable us to strengthen our operations profitability. The Hispanic community in the United States is a vastly underserved market with strong purchasing power, and we believe that the opportunities to reach them remain largely untapped, so we intend to grow other businesses alongside the used car loans. In Central America, we are looking to strengthen operations by exploring opportunities to enter new markets through Instacredit. As a result of our familiarity with the domestic market context, Mexico will continue to be a keystone for our growth strategy.

Recent Developments

On December 15, 2020, we held our ordinary general shareholders' meeting where the following were approved, among other resolutions: (i) the cancellation of 7,458,977 shares equivalent to 1.98% of the Company's capital stock, without resulting in a reduction of the latter, acquired through the Company's share buyback program; and (ii) the extension of the payment date of the dividend approved in the annual ordinary general shareholders' meeting held on

April 3, 2020, in order for the settlement to be conducted in a single exhibition on any business day of the first half of 2021, with debit to the “accumulated results from prior years” accounting item (as of 2019).

On January 8, 2021, we announced the joint acquisition and full settlement of a package of credit rights and collection rights, as well as trust rights, held by Banco Ahorro Famsa, currently undergoing court-ordered liquidation, through a specific purpose vehicle with two investment funds managed by Promecap, and an investment fund managed by Credit Suisse's Asset Management division in Mexico. The acquisition, effective January 7th, 2021, was conducted under the authority of Alvarez & Marsal México, S.C., acting as legal liquidator appointed by the Mexican Bank Savings Protection Institute (Instituto para la Protección al Ahorro Bancario or “IPAB”, for its Spanish acronym). The book value of the loan portfolio, as of June 30th, 2020, amounted to Ps. 11,058,354,680.60 (eleven billion, fifty-eight million, three hundred fifty-four thousand, six hundred eighty Mexican pesos 60/100). The purchase was closed in accordance with current regulations, with the approval of IPAB’s Governing Board.

On January 22, 2021, we announced the international issuance of US\$500 million Senior Notes due 2028, at an 8.00% semi-annual coupon (“2028 Senior Notes”). The 2028 Senior Notes have a 4-year call date (January 21, 2025) under its \$1.5 billion Medium-Term Note Program. The use of proceeds was, among other, to refinance our debt.

On January 25, 2021, we announced the successful closing of a credit line, effective as of January 7th, for US\$100’000,000 (one hundred million US dollars) for a 7-year term, with U.S. International Development Finance Corporation. The facility is in line with the Company’s funding strategy focused on the achievement of alternative funding sources under better credit terms, as well as with its solid commitment to ESG (“Environmental, Social and Governance”) factors.

On March 18, 2021, we informed that, pursuant to its plan to improve and strengthen its corporate governance, the Company decided to separate the positions of Chief Executive Officer and Chairman of the Board of Directors from its single holder. In this regard, the Board of Directors accepted the resignation of Ángel Romanos Berrondo as Chief Executive Officer of Crédito Real and unanimously appointed Carlos Ochoa Valdés (who had been serving as Deputy Chief Executive Officer and Chief Financial Officer) as its new Chief Executive Officer. Mr. Romanos will continue to serve as Chairman of the Board of Directors of Crédito Real, and from this position, and together with the other Directors and Mr. Ochoa, will continue to drive the Company's growth and executing its strategy. Furthermore, as part of this plan, the Board of Directors unanimously approved the elimination of its executive committee, which had been assisting the Board in certain functions.

In April 20, 2021, Crédito Real USA Finance (“CRUSA Finance”), our US-based near-prime auto-lending subsidiary, issued approximately US\$130 million worth of notes through an ABS structure. Leveraging its solid financials and strong operating performance, this transaction was pursued by CRUSA Finance to bolster growth by improving both its cost-of-funding and capital structure. We view this deal, CRUSA Finance’s first-ever offering in the capital markets, as very successful, for the coupon turned out lower than initially estimated and demand came in at over 4x oversubscription. As a result, CRUSA Finance’s existing asset-backed, senior line of credit with Wells Fargo was refinanced, deriving in improved terms and conditions, such as lower costs and higher advance rate.

On April 22, 2021, we successfully renewed a US\$50 million credit facility with BNP Paribas. The renewal was made for a one-year period and provides for better interest rate conditions than the prior loan. The foregoing clearly reflects Crédito Real's capability to access funding sources and the confidence of its lenders in the Company’s business model and financial position.

Coronavirus Outbreak

The coronavirus outbreak is currently having an indeterminable adverse impact on the world and Mexico’s economy. Similarly, the vast majority of countries affected by the coronavirus have declared a state of emergency and have implemented severe lockdown measures. The coronavirus has had numerous worldwide effects and negatively impacted communities, supply chains and general commercial activity. As the coronavirus outbreak is still evolving and given the uncertainty of its lasting effect, the financial impact on Mexico’s economy and our business, financial condition or results of operations will depend on future developments that cannot yet be determined. The coronavirus has also caused significant volatility in the financial markets, undermining investors’ confidence in the growth of countries and businesses. Major stock markets have halted operations on several occasions as persistent market turmoil

intensifies and new information becomes available. In the medium to long term, if the spread of the coronavirus is prolonged, it could adversely affect the economies and financial markets of Mexico and of many other countries.

After the Mexican government and the World Health Organization acknowledged local coronavirus transmission, the Mexican government implemented the second phase of its strategy, and expects to implement the third phase, to reduce the spread of coronavirus. The strategy includes closing schools, suspending operations of hotels and restaurants, canceling events of more than 50 people, suspending certain work activities and insisting on hygiene and personal distancing. In addition, measures implemented by the private sector and local governments to control the spreading of coronavirus include quarantines, travel and transportation restrictions, closures of office spaces and several businesses (such as shopping centers, cinemas, restaurants and gyms), and suspension of massive events, such as music festivals, sport events, among others. All of the foregoing has contributed to a general slowdown in the Mexican economy.

In addition to the measures adopted to control the spread of the coronavirus, the Mexican government has issued special or temporary measures and recommendations to, among others, strengthen the financial system, standardize accounting and disclosure, maintain the flow of credit and benefit debtors. Such measures may include, among others, the temporary suspension of, or the delay in, payroll deductions or limiting our rights to collect amounts due from debtors or enforce our loan agreements. Existing and future measures implemented by the Mexican government in connection with the coronavirus could have a material adverse effect in our business, liquidity, results of operations or financial condition.

See “Risk Factors Related to Mexico—Public health threats, such as the coronavirus outbreak, have had and many continue to have an adverse effect on the Mexican economy and on our business, financial condition or results of operations.”

Company Information

We were incorporated under the laws of Mexico on February 12, 1993. Our corporate offices are located at Avenida Insurgentes Sur No. 730, 20th Floor, Colonia del Valle Norte, Alcaldía Benito Juárez, 03103, Mexico City, Mexico, and our telephone number is +52 (55) 5340-5200. Our web site address is www.creal.mx. The information on our web site is not a part of, and is not incorporated by reference into, this Offering Memorandum.

Our Legal Entity Identifier (LEI) code is 549300W2IL7TPPCTKL39.

Summary of the Program

The following is a summary of the description of notes which may be offered under the Program, and any decision to invest in any notes should be based on a consideration of this Offering Memorandum as a whole, including any supplement hereto. The specific terms of the notes will be as set forth in the relevant Pricing Supplement and may contain terms and conditions which differ from, or are in addition to, those set forth below. Capitalized terms used but not defined in this section have the meanings assigned to them in "Description of the notes." For a more complete description of the terms of the notes, see "Description of the Notes."

Issuer:	Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada.
Arrangers:	BNP Paribas Securities Corp. and SMBC Nikko Securities America, Inc.
Dealers:	BNP Paribas Securities Corp., SMBC Nikko Securities America, Inc., and any other Dealer appointed from time to time in accordance with the Dealer Agreement. Notes may also be offered, placed or sold directly by us, through other dealers and through third parties other than dealers.
Trustee, Registrar, Transfer Agent and Paying Agent:	The Bank of New York Mellon will act as trustee, registrar, transfer agent and paying agent (the " Trustee ").
Program Size:	The maximum aggregate principal amount of all notes from time to time outstanding under the Program will not exceed U.S.\$1,500,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement), subject to increase in accordance with the terms of the Dealer Agreement.
Distribution:	The method of distribution of each issuance of notes will be stated in the applicable Pricing Supplement. Notes may be distributed on a syndicated or non-syndicated basis.
Series:	Unless specified in the applicable Pricing Supplement, notes will be issued in one or more series having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to the original issue date, the original issue price or, possibly, the date upon which interest will begin to accrue and first be paid, as the case may be). Each original issue of notes, together with any further issues of notes expressed to form a single series shall constitute a " Series ." The expression "notes of the relevant Series" shall be construed accordingly.

Status of the Notes:

Each note will be unsecured and will be either a senior or a subordinated debt obligation of the Issuer.

Notes that are senior unsecured obligations (the “Senior Notes”) may be fully and unconditionally guaranteed by certain of our subsidiaries as specified in the applicable Pricing Supplement, and they will:

- rank equal in right of payment with all our (and the applicable guarantors’) other existing and future senior indebtedness, subject to certain obligations for which preferential treatment is given under applicable laws, including tax, labor and social security,
- rank senior in right of payment to all our (and the applicable guarantors’) existing and future subordinated indebtedness, if any,
- be effectively subordinated to all our (and the applicable guarantors’) existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, and
- if applicable, be structurally subordinated to all existing and future indebtedness and trade payables of our subsidiaries that are not guarantors with respect to the applicable Series of Senior Notes.

See “Description of the Notes—Certain Terms and Conditions Applicable to Senior Notes—Ranking.”

Notes that are unsecured and subordinated obligations (the “Subordinated Notes”) will rank (i) junior to all of our existing and future senior indebtedness, (ii) pari passu among themselves and with all other future subordinated indebtedness, and (iii) senior to all existing and future classes of our share capital. The Subordinated Notes will be effectively subordinated to all existing and future liabilities of our subsidiaries. See “Description of the Notes—Certain Terms and Conditions Applicable to Subordinated Notes—Ranking.”

Use of Proceeds:

Unless otherwise specified in the applicable Pricing Supplement, the net proceeds from each issue of notes will be used for the general corporate purposes of the Issuer and its subsidiaries.

Issue Price:

Notes may be issued at an issue price which is equal to, less than or more than their principal amount, as provided in the applicable Pricing Supplement.

Form of Notes:

Notes will be issued in registered form in the nominal amount of a specified denomination as provided in the applicable Pricing Supplement.

Notes offered and sold in offshore transactions in reliance on Regulation S to persons which are non-U.S. persons will be represented by one or more global notes in registered form (each, a “**Regulation S Global Note**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each issuance of notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through DTC, Euroclear or Clearstream, and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

Notes offered and sold to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act will be represented by one or more global notes in registered form (each, a “**Rule 144A Global Note**”) and, together with each Regulation S Global Note, the “**Global Notes**”).

We will not offer notes under the Program in bearer form.

Deposit:

Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“**DTC**”) or (ii) be deposited with a common depository for and registered in the name of a common nominee of, Euroclear, Clearstream or any other clearance system, as specified in the applicable Pricing Supplement. No beneficial owner of an interest in a note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable.

Fixed Rate Notes:

The Issuer will pay interest on notes that are Fixed Rate Notes on the dates specified in the applicable Pricing Supplement.

Fixed Reset Notes:

The Issuer will pay interest on notes that are Fixed Reset Notes on the dates specified in the applicable Pricing Supplement. The interest rate on Fixed Reset Notes will reset on each Fixed Reset Date by reference to the relevant Reset Margin and Reset Reference Rate.

Floating Rate Notes:

The Issuer will pay interest on Floating Rate Notes on the dates and for the periods specified in the applicable Pricing Supplement. Each series of Floating Rate Notes will have one or more interest rate bases as indicated in the applicable Pricing Supplement.

The interest rate on each Floating Rate Note for each interest period will be determined by reference to the applicable interest rate bases specified in the applicable Pricing Supplement for that interest period, plus or minus the applicable spread, if any, and/or multiplied by the applicable spread multiplier, if any. The applicable Pricing Supplement will also specify the maximum or minimum interest rate, if any, and certain additional terms.

Interest on Floating Rate Notes will be computed in the manner described under the section entitled “Description of the Notes—Floating Rate Notes.” Interest on Floating Rate Notes will be calculated on the basis of the Floating Day Count Fraction (as defined under “Description of the Notes—Floating Rate Notes—How Interest Is Calculated”) as may be set forth in the applicable Pricing Supplement.

Fixed/Floating Rate Notes:	Fixed/Floating Rate Notes bear interest at a rate that converts from a fixed rate to a floating rate. See “Description of the Notes— Floating Rate Notes—Regular Floating Rate Note; Fixed/ Floating Rate Note; Floating/Fixed Rate Note; Inverse Floating Rate Note—Fixed/Floating Rate Notes.”
Floating/Fixed Rate Notes:	Floating/Fixed Rate Notes bear interest at a rate that converts from a floating rate to a fixed rate. See “Description of the Notes— Floating Rate Notes—Regular Floating Rate Note; Fixed/ Floating Rate Note; Floating/Fixed Rate Note; Inverse Floating Rate Note—Floating/Fixed Rate Notes.”
Indexed Notes:	Notes may be issued with the principal amount payable at maturity, or interest to be paid thereon, or both, to be determined with reference to the price or prices of specified commodities or securities, baskets of securities, indices of securities, stocks, the exchange rate of one or more specified currencies relative to an indexed currency or other formulae, assets or bases of reference, as may be specified in the applicable Pricing Supplement.
Extendible Notes:	Notes may be issued with an Initial Maturity Date, which may be extended from time to time upon the election of the holders on specified Election Date(s) up to a Final Maturity Date, as may be specified in the applicable Pricing Supplement.
Dual Currency Notes:	Notes may be issued under which the Issuer is permitted under certain circumstances to pay principal, premium, if any, and/or interest in more than one currency or in a composite currency, as may be specified in the applicable Pricing Supplement.
Amortizing Notes:	Amortizing Notes are Fixed Rate Notes for which payments combining principal and interest are made in installments over the life of the note. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. The terms and conditions of any Amortizing Notes, including the amortization schedule, will set forth in the applicable Pricing Supplement related to any such notes.
Original Issue Discount Notes:	Notes may be issued at more than a de minimis discount from the principal amount payable at maturity, as may be specified in the applicable Pricing Supplement.
Redemption:	The Pricing Supplement relating to each issuance of notes will indicate (i) with respect to Senior notes, that such Senior Notes cannot be redeemed prior to their stated maturity, that such Senior Notes will be redeemable with a make-whole premium, for taxation reasons, upon equity sales or, (ii) with respect to Subordinated Notes, that such Subordinated Notes will be redeemable at par on specified dates and in the case of the occurrence of a Ratings Methodology Event, Tax Deductibility Event, Substantial Repurchase Event and Accounting Event.
Events of Default, Notice and Waiver:	An Event of Default with respect to Senior Notes shall take place as set forth in “Description of the Notes—Certain Terms and Conditions Applicable to Senior Notes—Senior Notes Events of Default.” An Event of Default with respect to Subordinated Notes shall take place as set forth in “Description of the Notes— Certain Terms and Conditions Applicable to Subordinated Notes—Subordinated Notes Events of Default.”
Denomination of Notes:	Notes may be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement.

Additional Amounts:	All payments made by or on the Issuer’s behalf in respect of the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico, the United States, or any other Relevant Jurisdiction or any authority or agency therein or thereof having power to tax (collectively, “ Relevant Tax ”) unless the withholding or deduction of such Relevant Tax is required by law or by regulation or governmental policy having the force of law or by the interpretation or administration thereof. In that event, the Issuer will pay additional amounts as described in “Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Payment of Additional Amounts,” or as otherwise provided in the applicable Pricing Supplement.
Rating:	The Notes of each Series issued under the Program may be rated or unrated. Where the Notes of a Series are rated, such rating will be set out in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Admission to Trading:	Application may be made to Luxembourg Stock Exchange to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market, application may also be made to list a Series of notes on another exchange, or a series of notes may be unlisted, in each case as specified in the applicable Pricing Supplement.
Governing Law:	<p>The Indentures and the notes will be governed by, and construed in accordance with, the law of the State of New York. See “Description of the Notes—Governing Law; Consent to Jurisdiction.”</p> <p>The Issuer will consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan. See “Description of the Notes—Governing Law; Consent to Jurisdiction.”</p>
Transfer Restrictions:	The notes have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available. Notes sold pursuant to Rule 144A or in reliance on Regulation S under the Securities Act are subject to the selling restrictions described under “Plan of Distribution” and “Transfer Restrictions.”
Risk Factors:	You should carefully consider all of the information contained in this Offering Memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under “Risk Factors” beginning on page 43 for a discussion of the risks and uncertainties relating to us, our business, the Mexican financial industry, our stockholders, Mexico and the notes.

Summary Financial Information

The financial information for the years ended December 31, 2018, 2019 and 2020 has been derived from our audited financial statements included elsewhere in this offering memorandum, together with the notes thereto.

The following tables present summary financial information and other data as of December 31, 2018, 2019 and 2020. Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be the exact arithmetic results of their components as shown herein.

Our financial statements were prepared in accordance with Sofom GAAP. Sofom GAAP differs in certain significant respects from U.S. GAAP. See “Annex A—Summary of Certain Significant Differences Between Sofom GAAP and U.S. GAAP” for a description of certain differences between Sofom GAAP and U.S. GAAP as they relate to us. No reconciliation of any of our financial statements to U.S. GAAP has been performed.

The financial statements reflect our investment in Publiseg, GEMA, Bluestream Capital, Cege Capital, Credilikeme, and the consolidation of Servicios Corporativos Chapultepec, CR Fact, CREAL USA, Controladora CR, Directodo, CRHOLDINGINT and CR-Seg, Inc. See “Presentation of Certain Financial and Other Information.”

Income Statement

	Year Ended December 31,			
	2018	2019	2020	2020 ⁽¹⁶⁾
	<i>(In millions of pesos)</i>			<i>(In millions of dollars)</i>
Interest income	10,287.6	11,933.0	10,453.7	525.1
Interest expense	(3,207.4)	(4,671.1)	(4,915.1)	(246.9)
Financial margin	7,080.2	7,261.9	5,538.6	278.2
Provision for loan losses	(1,540.3)	(1,306.6)	(2,112.6)	(106.1)
Financial margin after provisions for loan losses	5,539.9	5,955.2	3,426.0	172.1
Commissions and fees income	564.1	515.7	137.3	6.9
Commissions and fees paid	(256.0)	(373.4)	(247.3)	(12.4)
Intermediation income	(20.8)	156.2	(79.1)	(4.0)
Other operating income	164.7	126.6	1,097.3	55.1
Administrative and marketing expense	(3,483.1)	(3,607.0)	(3,539.2)	(177.8)
Operating result	2,508.8	2,773.3	794.9	39.9
Equity in income of associates	154.7	63.2	97.7	4.9
Income before income taxes	2,663.5	2,836.5	892.7	44.8
Current income taxes	(355.3)	(587.7)	(707.6)	(35.5)
Deferred income taxes	(295.3)	(148.2)	619.6	31.1
Income taxes	(650.6)	(735.9)	(87.9)	(4.4)
Net income	2,012.9	2,100.6	804.7	40.4
Non-controlling interest	(57.6)	(120.5)	(48.4)	(2.4)
Net income attributable to controlling interest	1,955.4	1,980.1	756.4	38.0

Balance Sheet

	As of December 31,			
	2018	2019	2020	2020 ⁽¹⁶⁾
	(In millions of pesos)			(In millions of dollars)
Assets:				
Cash and cash equivalents	575.7	1,180.9	1,097.4	55.1
Investments in securities.....	940.9	1,294.4	1,091.7	54.8
Derivatives	1,028.0	-	1,964.5	98.7
Performing loan portfolio:				
Commercial loans.....	26,090.6	34,620.0	34,356.2	1,725.7
Consumer loans	9,610.9	11,705.7	11,564.6	580.9
Total performing loan portfolio	35,701.6	46,325.7	45,920.8	2,306.6
Non-performing loan portfolio:				
Commercial loans.....	307.6	343.8	1,049.9	52.7
Consumer loans	310.0	288.9	539.2	27.1
Total non-performing loan portfolio...	617.6	632.7	1,589.1	79.8
Loan portfolio.....	36,319.1	46,958.4	47,509.9	2,386.4
Less: allowance for loan losses	(1,067.9)	(1,390.0)	(2,031.6)	(102.0)
Loan portfolio, net.....	35,251.2	45,568.4	45,478.3	2,284.3
Other accounts receivables, net	5,378.8	6,796.9	9,379.3	471.1
Foreclosed assets, net	10.5	10.8	1,343.1	67.5
Property, furniture and fixtures, net.....	341.5	625.3	3,512.2	176.4
Long-term investments in shares	1,193.4	1,273.6	1,244.3	62.5
Other assets, net:				
Deferred charges, advance payments and intangibles.....	4,793.7	4,590.6	4,901.7	246.2
Other short and long-term assets	48.8	250.9	304.3	15.3
Total assets	49,562.5	61,591.7	70,316.9	3,532.0
Liabilities:				
Notes payable (Securitized Certificates).....	1,463.5	1,261.0	761.0	38.2
Senior notes payable.....	17,018.8	24,636.7	27,705.9	1,391.6
Bank loans and borrowings from other entities:				
Short-term.....	7,359.7	7,597.6	13,780.3	692.2
Long-term.....	4,804.7	8,015.9	7,578.9	380.7
	12,164.4	15,613.5	21,359.3	1,072.9
Derivatives	-	765.3	619.7	31.1
Income taxes payable	264.0	313.6	310.8	15.6
Employee profit sharing payable	18.3	16.9	13.1	0.7
Accrued liabilities and other accounts payable	439.1	513.7	1,691.2	84.9
Deferred taxes, net.....	2,258.8	2,407.1	1,787.4	89.8
Total liabilities	33,626.9	45,527.8	54,248.4	2,724.9
Stockholders' equity:				
Capital stock.....	660.2	660.2	660.2	33.2
Share subscription premium	1,407.5	1,192.3	989.4	49.7
Subordinated obligations in circulation	4,206.7	4,206.7	4,206.7	211.3
Earned capital:				

	As of December 31,			
	2018	2019	2020	2020 ⁽¹⁶⁾
	(In millions of pesos)			(In millions of dollars)
Legal reserve	132.0	132.0	132.0	6.6
Accumulated results from prior years.....	6,561.1	7,664.4	9,288.9	466.6
Result from valuation of cash flow hedges, net.....	128.6	(708.2)	(1,054.0)	(52.9)
Cumulative translation adjustment	(30.1)	5.5	69.9	3.5
Re-measurements of employee defined benefits	5.6	(18.2)	(13.1)	(0.7)
Non-controlling interest.....	908.5	949.1	1,032.3	51.8
Net income attributable to controlling interest	1,955.4	1,980.1	756.4	38.0
Total stockholders' equity.....	15,935.6	16,063.9	16,068.5	807.1
Total liabilities and stockholders' equity	49,562.5	61,591.7	70,316.9	3,532.0

Other Financial Data and Ratios

	As of and for the Year Ended December 31,		
	2018	2019	2020
Net income margin ⁽¹⁾	20.8%	17.1%	11.5%
Return on average loan portfolio ⁽²⁾	5.7%	4.7%	1.6%
ROA: Return on average total assets ⁽³⁾	4.2%	3.5%	1.0%
ROE: Return on average stockholders' equity ⁽⁴⁾	12.9%	12.3%	4.3%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes) ⁽⁵⁾	17.8%	16.6%	5.6%
Debt to equity ratio ⁽⁶⁾	1.9x	2.6x	3.1x
Debt to equity ratio (excluding Subordinated Perpetual Notes) ⁽⁷⁾	2.6x	3.5x	4.2x
Total yield ⁽⁸⁾	-	-	22.3%
Yield ⁽⁹⁾	30.2%	28.1%	21.7%
Average cost of funds ⁽¹⁰⁾	11.4%	12.8%	9.5%
Efficiency ratio ⁽¹¹⁾	42.4%	43.9%	53.7%
Capitalization ratio ⁽¹²⁾	43.9%	34.2%	33.8%
Total capitalization ratio ⁽¹³⁾	-	-	31.4%
Capitalization ratio (excluding Subordinated Perpetual Notes) ⁽¹⁴⁾	32.3%	25.3%	25.0%
Total capitalization ratio (excluding Subordinated Perpetual Notes) ⁽¹⁵⁾	-	-	23.2%
Credit Quality Ratios			
Provisions for loan losses as a percentage of total portfolio.....	4.2%	2.8%	4.4%
Allowance for loan losses as a percentage of total past-due loan portfolio	172.9%	219.7%	127.8%
Total past-due loan portfolio as a percentage of total portfolio	1.7%	1.3%	3.3%

- (1) Net income margin is calculated by dividing the financial margin of the period by the average quarterly loan portfolio. For quarterly figures, cumulative financial margin is annualized by multiplying the amounts by four.
- (2) Return on average loan portfolio consists of net income attributable to controlling interest for the period divided by the average quarterly loan portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (3) Return on average total assets consists of net income attributable to controlling interest for the period divided by the average quarterly total assets. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (4) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (5) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity excluding the Subordinated Perpetual Notes. For quarterly figures, cumulative income is annualized by multiplying the amounts by four.
- (6) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity at the end of the period.
- (7) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity excluding the Subordinated Perpetual Notes at the end of the period.
- (8) Total yield consists of interest income for the period divided by the average quarterly total portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (9) Yield or average interest income rate (total portfolio) consists of interest income for the period divided by the average quarterly loan portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (10) Average cost of funds consists of interest expense for the period divided by the average quarterly funding amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (11) Efficiency ratio consists of the sum of (i) administrative and marketing expense for the period plus, (b) commissions and fees paid net of (c) CRA's depreciation expense divided by the sum of (ii) financial margin and (a) commissions and fees collected net of (c) CRA's depreciation expense.
- (12) Capitalization ratio consists of total stockholders' equity at the end of the period divided by loan portfolio at the end of the period expressed as a percentage.
- (13) Total capitalization ratio consists of total stockholders' equity at the end of the period divided by total portfolio at the end of the period expressed as a percentage.
- (14) Capitalization ratio consists of total stockholders' equity at the end of the period (excluding the Subordinated Perpetual Notes) divided by loan portfolio at the end of the period expressed as a percentage.
- (15) Total capitalization ratio consists of total stockholders' equity at the end of the period (excluding the Subordinated Perpetual Notes) divided by total portfolio at the end of the period expressed as a percentage.
- (16) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.9087 per U.S. dollar, the exchange rate determined by Banco de México on December 31, 2020, and published in the Official Gazette on January 1, 2021. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all. See "Exchange Rates" in this offering memorandum.

The consolidated financial statements as of December 31, 2020, include the impact related to the adoption of NIF D-5 Leases, described in the accompanying Note 10 to the audited financial statements. The NIF D-5 states that the accounting recognition defined for the leaseholder establishes a sole lease recognition model that limits the classification of leases as operating or capital. Accordingly, assets and liabilities are recognized for all leases with a duration of more than 12 months (unless the underlying asset is of low value). Consequently, the most significant effect to the consolidated balance sheet was the recognition of the usage rights of leased assets and the financial liabilities resulting from leased assets that reflect payment obligations at present value.

RISK FACTORS

An investment in the notes involves risk. You should carefully consider the risks and uncertainties described below and the other information contained in this Offering Memorandum before making an investment in the notes. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The risks described below are not the only ones facing us or Mexican financial services providers and other corporations in Mexico. Additional risks and uncertainties not currently known to us or that we currently deem non-material may also materially and adversely affect our business and our ability to make payments on the notes.

Risks Relating to our Business

Our business, financial condition and results of operations have been, and may continue to be, adversely affected by the United States and international financial market, economic and political conditions.

Global economic and political conditions, as well as economic and political conditions specific to the markets in which we do business, may substantially affect our sales and profitability. Instability in global credit markets, the instability in the geopolitical environment in many parts of the world and other disruptions may continue to put pressure on global economic conditions. We are subject to risks associated with adverse economic conditions, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets. Additionally, changes in economic and financial conditions in the markets in which we operate and market our products may impact consumer confidence and consumer spending. In particular, a contraction in the credit markets may affect our ability to fund our operations. See “—If we are not able to access sources of funding, our business, financial condition and results of operations may be adversely affected” and “—We have a significant amount of indebtedness that may impair our operating and financial flexibility and could materially and adversely affect our business, financial condition, results of operations and our ability to fulfill our obligations under the notes.” In addition, a decline in interest rates for our products and an increase in our cost of funding could have a negative effect on our financial margins. Additionally, there may be potentially adverse market conditions for the Hispanic community in the United States due to a change in the political landscape. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the markets in which we operate. In particular, we may face, among others, the following risks in connection with these events:

- The worsening of global economic conditions and continued disruptions in the credit markets could lead to increased government regulation of our industry. Compliance with such regulation may increase our costs, limit the interest rates we may charge and limit our ability to implement our business strategies.
- A global economic slowdown for any reason, including widespread illnesses or epidemics such as the coronavirus, could result in reduced demand for financial products and services.
- The process we use to estimate losses inherent in our credit exposure requires subjective and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The level of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates which may, in turn, impact the reliability of such process.
- The value of the portfolio of investment securities that we hold may be adversely affected by worsening economic conditions in Mexico, the United States and Central America.

The occurrence of any of these events may materially and adversely affect our business, financial condition and results of operations.

Changes in economic conditions could materially and adversely affect consumer demand, and thus demand for our loan products.

Demand for the loan products we offer depends on economic conditions, including GDP growth rates, inflation, unemployment, the cost of energy and other resources, availability of consumer credit, interest rates, consumer confidence, retail trends and foreign currency exchange rates. If economic conditions worsen, demand for consumer goods will likely decline. A decline in demand for consumer goods would also likely reduce demand for our payroll loans, to the extent those loans are used to finance consumer purchases, and for our group loans, because

microbusiness owners use proceeds from those loans primarily to finance small commercial enterprises that are dependent on consumer demand. Our ability to receive payments on our loans in full and on time is also heavily dependent on the financial condition of borrowers, which is in turn heavily dependent on economic conditions. Worsening economic conditions, most notably rising unemployment, could negatively impact the financial condition of existing and potential borrowers, which could in turn both increase the share of our existing loans that are non-performing, thereby creating losses in and reducing the profitability of our loan portfolio. Such worsening economic condition could also adversely affect the creditworthiness of Mexican consumers, thereby reducing our loan approval rate. In addition, reduced access to credit and lower revenues may adversely affect our distributors and specialized retail chains, some of which may go out of business. The occurrence of any of these events may materially and adversely affect our business, financial condition and results of operations.

We are subject to fluctuations in interest rates. Imbalances in the interest rates and maturity between our loan portfolio and our sources of funds could adversely affect us and our capacity to expand our business.

We are exposed to interest rate and maturity mismatches between our loans and sources of funding. Our loan portfolio consists mainly of loans bearing interest at fixed rates, and the net interest income from our loans depends on the spread between our cost of funding and the interest rates we charge to our customers. An increase in interest rates, or general uncertainty about changes in interest rates, could affect demand for credit, and thus affect demand for our loan products. Future increases in market interest rates in Mexico could increase our cost of funding under circumstances in which we could not timely and fully increase the interest rates we charge to our customers with respect to the loans we provide. Such a situation could reduce the net interest income we earn on our loan portfolio, or affect our ability to pay our liabilities, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

Any mismatch between the maturity of our loan portfolio and our sources of funds could magnify the effect of any imbalance in interest rates and could present a liquidity risk if we fail to obtain funding on an ongoing basis. An increase in our total cost of funds could result in an increase in the interest rates on our loans, which could, as a result, affect our ability to attract new customers and could limit the expansion of our business, particularly with respect to our payroll loan and group loan product lines, which we plan to expand in the future. A decrease in the growth of our loan portfolio could materially and adversely affect our ability to pay our liabilities, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

If we are not able to effectively control the level of non-performing or poor credit quality loans in the future, or if our allowance for loan losses is insufficient to cover future loan losses, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to effectively control the level of non-performing loans in our total portfolio, including in respect to auto loans in the United States and consumer loans, SME loans, home equity loans and auto loans in Central America, which are segments we recently entered into. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our loan portfolio, deterioration in our credit approval process, the acquisition of any of our distributors or other entities (such as the acquisitions of a 49% ownership interest in each of Publiseg and GEMA) or other factors beyond our control, such as further weakening of the Mexican or global economy, other macroeconomic and political events affecting Mexico, events affecting specific industries or natural disasters. In addition, our current allowance for loan losses may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our loan portfolio. As a result, if the quality of our loan portfolio deteriorates, we may be required to increase our allowance for loan losses, which may adversely affect our financial condition and results of operations. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our monitoring and risk management procedures will effectively predict such losses or that allowances for loan losses will be sufficient to cover actual losses. If we are unable to control the level of our non-performing or poor credit quality loans, our business, financial condition and results of operations could be materially and adversely affected.

We have a significant amount of indebtedness that may impair our operating and financial flexibility and could materially and adversely affect our business, financial condition, results of operations and our ability to fulfill our obligations under the notes.

As of December 31, 2020, we had total outstanding indebtedness of Ps. 49,826.1 million (US\$2,502.7 million), excluding accrued interest. Of our indebtedness outstanding as of December 31, 2020, Ps. 13,772.4 million (US\$691.8 million), or 27.6%, consisted of indebtedness due to mature in 2021, while the remaining Ps. 36,056.7 million (US\$1,811.0 million), equal to 72.4% of our total outstanding indebtedness, consisted of indebtedness due to mature after 2021. Accordingly, our capacity to continue funding our operations will depend in part on us being able to renew our maturing indebtedness and on the collection of our loan portfolio, which is due from a large number of customers located in different cities throughout Mexico, the United States and Central America and which is generated by a limited number of distributors. We anticipate that our leverage will continue for the foreseeable future. Our indebtedness could have important consequences, including the following:

- it may be difficult for us to satisfy our obligations under our existing credit facilities and other indebtedness and commitments, particularly in the event of a default under one of our other debt instruments;
- we may not be able to obtain additional financing, if needed, to fund our growth, working capital requirements, capital expenditures (including maintenance), debt service, general corporate or other obligations;
- it may increase our vulnerability to adverse economic and industry conditions, including increases in interest rates, foreign currency exchange rate fluctuations and market volatility; and
- we may be placed at a competitive disadvantage in relation to our competitors that have less indebtedness.

If we are unable to comply with the provisions of our debt instruments and are unable to obtain a waiver or amendment, the indebtedness outstanding under such debt instruments could be accelerated. Acceleration of these debt instruments could have a material adverse effect on our business and financial condition and may affect our ability to fulfill our obligation under the notes.

Servicing our indebtedness, including the notes, will require a significant amount of cash. Our ability to generate cash depends on a variety of factors, many of which are beyond our control.

Our ability to make payments on our indebtedness, including the notes, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond our control. Our business may not be able to generate sufficient cash flow from operations and future borrowings may not be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness at or before maturity and may not be able to complete such refinancing on commercially reasonable terms or at all. We may not have sufficient resources to repay our indebtedness as it becomes due or sufficient time to finance the repayment thereof. We are required to use a portion of our cash flow from operations to pay interest on our current and future indebtedness, which may require us to reduce funds available for other purposes, including new loan origination. If we are unable to generate cash to service, repay or refinance our indebtedness, our business, financial condition or results of operations may be materially and adversely affected.

If we are not able to access sources of funding, our business, financial condition and results of operations may be adversely affected.

We rely significantly on several sources of funding, including bank credit lines and publicly issued debt securities, to finance our operations. Adverse financial conditions, including the existence of a liquidity crisis, could limit our access to new or sustained funding. Any decrease in the availability of one or more of our funding sources could have an adverse effect on our business, financial condition and results of operations.

In the past, we have also relied on partial credit guarantees obtained from the Mexican development bank Nacional Financiera, S.N.C., Institución de Banca de Desarrollo (“NAFIN”) for some of our notes offerings in order to access the local debt markets. We may need to rely on partial credit guarantees from NAFIN in the future. We may

be unable to secure such guarantees in a timely manner, on acceptable terms or at all, which could limit our access to financing and have a material adverse effect on our business, financial condition and results of operation. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Securitization Programs.”

We may also require additional capital in the future in order to grow our loan portfolio, remain competitive or enter into new businesses. In addition, we may need to raise additional capital to increase our equity base in the event that we experience large, unexpected losses in our loan portfolio. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by financial institutions; and
- economic, political and other conditions in Mexico and elsewhere.

We may not be able to obtain additional capital in a timely manner, on acceptable terms or at all, which could have an adverse effect on our business, financial condition and results of operations.

Reductions in our credit ratings could increase our cost of borrowing and may make it more difficult to raise new funds or renew maturing debt.

Our credit ratings are a key component of our liquidity profile. Among other factors, our credit ratings are based on the financial strength, credit quality and concentrations of our loan portfolio, the level and volatility of our earnings, our capital adequacy, the level of our non-performing loans, the quality of our management, the liquidity of our balance sheet and our ability to access funding sources. Our business is closely tied to general economic conditions in Mexico. For example, the downgrade by Standard & Poor’s of Mexico’s sovereign rating in March 2020 caused by the decrease in oil prices, among others, resulted in a decrease by such rating agency of our corporate credit rating from BB+ to BB.

According to a report recently issued by a credit rating agency, our risk position remains moderate reflecting the transactional risks that arise from working with government entities. The agency raised concerns regarding the use of financial derivatives to cap the exchange rate in order to reduce the cost of funds that might be exposed to exchange rate fluctuations. Additionally, some of the assets acquired from Instacredit are mostly denominated in colones and in U.S. dollars. Furthermore, the rapid lending growth could have a negative effect on the asset quality.

Downgrades in our credit ratings could increase collateral posted under hedging agreements and the cost of debt issuances in public markets or any future borrowings. In addition, downgrades in our credit ratings could negatively impact our ability to renew maturing debt, making any such renewal more difficult and expensive. Credit ratings downgrades could have a material adverse effect on our business, financial condition and results of operations.

Competition from other financial institutions may adversely affect our profitability and market position.

We face competition from lenders that target our existing and prospective customers. In particular, there is substantial competition in the SME loans segment. Our competitors include banks, *Sofomes* crowd-funders (licensed and unlicensed), and other financial institutions such as credit unions and cooperatives as well as commercial entities and informal loan providers. In addition, we face competition from the public sector, as the Mexican government currently engages in its own financing programs. We expect competition to continue to increase as we continue expanding our operations in Mexico, the United States and Central America. Institutions with which we currently compete may have significantly greater assets and capital, access to financing sources, name recognition, geographic penetration, experience with credit rating structures and other advantages. In addition, our competitors may be better able than we are to anticipate and respond to market trends. In this manner, competition in our markets may adversely affect our business, prospects, financial condition and results of operations.

Mexican financial authorities have broad authority in certain areas.

Pursuant to the Mexican Law for the Protection and Defense of Financial Services Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*), CONDUSEF has broad authority to regulate our activities and, in general, oversee financial institutions. Among other things, CONDUSEF is (i) entitled to initiate class action lawsuits against Mexican financial institutions in connection with events affecting groups of users of financial services; (ii) required to maintain a Bureau of Financial Entities (*Buró de Entidades Financieras*), which will set forth any and all information deemed material for users of financial services; (iii) empowered to (x) order amendments to any of the standard forms of commercial documentation (such as account and loan agreements) used by financial institutions if it considers provisions therein to be detrimental to users and (y) require financial institutions to adopt any necessary measure to halt, modify or avoid any harm or damage to users' rights; (iv) permitted to issue resolutions as part of arbitration proceedings, for the benefit of issuers, that would permit users to attach assets of financial institutions prior to the completion of arbitration proceedings; (v) publish information that may be detrimental to our business and reputation; (vi) order the attachment of our assets for the benefit of customers; and (vii) given broad authority to fine financial institutions that do not comply with an order issued by CONDUSEF.

The CONDUSEF has broad discretionary authority to take these and other actions. Actions taken by the CONDUSEF against us, whether on an isolated or recurrent basis, could have a material adverse effect on our business, our reputation and our financial condition.

We are dependent on distributors to originate loans across our different product lines.

As of December 31, 2020, 68.2% of our total payroll loan portfolio balance consisted of loans originated on our behalf by our three principal payroll loan distributors (Directodo, Publiseg and GEMA). Although we have entered into factoring agreements with our principal payroll loan distributors, in the majority of cases these agreements are not exclusive (with the exception of our agreements with Directodo, Publiseg, and GEMA, which are exclusive). The term of these agreements is indefinite, but they may be terminated by our distributors at any time by giving prior written notice to us. If any of our principal payroll loan distributors terminate their relationship with us or decrease the amount of loans they originate and offer to us, the size of our total portfolio could decrease, which would have a material adverse effect on the future size of our loan portfolio, and our business, financial condition and results of operations.

As of December 31, 2020, 6.9% of our SMEs loan portfolio balance consisted of loans originated on our behalf by our principal distributor Fondo H. Currently, we have an exclusivity agreement signed with this specialized SME origination company, and CRA represented approximately 84.2% of the total SMEs origination. For the used car loans business in Mexico, the distributor CR Fact originated 26.4% of the used car loan portfolio as of December 31, 2020. On the other hand, the used car loans business in the United States under the brand CRUSA Finance originated 100.0% of the loan portfolio. As of December 31, 2020, 100% of the origination of group loans was attributed to Contigo and Somos Uno distributors, in which the Company owns equity. If any of our distributors terminate or decrease the amount of loans they originate, the size of our total portfolio could decrease, which would have a material adverse effect on the future size of our loan portfolio, and our business, financial condition and results of operations.

The origination of payroll loans is highly dependent on the relationships and lobbying efforts that our distributors build and sustain with federal, state and local government entities, as well as with labor unions.

Our distributors have entered into cooperation agreements with approximately 180 public sector employers or employee labor unions in all of the States in Mexico, and it is through these relationships that our distributors promote our payroll loan products. Some of these distributors depend, in turn, on the services of public relations firms in order to obtain and maintain contacts with government entities and labor unions. In some instances, the cooperation agreements provide for the payment of a fee by the distributor to the labor unions or government entities based on a percentage of the loans originated through the particular cooperation agreement. In some cases, the cooperation agreements provide for the payment of consideration to the labor unions, for the benefit of their members. These cooperation agreements can be terminated at any time by any party thereof through a notice. In the event that (i) our distributors are not able to maintain the existing agreements with these entities or with other federal, state and local governments or labor unions, (ii) our distributors, including Directodo, Publiseg and GEMA, are not able to maintain their existing agreements with public relations firms or (iii) the public relations firms are unable to maintain their

contacts with federal, state and local governments or labor unions, our distributors' ability to originate new payroll loans could be diminished, which could reduce the size of our loan portfolio and affect our growth. In addition, the credit risk of our existing payroll loan portfolio could increase because payments on existing payroll loans could no longer be collected directly from the public sector employers of our borrowers or from the labor unions to which they belong. Any deterioration in the relationship between our distributors and the public sector employers or labor unions, between our distributors and the public relations firms, between the public relations firms and the public sector employers of labor unions, or any changes to the collection process of payroll loans may result in the termination or breach of the cooperation agreements (including for not complying with the agreements in a timely fashion) and have a material adverse effect on our business, financial condition and results of operations.

Our collection of payments on payroll loans is dependent on our distributors.

We do not have a direct relationship with the public sector employers or the employee labor unions that make payments through payroll deductions, on account of and pursuant to written instructions made by borrowers. The collection of these payments is carried out by our distributors, as our agents, in accordance with the financial contracts they have with us. See "Business—Payroll Distribution Loans—Loan Servicing and Collection." Therefore, the punctual repayment of payroll loans depends on the effective collection efforts of our distributors working with public sector employers, as well as competent payroll administration practices by the public sector employers themselves. There may also be delays in the deposit of payments by public sector employers, which may be due to changes in administration, rotation of personnel or changes to information technology systems, among other factors, which may have a material adverse effect on our business, financial condition and results of operations.

The insolvency or operational capacity of our distributors could affect the collection and payment of our payroll loans.

We analyze the legal, financial, accounting and administrative profiles of our distributors in order to verify that they have the capacity to comply with their responsibility to ensure payment of the payroll loans they have originated. In the case of Directodo, Publiseg and GEMA, we are a partner and have diverse rights. However, we cannot ensure that distributors will always be able to effectively comply with their responsibility to ensure payment. The inability of our distributors to fulfill this responsibility may affect the receipt of payment for such loans and, consequently, may have a material adverse effect on our business, financial condition and results of operations.

There may be conflicts of interests between the public sector employers, the distributors and us.

In the operation of payroll loans, our interests and the interests of the public sector employers or the distributors may conflict, which may adversely affect our ability to ensure repayment of these loans and, therefore, the quality of our loan portfolio. More specifically, public sector employers could have an incentive to delay the deposit of the payroll deduction, as a way of financing their own operations, which could affect our liquidity.

The approval process for payroll loans does not always include a consultation with credit rating agencies regarding the credit history of potential clients.

With regard to payroll loan applications, consultations with credit rating agencies on the credit history of the loans being acquired are carried out at the discretion of the loan officer reviewing the application. We cannot ensure that lack of consultation regarding clients' credit histories will not have a negative effect on the quality of our payroll loan portfolio.

Furthermore, there is no centralized information system that allows us to verify compliance with the maximum amount of payments that can be made by employees or union members through payroll deductions, which we define as 30% of the amount of each employee's paycheck net of other charges. Thus, the information we have about a particular borrower might be insufficient to prevent situations that could affect the recovery of the loan, such as the payment of legally required obligations that have priority over payroll loans or the borrower incurring additional liabilities that affect the total amount of the borrower's paycheck which is available for deductions. If such a situation were to occur, it could have a material adverse effect on our business, financial condition and results of operations.

In exceptional cases, loan installments could fail to be deducted from the paychecks of our payroll loan clients, which could materially and adversely affect our payroll loan business.

The instructions borrowers give to their employers to authorize deductions from their paycheck to service payroll loans may be revoked in exceptional cases. Similarly, payroll deductions may not be made accurately or promptly by the borrower's public sector employer as a result of administrative problems or errors, the loss of employment or the incapacity of the borrower. If loan installments are no longer deducted from the paychecks of our payroll loan clients, our payroll loan business and credit profile may be materially and adversely affected, negatively impacting our business, financial condition and results of operations.

The origination, disbursement and operation of payroll loans may become subject to regulation, resulting in restrictions to our payroll lending operations.

In contrast with other Latin American countries, which have some form of regulation related to the origination and operation of payroll loans (including interest rate controls and limits on the maximum amount of indebtedness allowed for each borrower), as of the date of this Offering Memorandum, Mexico does not have an approved and organized regulatory framework for the origination, disbursement and operation of payroll loans. If any of these activities were to be regulated in Mexico, our operations in this sector could become subject to restrictive laws and regulations, which could have an adverse effect on our business, financial condition and results of operations. For example, in the education sector, since January 2015, the National Treasury (*Tesorería de la Federación*) through the Education Fund (*Fondo de Aportaciones para la Nómina Educativa*) centralized *Sindicato Nacional de Trabajadores de la Educación* (SNTE) teachers' payroll disbursements instead of using government agencies for federal employees. We believe that such centralization ensures a more efficient and standardized collection process; however, depending on a sole institution for the collection of a significant portion of payroll loans could concentrate possible market, operational, financial or other risks.

Our policies and internal control mechanisms may not be effective in preventing corrupt business practices.

We cannot ensure that our "best practices" and ethics policy for hiring and operations, and the internal control and practices derived from such policy, which we intend to expand to our distributors and promoters, will always be effective in preventing corrupt business practices by our employees and/or distributors in relation to their activities carried out during their dealings with public or private agencies, including the activities carried out during their origination of payroll loans. This could adversely affect our reputation, business, financial condition and results of operations, as well as our ability to continue to rely on the loan origination for payroll loans. See "Business—Credit and Risk Management Policies."

Advertising carried out by our distributors in connection with their payroll loan origination may be unclear, which may constitute a violation of applicable law and may subject us to sanctions for our marketing activities.

As an entity engaged in financial marketing, we may be subject to sanctions for unfair competition if we offer information that is incorrect, false, incomplete or susceptible to confusion with regard to our products, pursuant to applicable law. We believe the documentation related to payroll loans originated by our distributors, as original creditors, clearly establishes the Total Annual Cost ("TAC") and the fact that the loans will be subsequently transferred to us. However, the advertising carried out by our distributors in order to originate loans could be deemed unclear under applicable law, including with respect to Crédito Real's role as the ultimate creditor, specific interest rates and the TAC of loans, which could affect our public perception, result in sanctions or have an adverse effect on our business, financial condition and results of operations.

Payroll loan distributors' inability to verify the cash flow of money deposited by public sector employers may affect their relationship with us.

Payroll loan distributors may be unable to verify the cash flow of money deposited by public sector employers derived from the payment of accounts by borrowers, due to legal, technological, or other reasons. This may affect the relationship between us and our distributors. Any deterioration in the relationship between our distributors and the public sector employers (as well as any delays in the payments made by public sector employers) may have a material adverse effect on our business, financial condition and results of operations.

Our business and the business of our distributors, including Directodo, Publiseg and GEMA, may be adversely affected by the actions of public relations firms.

Some of our distributors, including Directodo, Publiseg and GEMA, who operate under the brand names Kondinero, Credifiel and Crédito Maestro, respectively, have entered into service agreements with various independent public relations firms, which provide contacts and carry out lobbying efforts in order to secure contracts with government entities and labor unions, such as various branches of SNTE. In some cases, the cooperation agreements provide for the payment of consideration to the labor unions (or government entities), for the benefit of their members. Any inappropriate action taken by these public relations firms when interacting with these entities, which neither we nor our distributors, including Directodo, Publiseg or GEMA, control, could affect Directodo's, Publiseg's or GEMA's image and the loyalty of borrowers towards the Kondinero, Credifiel and Crédito Maestro brands and, consequently, our distributors' ability to originate new payroll loans, and could subject us and our distributors to higher regulatory scrutiny and greater exposure to litigation or enforcement proceedings under relevant anti-corruption laws, which may have a material adverse effect on our business, financial condition and results of operations.

Our business relies heavily on data collection, processing and storage information systems, the failure of which could materially and adversely affect the effectiveness of our risk management and internal control system as well as our financial condition and results of operations.

Our business is highly dependent on our ability to timely collect and process a large amount of information related to the existing customer base, including transaction processes that may increase in complexity with increasing volume in our business. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our business and to our ability to compete effectively. A partial or complete failure of any of these primary systems or the inappropriate handling of the data stored therein could materially and adversely affect our decision-making process, and our risk management and internal control systems, as well as our ability to respond in a timely basis to changing market conditions. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. We have not recently conducted an updated independent analysis on the effectiveness of our systems in order to confirm that there is no risk that the data stored therein could be manipulated inappropriately. If we cannot maintain an effective data collection and management system, or if we cannot upgrade that system to meet the changing circumstances of our business, then our business, financial condition and results of operations could be adversely affected.

We have recently entered into the United States and Central American markets and may not be able to fully understand the markets in such countries and the related risks.

We have recently started lending operations in the United States and in Central America, as a continuation and expansion of our current business. See "Business—Overview—History and Development." Our entrance into new markets other than Mexico, where we have gained experience since our launch, may represent an additional risk. Our business model relies heavily on the experience of the distributors we partner with; however, it may take time to fully understand the risks and dynamics associated with new markets. For example, these risks may include changes in the regulatory environment in the form of interest rate ceilings, changes that might affect the level of provisioning, unanticipated changes in the political landscape and unforeseen seasonal effects in such markets that might lead to a deterioration of the portfolio. See "—Our business, financial condition and results of operations have been, and may continue to be, adversely affected by the United States and international financial market, economic and political conditions." We may not be able to fully understand the markets in such countries and related risks, and some of these adverse conditions may result in unexpected increases to our loan loss reserves and may affect our business, financial condition and results of operations.

Our inability to maintain, improve or upgrade our information technology infrastructure and credit risk management systems in a timely manner could adversely affect our competitiveness, financial position and results of operations.

Our ability to operate and remain competitive depends on, among other factors, our ability to maintain and upgrade our information technology infrastructure in a timely and cost-effective manner. We must continually make investments and improvements to our information technology infrastructure in order to remain competitive. The information available to our management through our existing information systems may not be timely or sufficient to

manage risks or to plan for, and respond to, future changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding such systems quickly enough to accommodate our growing customer base and range of products and services. Any failure to maintain, improve or upgrade our information technology infrastructure and management information systems in a timely manner, or the inappropriate manipulation of the data in our systems, could materially and adversely affect our competitiveness, financial position and results of operations. We have not conducted a recent and independent analysis of our systems confirming that there is no risk that the data stored in these systems cannot be manipulated inappropriately.

Future acquisitions or significant investments may not be successfully implemented or could disrupt our operations.

While we have in the past considered acquisitions of, or partnerships with, payroll loan distributors, and will continue to evaluate such opportunities as they arise, there can be no assurance that our evaluations will result in any such transaction in the near term. In addition, as we plan to continue growing our businesses, we may consider other strategic acquisitions or investments (including investments in regulated businesses) from time to time in Mexico and abroad. We face a variety of uncertainties and challenges relating to acquisitions and investments, including achieving expected synergies, retaining key employees, integrating operational and financial systems, maintaining levels of revenue and profitability, securing governmental approvals and minimizing exposure to potential liabilities. These risks, and the possibility that integration of any acquired business could require a significant amount of the time and resources of our management and employees, could disrupt our ongoing business and could have a material adverse effect on our business, financial condition and results of operations.

Antitrust laws may limit our ability to expand and operate through acquisitions or joint ventures.

Mexico's and other countries' antitrust laws and regulations may affect some of our activities, including our ability to introduce new products and services, to enter into new or complementary businesses, markets or joint ventures and to complete acquisitions. Approval of the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*) may be required for us to acquire and sell significant businesses or to enter into significant joint ventures that have an impact in the Mexican market, the market where we predominantly operate. The Mexican Antitrust Commission may not approve, or may impose conditions on, future acquisitions or joint ventures that we may pursue. As our operations and market share increase, future acquisitions or expansions may face increased regulatory scrutiny, investigations, orders and other obstacles under antitrust laws and regulations.

Our use of cross-currency swaps and currency options to hedge our foreign currency and interest rates exposure may negatively affect our operations especially in volatile and uncertain markets.

We are using, and may continue to use, cross-currency swaps to manage the risk profile associated with currency and interest rate exposure of our 2027 Senior Notes, 2026 Senior Notes, 2023 Senior Notes, Subordinated Perpetual Notes, 2022 Swiss Notes or other debt offerings or bank credit lines, including the notes to be offered under the Program. The use of such financial instruments may result in mark-to-market losses.

These mark-to-market losses are caused by decreases in the fair value of cross-currency swaps attributable to the appreciation of the peso against the U.S. dollar or fluctuations in interest rates in Mexico.

Our cross-currency swaps and currency options are subject to margin calls if the thresholds set by the counterparties are exceeded. The cash required to cover margin calls may be substantial and may reduce the funds available to us for our operations or other capital needs. Our existing credit facilities also contain cross default provisions which would be triggered if margin calls are not met. As a result, we may incur net losses from or may not be able to meet margin calls related to our cross-currency swaps, which may have a material adverse effect on our business, liquidity, financial condition and results of operation.

We are subject to financing terms that impose on us operational and financial restrictions that may limit our future business opportunities.

The terms and conditions of the notes to be offered under the Program, the 2027 Senior Notes, 2026 Senior Notes and 2023 Senior Notes and other existing indebtedness impose significant operational and financial restrictions on us. These restrictions limit our capacity to, among other things, (i) incur additional debt, (ii) pay dividends or

depreciate or buy back capital stock, (iii) make investments, (iv) create liens, (v) carry out operations with affiliates, (vi) sell assets and (vii) consolidate or merge.

These restrictions could limit our capacity to take advantage of attractive growth opportunities we currently cannot foresee.

We may not be successful in our plans for growth, development and diversification.

It is possible that we may not be successful in our plans for growth and diversification of our business, or that we may need to incur additional costs in order to carry out these plans, which might have an adverse effect on our business, results of operations, financial situation and future projections.

We may be subject to penalties due to our advertising.

Since we are active in financial advertising, we might be subject to penalties based on unfair competition if such advertising includes wrong or incomplete information, or if such information is likely to lead to a mistake regarding the Company's credit products being in accordance with applicable law. Furthermore, we might be subject to penalties if we send advertising that offers our products or services to those customers who have expressly requested not to receive such advertising. This might cause an adverse effect in the activities, financial situation or operational results of the Company.

We depend on key personnel, our ability to retain and hire additional key personnel and the maintenance of good labor relations.

We depend on the services of our principal officers and key employees. The loss of any of our experienced principal officers, key employees or senior managers could negatively affect our ability to execute our business strategy. In line with our planned expansion, our future success also depends on our continuing ability to identify, hire, train and retain other qualified sales, marketing, collections and managerial personnel. Competition for such qualified personnel is intense and we may be unable to attract, hire, integrate or retain qualified personnel at levels of experience or compensation that are necessary to maintain our quality and reputation or to sustain or expand our operations. Our business, results of operations, prospects and financial condition could be adversely affected if we cannot attract and retain such necessary personnel.

We often engage in a variety of transactions with companies owned by our controlling shareholders which may cause conflicts of interest.

We have engaged and will continue to engage in a variety of transactions, such as entering into service agreements and factoring agreements with distributors, our controlling shareholders and a number of entities directly or indirectly owned or controlled by our controlling shareholders. See "Certain Relationships and Related Party Transactions." While we intend to continue to transact business with related parties on an arm's-length basis, such transactions could be affected by conflicts of interest between such related parties and us. We have agreed to terms governing certain of our indebtedness that limit our ability to engage in transactions with our affiliates.

Natural disasters and weather conditions may adversely affect us.

Our operations and those of our customers could be located in areas subject to natural disasters and severe weather conditions. Natural disasters or severe weather conditions could increase our operating costs or the operating costs of our customers. Moreover, if our insurance or our clients' insurance does not fully cover the losses resulting from these events, our income, liquidity or capital resources could be adversely affected. Some experts believe that climate change resulting from global warming could lead to an increase in the frequency and intensity of natural disasters in the future. However, we cannot assure you that the losses caused by damages to our operations or to the operations of our clients will not exceed the limits established in the corresponding insurance policies.

Non-performing assets take significant time to resolve and adversely affect our results of operations and financial condition.

As of December 31, 2020, our total past due loan portfolio as a percentage of our loan portfolio was 3.3% and the allowance for loan losses as a percentage of our total past due loan portfolio was 127.8%. Non-performing assets

adversely affect our net income and financial condition in various ways. When we take collateral in foreclosures and similar proceedings, we are required to mark the related asset for the then fair value of the collateral, which may ultimately result in a loss. An increase in the level of non-performing assets increases our risk profile and decreases our ability to comply with certain correlative financial covenants that we are, or could be, subject to. When we reduce problem assets through loan sales, workouts, restructurings or otherwise, decreases in the value of the underlying collateral, or the relevant borrower's performance or financial condition, whether or not due to economic and market conditions beyond our control, could adversely affect our business results of operations and financial condition. In addition, the resolution of non-performing assets requires significant commitments of time from management and our directors, which can be detrimental to the performance of their other responsibilities. There can be no assurance that we will not experience future increases in non-performing assets or that the disposition of non-performing assets will not have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Mexico

Mexican governmental policies or regulations relating to financial services, including the imposition of an interest rate ceiling, may adversely affect our business, financial condition and results of operations.

We are a publicly listed variable capital stock corporation, non-regulated multiple purpose financial company (*sociedad anónima bursátil de capital variable, sociedad financiera de objeto múltiple, entidad no regulada*) incorporated in Mexico, and most of our assets and operations are located in Mexico. As a result, we are subject to political, economic, legal and regulatory risks specific to Mexico for those operations conducted in Mexico.

In the past, Mexican government has exercised significant influence in the policies and regulations relating to the financial services industry, and, consequently, our operations. Mexico's policies and regulations with respect to the financial services industry may change, which could have an adverse impact on our business and results of operations. Recently, an initiative was submitted to Congress, which is under consideration, seeking to limit interest rates and increase transparency with respect to the system by which Mexican financial institutions collect charged commissions. As of the date of this Offering Memorandum, it is not clear if this proposal will be approved by the Congress nor whether additional similar proposals affecting the financial services industry will be presented and approved. There is no assurance that the Mexican government will implement measures to increase scrutiny or regulation on the Sofomes or the financial services industry in general, reversing or limiting the liberalization trend that has been present during the past 27 years.

Applicable Mexican statutory law does not currently impose any limit on the interest rate we may charge a customer. However, Mexican statutory law could change, and our loans could become subject to interest rate caps. Furthermore, there is currently no regulatory limitation on the portion of an employee's paycheck that can be deducted through payroll lending. However, regulations could change, and paycheck deduction limits could be imposed. If Mexican law were to change in these ways, or if other changes in Mexican law were to occur, our business, financial condition and results of operations could be materially and adversely affected.

We cannot assure investors that changes in the future political environment, in particular, Mexico's policies with respect to the financial services industry, over which we have no control, will not have an adverse impact on our financial condition or results of operations and prospects. We do not have political risk insurance.

The Mexican Supreme Court of Justice has ruled that Mexican judges have the right to reduce interest rates that they consider unfair.

On June 27, 2014, the Mexican Supreme Court of Justice published a judicial precedent (*jurisprudencia*) in the judicial gazette that allows Mexican judges to reduce the interest rate on a loan if they determine it to be excessive or abusive. The Mexican Supreme Court of Justice's decision provides guidelines, including basic factors that a judge must analyze on a case-by-case basis, for making a determination regarding an interest rate (e.g. the interest rates charged by banks in similar operations, among others). However, the ruling does not provide clear limitations on a judge's authority to reduce the interest rates. On January 22, 2016, the Mexican Supreme Court of Justice published another judicial precedent in the judicial gazette that clarified that the authority granted to Mexican judges to reduce the interest rates includes (i) instances where a party involved in the corresponding proceeding does not expressly

request such reduction and (ii) trials in absentia. If a judge were to determine that our interest rates were excessive or abusive, it could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, during the second half of 2018, several Mexican courts published new rulings which broadened judicial powers to reduce interest rates on loans and credits. Although most other courts and judges are not required to apply these rulings, they share a pattern of limiting the freedom to negotiate interest rates.

Political, economic and social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our business, financial condition, results of operations and prospects.

Political events in Mexico may significantly affect Mexican economic policy and, consequently, our operations. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the energy sector, could have a significant effect on us and on market conditions in Mexico. The Mexican president influences new policies and governmental actions regarding the Mexican economy, and the current administration of Mr. Andres Manuel López Obrador has implemented and is expected to implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition, results of operations and prospects. As of the date of this offering memorandum, the political party MORENA (also known as “National Regeneration Movement” (*Movimiento de Regeneración Nacional*)) founded by Mr. López Obrador, holds an absolute majority in the Chamber of Deputies (*Cámara de Diputados*). Accordingly, as has happened historically in any change of administration or congress, the Mexican government could implement significant changes in laws, policies and regulations, and could reduce or eliminate the independence of organizations or of semi-autonomous or decentralized agencies which could affect the economic and political situation in Mexico. We cannot predict the impact that political developments in Mexico will have on the Mexican economy, nor can we provide any assurances that these events, over which we have no control, will not have an adverse effect on our business, financial condition and results of operations.

The Mexican federal government occasionally makes significant changes in policies and regulations and may do so again in the future. The Mexican federal government drastically cut spending for the 2019 budget and it may cut spending in the future. On July 2, 2019, the new Mexican Federal Republican Austerity Law (*Ley de Austeridad Republicana*) was approved by the Mexican Senate. Such actions to control inflation, federal spending cuts and other regulations and policies have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in governmental policies or regulations involving or affecting our management, operations and tax regime. We cannot assure you that changes in the Mexican federal government policies will not adversely affect our business, financial condition and results of operations. Tax legislation, in particular, in Mexico is subject to continuous change, and we cannot assure you that the Mexican government will maintain existing political, social, economic or other policies or that such changes would not have a material adverse effect on our business, financial condition, results of operations and prospects.

The administration of Mr. López Obrador has taken actions that have significantly undermined investors’ confidence in private ventures following the results of public referendums, such as the cancellation of public and private projects authorized by the previous administration, including the construction of the new Mexican airport, which immediately prompted the revision of Mexico’s sovereign rating and the cancellation of the construction of a brewing facility of “Constellation Brands” in Baja California, Mexico. We cannot assure you that similar measures will not be taken in the future, which could have a negative effect on Mexico’s economy.

Government forecasts of Mexico’s economic growth may affect rating agencies’ perception of the country, which may have a negative effect on Mexico’s credit ratings issued by international rating agencies; this may, in turn, adversely affect our business, financial condition and results of operations.

Our business is subject to risk due to political and social instability and the escalation of violence in the countries where we operate.

Mexico and the countries where we operate in Central America have faced and may continue to face adverse economic, political and social conditions. These adverse conditions have had in the past and will continue to have an adverse effect on the volume and profitability of our operations. Further deterioration in the economic, regulatory,

business or political environment in the countries where we operate may result in the recognition of impairment charges.

In particular, Mexico, Honduras and Nicaragua have experienced a significant increase in violence relating to illegal drug trafficking and organized crime in recent years. This increase in violence has had an adverse impact on the economic activity in those countries. We cannot assure you that the levels of violent crime in the countries where we operate will not increase. Corruption and links between criminal organizations and government authorities also create conditions that affect our business operations, as well as extortion and other acts of intimidation, which may have the effect of limiting the level of action taken by federal and local governments in response to such criminal activity.

In response, governments have implemented various measures to increase public security and have strengthened police and military activities. Despite these continued efforts, organized crime (especially drug gangs) continues to generate significant instability in the countries where we operate. The social and political situations in the countries where we operate could adversely affect the economy of such countries, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

High inflation rates may adversely affect our financial condition and results of operations.

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the peso and the imposition of substantial government controls over exchange rates and prices. The annual rate of inflation for the last three years, as measured by changes in the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), as provided by INEGI and as published by Banco de México, was 4.83% in 2018, 2.83% in 2019 and 3.15% in 2020. Although inflation is less of an issue today than in past years, we cannot assure you that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States.

In addition, increased inflation generally raises our cost of funding, which we may not be able to pass on to our customers through higher interest rates without adversely affecting the volume of our loans. Our financial condition and profitability may be adversely affected by the level of, and fluctuations in, interest rates, which affect our ability to earn a spread between the interest received on our loans and the cost of our funding. All of our loans have fixed interest rates, which may not reflect the real return we are receiving in an inflationary environment and may not, as a result, fully compensate us for the risk we are bearing on our loan portfolio. If the rate of inflation increases or becomes uncertain and unpredictable, our business, financial condition and results of operations could be adversely affected.

Fluctuations of the peso relative to the U.S. dollar could result in an increase in our cost of financing and limit our ability to make timely payments on foreign currency-denominated debt.

Because most of our revenues are, and are expected to continue to be, denominated in pesos, if the value of the peso decreases against the U.S. dollar, as has been the case in the recent past, our cost of financing may increase for U.S. dollar-denominated debt that we may incur or have outstanding, to the extent such obligations are not otherwise hedged with financial instruments. Severe depreciation of the peso may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our non-peso securities and any U.S. dollar-denominated debt that we may incur, to the extent such obligations are not otherwise hedged with financial instruments.

Currently, the peso-dollar exchange rate is determined on the basis of the free market float in accordance with the policy set by Banco de México. There is no guarantee that Banco de México will maintain the current exchange rate regime or that Banco de México will not adopt a different monetary policy that may affect the exchange rate itself, including imposing generalized exchange controls. Any change in the monetary policy, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which we have no control, could have a considerable impact, either positive or negative, on our business, financial condition and results of operations.

The peso has been subject to significant devaluations against the U.S. dollar and may be subject to significant fluctuations in the future. In 2008, as a result of the negative economic conditions in the United States and in other

parts of the world, local and international markets experienced high volatility, which contributed to the devaluation of the peso. In 2015 and 2016, the Mexican peso experienced one of its most significant depreciations as a result of the global negative market conditions. The Mexican government has implemented a series of measures to limit the devaluation of the peso and stabilize the local economy, and the peso appreciated against the dollar in the year ended December 31, 2019. However, we cannot assure you that such measures will be effective or ongoing or predict how they will impact the Mexican economy. In March 2020, after the failure by the members of the Organization of the Petroleum Exporting Countries (“OPEC”) and Russia to reach an agreement to stabilize the oil market, Saudi Arabia decided to increase its oil production, flooding the market and launching a price war. This decision, at a time when global demand for oil is falling due to the impact of the coronavirus on global trading and the economy, triggered a 30% decline in the price of oil, representing the most significant decline since 1991. This drop in the international prices of oil and its derivatives added to the already fragile economic environment in Mexico, which in 2019 entered into a recession as a result of various factors including uncertainty regarding the productivity and development of the country and which coincided with a period of elevated volatility in the exchange rate of the Mexican peso and the U.S. dollar. Rating agencies cut Mexico’s sovereign rating and Pemex’s stand-alone rating as Pemex’s creditworthiness has been under pressure due to debt burdens, depressed oil prices and the extraordinary need of proactive government support.

On April 12, 2020, Saudi Arabia, Russia and the members of the OPEC agreed to decrease oil production by 9.7 million barrels a day in May and June 2020, the deepest cut ever agreed to by the world’s oil producers. After that, the group will steadily ramp up production until the agreement expires in April 2022. There can be no assurances about the impact of this agreement on the Mexican economy.

Public health threats, such as the coronavirus outbreak, have had and many continue to have an adverse effect on the Mexican economy and on our business, financial condition or results of operations.

Mexico could be adversely affected by the effects of contagious diseases, including a widespread outbreak of respiratory illness caused by the coronavirus. The coronavirus outbreak is currently having an indeterminable adverse impact on the world and Mexico’s economy. Similarly, the vast majority of countries affected by the coronavirus have declared a state of emergency and have implemented severe lockdown measures. The coronavirus has had numerous worldwide effects and negatively impacted communities, supply chains and general commercial activity. As the coronavirus outbreak is still evolving and given the uncertainty of its lasting effect, the financial impact on Mexico’s economy and our business, financial condition or results of operations will depend on future developments that cannot yet be determined. The coronavirus has also caused significant volatility in the financial markets, undermining investors’ confidence in the growth of countries and businesses. Major stock markets have halted operations on several occasions as persistent market turmoil intensifies, and new information becomes available. In the medium to long term, if the spread of the coronavirus is prolonged, it could adversely affect the economies and financial markets of Mexico and of many other countries.

After the Mexican government and the World Health Organization acknowledged local coronavirus transmission, the Mexican government implemented the second phase of its strategy to reduce the spread of coronavirus. The strategy includes closing schools, canceling events of more than 50 people, suspending certain work activities and insisting on hygiene and personal distancing. In addition, measures implemented by the private sector and local governments to control the spreading of coronavirus include quarantines, travel and transportation restrictions, closures of office spaces and several businesses (such as shopping centers, cinemas, restaurants and gyms), and suspension of massive events, such as music festivals, sport events, among others. All the foregoing has contributed to a general slowdown in the Mexican economy.

The spread of coronavirus and legal and regulatory measures implemented by the Mexican federal government to control the spreading of coronavirus have caused us to modify our business activities, including changes in collection procedures, limiting travel, temporarily closing offices and branches, implementing remote work capabilities and cancelling certain business activities. The impact of the coronavirus in the financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain hedges or financing in a timely manner, on acceptable terms or at all. In addition, the slowdown in the economic activity caused by the coronavirus and other internal factors may result in a decrease in the demand of our financial products and services, may cause an increase in business failures among small- and mid-sized businesses that we serve and may adversely affect the ability of our clients to repay past or future loans (including as a result of lay-offs, which may have a significant adverse effect in our income and collections), which could adversely affect the

quality of our portfolio (for example, layoffs may negatively affect the ability of our clients under our payroll loans segment to repay their loans), our capacity to repay our debt or comply with the covenants (including financial ratios) of our debt instruments.

In addition to measures to control the spreading of coronavirus, the Mexican government has issued special or temporary measures and recommendations to, among others, strengthen the financial system, standardize accounting and disclosure, maintain the flow of credit and benefit debtors. Such measures may include, among others, the temporary suspension of, or the delay in, payroll deductions or limiting our rights to collect amounts due from debtors or enforce our loan agreements. Existing and future measures implemented by the Mexican government in connection with the coronavirus could have a material adverse effect in our business, liquidity, results of operations or financial condition.

The extent to which coronavirus may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on consumer spending, including any recession resulting from the pandemic, all of which are highly uncertain and cannot be predicted. We will continue to closely monitor and evaluate the nature and extent of the impact of the coronavirus on our operations, liquidity, financial condition, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, consumers, partners and suppliers.

Developments in other countries could adversely affect the Mexican economy and our business, financial condition and results of operations.

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, the prices of both Mexican debt and equity securities decreased substantially as a result of the prolonged decrease in the United States securities markets. Most recently, credit issues in the United States related principally to the sale of sub-prime mortgages have resulted in significant fluctuations in the financial markets. The variation of interest rates in the United States significantly affects the operations of the stock markets worldwide as investors modify their investment decisions based on the changes in risk levels in the United States.

The policies of the U.S. administration towards Mexico, China and other countries have created instability and uncertainty, and may continue to adversely affect the economy worldwide. As a result of changes to U.S. administrative policy, there have been and may continue to be changes to existing trade agreements, greater restrictions on free trade generally, and significant increases in tariffs on goods imported into the United States, among other possible changes. For example, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement, or NAFTA, and increased economic activity between the two countries. On October 1, 2018, the United States, Canada and Mexico formally agreed to renegotiate the terms and conditions of NAFTA, under a new treaty among Mexico, the United States and Canada (the "USMCA"). Unlike NAFTA, the USMCA includes a sunset clause that requires the USMCA to be analyzed and modified, if applicable, after six years and after 16 years shall be renegotiated and restated. This treaty also includes amendments to the rules of origin in practically all sectors in order to certify a product as originating in the region, rules to deter artificial changes to exchange rates to obtain commercial advantages, additional intellectual property protections, as well as amendments in labor matters and information technologies, among other provisions. On November 30, 2018, in Buenos Aires, Mexico, Canada and the United States entered into a protocol to substitute the NAFTA for the USMCA. On June 19, 2019, the Mexican Senate ratified the USMCA and, on December 13, 2019, the amending protocol of the USMCA was approved by the Mexican Senate, which includes relevant amendments in labor, steel, pharmaceutical, intellectual property and environmental matters. In addition, on January 16, 2020, the United States Senate approved the USMCA, which was signed on January 29, 2020, by President Donald Trump. In addition, on that same date, the Prime Minister of Canada presented to the House of Commons of the Canadian government, the final text of the USMCA for approval, and it was approved by the Canadian Senate on March 13, 2020. The USMCA entered into force on July 1, 2020. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition or results of operations. Uncertainties surrounding the policies of the current U.S. administration, particularly with respect to

matters of importance to Mexico and its economy such as trade (including the results of the implementation of the USMCA) and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

Additionally, illegal immigration through Mexico to the United States has caused friction between the two countries and could reduce economic activity between them. On June 7, 2019, Mexico and the United States signed a joint declaration committing both countries to undertake specific actions to control illegal immigration. However, President Donald J. Trump had previously announced plans to institute import tariffs in response to the issue of illegal immigration across the Mexico-U.S. border. There can be no assurance as to whether in the future any of the policies, actions or measures that have been proposed by the United States government will in fact be implemented, nor what the effects of any such policies on the Mexican economy as a whole, or on our business specifically, may be. Nor can there be any assurance that the United States government will not propose or implement as yet unforeseen policies, actions, measures or impose tariffs that could affect the Mexican economy or could lead to retaliatory measures by the government of Mexico. Any such developments could have a material adverse effect on our business, results of operations, financial condition or prospects.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty, which triggered a two-year negotiation process to determine the terms of the United Kingdom's relationship with the European Union. United Kingdom government and the EU Council have concluded a withdrawal agreement (the "Withdrawal Agreement") setting out the terms on which the United Kingdom will leave the European Union. The United Kingdom left the European Union on January 31, 2020 on the terms of the Withdrawal Agreement. The Withdrawal Agreement allows for a transition period during which the United Kingdom's trading relationship with the European Union will remain largely unchanged, as it will continue abiding the rules and regulations of the European Union. This transition period ended on December 31, 2020. Uncertainty remains over the United Kingdom's future relationship with the European Union after this political event. The potential impact of Brexit on our results of operations continues to be unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by volatility and reduced growth. The continued uncertainty on the terms of Brexit could also have a negative operational or economic impact and increase volatility in the financial markets, particularly in Europe. Such volatility and negative economic impact could, in turn, adversely affect our business.

In addition, rising trade tensions between the U.S. and China and efforts by the Chinese government to reduce debt levels contributed to a recent slowdown in China's growth. Changes in United States trade policy has triggered retaliatory actions by China and other affected countries and trading blocs, resulting in "trade wars," increased costs for goods exported to the United States and additional volatility and instability globally. The adoption and expansion of trade restrictions, changes in the state of China-U.S. relations, including the current trade tensions, or other governmental action related to tariffs or trade agreements or policies are difficult to predict and could adversely affect our business, our costs, our customers, our suppliers, and the U.S. economy, which in turn could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

Additionally, economic conditions in Mexico may also be affected by political developments in the United States, such as the new administration that was elected in November 2020 and taking office in January 2021. We cannot assure you that any developments in the U.S. or elsewhere will not materially and adversely affect us in the future.

We are subject to accounting standards that differ from those applicable to public companies in the United States.

Our financial statements were prepared in accordance with Sofom GAAP. Sofom GAAP differs in certain significant respects from U.S. GAAP. See "Annex A—Summary of Certain Significant Differences Between Sofom GAAP and U.S. GAAP" for a description of certain differences between Sofom GAAP and U.S. GAAP as they relate to us. We are not providing any reconciliation to U.S. GAAP of the financial statements or other financial information in this Offering Memorandum. We cannot be certain that a reconciliation would not identify material quantitative or qualitative differences in our financial statements or other financial information as prepared on the basis of Sofom GAAP if such information had been prepared on the basis of U.S. GAAP.

Risks Relating to the Notes in General

Notes issued under the Program may not be a suitable investment for all investors. Each potential investor in the notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant notes, the merits and risks of investing in such notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant notes and the impact such notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant notes, including notes with principal or interest payable in one or more Specified Currencies, or where the Specified Currency for principal or interest payments is different from the potential investor's usual currency for holding investments;
- understand thoroughly the terms of the relevant notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment in the relevant notes and its ability to bear the applicable risks.

There is no trading market for the notes; you may be unable to sell your notes if a trading market for the notes does not develop.

Each series of notes will constitute a new issue of securities with no established trading market. Application may be made to Luxembourg Stock Exchange to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market, application may also be made to list a Series of notes on another exchange, or a series of notes may be unlisted, in each case as specified in the applicable Pricing Supplement. The Company cannot assure you that an active trading market for the notes will develop. If a trading market does not develop or is not maintained, holders of the notes may experience difficulty in reselling the notes or may be unable to sell them at all. Even if a market develops, the liquidity of any market for the notes will depend on the number of holders of the notes, the interest of securities dealers in making a market in the notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes, the ability of holders to sell the notes or the prices at which the notes could be sold. Because the market for any series of notes may not be liquid, you may have to bear the economic risk of an investment in the notes for an indefinite period of time. If an active trading market does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Company's performance and business prospects and other factors.

There is market price risk associated with an investment in the notes.

The market price of each series of notes depends on various factors, such as changes of interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the relevant type of note. The market price of each series of notes may also be negatively affected by an increase in the Company's credit spreads (*i.e.*, the difference between yields on the Company's debt and the yield of government bonds or swap rates of similar maturity). The Company's credit spreads are mainly based on its perceived creditworthiness but also influenced by other factors such as general market trends as well as supply and demand for such series of notes.

There is exchange rate risk and risk of exchange controls associated with an investment in the notes.

An investment in notes that are denominated in, or the payment of which is to be or may be made in or related to the value of, a currency or composite currency other than the currency of the country in which the purchaser is a

resident or the currency in which the purchaser conducts its business or activities (the “home currency”) entails significant risks that are not associated with a similar investment in a security denominated in the home currency. Such risks include the possibility of significant changes in rates of exchange between the home currency and the various foreign currencies (or composite currencies) after the issuance of such note and the possibility of the imposition or modification of foreign exchange controls by governments. Such risks generally depend on economic and political events over which the Company has no control. In recent years, rates of exchange between certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any note. Depreciation of the currency in which a note is denominated against the relevant home currency would result in a decrease in the effective yield of such note below its coupon rate and, in certain circumstances, could result in a loss to the investor on a home currency basis. In addition, depending on the specific terms of a currency linked Indexed note, changes in exchange rates relating to any of the currencies involved may result in a decrease in the effective yield of such currency linked Indexed note and, in certain circumstances, could result in a loss of all or a substantial portion of the principal of a currency linked Indexed note to the investor.

Foreign exchange rates can either be fixed by sovereign governments or float. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. Governments in fact use a variety of techniques, such as intervention by a country’s central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-home currency denominated notes or currency linked Indexed notes is that their home currency-equivalent yields could be affected by governmental actions, which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of such notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable Specified Currency.

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal and of premium, if any, or interest, if any, on a note. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular note not denominated in U.S. dollars would not be available at such note’s maturity. In that event, the Company would make required payments in U.S. dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as of the most recent practicable date. The relevant provisions applicable to Foreign Currency notes will be as set forth in the applicable Pricing Supplement related to any such notes.

There is interest rate risk associated with an investment in the notes.

Investment in fixed rate notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate notes.

Future discontinuance of certain benchmark rates (for example, LIBOR) may adversely affect the value of Floating Rate notes which are linked to or which reference any such benchmark rate.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates the London Interbank Offered Rate (“LIBOR”), announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. In a further speech on July 12, 2018, the Chief Executive of the United Kingdom Financial Conduct Authority emphasized that market participants should not rely on the continued publication of LIBOR after the end of 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if a benchmark rate were discontinued or otherwise unavailable, the rate of interest on Floating Rate notes which are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions applicable to such notes. Each applicable Indenture and the Floating Rate notes will provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)), such as LIBOR or EURIBOR, becomes unavailable or a LIBOR Event (as described in “Description of the Notes”) otherwise occurs.

If the referenced benchmark rate is replaced, as specified in the applicable Pricing Supplement for any series of notes as being applicable (any such notes, “**Relevant Notes**”) and the circumstances described in the preceding paragraph occur in relation to a benchmark rate at any time when any rate of interest (or component thereof) remains to be determined by reference to such benchmark rate, such fallback arrangements will include the possibility that:

- (a) the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a successor reference rate or an alternative reference rate (as applicable) determined by calculation agent, as directed by the Company, or, if the Company determines that there is no alternative reference rate that is consistent with market practice regarding a substitute for debt securities like the Relevant Notes, the Company may, in its sole discretion, appoint an independent financial advisor to determine an appropriate alternative reference rate; and
- (b) such successor reference rate or alternative reference rate (as applicable) may be adjusted (if required) by the calculation agent, as directed by the Company, or the independent financial advisor (if applicable), in order to make changes to the terms of the notes that are necessary in order to follow market practice in relation to the relevant successor reference rate or alternative reference rate and to ensure the proper operation and comparability to the benchmark rate of the relevant successor reference rate or alternative reference rate (as applicable),

In any such case, acting in good faith and in a commercially reasonable manner as described more fully in “Description of the Notes” below.

No consent of the holders of the notes shall be required in connection with effecting any relevant successor reference rate or alternative reference rate (as applicable) or any other related adjustments and/or amendments described above.

In certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate notes based on the rate which was last observed on the relevant screen page. In addition, due to the uncertainty concerning the availability of successor reference rates and alternative reference rates and the involvement of an independent financial adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Company to meet its obligations under the Floating Rate notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate notes. Investors should note that, in the case of Relevant Notes, the Company, or the relevant independent financial adviser (if applicable), will have discretion to adjust the relevant successor reference rate or alternative reference rate (as applicable) in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each holder of note, any such adjustment will be favorable to each holder of a note.

Investors should consider all of these matters when making their investment decision with respect to the relevant Floating Rate notes.

A rating of the notes may be lowered or withdrawn depending on various factors, including the rating agencies’ assessment of our financial strength and Mexican sovereign risk.

Any rating of the notes addresses the likelihood of payment of principal at their maturity. Such rating also addresses the timely payment of interest on each payment date. Any rating of the notes is not a recommendation to

purchase, hold or sell the notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that a rating of the notes will remain for any given period of time or that the rating will not be lowered or withdrawn. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of our financial strength, as well as its assessment of Mexican sovereign risk generally. See "—Reductions in our credit ratings or those of any of our subsidiaries could increase our cost of borrowing funds and make our ability to raise new funds, attract deposits or renew maturing debt more difficult."

Credit ratings may not reflect all risks, and the Company cannot assure you that such ratings will not be lowered, suspended or withdrawn by the rating agencies.

One or more independent credit rating agencies may assign credit ratings to the notes. Where a series of notes is rated, such rating will not necessarily be the same as the rating assigned to the notes to be issued under the Program. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the notes. The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. The Company cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any ratings assigned to notes as at the date of this Offering Memorandum are not indicative of future performance of the Company's business or its future creditworthiness.

The interest rate on Fixed Reset Notes will reset on each Fixed Reset Date, which can be expected to affect interest payments on an investment in Fixed Reset Notes and could affect the market value of Fixed Reset Notes

Fixed Reset Notes will initially bear interest at the Initial Fixed Reset Interest Rate (as specified in the applicable Pricing Supplement) until (but excluding) the Fixed Reset Date (as specified in the applicable Pricing Supplement). On the Fixed Reset Date and each Subsequent Reset Date specified in the applicable Pricing Supplement (if any) thereafter, the interest rate will be reset to the Subsequent Reset Rate (each, as defined in "Description of the Notes—Fixed Reset Notes—Rate of Interest"). The Subsequent Reset Rate for any reset period could be less than the Initial Fixed Reset Interest Rate or the Subsequent Reset Rate for prior reset periods and could affect the market value of an investment in the Fixed Reset Notes.

Changes in law may adversely affect your rights under the notes or may adversely affect us.

Changes in law after the date hereof may affect your rights as a holder of the notes as well as the market value of the notes. Regulators may, from time to time, propose or consider amendments to law or legislation and rule making which may affect our business, your rights as a holder of the notes and the market value of the notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the notes, or changes that could have a significant impact on the future legal entity structure, our management, and use of capital and requirements for our loss-absorbing capacity, which may have an adverse effect on an investment in the notes.

Such legislative and regulatory uncertainty could also affect your ability to accurately value the notes and therefore affect the trading price of the notes given the extent and impact on the notes that one or more regulatory or legislative changes could have on the notes and changes in regulatory rules could increase likelihood of suspension or write-down.

The notes are subject to certain transfer restrictions.

The notes have not been registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the notes may be transferred or resold only in a transaction registered under or exempt from the registration requirements of the Securities Act and in compliance with any other applicable securities law. See "Transfer Restrictions."

Holders of notes may find it difficult to enforce civil liabilities against the Company or its directors, executive officers and controlling persons.

Most of our directors, executive officers and controlling persons are non-residents of the United States and substantially all of the assets of such non-resident persons and substantially all of our assets are located in Mexico or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside Mexico, judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have been advised that there is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities arising under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon United States federal or state securities laws.

No treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of principles of reciprocity and comity as well as the provisions of Mexican law relating to the enforcement of foreign judgments in Mexico, consisting of the review by Mexican courts of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*), among other requirements, have been duly complied with, without reviewing the merits of the subject matter of the case, provided that U.S. courts would grant reciprocal treatment to Mexican judgments. See “Service of Process and Enforcement of Civil Liabilities.”

The non-payment of funds by any of our subsidiaries could have a material adverse effect on our ability to pay amounts due in respect of our debt, including the notes.

Our cash flow and ability to service debt depend in part on the cash flow and earnings of our subsidiaries and the payment of funds by those subsidiaries to us in the form of loans, interest, dividends or otherwise. The subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the terms of the notes or to make any funds available for such purpose. Furthermore, claims of creditors of such subsidiaries, including trade creditors of such subsidiaries, will have priority over our creditors, including the holders of the notes, with respect to the assets and cash flow of such subsidiaries. Any right we may have to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary’s creditors.

Mexican law does not require the Company to pay our foreign-currency judgments in a currency other than pesos.

In the event that judicial proceedings are brought against us or any Mexican subsidiary guarantor in Mexico, either to enforce a judgment or as a result of an original action brought in Mexico, or if payment is otherwise claimed from us or any Mexican subsidiary guarantor in Mexico, we or the applicable subsidiary guarantor would not be required to discharge those obligations in a currency other than Mexican currency. Under the Monetary Law of the United Mexican States (*Ley Monetaria de los Estados Unidos Mexicanos*) an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican currency, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payments are made. Such rate is currently determined by Banco de México and published every banking day in the Official Federal Gazette. As a result, you may suffer a shortfall if you obtain a judgment or a payment in Mexico. No separate action exists or is enforceable in Mexico for compensation for any shortfall.

In the event that court proceedings were brought in the United States seeking enforcement in the United States of the Company’s or the guarantors’ obligations under the notes or the guarantees, respectively, a U.S. federal court would award a judgment only in U.S. dollars and a judgment of a court in the State of New York rendered in a currency other than the U.S. dollar would be converted into U.S. dollars at the rate of exchange prevailing on the date of entry of such judgment.

Our and any future Mexican note guarantors’ obligations under the notes denominated in currencies other than the Mexican peso would be converted in the event of bankruptcy.

Under Mexico’s Law on Mercantile Reorganization (*Ley de Concursos Mercantiles*, or “Mexican Bankruptcy Law”), if we are or any Mexican subsidiary guarantor is declared bankrupt or became subject to a

reorganization proceeding (*concurso mercantil*), our and the obligations of the subsidiary guarantors under the notes (i) foreign currency-denominated obligations would be converted into pesos at the prevailing exchange rate at that time and location, not reflecting any devaluation of the peso after such conversion, but thereafter the pesos would be converted into inflation-adjusted units (*unidades de inversión*, known as UDIs), which do reflect the devaluation of the peso; (ii) would be satisfied at the time claims of all our creditors are satisfied; (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, which differ from those in other jurisdictions such as the United States; (iv) would cease to accrue interest from the date the *concurso mercantil* is declared; (v) would not be adjusted to take into account any depreciation of the peso against any foreign currency occurring after such declaration; and (vi) would be subject to certain statutory preferences, including tax, social security and labor claims, and claims of secured creditors (up to the value of the collateral provided to such creditors). As a result, the ability of the holders of the notes to effectively collect payments due under the notes may be compromised or subject to delay.

In addition, under Mexican law, it is possible that in the event we are declared insolvent, bankrupt or become subject to *concurso mercantil*, any amount by which the stated principal amount of the notes exceeds their accumulated value (which includes accumulated and unpaid interest) may be regarded as not matured and, therefore, claims of holders of the notes may be allowed only to the extent of the accumulated value of the notes.

Also, under Mexican law, our obligations under the notes and the subsidiary guarantees are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations (to the extent of the security provided), social security, employee housing fund contributions, taxes and court fees and expenses. In the event of our liquidation or bankruptcy, such statutory preferences would have preference over any other claims, including claims by any holder of the notes.

It is possible that any future note guarantees by our Mexican subsidiaries may not be enforceable.

From time to time, Series of Senior Notes may be guaranteed by certain of our subsidiaries. The subsidiary guarantees provide a basis for a direct claim against the subsidiary guarantors; however, it is possible that the subsidiary guarantees may not be enforceable under applicable law. For example, the laws of Mexico may in some cases prevent the guarantees of Mexican subsidiary guarantors from being valid, binding and enforceable against such Mexican subsidiary guarantors in accordance with their terms. In the event that such a Mexican subsidiary guarantor were declared bankrupt or subject to *concurso mercantil*, the guarantee may be deemed to have been a fraudulent transfer and declared void if such subsidiary guarantor failed to receive fair consideration or reasonably equivalent value in exchange for such guarantee. In addition, under Mexican Bankruptcy Law, if any of the Mexican subsidiary guarantors are judicially declared bankrupt or subject to *concurso mercantil*, each of such Mexican subsidiary guarantors' obligations under its guarantee will be subordinated to secured creditors and certain statutorily preferred creditors, such as those holding labor, tax and social security related claims, which will have preference over any other claims, including claims by any investor in respect of the notes or such guarantees.

The notes will contain provisions which may permit their modification without the consent of all investors and which may permit an assignment of the notes to a subsidiary of the Company without the consent of the holders of a Series of notes, if the Company remains jointly and severally liable for such obligations.

The notes will contain provisions for calling meetings of holders of notes to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all holders of the notes of a Series, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority as set forth in "Description of the Notes".

In addition, unless otherwise specified in the applicable Pricing Supplement, the terms of each Series of notes will permit the Company to assign its obligations under such Series of notes and the applicable Indenture to a subsidiary of the Company so long as the Company remains jointly and liable for such obligations.

For further information, see "Description of the Notes—Certain Terms and Conditions Applicable to Subordinated Notes—Modification of a Subordinated Notes Indenture; Waiver of Covenants" and "—Certain Terms and Conditions Applicable to Senior Notes—Modification of the Senior Notes Indenture; Waiver of Covenants."

Any such action may have an adverse effect on the notes of such Series and the holders of such notes.

Reliance on DTC, Euroclear and Clearstream procedures.

Unless issued in definitive form, notes issued under the Program will be represented on issue by one or more global notes that may be deposited with or registered in the name of a nominee for a common depositary or a common safekeeper, as the case may be, for Euroclear or Clearstream or may be deposited with or registered in the name of a nominee for DTC. Except in the circumstances described in the applicable global note, investors in a global note will not be entitled to receive notes in definitive form. Each of DTC, Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the beneficial interests in each global note held through it. While the notes are represented by a global note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

Except in the case of a global note denominated in a specified currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC has elected to receive any part of such payment in that specified currency, for so long as the notes are represented by global notes, the Issuer will discharge its payment obligation under the notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a global note must rely on the procedures of the relevant clearing system and its participants to receive payments under the notes. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any global note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks Related to Subordinated Notes

Subordinated Notes present, among others, the following risks:

Subordinated Notes will be unsecured and subordinated and rank junior in right of payment and in liquidation to all of our present or future senior indebtedness.

Subordinated Notes will constitute our subordinated preferred indebtedness (*obligaciones subordinadas preferentes*), will be subordinated and junior in right of payment and in liquidation to all of our senior indebtedness, and will rank *pari passu* without preference among themselves with all our other subordinated preferred indebtedness. No payment of principal (including redemption payments), premium, if any, or interest on the Subordinated Notes may be made at any time when (i) any senior indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (ii) the maturity of any senior indebtedness has been accelerated because of a default. By reason of the subordination of the Subordinated Notes, in the case of certain events involving bankruptcy, liquidation or dissolution, although the Subordinated Notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our senior indebtedness have been paid in full. As of December 31, 2020, we had, on a consolidated basis, an aggregate of Ps. 27,705.9 million of senior long-term indebtedness outstanding. The Subordinated Notes Indentures will not limit our ability to incur additional senior indebtedness and subordinated preferred indebtedness from time to time. See "Description of the Notes—Certain Terms and Conditions Applicable to Subordinated Notes."

We will have the right to defer interest payments on the notes.

We may elect, in our sole discretion, to defer, in whole or in part, payment of interest in respect of the notes in respect of any interest period by giving a deferral notice to the trustee and holders of such notes. Such deferral is not subject to any time limitations or mandatory termination, except in connection with a Mandatory Payment Date. If we make such an election, we shall have no obligation to make such payment and any such non-payment of interest will not constitute a default by us for any purpose. Any interest in respect of any series of notes the payment of which is deferred will, so long as the same remains outstanding, constitute arrears of interest for that series, and arrears of interest will only be payable as described in "Description of the Notes—Payment of Deferred Interest." In addition, during any period of deferral of interest, we will not be prohibited from making payments on any indebtedness ranking senior to the notes or on any *pari passu* debt or junior securities pursuant to their terms.

Any deferral of interest payments will likely have a material adverse effect on the market price of the notes. In addition, as a result of the interest deferral provisions of the notes, the market price of the notes may be more volatile than the market prices of other debt securities that are not subject to such deferrals and may be more sensitive generally to adverse changes in our financial performance.

The U.S. federal income tax consequences of an investment in the Subordinated Notes are uncertain. Holders are urged to read the more detailed discussion of the U.S. federal income tax treatment of the Subordinated Notes under “Taxation—United States Taxation—Subordinated Notes.”

No statutory, judicial or administrative authority directly addresses the characterization for U.S. federal income tax purposes of the Subordinated Notes. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Subordinated Notes are not certain. However, the Subordinated Notes should be treated as our equity (rather than debt) for U.S. federal income tax purposes, and we intend, absent a change in law, to so treat the Subordinated Notes. Treatment of the Subordinated Notes as debt for U.S. federal income tax purposes would significantly change the tax treatment of the Subordinated Notes in ways that are potentially adverse to holders. See “Taxation—United States Taxation—Subordinated Notes” below. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of an investment in the Subordinated Notes.

If we do not satisfy our obligations under the Subordinated Notes your remedies will be limited.

Payment of principal on Subordinated Notes may be accelerated only in specified instances involving our liquidation or dissolution. There is no right of acceleration in the case of a default in the performance of any of our covenants, including a default in the payment of principal or interest. See “Description of the Notes—Treatment of Interest and Principal During a Suspension Period” and “Description of the Notes—Certain Terms and Conditions Applicable to Subordinated Notes—Events of Default, Notice and Waiver.”

Even if the payment of principal on the Subordinated Notes is accelerated due to the Issuer’s liquidation or dissolution, the Issuer’s assets will be available to pay those amounts only after:

- all of the Issuer’s senior obligations have been paid in full as described in “Description of the Notes—Certain Terms and Conditions Applicable to Subordinated Notes—Ranking”; and
- the Issuer is actually declared bankrupt or dissolved or put into liquidation for purposes of Mexican law.

As a result, recoveries on the Subordinated Notes may be substantially limited.

The Subordinated Notes will be subject to redemption in the event of specified changes affecting the treatment of Subordinated Notes under the Rules for Capitalization or changes affecting the tax treatment of the Subordinated Notes.

Upon the occurrence and continuation of certain specified changes affecting the tax treatment of the Subordinated Notes or treatment of the Subordinated Notes as capital securities under the Rules for Capitalization, which may occur from time to time, as described under “Description of the Notes— Subordinated Notes Optional Redemption and Special Event Redemption of Subordinated Notes—Special Event Redemption,” the Issuer will have the option under the relevant Subordinated Notes Indenture to redeem the Subordinated Notes, at any time prior to the Maturity Date, in whole or, in certain circumstances, in part, subject to any regulatory requirements, which may be amended from time to time.

Risks Related to the Structure of a Particular Issue of notes

A wide range of notes may be issued under the Program. Some notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the relevant notes will perform under changing conditions, the resulting effects on the value of such notes and the impact such investment will have on the potential investor’s overall investment portfolio. Certain notes may have features which contain

particular risks for potential investors. Set out below is a description of certain risks associated with the most common such features:

Notes may be subject to optional redemption by the Issuer.

Notes with an optional redemption are likely to have a limited market value. During any period when the Issuer may elect to redeem notes, the market value of such notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem notes when its cost of borrowing is lower than the interest rate on the notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Variable rate notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse floating rate notes.

Inverse floating rate notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate notes are more volatile because an increase in the reference rate not only decreases the interest rate of the notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these notes.

Fixed/Floating rate notes.

Fixed/floating rate notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate notes may be less favorable than then prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its notes.

Indexed notes.

An investment in indexed notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of a note is indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued by the Issuer at the same time, including the possibility that no interest will be paid, and, if the principal amount of a note is indexed, the principal amount payable at maturity may be less than the original purchase price of such indexed note, including the possibility that no principal will be paid (but in no event shall the amount of interest and principal paid with respect to an indexed note be less than zero). The secondary market for indexed notes will be affected by a number of factors, independent of the creditworthiness of the Issuer and the value of the applicable currency, commodity, interest rate or other index, including, but not limited to, the volatility of the applicable currency, commodity, interest rate or other index, the time remaining to the maturity of such indexed notes, the amount outstanding of such indexed notes and market interest rates. The value of the applicable currency, commodity, interest rate or other index depends on a number of interrelated factors, including economic, financial and political events, over which the Issuer has no control.

Additionally, if the formula used to determine the principal amount or interest payable with respect to such indexed notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity,

interest rate or other index may be increased. The historical experience of the relevant currencies, commodities, interest rate or other indices should not be taken as an indication of future performance of such currencies, commodities, interest rate or other indices during the term of any indexed note. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in indexed notes and the suitability of indexed notes in light of their particular circumstances.

Notes issued at a substantial discount.

The market values of securities issued at a substantial discount from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the notes, the greater the price volatility as compared to conventional interest-bearing notes with comparable maturities.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The financial information for the years ended December 31, 2018, 2019 and 2020 has been derived from our audited financial statements included elsewhere in this Offering Memorandum, together with the notes thereto.

The following tables present selected financial information and other data as of December 31, 2018, 2019 and 2020 and for years then ended, as reported in our financial statements included elsewhere in this Offering Memorandum. Certain amounts and percentages included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be the exact arithmetic results of their components as shown herein.

Our financial statements were prepared in accordance with *Sofom* GAAP. *Sofom* GAAP differs in certain significant respects from U.S. GAAP. See “Annex A—Summary of Certain Significant Differences Between Sofom GAAP and U.S. GAAP” for a description of certain differences between Sofom GAAP and U.S. GAAP as they relate to us. No reconciliation of any of our financial statements to U.S. GAAP has been performed.

The financial statements reflect our investment in Publiseg, GEMA, Bluestream Capital, Cege Capital, Credilikeme, and the consolidation of Servicios Corporativos Chapultepec, CR Fact, CREAL USA, Controladora CR, Directodo, CRHOLDINGINT, and CR-Seg, Inc. See “Presentation of Certain Financial and Other Information.”

Income Statement

	Year Ended December 31,			
	2018	2019	2020	2020 ⁽¹⁶⁾
	<i>(In millions of pesos)</i>			<i>(In millions of dollars)</i>
Interest income	10,287.6	11,933.0	10,453.7	525.1
Interest expense	(3,207.4)	(4,671.1)	(4,915.1)	(246.9)
Financial margin	7,080.2	7,261.9	5,538.6	278.2
Provision for loan losses	(1,540.3)	(1,306.6)	(2,112.6)	(106.1)
Financial margin after provisions for loan losses	5,539.9	5,955.2	3,426.0	172.1
Commissions and fees income	564.1	515.7	137.3	6.9
Commissions and fees paid	(256.0)	(373.4)	(247.3)	(12.4)
Intermediation income	(20.8)	156.2	(79.1)	(4.0)
Other operating income	164.7	126.6	1,097.3	55.1
Administrative and marketing expense	(3,483.1)	(3,607.0)	(3,539.2)	(177.8)
Operating result	2,508.8	2,773.3	794.9	39.9
Equity in income of associates	154.7	63.2	97.7	4.9
Income before income taxes	2,663.5	2,836.5	892.7	44.8
Current income taxes	(355.3)	(587.7)	(707.6)	(35.5)
Deferred income taxes	(295.3)	(148.2)	619.6	31.1
Income taxes	(650.6)	(735.9)	(87.9)	(4.4)
Net income	2,012.9	2,100.6	804.7	40.4
Non-controlling interest	(57.6)	(120.5)	(48.4)	(2.4)
Net income attributable to controlling interest	1,955.4	1,980.1	756.4	38.0

Balance Sheet

	As of December 31,			
	2018	2019	2020	2020 ⁽¹⁶⁾
	<i>(In millions of pesos)</i>			<i>(In millions of dollars)</i>
Assets:				
Cash and cash equivalents	575.7	1,180.9	1,097.4	55.1
Investments in securities.....	940.9	1,294.4	1,091.7	54.8
Derivatives	1,028.0	-	1,964.5	98.7
Performing loan portfolio:				
Commercial loans.....	26,090.6	34,620.0	34,356.2	1,725.7
Consumer loans	9,610.9	11,705.7	11,564.6	580.9
Total performing loan portfolio ...	35,701.6	46,325.7	45,920.8	2,306.6
Non-performing loan portfolio:				
Commercial loans.....	307.6	343.8	1,049.9	52.7
Consumer loans	310.0	288.9	539.2	27.1
Total non-performing loan portfolio.....	617.6	632.7	1,589.1	79.8
Loan portfolio.....	36,319.1	46,958.4	47,509.9	2,386.4
Less: allowance for loan losses	(1,067.9)	(1,390.0)	(2,031.6)	(102.0)
Loan portfolio, net.....	35,251.2	45,568.4	45,478.3	2,284.3
Other accounts receivables, net	5,378.8	6,796.9	9,379.3	471.1
Foreclosed assets, net	10.5	10.8	1,343.1	67.5
Property, furniture and fixtures, net.....	341.5	625.3	3,512.2	176.4
Long-term investments in shares	1,193.4	1,273.6	1,244.3	62.5
Other assets, net:				
Deferred charges, advance payments and intangibles.....	4,793.7	4,590.6	4,901.7	246.2
Other short- and long-term assets	48.8	250.9	304.3	15.3
Total assets	49,562.5	61,591.7	70,316.9	3,532.0
Liabilities:				
Notes payable (Securitized Certificates)	1,463.5	1,261.0	761.0	38.2
Senior notes payable.....	17,018.8	24,636.7	27,705.9	1,391.6
Bank loans and borrowings from other entities:				
Short-term.....	7,359.7	7,597.6	13,780.3	692.2
Long-term.....	4,804.7	8,015.9	7,578.9	380.7
	12,164.4	15,613.5	21,359.3	1,072.9
Derivatives	-	765.3	619.7	31.1
Income taxes payable	264.0	313.6	310.8	15.6
Employee profit sharing payable	18.3	16.9	13.1	0.7
Accrued liabilities and other accounts payable	439.1	513.7	1,691.2	84.9
Deferred taxes, net.....	2,258.8	2,407.1	1,787.4	89.8
Total liabilities	33,626.9	45,527.8	54,248.4	2,724.9
Stockholders' equity:				
Capital stock.....	660.2	660.2	660.2	33.2
Share subscription premium	1,407.5	1,192.3	989.4	49.7
Subordinated obligations in circulation	4,206.7	4,206.7	4,206.7	211.3
Earned capital:				

	As of December 31,			
	2018	2019	2020	2020⁽¹⁶⁾
		<i>(In millions of pesos)</i>		<i>(In millions of dollars)</i>
Legal reserve	132.0	132.0	132.0	6.6
Accumulated results from prior years	6,561.1	7,664.4	9,288.9	466.6
Result from valuation of cash flow hedges, net	128.6	(708.2)	(1,054.0)	(52.9)
Cumulative translation adjustment ..	(30.1)	5.5	69.9	3.5
Re-measurements of employee defined benefits	5.6	(18.2)	(13.1)	(0.7)
Non-controlling interest.....	908.5	949.1	1,032.3	51.8
Net income attributable to controlling interest.....	1,955.4	1,980.1	756.4	38.0
Total stockholders' equity.....	15,935.6	16,063.9	16,068.5	807.1
Total liabilities and stockholders' equity.....	49,562.5	61,591.7	70,316.9	3,532.0

Other Financial Data and Ratios

	As of and for the Year Ended December 31,		
	2018	2019	2020
Net income margin ⁽¹⁾	20.8%	17.1%	11.5%
Return on average loan portfolio ⁽²⁾	5.7%	4.7%	1.6%
ROA: Return on average total assets ⁽³⁾	4.2%	3.5%	1.0%
ROE: Return on average stockholders' equity ⁽⁴⁾	12.9%	12.3%	4.3%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes) ⁽⁵⁾	17.8%	16.6%	5.6%
Debt to equity ratio ⁽⁶⁾	1.9x	2.6x	3.1x
Debt to equity ratio (excluding Subordinated Perpetual Notes) ⁽⁷⁾ ..	2.6x	3.5x	4.2x
Total yield ⁽⁸⁾	-	-	22.3%
Yield ⁽⁹⁾	30.2%	28.1%	21.7%
Average cost of funds ⁽¹⁰⁾	11.4%	12.8%	9.5%
Efficiency ratio ⁽¹¹⁾	42.4%	43.9%	53.7%
Capitalization ratio ⁽¹²⁾	43.9%	34.2%	33.8%
Total capitalization ratio ⁽¹³⁾	-	-	31.4%
Capitalization ratio (excluding Subordinated Perpetual Notes) ⁽¹⁴⁾	32.3%	25.3%	25.0%
Total capitalization ratio (excluding Subordinated Perpetual Notes) ⁽¹⁵⁾	-	-	23.2%
Credit Quality Ratios			
Provisions for loan losses as a percentage of loan portfolio	4.2%	2.8%	4.4%
Allowance for loan losses as a percentage of total past-due loan portfolio	172.9%	219.7%	127.8%
Total past-due loan portfolio as a percentage of loan portfolio	1.7%	1.3%	3.3%

- (1) Net Income Margin is calculated by dividing the financial margin of the period by the average quarterly loan portfolio. For quarterly figures, cumulative financial margin is annualized by multiplying the amounts by four.
- (2) Return on average loan portfolio consists of net income attributable to controlling interest for the period divided by the average quarterly loan portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the amounts by four.
- (3) Return on average total assets consists of net income attributable to controlling interest for the period divided by the average quarterly total assets. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (4) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (5) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity excluding the Subordinated Perpetual Notes. For quarterly figures, cumulative income is annualized by multiplying the amounts by four.
- (6) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity at the end of the period.
- (7) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity excluding the Subordinated Perpetual Notes at the end of the period.
- (8) Total yield consists of interest income for the period divided by the average quarterly total portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (9) Yield or average interest income rate (total portfolio) consists of interest income for the period divided by the average quarterly loan portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (10) Average cost of funds consists of interest expense for the period divided by the average quarterly funding amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (11) Efficiency ratio consists of the sum of (i) administrative and marketing expense for the period plus, (b) commissions and fees paid net of (c) CRA's depreciation expense divided by the sum of (ii) financial margin and (a) commissions and fees collected net of (c) CRA's depreciation expense.
- (12) Capitalization ratio consists of total stockholders' equity at the end of the period divided by loan portfolio at the end of the period expressed as a percentage.
- (13) Total capitalization ratio consists of total stockholders' equity at the end of the period divided by total portfolio at the end of the period expressed as a percentage.
- (14) Capitalization ratio consists of total stockholders' equity at the end of the period excluding the Subordinated Perpetual Notes divided by loan portfolio at the end of the period expressed as a percentage.
- (15) Total capitalization ratio consists of total stockholders' equity at the end of the period (excluding the Subordinated Perpetual Notes) divided by total portfolio at the end of the period expressed as a percentage.
- (16) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.9087 per U.S. dollar, the exchange rate determined by Banco de México on December 31, 2020, and published in the Official Gazette on January 2, 2021. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all. See "Exchange Rates" in this offering memorandum.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements, together with the notes thereto, included elsewhere in this Offering Memorandum. Our financial statements were prepared in accordance with Sofom GAAP, which differs in certain significant respects from U.S. GAAP. See "Annex A—Summary of Certain Significant Differences Between Sofom GAAP and U.S. GAAP" for a description of certain differences between Sofom GAAP and U.S. GAAP as they relate to us. No reconciliation of any of our financial statements to U.S. GAAP has been performed. Certain amounts and percentages included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be the exact arithmetic results of their components as shown herein.

Our financial performance for periods subsequent to the date for which financial information is presented in this Offering Memorandum may significantly differ from the historical financial information discussed below. Our historical financial information does not represent a guarantee of our future performance. You should carefully consider all of the information contained in this Offering Memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under "Risk Factors."

Mexican Economic Environment

Our business is closely tied to general economic conditions in Mexico. As a result, our economic performance and our ability to implement our business strategies may be affected by changes in national economic conditions, including as a result of changes in the global economy and financial markets that impact Mexico. For example, the recent downgrade by Standard & Poor's of Mexico's sovereign rating in March 2020 caused by the decrease in oil prices, among others, resulted in a decrease by such rating agency of our corporate credit rating from BB+ to BB.

In 2017, the Mexican economy grew by 2.1%, reflecting strong domestic demand. Nevertheless, the uncertainty surrounding the implementation of the USMCA and other policies in the United States added to the world fragile global economy that is facing trade conflicts that continued to adversely affect the Mexican economy. The inflation rate in Mexico in 2017 averaged 6.0% due to the volatility of the Mexican peso.

In 2018, the Mexican economy grew 2.0%. In July 2018, Mr. Andrés Manuel López Obrador was elected as president of Mexico. During his campaign, Mr. Andrés Manuel López Obrador announced several structural changes, including a significant decrease in salaries and labor benefits currently granted to public officers, which would importantly affect non-unionized employees but might also extend to those unionized. As our payroll loans represent the majority of our portfolio and these are mainly granted to state and federal public sector and unionized employees, retirees and pensioners, any reduction in public sector salaries could lead to a decrease in our main customers' credit capacity, impacting average loan sizes and loan origination. See "Risk Factors—Risks Relating to Mexico—Political, economic and social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our operations." The inflation rate in Mexico in 2018 averaged 4.9%.

On November 30, 2018, the presidents of Mexico and the United States and the prime minister of Canada signed the USMCA. Mexico, the United States and Canada have ratified the USMCA. The USMCA will be in force three months after the last notice of approval is submitted by the parties.

In 2019, the Mexican economy contracted 0.1%, on an annualized basis, dragged by the secondary sector, which suffered from auto sector shocks and muted dynamism in construction. Inflation has remained relatively stable despite the minimum wage increase in Mexico.

The global economy has recently experienced a period of slowdown and unprecedented volatility and has been adversely affected by a significant lack of liquidity, disruptions in the credit markets, reduced business activity, rising unemployment, decreasing interest rates and erosion of consumer confidence resulting from the coronavirus outbreak, which is currently having an indeterminable adverse impact on the world and Mexico's economy, negatively affecting communities, supply chains and general commercial activity. As the coronavirus outbreak is still evolving and given the uncertainty of its lasting effect, the financial impact on Mexico's economy and our business, financial condition or results of operations will depend on future developments cannot yet be determined. Major stock markets

have halted operations on several occasions as persistent market turmoil intensifies and new information becomes available. In the medium to long term, if the spread of the coronavirus is prolonged, it could adversely affect the economies and financial markets of Mexico.

In addition to measures to control the spreading of coronavirus, the Mexican government has issued special or temporary measures and recommendations to, among others, strengthen the financial system, standardize accounting and disclosure, maintain the flow of credit and benefit debtors. Such measures may include, among others, the temporary suspension of, or the delay in, payroll deductions or limiting our rights to collect amounts due from debtors or enforce our loan agreements. Existing and future measures implemented by the Mexican government in connection with the coronavirus could have a material adverse effect in our business, liquidity, results of operations or financial condition.

The extent to which coronavirus may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on consumer spending, including any recession resulting from the pandemic, all of which are highly uncertain and cannot be predicted.

In March 2020, after the failure by the members of the OPEC and Russia to reach an agreement to stabilize the oil market, Saudi Arabia decided to increase its oil production, flooding the market and launching a price war. This decision, at a time when global demand for oil is falling due to the impact of the coronavirus on global trading and the economy, triggered a 30% decline in the price of oil, representing the most significant decline since 1991. This drop in the international prices of oil and its derivatives added to the already fragile economic environment in Mexico, which in 2019 entered into a recession as a result of various factors including uncertainty regarding the productivity and development of the country and which coincided with a period of elevated volatility in the exchange rate of the Mexican peso and the U.S. dollar. Rating agencies cut Mexico's sovereign rating and Pemex's stand-alone rating as Pemex's creditworthiness has been under pressure due to debt burdens, depressed oil prices and the extraordinary need of proactive government support.

On April 12, 2020, Saudi Arabia, Russia and the members of the OPEC agreed to decrease oil production by 9.7 million barrels a day in May and June 2020, the deepest cut ever agreed to by the world's oil producers. After that, the group will steadily ramp up production until the agreement expires in April 2022. There can be no assurances about the impact of this agreement on the Mexican economy.

Effect of Tax Legislation

On October 30, 2019, the Mexican Congress approved a series of tax reforms (the "2020 Tax Reform"), which became effective on January 1, 2020.

The 2020 Tax Reform is intended to:

- modify the Mexican Income Tax Law, to (i) limit taxpayers' net interest deductions each year to 30.0% of the taxpayer's adjustable taxable income, subject to certain exceptions and 10 years carry-forwards, (ii) tax income obtained from e-commerce activities, (iii) expand the definition of taxable permanent residency for non-residents with activities in Mexico, (iv) limit the deduction of payments to non-Mexican related parties of Mexican residents, if such payments are subject to a preferential tax regime, and (v) grant an additional 25% deduction in income taxes to employers who hire people with disabilities;
- modify the Value Added Tax Law to, among other things, (i) impose value-added tax on all digital services provided within Mexico by foreign residents without permanent establishment in Mexico, and (ii) limit the applicable value added tax for outsourcing services to 6%;
- modify the Mexican Federal Tax Code to (i) increase the number of events that may trigger a joint and several liability of partners, shareholders, directors, managers or any other person responsible for the management of a business in certain limited circumstances as an effort to prevent the sale of unlawful invoices for tax benefit purposes, (ii) add a disclosure obligation of certain reportable transactions to tax authorities, (iii) to increase the tax authorities' discretion to recharacterize transactions and limit tax benefits in situations where

authorities understand there is a lack of business reason and no economic benefit obtained, other than the tax benefit, and (iv) establish certain procedures to improve communications between taxpayers and tax authorities.

We are currently analyzing the effects of these tax reforms on our operations and procedures.

Interest Rate Fluctuations

Interest rate fluctuations in Mexico have a significant effect on our business, financial condition and results of operations. While our interest-earning assets bear fixed interest rates, all of our interest-bearing liabilities denominated in pesos currently carry floating interest rates equal to the 28-day Interbank Equilibrium Interest Rate (*Tasa de Interés Interbancaria de Equilibrio*, or “TIIE”), plus a spread, and are subject to frequent re-pricing. The TIIE is the benchmark interbank interest rate applicable to borrowing from and lending to Banco de México in transactions denominated in pesos and is published daily in the Official Gazette.

In March 2020, Banco de México outlined measures to provide liquidity and improve the functioning of financial markets roiled by the coronavirus outbreak that has adversely affected growth prospects for Mexico and the global economy. Among others, the measures announced include the biggest interest rate cut in six years in an out-of-cycle move by 50 basis points from 7.0% to 6.5%.

The following table presents the high, low and average TIIE during each of the periods indicated.

	TIIE ⁽¹⁾			
	High	Low	Average	End of Period
2012.....	4.8562%	4.7175%	4.7896%	4.8450%
2013.....	4.8475%	3.7765%	4.2807%	3.7900%
2014.....	3.8171%	3.2741%	3.5092%	3.3110%
2015.....	3.5525%	3.2780%	3.3167%	3.5475%
2016.....	6.1100%	3.5476%	4.4739%	6.1066%
2017.....	7.6250%	6.1100%	7.0541%	7.6241%
2018.....	8.5956%	7.6250%	7.9960%	8.5956%
2019.....	8.6000%	7.5555%	8.3175%	7.5555%
2020.....	7.5550%	4.4710%	5.7055%	4.4842%
Through April 5, 2021	4.4812%	4.2810%	4.3457%	4.2860%

(1) Source: Banco de México

Our interest cost of funding is highly sensitive to market conditions. Our interest rate spread in our local debt offerings increased by more than 112 basis points during 2010 and by more than 70 basis points during 2009. In response to the increased cost of financing in Mexico, the Mexican government gradually reduced the reference interest rate, partially offsetting increases in the surcharge rate. For example, between December 31, 2012, and December 31, 2015, the TIIE fell 130 basis points to 3.5%. As of December 31, 2019, the TIIE was 7.6% and as of December 31, 2020, the TIIE was 4.5%.

In addition, the fixed interest rates we charge on each of our loan products have historically been significantly higher than the variable rates we pay on our interest-bearing liabilities, resulting in favorable net interest margin. For example, our average interest rate earned on interest-earning assets (yield) for the year ended December 31, 2020, was 21.7% and our average interest rate paid on the portfolio for the same period was 9.5%, resulting in a net interest margin of 111.5%. As a result, the amount of cash we receive from interest and principal payments on the loans in our loan portfolio typically far exceeds the payments we must make on our interest-bearing liabilities. Our favorable net interest income serves to mitigate the pressure on our margins caused by fluctuations in the interest rates we pay on our interest-bearing liabilities.

The table below presents the average size of each of our loan portfolios (Average Portfolio) along with the cash collected with respect to each loan portfolio (Collections) and Collections as a percentage of our average portfolio

during 2018 on an annual basis and during 2019 and 2020 on a quarterly basis. Collections include both principal and interest payments.

Period	Value	Payroll Loans	Used Cars MX	CR USA	Small Business Loans	Durable Goods ⁽¹⁾	Group Loans ⁽²⁾	Personal Loans (Instacredit)	Total
2018	Average Portfolio	23,233.2	826.5	1,992.8	3,032.0	369.8	129.0	4,487.0	34,070.4
	Collections	7,158.8	955.0	2,734.9	3,411.7	274.8	6,420.0	4,204.8	25,160.0
	Collections as percentage of Average portfolio	30.8%	115.5%	137.2%	112.5%	74.3%	4997.2%	93.7%	73.8%
2019									
Q1:	Average Portfolio	25,140.0	1,051.9	2,036.3	4,048.4	371.0	174.5	4,476.1	37,298.3
	Collections	1,699.9	224.3	763.4	974.8	123.3	1,519.6	1,042.6	6,347.8
	Collections as percentage of Average portfolio	27.0%	85.3%	149.9%	96.3%	132.9%	3483.6%	93.2%	68.1%
Q2:	Average Portfolio	26,068.6	1,219.4	2,238.5	4,834.5	367.3	361.9	4,590.9	39,681.1
	Collections	1,920.1	272.8	603.8	1,436.5	66.6	1,675.2	1,065.9	7,041.0
	Collections as percentage of Average portfolio	29.5%	89.5%	107.9%	118.8%	72.5%	1,851.6%	92.9%	71.0%
Q3:	Average Portfolio	26,824.5	1,280.3	2,889.0	5,617.9	354.6	488.2	4,824.0	42,278.6
	Collections	1,961.0	298.2	806.6	1,410.3	23.9	1,851.7	1,124.0	7,475.7
	Collections as percentage of Average portfolio	29.2%	93.2%	111.7%	100.4%	26.9%	1517.1%	93.2%	70.7%
Q4:	Average Portfolio	27,613.4	1,354.5	3,712.4	6,703.3	318.2	576.8	4,936.8	45,215.4
	Collections	2,288.2	289.0	923.3	2,188.8	233.6	1,870.8	1,150.6	8,944.3
	Collections as percentage of Average portfolio	33.1%	85.3%	99.5%	130.6%	293.6%	1297.5%	93.2%	79.1%
FY:	Average Portfolio	26,841.0	1,287.0	2,975.4	5,768.9	342.8	469.3	4,763.8	42,448.3
	Collections	7,869.4	1,084.4	3,097.1	6,010.3	447.3	6,917.4	4,383.1	29,808.9
	Collections as percentage of Average portfolio	29.3%	84.3%	104.1%	104.2%	130.5%	1473.9%	92.0%	70.2%
2020									
Q1:	Average Portfolio	28,337.5	1,425.7	4,912.9	7,572.4	249.2	522.4	5,455.5	48,475.6
	Collections	2,097.0	256.2	735.8	2,007.3	23.2	1,842.1	1,229.5	8,191.0
	Collections as percentage of	29.6%	71.9%	59.9%	106.0%	37.2%	1410.5%	90.1%	67.6%

Period	Value	Payroll Loans	Used Cars MX	CR USA	Small Business Loans	Durable Goods ⁽¹⁾	Group Loans ⁽²⁾	Personal Loans (Instacredit)	Total
	Average portfolio								
Q2:	Average Portfolio	28,714.0	1,416.4	5,150.2	9,137.8	128.3	446.2	5,893.5	50,886.4
	Collections as percentage of Average portfolio	2,153.0	212.8	780.8	3,237.5	7.8	1,196.5	1,090.0	8,678.5
	Average Portfolio	30.0%	60.1%	60.6%	141.7%	24.5%	1,072.7%	74.0%	68.2%
Q3:	Average Portfolio	29,204.9	1,365.0	4,548.9	10,969.5	85.5	537.0	5,589.7	52,300.5
	Collections as percentage of Average portfolio	2,142.6	211.1	884.5	1,780.5	17.8	1,916.2	936.4	7,889.3
	Average Portfolio	29.3%	61.9%	77.8%	64.9%	83.4%	1,427.4%	67.0%	60.3%
Q4:	Average Portfolio	29,408.6	1,354.1	4,043.3	11,159.9	286.5	548.4	5,095.4	51,896.3
	Collections as percentage of Average portfolio	2,505.4	378.1	913.5	1,522.1	41.8	1,995.1	946.2	8,302.1
	Average Portfolio	34.1%	111.7%	90.4%	54.6%	58.3%	1455.3%	74.3%	64.0%
FY:	Average Portfolio	29,061.3	1,385.2	4,596.8	10,148.9	207.4	497.3	5,494.4	51,391.3
	Collections as percentage of Average portfolio	8,898.0	1,058.2	3,314.6	8,547.4	90.7	6,949.9	4,202.1	33,061.0
	Average portfolio	30.6%	76.4%	72.1%	84.2%	43.7%	1,397.6%	76.5%	64.3%

(1) Includes collections from Resuelve's business in 2018 and 2019.

(2) Includes strategic alliances.

Key Factors Affecting our Financial Condition and Results of Operations

Loan Portfolio Performance

The performance of our loan portfolio depends on our ability to collect each expected installment payment on a timely basis, which in turn depends, in part, on the strength of our origination and credit approval processes. Since our incorporation in 1993, we have developed and improved our proprietary underwriting standards and credit review system and have built an infrastructure to support the implementation of our credit review process for each of our loan portfolios. For further explanation of the credit review process in each of our loan portfolios, see “Business—Our Loan Products—Payroll Loans—Credit Application and Review Process”; “Business—Our Loan Products—SME Loans—Distribution and Origination”; “Business—Our Loan Products—Used Car Loans—Credit Application and Approval Process”; and “Business—Our Loan Products—Consumer Loans—Credit Application and Approval Process”. Our proprietary credit review process has, in part, enabled us to maintain low and stable NPL ratios in our loan portfolio, including through the economic downturn in 2008 and 2009. Our NPL ratios were 1.7%, 1.3% and 3.3% as of December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2020, some of our loans were restructured due to the relief programs granted due to the COVID-19 pandemic. The restructuring is formalized with each customer by changing the amounts of credit

installments, the dates for partial payments of credit and the loan repayment periods, provided there is sustained evidence of payment by the customer, which is satisfied if the customer has made three consecutive monthly payments. For further explanation of the relief programs granted, see “Recent developments”.

From time to time, we may sell a portion of our loan portfolio if we believe doing so would be commercially advantageous; we make such decisions on a case-by-case basis. We intend to continue growing our payroll loan business by increasing the number of government agencies and labor unions we serve and increasing our market penetration among employees of those agencies and members of those unions with which we have established payroll lending relationships through payroll distributors with profitability and asset quality. Moreover, the low penetration of financial institutions in the SME market along with the potential size of the SME market, represents a good business opportunity for us in our traditional SME lending and leasing business. Likewise, we believe that the used car loan market in Mexico represents a good opportunity for us, we are frequently evaluating results from each branch to maintain profitability standards and we are always on the lookout for high potential markets to expand into. Also, we are looking to capitalize our current alliances with OEMs and create new ones enabling an expansion of brand recognition, geographical footprint and product penetration. We believe that our SME loan and used car loan businesses offer the greatest potential for growth in the Mexican and the United States market over the next several years. Furthermore, we believe that our efforts to grow successfully beyond our core business across regions will enable us to strengthen our profitability and continue adding value to the overall Company.

Critical Accounting Estimates

The preparation of financial statements in conformity with Sofom GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of our financial statements and revenues and expenses during the periods reported. Actual results could differ from these estimates, and changes in these estimates are recorded when known. The critical accounting policies used in the preparation of our financial statements are those that are both important to the presentation of financial condition and results of operations and require significant judgments with regard to estimates used. These critical judgments relate to the allowance for loan losses, deferred income taxes and employee retirement obligations.

Allowance for Loan Losses

Loans are granted based on an analysis of a borrower’s financial condition, the economic feasibility of investment projects that are to be financed by our group loans and other general criteria established by applicable laws and our internal policies and procedures. Our loans are made to companies and individuals who carry out business activities of a commercial or financial nature, which is why we classify our loan portfolio as a commercial loan portfolio, in accordance with the CNBV’s standards.

Overdue balances of borrowers are recorded in the non-performing portfolio in the event of non-compliance with payment terms in which a loan installment or payment is past-due for specified periods. Loans are generally recorded as non-performing after 90 days of billing periods reporting non-compliance, at which time the accrual of interest is suspended. Pursuant to our financing and other agreements with our distributors, our distributors are severally liable for the unpaid amount of the loan, along with the borrowers. A distributor’s total liability is equal to the percentages of unpaid loan amounts determined within each promotion. As of December 31, 2020, the aforementioned contracts established a percentage of unpaid loan amounts of 3.3%. Joint and several liability is based on the percentage of shared risk agreed upon with each distributor on a case-by-case basis and is calculated over the unpaid amount of those loans which are more than 90 days past due.

The transfer of a loan from the non-performing loan portfolio to the current loan portfolio is carried out when the account payments are up-to-date and there have been no delays in its payment. Payments are considered up to date when there have been installment payments for the total amounts due at three consecutive payment dates. A payment is not considered up to date if payment is made prior to the scheduled amortization date.

Additionally, if a loan is restructured, it may be transferred to the current loan portfolio. The restructuring of this debt is formalized through modifications of the partial credit payment amounts, the payment due dates, and the amortization periods. Restructuring is permitted as long as there is evidence of sustained payment by the borrower, meaning three consecutive monthly payments.

The recognition of interest income is suspended when a loan is classified within the non-performing portfolio and is recorded as income only when it is collected. Loans are written off when scheduled payments or installments are past due 180 days or more.

An allowance for loan losses is created for any ordinary interest earned but not collected on non-performing loans at the moment the loan is transferred to the non-performing portfolio.

We recognize the allowance for loan losses in our commercial loan portfolio based on the criteria of the CNBV, as follows:

Methodology for commercial loan portfolio

When classifying the commercial loan portfolio, we consider the Probability of Default, Severity of Loss and Exposure to Default, and also classify the aforementioned commercial loan portfolio into different groups and establish different variables for the estimate of the probability of default.

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

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

Where:

R_i = Amount of the allowance for loan losses to be created for the nth credit.

PI_i = Probability of default of the nth credit.

SP_i = Severity of loss of the nth credit.

EI_i = Exposure to default of the nth credit.

The probability of default of each credit La (PI_i), is calculated using the following formula:

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

For purposes of the above:

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

$$Total\ Credit\ Score_i = \alpha \times (Quantitative\ Credit\ Score_i) + (1 - \alpha) \times (Qualitative\ Credit\ Score_i)$$

Where:

$Quantitative\ Credit\ Score_i$ = is the score obtained for the nth borrower when evaluating the risk factors.

$Qualitative\ Credit\ Score_i$ = is the score obtained for the nth borrower when evaluating the risk factors.

α = is the relative weight of the quantitative credit score.

Unsecured loans

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

- (a) 45%, for Preferential Positions.
- (b) 75%, for Subordinated Positions, in the case of syndicated loans, those which for purposes of their payment order or preference, are contractually subordinated in relation to other creditors.
- (c) 100%, for credits which report 18 or more months of arrears in payment of the due and payable amount under the terms originally agreed.

The Exposure to Default of each loan (Eli) is determined based on the following:

- (I) For disposed balances of uncommitted credit lines, which may be canceled unconditionally or which in practice permit an automatic cancellation at any time and without prior notice:

$$E_{li} = S_i$$

- (II) For the other lines of credit:

$$E_{li} = S_i * \text{Max} \left\{ \left(\frac{S_i}{\text{Authorized Line of Credit}} \right)^{-0.5794}, 100\% \right\}$$

Where:

S_i: The unpaid balance of the credit at the classification date, which represents the amount of credit effectively granted to the borrower, adjusted for interest accrued, minus payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted. In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet, for loans classified as non-performing portfolio.

Authorized Credit Line: the maximum authorized amount of the credit line at the classification date.

We may recognize the security interest in personal or real property, personal security and credit derivatives in the estimate of the Severity of Loss of the credits, in order to decrease the reserves derived from the portfolio classification. In any case, we may elect not to recognize the aforementioned securities if greater reserves are generated as a result. The provisions established by the CNBV are utilized for such purpose.

Consumer loan portfolio

The classification of the consumer portfolio is carried out on a quarterly basis and is calculated based on the balance of the debts on the final day of each month, considering the classification levels of the portfolio classified at the last known quarter, restated for the modification of the risk at the close of the current month. The allowance for loan losses is calculated according to the current methodology, as explained below.

Methodology for consumer loan portfolio

When classifying the consumer portfolio, we consider the Probability of Default, the Severity of the Loss and Exposure to Default, while also classifying the aforementioned portfolio into different groups of risks.

As it is a non-revolving consumer credit portfolio, the calculation of the Probability of Default, Severity of the Loss and Exposure to Default, must adhere to the following:

The following numbers are determined for each credit operation:

Due and payable amount: The amount which the borrower has to pay in the billing period agreed. For credits with weekly and half-monthly billing periods, the accumulation of previous due and payable amounts not paid must not be included. For credits with a monthly billing period, the due and payable amount must include both the amount applicable to the month and the previous unpaid due and payable amounts, as the case may be.

Rebates and discounts may decrease the due and payable amount, only when the borrower fulfills the conditions required in the credit contract to do so.

Payment made: The amount applicable to the sum of the payments made by the borrower in the billing period.

Write-offs, reductions, waivers, rebates and discounts made to the credit or group of credits are not considered as payments. The value of this variable must be greater than or equal to zero.

Days in arrears: The number of calendar days at the classification date, during which the borrower has not fully paid off the due and payable amount under the terms originally agreed.

Total term: The number of billing periods (weekly, half-monthly or monthly) established contractually in which the credit must be settled.

Remaining term: Number of weekly, half-monthly or monthly billing periods which, as established in the contract, remain pending to settle the credit at the portfolio classification date. In the case of credits whose maturity date has elapsed without the borrower making the respective payment, the remaining period must be equal to the total term of the credit.

Original loan amount: The amount applicable to the total loan amount at the time it is granted.

Original value of the good: The amount applicable to the value of the financed good recorded by the Institution at the time the credit is granted. If the credit is not to finance the purchase or acquisition of a good, the original value of the good will be equal to the original amount of the credit. Also, the original amount of the credit may be used for credits which do not reflect the original value of the good and were granted prior to the enactment of these provisions.

Loan balance: The unpaid balance at the classification date, which represents the amount of credit effectively granted to the borrower, adjusted for accrued interest, minus payments for financed insurance coverage, collections of principal and interest, and any reductions, waivers, rebates and discounts granted, as the case may be.

In any case, the amount subject to the classification must not include uncollected accrued interest, recognized in memorandum orders on the balance sheet, for loans which are in overdue portfolio.

Type of loan: In the case of the credits granted, they are personal; i.e., credits which are collected by us through any means of payment other than from the payroll account.

The creation and recording in books of the allowance for loan losses on the non-revolving consumer credit portfolio are based on figures at the final day of each month.

We determine the percentage used to determine the allowances to be created for each credit, which will be the result of multiplying the Probability of Default by the Severity of the Loss.

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

Where:

R_i = Amount of reserves to be established for the nth credit.

PI_i = Probability of Default on the nth credit.

SP_i = Severity of the Loss on the nth credit.

EI_i = Exposure to Default of the nth credit.

The Probability of Default of the non-revolving consumer credit portfolio whose Billing Periods are monthly or when involving credits with a single payment at maturity, as follows:

(a) $S_i ATR_i^M \geq 4$ then $PI_i^M = 100\%$

(b) $S_i ATR_i^M < 4$ then:

$$P_i^M = \frac{1}{1 + e^{-[-0.5753 + 0.04056 ATR_i^M + 0.7923 VECES_i^M - 4.1891\%PAGO_i^M + 0.9962PER_i^M]}}$$

Where:

P^M = Monthly Probability of Default or the nth credit.

ATR^M = Number of Arrears observed at the calculation date of reserves, which is obtained by applying the following formula:

$$\text{Number of Monthly Days in Arrears} = \frac{(\text{Days in Arrears})}{30.4}$$

When this number is not complete, it will take the value of the immediately higher complete number.

$VECES^M$ = Number of times that the borrower pays the original value of the good or, if there is no financed good, the number of times that the borrower pays the original amount of the credit. This number will be the coefficient resulting from dividing the sum of all the scheduled payments at the time of the origination, by the original value of the good.

If the payments of the credit consider a variable component, our best estimate will be used to determine the value of the sum of all the scheduled payments which must be made by the borrower. The value of such sum cannot be less than or equal to the original amount of the credit.

$\%PAGO^M$ = Average Percentage which the payment made represents of the due and payable amount in the last four monthly billing periods at the calculation date. The average must be obtained after having calculated the percentage which the payment made represents of the due and payable amount for each of the four monthly billing periods at the calculation date of the reserves. If fewer than four monthly billing periods have elapsed at the calculation date of the reserves, the percentage of those monthly Billing Periods remaining to complete four will be 100% for purposes of calculating this average, so that the variable of this calculation element will always be obtained using the average of four monthly percentages.

We determine the Severity of the Loss (SP) for the credits from the non-revolving consumer loan portfolio will be 65%, provided that the element ATR^M does not exceed 9, because in this case an SP of 100% is determined.

The Exposure to Default (EI_i) of each credit from the non-revolving consumer credit portfolio will be equal to the Loan Balance (S_i).

Income Taxes

Income tax ("ISR") is recorded in the result of the year in which it is incurred. The Company records deferred taxes by comparing accounting and tax basis of assets and liabilities. The resulting deductible and taxable temporary differences are multiplied by the tax rate expected to be in effect when such item reserve.

Employee Retirement Obligations

Under the Federal Labor Law, we have obligations for severance and seniority premiums payable to employees who cease rendering services under certain circumstances, as well as other obligations derived from a labor agreement.

Each year we record the net periodic cost to create a fund covering the net projected liability for seniority premiums, pensions and severance payments upon retirement or resignation, thereby increasing the related liability, in accordance with actuarial calculations made by independent actuaries. These calculations are based on the projected unit credit method, which see each period of service as giving rise to an additional unit of benefit entitlement. We therefore create a present value liability to cover the defined benefits obligation at the estimated retirement date of each covered employee.

While we believe that our assumptions are appropriate, significant deviations from actual conditions or significant changes to our assumptions in the future may materially affect our employee retirement obligations and our future expenses.

Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019.

Interest Income

The following table sets forth the components of our interest income for the years ended December 31, 2019 and 2020.

	Years Ended December 31,	
	2019	2020
	<i>(In millions of pesos)</i>	
Interest income from payroll loans	6,989.3	5,224.6
Interest income from SMEs loans	1,143.4	1,302.0
Interest income from used cars loans.....	820.6	1,053.0
Interest income from personal loans.....	2,881.2	2,784.4
Interest income from group loans	59.3	61.0
Interest income from durable goods and other loans	39.0	28.8
Total interest income	11,933.0	10,453.7

For the year ended December 31, 2020, we had total interest income of Ps. 10,453.7 million, reflecting a decrease of Ps. 1,479.2 million, or 12.4%, compared to Ps. 11,933.0 million for the same period in 2019. Interest income earned on our Payroll loans, SMEs loans, used cars, and personal loans varied (25.2%), 13.9%, 28.3%, and (3.4%), respectively. The average balance of our loan portfolio during the year ended December 31, 2020, was Ps. 47,509.9 million, an increase of Ps. 551.5 million or 1.2% from the Ps. 46,958.4 million average balance during the year ended December 31, 2019. Total portfolio, integrated by loan portfolio, factoring, and leasing, amounted Ps. 51,234.4 million as of December 31, 2020. The decrease in interest income is mainly attributed to the COVID-19 effects: i) the economic dynamism (particularly in Payroll business due to restrictions in prospecting activities due to the confinement measures implemented at the end of the year and, in SMEs business (most affected segment by the pandemic) due to the inherent effect of relief programs granted); ii) our asset quality; and, iii) our exposed position on Balance Sheet to currency fluctuation.

Interest Expense

Total interest expense, which consists primarily of interest paid and accrued on our interest-bearing liabilities, increased by Ps. 244 million, reflecting a 5.2% increase to Ps. 4,915.1 million for the year ended December 31, 2020, from Ps. 4,671.1 million for the year ended December 31, 2019.

Our average balance of interest-bearing liabilities debt portfolio increased from Ps. 36,079.0 million for the year ended December 31, 2019, to Ps. 45,668.7 million for the year ended December 31, 2020, reflecting an increase of Ps. 9,589.7 million, or 26.6%.

Financial Margin

Our financial margin decreased by Ps. 1,723.2 million, or 23.7%, to Ps. 5,538.6 million for the year ended December 31, 2020, compared to Ps. 7,261.9 million for the year ended December 31, 2019.

For the year ended December 31, 2020, the average interest rate earned from the average interest-earning assets was 21.7% and the average interest rate paid on the debt was 9.5%, resulting in a net interest margin of 9.5%. Comparatively, the average interest rate earned from the portfolio during the year ended December 31, 2019 was 28.1% and the average interest rate paid on the debt during the same period was 12.8%, resulting in a net interest margin of 17.1%.

Net provisions for Loan Losses

Provisions for loan losses, the estimated reserve amount reserved for the contingency of unrecoverable loans net of charge-off accounts, increased by Ps. 806.0 million, or 61.7%, to Ps. 2,112.6 million for the year ended December 31, 2020, from Ps. 1,306.6 million for the year ended December 31, 2019.

As of December 31, 2020, the balance of the allowance for loan losses was Ps. 2,031.6 million, which was equal to 127.8% of the Ps. 1,589.1 million non-performing portfolio on our balance sheet as of that date. As of December 31, 2019, the balance of the allowance for loan losses was Ps. 1,390.0 million, which was equal to 219.7% of the Ps. 632.7 million non-performing portfolio on our balance sheet as of that date.

Commissions and Fees Income

Total commissions and fees received was Ps. 137.3 million for the year ended December 31, 2020, compared to Ps. 515.7 million for the year ended December 31, 2019.

Commissions and Fees Paid

The following table sets forth the components of our commissions and fees paid for the year ended December 31, 2020 and 2019.

	Year Ended	
	December 31,	
	2019	2020
	<i>(In millions of pesos)</i>	
Bank fees and administrative commissions and fees ⁽¹⁾	(8.7)	(2.0)
Commissions and fees related to debt issuances ⁽²⁾	(359.3)	(238.6)
Other commissions and fees	(5.4)	(6.7)
Total commissions and fees paid	(373.4)	(247.3)

(1) Represents commissions paid for administrative and processing bank fees.

(2) Commissions and fees related to debt issuances include commissions and fees to third parties (e.g., underwriters and legal fees) in connection with the issuance of notes, the incurrence of indebtedness under credit facilities, the partial credit guarantees (por aval) from NAFIN, as well as commissions and fees payable to rating agencies.

Total commissions and fees paid decreased by Ps. 126.1 million, or 33.8%, to Ps. 247.3 million for the year ended December 31, 2020, compared to Ps. 373.4 million for the year ended December 31, 2019. This item mainly reflects the commissions paid for our debt issuances.

Other income from operations

As of December 31, 2020, Other income from operations amounted Ps. 1,097.3 million, an increase of Ps. 970.7 million or 766.8% when compared to Ps. 126.6 million as of December 31, 2019, mainly driven by the consolidation of CRA. This line includes revenue from the leasing business in the United States and the revenue from CRA's leasing portfolio.

Administrative and Marketing Expense

Administrative and marketing expense, which consist primarily of personnel remuneration and benefits expenses, including expenses incurred for wages, year-end bonuses and vacation premiums, as well as expenditures related to our information technology systems and rents under our office lease agreements, decreased by Ps. 67.8 million to Ps. 3,539.2 million for the year ended December 31, 2020, compared to Ps. 3,607.0 million for the year ended December 31, 2019. The decrease was primarily attributed to savings generated on a corporate level, in our international subsidiaries, and Resuelve expenses that are no longer recognized due to its divestment.

Operating Result

Operating result decreased by Ps. 1,978.4 million, to Ps. 794.9 million for the year ended December 31, 2020, compared to Ps. 2,773.3 million for the year ended December 31, 2019. This decrease was mainly attributed to the aforementioned described COVID-19 impacts and higher provisions for loan losses to cope with the prevailing situation.

Equity in Income of Associates

Equity in income of associates increased by Ps. 34.5 million, to Ps. 97.7 million, for the year ended December 31, 2020, compared to Ps. 63.2 million for the year ended December 31, 2019. This figure reflects the participation in the net income that corresponds us for our minority participation in the capital stock.

Income Taxes

The following table sets forth the components of our income taxes for the periods indicated.

	Year Ended December 31,	
	2019	2020
	<i>(In millions of pesos)</i>	
ISR:		
Current.....	(587.7)	(707.6)
ISR:		
Deferred.....	(148.2)	619.6
Total Income Tax.....	(735.9)	(87.9)

Income taxes decreased by Ps. 648.0 million to Ps. 87.9 million for the year ended December 31, 2020, compared to Ps. 735.9 million for the year ended December 31, 2019. The effective tax rate reached 25.9% and 9.9% respectively for the years ended in December 31, 2019 and 2020, respectively. The mismatch between the statutory rate (30.0%) and the Company's consolidated effective rate 9.9% was primarily the result of a decrease due to the statutory rate of our operations in the United States.

The increase in current tax of Ps. 119.8 million for the year ended December 31, 2020 is mainly due to higher business results in the abroad businesses, and the consolidation of CRA, which contributes to higher tax payments.

The decrease of Ps. 767.8 million in deferred tax for the year ended December 31, 2020 is mainly attributed to the increase in the allowance for loan losses and the recognition of deferred tax for the tax losses of some of the subsidiaries. Effect that corresponds to a future benefit that the companies had for tax purposes and is recognized as a deferred tax asset in our Balance Sheet for the year ended as of December 31, 2020.

Non-controlling Interest

Non-controlling interest income decreased to Ps. (48.4) million for the year ended December 31, 2020, a decrease of 140.1% from Ps. 120.5 million for the year ended December 31, 2019. This figure reflects the participation in the net income that correspond to third parties of Crédito Real's subsidiaries for their minority shareholding.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest decreased by Ps. 1,223.8 million, or 61.8%, to Ps. 756.4 million for the year ended December 31, 2020, compared to Ps. 1,980.1 million for the year ended December 31, 2019. The decrease in net income is mainly attributed to the combined effects of a lower economic dynamism and the measures adopted during the quarter to face the COVID-19 pandemic in all our business, among which are the launch of Relief Programs, the constitution of additional provisions for loan losses and the adoption of more restrictive origination standards.

Results of Operations for the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

Interest Income

The following table sets forth the components of our interest income for the years ended December 31, 2018 and 2019.

	Years Ended December 31,	
	2018	2019
	<i>(In millions of pesos)</i>	
Interest income from payroll loans	6,256.4	6,989.3
Interest income from SMEs loans	742.8	1,143.4
Interest income from used cars loans.....	662.0	820.6
Interest income from personal loans.....	2,538.3	2,881.2
Interest income from group loans	15.6	59.3
Interest income from durable goods and other loans	72.5	39.0
Total interest income	10,287.6	11,933.0

For the year ended December 31, 2019, we had total interest income of Ps. 11,933.0 million, reflecting an increase of Ps. 1,645 million, or 16.0%, compared to Ps. 10,287.6 million for the same period in 2018. Interest income earned on our Payroll loans, Instacredit loans, Used Cars MX, CR USA loans, SME loans, and group loans increased 11.7%, 13.5%, 1.1%, 38.4%, 75.7%, and 279.6%, respectively, while the interest income earned on our durable goods and other loans decreased 46.2%, during the same period. The average balance of our loan portfolio during the year ended December 31, 2019 was Ps. 42,488.3 million, an increase of Ps. 8,377.9 million or 24.6% from the Ps. 34,070.4 million average balance during the year ended December 31, 2018. The increase in interest income primarily resulted from the growth in the loan portfolio supported principally by our Payroll, SMEs loans and the United States businesses.

Interest Expense

Total interest expense, which consists primarily of interest paid and accrued on our interest-bearing liabilities, increased by Ps. 1,464 million, reflecting a 45.6% increase to Ps. 4,671.1 million for the year ended December 31, 2019, from Ps. 3,207.4 million for the year ended December 31, 2018. The increase is mainly explained by a larger debt balance at higher interest rates mainly resulting from our issuances of the 2026 Senior Notes in February 2019.

Our average balance of interest-bearing liabilities debt portfolio increased from Ps. 22,818.1 million for the year ended December 31, 2018 to Ps. 30,960.1 million for the year ended December 31, 2019, reflecting an increase of Ps. 8,142.0 million, or 35.7 %.

Financial Margin

Our financial margin increased by Ps. 181.7 million, or 2.6%, to Ps. 7,261.9 million for the year ended December 31, 2019, compared to Ps. 7,080.2 million for the year ended December 31, 2018.

For the year ended December 31, 2019, the average interest rate earned from the average interest-earning assets was 28.1% and the average interest rate paid on the portfolio was 11.0%, resulting in a net interest margin of 17.1%. Comparatively, the average interest rate earned from the portfolio during the year ended December 31, 2018, was 30.2% and the average interest rate paid on the portfolio during the same period was 9.4%, resulting in a net interest margin of 20.8%.

Net provisions for Loan Losses

Provisions for loan losses, the estimated reserve amount reserved for the contingency of unrecoverable loans net by charged-off accounts, decreased by Ps. 494.1 million, or 27.4%, to Ps. 1,306.6 million for the year ended December 31, 2019, from Ps. 1,540.3 million for the year ended December 31, 2018. In the year ended December 31, 2019, the decreased in provisions was attributable to a better performance of each segment's loan portfolio which resulted in a decrease in delinquency rates.

As of December 31, 2019, the balance of the allowance for loan losses was Ps. 1,390.0 million, which was equal to 219.7% of the Ps. 632.7 million non-performing portfolio on our balance sheet as of that date. As of December 31, 2018, the balance of the allowance for loan losses was Ps. 1,067.9 million, which was equal to 172.9% of the Ps. 617.6 million non-performing portfolio on our balance sheet as of that date.

Commissions and Fees Income

Total commissions and fees received was Ps. 515.7 million for the year ended December 31, 2019, compared to Ps. 564.1 for the year ended December 31, 2018. In accordance with the new international financial reporting standard on financial instruments (“IFRS 9”), which requires that we recognize the net yield rate of financial products, as of October 1, 2018, commissions collected from Instacredit have been recognized as interest income. As a result, for 2019, this line item only represents the income generated by Resuelve.

Commissions and Fees Paid

The following table sets forth the components of our commissions and fees paid for the year ended December 31, 2019 and 2018.

	Year Ended December 31,	
	2018	2019
	<i>(in millions of pesos)</i>	
Bank fees and administrative commissions and fees ⁽¹⁾	(1.7)	(8.7)
Commissions and fees related to debt issuances ⁽²⁾	(251.0)	(359.3)
Other commissions and fees	(3.3)	(5.4)
Total commissions and fees paid	(256.0)	(373.4)

1 Represents commissions paid for administrative and processing bank fees.

2 Commissions and fees related to debt issuances include commissions and fees to third parties (e.g., underwriters and legal fees) in connection with the issuance of notes, the incurrence of indebtedness under credit facilities, the partial credit guarantees (por aval) from NAFIN, as well as commissions and fees payable to rating agencies.

Total commissions and fees paid increased by Ps. 117.5 million, or 45.9%, to Ps. 373.4 million for the year ended December 31, 2019, compared to Ps. 256.0 million for the year ended December 31, 2018. This increase primarily resulted from higher commissions being paid in connection with our debt issuances.

Administrative and Marketing Expense

Administrative and marketing expense, which consist primarily of personnel remuneration and benefits expenses, including expenses incurred for wages, year-end bonuses and vacation premiums, as well as expenditures related to our information technology systems and rents under our office lease agreements, increased by Ps. 123.9 million to Ps. 3,607 million for the year ended December 31, 2019, compared to Ps. 3,483.1 million for the year ended December 31, 2018. The increase was primarily attributed to efficiencies achieved in Instacredit and in the businesses in Mexico.

Operating Result

Operating result increased by Ps. 264.5 million, to Ps. 2,773.3 million for the year ended December 31, 2019, compared to Ps. 2,508.8 million for the year ended December 31, 2018. This increase primarily resulted from lower provisions for loan losses and decreased administrative expenses.

Equity in Income of Associates

Equity in income of associates decreased by Ps. 91.5 million, to Ps. 63.2 million, for the year ended December 31, 2019, compared to Ps. 154.7 million for the year ended December 31, 2018. The decrease was mainly due to the combined effect of a decrease in Crédito Maestro’s net income, and Contigo’s and CR Arrendamiento’s net losses during 2019. Since the beginning of 2019, Contigo and CRA made investments as part of their respective expansion strategy to further penetrate their markets, which contributed to the losses registered for the period.

Income Taxes

The following table sets forth the components of our income taxes for the periods indicated.

	Year Ended	
	December 31,	
	2018	2019
	<i>(In millions of pesos)</i>	
ISR:		
Current.....	(355.3)	(587.7)
ISR:		
Deferred.....	(295.3)	(148.2)
Total Income Tax.....	(650.6)	(735.9)

Income taxes increased by Ps. 85.3 million to Ps. 735.9 million for the year ended December 31, 2019, compared to Ps. 650.6 million for the year ended December 31, 2018. The effective tax rate reached 26.5% and 25.9% respectively for the years ended on December 31, 2019 and 2018, respectively. The mismatch between the statutory rate (30.0%) and the Company's consolidated effective rate 26.5% was primarily the result of (i) a decrease due to the tax valuation of the derivatives registered at fair value and at the end of each period, (ii) a decrease by non-deductible expenses related to the exempt income of employees, (iii) a decrease by the recognition of the inflation, and (iv) a decrease due to the statutory rate of our operations in the United States.

The increase in current tax of Ps. 232.4 million and the decrease of Ps. 147.1 million in the deferred tax for the year ended December 31, 2019, primarily reflect the unwinding of the financial derivative instrument that hedged the 2019 Senior notes and the increase in the collection of various business lines.

The deferred tax for the year ended December 31, 2019, decrease primarily due to the effect of the termination of such derivatives, which were registered as a deferred tax in our balance sheet for the year ended December 31, 2018, while such transactions were recognized as current taxes.

Non-controlling Interest

Non-controlling interest income increased to Ps. 120.5 million for the year ended December 31, 2019, an increase of Ps. 62.9 million from Ps. 57.6 million for the year ended December 31, 2018, primarily due to participation in profits of our subsidiaries Instacredit and CRUSA Finance.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest increased by Ps. 24.8 million, or 1.3% to Ps. 1,980.1 million for the year ended December 31, 2019, compared to Ps. 1,955.4 million for the nine months ended December 31, 2018.

Liquidity and Capital Resources

Our treasury is responsible for providing the resources needed to ensure that we can satisfy our working capital needs by securing a liquidity platform that allows us to achieve our aggressive growth projections. To this end, we have diverse sources of financing, such as bank credit lines, bond issuances in the local market and international markets. In addition, we frequently evaluate other potential sources of financing, such as the monetization of our portfolio and issuances of bond debt with partial guarantees.

The funds maintained in investments have been established during each quarter with the objective of providing the resources needed to fulfill our funding requirements. Short-term investments will serve to maximize value lost by maintaining these funds. If we have excess liquidity that will not be used in the short-term, we will analyze possible long-term investment opportunities, including in foreign currency. Investment proposals must include

a certain combination of risk, yield, and financial instruments. We prioritize those investments that can be exchanged immediately for liquid capital.

As of December 31, 2020, we held Ps. 1,097.4 million of cash and cash equivalents. Similarly, As of December 31, 2020, we had investments in securities valued at Ps. 1,091.7 million, most of which are invested in investment instrument denominated in Mexican pesos.

One of our sources of funding are notes publicly issued and placed in Mexico under our securitization program. Other sources of funding are bank credit lines, including both revolving and term credit lines, provided by recognized financial institutions, our U.S. dollar-denominated 2023 Senior Notes, which were issued in 2016, our 2026 Senior Notes, which were issued in 2019, our 2027 Euro Notes, which were issued in 2019, our Subordinated Perpetual Notes, which were issued in 2017, our 2022 Swiss Notes, which were issued in 2018, and our Senior Notes issued in February 7, 2019 and October 9, 2019.

Our total indebtedness (excluding accrued interest) increased by Ps. 8,314.9 million, or 20.0%, from Ps. 41,511.2 million as of December 31, 2019 to Ps. 49,826.1 million as of December 31, 2020.

As of December 31, 2020, Ps. 13,772.4 million, or 27.6%, of our total indebtedness (excluding accrued interest) consisted of long-term notes and outstanding bank credit lines due to mature by December 2021. The remaining Ps. 36,053.7 million, or 72.4%, of our total indebtedness (excluding accrued interest) consisted of both long-term notes and outstanding bank credit lines due to mature after January 2022. As of December 31, 2020, excluding the Subordinated Perpetual Notes we had a debt-to-equity ratio of 3.1x to 1.0x. We continue to evaluate other financing sources, such as the securitization of portions of our loan portfolio, issuances of debt securities and bank credit lines.

The impact of the coronavirus in the financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain hedges or financing in a timely manner, on acceptable terms or at all. In addition, the slowdown in the economic activity caused by the coronavirus and other internal factors may result in a decrease in the demand of our financial products and services, may cause an increase in business failures among small- and mid-sized businesses that we serve and may adversely affect the ability of our clients to repay past or future loans (including as a result of lay-offs, which may have a significant adverse effect in our income and collections), which could adversely affect the quality of our portfolio, our capacity to repay our debt or comply with the covenants (including financial ratios) of our debt instruments.

In addition to measures to control the spreading of coronavirus, the Mexican financial authorities have issued special measures to strengthen the financial system, standardize accounting and disclosure and maintain the flow of credit. The Mexican financial institutions also have implemented measures to temporarily support and relief debtors that were in good standing in their respective loans as of February 28, 2020, including the partial or total deferral of principal of and interest on such loans from four to six months. In particular, on April 16, 2020, we received an official communication from the IMSS pursuant to which such entity temporarily suspended all payroll deductions from employees and pensioners of such institution for a period of three months from May to July 2020.

Existing and future measures implemented by the Mexican government to control the spreading of the coronavirus or support creditors or the economy could have a material adverse effect in our business, liquidity, results of operations or financial condition.

The extent to which coronavirus may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on consumer spending, including any recession resulting from the pandemic, all of which are highly uncertain and cannot be predicted.

See “Risk Factors Related to Mexico—Public health threats, such as the coronavirus outbreak, have had and may continue to have an adverse effect on the Mexican economy and on our business, financial condition or results of operations.”

The following tables present our total indebtedness (excluding accrued interest) as of December 31, 2018, 2019 and 2020:

	As of December 31,					
	2018		2019		2020	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	<i>(In millions of pesos, except percentages)</i>					
At period end ⁽¹⁾	9,648.9	9.6%	11,717.4	10.1%	17,538.2	8.7%
Average during period ⁽²⁾	7,756.8	9.7%	9,328.1	10.3%	15,085.9	9.2%
Maximum month-end balance	9,648.9	9.6%	11,717.4	10.7%	17,538.2	10.1%
Bond Issuances						
At period end ⁽¹⁾	18,979.5	11.2%	28,178.9	11.4%	28,327.9	10.3%
Average during period ⁽²⁾	17,833.4	10.6%	24,966.9	11.8%	28,550.0	10.4%
Maximum month-end balance	18,989.0	11.2%	28,287.7	12.2%	28,915.2	11.3%
Total borrowings, at period end (excluding accrued interest)	28,628.4	11.1%	39,896.3	11.7%	45,866.1	10.9%

The following table presents, as of December 31, 2020 the indebtedness of our affiliates (excluding accrued interest):

	As of December 31, 2020					
	CRUSA FINANCE		Instacredit		CRFED	
	Amount	Average Rate	Amount	Average Rate	Average Rate	Amount
Bank Financings	<i>(In millions of pesos, except percentages)</i>					
At period end	1,730.7	5.3%	2,503.2	11.7%	195.1	5.8%
Average during period	1,820.5	4.8%	2,721.3	12.4%	210.7	5.8%
Maximum month-end balance	2,055.8	5.3%	3,342.1	12.9%	230.2	5.8%
Total	1,730.7	5.3%	2,503.2	11.7%	195.1	5.8%

Our management expects that cash flow from operations and other sources of liquidity will be sufficient to meet our liquidity requirements over the next 12 months. The main source of our cash flow from operations is collections of installment payments on the loans in our loan portfolio.

The table below presents our projected collections of principal and interest on outstanding loans in our loan portfolio (Collections) and our projected obligations under our outstanding indebtedness, as of December 31, 2020, including interest payments and the repayment of principal at maturity (Obligations), during the first, second, third and fourth quarters of 2020, on a quarterly basis and in an aggregate amount over those periods. As set forth in the table, our collections, assuming no material change in the default rate of our loan portfolio, are expected to exceed our financial obligations during each quarter.

	2021				Total
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
	<i>(In millions of pesos)</i>				
Collections	6,850.6	5,139.5	4,773.8	5,888.3	22,652.2
Obligations	4,824.2	4,618.8	5,466.4	4,321.4	19,230.9

Contractual Obligations

The table below sets forth information of our contractual obligations (excluding accrued interest) as of December 31, 2020.

	As of December 31, 2020				Total
	2021	2022	2023	2024 and Thereafter	
	<i>(in millions of pesos)</i>				
Debt (excluding accrued interest and mark-to-market) ⁽¹⁾⁽²⁾ :					
Short-term debt	13,772.4	-	-	-	13,772.4
Current portion of long-term debt	-	-	-	-	-
Long-term debt	-	8,673.2	9,180.2	18,200.3	36,053.7
Total contractual obligations (excluding accrued interest and mark-to-market)	13,772.4	8,673.2	9,180.2	18,200.3	49,826.1

(1) For further information regarding the calculation of our contractual obligations, please see Note 13 to our annual financial statements.

(2) The Company's asset leasing activities include assets utilized for placements and to manage financing. According to the lease contracts recorded as of December 31, 2020, the Company has no future cash disbursements derived from residual value guarantees, extension options and contract terminations, restrictions imposed by leaseholders or sales transactions subject to leaseback agreements.

As of December 31, 2020, our weighted debt maturity is 2.9 years. In contrast, our weighted debt maturity was 3.8 years as of December 31, 2019, and 2.7 years as of December 31, 2018.

As of December 31, 2020, Ps. 13,396.8 million, or 26.6%, of our outstanding indebtedness (excluding accrued interest) was secured by collateral.

As of December 31, 2020, our contractual obligations denominated in U.S. dollars represented US\$1,352.5 million.

As of December 31, 2020, our contractual obligations denominated in Euros represented €350.0 million aggregate principal amount of our 2027 Senior Notes issued in 2019, and our contractual obligations denominated in Swiss Francs represented CHF170.0 million aggregate principal amount of our 2022 Senior Notes issued in 2018.

Indenture Governing our 2028 Senior Notes

On January 21, 2021, we entered into an indenture pursuant to which we issued US\$500 million aggregate principal amount of 2028 Senior Notes. The Senior Notes 2028 will mature on January 21, 2028. As of the date of this Offering Memorandum, we had US\$500 million of Senior Notes 2028 outstanding under this indenture. The indenture governing our Senior Notes 2028 contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture governing the Senior Notes 2028, among others, limits our ability and the ability of any of our restricted subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Indenture Governing our 2027 Senior Notes

On October 1, 2019, we entered into an indenture pursuant to which we issued and sold €350 million aggregate principal amount of 2027 Senior Notes. The Euro Notes will mature on February 1, 2027. As of the date of this Offering Memorandum, we had €350 million of indebtedness outstanding under this indenture. The indenture governing the Euro Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture (as amended or supplemented from time to time) governing the Euro Notes limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Indenture Governing our 2026 Senior Notes

On February 7, 2019, we entered into an indenture pursuant to which we issued and sold US\$400 million aggregate principal amount of 2026 Senior Notes. The 2026 Senior Notes will mature on February 7, 2026. As of December 31, 2020, we had US\$400 million of indebtedness outstanding under this indenture. The indenture governing the 2026 Senior Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture (as amended or supplemented from time to time) governing the 2026 Senior Notes limits our ability and the ability of any subsidiaries of ours to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Indenture Governing our 2023 Senior Notes

On July 20, 2016, we entered into an indenture pursuant to which we issued and sold US\$625 million aggregate principal amount of 2023 Senior Notes. The 2023 Senior Notes will mature on July 20, 2023. As of December 31, 2020, we had US\$426.9 million of indebtedness outstanding under this indenture. On September 12, 2019 we launched the Tender Offer to purchase for cash up to US\$300 million of the 2023 Senior Notes. At the closing of the Tender Offer we purchased 2023 Senior Notes in an aggregate principal amount equal to US\$198.1 million. The indenture governing the 2023 Senior Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture (as amended or supplemented from time to time) governing the 2023 Senior Notes limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Purchase Agreement Governing our 2022 Swiss Notes

On February 7, 2018, we entered into a bond purchase agreement pursuant to which we issued and sold CHF170.0 million aggregate principal amount which will mature on February 9, 2022. As of December 31, 2020, we had CHF170.0 million of indebtedness outstanding under this agreement. The agreement governing the 2022 Swiss Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the agreement limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, guarantee debts and sell assets.

Loan Agreements

We have access to bank credit lines in an aggregate amount of Ps. 18,722.0 million as of December 31, 2020. As of December 31, 2020, an aggregate amount of Ps. 15,569.1 million is outstanding from such bank credit lines. As of December 31, 2020, Ps. 10,733.7 million, or 24.5%, of our loan portfolio was pledged to secure our obligations under certain of our credit facilities. As of December 31, 2020, Ps. 1,112.2 million remains available under our bank credit lines.

Loan Agreement with NAFIN

On March 18, 2005, we entered into a term credit facility with NAFIN (as amended and supplemented on March 14, 2006, October 7, 2008, March 10, 2009, April 24, 2009, September 3, 2010, September 27, 2011, January 8, 2013, August 30, 2013, November 7, 2014, April 4, 2017, and April 20, 2020, respectively) for an aggregate principal amount of Ps. 2,500.0 million for purposes of granting equipment and business loans. This revolving credit facility has an indefinite term. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 2,471.3 million. This agreement does not have a maturity date. We are subject to certain restrictive covenants under the terms of this credit facility that, among other things, limit our ability to sell or assign the accounts receivable we originate and fund with the proceeds of this loan.

Loan Agreements with Banco Invex

On March 29, 2017, we entered into a secured term credit facility with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero (“Banco Invex”). This credit facility was refinanced on July 26, 2019 pursuant to an equivalent secured term credit facility with Banco Invex, for an aggregate principal amount of up to Ps. 300.0 million. This credit facility will mature on January 28, 2022, and bears interest at a rate equal to TIE plus an applicable margin. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 130.0 million. This credit facility requires us to comply with certain covenants that, among other things, limit our ability to: (1) sell, lease or grant bailment on our assets, (2) conduct mergers or spin-offs; (3) reduce our capital stock; and (4) modify our capital structure. Furthermore, under the terms of this new facility, we are required to inform Banco Invex of any changes in our capital structure or to our Board of Directors. This credit facility is secured by a commercial pledge over certain of our accounts receivable.

Loan Agreements with Banco Ve por Más

On May 22, 2018, we have a secured revolving credit facility with Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve por Más (“Banco Ve por Más”) with a maximum aggregate principal amount of Ps. 300.0 million. This credit facility was refinanced on April 10, 2019, with a maximum aggregate principal amount of Ps. 350.0 million. This credit agreement will mature on December 15, 2022. The loans under these credit agreements are secured by pledges on a portion of our portfolio and bear interest at a fixed or variable rate equal to TIE plus an applicable margin, in each case, as set forth in the promissory note evidencing each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps.286.4 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets, (2) provide collateral to lenders, (3) reduce our capital stock and (4) modify our capital structure. This credit facility is secured by a pledge of a portion of our accounts receivable. Additionally, this credit facility may be terminated prior to the

maturity date by Banco Ve por Más if (1) there are changes in our corporate name or purposes, (2) a change of control event occurs, or (3) the collateral does not comply with the “aforo” set forth in the agreement.

Loan Agreements with BBVA

On May 12, 2020, we entered into a secured revolving credit facility with BBVA for an aggregate principal amount of Ps. 460.0 million. The loans under this credit facility bear interest at a variable rate equal to THIE plus an applicable margin set forth in the promissory notes that evidence each disbursement, with a maturity date of May 12, 2022. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 460.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets; (2) provide collateral to lenders; (3) incur additional indebtedness, as well as require us to maintain (A) a ratio of non-performing loans to total loans less than or equal to 5%, and (B) a coverage ratio of non-performing loans greater than or equal to 1.2x.

This credit facility is secured by a pledge of a portion of our accounts receivable. On May 29, 2018, we entered into another secured revolving credit facility with BBVA for an aggregate principal amount of Ps. 100.0 million. This credit facility was refinanced on May 29, 2020, with a maximum aggregate principal amount of Ps. 240 million. This credit facility will mature on May 29, 2022. The loans under this credit facility bear interest at a variable rate equal to THIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. The agreement has a term of 24 months. As of December 31, 2020, we had Ps. 240.0 million of indebtedness outstanding under this credit facility. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets; (2) provide collateral to lenders; (3) incur additional indebtedness, as well as require us to maintain (A) a ratio of non-performing loans to total loans less than or equal to 5%, and (B) a coverage ratio of non-performing loans greater than or equal to 1.2x. This credit facility is secured by a pledge of a portion of our accounts receivable.

Loan Agreement with Scotiabank

On August 19, 2019, we entered into a loan revolving facility secured by a pledge with Scotiabank Inverlat S.A. Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (“Scotiabank”) with a maximum aggregate principal amount of Ps. 490.0 million. This credit facility will mature on August 19, 2021. The loans under this credit facility bear interest at a fixed or variable rate equal to THIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 335.8 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell, lease or otherwise transfer assets, except as permitted thereunder; (2) provide collateral to lenders; (3) conduct mergers or spin-offs; (4) enter into derivative transactions for speculative purposes; (5) incur additional indebtedness; and (6) modify our capital structure, as well as require us to maintain (A) a minimum capitalization ratio of 13.5%, (B) a ratio of non-performing loans to total loans less than or equal to 4% and (C) a minimum risk coverage of 100%, among others. Additionally, this credit facility contains certain early termination events, such as (1) changes in our corporate name and purpose, (2) the occurrence of a merge or spin-off without prior authorization of Scotiabank, (3) the seizure of the pledged assets, (4) the occurrence of a change of control, and (5) if the collateral does not comply with the “aforo”. This credit facility is secured by a commercial pledge over certain of our accounts receivable.

Loan Agreement with Banco Del Bajío

On April 12, 2013, we entered into a loan revolving facility secured by a pledge with Banco del Bajío, SA, Institución de Banca Múltiple (“Banco del Bajío”) with a maximum aggregate principal amount of Ps. 100 million (as amended on March 26, 2014, June 29, 2015, April 8, 2016, and May 29, 2018), to increase the maximum aggregate principal amount of Ps. 450.0 million. This credit facility will mature on May 29, 2024. The loans under this credit facility bear interest at a variable rate equal to THIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 221.8 million. This credit facility requires us to comply with certain covenants that, among other things, limit our ability to: (1) provide collateral to lenders, (2) reduce our capital stock, (3) conduct mergers or spin-offs and (4) modify our corporate structure. Additionally, this credit facility contains certain early termination events, such as (1) changes in our corporate name or purposes, (2) labor conflicts affecting our payment capabilities, (3) the occurrence of a cross-

default of another credit facility entered by us with Banco del Bajío, and (4) if the collateral does accomplish with the “aforo”. This credit facility is secured by a pledge of a portion of our accounts receivable.

Loan Agreements with Multiva

On December 15, 2017, we entered into a credit facility secured by a pledge with Banco Multiva, S.A., Institución de Banca Múltiple, Grupo Financiero Multiva (“Multiva”), as amended and supplemented on December 9, 2019, with a maximum aggregate principal amount of Ps. 100.0 million. This credit facility will mature on December 9, 2021. The loans under this credit facility bear interest at a fixed or variable rate equal to THIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the outstanding amount under this credit facility was Ps. 100.0 million.

On April 22, 2020, we entered into a credit facility secured by a pledge with Multiva, with a maximum aggregate principal amount of Ps. 100.0 million. This credit facility will mature on April 22, 2022. The loans under this credit facility bear interest at a fixed or variable rate equal to THIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. This credit facility contains certain early termination events, such as (1) changes in our corporate purpose, and (2) the occurrence of a cross-default regarding another credit facility entered by us with Multiva. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 100.0 million.

First Loan Agreement with Credit Suisse

On February 16, 2017, we entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million (the “First Loan Agreement with Credit Suisse”). This First Loan Agreement with Credit Suisse matured on February 21, 2020, and was repaid in full on such date with, among others, proceeds from the Credit Suisse Syndicated Loan Agreement.

Second Loan Agreement with Credit Suisse

On August 2, 2019, we entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million (the “Second Loan Agreement with Credit Suisse”). The Second Loan Agreement with Credit Suisse will mature on August 5, 2022. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 4.0%. As of December 31, 2020, the amount outstanding under this credit facility was US \$110.0 million. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under such facility, which loans remain outstanding as of the date of this Offering Memorandum. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder, (3) pay dividends, and (4) create or permit to be created any lien, except for permitted liens thereunder, as well as requires us to maintain (A) a capitalization ratio equal to or greater than 0.135:1.00, (B) a delinquency ratio equal to or lower than 0.04:1.00, (C) a risk coverage ratio equal to or greater than 1.00:1.00, (D) a leverage ratio equal to or lower than 3.5:1.00 and (E) a minimum liquidity ratio equal to or greater than 1.10:1.00.

Credit Suisse Syndicated Loan Agreement

On February 19, 2020, we and our subsidiary Marevalley Corporation entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million. This credit facility has two tranches, one of which will mature on February 21, 2023, and the other on February 21, 2025. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 3.75% and 4.0%, respectively. On the closing date thereof we requested the disbursement of loans for the maximum aggregate principal amount under such facility, which loans remain outstanding as of the date of this Offering Memorandum. The proceeds from this loan were used for general corporate purposes and to repay in full the First Loan Agreement with Credit Suisse. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; and (4) create or permit to be created any lien, except for permitted liens thereunder, as well as requires us to maintain (A) a

capitalization ratio equal to or greater than 0.135:1.00; (B) a delinquency ratio equal to or lower than 0.04:1.00; (C) a risk coverage ratio equal to or greater than 1.00:1.00; (D) a leverage ratio equal to or lower than 3.5:1.00; and (E) a minimum liquidity ratio equal to or greater than 1.10:1.00.

Loan Agreements with Banorte

On October 17, 2017, we entered into a term loan facility with Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (“Banorte”) with a maximum aggregate principal amount of Ps. 600.0 million. This credit facility will mature on October 16, 2021. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 83.3 million.

On September 27, 2018, we entered into a new revolving credit agreement with Banorte, with a maximum aggregate principal amount of up to Ps. 1,000.0 million taking into consideration both the term facility and the revolving facility. Later, on February 11, 2020, we celebrated a second revolving agreement to increase the credit line for an aggregate principal amount of up to Ps. 2,000 million taking into account the previous line. This credit facility will mature on February 10, 2022. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin set forth in the promissory notes that evidence each disbursement. The loans under the term and the revolving credit agreements are secured by pledges on a portion of our portfolio. As of December 31, 2020, the outstanding amount under this credit facility was Ps. 650.0 million. Pursuant to these loans we are required to comply with certain restrictive covenants that, among other things, limit our ability to: (1) reduce our capital stock, (2) conduct mergers or spin-offs, (3) pay dividends, (4) acquire debt (subject to certain exceptions), (5) create or permit to be created any lien except for permitted liens thereunder, (6) sell, lease or otherwise transfer assets, except as permitted thereunder, as well as requires us to maintain, (A) a minimum capitalization ratio of 13%, (B) a ratio of non-performing loans to total loans less than or equal to 5%, (C) a minimum risk coverage of 100% and (D) a liquidity ratio equal to or greater than 1.10:1.00. Additionally, this credit facility contains certain events of default which are triggered by certain events, such as (1) changes in our corporate purposes, (2) the occurrence of certain events affecting our payment capacity, (3) a default under another credit facility or agreement entered into by us with Banorte or any of its subsidiaries, (4) the occurrence of a change of control, and (5) if the collateral ceases to be eligible under the terms of the agreement.

Loan Agreement with Bladex

On July 20, 2018, we entered into a credit facility with Banco Latinoamericano de Comercio Exterior, S.A., (“Bladex”) with a maximum aggregate principal amount of Ps. 500.0 million. This credit facility will mature on July 20, 2021. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 148.1 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets, (2) provide collateral to lenders, (3) conduct mergers or spin-offs, (4) reduce our capital stock and (5) modify our capital structure; as well as requires us to maintain (A) a capitalization ratio equal to or greater than 13.5%, (B) a leverage ratio equal to or lower than 3.5:1.0, (C) maintain a ratio of non-performing loans to total loans less than or equal to 5%, (D) minimum liquidity ratio equal to or greater than 1.1:1.0 and (E) a risk coverage ratio equal to or greater than 100%. In the event of a default of any obligation under any other loan agreement (cross-default) for an amount equal to US\$10 million, Bladex can accelerate this loan agreement.

Loan Agreement with SMBC

On January 27, 2016, we entered into a term loan facility secured by a pledge with SMBC, S.A.P.I. de C.V., SOFOM, E.N.R. (as amended on September 12, 2017) with a maximum aggregate principal amount of Ps. 700.0 million. This credit facility was scheduled to mature on September 18, 2020.

On April 28, 2020, we celebrated a novation contract increasing the line for an aggregate principal amount of Ps. 800.0 million. This credit facility will mature on May 4, 2023. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 800.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1)

conduct mergers or spin-offs; (2) amend or modify our bylaws; (3) pay dividends except as permitted thereunder; and (4) create or permit to be created any lien, except for permitted liens thereunder, as well as require us to maintain (A) a capitalization ratio equal to or greater than 13.5%; (B) a ratio of non-performing loans to total loans less than or equal to 4%, (C) a risk coverage ratio equal to or greater than 100%, (D) a collateral coverage ratio equal to or less than 65% and (E) a minimum liquidity ratio equal to or greater than 1.1:1.0.

Loan Agreement with Mifel

On August 2, 2019, we entered into a loan revolving facility secured by a pledge with Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel (“Mifel”), for an aggregate principal amount of up to Ps. 100.0 million. This credit facility will mature on August 2, 2022. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 100.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except as permitted thereunder, (2) sell, lease or otherwise transfer assets, except as permitted thereunder, (3) pay dividends, (4) create or permit to be created any lien, except for permitted liens thereunder and (5) grant financing to third parties other than in the ordinary course of business, and requires us to maintain (A) a capitalization ratio equal to or greater than 12% and (B) a delinquency ratio equal to or lower than 6%. This agreement contains cross-default provisions which allow Mifel to terminate this agreement before maturity.

Loan Agreement with Citibanamex

On August 10, 2017, we entered into a loan revolving facility secured by a pledge with Banco Nacional de Mexico, S.A. (“Citibanamex”), Grupo Financiero Citibanamex for an aggregate principal amount of Ps. 500.0 million, as amended on November 8, 2017, August 7, 2018, and May 23, 2019, to incrementally increase the principal amount under the credit facility by Ps. 1,000.0 million. This credit facility will mature on May 28, 2021. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 1,500.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; (4) create or permit to be created any lien except, for permitted liens thereunder and (5) incur additional indebtedness, and requires us to maintain: (A) a ratio of non-performing loans to total loans less than or equal to 4%, (B) a coverage ratio of non-performing loans greater than or equal to 100%, (C) capitalization ratio equal to or greater than 20%, and (D) a liquidity ratio equal to or greater than 10%. This credit facility is secured by a pledge of a portion of our accounts receivable.

Loan Agreement with Santander

On March 17, 2020, we entered into a revolving credit facility with Santander providing from loans with a maximum aggregate principal amount of Ps. 200.0 million. This credit facility will mature on March 17, 2021. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under this credit facility, which proceeds were used to repay the loans under the credit agreement with Santander dated February 23, 2018. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except under limited circumstances as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; and (3) create or permit to be created any lien, except for permitted liens thereunder. Additionally, this credit facility contains certain early termination events, such as (1) the occurrence of merge, spin-off or a transfer of our equity, and (2) cross-default and cross-acceleration provisions. Santander can early terminate this loan agreement upon the occurrence of a cross-default of another credit facility entered into by us with Santander.

Loan Agreement with BNP Paribas

On April 24, 2020, we entered into an uncommitted letter agreement with BNP Paribas pursuant to which, subject to availability, we may be entitled to request loans with a term not exceeding one year (which maturity in no event shall extend beyond April 23, 2021), for an aggregate principal amount not to exceed US\$50 million at any time. Loans under this facility bear interest at a floating rate equal to LIBOR plus an applicable margin to be

determined at the time of the applicable borrowing. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 1,202.3 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; (4) create or permit to be created any lien, except for liens permitted thereunder; and (5) incur additional indebtedness. In addition, this credit facility requires us to maintain: (A) a capitalization ratio equal to or greater than 0.135:1.00; (B) a delinquency ratio equal to or lower than 0.04:1.00; (C) a risk coverage ratio equal to or greater than 1.00:1.00; and (D) a leverage ratio equal to or lower than 3.5:1.00.

Loan Agreement with Bank of Tokyo

On November 11, 2019, we entered into a term loan facility secured by a pledge with Bank of Tokyo Finance México, with a maximum aggregate principal amount of Ps. 50.0 million. This credit facility will mature on November 19, 2023. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 36.5 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs, (2) amend or modify our bylaws, (3) pay dividends except as permitted thereunder and (4) sell, lease or otherwise transfer assets, except as permitted thereunder.

Loan Agreement with IDB Invest

On November 26, 2019, we entered into a credit facility with IDB Invest, with a maximum aggregate principal amount of Ps. 968.8 million. This credit facility will mature on November 15, 2024. The loans under this credit facility bear interest at a variable rate equal to TIEE plus an applicable margin, set forth in the promissory notes that evidence each disbursement. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 775.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets, (2) provide collateral to lenders, (3) conduct mergers or spin-offs, (4) enter into certain transactions with affiliates, and (5) change the nature of our business, as well as requires us to maintain (A) a capitalization ratio equal to or greater than 13.5%, (B) a leverage ratio equal to or lower than 3.5:1.0, (C) a ratio of non-performing loans to total loans less than or equal to 4%, (D) a minimum liquidity ratio equal to or greater than 0 and (E) a risk coverage ratio equal to or greater than 1.25:1.00.

Loan Agreement with responsAbility

On September 28, 2020, we entered into a credit agreement with responsAbility (an investment management company focused on microfinance and small, and medium-sized enterprises financing) as Lender, with a maximum aggregate principal amount of US\$25 million. This credit agreement will mature on October 2, 2023. The loans under this credit bear interest at a fixed rate equal to 6.30%. As of December 31, 2020, the outstanding amount under this loan was Ps. 542.5 million (US\$25 million). The company used all money borrowed under this agreement for general corporate purposes. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; and (4) create or permit to be created any lien, except for permitted liens thereunder, as well as requires us to maintain (A) a capitalization ratio equal to or greater than 0.135:1.00; (B) a delinquency ratio equal to or lower than 0.04:1.00; (C) a risk coverage ratio equal to or greater than 1.00:1.00; (D) a leverage ratio equal to or lower than 3.5:1.00; and (E) a minimum liquidity ratio equal to or greater than 1.10:1.00.

Loan Agreement with Barclays PLC

On September 24, 2020, we entered into a credit agreement secured with Barclays Bank PLC, as Administrative Agent and, also Collateral Agent (“Barclays Bank PLC”), with a maximum aggregate principal amount of US\$50 million. This credit agreement will mature on December 28, 2021. The loans under this credit bear interest at a variable rate equal to LIBOR plus an applicable margin. As of December 31, 2020, the outstanding amount under this credit facility was Ps. 1,091.7 million (US\$50 million). This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; and (4) create

or permit to be created any lien, except for permitted liens thereunder, as well as requires us to maintain (A) a capitalization ratio equal to or greater than 0.135:1.00; (B) a delinquency ratio equal to or lower than 0.04:1.00; (C) a risk coverage ratio equal to or greater than 1.00:1.00; (D) a leverage ratio equal to or lower than 3.5:1.00; and (E) a minimum liquidity ratio equal to or greater than 1.10:1.00.

Loan Agreement with Wells Fargo (CRUSA Finance)

On May 3, 2017, our subsidiary CRUSA Finance entered into a senior credit facility with Wells Fargo Bank, National Association as administrative agent (amended as of July 16, 2018, September 6, 2018, November 7, 2018 and May 13, 2019), secured by a pledge over some of the assets of CRUSA Finance, with a maximum aggregate principal amount of US\$100.0 million. This credit facility matures on July 31, 2021. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 4.0% to 4.5%, depending on the leverage ratio. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 1,565.5 million, or US\$82.9 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit CRUSA Finance's ability to (1) conduct mergers or spin-offs except as permitted thereunder, (2) sell, lease or otherwise transfer assets, except as permitted thereunder, (3) create or permit to be created any lien, except for permitted liens thereunder, and requires CRUSA Finance to maintain (A) a Maximum Debt to Adjusted Tangible Net Worth Ratio (as defined therein) of no more than 2.25 to 1.0, (B) a Collateral Performance Indicator (as defined therein) of less than or equal to 32% as of the end of each calendar month and (C) an adjusted tangible net worth of at least US\$19.5 million in the aggregate for all borrowers.

Loan Agreement with Wallis State Bank (CR-FED LLC)

On November 27, 2017, our subsidiary CR-FED LLC entered into a credit facility with Wallis State Bank, as administrative agent (amended as of August 17, 2019), secured by a pledge over some of the assets of CR-FED LLC, with a maximum aggregate principal amount of US\$9.8 million. This credit facility matures on September 11, 2021. The loan under this credit facility bear interest at a fixed rate equal to 5.75%. As of December 31, 2020, the amount outstanding under this credit facility was Ps. 184.9 million, or US\$9.8 million. This credit facility requires us to comply with a restrictive covenant: Debt Services Coverage Ratio not to be less than 1.20 to be tested annually based upon Tax Return.

Loan Agreements of Instacredit

Our subsidiary Instacredit is the borrower under 13 credit facilities (the "Facilities"), nine of which are revolving. The creditors under these Facilities are Banco de Costa Rica, Banco Nacional de Costa Rica, Banco BCT, S.A., BCT Bank, Intl., Prival Bank (Costa Rica), (previously known as Banco de Soluciones Bansol de Costa Rica, S.A.), Banco Davivienda (Costa Rica), S.A., Banco Cathay de Costa Rica S.A., Banco Promerica de Costa Rica, S.A., Banco Lafise, S.A., Banco Improsa, S.A., MMG Bank Corporation, Republic Bank Limited and Scotiabank. The total amount of the Facilities is US\$116.1 million. Of the Facilities, three mature in 2020, three in 2021 and seven in 2022. Eleven of the Facilities bear interest at a variable annual interest rate and two have fixed annual rates which range between 8% and 15%. As of December 31, 2020, the amount outstanding under these credit facilities was Ps. 2,191.3 million. Payment obligations under the Facilities are secured by security trusts and/or personal guarantees. The Facilities require us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell or impose a lien over assets, (2) provide collateral to lenders, (3) conduct mergers, transformations or spin-offs, (4) transfer the shares that represent its capital stock (5) pay dividends and (6) grant loans, as well as require Instacredit to maintain the following: (A) a ratio of floating assets to current liabilities greater than 1:1; (B) a ratio of total debt to total assets equal to or less than 80%; (C) an interest coverage ratio greater than 1:1; and (D) a minimum cash flow as required by each respective lender.

Securitization Programs

On October 30, 2017, the CNBV authorized the registration on the RNV of a revolving, long-term securitized trust bonds program, for a maximum aggregate principal amount of Ps. 10,000 million. This securitization structure involves the transfer of certain accounts receivable to various trusts established or to be established by the Company (each, an "Issuing Trust"), which main purpose is to manage such accounts receivables and issue securities backed by

the assets of the relevant Issuing Trust. Payment of principal of and interest on the securities issued by each Issuing Trust is made out of the amounts collected from the accounts receivable contributed by the Company to such Issuing Trust. On November 3, 2017, the first Issuing Trust participated in a local Ps. 800 million bond issuances. Pursuant to the terms of the offer, the principal amount of the bonds will be partially covered through equal monthly installments beginning on December 3, 2019, until their maturity date on November 3, 2022. The bonds bear interest at an annual floating rate of TIIE plus 2.25%. As of December 31, 2020, the outstanding principal amount was Ps. 777.8 million.

On October 24, 2019, we issued a new bond (*certificados bursátiles*) in Mexico for an aggregate principal amount of Ps. 750 million. Pursuant to the terms of the offer, these bonds are backed by a portion of our payroll loan portfolio, bear interest at an annual floating rate of TIIE plus 2.15% and mature on October 24, 2024. The proceeds from this offer were used to fund our portfolio growth and other corporate purposes. These bonds were placed in Mexico through BIVA, a relatively newly created stock exchange that is expected to support the growth of the Mexican securities market through innovation, state-of-the-art technology, and accessibility. As of December 31, 2020, the outstanding principal amount was Ps. 750.0 million.

Off Balance Sheet Arrangements

As of December 31, 2020, we did not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks associated with our assets, liabilities and operations, including risks related to interest rates, credit, inflation and exchange rates. We continually assess our exposure to market risk that arises in connection with our operations and financial activities.

Credit Risk

Credit risk is the possibility of a loss arising from a credit event, such as the failure by a borrower to make principal and interest payments under previously agreed terms, which causes an asset to lose value. The purpose of credit risk management is to mitigate and optimize credit risk, keeping our exposure to credit risk within a permissible level relative to our capital, in order to maintain the soundness of our assets and to ensure returns commensurate with risk. Our current credit policy sets forth uniform and basic operating concepts, code of conduct and standards for credit operations. By giving our employees extensive credit training, we aim to achieve a high standard of credit risk management and create a better credit risk management culture within Crédito Real.

We have developed and refined our own proprietary underwriting standards and a digitalized credit review system, which help ensure high-quality loan portfolios and a faster credit approval process. In reviewing credit applications, we rely on both quantitative and qualitative measures, allowing us to utilize our knowledge and experience to better evaluate credit risk on a case-by-case basis. We believe our risk analysis systems allow us to make better credit decisions when evaluating credit applications from customers with limited or no credit histories or who work in the informal economy. We believe that our business model limits our credit exposure to credit risk. Our payroll loans are repaid on behalf of our borrowers through direct charges from the borrowers' paychecks pursuant to express written instructions from the borrowers. These instructions authorize a borrower's public sector employer or labor union to make fixed installment payments during the term of the payroll loan from the borrower's payroll wages before those wages are paid. In the case of group loans, we require our customers to provide a security deposit equivalent to 10% of the principal loan amount prior to the disbursement of each loan, and each group member jointly and severally guarantees each other group member's obligations, assuming joint responsibility for any missed payment by another group member. In addition, payments on our durable goods loans are supported by our possession of invoices for the goods purchased with the proceeds of such loans, facilitating repossession and limiting the ability of borrowers to dispose of the goods before the loans are fully repaid. However, for purposes of enforcing our collection rights, we use only the promissory notes (*pagarés*) that evidence the corresponding loans.

As part of our ongoing process to monitor risks, we monitor the credit collection process, which is a crucial aspect of our credit process. We analyze, evaluate and monitor each loan individually. Special attention is paid to non-performing loans, and stricter measures are used to monitor these loans.

Inflation Risk

Historically, high levels of inflation in Mexico have led to higher interest rates, depreciation of the peso and substantial government controls over exchange rates and prices. Increased inflation generally increases our cost of funding, which we may not be able to pass on to our customers through higher interest rates without adversely affecting the volume of the loans we originate. The level of and fluctuations in interest rates affect our ability to earn a spread between interest received on our loans and the cost of our funding. All of our loans have fixed interest rates, which may not reflect the real return we are receiving in an inflationary environment and may not, as a result, fully compensate us for the risk we are bearing on our loan portfolio. If the rate of inflation increases or becomes uncertain and unpredictable, our business, financial condition and results of operations could be adversely affected.

According to figures issued by INEGI, the annual rate of inflation in Mexico, as measured by changes in the National Consumer Price Index, was 6.5% in 2008, 3.6% in 2009, 4.4% in 2010, 3.8% in 2011, 3.6% in 2012, 4.0% in 2013, 4.1% in 2014, 2.1% in 2015, 3.4% in 2016, 6.8% in 2017, 4.8% in 2018, 2.8% in 2019, and 3.2% in 2020. High inflation can adversely affect consumer purchasing power and, thus, reduce the demand for the loan products we offer.

Fluctuations in Exchange Rates Between the Mexican peso and other currencies

We are exposed to foreign currency exchange rate risk as a result of our obligations contracted in U.S. dollars, Euros and Swiss Francs. Except for US\$101.9 million, and EUR\$50 million relating to our Senior Notes, the principal and interest payments of the rest of the obligations contracted in U.S. dollars were swapped to pesos and have a natural hedge from our portfolios originated in the businesses in the United States.

Of the total aggregate amount of US\$230.0 million from our Subordinated Perpetual Notes, we entered into three cross-currency swap contracts for a total amount of US\$230.0 million.

Of the total aggregate amount of CHF\$170.0 million from our 2022 Swiss Notes, we entered into cross-currency swap contracts for a total amount of CHF\$150.0 million and into a call spread contract for the remaining CHF\$20 million.

The issuance of Senior Notes 2023 amounted to US\$625.0 million. However, on October 8, 2019, a portion of the Senior Notes 2023 was prepaid leaving a remaining debt of US\$426.9 million. Of such remaining debt, we entered into five cross-currency swaps contracts, three Interest Rate Swap contracts and two Coupon-only Swap plus Call Spread contracts for a total amount of US\$425.0.

Of the total aggregate amount of US\$400.0 million from our 2026 Senior Notes, we entered into two cross-currency swaps contracts for a total amount of US\$150.0 million each one.

On October 1, 2019, we entered into cross currency swap contracts for EUR\$300 million of our EUR\$350 million Euro Notes that mature on February 1, 2027. The purpose of this hedge is to reduce market risks related to fluctuations in exchange rates.

These instruments effectively allow us to fix the exchange rate at which the coupon and principal payments related to our contractual obligations. We entered these cross-currency swaps to ensure that any depreciation of the peso with respect to the U.S. dollar, Euro or the Swiss Francs, during the term of our debt does not increase our debt obligations in peso terms and does not limit our ability to meet our foreign currency-denominated obligations. Therefore, under the cross-currency swaps, we deliver pesos to the counterparty under the swap at the beginning of the period and will receive amounts from our counterparties in the corresponding foreign currency. Thus, essentially through these swaps funds received by us from our lending activities in local currency are applied to service our foreign currency obligations without the need to convert pesos to foreign exchange. For accounting purposes, we have designated these instruments as hedging, recording fair value changes in the results of the period.

Any appreciation of the peso with respect to the U.S. dollar during the term of the debt may result in market-to-market losses, which in turn, could trigger margin calls. Therefore, we have entered credit lines with our cross-currency swap counterparties that help mitigate the risks of having to post collateral with our swap counterparties in

order to satisfy margin calls. As of December 31, 2020, we have of Ps. 643.3 million (US\$32.3 million) posted as collateral to satisfy margin calls with the different counterparties.

We have determined that the cross-currency swap instruments meet the criteria to be accounted for as a fair value hedge. Accordingly, the value of the cross-currency swaps and the related hedged debt receive fair value accounting treatment.

Cross-currency swap agreements are managed in line with our risk policy, the treasury handbook and require authorization from our Executive Committee. As a result, we can only enter derivative financial instruments for hedging purposes.

The effectiveness of our cross-currency swaps is measured through a regression model. This model measures the correlation between the change of the reasonable value of the primary position and the value of the hedging instrument. A retrospective effective test measures the difference between the primary position and the fair value of the cross-currency swaps. This is measured by evaluating the net present value of the expected cash flows of both the primary position and the fair value of the cross-currency swaps, discounted at the risk-free rate.

The hedge is considered effective if both tests are in the range between 80% and 125%. As of December 31, 2020, both tests showed that the hedge was within this range.

Interest Rate Risk

We are exposed to interest rate and maturity mismatches between our loans and sources of funding. Our loan portfolio consists entirely of loans bearing interest at fixed rates, and the yield from our loans depends on the spread between our cost of funding and the interest rates we charge our customers. An increase in interest rates, or general uncertainty about changes in interest rates, could affect demand for credit, and thus demand for our direct and indirect financing products. In addition, an increase in market interest rates in Mexico could increase our cost of funding under circumstances in which we could not timely and fully increase interest rates we charge to our customers. Such a situation could reduce the spread we earn on our loan portfolio.

Any mismatch between the maturity of our loan portfolio and our sources of funds could magnify the effect of any imbalance in interest rates, also representing a liquidity risk if we fail to obtain funding on an ongoing basis. An increase in our total cost of funds for any of these reasons could result in an increase in the interest rates on our loans, which could, as a result, affect our ability to attract new customers.

Interest rate fluctuations in Mexico have a significant effect on our business. While our interest-earning assets bear fixed interest rates, all of our interest-bearing liabilities currently carry floating interest rates equal to the 28-day TIIE, plus a spread, and are subject to frequent repricing. The TIIE is the benchmark interbank interest rate applicable to borrowing from and lending to Banco de México in transactions denominated in pesos, published daily in the Official Gazette. For information regarding the high, low and average TIIE during each of the periods indicated in this Offering Memorandum, as well as information on our interest cost of funding, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Interest Rate Fluctuations.”

The cross-currency swap hedge agreement also includes an interest rate swap related to our 2023 Senior Notes; this instrument changes the US\$286.7 million interest profile from a fixed rate in dollars to a fixed rate in pesos, which results in an obligation of the Company to pay interest calculated at a fixed rate in pesos to the counterparty every 28 days and an obligation of the counterparty to pay interest calculated at a fixed rate and in U.S. dollars to us every six months. For the remaining amount of US\$138.2 million, we are obligated to pay interest calculated at a TIIE plus an applicable margin to the counterparty every 28 days. For the remaining amount of US\$1.9 million of our 2023 Senior Notes, we deliver interest calculated at a fixed rate in U.S. dollars to us every six months.

For our 2026 Senior Notes, the instrument changes the US\$300.0 million interest profile from a fixed rate in dollars to a fixed rate in pesos, which results in an obligation of the Company to pay interest calculated at a fixed rate in pesos to the counterparty every 28 days and an obligation of the counterparty to pay interest calculated at a fixed rate and in U.S. dollars to us every six months. For the remaining amount of US\$100.0 million of our 2026 Senior Notes, we deliver interest calculated at a fixed rate in U.S. dollars to us every six months.

For CHF 120.0 million of our total outstanding 2022 Swiss Notes, the instrument changes the interest profile from a fixed rate in CHF to a fixed rate in pesos, so we deliver interest calculated at a fixed rate in pesos to the counterparty every 28 days and the counterparty delivers interest calculated at a fixed rate in CHF to us once a year. For the hedged amount of CHF30.0 million, the instrument changes the interest profile from a fixed rate in CHF to a floating rate in pesos, so we deliver interest calculated at a TIE plus an applicable margin every 28 days and the counterparty delivers interest calculated at a fixed rate in CHF to us once a year. Lastly, for the remaining hedged amount of CHF20.0 million, the participating swap changes the interest profile from a fixed rate in CHF to a fixed rate in pesos.

For our Euro Notes, the instrument changes the €300.0 million interest profile from a fixed rate in Euros to a fixed rate in pesos, which results in an obligation of the Company to pay interest calculated at a fixed rate in pesos to the counterparty every 28 days and an obligation of the counterparty to pay interest calculated at a fixed rate and in Euros to us every six months. For the remaining amount of €50.0 million of our Euro Notes, we deliver interest calculated at a fixed rate in Euros to us every six months.

In the case of the syndicated credit, the instrument changes the interest profile from a floating-rate in dollars to a fixed rate in pesos, so we deliver interest calculated at a fixed rate in pesos to the counterparty every 30 days and the counterparty delivers interest calculated at LIBOR plus an applicable margin in U.S. dollars to us every three months.

Considering all the contracted hedges by us, such as the cross-currency swaps and the interest rate swaps, 62.3% of our total debt (excluding accrued interests and mark-to-market) has fixed rates as of December 31, 2020.

SELECTED STATISTICAL INFORMATION

The following tables present certain of our selected statistical information and ratios for the periods indicated. The following information should be read in conjunction with our financial statements and the notes thereto included elsewhere in this offering memorandum, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Presentation of Certain Financial and Other Information.” The statistical information and discussion and analysis presented below for the fiscal years ended December 31, 2018, 2019 and 2020 are presented solely for the convenience of the reader for analytical purposes.

Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein.

Average Balance Sheet and Interest Rate Data

Average balances for peso-denominated assets and liabilities have been calculated in accordance with the following procedure: Our nominal average balances are quarterly averages. Interest income (expense) for each category has been calculated in the following manner: aggregate interest income (expense) for the years ended December 31, 2018, 2019 and 2020 are nominal amounts. Interest income (expense) for the year is the total income (expense) for the twelve months so determined.

The average annual rates earned on interest-earning assets and the average annual rate paid on interest-bearing liabilities are nominal rates.

Average Assets and Interest Rates

The table below presents the average quarterly balance of assets, interest income and average annual interest rate for the periods indicated.

	For the year ended December 31,								
	2018			2019			2020		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	<i>(In millions of pesos, except percentages)</i>								
Investment in securities									
Pesos.....	849.8	13.5	13.4%	802.8	421.4	52.5%	1,365.2	0.0	0.0%
Dollars..	81.4	-	-	87.6	-	-	110.4	-	-
Sub-total....	931.2	113.5	12.2%	890.4	421.4	47.3%	1,475.6	0.0	0.0%
Loans									
Pesos.....	27,129.1	6,962.7	25.7%	34,401.6	7,818.0	22.7%	37,954.5	6,447.2	17.0%
Dollars..	6,941.3	3,211.4	46.3%	8,046.7	3,693.5	45.9%	10,261.4	3,922.6	38.2%
Sub-total....	34,070.4	10,174.1	29.9%	42,448.3	11,511.5	27.1%	48,215.9	10,369.8	21.5%
Factoring Portfolio									
Pesos.....	-	-	-	-	-	-	950.7	810.5	85.3%
Dollars	-	-	-	-	-	-	157.3	83.9	53.4%
Sub-total....	-	-	-	-	-	-	1,107.9	894.4	80.7%
Leasing Portfolio:									
Pesos.....	-	-	-	-	-	-	2,067.5	200.2	9.7%
Dollars	-	-	-	-	-	-	-	-	-
Sub-total....	-	-	-	-	-	-	2,067.5	200.2	9.7%
Total interest earning assets									
Pesos.....	27,978.9	7,076.2	25.3%	35,204.4	8,239.4	23.4%	42,337.9	7,457.9	17.6%
Dollars..	7,022.7	3,211.4	45.7%	8,134.3	3,693.5	45.4%	10,529.0	4,006.5	38.1%

Sub-total....	35,001.6	10,287.6	29.4%	43,338.7	11,933.0	27.5%	52,867.0	11,464.5	21.7%
Cash and cash equivalents									
Pesos.....	136.4	-	-	302.5	-	-	591.0	-	-
Dollars..	314.1	-	-	387.8	-	-	545.4	-	-
Sub-total....	450.5	-	-	690.2	-	-	1136.4	-	-
Allowances for loan losses									
Pesos.....	(465.9)	-	-	(536.1)	-	-	(786.5)	-	-
Dollars..	(628.6)	-	-	(783.9)	-	-	(1,030.0)	-	-
Sub-total....	(1,094.4)	-	-	(1,320.0)	-	-	(1,816.5)	-	-
Furniture, property and equipment net									
Pesos.....	229.4	-	-	480.5	-	-	446.7	-	-
Dollars..	107.2	-	-	235.3	-	-	231.5	-	-
Sub-total....	336.7	-	-	715.8	-	-	678.1	-	-
Other non-interest earning assets net									
Pesos.....	9,491.5	-	-	10,006.9	-	-	17,024.2	-	-
Dollars..	2,102.8	-	-	2,681.5	-	-	3,082.5	-	-
Sub-total....	11,594.2	-	-	12,688.4	-	-	20,106.7	-	-
Total assets:									
Pesos.....	37,370.4	7,076.2	18.9%	45,458.1	8,239.4	18.1%	59,613.3	7,457.9	10.8%
Dollars..	8,918.2	3,211.4	36.0%	10,654.9	3,693.5	34.7%	13,358.4	4,006.5	30.3%
Total	46,288.6	10,287.6	22.2%	56,113.0	11,933.0	21.3%	72,971.8	11,464.5	14.3%

Average Liabilities, Stockholders' Equity and Interest Rates

The table below presents the average quarterly balances of liabilities and stockholders' equity, interest expense and average annual interest rates for the periods indicated.

	For the year ended December 31,								
	2018			2019			2020		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
<i>(In millions of pesos, except percentages)</i>									
Bank loans:									
Pesos	5,265.5	232.1	4.4%	7,378.9	66.3	0.9%	13,340.2	151.6	1.1%
Dollars	4,738.3	522.0	11.0%	5,458.6	748.7	13.7%	7,085.2	783.3	11.1%
Sub-total	10,003.8	754.1	7.5%	12,837.5	815.0	6.3%	20,425.3	934.8	4.6%
Notes payable and Senior Notes Payable:									
Pesos	17,552.8	2,453.3	14.0%	23,581.2	3,856.1	16.4%	31,108.0	3,980.3	12.8%
Dollars	-	-	-	0.0	-	-	0.0	-	-
Sub-total	17,552.8	2,453.3	14.0%	23,581.2	3,856.1	16.4%	31,108.0	3,980.3	12.8%
Total interest-bearing liabilities:									
Pesos	22,818.3	2,685.4	11.8%	30,960.1	3,922.4	12.7%	44,448.2	4,131.8	9.3%
Dollars	4,738.3	522.0	11.0%	5,458.6	748.7	13.7%	7,085.2	783.3	11.1%

	For the year ended December 31,								
	2018			2019			2020		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
	<i>(In millions of pesos, except percentages)</i>								
Sub-total	27,556.5	3,207.4	11.6%	36,418.7	4,671.1	12.8%	51,533.4	4,915.1	9.5%
Non-interest-bearing liabilities:									
Pesos	2,671.8	-	-	2,832.8	-	-	3,246.4	-	-
Dollars	889.5	-	-	729.5	-	-	481.8	-	-
Sub-total	2,561.2	-	-	3,562.4	-	-	3,728.3	-	-
Stockholders' equity:									
Pesos	11,640.4	-	-	11,665.2	-	-	12,076.0	-	-
Dollars	3,530.4	-	-	4,466.8	-	-	5,634.2	-	-
Sub-total	15,170.8	-	-	16,132.0	-	-	17,710.1	-	-
Total liabilities and Stockholders' equity:									
Pesos	37,130.4	2,685.4	7.2%	45,458.1	3,922.4	8.6%	59,770.6	4,131.8	6.9%
Dollars	9,158.2	522.0	5.7%	10,654.9	748.7	7.0%	13,201.2	783.3	5.9%
Total	46,288.6	3,207.4	6.9%	56,113.0	4,671.1	8.3%	72,971.8	4,915.1	6.7%

Changes in Financial Margin and Expense—Volume and Rate Analysis

The following tables allocate changes in interest income and interest expense between changes in volume and changes in rates for the year ended December 31, 2019 compared to 2018 and for the year ended December 31, 2020 compared to the year ended December 31, 2019. Volume and rate variances have been calculated based on movements in quarterly average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

	2019/2018			2020/2019		
	Increase (decrease) due to changes in interest			Increase (decrease) due to changes in interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	<i>(In millions of pesos)</i>					
Interest earning assets						
Investments in securities						
Pesos.....	(6.3)	314.2	307.9	295.3	(716.7)	(421.4)
Dollars.....	-	-	-	-	-	-
Sub-total.....	(6.3)	314.2	307.9	295.3	(716.7)	(421.4)
Loans						
Pesos.....	1,866.5	(1,011.2)	855.3	807.4	(2,178.2)	(1,370.8)
Dollars.....	511.4	(29.3)	482.1	1,016.6	(703.6)	313.0
Sub-total.....	2,377.9	(1,040.5)	1,337.4	1,824.0	(2,881.8)	(1,057.8)
Factoring Portfolio						
Pesos.....	-	-	-	-	810.5	810.5
Dollars.....	-	-	-	-	83.9	83.9
Sub-total.....	-	-	-	-	894.4	894.4
Leasing Portfolio						

Pesos.....	-	-	-	-	200.2	200.2
Dollars.....	-	-	-	-	-	-
Sub-total.....	-	-	-	-	200.2	200.2
Total interest-earning assets						
Pesos.....	1,860.2	(697.0)	1,163.2	1,102.7	(1,884.2)	(781.5)
Dollars.....	511.4	(29.3)	482.1	1,016.6	(703.6)	313.0
Total.....	2,371.6	(726.3)	1,645.4	2,119.3	(2,587.8)	(468.5)
Interest-Bearing Liabilities						
Bank loans						
Pesos.....	93.1	(258.9)	(165.8)	53.5	31.7	85.3
Dollars.....	79.4	147.4	226.7	223.1	(188.6)	34.5
Sub-total.....	172.5	(111.6)	60.9	276.7	(156.8)	119.8
Notes payable and Senior Notes						
Payable						
Pesos.....	842.6	560.2	1,402.7	1,230.8	(1,106.6)	124.2
Dollars.....	-	-	-	-	-	-
Sub-total.....	842.6	560.2	1,402.7	1,230.8	(1,106.6)	124.2
Total interest-bearing liabilities						
Pesos.....	935.7	301.3	1,237.0	1,284.4	(1,074.9)	209.5
Dollars.....	79.4	147.4	226.7	223.1	(188.6)	34.5
Total.....	1,015.1	448.6	1,463.7	1,507.5	(1,263.5)	244.0

Interest-Earning Assets – Yield and Yield Spreads

The following table sets forth the levels of our average interest-earning assets and our historical financial margin, interest rate, net yield and yield spread for the periods indicated.

	For the year ended		
	December 31,		
	2018	2019	2020
	<i>(In millions of pesos, except percentages)</i>		
Total average earning assets			
Pesos.....	27,978.9	35,204.4	42,337.9
Dollars.....	7,022.7	8,134.3	10,529.0
Total.....	35,001.6	43,338.7	52,867.0
Historical financial margin ⁽¹⁾			
Pesos.....	4,390.8	4,317.0	3,326.1
Dollars.....	2,689.4	2,944.8	3,223.3
Total.....	7,080.2	7,261.9	6,549.4
Gross yield ⁽²⁾			
Pesos.....	25.3%	23.4%	17.6%
Dollars.....	45.7%	45.4%	38.1%
Weighted-average rate	29.4%	27.5%	21.7%
Net yield ⁽³⁾			
Pesos.....	15.7%	12.3%	7.9%
Dollars.....	38.3%	36.2%	30.6%
Weighted-average rate	20.2%	16.8%	12.4%
Yield spread ⁽⁴⁾			
Pesos.....	9.6%	11.1%	9.8%
Dollars.....	7.4%	9.2%	7.4%
Weighted-average rate.....	9.2%	10.8%	9.3%

3

(1) For 2020, following the consolidation of CREAL Arrendamiento, the financial margin is calculated as interest income less interest expenses plus factoring and leasing revenues registered in commissions collected and other income from operations, respectively.

- (2) Gross yield is determined by dividing interest income by average interest earning assets.
- (3) Net yield is determined by dividing financial margin by average interest earning assets.
- (4) Yield spread is the difference between gross yield on interest earning assets and the net yield.

Return on Average Total Assets and Average Stockholders' Equity

The following table presents selected financial data and ratios for the periods indicated.

	For the year ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos, except percentages)</i>		
Net income attributable to controlling interest	1,955.4	1,980.1	756.4
Average total assets	46,288.6	56,113.0	72,971.8
Average stockholders' equity	15,170.8	16,132.0	17,710.1
Net income, as a percentage of:			
Average total assets.....	4.2%	3.5%	1.0%
Average stockholders' equity.....	12.9%	12.3%	4.3%
Average stockholders' equity, as a percentage of the average total assets	32.8%	28.7%	24.3%
Dividend payout ratio	9.9%	13.6%	-

Interest Rate Sensitivity of Assets and Liabilities

Our operations do not currently involve the granting of loans with floating interest rates. Additionally, our loans are denominated mainly in pesos. Bank loans and other contractual obligations are contracted at both fixed and floating rates and are denominated in pesos, with the exception of our 2023 Senior Notes, the 2026 Senior Notes, the Euro Notes, the CHF Notes, two syndicated loans, a credit line and certain indebtedness that we assumed in connection with the acquisition of CRUSA Finance and Instacredit, which are denominated in U.S. dollars, and certain indebtedness that we assumed in connection with the acquisition of Instacredit, which is denominated in colones. In order to mitigate mismatches between active and passive rates, during 2019, we converted certain of our indebtedness that had floating rates to fixed rate indebtedness. As of December 31, 2020, 61.1% of our total indebtedness (excluding accrued interests and mark-to-market) was set at fixed rates.

Interest Rate Sensitivity

The following table reflects our interest-earning assets and interest-bearing liabilities as of December 31, 2020, as of December 31, 2019, and as of December 31, 2018. Fixed-rate instruments were classified in this table according to their contractual maturity.

	As of December 31, 2020						Total
	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	
	<i>(In millions of pesos)</i>						
Assets							
Cash and cash equivalents	1,097.4	-	-	-	-	-	1,097.4
Fixed-rate performing loans	3,275.4	6,117.6	3,628.9	9,698.1	15,804.5	11,021.0	49,545.4
Investments in securities	1,071.5	19.91	0.3	-	-	-	1,091.7
Total interest-earning assets	4,346.9	6,137.5	3,629.1	9,698.1	15,804.5	11,021.0	51,734.5
Other non-interest-earning assets	19,024.9	-	-	-	-	-	19,024.9
Non-performing loans	1,589.1	-	-	-	-	-	1,589.1

Less: Allowance for loans losses	(2,031.6)	-	-	-	-	-	(2,031.6)
Total assets	22,929.3	6,137.5	3,629.1	9,698.1	15,804.5	11,021.0	70,316.9

Liabilities and stockholders' equity:

Notes Payable	0.4	-	-	50.4	251.3	458.3	761.0
Senior Notes Payable	310.4	-	-	-	3,836.2	23,559.3	27,705.9
Bank loans and borrowings from other entities	284.9	3,242.6	3,133.8	7,119.1	4,585.7	2,993.2	21,359.3
Total interest-bearing liabilities	595.7	3,242.8	3,134.2	7,169.5	8,673.2	27,010.9	49,826.3
Other non-interest-bearing liabilities	-	-	-	-	-	4,422.2	4,422.2
Stockholders' equity	-	-	-	-	-	16,068.5	16,068.5
Total liabilities and stockholders' equity	595.7	3,242.8	3,134.2	7,169.5	8,673.2	47,501.6	70,316.9

Interest rate sensitivity gap	3,690.3	910.0	1,458.2	2,014.6	5,103.0	(15,989.9)	(1,716.4)
Cumulative interest rate sensitivity gap	3,690.3	4,600.3	6,058.5	8,073.1	13,176.1	(2,813.8)	-
Cumulative gap as percentage of total interest-earning assets	7.7%	9.6%	12.6%	16.8%	27.4%	(5.8%)	-

As of December 31, 2019

	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	Total
<i>(In millions of pesos)</i>							
Assets							
Cash and cash equivalents	1,180.9	-	-	-	-	-	1,180.9
Fixed-rate performing loans	1,516.5	3,199.3	5,734.5	8,669.5	27,205.9	-	46,325.8
Investments in securities	1,155.1	10.0	19.1	110.1	-	-	1,294.3
Total interest-earning assets	2,671.6	3,209.3	5,753.6	8,779.6	27,205.9	-	47,620.1
Other non-interest-earning assets	-	-	-	-	-	13,548.1	13,548.1
Non-performing loans	-	-	-	-	-	632.7	632.7
Less: Allowance for loans losses	-	-	-	-	-	1,390.0	1,390.0
Total assets	3,852.5	3,209.3	5,753.6	8,779.6	27,205.9	12,790.8	61,591.7
Liabilities and stockholders' equity:							
Notes Payable	14.2	28.5	42.7	85.5	1,090.1	-	1,261.0
Senior Notes Payable	53.0	-	-	-	24,583.8	-	24,636.7
Bank loans and borrowings from other entities	235.2	2,365.5	3,013.7	1,983.2	8,015.9	-	15,613.5
Total interest-bearing liabilities	302.4	2,393.9	3,056.4	2,068.7	33,689.7	-	41,511.2
Other non-interest bearing liabilities	-	-	-	-	-	4,016.6	4,016.6

Stockholders' equity	-	-	-	-	-	16,063.9	16,063.9
Total liabilities and stockholders' equity	302.4	2,393.9	3,056.4	2,068.7	33,689.7	20,080.5	61,591.7
Interest rate sensitivity gap	3,550.0	815.4	2,697.2	6,710.9	(6,483.8)	(7,289.8)	-
Cumulative interest rate sensitivity gap	3,550.0	4,365.4	7,062.6	13,773.5	7,289.7	-	-
Cumulative gap as percentage of total interest-earning assets	7.5%	9.2%	14.8%	28.9%	15.3%	-	-

As of December 31, 2018

	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	Total
<i>(In millions of pesos)</i>							
Assets							
Cash and cash equivalents	575.7	-	-	-	-	-	575.7
Fixed-rate performing loans	711.1	1,383.7	1,792.2	3,194.7	28,619.8	-	35,701.5
Investments in securities	940.9	-	-	-	-	-	940.9
Total interest-earning assets	1,652.0	1,383.7	1,792.2	3,194.7	28,619.8	-	37,218.1
Other non-interest-earning assets	-	-	-	-	-	12,794.7	12,794.7
Non-performing loans	-	-	-	-	-	617.6	617.6
Less: Allowance for loans losses	-	-	-	-	-	1,067.9	1,067.9
Total assets	2,227.7	1,383.7	1,792.2	3,194.7	28,619.8	12,344.4	49,562.5
Liabilities and stockholders' equity:							
Notes Payable	31.8	-	-	22.5	1,409.2	-	1,463.5
Senior Notes Payable	177.1	2,118.8	-	-	14,722.9	-	17,018.8
Bank loans and borrowings from other entities	249.7	433.4	2,253.3	4,423.3	4,804.7	-	12,164.4
Total interest-bearing liabilities	458.6	2,552.2	2,253.3	4,445.8	20,936.8	-	30,646.7
Other non-interest bearing liabilities	-	-	-	-	-	2,980.2	2,980.2
Stockholders' equity	-	-	-	-	-	15,935.6	15,935.6
Total liabilities and stockholders' equity	458.6	2,552.2	2,253.3	4,445.8	20,936.8	18,915.8	49,562.5
Interest rate sensitivity gap	1,769.1	(1,168.5)	(461.1)	(1,251.1)	7,683.0	(6,571.4)	-
Cumulative interest rate sensitivity gap	1,769.1	600.6	139.5	(1,111.6)	6,571.4	-	-
Cumulative gap as percentage of total interest-earning assets	4.8%	1.6%	0.4%	(3.0%)	17.7%	-	-

As of December 31, 2020, interest-earning assets totaled Ps. 51,734.5 million. Of these assets, 8.4% amortize periodically every 30 days or less. Such assets are integrated as follows: 75.3% by our total performing portfolio and 24.7% by investments in securities. Of our total loans, most are fixed-rate loans.

Of our interest-bearing liabilities as of December 31, 2020, 100% consisted of loans from banks and other entities and totaled Ps. 49,826.3 million. Of our total interest-bearing liabilities, 1.2% amortize every 30 days or less, as shown in our interest rate sensitivity table.

Cash and Cash Equivalents

We held cash in the amount of Ps. 1,097.4 million as of December 31, 2020, representing 1.6% of our total assets.

Bank Financings and Bond Issuances

The following table sets forth our bank financings and bond issuances and Senior Notes (excluding accrued interest) for the periods indicated.

	As of December 31,					
	2018		2019		2020	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	<i>(In millions of pesos, except percentages)</i>					
At period end ⁽¹⁾	9,648.9	9.6%	11,717.4	10.1%	17,538.2	8.7%
Average during period ⁽²⁾	7,756.8	9.7%	9,328.1	10.3%	15,085.9	9.2%
Maximum month-end balance	9,648.9	9.6%	11,717.4	10.7%	17,538.2	10.1%
Senior notes						
At period end ⁽¹⁾	14,147.9	12.1%	23,246.6	12.7%	23,662.2	12.6%
Average during period ⁽²⁾	13,816.2	11.8%	20,218.3	13.4%	23,762.1	12.4%
Maximum month-end balance	14,147.9	12.1%	23,333.2	14.0%	24,005.1	12.6%
Swiss Notes						
At period end ⁽¹⁾	3,416.6	10.7%	3,404.5	11.6%	3,404.5	11.6%
Average during period ⁽²⁾	3,114.7	10.2%	3,404.2	11.4%	3,404.5	11.2%
Maximum month-end balance	3,426.1	10.7%	3,404.5	11.6%	3,404.5	11.6%
Senior trust bonds						
At period end ⁽¹⁾	1,415.0	10.8%	1,527.8	9.8%	1,261.1	6.7%
Average during period ⁽²⁾	902.5	9.7%	1,344.4	10.5%	1,383.3	7.8%
Maximum month-end balance	1,415.0	10.8%	1,550.0	10.8%	1,505.6	9.7%
Total borrowings, at period end (excluding accrued interest) ..	28,628.4	11.1%	39,896.3	11.7%	45,866.1	10.9%

(1) The interest rate at the end of the period is calculated as the weighted average interest rate of available lines of credit at the end of each period reported

The average amount and interest rate are calculated considering the average of monthly end balances of the referred period.

Loan Portfolio

Loan portfolio amounts set forth in this section include the total principal amount of performing and non-performing loans outstanding as of the date presented. The terms “total loans,” and “loan portfolio,” include total performing loans plus total non-performing loans. See “Summary Financial Information.”

Our loan portfolio as of December 31, 2020 and December 31, 2019 amounted to Ps. 47,509.9 million and Ps. 46,958.4 million, respectively. These changes represent an increase of 1.2% in our loan portfolio from the preceding period.

Classification of our Loan Portfolio

The following table sets forth the classification of our loan portfolio in terms of performing and non-performing loan portfolios, as of December 31, 2017, 2018 and 2019.

	As of December 31,					
	2018		2019		2020	
	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio
	<i>(In millions of pesos, except percentages)</i>					
Performing loan portfolio.....	35,701.6	98.3%	46,325.7	98.7%	45,920.8	96.7%
Non-performing loan portfolio.....	617.6	1.7%	632.7	1.3%	1,589.1	3.3%
Loan portfolio ⁽¹⁾	36,319.1	100.0%	46,958.4	100.0%	47,509.9	100.0%

(1) Loans amounts include accrued interest

Performing Loan Portfolio by Product

Our total performing loan portfolio decreased (0.9%) as of December 31, 2020 compared to December 31, 2019. See “Business—Our Loan Products.”

Our performing payroll loan portfolio totaled Ps. 28,913.8 million as of December 31, 2020, reflecting an increase of Ps. 959.3 million, or 3.4%, compared to Ps. 27,954.5 as of December 31, 2019, which increase was primarily the result of our continuing expansion in our targeted segments, such as public employees and pensioners. Our performing payroll loan portfolio as a percentage of our total performing loan portfolio was 63.0% as of December 31, 2020, compared to 60.3% as of December 30, 2019.

Our performing SME loan portfolio totaled Ps. 7,727.5 million as of December 31, 2020, a decrease of Ps. 1,597.6 million, or 17.1%, compared to Ps. 9,325.1 million as of December 31, 2019. Our performing SME loan portfolio as a percentage of our total performing loan portfolio was 16.8% as of December 31, 2020.

Our performing used car loan portfolio totaled Ps. 3,831.0 million as of December 31, 2020, an increase of Ps. 336.3, or 9.6%, compared to December 31, 2019. Our performing Used Car loan portfolio as a percentage of our total performing loan portfolio was 8.3% as of December 31, 2020.

Our performing loan portfolio of personal loans totaled Ps. 4,552.2 million as of December 31, 2020, a decrease of Ps. 129.0, or 2.8%, compared to Ps. 4,681.2 million as of December 31, 2019, which increase was primarily the result of an expansion in Costa Rica and stabilization in Nicaragua. Our performing loan portfolio of personal loans as a percentage of our total performing loan portfolio was 9.9% as of December 31, 2020 and 10.1% as of December 31, 2019.

Our performing group loan portfolio totaled Ps. 492.4 million as of December 31, 2020, reflecting a decrease of Ps. 130.0 million, or 20.9%, compared to Ps. 622.4 as of December 31, 2019. Our performing group loan portfolio as a percentage of our total performing loan portfolio was 1.1% as of December 31, 2020, compared to 1.3% as of December 31, 2019.

Our performing durable goods and other loans portfolio totaled Ps. 403.9 million as of December 31, 2020, an increase of Ps. 156.1 million, or 63.0%, compared to Ps. 247.8 million as of December 31, 2019. Our performing durable goods and other loan portfolio as a percentage of our total performing loan portfolio was 0.9% as of December 31, 2020 and 0.5% as of December 31, 2019.

The table below shows our performing loan portfolio by product for the periods indicated.

	As of December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Payroll Loans	24,537.3	27,954.5	28,913.8
Small Business Loans.....	3,791.4	9,325.1	7,727.5
Used Cars	2,782.8	3,494.7	3,831.0
Personal Loans	4,191.7	4,681.2	4,552.2
Group Loans.....	70.5	622.4	492.4
Durable Goods Loans.....	327.8	247.8	403.9
Total performing loan portfolio	35,701.6	46,325.7	45,920.8

Loans by Geographic Concentration

The following table sets forth our loan portfolio based on geographic concentration as of the dates indicated. We have not observed any significant correlation between the incidence of delinquency and default on non-performing loans and geographic location.

Mexican federal entity	As of December 31,					
	2018		2019		2020	
	Loan Amount ¹	% of Portfolio ²	Loan Amount ¹	% of Portfolio ²	Loan Amount ¹	% of Portfolio ²
	<i>(In millions of pesos, except percentages)</i>					
Aguascalientes	236.8	0.7%	317.6	0.7%	247.7	0.5%
Baja California Norte.....	360.4	1.0%	404.5	0.9%	348.0	0.7%
Baja California Sur	221.0	0.6%	392.7	0.8%	322.6	0.7%
Campeche	274.8	0.8%	251.0	0.5%	226.0	0.5%
Chiapas	811.6	2.2%	1,263.1	2.7%	1,266.7	2.7%
Chihuahua.....	369.0	1.0%	280.6	0.6%	223.9	0.5%
Coahuila	496.0	1.4%	630.4	1.3%	597.5	1.3%
Colima	135.6	0.4%	164.9	0.4%	124.6	0.3%
Mexico City	8,752.0	24.1%	10,937.5	23.3%	13,669.9	28.8%
Durango.....	271.4	0.7%	320.0	0.7%	253.0	0.5%
State of Mexico.....	3,069.1	8.5%	4,033.6	8.6%	3,929.0	8.3%
Guanajuato.....	677.5	1.9%	685.6	1.5%	579.6	1.2%
Guerrero.....	1,119.1	3.1%	1,101.4	2.3%	1,088.7	2.3%
Hidalgo.....	443.9	1.2%	652.9	1.4%	594.9	1.3%
Jalisco.....	926.1	2.5%	2,143.7	4.6%	2,462.0	5.2%
Michoacan	589.7	1.6%	907.9	1.9%	775.1	1.6%
Morelos.....	271.1	0.7%	323.7	0.7%	281.5	0.6%
Nayarit.....	192.6	0.5%	183.9	0.4%	245.6	0.5%
Nuevo León	912.5	2.5%	1,440.0	3.1%	1,090.7	2.3%
Oaxaca.....	1,899.8	5.2%	1,631.2	3.5%	1,392.6	2.9%
Puebla.....	731.8	2.0%	1,092.8	2.3%	914.4	1.9%
Querétaro	168.6	0.5%	590.5	1.3%	796.8	1.7%
Quintana Roo.....	170.3	0.5%	281.6	0.6%	227.7	0.5%
San Luis Potosi	556.7	1.5%	638.5	1.4%	437.5	0.9%
Sinaloa.....	582.7	1.6%	625.6	1.3%	481.6	1.0%
Sonora.....	781.2	2.2%	801.7	1.7%	723.5	1.5%
Tabasco.....	525.0	1.4%	417.8	0.9%	352.4	0.7%
Tamaulipas	475.9	1.3%	507.4	1.1%	488.0	1.0%
Tlaxcala	124.5	0.3%	110.0	0.2%	105.4	0.2%
Veracruz	2,701.2	7.4%	3,150.8	6.7%	3,454.4	7.3%
Yucatan.....	304.0	0.8%	305.8	0.7%	297.4	0.6%

Mexican federal entity	As of December 31,					
	2018		2019		2020	
	Loan Amount ¹	% of Portfolio ²	Loan Amount ¹	% of Portfolio ²	Loan Amount ¹	% of Portfolio ²
	<i>(In millions of pesos, except percentages)</i>					
Zacatecas	89.7	0.2%	151.2	0.3%	104.7	0.2%
Others ⁽³⁾	1.0	0.0%	-	0.0%	-	0.0%
Mexico.....	29,242.7	80.5%	36,740.0	78.2%	38,103.3	80.2%
United States.....	2,030.5	5.6%	4,130.3	8.8%	3,601.5	7.6%
Central America....	5,045.9	13.9%	6,088.1	13.0%	5,805.1	12.2%
Total.....	36,319.1	100.0%	46,958.4	100.0%	47,509.9	100.0%

(1) The loan amounts set forth in the table above include accrued interest.

Percentage of portfolio equals the relevant loan amount by geographic concentration divided by the total loan portfolio.

Other entities include IMSS and Mexican federal entities.

Total Performing Loan Portfolio by Loan Balance

The following table sets forth an analysis of our loan performing portfolio's composition as of the dates indicated according to the original principal amount borrowed.

Original principal amount	As of December 31,					
	2018		2019		2020	
	Loan Amount	% of the Portfolio	Loan Amount	% of the Portfolio	Loan Amount	% of the Portfolio
	<i>(In millions of pesos, except percentages)</i>					
Less than Ps. 3,000	37.4	0.1%	45.3	0.1%	153.9	0.3%
Between Ps. 3,001 and Ps. 5,000	197.4	0.6%	217.8	0.5%	308.0	0.7%
Between Ps. 5,001 and Ps. 10,000	1,138.2	3.2%	1,267.7	2.7%	1,329.3	2.9%
Between Ps. 10,001 and Ps. 15,000	1,752.2	4.9%	1,864.3	4.0%	1,779.8	3.9%
Between Ps. 15,001 and Ps. 20,000	1,872.3	5.2%	1,971.7	4.3%	1,860.4	4.1%
Over Ps. 20,001	30,704.0	86.0%	40,959.0	88.4%	40,489.4	88.2%
Loan portfolio	35,701.6	100.0%	46,325.7	100.0%	45,920.8	100.0%

Non-Performing Loan Portfolio

Our loan portfolio is classified as non-performing when loans are 90 days or more past-due and is recognized as non-performing up to the amount of the capital and interest due at that date. We rate our loan portfolio using an internal methodology based on the likelihood of a borrower's default and on the expected loss given default, as per the provisions of the general provisions applicable to credit institutions (*Disposiciones de Carácter General Aplicables a las Instituciones de Crédito*).

Overdue balances of borrowers are recorded in the non-performing portfolio in the event of non-compliance with payment terms in which a loan installment or payment is past-due for specified periods. Loans are generally recorded as non-performing after 90 days of billing periods reporting non-compliance, at which time the accrual of interest is suspended. Pursuant to our financing and other agreements with our distributors, our distributors are severally liable for the unpaid amount of the loan, along with the borrowers. A distributor's total liability is equal to the percentages of unpaid loan amounts determined within each promotion. as of December 31, 2020, the aforementioned contracts established a percentage of unpaid loan amounts of 3.3%. Joint and several liability is based on the percentage of shared risk agreed upon with each distributor on a case-by-case basis and is calculated over the unpaid amount of those loans which are more than 90 days past due.

The transfer of a loan from the non-performing loan portfolio to the current loan portfolio is carried out when the account payments are up to date and there have been no delays in its payment. Payments are considered up to date when there have been three consecutive amortizations for the total amounts due at each payment date. A payment is not considered up to date if payment is made prior to the scheduled amortization date.

Additionally, if a loan is restructured, it may be transferred to the current loan portfolio. The restructuring of this debt is formalized through modifications of the partial credit payment amounts, the payment due dates, and the amortization periods. Restructuring is permitted as long as there is evidence of sustained payment by the borrower, meaning three consecutive monthly payments.

We stop recognizing interest income when a loan is categorized as non-performing, and it is only re-categorized as income once the payment has been obtained. The loans are discounted for purposes of bookkeeping after 180 days from the date in which the payment or amortization was due.

With regard to ordinary accrued interests that have not been charged from non-performing loans, we create a preventive estimate for the total amount of said interest when the loan is transferred into our non-performing portfolio.

As of December 31, 2020, our total non-performing loan portfolio was Ps. 1,589.1 million, or 3.3% of our loan portfolio. Our total non-performing loan portfolio increased by Ps. 956.4 million, or 151.2%, as compared to December 31, 2019.

The following table sets forth an analysis of our non-performing loan portfolio (including accrued non-performing interest) by product at the dates indicated.

	As of December 31,		
	<i>(In millions of pesos)</i>		
	2018	2019	2020
Payroll Loans.....	270.1	287.8	489.0
SMEs Loans	25.5	40.1	760.8
Used Cars Loans.....	25.2	42.3	56.2
Personal Loans	271.0	236.8	253.1
Group Loans	-	-	0.3
Durable Goods Loans	25.8	25.8	29.8
Total non-performing loan portfolio.....	617.6	632.7	1,589.1

Allowance for Loan Losses

The methodology used to record our allowance for loan losses is based on an internal methodology based on the probability of a borrower's default and on the expected loss given default applied to the loan portfolio outstanding balance. The following tables set forth contain information of the allowances for loan losses of our loan portfolio (including accrued interest).

	As of December 31,					
	<i>(In millions of pesos)</i>					
	2018		2019		2020	
	Loans by Product	Allowances for Loan Losses	Loans by Product	Allowances for Loan Losses	Loans by Product	Allowances for Loan Losses
	<i>(In millions of pesos)</i>					
Payroll Loans.....	24,807.4	(535.2)	28,242.3	(479.9)	29,402.8	(522.6)
SMEs MX Loans	3,676.7	(73.1)	7,419.7	(211.2)	7,397.3	(503.6)
Used cars MX.....	917.7	(35.5)	1,401.0	(60.7)	1,360.8	(99.0)
Personal Loans	4,462.7	(373.6)	4,918.0	(657.6)	4,805.3	(749.1)
CR USA.....	2,030.5	(9.4)	4,081.5	40.7	3,617.4	(32.6)
Group Loans	70.5	(0.6)	622.4	(35.2)	492.7	(28.4)
Durable Goods Loans	353.6	(40.6)	273.5	13.8	433.6	(96.3)
Total loan portfolio plus allowances.....	36,319.1	(1,067.9)	46,958.4	(1,390.0)	47,509.9	(2,031.6)

Analysis of Allowance for Loan Losses

The following table analyzes our allowance for loan losses, movements in loans written-off and recoveries for the periods indicated, as well as changes to income and period-end allowances for loan losses, net of recoveries, as a result of the sale of non-performing loans at the end of each period. We use an internally developed methodology to record our allowance for loan losses that is consistent with CNBV recommendations and is based on the Probability of Default and Severity of Losses of the loan portfolio.

	For the year ended December 31,		
	2018	2019	2020
	<i>(In millions of pesos)</i>		
Balance at beginning of year	1,067.5	1,067.9	1,390.0
Plus:			
Increase to the allowance for loan losses.....	2,061.1	1,843.5	2,598.8
Recovery of charged-off accounts	260.4	268.9	486.1
Net allowances for loan losses	1,800.7	1,574.6	2,112.6
Sub-total	2,868.2	2,642.5	3,502.7
Less:			
Loan write-offs	1,800.4	1,252.5	1,471.1
Balance at the end of the year.....	<u>1,067.9</u>	<u>1,390.0</u>	<u>2,031.6</u>

The increase in loan write-offs of Ps. 217.7 million from December 31, 2019 to December 31, 2020 was primarily due to the COVID-19 pandemic effects.

Workout and Credit Recovery

Our credit recovery unit handles debt recovery from borrowers whose loans have been classified as non-performing. See “Business—Loan Servicing and Collection” for additional information on recovery and collection of our loans. When non-performing loans exceed 180 days reporting non-compliance, such loans are charged off; it is understood that during such period all the collection proceeds have been collected and there is therefore a high probability that no further proceeds would be received from such loans. Written-off loans become subject to consideration for further action, including the sale of any such loan at a discount. The amounts recovered as a result of the sale of written-off loans are recorded in our income under the item “other income (expense) of the operation.”

As of December 31, 2020, there were no restructured loans in our total loan portfolio. The restructuring of such debt is formalized with each customer by changing the amounts of credit installments, the dates for partial payments of credit and the loan repayment periods. All restructured loans are considered NPL until there is evidence of sustained payment by the customer, which is satisfied if the customer has made three consecutive monthly payments.

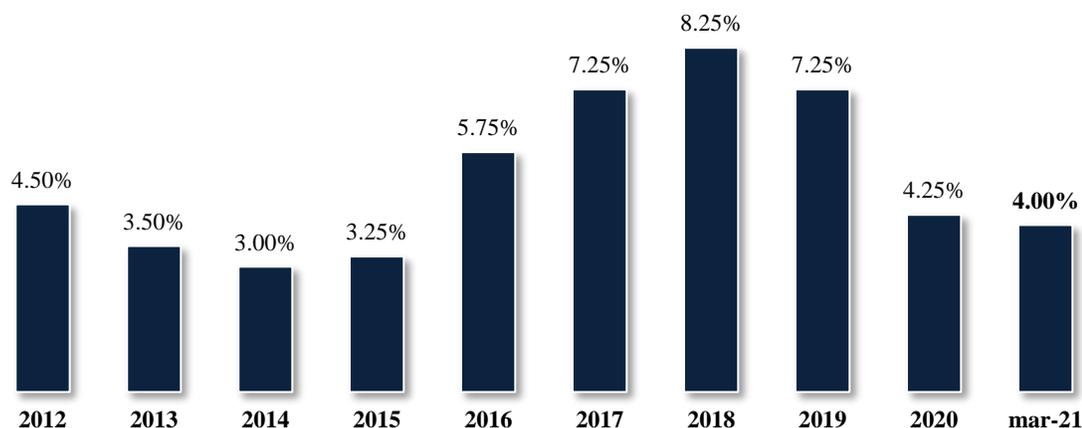
THE MEXICAN PAYROLL LENDING, SME LOANS, AUTO FINANCING AND GROUP LOANS MARKETS AND UNITED STATES AUTO FINANCING MARKET

Overview of the Mexican Macroeconomic Environment

Mexico has generally enjoyed stable and positive macroeconomic performance since the implementation of a wide range of reforms to liberalize the Mexican economy and open it to foreign trade and investment in the late 1980s. Since the 1995 currency and banking crisis, Mexico's GDP has grown on average 2.7% per year. In 2006, GDP grew at a rate of 4.5%, supported by exports of manufactured goods and strong foreign direct investment. Economic conditions began deteriorating in 2007, with Mexico's GDP growth rate slowing to 2.3%. In 2008, and 2009, the Mexican economy experienced significant deterioration as a result of the global financial crisis. Mexico's GDP growth rate slowed to 1.1% in 2008 and declined by 5.3% in 2009, the sharpest economic contraction since 1995. In 2010, the Mexican economy recovered considerably, with external demand and exports of manufactured goods driving annual GDP growth to 5.1%, the highest in the past 10 years. In the last 5 years, from 2015 to 2020, the economy has contracted at an average rate of 0.3%. The COVID-19 pandemic caused that GDP at an annual rate linked two consecutive falls, after the Mexican economy fell 0.1% and 8.5% as of 2019, and 2020, respectively.

In addition, since the beginning of 2018, Banco de México increased the target rate for overnight interbank interest on four occasions, increasing from a rate of 7.25% at the beginning of 2018 to 8.25% at the end of 2018 and then subsequently decreasing it. In March 2020, Banco de México outlined measures to provide liquidity and improve the functioning of financial markets roiled by the coronavirus outbreak that has adversely affected growth prospects for Mexico and the global economy. Among others, the measures announced include an interest rate cut of 50 bps, from 7.0% to 6.5%, making it the biggest out-of-cycle interest rate cut in six years. During 2020, Banxico cut 300 bps from 7.25% to 4.25% in nine monetary policy meetings, and in their first meeting of 2021, they cut 25 bps more to leave the Interest rate in 4.00%.

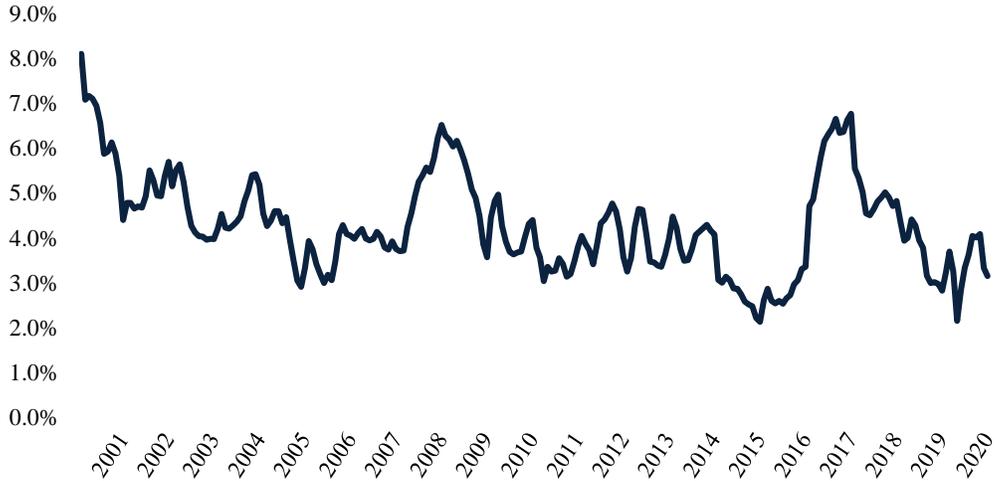
Banxico Interest Rate



Source: Banco de México, as of March 2021.

As an independent entity, Banco de México has maintained a sound monetary policy that has generated little inflation, as the average annual inflation rate for the period since 2001 has been 4.4%. However, depreciation of the Mexican peso against the U.S. dollar has affected recent inflation levels. It reached 6.3% in June 2017, the highest level reported since December 2008. As for December 31, 2020, the inflation rate reached 3.15% within BANXICO aim.

Historical Inflation



Source: INEGI, as of December 31, 2020.

Unemployment rates have historically remained relatively stable throughout different stages of the economic cycle, maintaining an average level of 3.0% since 2000. As a result of the global financial crisis, Mexico's unemployment rate rose to an average of 5.3% in 2009, the highest level since 2000, but has gradually decreased as a result of the heightened manufacturing output and the subsequent economic recovery. The average unemployment rate in Mexico was 4.4% in 2020, due to the job losses derived from the measures implemented to avoid the COVID-19 spread.

From January 1, 2000 to June 30, 2013, the peso enjoyed over a decade of relative stability with an average daily exchange rate, as published by Banxico, of Ps. 11.35 per U.S. dollar. During the global financial crisis, the peso experienced a significant depreciation relative to the U.S. dollar, reaching an exchange rate of Ps. 15.37 in March 2009. Since mid-2014, the peso has gradually depreciated, with the exchange rate reaching a peak at Ps. 21.91 in January 2017. As of December 31, 2020, the exchange rate was Ps. 19.9087 per U.S. dollar determined by Banco de México and published in the Official Gazette on January 1, 2021. During 1Q21, the peso has depreciated 2.6% against the dollar resulting in an exchange rate of Ps. 20.44 per U.S. dollar as of March 31, 2021.

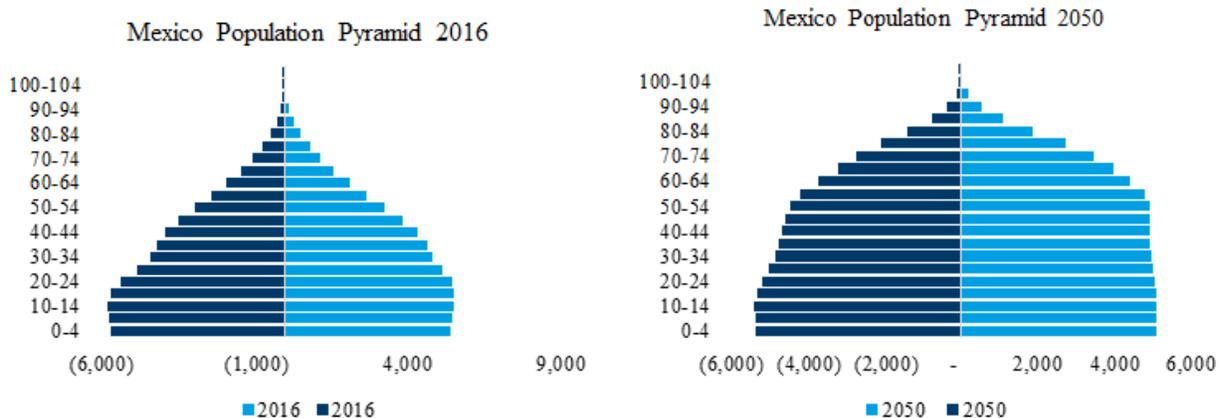
US dollar vs. Mexican Peso Exchange Rate



Source: Banco de México, as of March 31, 2021.

Additionally, we believe Mexico has a great demographic advantage, as it is expected to have an older population in 2050, as illustrated in the graph below, which would increase both the size of the workforce and domestic consumption significantly. During the next 40 years, we expect that Mexico will enjoy favorable demographic and socioeconomic trends that should drive future demand for consumer credit. According to the National Population Council, (*Consejo Nacional de Población*, or “CONAPO”), Mexico’s working age population (individuals between 15 to 60 years old) as a percentage of total population is expected to increase from 62.5% in 2016 to reach 71.3% in 2050.

Demographic Growth



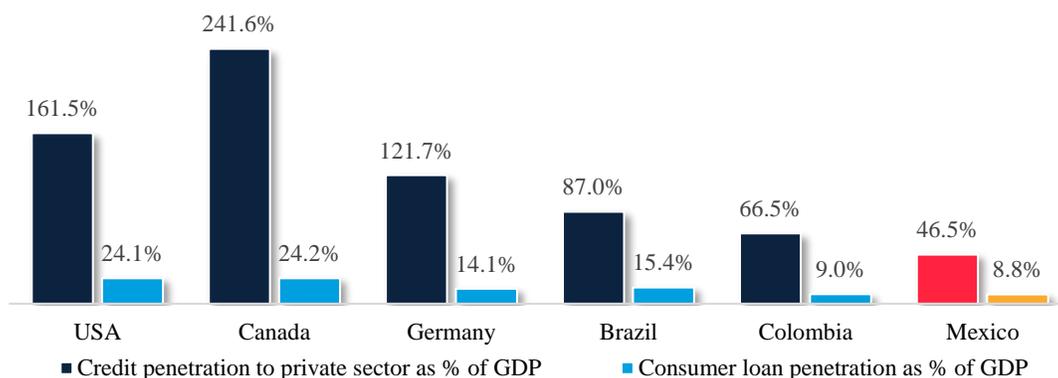
Overview of Credit to the Private Sector in Mexico

With the exception of the credit slowdown experienced in 2009 as a result of the global economic recession, private sector credit growth in Mexico has generally been strong in the past decade. According to the CNBV, total bank loans to the private sector grew at an average growth rate of 10.1% from December 2010 to December 2020. As of December 2020, the total bank loan portfolio to the private sector was Ps. 4,751.7 billion, representing a decrease of 2.0% compared to December 2019. Such bank loans to the private sector currently represent roughly 89.6% of the total bank loan portfolio, with the remaining 10.4% comprised of governmental loans. As of December 2020, commercial lending represented 57.8% of the total bank loans to the private sector portfolio, followed by consumer lending at 21.2% and mortgage lending at 20.9%.

Consumer loans, in particular, had a CAGR of 9.7% from 2010 through 2020, compared to a decrease of 20.6% and 28.0% in 2009 and 2008, respectively. Such recovery was driven primarily by the increase in GDP and employment, which in turn improved consumer confidence and household spending. Going forward, GDP growth, job creation and macroeconomic stability will be fundamental to support future consumer demand and consumer credit expansion in Mexico. Likewise, in the aftermath of the credit slowdown, the non-performing loan ratio of the Mexican banking system as of December 2009 was 3.1%; nonetheless, the quality of the Mexican banking system’s loan portfolio has improved since then, decreasing to 2.6% and 2.2% as of December 2020 and December 2019, respectively.

Despite intense loan growth since 1994, banking penetration in Mexico remains low compared to other Latin American countries and the rest of the world. Private sector loans in Mexico as of the third quarter of 2020 represented 46.5% of GDP, compared to 66.5% in Colombia, 87.0% in Brazil, 121.7% in Germany, 241.6% in Canada, and 161.5% in the United States. Such low penetration is largely driven by the large fraction of the Mexican population that remains without access to financial services. According to National Council for Financial Inclusion, (CONAIF for its Spanish acronym), as of 2015 only 44.0% of the total adult population had a bank account in Mexico. The unbanked segment is primarily composed of low- and middle-income individuals, mostly living in rural areas. This segment represents a significant growth opportunity for financial institutions capable of catering to this population.

Credit Penetration in Mexico (% of GDP)

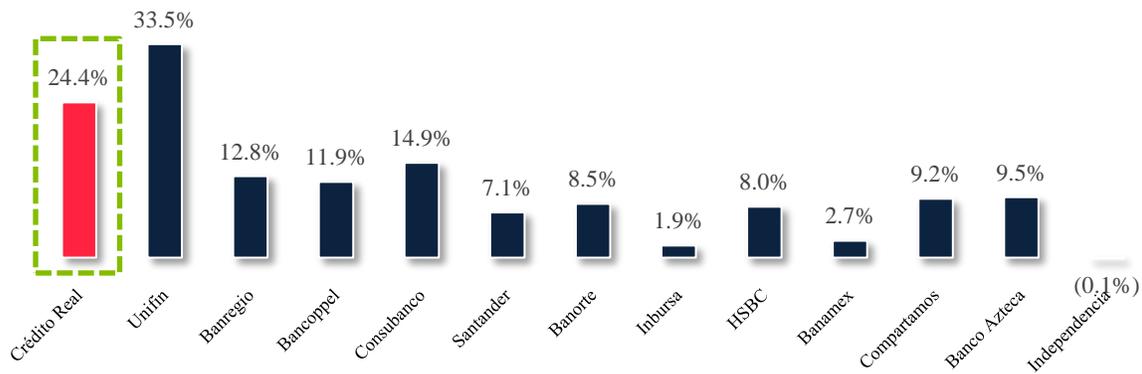


Source: Credit Penetration to private sector as a % of GDP - "Bank for International Settlements as of 3Q20" and Consumer Loan penetration as a % of GDP - "World Bank and Euromonitor with information as of 2018"

In order to stimulate financial inclusion among the low- and middle-income segments of the population, the Mexican government has supported the development of non-regulated financial institutions which, unlike banks, are not authorized to accept deposits from the general public. In July 2006, the Mexican Congress enacted reforms to deregulate lending entities and activities by allowing the creation of *Sofomes*. *Sofomes* are non-regulated, non-bank financial institutions that offer credit to consumers and small- and medium-sized businesses, often in connection with real estate development, auto financing and mortgage lending activities. By not imposing any limitations on foreign equity participation in non-regulated financial institutions, the Mexican government has encouraged competition, thereby increasing consumers' financing alternatives. According to CONDUSEF, there are 1,798 non-regulated registered *Sofomes* as of the date of December 31, 2020.

Since their creation, non-bank financial institutions have targeted the low- and middle-income segments of the population with limited access to traditional sources of credit. During the last few years, consumer credit growth has been largely driven by non-bank financial institutions, such as Crédito Real, and small and medium-sized consumer focused banks. We believe that future growth in consumer lending will continue to be led by non-bank financial institutions and specialized small- to medium-sized banks that understand the credit risk and credit needs of the population that has been underserved by traditional banking institutions. The following chart presents the growth from 2012 to 2020 in the total portfolio of selected commercial banks in Mexico and of selected nonbank financial institutions and consumer-focused banks.

Total Portfolio CAGR '12-'20



Source: Company filings presented to CNBV as of December 31, 2020, except Unifin and Financiera Independencia which were obtained from public filings.

Since 2008, NAFIN, along with the SHCP, has implemented multiple programs to support non-regulated financial institutions with credit lines and guarantees. Other federal entities such as the Mexican Federal Mortgage Society (*Sociedad Hipotecaria Federal, S.N.C., Institución de Banca de Desarrollo*, or “SHF”), also provide credit to *Sofomes* looking to expand credit availability in specific sectors such as mortgages. In addition, global organizations like the International Bank for Reconstruction and Development and the Inter-American Development Bank support non-regulated lending by providing funding to development banks like NAFIN and the SHF.

Overview of the Payroll Lending Market in Mexico

There are different types of participants in the Mexican payroll lending market that can be distinguished based on their differing business models and the focus of their principal activities:

- **Funders:** Exclusively dedicated to providing funding to separate companies that have their own origination platforms and direct access to government entities. Funders have no direct contact with the end customer.
- **Brokers/Distributors:** Focused on loan origination through the use of their own commercial platforms. Brokers/distributors have direct access to customers, but do not fund or own the loan portfolios they originate.
- **Integrated Entities:** Companies that integrate the functions of both funders and brokers/distributors.

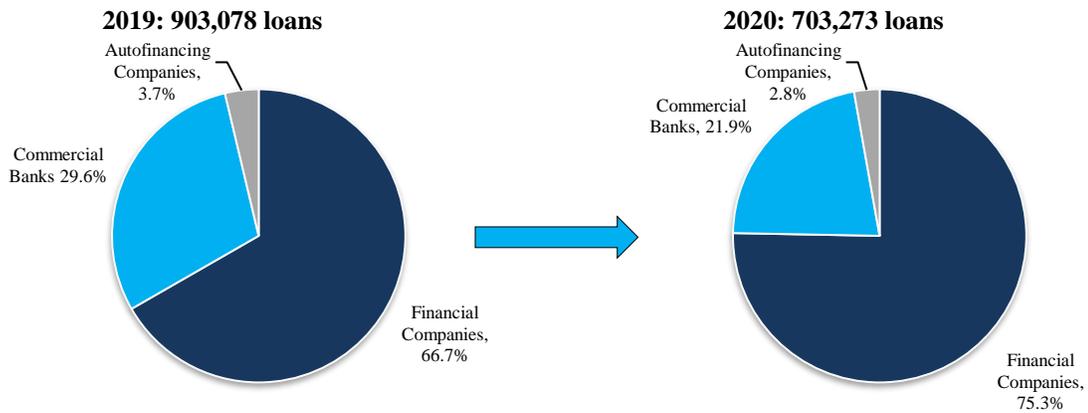
The Mexican payroll lending market is highly fragmented and dominated by regional competitors that have limited access to funding sources. Only a few market participants offer payroll lending on a nationwide basis and can access the capital markets for funding. Among these are Crédito Real, Consupago, S.A. de C.V., the Institute of the National Fund for Worker Consumption (*Instituto del Fondo Nacional para el Consumo de los Trabajadores*) and FISOFO, S.A. de C.V., SOFOM, E.N.R. Payroll lending products are mainly targeted at the low- and middle-income segments of the population that have limited or no access to credit from commercial banks. Most payroll lending companies target unionized government employees due to the generally low employment turnover of public sector employees, which is largely the result of historically strong labor unions.

As of 2015, according to IMSS and ISSSTE, the number of government and government-dependent employees in Mexico, including municipal, federal and state government employees, public education and public health workers, employees of quasi-sovereign organizations affiliated with ISSSTE and pensioners of both institutions, exceeded approximately 7 million people. During 2015, total compensation for pensioners alone exceeded Ps. 292,952 million. We estimate that the potential for payroll lending in this segment of the population, considering a maximum payroll deduction of 30% of payroll income, exceeds Ps. 76,974 million per year.

Non-performing payroll loans have traditionally been very low, with most non-performing loans having been made to employees who changed jobs or passed away during the loan term. As a result, payroll lending participants in Mexico have grown significantly while maintaining high-quality loan portfolios.

Overview of the Auto Loans Market in Mexico

The total number of auto loans in Mexico showed a CAGR of 2.3% from 2013 to 2020. The auto loan industry decreased from 903,078 loans in 2019 to 703,273 loans in 2020, representing a 22.1% decrease. Of the total number of loans in 2019, 66.7% were financed by non-commercial bank companies, while in 2020 that proportion remained at 75.3%. The top four players in auto financing in Mexico are:

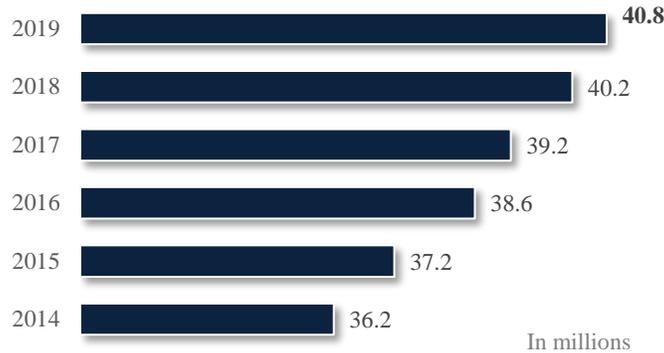


Source: Mexican Automobile Distributors' Association (Asociación Mexicana de Distribuidores Automotores), as of December 2020.

Overview of the Used Car Loan Market in the U.S.

The National Auto Auction Association estimates that sales of used cars finished near 40.8 million units in 2019, up 1.4% from the same period in the previous year. Used car demand has been steady and is growing with the increase in supply. In 2019, 40.8 million vehicles were sold in the retail used market, which practically remained flat when compared to 2018, when the figure stood at 40.2 million.

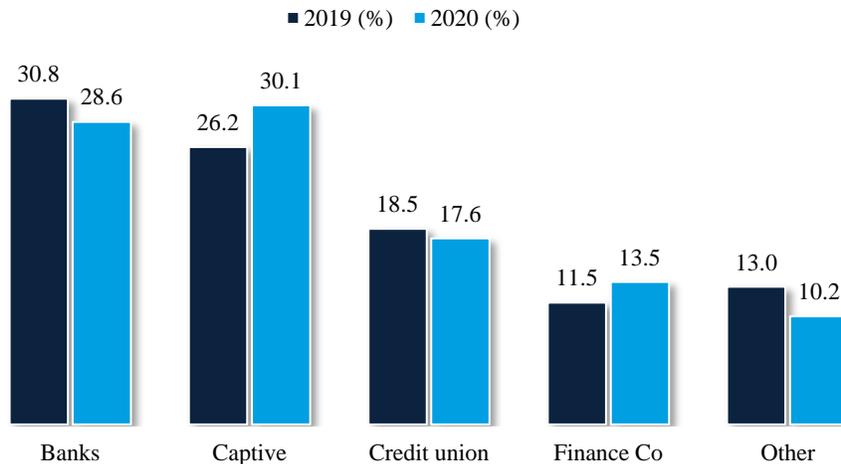
Sale of Used Vehicles in the U.S.



Source: Edmunds, Full-year 2019 Used Vehicle Report

As sales continue to rise, lenders are looking to finance more consumer purchasing of used vehicles. As of 2020, 30.1% of used car loans were financed by banks, followed by 28.6% by Captive, 17.6% by Credit unions, 13.5% by Finance companies, and the remaining 10.2% by other. As of 2020, 58.2% of all used vehicles were financed by auto loans compared to 54.7% in the same period 2019.

Market share of used financing



Source: Experian: State of the Automotive Finance Market as of December of 2020.

Overview of the Small and Medium-Sized Enterprises Market in México

According to Banco de México, a company is identified as a SME if it meets each of the following three conditions: (i) employs up to 100 people if its main activity is related to services; (ii) has annual sales of no more than Ps. 250 million; and (iii) has an indebtedness level of less than or equal to 3 million investment units (unidades de inversión, or “UDIs”), equivalent to Ps. 18.8 million as of December 31, 2018. According to the Mexican Commission for the Protection of Financial Services Users (Comisión Nacional para la Defensa y Protección de Usuarios de Servicios

Financieros, or “CONDUSEF”) as of 2015, this group was made up of more than 4.1 million business entities in Mexico and the share of people employed by such entities was 41.8% of the total employed population. The market leaders in terms of loans to SMEs are HSBC, under the brand Estímulo HSBC, BBVA, under the brand Crédito Simple, Citibanamex, under the brand Crédito Negocios and Banorte, under the brand Crediactivo. According to Banco de México, 21% of all SME loans are financed by non-bank financial institutions, of which 67% are organized as non-regulated financial entities. The market is highly fragmented, as most of these institutions target microfinancing with an average loan equivalent to US\$500.

Overview of the Group Loan Market in Mexico

Microfinance includes a diverse set of small-scale financial services, such as group loans, micro insurance and micro savings, that are provided principally to the low-income segment of the population in need of capital for funding a business, protection against risks, or safe and dependable savings and money transfer vehicles. Other financing alternatives available to the low-income segments, such as saving clubs, pawn shops, rotating savings, credit associations and other informal money-lenders do not offer the security, terms and stability that MFIs offer.

There are more than seven million microfinance borrowers in Mexico, the largest number of borrowers in the region.

Group loans in Mexico are predominately targeted at low-income women, who represent 95% of total customers, as well as pensioners, small-scale farmers and micro-entrepreneurs. As December 31, 2020, group loans had an average loan amount of approximately Ps. 2,299 million.

According to a study published by the National Program for Financing Micro Entrepreneurs (*Programa Nacional de Financiamiento al Microempresario*) and ProDesarrollo Finanzas y Microempresa, A.C., with information from 78 MFIs, the microfinance loan portfolio in Mexico grew 6.0% in 2016, compared with the same period in 2015. The average loan amount grew 7.8% from June 2016 to June 2017, increasing from Ps. 8,349 to Ps. 8,998 million. On June 30, 2017, the microfinance loan portfolio had an NPL ratio of 4.3%.

As of June 2016, the microfinance sector in Mexico was mainly composed of small and matured companies, with an average life of 11 years. The market was concentrated among 6 MFIs, whom together comprised around 78.0% of total loan portfolio market share. In terms of size, 54.0% of total companies were small (loan portfolio lower than US\$4.0 million), 21.0% were medium (loan portfolio between US\$4.0-US\$15.0 million) and 25.0% were large (loan portfolio greater than US\$15.0 million).

Participants in the Mexican group loan market include NGOs, cooperatives, development institutions, as well as regulated and non-regulated financial institutions and banks. Participants in the group loan market have become essential for the development of the low- and middle-income segments in Mexico.

Principal Competitors in the Financing Markets in Mexico

The following table sets forth the principal companies in some of the markets in which we operate:

Institution	Crédito Real Competing Product	Gross Consumer Total Portfolio (2020)	Consumer Portfolio NPL Ratio (2020)
	<i>(In millions of pesos)</i>		
Microfinance and Personal Consumer Companies			
Crédito Real ⁽¹⁾		51,134	3.3%
Banco Azteca	Durable Goods Loans	103,529	4.7%
BanCoppel	Durable Goods Loans	24,915	6.7%
Compartamos	Group Loans	23,153	5.4%
Consubanco	Payroll Loans	9,147	6.0%
Financiera Independencia ⁽¹⁾	Payroll Loans	7,016	5.1%
Unifin	SMEs	65,125	4.8%
Commercial Banks			

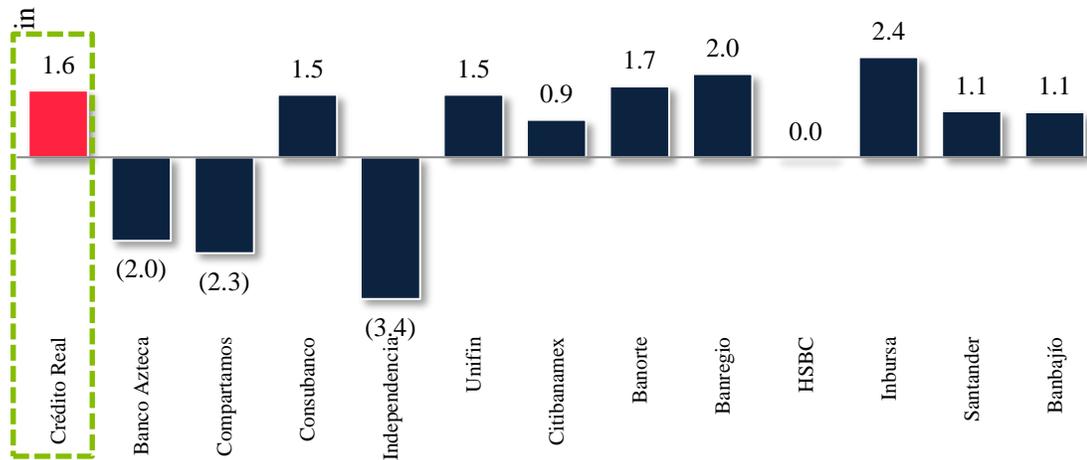
Citibanamex	560,522	2.9%
Banorte	791,036	1.1%
Banregio	110,436	1.4%
BanBajío	199,424	1.1%
HSBC	367,655	2.8%
Inbursa	227,978	2.2%
Santander	702,769	3.1%

Source: Company filings presented to CNBV as of December 31, 2020, except Citibanamex, HSBC and Banco Ahorro Famsa which were obtained from public filings.

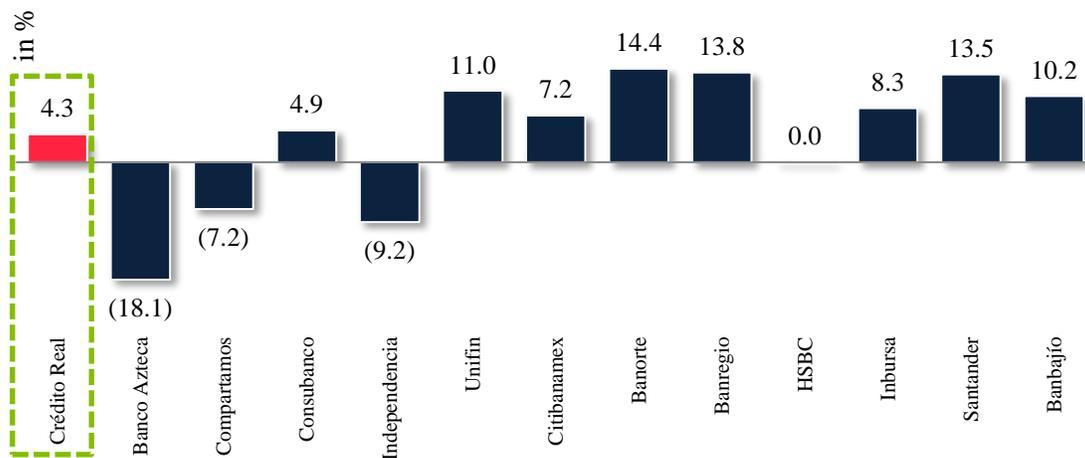
(1) Our NPL was 3.4%, 1.6%, 1.9%, 2.2%, 1.7%, 1.3%, and 3.3% for the years ended December 31, 2010, 2012, 2014, 2016, 2018, 2019, and 2020, respectively.

The following chart presents the ROAA, ROAE and NPL Ratio for the Company and select competitors as of December 31, 2020:

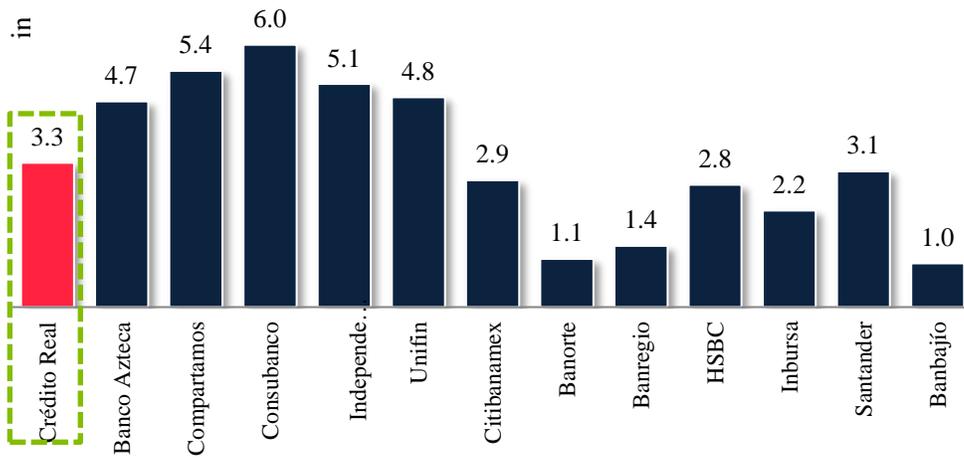
2020 ROAA



2020 ROAE



2020 NPL



Source: As reported by the CNBV as of December 31, 2020.

BUSINESS

Overview

History and Development

We began operations in 1993, when we were incorporated as a variable capital limited liability corporation (*sociedad anónima de capital variable*) under Mexican law. From 1993 to 2006, we operated as a secondary financial institution (*organización auxiliar de crédito*), authorized by the SHCP to conduct financial factoring and certain other financial operations, such as buying and selling accounts receivable and other credit documents. Prior to 2005, our business consisted primarily of durable goods lending to finance the acquisition of “white line products,” such as kitchen appliances and washing machines. Our durable goods lending business allowed us to gain scale and develop our business expertise and our technological platform.

In July 2006, the regulatory regime in Mexico was amended to, among other things, deregulate some credit activities and organizations. As a result, a new category of financial institutions known as multipurpose financial institutions or Sofomes were created. In December 2006, we amended our bylaws to become a non-regulated Sofom. On January 10, 2014, certain reforms to the LGOAC were published in the Official Gazette to provide that a Sofom that issues debt securities registered with the RNV should be considered a regulated Sofom, rather than a non-regulated Sofom. We have implemented the required changes in order to comply with provisions applicable to regulated Sofomes, which include, among other things, amending our corporate name and bylaws.

We will continue to make all necessary changes to adjust our operations as required by the general provisions issued and approved by the CNBV. In sum, as a *Sofom*, we are permitted under Mexican law to (i) grant loans and engage in other types of financial transactions for various purposes; (ii) place securities in the capital markets and obtain financing from financial institutions, such as insurance and bonding companies; and (iii) grant loans that are not required to be targeted to a specific sector of the Mexican economy.

For a number of years, our strategy has been oriented towards diversification into different products that serve the same base of customers: those unattended by traditional financial institutions. The diversification process started in 2004 by introducing the payroll business. It continued with group loans, used car loans, SME loans and additional products. Consistent with this diversification process, in 2014, we expanded our business into the United States and more recently to Central America. Through this diversification, we gained access to a larger market but also obtained a natural hedge by having an asset denominated in U.S. dollars or in currencies of highly dollarized economies (with limited exchange rate volatility). As of December 31, 2020, 18.4% of our total loan portfolio was denominated in a foreign currency.

As part of our strategy to consolidate our position in the payroll lending business and to secure a source of payroll loan origination, effective July 1, 2011, we acquired from Desarrollo 51, S.A. de C.V. (“Grupo Kon”) a 49% interest in the shares of one of our principal distributors, Directodo. The acquisition was carried out through the merger of Rasteroz, S.A. de C.V. (“Rasteroz”), a company holding 49% of Directodo’s shares, into Crédito Real. As a result of the merger, Rasteroz’s main shareholder, Venlo Resources Pte. Ltd., (a member of Grupo Kon) received 18.8% of our shares. Futu-Iem, a company holding 72.0% of our capital stock prior to the merger with Rasteroz, merged with and into Crédito Real as part of this transaction. As a result, the members of the Berrondo, Saiz and Esteve families became direct shareholders of Crédito Real. See “Principal Shareholders.” At the end of 2014, aiming to consolidate the leadership of the Company in payroll loans, we exercised the option to acquire the remaining 51% of Directodo (which operates its loan origination business under the brand name and trademark Kondinero). The merger took effect November 2014, and we currently own 99.99% of Directodo, which operates as our subsidiary.

Consistent with our acquisition strategy, on November 18, 2011, we acquired a 49% interest in the shares of Publiseg, one of our two main distributors of payroll loans. Publiseg operates under the brand name Credifiel. We paid for this strategic acquisition in cash.

In August 2012, and in order to further consolidate our position in the payroll loan market, we entered into an agreement to acquire a minority interest in the capital stock of GEMA. GEMA operates under the brand name Crédito Maestro. We initially acquired a 40.8% ownership interest, and during the first quarter of 2013 increased our

ownership interest to 49%. Additionally, the agreement provides options for us to acquire the remaining 51% interest in GEMA in 2025 and 2026.

In October 2012, we conducted an initial public offering and became a publicly listed variable capital stock corporation (*sociedad anónima bursátil de capital variable*).

During 2013, we continued to expand through the acquisition of a portfolio of SME loans and entered into an alliance with Fondo H, S.A. de C.V., SOFOM, E.N.R. thereby strengthening our presence in the SME loans market. We also continued our expansion into auto loans, which accounted for 3% of our loan portfolio as of December 31, 2014 and in order to strengthen growth in that product, in 2014, we acquired 51% of CR Fact, S.A.P.I. de C.V.

During 2014, we partnered with CEGE Capital, S.A.P.I., SOFOM, E.N.R., by acquiring 37.98% of its capital. This partner grants group loans under the “Contigo” brand. We also partnered with Bluestream Capital, S.A.P.I. de C.V., by acquiring 23% of its capital. This partner also grants group loans under the “Somos Uno” brand.

In order to strengthen the distribution for used car loans in the United States, in October 2015, we acquired 65% of the capital of CRUSA Finance. CRUSA Finance is a financial institution focused on providing loans for the purchase of used cars in the United States, with a presence in 29 states with a network of over 1,637 used car dealers.

In December 2015, we acquired 55.21% of the capital of CAT 60, S.A.P.I. de C.V., which holds several entities in the Resuelve Group. This entity offers credit repair services focused on people with debt problems, advising on savings plans and negotiating with creditors to reach an agreement and settle their debts. As of the year ended 2015, Mexico and the United States represented 92% and 8% of the Loan Portfolio, respectively. By product payroll, used cars and SMEs represented 74%, 10% and 8% of the Loan Portfolio, respectively.

In February 2016, we acquired 70% of the equity interests issued by Marevalley Corporation, S.A., which is a holding company with several entities in Costa Rica, Nicaragua and Panama operating under the “Instacredit” commercial name. This transaction contributed to our business diversification.

We further expanded into the United States in 2017 through the acquisition, together with a business partner, of Crédito Real USA Business Capital, a company that focuses on helping contractors and small business get access to capital and equipment financing.

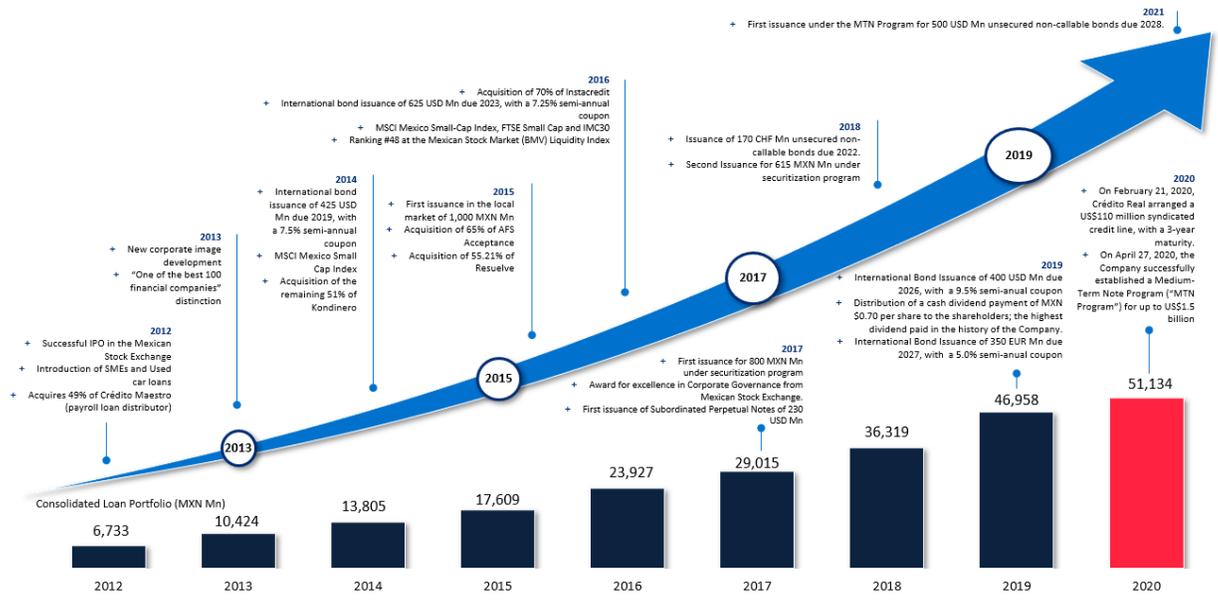
On January 30, 2018, the Company filed a request with the CNBV to cancel the registries with the RNV of all its then existing debt issuing programs under which the Company was allowed to issue and publicly offer *certificados bursátiles* in Mexico on a regular basis. The registries were cancelled on April 13, 2018. As a result of such cancellation and according to the LGOAC, the Company became a Sofom E.N.R. Finally, pursuant to an extraordinary shareholders’ meeting held on June 4, 2018, the shareholders agreed that: (i) the Company would resume operations as a Sofom E.N.R., pursuant to the provisions of article 87-B, sixth paragraph of the LGOAC; and, (ii) consequently, that article one of our bylaws would be amended and article fifty-nine would be deleted. We are currently operating as Crédito Real, S.A.B. de C.V., SOFOM, Entidad No Regulada.

In December 2019, we decreased our equity participation in Resuelve with the objective of focusing on strategic assets and boosting the growth of our most profitable businesses. Following up on our strategy, during December 2020, we completed the divestment in Resuelve.

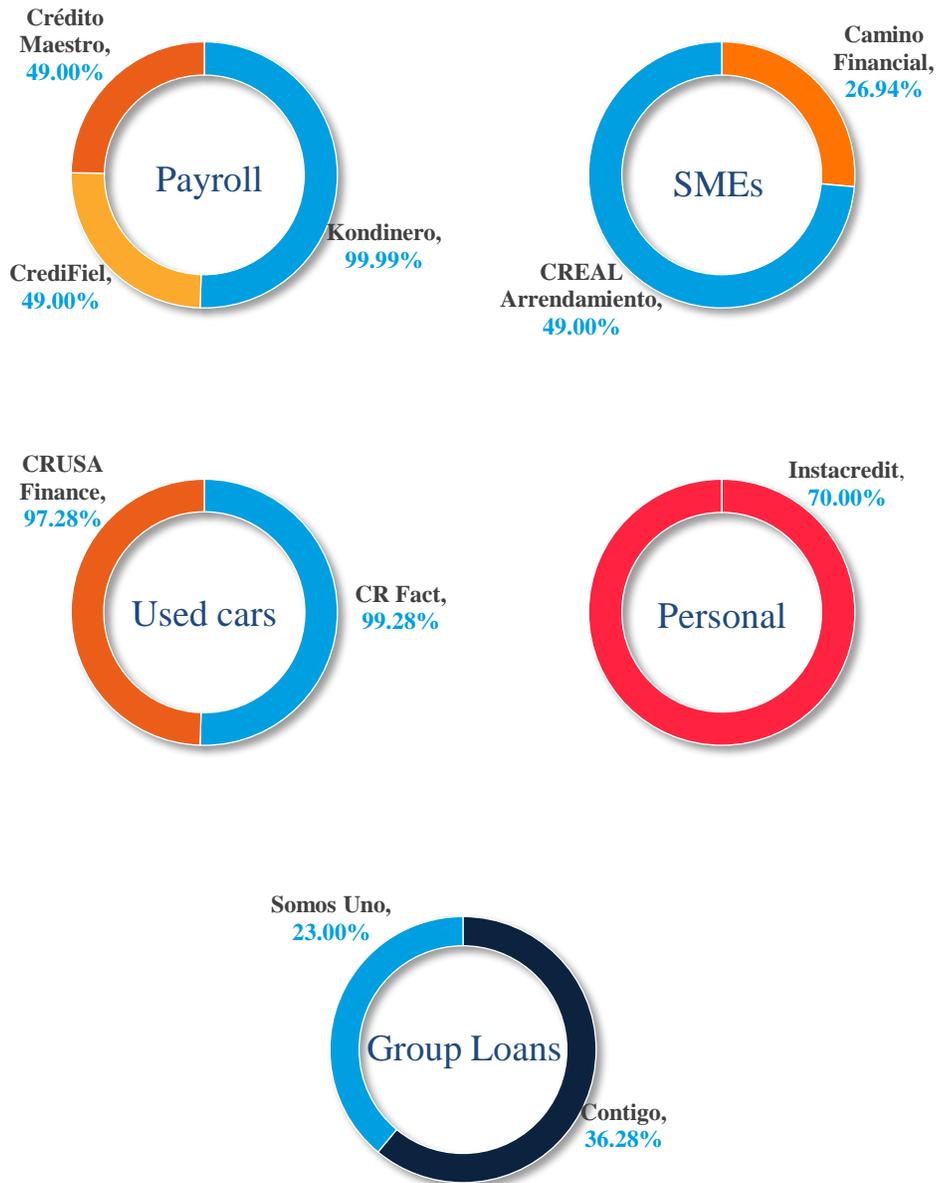
During the second quarter of 2020, the Company obtained control over CRA. Therefore, from the second quarter of 2020 onwards, CRA’s operations were consolidated into the Company’s financial statements.

During December 2020, we increased our equity participation in CR Fact, S.A.P.I. de C.V. to 99.28% from 51.00%.

From December 31, 2018, to December 31, 2020, our total portfolio increased at a CAGR of 18.7%, from Ps. 36,319.1 million to Ps. 51,134.4 million. Total portfolio comprises the loan portfolio, leasing, and factoring portfolios (that are recorded in fixed assets and other accounts receivable, respectively) which are included in the SMEs portfolio. During the more than 27 years that we have been in business, we have disbursed approximately 5.4 million loans to more than 2.7 million customers.



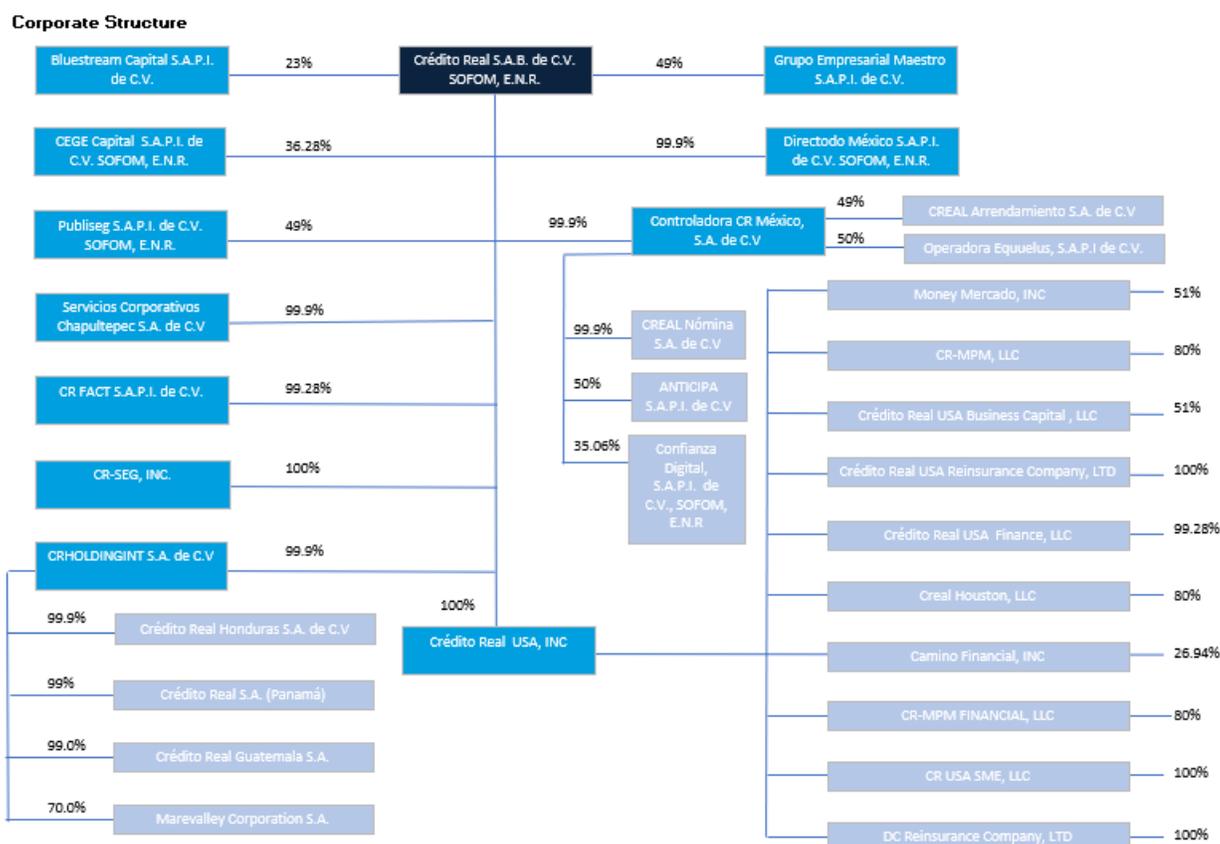
The following chart shows a breakdown of our subsidiaries by business line as of December 31, 2020:



Note: Directodo (Kondinero), Publiseg (Credifiel) and GEMA (Crédito Maestro) are among Mexico’s main payroll loan distributors.

Our Corporate Structure

Our corporate structure as of the date of this offering memorandum is shown in the chart below.



Principal Activity

We are a leading specialty finance company with operations in Mexico, United States, Costa Rica, Honduras, Nicaragua and Panama. We offer innovative financial solutions to segments generally underserved by the traditional banking system. As a result of more than 27 years of experience, we have built a diversified and scalable business platform focused primarily on the following types of financing products: (i) payroll loans; (ii) consumer loans; (iii) used car loans; (iv) SME loans; and (v) group loans. Our business model focuses on providing differentiated, ethical and comprehensive financial services to the low- and lower-middle-income segments of the population in the countries where we operate. According to the INEGI, these segments account for approximately 75.9% of the total working population, which represents approximately 43.7 million potential customers in Mexico.

According to the U.S. Census Bureau, as of July 2019 there were 60.68 million Hispanics living in the United States. According to a study performed by the Federal Deposit Insurance Commission (FDIC), Hispanic households had higher unbanked and underbanked rates as compared to other groups. In 2017, of the 129.3 million households in the United States, approximately 14.0% were Hispanic households that remained unbanked and 28.9% that were underbanked.

According to the World Bank, as of 2018, the countries in Central America where we operate have a lower credit penetration compared to other countries in the world. In terms of domestic credit provided by the financial sector, Costa Rica (71.5%), Nicaragua (47.2%), Panama (82.3%) and Honduras (63.0%) are below the world average (132.6%). Costa Rica has a population of 5.1 million, Nicaragua of 6.6 million, Panama of 4.3 million and Honduras of 9.6 million.

All loans made or purchased by us are denominated in pesos, U.S. dollars, colones, Nicaraguan cordobas, or Honduran lempiras, bear interest at fixed rates and are amortized in more than one periodic installment. We design our credit products with terms that we believe can be easily understood by customers, even if they have no previous credit history.

We fund our portfolio primarily through our own capital, debt securities issued in the capital markets and bank credit lines. As of December 31, 2018, 2019 and 2020, we had capitalization ratios over loan portfolio of 43.9%, 34.1% and 33.8% (excluding the Subordinated Perpetual Notes, 25.0%), respectively. As of December 2020, we had a capitalization ratio over total portfolio of 31.4% (23.2% excluding the Subordinated Perpetual Notes).

We strive to deliver economic value to our shareholders by enhancing the social well-being of our clients through our loans, which provide them with the opportunity to access funds that would otherwise not be easily obtainable, given the limited or nonexistent credit histories of the majority of the individuals we serve.

Our Loan Products

Overview

Our typical customer has historically had limited access to financing from banks and other traditional credit providers. Most of our customers have limited or no credit histories and are thus generally unable to meet the minimal lending standards of banks and traditional financial institutions. The interest rates we charge on our loans reflect the additional risks posed by lending to the customers we target, the difficulties in reaching such customers and the expenses involved in developing tailored consumer credit products to meet their needs, as well as in originating, servicing and monitoring small loans.

The following table sets forth the typical characteristics and terms of our products as of December 31, 2020.

Loan products				
	Payroll loans	SMEs loans ⁽³⁾	Used cars loans	Personal loans (Instacredit)
Main characteristics	Loans repaid through deductions from the paychecks of unionized government employees	Provides enterprise financing through short and long-term non-revolving lines of credit and leases to fund working and investment capital requirements. In the US we are focused on financing Latino-owned businesses and factoring for SMEs through strategic alliances	Focused on financing semi-new ad used cars through strategic alliances with a network of distributors that use their own sales force to promote our loans	Focused on personal loans, SMEs loans and auto loans
Average loan amount	\$64,500	\$3,525,271	\$166,196	\$31,354
Payment frequency	Bi-weekly	Monthly	Monthly	Monthly
Average term	40 months	21 months	59 months	44 months
Average interest rate	57%	23%	29%	54%
Origination channel (distribution)	15 distributors, owning 100% of Kondinero and 49% of the other two largest..	In Mexico, an Alliance with Fondo H. In the USA, two strategic alliances with Crédito Real Business Capital and Camino Financial.	Alliances with 7 distributors. Partnership with 20 branches in 32 states in Mexico. In the USA, a strategic Alliance, CRUSA FINANCE with over 1,637 distributors in 29 states in the USA.	Instacredit has presence with 65 branches: in Costa Rica (46 branches), Nicaragua (13 branches) and Panama (6 branch). 280 sales reps all-around

Average yield	18.0%	14.6%	26.3%	50.7%
Risk & profit sharing	Include sharing risk with the distributors	In Mexico, some loans include sharing risk with the distributor. In the USA include sharing risk with the distributors.	In Mexico, some loans include sharing risk with the distributor. In the USA, include sharing risk with the distributors.	Equity participation
Percentage of loan portfolio ⁽¹⁾	57.5%	23.7%	7.6%	9.4%
Delinquency rate	1.7%	9.0%	1.4%	5.3%
Clients	455,858	3,436	23,389	153,259
Target market ⁽²⁾	C+, C-, D+	C+, C	C+, C, C-, D	C+, C, D

- (1) The remaining 1.8% is made up of group loans and durable goods loans and include strategic alliances.
- (2) Market segments are defined based on monthly family income, in accordance with the categories established by AMAI, as follows: Level E, between zero and Ps. 2,699; Level D, between Ps. 2,700 and Ps. 6,799; Level D+, between Ps. 6,800 and Ps. 11,599; Level C, between Ps. 11,600 and Ps. 34,999; Level C+, between Ps. 35,000 and Ps. 84,999; and Levels A and B, Ps. 85,000 or more.
- (3) Includes Ps. 2,841.2 million of leasing and Ps. 783.4 million of factoring registered in Fixed assets and in Other accounts receivable, respectively.

Between December 31, 2018, and December 31, 2020, our total portfolio grew by a CAGR of 18.7%. This growth increased our profitability as we took advantage of our operating and financial leverage.

Markets for Our Products

We provide our loan products throughout Mexico, including in several major metropolitan areas, such as Mexico City, and other large cities in the states of Guerrero, Morelos, Nuevo Leon, Puebla, Veracruz and Yucatan, among others. Our payroll loan businesses, which is our oldest business line, has presence in every state in Mexico, while currently our SMEs business operates in 22 states in Mexico.

The following table shows the percentage breakdown of our loan portfolio in each of our main loan product categories by state As of December 31, 2020.

Business Line	Payroll Loans	Personal Loans	Used cars Loans	CR USA	SME Loans	Group Loans	Durable Goods Loans	Total
Aguascalientes	1.1%	0.0%	0.3%	0.0%	0.1%	0.5%	0.0%	0.5%
Baja California	1.6%	0.0%	2.2%	0.0%	0.1%	0.0%	0.0%	0.7%
Baja California Sur	1.1%	0.0%	0.6%	0.0%	0.1%	4.1%	0.0%	0.7%
Campeche	1.1%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.5%
Chiapas	5.9%	0.0%	1.2%	0.0%	0.0%	6.0%	0.0%	2.7%
Chihuahua	1.1%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.5%
Coahuila	2.2%	0.0%	1.3%	0.0%	0.7%	2.0%	0.0%	1.3%
Colima	0.5%	0.0%	0.9%	0.0%	0.0%	1.0%	0.0%	0.3%
Mexico City	6.0%	0.0%	21.1%	0.0%	73.1%	6.3%	100.0%	28.8%
Durango	1.1%	0.0%	0.2%	0.0%	0.0%	1.7%	0.0%	0.5%
State of Mexico	13.8%	0.0%	24.8%	0.0%	5.0%	9.1%	0.0%	8.3%
Guanajuato	2.1%	0.0%	3.0%	0.0%	0.3%	4.7%	0.0%	1.2%
Guerrero	4.9%	0.0%	0.4%	0.0%	0.0%	6.7%	0.0%	2.3%
Hidalgo	2.4%	0.0%	0.8%	0.0%	0.5%	2.3%	0.0%	1.3%
Jalisco	2.6%	0.0%	10.1%	0.0%	10.4%	6.1%	0.0%	5.2%
Michoacan	2.5%	0.0%	0.9%	0.0%	0.4%	11.3%	0.0%	1.6%
Morelos	1.0%	0.0%	1.3%	0.0%	0.2%	2.3%	0.0%	0.6%
Nayarit	0.6%	0.0%	1.3%	0.0%	0.4%	1.9%	0.0%	0.5%
Nuevo Leon	4.0%	0.0%	7.5%	0.0%	1.1%	3.3%	0.0%	2.3%
Oaxaca	6.6%	0.0%	0.1%	0.0%	0.0%	5.5%	0.0%	2.9%
Puebla	3.5%	0.0%	2.0%	0.0%	1.0%	2.5%	0.0%	1.9%
Querétaro	0.7%	0.0%	3.0%	0.0%	3.7%	0.9%	0.0%	1.7%

Quintana Roo	0.9%	0.0%	0.9%	0.0%	0.3%	0.0%	0.0%	0.5%
San Luis Potosi	1.8%	0.0%	1.6%	0.0%	0.0%	3.4%	0.0%	0.9%
Sinaloa	2.1%	0.0%	2.0%	0.0%	0.1%	2.1%	0.0%	1.0%
Sonora	3.5%	0.0%	1.3%	0.0%	0.0%	1.9%	0.0%	1.5%
Tabasco	1.2%	0.0%	2.2%	0.0%	0.1%	3.7%	0.0%	0.7%
Tamaulipas	2.4%	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	1.0%
Tlaxcala	0.5%	0.0%	0.2%	0.0%	0.0%	0.5%	0.0%	0.2%
Veracruz	14.9%	0.0%	3.5%	0.0%	2.2%	9.2%	0.0%	7.3%
Yucatan	1.5%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Zacatecas	0.3%	0.0%	0.3%	0.0%	0.2%	0.8%	0.0%	0.2%
Other(1)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mexico	95.7%	0.0%	100.0%	0.0%	100.0%	100.0%	100.0%	80.2%
United States of America	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	7.6%
Central America	4.3%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.2%
Total	100%							

(1) Other Entities includes IMSS and Mexican federal entities.

As of December 31, 2020, our payroll loan portfolio was concentrated primarily in Veracruz (14.9%), the State of Mexico (13.8%), Oaxaca (6.6%) and Mexico City (6.0%). These concentrations are the result of the strong presence our payroll loan distributors have in those states and of the high population density of those areas.

As of December 31, 2020, our SME loan portfolio was concentrated in Mexico City, Jalisco, and the State of Mexico. This concentration results from the fact that we launched this new business line in Mexico City with plans to broaden the geographic span of this portfolio in the future.

As of December 31, 2020, our personal loan portfolio was concentrated through Instacredit in Central America with 100.0% of the loans located in that region. We expect to broaden the geographic span of this portfolio in the future.

As of December 31, 2020, our used car loan portfolio was concentrated in State of Mexico (24.8%), Mexico City (21.2%), and Jalisco (10.1%).

As of December 31, 2020, our loan portfolio in CRUSA Finance was concentrated in the United States with 100% of the loans located in that region, primarily in Texas, Florida and California.

As of December 31, 2020, our group loan portfolio was concentrated in Michoacán (11.3%), Veracruz (9.2%), and the State of Mexico (9.1%). These are the states in which our group loan business has been active for the longest period of time, and as a result, where our promoters have the most developed relationships with existing and potential borrowers.

Finally, as of December 31, 2020, our durable goods and other loans portfolio was concentrated in Mexico City with 100% of the loans located in that region.

We believe that our efforts to consolidate our payroll business, expand the geographic reach of our used car loans will enable us to achieve an even more diversified loan portfolio across all States in Mexico. While increasing our presence in the United States by attending the Hispanic community with the growth of other businesses abreast in addition to the used cars loans business and strengthening our operations in Central America through our Instacredit's brand.

The following sections describe our loan products in more detail.

Payroll Loans

Our payroll loans are granted mainly to unionized state and federal public-sector employees, retirees and pensioners. These loans are originated by our distributors and then we acquire the loans through portfolio purchasing operations. The loans are repaid through payroll deductions pursuant to the borrowers' prior written instructions. These instructions authorize a borrower's public sector employer to deduct amounts from the borrower's payroll wages required to make fixed installment payments on the loans (including interests) before those wages are paid to the borrower, significantly mitigating the risk of default. Government agencies typically set limits for the percentage of net available salary that can be deducted from employees' wages to repay a loan. We offer some of our customers the option to renew their loans before they reach maturity. Historically, approximately 30% of our payroll customers have renewed their loans; and we expect that this trend will continue in the future.

The relationships established by our distributors, either directly or through service providers, such as public relations firms, with labor unions which represent public sector employees in various regions of Mexico are formalized through cooperation agreements among our distributors, the labor unions and the public sector employers. These agreements provide that the distributor will offer loans that are payable through payroll deductions.

Under these cooperation agreements, obligations are created between our distributors and government entities and/or labor unions, which allow the distributors to take the necessary steps to promote and provide payroll loans to unionized employees. Furthermore, under such cooperation agreements, labor unions typically agree to assist the distributors in processing and obtaining the discount codes (*claves de descuento*) required for direct payroll deductions to be made. Such discount codes are provided by employers. The government entity, in addition to making the payroll deductions and remitting payments directly to Crédito Real as beneficiary is obligated to report periodically to us and the distributors regarding the payroll deductions. Distributors are responsible for coordinating with the relevant government entities so that the appropriate systems are operating properly and payments for bi-monthly amortization repayments are made on time. The government entities and/or labor unions are not involved in any way in the negotiation of loans, the loan approval process or the determination of the terms of credit agreements entered into by the distributors with unionized workers.

These cooperation agreements establish the mechanisms through which public sector employers or labor unions authorize our distributors to award loans to their employees, retirees, pensioners or union members, and promote such loans at work sites or events organized by labor unions. They include (i) the documentation that distributors must present to public sector employers or government entities in order to set up payroll deductions, as well as the timeline for such payroll deductions; (ii) the bank account through which the public sector employers must transfer or deposit payments received, as well as the specified periods for such transfers; (iii) in certain cases of termination, the obligations of government agencies to continue carrying out payments in accordance with the borrowers' instructions for loans which are still active are established; and (iv) the causes for termination or rescission of the loans. The specific terms and conditions of each cooperation agreement vary on a case-by-case basis. In certain cases, the cooperation agreements establish payments from the distributors to the public sector employers or labor unions for their assistance securing the payroll loan customers. In general, such payments are determined based on the amounts paid by the employees on the payroll loans.

In some instances, the cooperation agreements provide for the payment of a fee by the distributor to the labor unions (or the corresponding government agency), based on a percentage of the loans originated through the particular cooperation agreement. Distributors are responsible for coordinating with government entities and our branches in order to ensure that the corresponding information systems work adequately, and payments are made on time.

The collection and maintenance of those cooperation agreements has a cost, which we estimate approximately 2% of revenues generated by the portfolio of payroll loans. This cost is fully covered by the distributors.

As a part of our strategy to expand and strengthen our payroll loan operations and increase profitability, we acquired a 99.99% interest in Directodo in two steps, in 2011 and 2014. Directodo operates its loan origination business under the brand name and trademark Kondinero and is one of the leading originators of payroll loans in Mexico in terms of origination capacity. Directodo was founded in 2006 and has since originated payroll loans amounting to approximately Ps. 10,509.8 million throughout Mexico as of December 31, 2020. As of December 31, 2020, Directodo had 77 cooperation agreements with government agencies, operated 135 branches in all states in Mexico and had 1,051 employees (including 810 sales executives and 19 telephone operators).

The acquisition of Directodo was structured through the merger of Rasteroz, a subsidiary of Grupo Kon holding 49% of Directodo's shares, into Crédito Real. As a result of the merger, the shareholder of Rasteroz, Venlo Resources Pte. Ltd. (a member of Grupo Kon), received 18.8% of our outstanding shares. As part of the transaction, Directodo entered into an exclusivity agreement with us and Rasteroz entered into an agreement not to compete with Directodo and their directors and shareholders for the benefit of Crédito Real. These agreements include all of their loan origination activities and give us the right to fund 100% of the payroll loans originated by Directodo. At the end of 2014, aiming to consolidate our leading market share in payroll loans, we exercised the option to acquire the remaining 51% of Directodo (which operates its loan origination business under the brand name and trademark Kondinero). The merger took effect in November 2014 and currently we own 99.99% of Directodo.

Following the same strategy of vertical integration, on November 18, 2011, we acquired a participation equivalent to 49% of the capital of Publiseg, which operates under the brand Credifiel, and is one of the largest distributors of payroll loans in Mexico in terms of origination capacity. We also were granted an option to acquire the remaining 51% of the capital stock of the company. As of December 31, 2020, Publiseg was the third largest originator of payroll loans for us, with Ps. 718.1 million originated during the year ended December 31, 2020. The negotiation with Publiseg's shareholders for the acquisition of the 49% interest included exclusivity and non-compete agreements with Publiseg and its managers and shareholders for our benefit. These agreements include all of Publiseg's loan origination activities and give us the right to fund 100% of the payroll loans originated by Publiseg. Publiseg was founded in 2005. It currently has over 60 branches located in all the states in Mexico with a sales force of over 900 developers. As of December 31, 2020, Publiseg had 71 cooperation agreements.

Similarly, in August 2012, as part of our strategy to consolidate our position in the payroll loan market, we entered into an agreement to acquire a minority interest in the capital stock of GEMA. The negotiation with GEMA's shareholders for the acquisition of an interest in GEMA included exclusivity and non-competition agreements with GEMA and its managers and shareholders for our benefit. We initially acquired a 40.8% ownership interest, and during the first quarter of 2013, we exercised an option to increase our ownership interest to 49%. Additionally, the agreement provides options for us to acquire and for the current shareholders of GEMA to sell the remaining 51% interest in GEMA in 2017 and 2018. On September 28, 2012, we were notified that the Mexican Antitrust Commission (*Comisión Federal de Competencia*) approved the consummation of this acquisition. The initial transaction was completed on October 4, 2012. GEMA, which operates under the brand name Crédito Maestro, is one of the main payroll loan distributors in Mexico. As is the case for our investments in Kondinero and Credifiel, our investment in Crédito Maestro will be accounted for using the equity method. This transaction continues our strategy of vertical integration and should help us further operating synergies and increases in our net margin. As of December 31, 2020, Crédito Maestro had cooperation agreements with 32 government agencies, and operated 72 branches in all of the states in Mexico. As of December 31, 2020, Crédito Maestro had 2,068 employees, including approximately 1,729 sales executives.

Additionally, in September 2020, we started a commercial alliance with Grupo Famsa, which joined as a new distributor in our payroll business, to consolidate our presence in the north of the country.

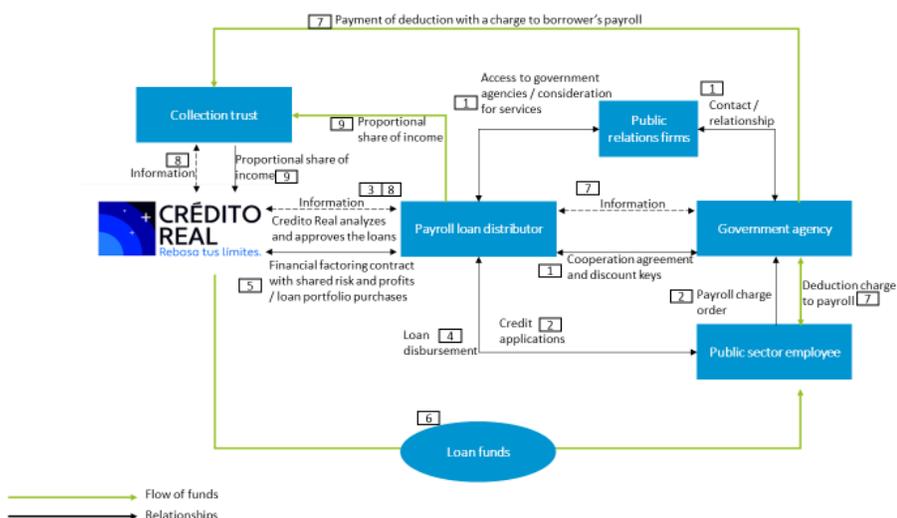
Currently, our payroll loans are originated by Directodo, Publiseg and GEMA under the Kondinero, Credifiel and Crédito Maestro brands, respectively, as well as by 12 other independent distributors. However, we review and analyze each credit application and approve loans according to our own lending policies and procedures, with the aim of ensuring that all of our loans meet the same quality standards. We share with each distributor the credit risk and the income generated by the loans it originates; however, each distributor retains responsibility for servicing and absorbing all operating costs relating to the loans. Government agencies transfer employees' loan payments directly to us or to

a trust controlled by us, and we then transfer to each distributor its respective share of income net of any deductions related to non-performing loans.

Payroll loans have become an attractive alternative source of unsecured credit for Mexican consumers. Due to the method for repayment, borrowers find it easier to service and qualify for payroll loans compared to other forms of consumer financing. For the same reason, lenders tend to view payroll loans as a more attractive risk compared to other forms of consumer financing.

As of December 31, 2020, our average payroll loan had a principal amount of Ps. 64,500, a term of 40 months and was payable in bi-weekly fixed installments of interest and principal, with an average annual interest rate of 56.9% and an average annual yield of 18.0%, net of risk and profit sharing with our distributors. As of December 31, 2020, we had 455,858 payroll loans outstanding and a Ps. 29,402.8 million payroll loan portfolio, which represented an estimated customer market share of 42% based on our internal estimates, with an average delinquency rate of 1.7%. For the year ended December 31, 2020, our payroll loan portfolio generated interest income of Ps. 5,224.6 million, or 45.6% of our total income.

The following chart provides an overview of our payroll loan business model:



1. Distributors’ access to government agencies, through public relations firms; signature of cooperation agreements between distributors and government agencies.

2. The distributor consolidates the loan application and compiles the documentation and information needed from the potential borrower (public sector employee); the loan application includes the instruction for a payroll charge granted by the employee/borrower to the agency.

3. We receive the documentation and information from the employee, evaluate the loan application, and approve the loan on a case-by-case basis. We keep the loan documentation (loan contract, pay stub, etc.).

4. The distributor grants the loan.

5. We acquire the loan through a financial factoring operation, pursuant to the financial factoring agreement entered into between us and the distributor.

6. We disburse the loan funds, and the borrower/employee receives them.

7. The agency carries out the charges to the employee/borrower's payroll needed for the depreciation of the loan and transfers the funds to the collection trust. The distributor carries out the collection of the loan with the agency and receives information from the agency related to the charges made to the employee/borrower's payroll.

8. We receive information on the charges carried out by the agency and the funds received by the collection trust from both the distributor and the collection trust, reconcile this information and apply it to our systems.

9. We distribute the shared gains or losses between the distributor and us.

Business Model

Our business model allows both us and our distributors to focus on each of our respective competitive strengths. While we focus on risk management and funding, our distributors focus on increasing our potential customer base by signing new cooperation agreements with government entities or renewing existing ones and promoting our loans among unionized government employees.

Distribution and Origination

Payroll loans are originated by Directodo, Publiseg and GEMA, under the Kondinero, Credifiel and Crédito Maestro brands, respectively, and by other independent distributors, and later acquired by us via portfolio purchase operations, pursuant to financial factoring agreements with our distributors.

These financial factoring agreements stipulate that: (i) we will pay a specified price to the distributor for the acquisition of rights to the loan, including the formulas used to determine the final price based on fluctuating discounts and taking into consideration the quality of the acquired loan rights, assuming the effective payment of said loans; (ii) payment will be made in partial payments such that part of the price will be paid when the rights to the loan are acquired and part of the payment will be made later, in specified periods; (iii) there will be a joint and several obligation of the distributor in the event that the borrower of the loan acquired by us does not pay the loan amounts due to us based on a percentage of the unpaid amount; and (iv) we may compensate the distributor for the joint and several obligation amount due to us by discounting any amount owed by us to such distributor.

For exclusively operational purposes, a part of the price for the acquisition of the loan in the financial factoring agreements is recognized as "interest income" or a "bonus," although these concepts are part of the acquisition price for the loan rights, which is determined by taking into account: (i) the amounts paid by the borrowers to us and (ii) the dates on which such amounts are paid.

Factoring agreements entered into by us provide for partial recourse against the distributor if the borrowers do not meet their payment obligations. In terms of the factoring agreement, the distributors are liable to the borrowers for the percentage specified in such agreements with respect to amounts not paid by us.

We currently have factoring agreements with 15 distributors. These distributors in turn have cooperation agreements with public sector employers or employee labor unions in 180 governmental agencies across all states in Mexico, through which they promote our payroll loan products.

Loan origination occurs through a distributor, subject to our lending standards, our loan terms and our approval. Many of our distributors depend upon the services of public relations firms to provide contacts and lobby for contracts with public sector employers and/or labor unions. The fees paid to these public relations firms by our distributors or by us generally depend on the number of loans that originated from the specific public sector employer or labor union, and the collection of such loans.

Borrowers must be employees of a government agency or members of a labor union that has entered into a cooperation agreement with one of our distributors and must prove employment by producing pay stubs. We are responsible for verifying a borrower's identity, employment and repayment capacity based on our credit policies. When loans are being originated, distributors are responsible only for collecting information. Borrowers can withdraw the proceeds of the loan against our account at any local bank. Depending on the distributor, loan disbursement can occur either by a deposit in the customer's bank account, by check or by automated loan disbursement (*dispersion automática de pagos*, or "DAP"), with DAP being the most common. We serve as custodian for all credit

documentation, including the irrevocable instructions from creditors for the deductions to be made from their paychecks.

Except for Directodo, Publiseg and GEMA, neither we nor any of our shareholders has an ownership interest in any of the distributors with which we operate. Aside from the acquisitions of 99.99% of Directodo and 49% of Publiseg and GEMA described above, we currently have no intention of acquiring another payroll loan distributor.

Credit Application and Review Process

The credit application process for our payroll loans depends partially on our distributors. They are responsible for collecting the information and sending it to us for our review. Our proprietary credit review and approval process includes both quantitative and qualitative features. Upon receiving a loan application, our credit department first evaluates the electronic credit application and supporting information provided by the distributor and processes the loan application on an individual basis. The credit decision is supported by automated processes through a central computer system using scoring tables and algorithms to evaluate the payment capacity of the applicant. The qualitative aspects of the loan request are evaluated by our credit analysts. Individualized scoring models are developed for our main specialized retail chains and generic scoring models are used with other specialized retail chains. Our ability to develop a tailored scoring model for a particular specialized retail chain depends on the amount and quality of the information we have on the risk profile of the specialized retail chain's customer. Our business model does not include the possibility of pre-approval of payroll loans.

Loan Servicing and Collection

In Mexico, certain unionized employees receive their paychecks directly from their employers; others receive paychecks from their employers through the labor unions to which they belong. Each distributor registers each payroll loan it originates with the borrower's employer or the borrower's union, according to the entity from which the borrower receives his or her paycheck. The distributor submits signed instructions from the borrower to the borrower's employer or union to make direct installment payments to the lender from the borrower's paycheck.

Every two weeks, we collect from employers or unions of our borrowers, prior to the disbursement of paychecks, an amount equal to the total installment payments of our payroll loan borrowers; this amount is sent to a trust in which we are a trustor, and in which Crédito Real and our distributors are beneficiaries of the payroll loan collections received. Each distributor verifies the loan payments and sends an electronic file to us with the necessary information for the correct application of the payment in our management system. We then transfer to each distributor its respective share of income net of any deductions related to non-performing loans. This agreed-upon income percentage given to the distributor is treated as a bonus to the discount with which we acquired the loans from the distributor. On occasions, due to netting and compensation, we directly transfer to the distributor its share of income.

Loan Documentation

Payroll loans acquired from our distributors are documented through the execution of loan contracts and promissory notes. We store the loan contracts and original promissory notes in digital format, as well as by safekeeping signals.

There is no priority of payment for cases where a borrower has more than one loan with different lenders.

The payroll loan contracts do not allow for the payment of additional amounts in favor of the borrowers, such as interest. Some payroll loan contracts may establish penalties for voluntary prepayment by the borrowers. However, the borrowers have the option of making direct payments to the account specified in the contract pursuant to the terms and conditions established in said loan contracts.

Target Market

Our target market for payroll loans consists of unionized employees of federal and state governments and other public agencies with monthly gross income ranging from Ps. 10,000 to Ps. 30,000. As of December 31, 2020, approximately 41% of the payroll loans we acquired were made to current employees of the state and federal public-

school systems. Public healthcare professionals represent 8.0% of our loan originations and IMSS employees represent 32.0%, while other government employees account for the remaining 18%.

Competition

In addition to credit cards and other forms of financing, our primary competitors in the Mexican payroll loan market are the following companies:

- AlphaCredit Capital, S.A. de C.V., SOFOM, E.N.R.;
- Consupago, S.A. de C.V., SOFOM E.R.;
- Fisofo S.A. de C.V., SOFOM., E.N.R.; and
- FONACOT.

The remaining competitors in the Mexican payroll loan market are comprised of a number of other institutions, none of which, we believe, has a significant individual market share. We believe that our distributors with whom we operate generally do not work with other payroll lenders and enjoy stable relationships with public sector employers and labor unions. However, our agreements with our distributors are not exclusive, and we cannot assure you that our distributors with whom we operate will continue working primarily with us or that they will maintain their existing payroll loan cooperation agreements with public sector employers and unions.

Competitive Strengths

We provide low-cost funding to our distributors through our factoring operations. In addition, our profit/risk sharing arrangements with our distributors create an incentive for them to operate efficiently.

Our distributor network provides access to customers in different locations within Mexico. Our systems and technological platform give us the ability to tailor our payroll loan products to satisfy the specific needs of customers across diverse locations in Mexico.

We have a highly developed operational model, information technology systems and broad-based market expertise that help us to better adapt to the needs of our distributors and maintain better control over our payroll loan portfolio. In addition, our operational flexibility and capacity to innovate allow us to adapt to changing market conditions and frequently analyze opportunities as they arise with new distributors, agencies and markets more broadly.

The terms and conditions of our payroll loans include fixed interest rates, fixed terms and fixed installment plans. We believe our borrowers find such fixed terms easy to understand, making our payroll loan products more attractive.

Pensioners

Since 2014 we have been active in granting loans to pensioners of the IMSS. We estimate the pensioner market to be nearly 2.9 million people, mostly underserved by traditional financial institutions. One of the advantages of the pensioner segment is that the origination process is straightforward, because the monthly payment, and therefore the total amount of the loan, is determined by the IMSS itself, and the collection process is highly reliable. As of December 31, 2020, loans to pensioners amounted to 32.0% of our total payroll loan portfolio.

SME Loans

This business covers three products: credit loans, factoring and leasing. With this segment, we seek to provide different financing sources for SMEs in Mexico and in the United States so customers can meet their working capital requirement and / or carry out their investment plans. For this segment, our Mexican subsidiary, CRA, offers financial products for credit loans, leasing, factoring and fleet management. In addition, the Company has an alliance with Fondo H, which is a SOFOM E.N.R. focused on granting short- and medium-term loans to SMEs with growth needs in Mexico. On the other hand, through “Crédito Real USA” credit loans and factoring are granted to the Hispanic market with a limited credit history in the United States. To offer the products in the United States, there are two strategic alliances Crédito Real Business Capital and Camino Financial, which operate in Texas and California, respectively.

This alliance has enabled us to grow our loan portfolio more rapidly, from Ps. 3,816.9 million at the end of 2018 to Ps. 9,365.2 million at the end of 2019 and Ps. 12,112.8 million at the end of 2020. This growth is equivalent to a CAGR of 78.1% over two years.

Our general practice is not to provide financings for debt substitutions with other financial institutions, dividend payments, equity buybacks or project finance. As of December 31, 2020, the size of the SME loan portfolio was Ps. 12,112.8 million with 3,436 clients and a delinquency rate of 9.0%. For the year ended December 31, 2020, our SME loan portfolio generated interest income of Ps. 2,307.7 million, or 20.1% of our total income.

SME Loans Mexico

This business aims to serve a market segment that is underserved by banks, through an alliance with Fondo H, an SME loan distributor. In October 2013, we entered into an alliance with Fondo H in order to strengthen our position in the SME loans market and also acquired a Ps. 657.5 million loan portfolio from them. Fondo H is an originator focused on granting short- and medium-term loans to SMEs in Mexico. Its customer base includes businesses in the manufacturing, distribution and services sectors. Through the agreement we provide exclusive funding for the loans originated by Fondo H. The average loan amount is of Ps. 17.4 million with an average term of 21 months. During 2018, Credito Real developed its own leasing product to complement its product mix within this segment to the SMEs customer base. During the second quarter of 2020, the Company obtained control over CRA. CRA offers factoring, leasing, and credit loans to SMEs. We believe this market represents a great opportunity because of the large number of small businesses in Mexico.

SME Loans in USA

In the United States, we provide SME loans to the Hispanic market segment with limited credit history or access to credit through our subsidiaries Camino Financial in Los Angeles, in which we have 26.9% of participation and CR FED in Florida, which we have 51% of participation, that provides factoring (mainly in the construction industry for the purpose of short-term liquidity and working capital), leasing and asset return loans services.

Distribution and Origination

Loans are originated through our official internet web site, commercial fairs, street screenings and our business center in Mexico City. The total sale force consists of twelve sale representatives. Portfolio management and the approval process are performed through the Credit Relationship Manager System.

The prescreening process is performed by our six sales representatives and is based on a know-your-customer approach. The process involves the completion of a credit application that comprises: (1) commercial, personal and credit bureau references, (2) proof of cash flow generation based on banking and/or financial statements and (3) verification of place of business. Once a customer has been approved a preliminary term sheet is validated.

The financial analysis consists of an in-depth interview to establish payment capacity. The analysis is based on cash flow rather than collateral lending. Our in-house financial model considers: cash flow generation, liquidity and leverage ratios, operating cycle and capital expenditure requirements. After the financial analysis, a Corporate Credit Summary is generated for approval by the Credit Committee (individual and joint faculties).

In the United States, we offer SME Loans through our subsidiary Credito Real USA Business Capital.

Loan Servicing and Collection

We have implemented a preventive collection procedure performed by the sales force team, which includes telephone calls and, in some cases, personal visits to the place of business to notify a customer that a payment is coming due or has become overdue. Any loan that has two consecutive overdue payments is transferred to a specialized collections division in order to procure payment.

Competition

Direct competition consists of other non-banking institutions and personal and corporate credit cards issued by banking institutions. The market is fragmented, but due to the high growth prospects of the industry, we believe that there is still room for existing market players and new players to go deeper within the market and continue growing its market share.

Our primary competitors in the SMEs loan market are the following companies:

- Banks; and
- Non-banking financial institutions.

Competitive Strengths

Our main competitive strengths are our credit risk assessments that enable us to give a quick response time and to perform tailor financing and personal and direct service. Our competitive advantage within the industry is the relationship we have with our customers and the personal customer service we can provide to them. We believe that by building a strong customer relationship we will be able to continue being a reliable source of funding within the SMEs businesses. Our efforts to become a reliable source of funding are paying off and our customers have been reaching us for different ways of financing. We are taking advantage of this opportunity to pursue complementary services that will allow us to better serve our target market and strengthen our operations profitability.

Used Car Loans

We grant this loan to finance the purchase of semi-new or used cars in Mexico and in the United States, through alliances with various car dealers, which use their own sales force to promote our loans. The financed cars must be less than 10 years old; they must be insured, and a GPS (location system) is installed to know the location of the car. As of December 31, 2020, the used car portfolio generated income of Ps. 1,053.0 million or 9.2% of our total income.

Used Car Loans Mexico

Our used car loan business is mainly focused on financing semi-new and used cars through strategic alliances with a network of distributors that use their own sales force to promote our loans. The cars have a life range of three to ten years. The average term of a used car loan is 44 months with an average interest rate of 36% as of December 31, 2020. Additionally, all cars are insured and have a GPS system that allows us to know in real-time where the car is at all times.

During the first quarter of 2014, we acquired a 51% interest in a company, CR Fact, operating under the brand name Drive & Cash, which specializes in providing secured financing for privately owned cars and commercial vehicles. In 2017, CR Fact participated in the subprime auto loan business under the brand name Toma Uno, which offers car-leasing to people with limited credit histories and those who do not qualify for financing under car dealerships' credit policies. As of December 31, 2020, the CR Fact distribution network consisted of 20 branches and 7 distributors in all of the states in Mexico.

During 2017, we developed our own used car loan product to complement our offering mix within this industry. With this product, we reach our customers through car dealerships or vehicle local distribution centers. We

stand out for the service we provide to the dealers through our credit risk assessment, enabling us to maximize our growth sales potential.

Used car loans in the USA

In the United States, we mainly provide used car loans to the Hispanic market segment with limited credit history or access to credit through a company that operate under CRUSA Finance brand, in which we have equity stakes of 99.28%. As of December 31, 2020, CRUSA Finance had licenses to operate in 29 states in the United States with over 1,637 car dealers and one strategic alliance. The average term of a used car loan is 67 months with an average interest rate of 25% as of December 31, 2020.

Competition

The market for used car loans is not very penetrated. Our competitors are mainly:

- Banks;
- Local financial companies; and
- Small car dealers that offer in-house loans.

In the U.S., we compete in the used car loan market mainly with:

- Banks and credit unions;
- Finance companies and captive finance companies; and
- Buy Here Pay Here dealerships.

Competitive Strengths

Our principal competitive strength is the flexibility of our financing program, our capability to do tailor financing programs that meet our clients' needs and credit profile and the efficiency in the overall loan process.

Distribution and Origination

We have an internal sales force and direct agreements with seven commercial distributors, which represented 100.0% of the total origination of our local cars business as of December 31, 2020. The year-end strategy of the Company for this business line is to originate only through the aforementioned channels. Loans are originated at the point of sale. The borrower must complete a credit application in the store and a commercial advisor sends it to Crédito Real with copies of the customer's identification and income statements. The information is sent to the company through our digital platform.

Credit Application and Approval Process

Our proprietary credit review and approval process includes both quantitative and qualitative features. Upon receiving a loan application, our credit department first evaluates the electronic credit application and supporting information provided by our distributors and processes the loan application on an individual basis. The credit decision is supported by automated processes through a central computer system using scoring tables and algorithms to evaluate the payment capacity of the applicant. Quantitative information regarding payment capacity is determined based in part on proprietary industry data, in part on individualized payment history (if the applicant is a repeat customer) and in part based on information obtained from third-party credit bureaus.

For the used car loans applications that lack detailed credit histories, the qualitative portion of our proprietary credit review and approval process becomes paramount. This process, which typically takes approximately 24 hours to complete, involves individualized investigations into the creditworthiness of a potential borrower, including personal contact, typically by telephone, between our credit department and the borrowers' employer and other references that the borrower provides.

Loan Servicing and Collection

Repayment of our used car loans by our customers is typically accomplished through monthly payments to us through a local bank. All of our cars have a GPS that allows us to know in real time where each vehicle is at all times. We have implemented preventive collection procedures, including telephone calls to inform customers that a payment is coming due or has become overdue. Any loan that has two consecutive overdue payments is placed in a field collection process, and we may eventually pursue legal action for collection and repossession of the vehicle. Our used car loans are secured by a non-possessory pledge (*prenda sin transmisión de posesión*) on the car invoices of the purchased car (property title), which is endorsed by a guarantee in favor of us and is kept in a secure vault at the company. However, for purposes of enforcing our rights in collection procedures, we use only the promissory note that evidences the corresponding loan.

Competitive Strengths

Our principal competitive strength is the flexibility of our financing program, our capability to do tailor financing programs that meet our clients' needs and credit profile and the efficiency in the overall loan process.

Personal Loans

On February 22, 2016, we acquired a 70% equity interest in Instacredit. We invested in Instacredit to diversify and expand into the Central American market, focusing on the same type of customer segment that we serve in Mexico, which is the lower middle- to low-income segment of the population underserved by the traditional banking system.

Instacredit is a well-recognized consumer loan-based company with over 20 years of experience and 65 branches located throughout Costa Rica, Nicaragua and Panama. Instacredit started its business in April 2000 in San José, Costa Rica and since 2007 started expanding into other Central American countries.

Instacredit primarily offers personal loans, Auto secured personal loans, SME secured personal loans and home equity loans. For the year ended December 31, 2020, our personal loan portfolio generated interest income of Ps. 2,784.4 million, or 24.3% of our total income.

As of December 31, 2020, Instacredit represented Ps. 4,805.3 million, or 9.4%, of our total portfolio.

Personal loans

Personal loans are everyday credit solutions to clients that urgently need liquidity. These loans can be accessed through branches, direct sales force, promoters, renewal marketing or any of Instacredit's consumer dealership partners. Due to the fact that all personal loans are unsecured, the average interest rate in Costa Rica is 56.6%, 65.0% in Nicaragua and 52.1% in Panama, with an average duration of 40 months. All consumer loans represent 62% of the Instacredit's loan portfolio As of December 31, 2020.

Within the consumer loans granted in Costa Rica, Instacredit allows its clients to use the facility of payroll deduction that is done through a third-party cooperative. This option can only be offered to government employees. At the moment of the formalization of the loan, the customer signs a consent form providing authorization to the cooperative to deduct the corresponding installment amount each month. This collection method allows the Company to maintain a healthier portfolio.

Auto secured personal loans

Generally, auto loans are granted through auto dealership partners located throughout Costa Rica. At the moment of formalizing an auto loan, the clients must utilize the purchased vehicle as collateral in order for the loan to be granted, as a result of which 100% of the auto loans are secured.

As of December 31, 2020, auto loans represented 23% of Instacredit's active loan portfolio with an average interest rate of 50.0% in Costa Rica, 50.3% in Nicaragua and 45.0% in Panama.

SME secured personal loans

SME loans are granted to small and medium enterprises (defined as enterprises with at least 2-5 employees) that can provide evidence of having a physical space where they conduct their business on a daily basis. These loans are generally originated in the branches since one of the loan eligibility requirements is a site visit to the prospective client's business.

Pursuant to underwriting procedures, the SME must present valid bills, financial statements or alternative documentation to prove financial capability to make the monthly payments on the loan. SME loans are collateralized with assets that the analyst considers valuable enough, such as trucks, cars, real estate or any other personal property.

As of December 31, 2020, SME loans represented 13% of the active loan portfolio with an average interest rate of 53.6% in Costa Rica, 63.0% in Nicaragua and 62.3% in Panama.

Home Equity Loans

Home equity loans are loans granted to clients that are looking to renovate their home and are willing to use their house as collateral. In order for the house to be approved as collateral, the house may not be subject to any mortgages. The size of the loan is subject to the valuation of the asset, which valuation is performed by an authorized appraisal agent. The average loan-to-value for this product is 30% to 60%.

Home equity loans represent 2% of Instacredit's loan portfolio with an average interest rate of 51.9% in Costa Rica and 45.4% in Panama as of December 31, 2020.

General Underwriting Procedure

The general underwriting procedure is similar across the four loan types offered to Instacredit clients and includes the following steps:

- (1) Request form: A request form must be filled to verify the potential client's identity, address, income and employment. The request form can be completed in a branch, with the sales call center or in a dealership. This process usually takes ten minutes or less.
- (2) Data verification: Once the request form is completed by the potential client, it is then sent to a credit analyst where a financial background check is conducted using at least one of the credit bureau databases. In the case of SME loans, a site visit is required.
- (3) Credit evaluation: The credit analyst reviews the credit bureau report and determines the income to expense ratio to determine the indebtedness capability of the potential client; such ratio may not exceed 50%. The analyst will also examine the income sources provided by the potential client to determine the maximum loan amount that can be offered to the client. The data verification and the credit evaluation process for a consumer loan will usually take 20 minutes or less.
- (4) Approval: All loans must be approved by a branch manager or regional manager depending on the size of the loan. Once the loan has been approved by the manager, the loan may be disbursed. The disbursement can be done directly in the branch in cash, by check or through a wire transfer, as per the client's request.

Collections

In order to create an easy to pay experience to clients, Instacredit provides them with the opportunity to pay their installments in its branches, in any bank, or in one of the Instacredit partners.

On average, Instacredit's branches collect approximately 58%, banks collect 31%, and Instacredit partners collect the remaining 11%.

In order to collect more efficiently, Instacredit has a collection call center in each of the countries it which it operates, the call center has specialized collection staff. As of December 31, 2020, over 280 employees were active

collectors in Instacredit’s call centers. The call center reminds clients to submit their next payment on time and coordinates payment agreements for overdue customers.

Target Market

Instacredit’s target market for all four types of loans consist of the low and mid-level income population that does not easily qualify for a loan from a traditional bank, or requires immediate liquidity, meaning those customers do not have the ability to wait for several days for a small loan.

Competition

In addition to credit cards and other forms of financing, Instacredit’s primary competitors in Costa Rica, Nicaragua and Panama are the following companies:

Company	Country	Loan Type	# Branches	Response Time
	Costa Rica	Personal loans	2	24 hours
	Costa Rica	Personal and credit cards	1	24 hours
	Panama	Personal loans	52	2 hours
	Panama	Personal loans	14	24 hours

Competitive Strengths

Instacredit’s branch-based business model provides clients in Costa Rica, Nicaragua and Panama access to financial solutions in less than 30 minutes. The partnerships held by Instacredit with different country-wide chains permit its clients to pay their installments anywhere in the country as late as midnight.

In addition, Instacredit’s over 20 years of experience, technological platform, strong brand positioning and expertise has allowed it to create an operational model highly developed to best fit potential and actual customer needs. Instacredit also has a permanent marketing campaign, market research and customer service evaluation across all its branches and call centers.

Group Loans

We started our group loan business in March 2007. This loan product is targeted at owners of small, often informal commercial enterprises referred to as “microbusinesses.” The owners of microbusinesses typically have limited access to traditional financing sources such as banks. They typically rely on alternative financing, including cash loans from businesses such as ours, to supply working capital for their microbusinesses.

During 2014, we decided to change our strategy in group loans from direct originators with a branch network to partnerships to whom we provide funding and in whom we hold an equity participation. As a result, we handed over our branch network,

Currently, group loans are originated through two specialized operators, Contigo and Somos Uno, in which we have equity participations of 36.28% and 23.00%, respectively. These two partners together have a total of 1,265 promoters and a network comprising 180 branches. The promoters are familiar with the specific needs of micro-entrepreneurs and self-employed individuals.

Our group loans consist of short-term loans of 16 weeks made to micro-business owners, predominantly women, who form small pools of 8 to 25 borrowers. The borrowers use the loan proceeds exclusively to finance small commercial enterprises. Each individual in a group may borrow a different amount of money, but the repayment dates and applicable interest rates are the same for everyone in the group. Prior to disbursing a loan, we require each borrowing group to provide a security deposit equivalent to 10% of the principal loan amount. Each group member guarantees each other group member's obligations as joint obligors, assuming responsibility for any payment default by another group member. In 2015, we formed an alliance with two group loan distributors, Contigo and Somos Uno, in order to strengthen our loan origination.

As of December 31, 2020, we offered group loans through a network of 180 branches and 1,265 full-time promoters, reaching 214,305 customers. Over the next few years, we plan to consolidate our presence in the states in which we currently operate and to continue to eventually expand into other regions in order to build a national presence. We believe our growth strategy will yield significant improvements in our volume, margins and efficiency. We plan to increase the number of customers per promoter and per branch. Furthermore, we believe our disciplined execution and comprehensive training programs will also allow us to improve our operating efficiency and profitability.

Our promoters are responsible for identifying and forming borrowing groups, originating loans and ensuring the timely collection of payments by coordinating weekly meetings with the borrowing group. Loan payments are collected by a leader selected from within the members of the borrowing group. Each leader is accompanied by another group member to deposit collections on a weekly basis at nearby bank branches or certain convenience stores with which we have collection agreements. Sixty percent of our group loan customers have applied to renew their group loan once their existing loan has been repaid in full. In order to enter into a new loan, the borrowing group must increase the number of members by at least one member. In addition, we offer each borrowing group member the opportunity to acquire a year-long life and cancer insurance policy. As of December 31, 2020, 99.0% of our customers had acquired this insurance policy and we expect this trend to continue.

As of December 31, 2020, we had a Ps. 492.7 million group loan portfolio with an average delinquency rate of 0.1%. As of December 31, 2020, the average group loan of our distributors had a principal amount of Ps. 2,299 per group member, an average term of four months, and an average annual yield of 125.5% (taking into account the aggregate portfolio of our distributors). For the year ended December 31, 2020, our group loan portfolio generated interest income of Ps. 61.0 million, or 0.5% of our total income.

Distribution and Origination

We rely on employees known as promoters (*promotores*) to identify and recruit potential customers for our group loan products. These promoters operate and receive full salaries and benefits, as well as performance bonuses based on the volume and performance of the loans they help originate. In addition to identifying and recruiting potential customers, promoters are responsible for meeting with borrower groups every week to assess the performance of their microbusinesses and to supervise the collection of payments. Moreover, in 2015 we formed an alliance with two group loan distributors in order to strengthen our loan origination. As of December 31, 2020, we had 1,265 promoters across 180 branches within Mexico.

A key element in the development and maintenance is the formation and maintenance of our staff of promoters. We typically recruit candidates to become promoters from the local area. Our promoters play a key role in our group loan business, and we place a high priority on their training. Each promoter receives two months of training before starting work, which includes both classroom sessions and on-the-job training. This intensive training program is intended to familiarize our promoters with marketing and group formation strategies and with our detailed credit review process and to allow our promoters to develop a thorough understanding of the local market. Our promoters are supervised and evaluated on an ongoing basis by senior personnel and receive periodic training focused on innovations in our business and personal development. A significant portion of the costs involved in expanding our group loan business relate to the recruiting, training, and oversight of promoters. The historically high turnover rate of promoters in this business, which requires us to continuously recruit and train new promoters, contributes to these costs.

We believe that a key differentiator of our business model is our innovative origination and collection methodology for group loans and the level of discipline we maintain in the execution of such methodology. We have

implemented a number of policies and procedures that we believe have enabled us to maintain low delinquency rates on group loans, including the following requirements: (i) weekly group meetings coordinated by promoter at which loan payments are collected; (ii) each borrowing group member must live within a 15-minute walking distance from the weekly meeting point; (iii) no more than two members of the same family are allowed to be part of a given borrowing group; and (iv) no loan disbursements may be made to the group unless all group members are physically present at the disbursement meeting. Loans are disbursed by DAP.

Credit Application and Review Process

Because many of our group loan customers have limited or no credit history, the documentation review process for these loans is generally limited to verifying the identities of the borrowers and their sources of income. Our promoters also play a significant role in the credit review process by personally investigating and evaluating prospective borrowers and working to organize effective and efficient borrowing groups. In addition, although our group loans are reviewed and approved by our branches, our central operations department continuously monitors the local credit review process to ensure that our credit review methodologies are applied appropriately.

Loan Servicing and Collection

Each member of a borrower group is required to attend a weekly meeting with the promoter that recruited the group. During this meeting, each member of the group makes the payment due on his or her portion of the loan. If any group member is short of funds or does not attend the meeting to make his or her respective payment, the other members of the group assume responsibility for making up the difference. Each group is led by a committee of three members (a president, a leader and a secretary, all of whom are elected by the group), who are responsible for collecting and verifying loan payments by each member of their group. The promoter is responsible for verifying the collection of payments and ensuring that the total amount of funds received is correct, but promoters do not receive or manage cash payments made by our customers. Instead, the group's committee is responsible for depositing the payment at an authorized bank branch or at certain convenience store chains with which we have collection agreements. Each group's committee keeps all receipts of its bank deposits in order to verify that payments have been made correctly.

As a principal measure for the enforcement of loan payments, we measure delinquency rates using a four-day late payment metric. Our promoters' monthly bonus is tied to their ability to maintain an average delinquency rate below 3.5%, as measured by our four-day metric. In addition, each promoter is required to attend every collection and payment meeting of their borrowing groups to ensure that borrowing groups have collected the total amount of their weekly due payments. Our central offices send to each branch manager the details of all loans that are in default for their timely follow-up on a daily basis.

Target Market

Our group loans are targeted at groups of individuals, primarily women, who own and operate small commercial enterprises but who do not have access to credit from traditional banks. These individuals generally have monthly incomes ranging from Ps. 2,000 to Ps. 5,000. The average loan balance for our group loans is Ps. 3,979.0 per group member, has an average term of four months and carries an average annual interest rate of 97.0%.

Competition

As a whole, we are one of the principal financial companies in Mexico. Our principal competitors at the national level are Banco Compartamos, S.A., Institución de Banca Múltiple, Financiera Independencia, S.A.B. de C.V., SOFOM, E.N.R. and Centro de Apoyo al Microempresario Fundación Integral Comunitaria. We also face competition from regional microlenders and the other players like pawn shops. We compete with these various firms primarily on credit terms and customer service. In addition to other microlenders, we also face competition to a lesser extent from more traditional financing sources. In particular, credit cards have become more widely available in Mexico in recent years, and borrowers who currently rely on loans may be able to secure other sources of financing in the future.

Despite the intense competition, we believe that market penetration of microfinance in Mexico remains low. Our research and discussions with our group loan customers indicate that a significant portion of our group loan borrowers has never had contact with other lenders.

Competitive Strengths

We believe that the primary competitive strengths of our group loan business are our business model, our human resources and our customer service. We believe one of the most distinctive aspects of our business model is the level of discipline which we exercise in the implementation of our group lending methodology described above. We believe that our group loan customers value personal interaction in business relationships, and that our trained staff of promoters, who regularly meet with borrower groups throughout the term of their loan, are essential to cultivating these relationships. Many of our promoters hail from the same cities and regions of Mexico that they serve and can use local relationships to identify and source new customers for our group loans. In addition, we believe that we have designed adequate training programs and compensation schemes that enable and encourage our promoters to deliver a superior customer service. We believe our staff of promoters will be our most important asset in consolidating and growing our group loan business.

Durable Goods and Other Loans

We are in the process of exiting the traditional durable goods loan business, which is why origination has ceased and our durable goods loan activity will cease once the remaining portfolio is repaid or sold. In July 2020, we announced that, we would be Grupo Famsa's financial provider for its payroll deducted loans and durable goods loans offered through its branches network.

As of December 31, 2020, we had 80,260 clients for our durable goods and other loans segment and an outstanding portfolio of Ps. 433.6 million. For the year ended December 31, 2020, our durable goods and other portfolio generated interest income of Ps. 28.8 million, or 0.3% of our total income.

Information Technology

Our technology systems department is responsible for the development and maintenance of our proprietary information system and infrastructure, administration and control of our databases and providing helpdesk assistance. The central technology platform for the administration of our portfolio belongs to us. Our systems are subject to security and quality control standards that are in line with industry practices and are continuously monitored through internal control procedures and internal and external consultants.

We maintain an electronic record of all loans, as well as the different stages in their life cycle, in our portfolio management system. These records are updated every time there is contact with the borrower and any modifications resulting from such contacts are recorded. The databases are backed up automatically on a daily basis. We maintain a primary communication site in our central offices and also maintain a mirror data center located in another part of Mexico City for safety reasons.

Credit and Risk Management Policies

Credit risk is the possibility of a loss arising from a credit event, such as the failure by a borrower to make principal and interest payments under previously agreed terms, which causes an asset to lose value. The purpose of credit risk management is to mitigate and optimize credit risk, keeping our exposure to credit risk within a permissible level relative to our capital, in order to maintain the soundness of our assets and to ensure returns commensurate with risk. Our current credit policy sets forth uniform and basic operating concepts, code of conduct and standards for credit operations. By giving our employees extensive credit training, we aim to achieve a high standard of credit risk management and create a better credit risk management culture within Crédito Real.

We have developed and refined our own proprietary underwriting standards and a digitalized credit review system, which help ensure high-quality loan portfolios and a faster credit approval process. In reviewing credit applications, we rely on both quantitative and qualitative measures, allowing us to utilize our knowledge and

experience to better evaluate credit risk on a case-by-case basis. We believe our risk analysis systems allow us to make better credit decisions when evaluating credit applications from customers with limited or no credit histories or who work in the informal economy. We believe that our business model limits our exposure to credit risk. Our payroll loans are repaid through direct charges from the borrowers' paychecks pursuant to express written instructions from the borrowers. These instructions authorize a borrower's public sector employer or labor union to make fixed installment payments during the term of the payroll loan from the borrower's payroll wages before those wages are paid. In the case of group loans, we require our customers to provide a security deposit equivalent to 10% of the principal loan amount prior to the disbursement of each loan, and each group member jointly and severally guarantees each other group member's obligations, assuming joint responsibility for any default by another group member. In addition, payments on our durable goods loans are supported by our possession of invoices for the goods purchased with the proceeds of such loans, facilitating repossession and limiting the ability of borrowers to dispose of the goods before the loans are fully repaid. However, for purposes of enforcing our collection rights, we use only the promissory notes (*pagarés*) that evidence the corresponding loans.

For loans to small and medium-sized businesses, we developed a hybrid credit approval procedure, in which different aspects of the clients are taken into consideration, including: the payment quality of previously contracted debt (knock-outs considered), contacting references, conducting field research, interviewing the clients, as well as applying a parametric score model. The latter includes demographic parameters, repayment capacity index, credit score, as well as qualitative and quantitative variables regarding the applicant and the credit facility.

As part of our ongoing process to monitor risks, we monitor the credit collection process, which is a crucial aspect of our credit process. We analyze, evaluate and monitor each loan individually. Special attention is paid to non-performing loans, and stricter measures are used to monitor these loans.

We adhere to an ethics policy and other procedures in all our operations and contracts, which includes internal controls and practices aimed at identifying, evaluating and preventing the risk of corrupt behavior by our officers or employees, directly or indirectly, in (i) their relationships with officers of public or private entities, (ii) the carrying out of commercial transactions and (iii) the implementation of credit practices (including the origination of payroll loans).

Employees and Labor Relations

As of December 31, 2020, there were a total of 657 individuals working at Crédito Real. The following table sets forth the number of our full-time employees and their positions:

<u>Position</u>	<u>Number of Employees</u>
Operational and Administrative	540
Managers	96
Officers	21

Our operational and administrative personnel belong to the National Union of Workers of Financial and Banking Institutions, Organizations and Auxiliary Credit Activities, Office Employees, and Similar of Mexico (*Sindicato Nacional de Trabajadores de Instituciones Financieras, Bancarias, Organizaciones y Actividades Auxiliares de Crédito, Empleados de Oficina, Similares y Conexos de la República Mexicana*), which are subject to a collective bargaining agreement dated May 1, 2010. Salaries are negotiated with unions on a yearly basis, whereas other benefits are negotiated on a bi-annual basis. As of the date of this offering memorandum, we had a good relationship with our employees and their unions. Of the total number of our employees, 99% are non-union managerial employees (*empleados de confianza*), while 1% are unionized.

Properties and Leases

Our executive offices in Mexico City are located on leased premises. Our main fixed assets consist of computers, and office furniture and equipment.

Intellectual Property

In addition to other intellectual property rights and licenses, we own the following trademarks: *Crédito Real*, *Crediplus*, *CR Crédito Real*, *Pasión por crecer*, *AXEDES*, *Tu AXEDES*, *CR Crédito Real entidad financiera que te respalda tu AXEDES*, *CR Crédito Real tu Axedes*, *C+R*, *Carmas*, *Creal US*, *Credipoly*, *Creal*, *Crealfunding* and *C MAS R*, all of which are registered with the Mexican Institute of Industrial Property Office (*Instituto Mexicano de la Propiedad Industrial*).

Litigation

We are from time to time involved in certain legal proceedings that are incidental to the normal conduct of our business. We do not believe that the outcome of any such proceedings, if decided adversely to our interests, would have a material adverse effect on our business, financial condition, cash flows or results of operations.

MANAGEMENT

Board of Directors

The administration of our business is entrusted to our board of directors.

The board of directors is comprised of a maximum of 21 regular members determined by the general shareholders' meeting, of which at least 25% must be independent in accordance with the Securities Market Law (*Ley del Mercado de Valores*). Each regular member may have an alternate, and alternates for independent members must be independent as well.

Currently, the board of directors consists of 11 directors, including five independent directors and six alternate directors. Each member of the board or their respective alternate holds office for a term of one year and may be reelected for subsequent terms. Certain independent members of our board receive fees for their services as approved by the shareholders' meeting. The board is assisted by its committees and by our executive officers, who manage our day-to-day affairs. The current members of our board of directors and their respective alternate directors were confirmed at our ordinary shareholders' meeting held on December 15, 2020.

The following individuals currently serve on our board of directors:

<u>Name</u>	<u>Title</u>	<u>Age</u>
Ángel Francisco Romanos Berrondo.....	Chairman	54
José Luis Berrondo Avalos.....	Member	70
Eduardo Berrondo Avalos.....	Member	63
Francesca Berrondo Lombardo.....	Member	28
Juan Carlos Benavides Berrondo.....	Member	40
Allan Cherem Mizrahi.....	Member	40
Iser Ravinovitz Stern (*).....	Member	38
Felipe Esteve Recolons (*).....	Member	49
Gilbert Sonnery Garreau-Dombasle (*).....	Member	69
Enrique Alejandro Castillo Badía (*).....	Member	41
Raúl Alberto Farías Reyes (*).....	Member	38

The following individuals are alternate directors:

<u>Name</u>	<u>Title</u>	<u>Age</u>
Luis Berrondo Barroso.....	Alternate	39
Gabriel Sragovicz Guterman.....	Alternate	51
Jaime Antonio Arrieta Noriega.....	Alternate	65
Marcos Shemaria Zlotorynski (*).....	Alternate	60
Jorge Esteve Recolons (*).....	Alternate	53
Enrique Saiz Fernández (*).....	Alternate	73

(*) Independent directors.

Since December 2013, Guillermo Javier Solórzano Leiro was designated as Secretary of our board of directors and ratified during our ordinary shareholders' meeting held on April 8, 2019. Jorge Alberto Labastida Martínez was designated as Pro Secretary of our board of directors during our ordinary shareholders' meeting held on January 27, 2020.

Below are brief biographical descriptions of our directors:

Ángel Francisco Romanos Berrondo. Mr. Romanos is our Chief Executive Officer and Chairman of the board. He was Treasurer of Mabe, S.A. de C.V., from 1987 through 1993 and Manager of International Business of CB Captales, S.A. from 1994 through 1996. Mr. Romanos is also a member of the board of directors of Controladora Mabe, S.A. de C.V. He holds a Master in Business Administration ("MBA") with a specialty in finance and statistics from the Wharton School of Business.

José Luis Berrondo Avalos. Mr. Berrondo was Co-Chief Executive Officer of Mabe, S.A. de C.V. from 1984 through 1993. Since 2003, he has served as the sole Chief Executive Officer of Mabe, S.A. de C.V. Mr. Berrondo is currently Chairman of the board of directors of Mabe, S.A. de C.V., and a member of the board of directors of HSBC Grupo Financiero HSBC S.A. de C.V., and HSBC México S.A., Institución de Banca Múltiple. Mr. Berrondo holds an MBA from the Instituto Panamericano de Alta Dirección de Empresas (“IPADE”).

Eduardo Berrondo Ávalos. Mr. Eduardo Berrondo Ávalos is Chairman of the Board of Copri S.A. de C.V., and an Independent Director at Grupo Financiero Multiva S.A.B. de C.V. Additionally, he is on the board of directors at Grupo Financiero Multiva S.A.B. de C.V., CMR S.A.B. de C.V., Grupo Real Turismo S.A. de C.V., Industrias Mabe and MVS. Mr. Berrondo Avalos was previously CEO of Banco Bital S.A. and employed as Independent Director by Invex Controladora S.A.B. de C.V. He received his Industrial Engineering undergraduate degree from Universidad Iberoamericana and an MBA from Claremont Graduate School. Mr. Berrondo also has a business certification (*Programa de Alta Dirección, AD-2*) from the IPADE.

Francesca Berrondo Lombardo. Mrs. Francesca Berrondo Lombardo is Subdirector of CREAL Arrendamiento analyzing and managing commercial alliances, as well as prospecting new clients and strategic projects. Mrs. Berrondo Lombardo has experience in asset management, private equity and venture capital, including analysis in capital markets and the issuance of securities in international markets. She received her International Businesses undergraduate degree from Universidad Iberoamericana.

Juan Carlos Benavides Berrondo. Mr. Juan Carlos Benavides Berrondo is Managing Partner at Balandra Capital. Additionally, he is President of the Advisory Board for UNICEF Mexico. Mr. Benavides was Managing Director at Morgan Stanley in the Global Capital Markets and Investment Banking division, leading the origination and execution practice for structuring and advising landmark investment grade and high yield transactions including multi-currency bonds, loans, hybrid securities, structured notes and project finance. Mr. Benavides holds a MA in Economics from New York University, a BA in Industrial Engineering from Universidad Iberoamericana and a BA in Philosophy from Universidad Panamericana.

Iser Rabinovitz Stern. Mr. Rabinovitz has been General Director of Directodo since its foundation in 2006. He has been General Director of Grupo Kon and its subsidiaries since 2007. He is an advisor to Meor Real Estate. He holds a degree in business administration from the Instituto Tecnológico de Estudios Superiores de Monterrey.

Felipe Esteve Recolons. Independent Director. Mr. Esteve is Chief Executive Office of Grupo AMSA’s Cotton Division and member of its board of directors. Additionally, he is member of the board of directors in several companies within the real estate sector. Mr. Esteve was previously the Regional Director of Grupo AMSA for Asia in Singapore and Director of Logistics and Infrastructure for the Cotton Division in Dallas, Texas. Mr. Esteve holds an M.B.A. from Southern Methodist University.

Allan Cherem Mizrahi. Mr. Cherem is the Founder, Chief Executive Officer and a member of the board of directors of Fondo H and CEGE Capital. Mr. Cherem has worked in the manufacture, real estate and financial industries in Mexico. In 2008, Mr. Cherem founded Dinero Mágico, which was sold in 2012 to an international public company. Mr. Cherem is also involved in philanthropic activities. Mr. Cherem holds an Architecture degree from Universidad Anáhuac del Norte and a MBA from Babson College with a specialty in entrepreneurship.

Gilbert Sonnery Garreau-Dombasle. Independent Director. Mr. Sonnery is member of the board of directors of JB Martin Company, Inc. (U.S.A) and of Edoardos Martin, S.A.B. de C.V. (Mexico). Mr. Sonnery was the General Director of the subsidiary JB Martin del Grupo, and also was the President of the board of directors and General Director of JB Martin, Limited (Canada); and advisor of MRM Holding, S.A. (France). Mr. Sonnery studied business administration in the United States of America and Textile Engineering in France. Mr. Sonnery also has a business certification (*Programa de Alta Dirección, AD-2*) from the IPADE.

Raúl Alberto Farías Reyes. Independent Director. Mr. Farías has comprehensive experience in the micro finance and finance industries, both domestic and foreign. Mr. Farías expertise includes banking and financial operations as well as M&A of financial institutions. Mr. Farías has advised several financial institutions and corporate clients operating in the financial services industry. Mr. Farías worked for more than ten years at Jones Day (Mexico City and New York) and currently leads the international M&A and financing activities of a Fortune 500 company in

the United States. Mr. Farías holds a law degree from Escuela Libre de Derecho, a Master’s Degree from the National University of Singapore and a Master of Laws from New York University.

Enrique Alejandro Castillo Cantú. Independent Director. Mr. Castillo has comprehensive experience in private equity and financial services. Mr. Castillo was a Managing Director at H.I.G. Capital in Mexico. Previously, Mr. Castillo was a Managing Partner at Nexxus Capital, where he led investments in healthcare, financial services, retail, education and real estate. Mr. Castillo also founded Ictus Capital, a boutique private equity and advisory firm. Mr. Castillo has served on the board of directors of several companies including Olab Diagnosticos Medicos, Harmon Hall and Modatelas. He also served as a member of the investment committee of Infonavit’s Housing Savings Fund. Mr. Castillo received an MBA from the INSEAD and graduated with academic excellence from the Universidad Iberoamericana with a degree in Industrial Engineering.

Executive Officers

The following table lists the names, positions and years of service of our executive officers:

Name	Position	Years with Credito Real
Ángel Francisco Romanos Berrondo	Chief Executive Officer	27
Carlos Enrique Ochoa Valdés	Deputy Chief Executive Officer / Chief Financial Officer	25
Luis Carlos Aguilar Castillo	Commercial Officer for Payroll Loans	25
Claudia Patricia Jolly Zarazúa	Treasurer	22
Luis Calixto López Lozano	General Counsel	20
Adalberto Robles Rábago	Human Resources Officer	12
José Juan Gonzalez Abundis	Chief Operations Officer	12
Luis Berrondo Barroso	M&A Officer	5
Pablo Federico Bustamante González	Controller	4
Felipe Guelfi Regules	Business Officer	4
Héctor Antonio Huelgas Lamas	Internal Audit Officer	4
Roberto García Requena	Institutional Relations Officer	2
Antonio Pelcastre Hernández	Chief Risk Officer	8

Below are brief biographical descriptions of our executive officers.

Ángel Francisco Romanos Berrondo. Mr. Romanos is our Chief Executive Officer. He has served in our board since our incorporation. He was also Treasurer of Mabe, S.A. de C.V., from 1987 through 1993 and Manager of International Business of CB Capitaes, S.A., from 1994 through 1996. Mr. Romanos sits on the board of Mabe, S.A. de C.V. and holds an MBA with a specialty in finance and statistics from the Wharton School of Business.

Carlos Enrique Ochoa Valdés. Mr. Ochoa has been our Chief Financial Officer since April 2015 and our Deputy Chief Executive officer since 2016. Mr. Ochoa was Crédito Real’s Chief Operating Officer from 2003 to 2015. Prior to that, he was our planning manager from 1997 to 2000 and our North Zone Operations Officer from 2000 to 2003. Mr. Ochoa holds a master’s degree in finance from the Bristol University in the United Kingdom and a master’s in economics from Instituto Tecnológico Autónomo de México (“ITAM”).

Luis Carlos Aguilar Castillo. Mr. Aguilar has been our Payroll Loans Commercial Officer since 2008, and previously served as our Chief Financial Officer between 1995 and 2008. Prior to that, he served as the Financial Audit Manager of Bital. Mr. Aguilar holds an MBA from the IPADE.

Claudia Patricia Jolly Zarazúa. Mrs. Jolly joined Crédito Real in 1998 and since then she has held different positions such as Used Cars Officer and Treasury Manager. She has worked in management positions in numerous financial departments including Televisa, Citibank and Monroy Petersen. Mrs. Jolly holds a degree in Business Administration and has an MBA and a Diploma in Financial Derivatives all from the ITAM. She also has a business certification (*Programa de Alta Dirección, AD-1*) from the IPADE.

Luis Calixto López Lozano. Mr. López has been our General Counsel since 2005. Prior to that, he was the Supervisor of our Legal Department from 1998 to 2000 and our Corporate Counsel from 2000 to 2004. From 2004 to 2005, he served as our external Corporate Counsel. Mr. López holds degrees in corporate law, anti-money laundering and terrorism financing and banking and financial law from the ITAM, and holds a Master's Degree from the Universidad Panamericana.

José Juan Gonzalez Abundis. Mr. Gonzalez has been our Chief Operating Officer since September 2017. Mr. Gonzalez brings unique expertise to his new role at Crédito Real after having served more than nine years as a senior executive in Kondinero. He previously was its Chief Operating Officer, where he significantly contributed to the Crédito Real-Kondinero merger. Prior to this role, he was involved in different departments within the organization, serving as Human Resources Director and Purchase Manager. Mr. Gonzalez holds a degree in Industrial Engineering and a Master's Degree from the Instituto Tecnológico de Monterrey.

Adalberto Robles Rábago. Mr. Robles has been our Human Resources Officer since 2008. Prior to that, he was the Human Resources Manager for Mabe, S.A. de C.V. from 2000 to 2008 and the Head of Human Resources at Grupo Desk from 1996 to 2000. Mr. Robles holds a leadership coach certification from Leadership International Management.

Luis Berrondo Barroso. Mr. Berrondo has been our M&A Officer since 2015. Mr. Berrondo has comprehensive experience in finance, specializing in private equity and venture capital. Mr. Berrondo was the High-End Business General Manager at Mabe from 2010 to 2013. Additionally, Mr. Berrondo was Managing Director of VARIV Capital from 2014 to 2015. Mr. Berrondo holds an MBA from London Business School.

Pablo Federico Bustamante González. Mr. Bustamante is a licensed Public Accountant with an accounting degree from Universidad La Salle, where he also obtained a master's degree in finance. Additionally, in 2007, Mr. Bustamante received an MBA from the University of Quebec. He has a solid and extensive financial accounting experience. Mr. Bustamante was the Chief Financial Officer at Crédito Familiar, where he started in 2012 as Planning and Budget Manager. He was the comptroller for the Principal Financial Group and was the Manager of Reporting and Accounting in Garante Afore at Citigroup from 1996 to 2002.

Felipe Guelfi Regules. Mr. Guelfi has served as our Business Officer since 2016. Mr. Guelfi has extensive experience in the development of financial products. Mr. Guelfi has worked as an investment adviser and as Chief Financial Officer in financial institutions such as GE Money, and as a partner and Chief Executive Officer at Global Lending Corporation. Mr. Guelfi holds a degree in Industrial Engineering from Worcester Polytechnic Institute and a postgraduate degree in Investment Advising from the University of Montevideo.

Héctor Antonio Huelgas Lamas. Mr. Huelgas Lamas is a Public Accountant who graduated from the Universidad Nacional Autónoma de México. Mr. Huelgas has worked at J.P. Morgan Bank Mexico, Bank of America and HSBC. He has more than 17 years of experience in audit services. He has managed various auditing teams, has participated in committees, and has been a Team Leader for activities including global markets, private banking and investment banking.

Roberto García Requena, Mr. García has been the Institutional Relations Officer since 2019. He has considerable experience in institutional relations management with government entities, as well as debt restructuring, financing of infrastructure projects, and analysis of financial operations related to investment banking. He has worked in institutions such as the Ministry of Public Education ("SEP"), Bank of Mexico, National Bank of Public Works and Services ("BANOBRAS"), and the Federal Telecommunications Commission ("COFETEL"). He has also been a consultant and columnist for various media on telecommunication issues. Mr. García has a BA in Economics from ITAM and an MA in Public Policy from the University of Chicago.

Antonio Pelcastre Hernández, Mr. Pelcastre, has been, since December 2019, Chief Risk Officer at Crédito Real, before that and since 2015, he held the position of Risk and Collection Manager. He held various positions at Citibanamex and HSBC in the Risk and Collection areas.

Audit Committee

The Audit Committee is made up of three members: Msrs. José Eduardo Esteve Recolons, Gilbert Sonnerly Garreau-Dombasle and Enrique Alejandro Castillo Badía who were ratified as members of the Audit Committee by the ordinary shareholders' meeting held on December 15, 2020. The chairman of the Audit Committee is Mr. Enrique Alejandro Castillo Badía. Pursuant to the provisions of the Mexican Securities Market Law (*Ley del Mercado de Valores*), and our bylaws, the members appointed to the Audit Committee must be independent.

The Audit Committee is responsible for, among other things:

- reviewing and approving our financial statements and recommending their approval to our board;
- monitoring our policies, procedures and bylaws;
- identifying risks and opportunities;
- designating our internationally recognized external auditors;
- reviewing the progress of our operations;
- verifying that our business operations with our clients comply with our policies and the terms of our agreements with them;
- reviewing our controls and procedures;
- reviewing our audit reports, action plans and agreements with our executive officers; and
- acting as a link between our board and the external and internal auditors.

Corporate Practices Committee

The Corporate Practices Committee is made up of three members: Enrique Saiz Fernández, Felipe Esteve Recolons and Enrique Alejandro Castillo Badía, who were ratified members of the Corporate Practices Committee by the ordinary shareholders' meeting held on December 15, 2020. The chairman of the Corporate Practices Committee is Mr. Enrique Saiz Fernández. Pursuant to the provisions of the Stock Exchange Law and our bylaws, the members appointed to the committee must be independent.

The Corporate Practices Committee is responsible for, among other things:

- reviewing and approving salary and compensations policies;
- reviewing position profiles of our first two levels of officers, as well as monitoring market salaries and compensation for these positions;
- reviewing and approving compensation and salary packages for first and second level officers;
- reviewing and approving related party transactions and other major transactions;
- reviewing and approving policies for use of our assets by officers and directors;
- authorizing changes to general payment terms for our employees;
- reviewing and approving long term compensation plans for our executives; and
- providing opinions on corporate governance issues to our board of directors.

Other Relevant Committees

In addition to the Audit Committee and the Corporate Practices Committee, the board of directors may establish other special committees considered necessary for the development of our operations, including the Executive Committee.

Executive Committee

The Executive Committee is made up of six members: Msrs. Ángel Francisco Romanos Berrondo, José Luis Berrondo Ávalos, Eduardo Berrondo Ávalos, Luis Berrondo Barroso, Moisés Ravinovitz Ohrenstein e Iser Ravinovitz Stern, who were ratified members of the corporate Executive Committee by the ordinary shareholders' meeting held on December 15, 2020.

The Executive Committee is responsible for reviewing and approving, among other things:

- annual budget and general strategies per business line;
- comparison of monthly results to our budget;
- investments exceeding US\$500,000, or its equivalent in pesos;
- long-term contracts exceeding US\$200,000, or its equivalent in pesos, on an annual basis;
- loans, debt or capital issues exceeding US\$3,700,000;
- new funding sources;
- terms of portfolio vs. funding;
- introduction of new products;
- changes or new policies related to interest receivable, risks, compliance and allowances;
- reviewing the behavior of our loan portfolio;
- formulating proposals for provisions and reserves per business line;
- establishing the relation between the terms of the portfolio and our funding;
- proposing and analyzing sources of funding;
- approving loans;
- proposing risk and operational policies; and
- proposing operational policies for clients who may have operational risks.

We also have a Communication and Control Committee composed of Company directors and a compliance officer whose role is to develop strategies and procedures that will help to prevent money laundering and financing of terrorist activity. Furthermore, the Company has an Ethics Committee which deals with all matters related to the code of ethics application; and a Securities Operations Committee, which attends all matters related to operations with securities performed by the Company's directors and employees; certain Company's directors are members of both committees. Our bylaws establish that the Board of Directors may establish whichever special committees it deems necessary for the development of our operations, by establishing the powers and obligations of such committees and indicating the number and titles of the members who shall constitute it.

Compensation

Certain members of our board of directors receive compensation for their activities as approved by the shareholders' assembly at the annual meeting.

The aggregate compensation paid to our officers includes fixed nominal salaries (which are revised by the Corporate Practices Committee periodically) as well as other types of consideration or compensation, such as loans for personal use, health insurance and additional vacation days, which vary depending on position, level of responsibility and performance. The Corporate Practices Committee is charged with approving our salary and compensation policies and offering recommendations to the board of directors regarding the approval of any consideration to be paid to our directors. As of December 31, 2020, the aggregate compensation paid to our directors and executive officers was Ps. 61.3 million.

On April 3, 2020, the general shareholder's meeting adopted a resolution approving a payment of Ps. 27,600 to certain independent board members for their attendance at every meeting of the board of directors.

We do not pay any type of compensation to any other persons related to us, other than our officers and directors.

Neither we nor our subsidiaries have a retirement or pension plan in place for any of the aforementioned individuals.

Stock Option and Share Compensation Plans

Our share compensation plan for officers and employees was approved during the ordinary shareholders' meeting held on November 30, 2015, up to an amount equal to 2% of stockholders' equity. The board of directors, in consultation with the Corporate Practices Committee, implements, develops and administers this compensation plan.

Share Ownership

See "Principal Shareholders" for a description of the current ownership of our common stock by directors and executive officers.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the ownership of our capital structure as of December 31, 2020.

Shareholder	Number of shares	Percentage
Founding Shareholders ⁽¹⁾	117,140,482	31.7%
Free Float	252,068,431	68.3%
Total	369,208,913	100.0%

- a. Consisting of members of the Berrondo, Saiz and Esteve families.

All of the shares representing our capital stock are fully paid.

No individual, entity or foreign government exercises control, significant influence or power over the Company. The members of the Berrondo family, as a group, could exercise significant influence over the Company. José Luis Berrondo Avalos is the main shareholder from this group and is also member of our board of directors.

José Luis Berrondo has an individual share ownership greater than 2% and less than 10% of the issued and outstanding shares of the Company and eight other members of the Berrondo family each have more than 2% and less than 5% of the issued and outstanding shares of the Company. Approximately 30% of our outstanding shares are owned by various members of the Berrondo, Saiz and Esteve families. If these individuals were to act in a coordinated manner, they could be deemed to control the Company.

The Company has no knowledge of any commitment that may result in a change of control of its shares. 101,029,081 shares of the Company were offered in the initial public offering of the Company carried out on October 17, 2012, out of which: (i) 73,542,309 shares were subscribed and paid by the public and (ii) 27,486,772 shares were sold by the selling shareholders through a secondary offering.

RELATED PARTY TRANSACTIONS

Historically, our commercial operations with related parties have been subject to review by our independent advisors and the Corporate Practices Committee.

The following is a description of certain arrangements between us and related parties that are currently in effect.

Service Contract with Servicios Chapultepec

On November 12, 2001, Servicios Chapultepec, S.A. de C.V. ("Servicios Chapultepec"), an affiliate of Crédito Real controlled by Futu-Iem, executed a service contract with Crediplus for the provision of certain key personnel. In June 2007, Crediplus merged with Crédito Real, as a result of which, we assumed Crediplus' obligations under said service contract. Pursuant to this contract, we paid Servicios Chapultepec an amount equal to the salaries and compensations of the commercial personnel, plus a monthly commission equal to 5% of said amount. In 2018, 2019 and 2020, we paid Chapultepec a total of Ps. 5.1 million, Ps. 9.2 million and Ps. 10.9 million respectively.

Servicios Chapultepec became a wholly-owned subsidiary of Crédito Real as a result of the merger of Futu-Iem into Crédito Real.

Origination Transactions with Directodo, Publiseg and GEMA

As a result of the acquisition of 99.99% of the capital stock of Directodo and 49% of the capital stock of Publiseg and GEMA by Crédito Real, all the loan origination transactions between Crédito Real and Directodo, Publiseg and GEMA will be considered related party transactions.

All of our commercial operations with related parties have been carried out under market terms. In order to confirm this, as well as verify that these operations comply with relevant tax regulations, we have hired external consultants who are specialists in the development of studies on transfer pricing for the years ended December 31, 2016, 2017, 2018, 2019, and 2020.

The following table summarizes our related party transactions in the years ended December 31, 2018, 2019 and 2020.

Origination Transactions with CR-Fact

As a result of the acquisition of 51% interest in CR Fact, S.A.P.I. de C.V. ("Drive & Cash"), all the loan origination transactions between Crédito Real and CR Fact are considered related party transactions. In December 2020, we increased our equity participation in CR Fact to 99.28%.

Origination Transactions with CRHOLDINGINT (Instacredit)

CRHOLDINGINT, S.A. de C.V. (Instacredit) is a wholly-owned subsidiary of Crédito Real and all the loan origination transactions between Crédito Real and Instacredit are considered related party transactions.

Origination Transactions with Controladora CR México

Controladora CR México, S.A. de C.V. is a wholly-owned subsidiary of Crédito Real and all the loan origination transactions between Crédito Real and Controladora CR México are considered related party transactions.

Origination Transactions with Crédito Real USA, Inc. ("CR USA")

Crédito Real USA, Inc. (CR USA") is a wholly-owned subsidiary of Crédito Real and all the loan origination transactions between Crédito Real and CR USA are considered related party transactions.

Amounts Paid

Year Ended December 31,

Related Party	Type of Transaction	2018	2019	2020
			<i>(in pesos)</i>	
Autos Latitud 25	Accrued Interest For	-	-	-
Bluestream Capital, S.A. de C.V.	Accrued Interest For	7,434,040	9,236,629	4,196,702
CAT 60, S.A.P.I. de C.V.	Accrued Interest For	14,525,694	23,575,695	1,257,813
CEGE Capital, S.A.P.I. de C.V., SOFOM E.N.R	Accrued Interest For	9,907,660	48,109,682	57,257,884
Coco Colima, S.A. de C.V.	Accrued Interest For	-	-	-
Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R.	Accrued Interest For	-	-	-
Creal Arrendamiento, S.A. de C.V.	Accrued Interest For	153,893,183	437,288,084	813,837,183
Creal Dallas, LLC	Accrued Interest For	-	-	-
Crédito Real USA Finance	Accrued Interest For	12,286,058	47,872,293	113,578,259
CR-Fact, S.A.P.I. de C.V.	Accrued Interest For	75,992,004	115,427,640	94,298,684
CR MPM, LLC	Accrued Interest For	88,904,890	39,959,317	23,892,275
Grupo Empresarial Maestro S.A. de C.V.	Accrued Interest For	-	-	-
H Financieros S.A. de C.V., SOFOM, E.N.R	Accrued Interest For	-	-	-
Instacredit, S.A. (Costa Rica)	Accrued Interest For	-	-	-
Instacredit, S.A. (Nicaragua)	Accrued Interest For	-	-	-
Marevalley Corporation, S.A.	Accrued Interest For	115,592,189	87,957,272	12,155,104
OFEM D.F., S.A. DE C.V.	Accrued Interest For	-	14,395,843	28,754,201
Servicios Adquiridos, S.A. de C.V.	Accrued Interest For	-	-	-
Publiseg, S.A.P.I. de C.V., SOFOM, E.N.R.	Accrued Interest For	-	28,065,972	21,079,817
CREAL NOMINA, S.A. de C.V.	Accrued Interest For	-	-	24,438,597
CR-Fact, S.A.P.I. de C.V.	Assignment Of Portfolio	-	-	-
Directodo México, S.A.P.I. de C.V.	Assignment Of Portfolio	1,258,497,589	1,773,427,839	1,033,090,701
OFEM D.F., S.A. DE C.V. (antes "Grupo Empresarial Maestro S.A. de C.V.")	Assignment Of Portfolio	1,533,887,405	1,073,418,289	339,455,668
CEGE Capital, S.A.P.I. de C.V., SOFOM ENR	Assignment Of Portfolio	-	-	-
H Financieros S.A. de C.V., SOFOM, E.N.R	Assignment Of Portfolio	130,318,563	125,304,996	117,572,923
Bluestream Capital, S.A. de C.V.	Assignment Of Portfolio	-	-	-
OFEM D.F., S.A. DE C.V.	Assignment Of Portfolio	-	-	-
Publiseg, S.A.P.I. de C.V., SOFOM, E.N.R.	Assignment Of Portfolio	732,485,525	492,570,181	442,219,566
CR MPM, LLC	Assignment Of Portfolio	-	-	-
Aventuras y Expediciones de Los Cabos, S.A. de C.V.	Financial Leasing	-	-	-
Bluestream Capital, S.A. de C.V.	Financial Leasing	140,046	79,145	-
Coco Colima, S.A. de C.V.	Financial Leasing	580,149	720,263	792,147
CR-Fact, S.A.P.I. de C.V.	Financial Leasing	-	-	-
Directodo México, S.A.P.I. de C.V.	Financial Leasing	2,524,616	685,034	-
OFEM D.F., S.A. DE C.V.	Financial Leasing	3,291,332	251,470	2,089

Creal Arrendamiento, S.A. de C.V.	Financial Leasing	-	-	-
CR MPM, LLC	Income Services	-	-	-
Directodo México, S.A.P.I. de C.V.	Income Services	81,610,396	95,804,475	15,808,777
Eventos Tenisticos	Income Services	-	-	-
Creal Arrendamiento, S.A. de C.V.	Income Services	-	-	360,000
CR-Fact, S.A.P.I. de C.V.	Income Services	-	-	120,000
CR HONDURAS S.A.	Income Services	-	-	2,996,241
CAT 60, S.A.P.I. de C.V.	Marketing Services	-	-	-
H Financieros S.A. de C.V., SOFOM, E.N.R	Marketing Services	-	-	-
Reparadora RTD, S.A. de C.V.	Marketing Services	-	-	-
CEGE Capital, S.A.P.I. de C.V., SOFOM ENR	Payroll Services	9,907,660	-	-
Coco Colima, S.A. de C.V.	Payroll Services	-	-	-
Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R.	Payroll Services	-	-	-
Servicios Corporativos Chapultepec, S.A. de C.V.	Payroll Services	5,109,469	9,173,229	10,929,694
Creal Arrendamiento, S.A. de C.V.	Payroll Services	-	-	39,209,524
Servej, S.A. de C.V.	Personal Services	-	-	-

(1) Creal Dallas was absorbed by and merged into Credito Real USA in 2017.

SUPERVISION AND REGULATION OF THE MEXICAN FINANCIAL INDUSTRY

General

Mexico's financial industry is currently comprised of commercial banks, national development banks, broker-dealers and other non-bank institutions, such as insurance and reinsurance companies, bonding companies, credit unions, popular savings and loans companies, foreign exchange houses, bonded warehouses, mutual fund companies, pension fund management companies and *Sofomes*. On January 10, 2014 the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) was published as part of the Financial Reforms. This Financial Groups Law, as its predecessor, aims to achieve the benefits of universal banking, improve governance of holding companies, and tighten up controls of financial services companies that operate under a single financial group holding company. Most major Mexican financial institutions are members of financial groups.

The principal financial authorities that regulate financial institutions are the SHCP, Banco de México, the CNBV, the National Commission for Retirement Savings (*Comisión Nacional del Sistema de Ahorro para el Retiro*), the National Insurance and Bonds Commission (*Comisión Nacional de Seguros y Fianzas*), the Bank Savings Protection Institute (*Instituto para la Protección al Ahorro Bancario*) and the CONDUSEF.

Our operations are primarily regulated by the General Law on Negotiable Instruments and Credit Transactions (*Ley General de Títulos y Operaciones de Crédito*), the LGOAC, certain regulations of the Banco de México, the Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*), the Law for the Transparency and Ordering of Financial Services (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*), the regulations issued by CONDUSEF, the General Provisions Applicable to Public Bonded Warehouses, Exchange Houses, Credit Unions, and Regulated Multipurpose Financial Institutions (*Disposiciones de Carácter General Aplicables a los Almacenes Generales de Depósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas*), the General Provisions Applicable to Securities Issuers and other Securities Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y otros Participantes del Mercado de Valores*) and other regulations issued by the CNBV.

Under the provisions of the General Law of Auxiliary Credit Organizations and Credit Activities, *Sofomes* are entitled to conduct lending, engage in financial leasing activities (*arrendamiento financiero*) and/or perform factoring (*factoraje financiero*) transactions in a professional and customary manner. Such activities do not require a license from any Mexican governmental authority. *Sofomes* are deemed to be financial entities.

As a *Sofom E.N.R.*, we are under the supervision of the CNBV and subject to the CNBV's accounting rules and to general provisions issued by the CNBV in connection with prevention of transactions with illegal funds.

Pursuant to the General Provisions Applicable to Securities Issuers and other Securities Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y otros Participantes del Mercado de Valores*), the Company, as a *Sofom* that issues securities in the public markets, has to prepare and audit its financial statements under *Sofom GAAP*. *Sofom GAAP* adheres to Mexican Financial Reporting Standards, which are individually referred to as Financial Reporting Standards (*Normas de Información Financiera*), as established by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.*), modified in certain areas based on the judgment of the CNBV in order to take into consideration the specialized operations of financial institutions.

In connection with external auditors and external audit services, we are subject to the CUAE recently issued by the CNBV.

General Law of Auxiliary Credit Organizations and Credit Activities

Under the LGOAC, *Sofomes* are required to be registered with CONDUSEF to conduct their activities, and may only conduct lending, financial leasing and factoring activities. Furthermore, the CNBV is required to approve their systems and manuals relating to anti-money laundering to conduct any such activities.

Sofomes are required to provide periodic reports to each of CNBV and CONDUSEF and are required to be users of credit bureaus and to provide periodic information to such bureaus. Regulated *sofomes* are required to satisfy certain requirements such as capital adequacy, classifying loans (and creating reserves), complying with accounting standards and complying with anti-money laundering statutes. If certain requirements are satisfied, *sofomes* may act as trustees under trust agreements.

Law for the Protection and Defense of Financial Service Users

The Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) became effective in April 1999 and was modified pursuant to the Financial Reforms. The purpose of this law is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services. CONDUSEF acts as an arbitrator with respect to disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the financial institutions; CONDUSEF may initiate class actions for the benefit of consumers. As a Sofom, we must submit to CONDUSEF's jurisdiction in all conciliation proceedings and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it. Once the respective conciliation hearings are concluded, and in the case of a disagreement between the parties, we may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. We may also be subject to recommendations by CONDUSEF regarding our standard agreements or information used to provide our services. We may be subject to coercive measures or sanctions imposed by CONDUSEF.

The Law for the Protection and Defense of Financial Service Users requires Sofomes, such as us, to maintain an internal unit (*unidad especializada*) designated to resolve any and all controversies submitted by our clients. We maintain such a unit. CONDUSEF also maintains a Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*), in which all providers of financial services must be registered, and such registry assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including interest rates. To satisfy this duty, CONDUSEF has wide authority to request any and all necessary information from financial entities. All Sofomes, including regulated *Sofomes*, are required to register their standard form of agreements (*contratos de adhesión*) in the Registry for Standard Forms of Agreements (*Registro de Contratos de Adhesión*), which is managed by CONDUSEF, provided that the registration does not constitute a certification as to compliance of the laws and regulations for protection and defense of financial users and therefore, CONDUSEF may, at any moment, order a financial institution to modify its standard form of agreement for purposes of complying with the laws and regulations for protection and defense of financial users. CONDUSEF is empowered to initial class action lawsuits related to financial services institutions. All of our standard forms of agreements have been registered before CONDUSEF. All Sofomes, including non-regulated Sofomes, are required to register in the Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*) managed by CONDUSEF. We are currently registered as a regulated Sofom in this registry.

Law for the Transparency and Ordering of Financial Services

The Law for the Transparency and Ordering of Financial Services became effective in June 2007 and was modified pursuant to the Financial Reforms. The purpose of this law is to regulate (1) the fees charged to clients of financial entities for the use and/or acceptance of financial services; (2) the fees that financial entities charge to each other for the use of any payment system; and (3) other aspects related to financial services, in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants Banco de México and CONDUSEF the authority to regulate certain fees and to establish general guidelines and requirements relating to payment devices and credit card account statements. It also grants to CONDUSEF the authority to regulate the requirements that need to be satisfied by the standard forms of agreement used by financial entities, the statements of account that are delivered by financial entities to their clients and the advertisement conducted by financial entities.

The Law for the Transparency and Ordering of Financial Services also grants Banco de México the authority to specify the basis upon which each financial entity must calculate its aggregate annual cost (*costo anual total*) charged in respect of loans and other services, which is comprised of the interest rates and fees on an aggregate basis. The aggregate annual cost must be publicly included by a *Sofom* in its standard forms of agreement and disclosed in its statements of account and advertisements.

Rules on Interest Rates

The rules of the Law for the Transparency and Ordering of Financial Services which is applicable to Sofomes provide that the standard forms of agreement are required to contain clauses that provide that (1) the applicable ordinary and default interest rates are expressed in annual terms and contain the applicable methodology for purposes of calculating such interest rates; (2) if interest accrues based on a reference rate, the standard form of agreement must include at least one replacement reference rate, which will only be applicable if the original reference rate is discontinued; and (3) interest may not be charged by financial entities in advance and may only be charged after the corresponding interest period has elapsed. Banco de México has issued rules that limit the number of reference rates that may be used by some financial institutions.

Mexican law does not currently impose any limit on the interest rate or fees that a regulated Sofom may charge to its clients. However, this possibility has been the subject of recent discussions and may be modified.

The Mexican Supreme Court of Justice has ruled that Mexican judges have the authority to reduce an interest rate if they determine it to be an unfair interest rate, on the grounds of basic human rights being violated, even if such reduction has not been requested by the debtor.

Fees

Under Banco de México regulations, Mexican banks, and *Sofomes* may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (1) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (*costo anual total*), (2) charge alternative fees, except if the fee charged is the lower fee, or (3) charge fees for the cancellation of credit cards issued. In addition, the Law for the Transparency and Ordering of Financial Services contemplates certain restrictions for *Sofomes*, such as the prohibitions on: (1) charging fees different from those in connection with the services provided; (2) charging more than one fee for the same service or item; (3) charging fees with to prevent the client from transferring to a different financial institution; (4) charging fees for receiving payments made by users or clients in connection with loans granted by other financial institutions.

Banco de México, on its own initiative or as per request from CONDUSEF may assess whether reasonable competitive conditions exist in connection with fees charged by financial entities in performing financial operations. Banco de México must obtain the opinion of the Federal Competition Commission (*Comisión Federal de Competencia Económica*) in carrying out this assessment. Banco de México may take measures to address these issues.

Law for the Protection of Personal Data

On July 5, 2010, the Federal Law for Protection of Personal Data held by Private Parties (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*, or “LFPDPPP”), was published and it became effective on the next day. The purpose of the LFPDPPP is to protect personal data collected, held or to be used by individuals and private entities and to enforce controlled and informed processing of personal data in order to ensure data subjects’ privacy and the right to consent with respect to the use of protected information.

The LFPDPPP requires individuals and private entities to inform data subjects about the information being collected, used, disclosed or stored and the purpose of such collection, use, disclosure or storage via a privacy notice and provides special requirements for processing sensitive personal data (which is defined as data relating to race, physical condition, religious, moral or political affiliation, and sexual preferences). The LFPDPPP gives data subjects the right to: (1) access their data, (2) have inaccuracies in their data corrected or completed, (3) deny transfers of their data, and (4) oppose use of their data or have it deleted from a company’s system (other than in certain circumstances expressly set forth in the LFPDPPP, such as the exercise of a right or holding information required under applicable law). The LFPDPPP requires that, if disclosure of data is permitted, the transferee agrees to the same restrictions as those set forth in the privacy notice permits the original receipt and subsequent disclosure of information. The LFPDPPP also provides that data may be disclosed without the consent of the data subject in certain circumstances, including: (1) a law requires or permits disclosure; (2) disclosure is required in connection with medical treatment or (3) disclosure is required for public policy reasons or in connection with a legal action. The LFPDPPP requires immediate notice to a data subject of any security breach that significantly affects his/her property or moral rights.

The National Institute of Transparency, Access to Information and Data Protection, or the “Institute”, is authorized to monitor and enforce compliance with the LFPDPPP by private parties processing personal data. Such entities will be held liable for interfering with a data subjects’ exercise of their rights under the LFPDPPP and for failing to safeguard their personal data. Data subjects who believe that a party is not processing their personal data in accordance with the LFPDPPP may request an investigation by the Institute. Following an investigation, the Institute may: (i) dismiss the data subject’s claim or (ii) affirm, reject or modify an individual or private entity’s answer to a data subject’s claim. Penalties for repeat violation of the LFPDPPP’s provisions include a fine equivalent of up to Ps. 23.3 million (approximately US\$1.2 million), a prison sentence of up to five years or double the applicable fine or sentence for violations related to sensitive personal data.

Anti-Money Laundering Provisions

On March 17, 2011, the SHCP issued the General Provisions Applicable to Sofomes (*Disposiciones de Carácter General a que se refieren los artículos 115 de la Ley de Instituciones de Crédito, en relación con el 87-D de la Ley General de Organizaciones y Actividades del Crédito 95-Bis de este último ordenamiento, aplicables a las sociedades financieras de objeto múltiple*), or the Anti-Money Laundering General Provisions. The purposes of such General Provisions are to establish anti-money laundering and counter-terrorism rules and guidelines.

The Anti-Money Laundering General Provisions applicable to *Sofomes*, which are subject to the supervision of the CNBV, require that they among other things, (1) establish identification (“know-your-client”) policies and guidelines similar to those imposed on Mexican banks and other regulated financial entities, subject to strict identification methods and controls on clients and users of the *Sofomes* services; (2) record and keep information on clients and on money transfer and exchange transactions, and other kind of operations; and (3) report to authorities on relevant, unusual and suspicious internal transactions, and any other suspicious transaction, among other obligations.

Creditors’ Rights and Remedies

Collateral Mechanisms

Mexican laws regarding the perfection and enforcement of security interests contemplate pledging assets without transferring possession (*prenda sin transmisión de posesión*), as well as a common security arrangement known in Mexico as the security trust (*fideicomiso de garantía*). The purpose of such mechanisms is to provide an improved legal framework for secured lending and to encourage banks to increase their lending activities. The pledging of personal property being used in a debtor’s main business activity by making only a generic description of such property and perfecting a security interest in such personal property by filing in a centralized Federal electronic registry, is a structure frequently used. Provisions regulating security trusts are similar to those governing pledges of personal property, except they provide that title to the collateral must be held by the trustee. Security trusts permit enforcement without any judicial action (by following certain de minimis due process rights), which is an alternative that has enhanced lending activities and expedited restructurings.

Bankruptcy Law

Mexico’s current Bankruptcy Law (*Ley de Concursos Mercantiles*) was published on May 12, 2000 and amended on January 10, 2014 and has been frequently used as a means to conclude complex insolvency situations affecting Mexican companies by providing expedited and clear procedures, while at the same time granting creditors and other participants the certainty of an in-court solution. The law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor and bankruptcy phase.

The Bankruptcy Law establishes precise rules that determine when a debtor is in general default on its payment obligations. The principal indications are failure by a debtor to comply with its payment obligations in respect of two or more creditors and the existence of the following two conditions: (1) 35% or more of a debtor’s outstanding liabilities are 30 days past-due; and (2) the debtor fails to have certain specifically defined liquid assets and receivables to support at least 80% of its obligations which are due and payable. The bankruptcy law was amended to include the ability of a debtor to request the *concurso mercantil* prior to being generally in default with respect to its payment obligations, when such situation is expected to occur inevitably within the following 90 days. Furthermore, the

Bankruptcy Law now allows the consolidation of concurso mercantil proceedings of companies that are part of the same corporate group.

The law provides for the use and training of experts in the field of insolvency and the creation of an entity to coordinate their efforts. Such experts include the intervenor (*interventor*), conciliator (*conciliador*) and receiver (*síndico*).

On the date the insolvency judgment is entered, all peso-denominated obligations are converted into UDIs, and foreign currency-denominated obligations are converted into pesos at the rate of exchange for that time and location and then converted into UDIs. Only loans with a perfected security interest (*i.e.*, mortgage, pledge or security trust) continue to accrue interest as stipulated in the corresponding agreements and maintain their original currency or unit. The Bankruptcy Law mandates the netting of derivative transactions upon the declaration of insolvency.

The Bankruptcy Law provides for a general rule as to the period when transactions may be scrutinized by the judge in order to determine if they were entered into for fraudulent purposes, which is, generally, 270 calendar days prior to the judgment declaring insolvency. This period is referred to as the retroactive period. Nevertheless, upon the reasoned request of the conciliator, the intervenors, who may be appointed by the creditors to oversee the process, or any creditor, the judge may set a longer period. As a result of recent reforms, the retroactive period was lengthened to 540 calendar days with respect to transactions entered into with inter-company creditors.

A restructuring agreement must be subscribed to by the debtor, as well as recognized creditors representing more than 50% of (i) the sum of the total recognized amount corresponding to common creditors and subordinated creditors; and (ii) the total recognized amount corresponding to secured or privileged creditors subscribing to the agreement. Related party creditors may only vote up to 25% of the aggregate outstanding indebtedness, even if their loans exceed such percentage. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

The Bankruptcy Law incorporates provisions relating to pre-agreed procedures, frequently used in jurisdictions outside Mexico, that permit debtors and creditors to agree upon the terms of a restructuring and thereafter file, as a means to obtain the judicial recognition of a restructuring reached on an out-of-court basis. This also provides protection against dissident minority creditors.

DESCRIPTION OF THE NOTES

BOOK-ENTRY CLEARANCE SYSTEMS

The following summary of certain provisions of the notes does not purport to be complete and is subject to all of the provisions of the notes. The terms and conditions stated below will apply to each note unless otherwise specified in the applicable pricing supplement. The terms of the notes described in this Offering Memorandum, including the maturities and interest rates, may differ from one note to another. The terms of the notes will be specified in a pricing supplement, the form of which is included under “Annex B—Form of Pricing Supplement.” The pricing supplement may also add, update or change information contained in this Offering Memorandum. It is important for you to consider the information contained in this Offering Memorandum and the applicable pricing supplement in making your investment decision.

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that we believe to be reliable, but neither we nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither we nor any other party to any indenture will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearance and Settlement; Clearing Systems

The notes that we offer under this Program may be held through one or more international and domestic clearing systems, principally the book-entry systems operated by DTC in the United States, and Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement outside of the United States. Electronic securities and payment transfer, processing, depository and custodial links have been established among these systems and others, either directly or through custodians and depositories, which enable notes to be issued, held and transferred among the clearing systems. The Dealers have direct electronic links with DTC, Clearstream and Euroclear. Special procedures have been established among these clearing systems and the relevant Dealers to facilitate clearance and settlement of certain notes traded across borders in the secondary market. Cross-market transfers of registered Global notes for which payments will be made in U.S. dollars and which will be issued in global form may be cleared and settled using these procedures on a delivery against payment basis. Cross-market transfers of notes in other than global form may be cleared and settled under other procedures established among the relevant Dealer(s), and the relevant clearing systems. Investors in notes issued outside of the United States, its territories and possessions must initially hold their interests in the notes through Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement.

Although DTC, Euroclear and Clearstream have agreed to the procedures described below in order to facilitate the transfers of notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform the procedures and the procedures may be modified or discontinued at any time. Neither we, the Dealers, nor any affiliate or person controlled by any of us will have any responsibility for the performance of the respective obligations under the rules and procedures governing the operations of DTC, Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement, or of their respective direct or indirect participants. In all cases, clearance and settlement of the notes will be governed by the rules and procedures established by the relevant clearing system(s) and in effect at the time of clearance and settlement.

DTC

DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt, and money market instruments that DTC’s participants (“**DTC participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-

entry transfers and pledges between DTC participants' accounts. These services eliminate the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of DTC participants and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (also subsidiaries of DTCC), as well as by the New York Stock Exchange and FINRA. Access to the depository system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC's participants are on file with the SEC. More information about DTC can be found at its website at <http://www.dtcc.com>. The information concerning DTC and its book-entry system has been obtained from sources that we believe are reliable, but we take no responsibility for the accuracy thereof.

Clearstream

Clearstream holds securities for its participating organizations ("**Clearstream participants**") and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also interfaces with domestic securities markets in several countries. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier and the Banque Centrale du Luxembourg, which supervise and oversee the activities of Luxembourg banks. Clearstream participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the paying agent. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear system (the "**Euroclear Operator**") in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator. Distributions with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the depository for Clearstream.

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organizations ("**Euroclear participants**") and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the paying agent. Non-participants in Euroclear may hold and transfer beneficial interests in a registered Global Note through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in a registered Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depository for Euroclear.

Other Clearing Systems

The applicable Pricing Supplement will specify any other clearing system that will be available for a particular offering of notes, including the clearance and settlement procedures for that clearing system. The clearing system will be agreed upon by the Company and the Dealer(s).

Book-Entry Procedures for the Global Notes

Ownership of beneficial interests in a Global Note representing the notes will be limited to the clearing system through which these interests are held, and its direct and indirect participants. Beneficial interests in a Global Note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by such clearing system, and its respective participants for that Global Note. The conveyance of notices and other communications by such clearing system to its participants and by its participants to owners of beneficial interests in the notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect. Any interest in registered Global Notes will be transferable only under the rules and procedures of DTC, Euroclear, Clearstream or any other applicable clearance system.

Transfers of Notes Represented by Registered Global Notes

Primary Distribution

General. Distribution of the notes will be cleared through one or more of the clearing systems described above or any other clearing system specified in the applicable Pricing Supplement. Payment for notes will be made on a delivery versus payment or free delivery basis, as more fully described in the applicable Pricing Supplement.

Registered notes. We and the relevant Dealer(s) will agree that either global clearance and settlement procedures or specific clearance and settlement procedures should be available for any Series of notes, as specified in the applicable Pricing Supplement. Clearance and settlement procedures may vary from one Series of notes to another according to the specified currency of the notes of that Series. Customary clearance and settlement procedures are described under the specific clearance and settlement procedures below. Application will be made to the relevant clearing system(s) for the notes of the relevant Series to be accepted for clearance, and the clearance numbers applicable to each clearance system will be specified in the applicable Pricing Supplement.

Clearance and Settlement Procedures—DTC. DTC participants holding notes through DTC on behalf of investors will follow the settlement practices applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement System. Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

Clearance and Settlement Procedures—Euroclear and Clearstream. Investors electing to hold their notes through Euroclear and/or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear and/or Clearstream participants, as the case may be, on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Trading between DTC participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in U.S. dollars, or free of payment if payment is made in a currency other than U.S. dollars. Where payment is made in

a currency other than U.S. dollars, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

Trading between Euroclear and/or Clearstream participants. Secondary market trading between Euroclear or Clearstream participants will occur in the ordinary way under the applicable rules and operating procedures of Euroclear and Clearstream and will be settled using procedures applicable to conventional eurobonds in registered form.

Trading between DTC Seller and Euroclear or Clearstream Purchaser Single Global Note Issues. When notes represented by a DTC Global note are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the purchaser must send instructions to Euroclear or Clearstream through a participant at least one Business Day prior to settlement. Euroclear or Clearstream will instruct their respective DTC participants to receive the notes against payment or free of payment. After the settlement has been completed, the interests in the notes will be credited to the respective clearing system and by the clearing system, under its usual procedures, to the account of the relevant Euroclear or Clearstream participant. Credit for the notes will appear on the next day (European time) and cash debit will be backvalued to, and the interest on the notes will accrue from, the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date, i.e., the trade fails, the Euroclear or Clearstream cash debit will be valued as of the actual settlement date.

Euroclear or Clearstream participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, participants may take on credit exposure to Euroclear or Clearstream until the notes are credited to their accounts one Business Day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to the participants, participants can elect not to pre-position funds and allow that credit line to be drawn on to finance settlement. Under this procedure, Euroclear or Clearstream participants purchasing notes would incur overdraft charges for one Business Day, assuming they cleared the overdraft when the notes were credited to their accounts. However, interest on the notes would accrue from the value date. Therefore, in many cases, the investment income on notes earned during that one-day period may substantially reduce or offset the amount of the overdraft charges, although this result will depend on each participant's particular cost of funds.

Because the settlement will take place during New York business hours, DTC participants can employ their usual procedures for delivering notes to Euroclear's or Clearstream's DTC participant for the benefit of Euroclear or Clearstream participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participants, a cross-market transaction will settle no differently than a trade between two DTC participants.

Dual Global Note Issues. When notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the DTC participant will deliver the notes free of payment to the appropriate account of the custodian at DTC by 11:00 a.m. (New York time) on the settlement date together with instructions for delivery to the relevant Euroclear or Clearstream participant. Separate payment arrangements are required to be made between the relevant Euroclear or Clearstream participant and the DTC participant. The applicable registrar, as custodian, will (i) decrease the amount of notes registered in the name of the nominee of DTC and represented by the DTC Global Note and (ii) increase the amount of notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and represented by the registered global note. The depository will deliver such notes free of payment to Euroclear or Clearstream for credit to the relevant participant in such clearing system on the Business Day following the settlement date.

Trading Between a Euroclear or Clearstream Seller and a DTC Purchaser

Single Global Note Issues. Due to time zone differences in their favor, Euroclear or Clearstream participants may employ their customary procedures for transactions in which notes represented by a DTC Global Note are to be transferred by the respective clearing system. The seller must send instructions to Euroclear or Clearstream through a participant at least one Business Day prior to settlement. In these cases, Euroclear or Clearstream will instruct the

depository to credit the notes to the DTC participant's account against payment. The payment will then be reflected in the account of the Euroclear or Clearstream participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream participant's account will be backvalued to the value date, which would be the preceding day, when settlement occurs in New York. If the Euroclear participant or Clearstream participant has a line of credit with its respective clearing system and elects to draw on that line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream participant's account would instead be valued as of the actual settlement date.

As is the case with sales of notes represented by a DTC Global Note by a DTC participant to a Euroclear or Clearstream participant, participants in Euroclear and Clearstream will have their accounts credited the day after their settlement date.

Dual Global Note Issues. When interests in notes are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the relevant Euroclear or Clearstream participant must provide settlement instructions for delivery of the notes free of payment to Euroclear or Clearstream by 7:45 p.m., Brussels or Luxembourg time, one Business Day prior to the settlement date. Euroclear or Clearstream, will in turn provide appropriate settlement instructions to the common depository and the registrar for delivery to the DTC participant. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, the custodian will deliver the notes free of payment to the appropriate DTC account of the DTC participant and will instruct the applicable registrar to (i) decrease the amount of notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and represented by the registered Global Note and (ii) increase the amount of notes registered in the name of the nominee of DTC and represented by the DTC Global Note.

TRANSFER RESTRICTIONS

General

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes issued under the Program will be offered and sold only:

- to QIBs (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- (2) it acknowledges that the notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) it understands and agrees that notes initially offered in the United States to “qualified institutional buyers” will be represented by one or more Rule 144A Global notes and that notes offered outside the United States pursuant to Regulation S will be represented by one or more Regulation S Global notes;
- (4) it will not offer, pledge, resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
- (5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;
- (6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the applicable indenture, including with respect to notes sold or transferred pursuant to Rule 144A or Regulation S;
- (7) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- (8) it acknowledges that we, the Dealers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the

acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the Dealers; and

- (9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend that will appear on the face of any Rule 144A Global note, and which will be used to notify transferees of the foregoing restrictions on transfer.

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

The following is the form of restrictive legend which will appear on the face of any Regulation S Global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)), THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON, EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE. THE TERMS “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

The following is the form of restrictive legend which will appear on the face of any Regulation S Global Note and any Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*, OR “RNV”) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*, OR “CNBV”), AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO OR OTHERWISE BE SUBJECT TO INTERMEDIATION ACTIVITIES IN MEXICO. THE NOTES MAY ONLY BE OFFERED AND SOLD, ON A PRIVATE PLACEMENT BASIS, TO INVESTORS IN MEXICO THAT QUALIFY AS AN INSTITUTIONAL INVESTOR (“*INVERSIONISTA INSTITUCIONAL*”) OR AN ACCREDITED INVESTOR (“*INVERSIONISTA CALIFICADO*”), PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*) AND REGULATIONS THEREUNDER. WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THIS OFFERING OF THE NOTES OUTSIDE MEXICO. SUCH NOTICE WILL BE SUBMITTED TO THE CNBV TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND REGULATIONS THEREUNDER, AND FOR STATISTICAL AND INFORMATIONAL PURPOSES ONLY. THE DELIVERY TO, OR RECEIPT BY, THE CNBV OF SUCH NOTICE DOES NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OF OUR OR THE SUBSIDIARY GUARANTORS’ (IF ANY) SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED NOR AUTHORIZED BY THE CNBV AND MAY NOT BE PUBLICLY DISTRIBUTED IN MEXICO. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN INVESTOR, WHO MAY ACQUIRE NOTES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF CRÉDITO REAL, S.A.B. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, ENTIDAD NO REGULADA AND THE SUBSIDIARY GUARANTORS (IF ANY), AND THE TERMS OF THIS OFFERING AND THE NOTES.

TAXATION

United States Taxation

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of the notes which may be issued under the Program. This discussion does not address the U.S. federal income tax considerations of every type of note which may be issued under the Program, and the applicable Pricing Supplement will contain additional or modified disclosure concerning the U.S. federal income tax considerations relevant to some types of notes as appropriate.

This discussion applies only to U.S. Holders (as defined below) who hold the notes as capital assets for U.S. federal income tax purposes (generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated thereunder (“Regulations”), published positions of the Internal Revenue Service (the “IRS”), court decisions and other applicable authorities, all as currently in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect).

This discussion does not describe all of the U.S. federal income tax considerations that may be applicable to U.S. Holders in light of their particular circumstances or U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks, insurance companies and other financial institutions;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes, S corporations or other pass-through entities;
- tax-exempt entities;
- real estate investment trusts;
- regulated investment companies;
- dealers or traders in securities;
- certain former citizens or residents of the United States;
- persons that elect to mark their securities to market;
- persons holding the Notes as part of a “straddle,” conversion or other integrated transaction
- persons that have a functional currency other than the U.S. dollar;
- accrual method taxpayers that are required to recognize income for U.S. federal income tax purposes no later than when such income is taken into account in applicable financial statements; and
- persons that actually or constructively own 10% or more of our equity (by vote or value).

In addition, this discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift, alternative minimum tax or Medicare contribution tax considerations. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations to them in light of their particular situation as well as any considerations arising under the laws of any other taxing jurisdiction.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the notes that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable Regulations to be treated as a U.S. person.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners in a partnership holding the notes should consult their tax advisors regarding the tax considerations generally applicable to them of the ownership and disposition of the notes.

If a note is issued in circumstances where the note is properly subject to special U.S. federal income tax rules for debt instruments with certain contingent payment features, such as Indexed Notes, Extendible Notes, Amortizing Notes and Dual Currency Notes, the applicable Pricing Supplement will discuss the U.S. federal income tax considerations in respect of such characterization to U.S. Holders.

The discussion herein is subject to, and should be read in conjunction with, any discussions contained in the Pricing Supplements.

THE FOLLOWING DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS RELATING TO THE OWNERSHIP AND DISPOSITION OF THE NOTES. THE TAX TREATMENT MAY VARY DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSIDERATIONS OF THE OWNERSHIP AND DISPOSITION OF THE NOTES.

Senior Notes

Payments of Interest

General

Interest on the Senior Notes other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "—Payments of Interest—Original Issue Discount"), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the particular holder's method of accounting for U.S. federal income tax purposes. Interest paid or accrued on the Senior Notes and original issue discount ("OID"), if any, accrued with respect to the Senior Notes (as described below under "—Payments of Interest—Original Issue Discount") will generally constitute foreign-source income for foreign tax credit purposes. Prospective purchasers should consult their own tax advisors concerning the applicability of the foreign tax credit and source rules to income attributable to the Senior Notes.

Foreign Currency Denominated Interest

If interest is paid on Foreign Currency notes, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be such U.S. Holder's tax basis in the foreign currency received. If the interest payment is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency exchange gain or loss in respect of the interest income. A U.S. Holder may have foreign currency exchange gain or loss (generally taxable as ordinary income or loss) if the interest payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss will be treated as U.S. source gain or loss for foreign tax credit purposes. For U.S. Holders that are cash basis U.S. Holders and are required to accrue OID on a Foreign Currency note, rules similar to the rules described in the following paragraph will apply with respect to the OID.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to interest paid on a Foreign Currency Note in accordance with one of two methods. Under the first method, the amount of income accrued (including OID, but reduced by amortizable bond premium to the extent applicable) will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, at the average rate for the partial period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued (including OID) on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the taxable year). If a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of accrued interest payments (including OID and payments attributable to accrued but unpaid interest upon the sale or retirement of a Senior Note) on a Foreign Currency note, a U.S. Holder may recognize foreign currency exchange gain or loss (generally taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt) in respect of the accrual period and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. If the payment is then converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize any additional foreign currency exchange gain or loss with respect to the payment. A U.S. Holder may have additional foreign currency exchange gain or loss if the payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss realized by a U.S. Holder will be treated as U.S. source gain or loss for foreign tax credit purposes.

Effect of Foreign Withholding Taxes

As discussed under “Taxation—Certain Mexican Income Tax Consequences,” payments in respect of the Senior Notes may be subject to foreign withholding taxes. As discussed under “Description of the Notes—Additional Amounts,” under certain circumstances the Issuer may become liable for the payment of Additional Amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no foreign withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of foreign taxes withheld by the Issuer with respect to a Senior Note, and as then having actually paid over the withheld taxes to the foreign taxing authorities, as applicable. In this case, the amount of income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for foreign income taxes properly withheld by the Issuer; provided that, if a U.S. Holder elects to deduct foreign taxes for any taxable year, such U.S. Holder must deduct, rather than credit, all foreign taxes for such taxable year. Interest and OID will generally constitute foreign source income in the “passive income” basket. Since a U.S. Holder may be required to include OID on the Senior Notes in its gross income in advance of any withholding of foreign income taxes from payments attributable to the OID (which would generally occur when the Senior Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these foreign income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the foreign taxes in the year those taxes are actually withheld by the Issuer. Prospective purchasers should consult their own tax advisors regarding the foreign tax credit implications and other tax considerations with respect to the payment of such withholding taxes.

Original Issue Discount

A Senior Note, other than a Senior Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (an “Original Issue Discount Note”) if the excess of the Senior Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25% of the Senior Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity), and the amount of OID will be equal to such excess. An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “installment obligation”) will be treated as an Original Issue Discount Note if the excess of the

Senior Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Senior Note. A Senior Note's weighted average maturity is the sum of the following amounts determined for each payment on a Senior Note (other than a payment of qualified stated interest): the product of (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Senior Note's stated redemption price at maturity. Generally, the issue price of a Senior Note will be the first price at which a substantial amount of Senior Notes included in the issue of which the Senior Note is a part are sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Senior Note is the total of all payments provided by the Senior Note that are not payments of qualified stated interest. A payment of "qualified stated interest" generally is any one of a series of stated interest payments on a Senior Note that are unconditionally payable (other than in debt instruments of the Issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) or a variable rate (in the circumstances described below under "Floating Rate Notes"), applied to the outstanding principal amount of the Senior Note. If a Senior Note provides for more than one fixed rate of stated interest, interest payable at the lowest stated rate generally is qualified stated interest, with any excess included in the stated redemption price at maturity for purposes of determining whether the Senior Note was issued with OID. Solely for the purposes of determining whether a Senior Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Senior Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Senior Note. If such an option were not in fact exercised, the Senior Note would be treated, solely for purposes of calculating OID, as if it were redeemed and a new note were issued on the presumed exercise date for an amount equal to the Senior Note's "adjusted issue price" on that date. If such a deemed reissuance occurs when the remaining term of the Senior Notes is one year or less, it is possible that the Senior Note would thereafter be treated as a short-term debt instrument. See "—Payments of Interest—Short-Term Notes" below. A Senior Note's adjusted issue price is its issue price increased by the amount of previously includable OID and decreased by the amount of any prior payments on the Senior Note that do not constitute qualified stated interest.

A U.S. Holder of Original Issue Discount Notes must generally include OID in gross income as ordinary interest income as it accrues over the term of the Original Issue Discount Notes using the "constant-yield method" based on a compounding of interest without regard to its regular method of accounting for U.S. federal income tax purposes and in advance of the receipt of cash payments attributable to that income. Under the constant-yield method, the amount of OID will generally increase over the term of the Original Issue Discount Notes.

U.S. Holders may make an election (a "constant-yield election") to include in gross income all interest that accrues on any Senior Notes as described below under "—Payments of Interest—Election to Treat All Interest as Original Issue Discount."

Acquisition Premium

A U.S. Holder that purchases an Original Issue Discount Note for an amount less than or equal to the sum of all amounts payable on the Senior Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "—Payments of Interest—Election to Treat All Interest as Original Issue Discount," reduces the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Senior Note immediately after its purchase over the Senior Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Senior Note after the purchase date, other than payments of qualified stated interest, over the Senior Note's adjusted issue price.

Senior Notes Purchased at a Premium

A U.S. Holder that purchases a Senior Note for an amount in excess of its principal amount, or in the case of an Original Issue Discount Note, in excess of its stated redemption price at maturity will be considered to have purchased the Senior Note at a premium and the OID rules will not apply to such U.S. Holder. Such U.S. Holder may elect to treat the excess as "amortizable bond premium," in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Senior Note will be reduced by the amount of amortizable bond premium allocable (based on the Senior Note's yield to maturity) to that year. Any election to amortize bond premium shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross

income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “—Payments of Interest—Election to Treat All Interest as Original Issue Discount” below.

Pre-Issuance Accrued Interest

An election may be made to decrease the issue price of such Senior Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of such Senior Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on such Senior Note is to be made within one year of such Senior Note’s issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on such Senior Note.

Market Discount

A Senior Note, other than a Short-Term Note, will generally be treated as purchased at a market discount (a “Market Discount Note”) if the Senior Note’s stated redemption price or, in the case of an Original Issue Discount Note, the Senior Note’s revised issue price, exceeds the amount for which the U.S. Holder purchased the Senior Note by at least 0.25% of the Senior Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Senior Note’s maturity (or, in the case of a Senior Note that is an installment obligation, the Senior Note’s weighted average maturity). If this excess is not sufficient to cause the Senior Note to be a Market Discount Note, then the excess constitutes “*de minimis* market discount.” For this purpose, the “revised issue price” of a Senior Note generally equals its issue price, increased by the amount of any OID that has accrued on the Senior Note and decreased by the amount of any payments previously made on the Senior Note that were not qualified stated interest payments.

Any gain recognized on the maturity, sale or other taxable disposition, of a Market Discount Note (including any payment on a Senior Note that is not qualified stated interest) will be treated as ordinary income to the extent of the market discount accrued on the Senior Note at that time, unless such market discount has been previously included in income pursuant to an election to include market discount in income as it accrues (a “market discount accrual election”), or pursuant to the constant-yield election described under “—Payments of Interest—Election to Treat All Interest as Original Issue Discount” below. If a U.S. Holder makes a market discount accrual election, that election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Senior Note includable in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Because of the complexity and variety of special rules relating to the treatment of market discount and acquisition and bond premium, prospective purchasers should consult their own tax advisors concerning the U.S. federal income tax considerations of purchasing the Senior Notes at a discount or a premium from the Senior Note’s issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may make a constant-yield-election to include in gross income all interest that accrues on a Senior Note using the constant-yield method described above under “—Payments of Interest—Original Issue Discount,” with certain modifications. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium (described above under “—Payments of Interest—Senior Notes Purchased at a Premium”) or acquisition premium. The election may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Market Discount Note, such election will result in a deemed market discount accrual election (described above under “—Payments of Interest—Market Discount”) for the taxable year in which such U.S. Holder acquired the Senior Note and all succeeding years. The electing U.S. Holder will be treated as having made the election to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. This election may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Short-Term Note and is an accrual basis U.S. Holder, then the U.S. Holder is required to accrue OID based on daily compounding.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consideration of making this election under their particular circumstances.

Floating Rate Notes

A Senior Note that is a Floating Rate Note will be treated as a “variable rate debt instrument” under Regulations governing accrual of OID if (a) its issue price does not exceed the total non-contingent principal payments due under the Floating Rate Note by more than a specified *de minimis* amount; (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

If a Floating Rate Note qualifies as a “variable rate debt instrument,” then any stated interest on the Senior Note which is unconditionally payable in cash or property (other than in debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. If a Floating Rate Note does not qualify as a “variable rate debt instrument,” then the Floating Rate Note will be subject to special U.S. federal income tax rules for debt instruments with certain contingent payment features.

In the event the Issuer issues a Floating Rate Note, the applicable Pricing Supplement will more fully describe the U.S. federal income tax considerations thereof.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of these rules for Short-Term Notes) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or may make the constant-yield election described above under “—Payments of Interest—Election to Treat All Interest as Original Issue.” In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes to the extent the interest does not exceed the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s

purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Foreign Currency Original Issue Discount Notes.

OID for each accrual period on an Original Issue Discount Note that is a Foreign Currency note will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under “—Payments of Interest—Foreign Currency Denominated Interest.” Upon receipt of an amount attributable to OID (whether in connection with a payment on the Senior Note or a sale or disposition of the Senior Note), a U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market discount on a Foreign Currency note will be accrued in the foreign currency. If a U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder’s taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the sale or retirement of the Senior Note, the U.S. dollar value of the amount accrued, calculated at the exchange rate on that date, and no part of this accrued market discount will be treated as foreign exchange gain or loss.

Amortizable bond premium and acquisition premium on a Foreign Currency note will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. U.S. Holders will realize foreign currency gain or loss with respect to amortized bond premium with respect to any period by treating that amortized bond premium in the same manner as a return of principal on the sale or other taxable disposition of a Foreign Currency note (as discussed below under “—Sale, Exchange or Other Taxable Disposition of Senior Notes—Foreign Currency Notes”). If the election is not made, any loss realized on the sale, exchange or retirement of a Foreign Currency note will be capital loss to the extent of the bond premium.

Sale, Exchange or Other Taxable Disposition of Senior Notes

General

A U.S. Holder’s tax basis in a Senior Note will generally be its cost increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Senior Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder’s income with respect to the Senior Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Senior Note.

A U.S. Holder will generally recognize gain or loss on the sale, exchange or other taxable disposition of a Senior Note equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the tax basis of the Senior Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “—Payments of Interest—Market Discount” or “—Payments of Interest—Short-Term Notes” or attributable to changes in exchange rates (as discussed below under “—Sale Exchange or Other Taxable Disposition of Senior Notes—Foreign Currency Notes”), gain or loss recognized on the sale, exchange or other taxable disposition of a Senior Note will be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder’s holding period in the Senior Notes exceeds one year at the time of such sale, exchange or other taxable disposition. Long-term capital gain recognized by individual and other non-corporate U.S. Holders will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitations.

If a Mexican income tax is withheld on the sale, exchange or other disposition of the Senior Notes, a U.S. Holder's amount realized will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Mexican withholding tax. Gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of the Senior Notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of gain from the disposition of the Senior Notes that is subject to Mexican withholding tax, a U.S. Holder may not be able to benefit from the foreign tax credit for that Mexican withholding tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. Holder can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources. An applicable tax treaty (such as the tax treaty between the United States and Mexico) may alter this result if a given U.S. Holder meets certain requirements. Alternatively, a U.S. Holder may be able to take a deduction for the Mexican withholding tax if such U.S. Holder does not take a credit for any foreign taxes paid or accrued during the taxable year. The rules governing the application of the U.S. foreign tax credit and any applicable tax treaty are complex and all U.S. Holders are urged to consult their tax advisor regarding the availability of the foreign tax credit and the application of any tax treaty to them based on their particular circumstances.

Foreign Currency Notes

A U.S. Holder's tax basis in a Foreign Currency note will be determined by reference to the U.S. dollar cost of the Senior Note. The U.S. dollar cost of a Senior Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Senior Notes traded on an established securities market, as defined in the applicable Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Senior Notes traded on an established securities market, as defined in the applicable Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects) on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Senior Note equal to the difference, if any, between the U.S. dollar value of the U.S. Holder's purchase price for the Senior Note (or, if less, the principal amount of the Senior Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Senior Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

The rules applicable to Foreign Currency notes could require some or all of the gain or loss realized upon a sale or other taxable disposition of the Senior Notes that is attributable to fluctuations in currency exchange rates to be treated as ordinary income or loss. The rules applicable to Foreign Currency notes are complex, and their application may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and U.S. Holders should consult their tax advisors regarding the U.S. federal income tax considerations of the ownership and disposition of Foreign Currency notes.

Substitution of Issuer

The terms of the Senior Notes provide that, in certain circumstances, the obligations of the Issuer under the Senior Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Senior Notes by a U.S. Holder in exchange for new Senior Notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new Senior Notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the Senior Notes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations to them of a change in obligor with respect to the Senior Notes.

Reportable Transactions

Regulations that are intended to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under applicable Regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a disposition of Foreign Currency notes or foreign currency received in respect of Foreign Currency notes to the extent that such disposition results in a tax loss in excess of \$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders.

U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, with respect to an investment in Foreign Currency notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Subordinated Notes

U.S. Federal Income Tax Characterization of the Subordinated Notes

Because the Subordinated Notes are perpetual with no fixed final maturity date and because we may defer payment of interest on the Subordinated Notes, the Subordinated Notes should (and the following discussion assumes that the Subordinated Notes will) be treated as equity for U.S. federal income tax purposes.

Passive Foreign Investment Company

Adverse U.S. federal income tax rules generally apply to U.S. Holders owning equity in a passive foreign investment company, or a PFIC. A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will generally be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules with respect to certain subsidiaries, either:

- at least 75% of its gross income is “passive income,” or
- on average, at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes, among other things, interest, dividends, gains from the disposition of assets that produce passive income, gains from commodities transactions and certain rental income.

Based on our current income and assets, we do not believe we were classified as a PFIC for our taxable year ended December 31, 2019 and do not expect to be classified as a PFIC for our taxable year ending December 31, 2020 or in the foreseeable future. However, because PFIC status is based on our income, assets and activities for the entire taxable year (including the use of the proceeds from this Program), it is not possible to determine whether we will be characterized as a PFIC for any taxable year until after the close of the taxable year. Moreover, we must determine our PFIC status annually based on tests that are factual in nature, and our status in future years will depend on our income, assets and activities in each of those years. There can be no assurance that we will not be considered a PFIC for any future taxable year. If a U.S. Holder holds Subordinated Notes in any year in which we are treated as a PFIC with respect to such U.S. Holder, adverse tax consequences to such U.S. Holder could result (including with respect to interest payments treated as dividends or other distributions from us or a disposition of the Subordinated Notes). **The rules dealing with PFICs are complex and are affected by various factors in addition to those described above. U.S. holders are urged to consult their tax advisor regarding the PFIC rules in connection with the ownership and disposition of the Subordinated Notes.**

Taxation of Payments on the Subordinated Notes

Subject to the discussion above under “—Passive Foreign Investment Company,” payments of state interest on the Subordinated Notes (including any Mexican tax withheld and Additional Amounts paid in respect thereof) will be treated as distributions on our stock and as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles, so we expect that distributions paid to U.S. Holders will generally be reported as dividends.

Payments on the Subordinated Notes that are treated as dividends for U.S. tax purposes will generally not be eligible for the dividends received deduction available under the Code for certain corporate U.S. holders. Dividends received by non-corporate U.S. Holders of qualified foreign corporations are subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. However, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. As discussed above, we do not expect that we will be classified as a PFIC for the last taxable year, our current taxable year or future taxable years.

A U.S. Holder may be entitled, subject to a number of complex limitations and conditions, to claim a U.S. foreign tax credit in respect of Mexican withholding taxes imposed on dividends on the Subordinated Notes. U.S. Holders that do not elect to claim a credit for any foreign taxes paid during the taxable year may instead claim a deduction in respect of such Mexican withholding taxes, provided that the U.S. holder does not elect to credit any foreign taxes paid or accrued by the U.S. holder for the taxable year. Dividends received with respect to the Subordinated Notes generally will be treated as foreign source income and generally will constitute passive category income for purposes of the foreign tax credit. The rules governing the application of the U.S. foreign tax credit are extremely complex and U.S. Holders are urged to consult their tax advisor regarding the availability of the foreign tax credit to them based on their particular circumstances.

Sale, Exchange or Other Taxable Disposition of Subordinated Notes

Subject to the discussion above under “—Passive Foreign Investment Company,” a U.S. Holder will recognize gain or loss upon a sale, exchange or other taxable disposition of their Subordinated Notes measured by the difference between the amount realized on the sale, exchange or other taxable disposition of such Subordinated Notes and the U.S. Holder’s adjusted tax basis in such Subordinated Notes. Any such gain or loss recognized generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held such Subordinated Notes for more than one year. However, if a corporate U.S. Holder receives an “extraordinary dividend” (generally, a dividend that is at least of 5% of the holder’s basis in the Subordinated Notes) and disposes of its Subordinated Notes within a year of receipt of such dividend, any loss recognized on such sale will generally be long-term capital loss. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

If a Mexican income tax is withheld on the sale, exchange or other disposition of the Subordinated Notes, a U.S. Holder’s amount realized will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Mexican withholding tax. Gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of the Subordinated Notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of gain from the disposition of the Subordinated Notes that is subject to Mexican withholding tax, a U.S. Holder may not be able to benefit from the foreign tax credit for that Mexican withholding tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. Holder can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources. An applicable tax treaty (such as the tax treaty between the United States and Mexico) may alter this result if a given U.S. Holder meets certain requirements. Alternatively, a U.S. Holder may be able to take a deduction for the Mexican withholding tax if such U.S. Holder does not take a credit for any foreign taxes paid or accrued during the taxable year. The rules governing the application of the U.S. foreign tax credit and any applicable tax treaty are complex and all U.S. Holders are urged to consult their tax advisor regarding the availability of the foreign tax credit and the application of any tax treaty to them based on their particular circumstances.

Foreign Financial Asset Reporting

Certain U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of US \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns with respect to such assets. “Specified foreign financial assets” include securities issued by a non-U.S. issuer that are not held in accounts maintained by certain financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of US \$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders are encouraged to consult with

their tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

The Foreign Account Tax Compliance Act (“FATCA”)

Certain non-U.S. financial institutions must comply with information reporting requirements or certification requirements in respect of their direct and indirect U.S. shareholders and/or U.S. accountholders to avoid becoming subject to withholding on certain payments. The Issuer and other non-U.S. financial institutions may accordingly be required to report information to the IRS regarding the holders of notes. The Issuer and other non-U.S. financial institutions may also be required to withhold on a portion of payments under the notes to certain holders that fail to comply with the relevant information reporting requirements (or hold notes directly or indirectly through certain noncompliant intermediaries). However, under proposed Regulations, such withholding will not apply to payments made before the date that is two years after the date on which final Regulations defining the term “foreign pass thru payment” are enacted. Moreover, in the case of Senior Notes, such withholding would only apply to notes issued at least six months after the date on which final Regulations defining the term “foreign pass thru payment” are enacted. An intergovernmental agreement between the United States and an applicable foreign country, or future Regulations or other guidance, may modify these requirements. Holders are urged to consult their own tax advisors and any banks or brokers through which they will hold notes as to the consequences (if any) of these rules to them.

Certain Mexican Income Tax Consequences

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of notes by a Non-Mexican Holder. For purposes of this summary, “**Non-Mexican Holder**” means a holder of the notes that is not a resident of Mexico for tax purposes or that does not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico, to which income derived from the notes is attributable. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the notes, is for general information purposes only, does not constitute tax advice and does not address all the Mexican tax consequences that may be applicable to specific Non-Mexican Holders. In addition, this summary does not describe any tax consequences arising under the laws of any taxing jurisdiction other than Mexico, arising under the laws of any state or municipality within Mexico or that are applicable to a resident of Mexico for tax purposes in connection with his or her holding of the notes. This summary is based upon the provisions set forth in the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) and the Mexican Federal Fiscal Code (*Código Fiscal de la Federación*) in effect as of the date hereof, which are subject to change or to new or different interpretations, which may have an impact on this description (and the tax consequences described).

Mexico has entered into, and is negotiating several, tax treaties with various countries, that may affect this description and the Mexican withholding tax liability applicable to Non-Mexican Holders.

Prospective purchasers of the notes should consult their own tax advisors as to the Mexican or other tax consequences, and the consequences under tax treaties to which Mexico is a party and are in effect, of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign, state, local or municipal tax laws. For tax purposes, the acquisition, holding and disposition of the notes by any investor, including any investor who is a resident of Mexico, will be made under its own responsibility.

For Mexican taxation purposes, an individual is a resident of Mexico for tax purposes if such individual has established his or her home in Mexico, unless such individual also has a home in another country; in that case, the individual will be deemed a resident of Mexico for tax purposes, when his or her “center of vital interests” (*centro de intereses vitales*) is located within the territory of Mexico. This will be deemed to occur if, among other considerations, (i) at least 50% of his or her aggregate annual income derives from Mexican sources, or (ii) the main center of his or her professional activities is located in Mexico.

Mexican nationals who file a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico, in which his or her income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered residents of Mexico for tax purposes during the year of filing of the notice of such residence change and during the following three years.

An individual will also be considered a resident of Mexico for tax purposes, if such individual is a Mexican federal government employee, regardless of the location of the individual's center of vital interests.

Unless otherwise evidenced, Mexican nationals are deemed residents of Mexico for tax purposes.

A legal entity (including foreign legal arrangements treated as legal entities for Mexican tax purposes) qualifies as a resident of Mexico for tax purposes, if the principal administration of its business or its place of effective management is located in Mexico. If a legal entity (including foreign legal arrangements treated as legal entities for Mexican tax purposes) or an individual has a permanent establishment in Mexico for tax purposes, any and all income attributable to that permanent establishment would be subject to Mexican income tax pursuant to applicable law.

Taxation of Payments of Principal and Interest Under Notes Issued Directly by Us

Under the Mexican Income Tax Law, payments of interest (including original issue discount and premiums, which are deemed interest under the Mexican Income Tax Law) made by the Company, in respect of the notes to a Non-Mexican Holder will generally be subject to a Mexican withholding tax assessed at a rate of 4.9%, if, as expected, (i) the notes are placed outside Mexico, through banks or broker-dealers, in a country with which Mexico has a treaty for the avoidance of double taxation in effect, (ii) a notice is filed before the CNBV describing the main characteristics of the relevant offering of the notes pursuant to Article 7 of the Mexican Securities Market Law and regulations thereunder, and (iii) the relevant disclosure requirements set forth from time to time by the Mexican Tax Administration Service (*Servicio de Administración Tributaria*, or “SAT”) are complied with, including the requirement to timely file with SAT, after the placement of the notes, information regarding such placement, and on a quarterly basis, information setting forth, among other items, that no party related to us, jointly or individually, directly or indirectly, is the beneficial owner of more than 5% of the aggregate amount of each interest payment, and that we maintain records that evidence compliance with this requirement.

If any of the above requirements is not met, the withholding tax applicable to interest payments under the notes made directly by the Company to a Non-Mexican Holder will be imposed at a rate of 10% or higher. In addition, if the beneficiaries, whether acting directly or indirectly, severally or jointly with related parties, receiving more than 5% of the aggregate amount of each interest payment under the notes are (i) persons holding more than 10% of our voting shares, directly or indirectly, severally or jointly with related parties, or (ii) corporations or other entities whose voting stock is more than 20% owned by us, directly or indirectly, jointly or severally, with persons related to us, the Mexican withholding tax will be applied at substantially higher rates (35% on the date hereof). For these purposes, persons will be related if (i) one person holds an interest in the business of the other person, (ii) both persons have common interests or (iii) a third party has an interest in the business or assets of both persons.

Notwithstanding the foregoing, as a *Sofom*, under the Mexican Income Tax Law, we are entitled to a beneficial withholding tax payment regime pursuant to which, any and all interest we pay to Non-Mexican Holders is subject to a 4.9% withholding tax rate, regardless of whether the requirements set forth in the prior paragraphs are satisfied.

Payments of interest in respect of the notes made directly by the Company to a non-Mexican pension or retirement fund will be exempt from Mexican withholding tax, *provided* that (i) the applicable fund is organized pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment, (ii) such income is exempt from income taxes in such fund's country of residence, and (iii) such fund provides the aforementioned information to the Company, that the Company may in turn provide to SAT, in accordance with the rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested, subject to certain specified exceptions and limitations, to provide certain information or documentation necessary to enable us to apply the appropriate Mexican

withholding tax rate on interest payments under the notes, made by us to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the foreign holder to meet the procedural requirements established in the Mexican Income Tax Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited. Under Mexican law and regulation in effect on the date hereof, we do not expect to require any such information, as our status as a *Sofom* permits us to withhold taxes at a 4.9% in respect of Non-Mexican Holders regardless of their place of residence or identity.

Under the Mexican Income Tax Law, payments of principal made by the Company, acting directly, in respect of the notes to a Non-Mexican Holder will not be subject to Mexican withholding taxes.

Taxation of Capital Gains

As a general rule, under Mexican Income Tax Law, gains resulting from the sale or disposition of the notes by a Non-Mexican Holder to another Non-Mexican Holder are not subject to income or other tax in Mexico. Gains resulting from the sale of the notes by a Non-Mexican Holder to a purchaser who is a Mexican resident for tax purposes or to a Non-Mexican Holder deemed to have a permanent establishment for tax purposes in Mexico will be deemed interest income and will be subject to withholding tax in Mexico, unless an applicable income tax treaty provides otherwise. The acquisition of the notes at a discount by a Non-Mexican Holder will be deemed interest income and subject to income tax in Mexico, if the seller is a Mexican resident for tax purposes or a foreign resident deemed to have a permanent establishment for tax purposes in Mexico.

Other Mexican Tax Considerations

A Non-Mexican Holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to the acquisition, ownership or disposition of the notes, nor will such Non-Mexican Holder be liable for any Mexican stamp, issue, registration or similar taxes.

The Proposed Financial Transactions Tax

In February 2013, the European Commission published a proposal (“**the Commission’s Proposal**”) for a Directive for a common financial transactions tax (“**FTT**”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

Under the terms of the applicable dealer agreement (as amended, modified, supplemented and/or restated from time to time, the “**Dealer Agreement**”), we may offer the notes through the Dealers, each of which has agreed to use its reasonable efforts to solicit offers to purchase the notes. The Dealers may solicit offers to purchase the notes through one or more of their affiliates or selling agents. Any agreement of the Dealers to solicit offers to purchase the notes or to purchase notes as principal is subject to the satisfaction of the conditions precedent set forth in the Dealer Agreement. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of notes under the Program and to indemnify the Dealers against certain liabilities, including liabilities under the Securities Act, incurred by them in connection therewith.

We will pay each Dealer through which we sell notes such commission as we and the applicable Dealer may agree at the time of sale. In addition, we may appoint Dealers in addition to the Dealers that are initially party to the Dealer Agreement. The commission will be specified in the applicable Pricing Supplement. We will have the sole right to accept offers to purchase notes and may reject any proposed purchase of notes, in whole or in part, whether placed directly by us or one of our affiliates or through the Dealers. Each Dealer will have the right, in its discretion reasonably exercised without advising us, to reject any proposed purchase of notes through that Dealer in whole or in part. We may also sell notes to the Dealers, as principals, at a negotiated discount, for resale to investors or to another broker-dealer — acting as principal for purposes of resale — at varying prices related to prevailing market prices at the time of resale to be determined by the Dealers, or if specified in the applicable Pricing Supplement, at a fixed offering price. Notes may be distributed on a syndicated basis, in which case the applicable Pricing Supplement will identify the Dealers constituting the syndicate, or on a non-syndicated basis. We have also reserved the right to sell notes directly on our own behalf, in which case no commission will be payable to the Dealers. We can terminate the Program at any time.

Delivery of Notes

Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. The applicable Pricing Supplement may provide that the original issue date for the notes may be more than two scheduled business days after the trade date for those notes. Accordingly, in such a case, if you wish to trade those Notes on any date prior to the second business day before the original issue date for those notes, you will be required, by virtue of the fact that those notes initially are expected to settle in more than two scheduled business days after the trade date for those notes, to make alternative settlement arrangements to prevent a failed settlement.

Sales Restrictions

The distribution of this Offering Memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. If a jurisdiction requires that an offering of the notes be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering of the notes shall be deemed to be made by the Dealers or such affiliates in such jurisdiction. Persons into whose possession this Offering Memorandum comes are required by us and the Dealers to inform themselves about and to observe any such restrictions.

With regard to each notes, the relevant purchaser will be required to comply with the restrictions that we and the relevant purchaser will agree and as will be set out in the applicable Pricing Supplement. These restrictions may include, but are not limited to, the restrictions set forth below.

United States

The notes have not been and will not be registered under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions

exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and may not be offered or sold publicly in Mexico. The notes may only be offered and sold, on a private placement basis, to investors that qualify as an Institutional Investor (“*Inversionista Institucional*”) or an Accredited Investor (“*Inversionista Calificado*”), pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*) and regulations thereunder. We will notify the CNBV of the terms and conditions of the offering of the Notes outside Mexico. Such notice will be submitted to the CNBV to comply with Article 7, second paragraph, of the Mexican Securities Market Law and regulations thereunder, and for informational purposes only. The delivery to, or receipt by, the CNBV of such notice does not constitute or imply a certification as to the investment quality of the notes, of our or the subsidiary guarantors’ solvency, liquidity or credit quality or the accuracy or completeness of the information set forth herein. The information contained in this offering memorandum is solely our sole responsibility and has not been reviewed or authorized by the CNBV.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has advised, and each further Dealer appointed under the Program will be required to advise, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

If the Pricing Supplement in respect of any notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable” in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Member State, except that it may make an offer of such notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

Restrictions on Marketing and Sales to Retail Investors of the Subordinated Notes

The Subordinated Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Subordinated Notes to retail investors.

In particular, in June 2015, the United Kingdom Financial Conduct Authority published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the “**PI Instrument**”), which took effect from 1 October 2015. In addition, (i) on 1 January 2018, the provisions of the PRIIPs Regulation became directly applicable in all EEA member states and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the “**Regulations**”. The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities, such as the Subordinated Notes.

Potential investors in the Subordinated Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Subordinated Notes (or any beneficial interests therein), including the Regulations.

Certain of the Dealers are subject to, and required to comply with, the Regulations, or, if not subject to the Regulations, they will comply with them as if they were subject to the Regulations. In addition, by purchasing, or making or accepting an offer to purchase, any Subordinated Notes (or a beneficial interest in such Subordinated Notes) from the Issuer and/or the Dealers, each prospective investor in relation to the Subordinated Notes (or any beneficial interest therein) will be deemed to represent, warrant, agree with and undertake to the Issuer and each of the Dealers that:

- (1) it is not a retail client in the EEA (as defined in MiFID II);
- (2) whether or not it is subject to the Regulations, it will not
 - (a) sell or offer the Subordinated Notes (or any beneficial interests therein) to retail clients (as defined in MiFID II) in the EEA; or
 - (b) communicate (including the distribution of this Offering Memorandum) or approve an invitation or inducement to participate in, acquire or underwrite the Subordinated Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (as defined in MiFID II). In selling or offering the Subordinated Notes (or any beneficial interests therein) or making or approving communications relating to the Subordinated Notes (or any beneficial interests therein), it may not rely on the limited exemptions set out in the PI Instrument; and

- (3) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Subordinated Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Subordinated Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Subordinated Notes (or any beneficial interests therein) from the Issuer and/or the Dealers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

United Kingdom

This Offering Memorandum will only be distributed and will only be directed to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). The notes are only and will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

Each Dealer has advised and each further Dealer appointed under the Program will be required to advise that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Belgium

No action has been taken or will be taken in Belgium to permit a public offer of the notes in accordance with the Belgian Act of 16 June 2006 on the public offer of securities and admission of securities to trading on a regulated market (the “**Belgian Prospectus Act**”) or a takeover bid in accordance with the Belgian Act of 1 April 2007 on takeover bids (*i.e.*, the Belgian Takeover Act) and no notes may be offered or sold to persons in Belgium unless either such persons are qualified investors within the meaning of Article 10 of the Belgian Prospectus Act or one or more other exemptions available under Article 3 of the Belgian Prospectus Act and Article 6 (3) of the Belgian Takeover Act apply.

Brazil

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the “**CVM**”). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or an unauthorized distribution under Brazilian laws and regulations. The notes are not being offered into Brazil. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil, nor be used in connection with any public offer for subscription or sale of the notes to the public in Brazil.

British Virgin Islands

The notes may not be offered or sold in the British Virgin Islands, except in circumstances that do not constitute a public offering or distribution to the public under the laws and regulations of the British Virgin Islands.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The territory should refer to any applicable provisions of the securities legislation of the purchasers' province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Upon receipt of this document, each Canadian investor hereby confirms and will confirm that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only.

Chile

The notes may not be offered or sold in Chile, directly or indirectly, by means of a "Public Offer" (as defined under Law 18,045 and regulations from the Comisión para el Mercado Financiero ("CMF")). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the notes. Pursuant to Chilean law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law. On June 27, 2012, the CMF issued Norma de Carácter General No. 336 (General Rule No. 336, hereinafter "NCG 336"), which is intended to govern the private offering of securities in Chile. NCG 336 provides that the offering of securities that meet the conditions described therein shall not be considered public offerings in Chile and shall be exempted from complying with the general rules applicable to public offerings.

China

The notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (the "PRC") (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Colombia

The notes have not been and will not be registered with or approved by the Superintendencia of Finance of Colombia (*Superintendencia Financiera de Colombia*) or the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Accordingly, the notes cannot be offered or sold in Colombia except in compliance with the applicable Colombian securities regulations.

France

Neither this Offering Memorandum nor any other offering material relating to the notes described in this Offering Memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Offering Memorandum nor any other offering material relating to the notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, The Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, The Laws of Hong Kong), or which do not constitute an offer to the public within the meaning of the Companies Ordinance, and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Ireland

The notes will not and may not be offered, sold, transferred or delivered, whether directly or indirectly, otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Act, 1963-2006, and the notes will not and may not be the subject of an offer in Ireland which would require the publication of a prospectus pursuant to Article 3 of Directive 2003/71/EC.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “**FIEL**”) and each Dealer has agreed that it has not offered or sold and will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means

any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Luxembourg

In relation to the Grand Duchy of Luxembourg (“**Luxembourg**”), which has implemented the Prospectus Directive by the law of 10 July 2005 *relative aux prospectus pour valeurs mobilières* (the “**Prospectus Law**”), the Notes which are subject of the offering contemplated by the this Offering Memorandum may not be offered to the public in Luxembourg, except that the Notes may be offered to the public in Luxembourg:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Law); or
- any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 5 of the Prospectus Law.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in Luxembourg means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes and the expression “Prospectus Directive” means Directive 2003/71/EC.

Netherlands

In the Netherlands, this Offering Memorandum may only be directed or distributed to, and the notes may only be offered or sold to, qualified investors (*gekwalificeerde beleggers*) within the meaning of article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Peru

This Offering Memorandum and the notes have not been, and will not be, registered with or approved by the Superintendencia del Mercado de Valores, the Lima Stock Exchange or the *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable securities laws and regulations of Peru. This notice is for information purposes only and it does not constitute a public offering of any kind in Peru.

Republic of Italy

The offering of the notes has not been cleared by the Commissione Nazionale per la Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, directly or indirectly, nor may copies of the Offering Memorandum or of any other document relating to the notes be distributed or made available in the Republic of Italy, except:

- to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Article 34-ter, first

paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“**Regulation No. 11971**”); or

- in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of the Offering Memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must:

- (1) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (2) comply with Article 129 of the Banking Act, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which certain information on the issue or the offer of securities in Italy must be communicated to the Bank of Italy; and
- (3) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy and/or any other Italian authority.

Any investor purchasing the notes is solely responsible for ensuring that any offer or resale of the notes by such investor occurs in compliance with applicable laws and regulations.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA, except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A), or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

The Dealers have agreed, and each further dealer appointed under the Program will be required to agree, that it will comply with any laws, regulations or guidelines in Switzerland from time to time, including, but not limited to, any regulations made by the Swiss Federal Banking Commission and/or the Swiss National Bank (if any) in relation to the offer, sale, delivery or transfer of the notes or the distribution of any offering material in Switzerland in respect of such Notes.

Thailand

This Offering Memorandum has not been approved by the Securities and Exchange Commission of Thailand which takes no responsibility for its contents. No offer to the public to purchase the notes will be made in Thailand and this Offering Memorandum is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Uruguay

The Issuer represents and agrees that it has not offered or sold, and will not offer or sell, any securities to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The sale of any series of securities hereunder is not and will not be registered with the Central Bank of Uruguay to be publicly offered in Uruguay.

Other Matters

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase, in addition to the price to investors specified in the applicable Pricing Supplement.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for such transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the Dealers or their affiliates has a lending relationship with us, certain of those Dealers or their affiliates routinely hedge, and certain other of those Dealers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes issued under the Program. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Application may be made to Luxembourg Stock Exchange to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market, which is not a regulated market within the meaning of MIFID II. Application may also be made to list a Series of notes on another exchange or a Series of notes may be unlisted. The

Pricing Supplement applicable to a Series will specify whether or not the notes of such Series will be listed and, if listed, the applicable stock exchange and/or market. With respect to the Program and any listed notes issued under the Program, there can be no assurance that a listing on the Official List of the Luxembourg Stock Exchange or any other stock exchange will be achieved prior to the issue date of any notes or otherwise. In relation to the notes listed on the Official List of the Luxembourg Stock Exchange, this Offering Memorandum is valid for a period of 12 months from the date hereof. The notes may also be listed and traded on other non-EU regulated markets or not be listed at all.

Each Series of notes will constitute a new issue of securities with no established trading market. We cannot assure you that an active trading market for the notes will develop. If a trading market does not develop or is not maintained, holders of the notes may experience difficulty in reselling the notes or may be unable to sell them at all. Even if a market develops, the liquidity of any market for the notes will depend on the number of holders of the notes, the interest of securities dealers in making a market in the notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes, the ability of holders to sell the notes or the prices at which the notes could be sold. Because the market for any Series of notes may not be liquid, you may have to bear the economic risk of an investment in the notes for an indefinite period of time. If an active trading market does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, our performance and business prospects and other factors.

The Dealers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the Dealers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the Dealers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

Unless otherwise provided in the applicable Pricing Supplement, we have agreed that we will not, for a period of 30 days after the date of the pricing term sheet for the applicable Series of notes, without the prior written consent of the relevant Dealers, directly or indirectly, sell, contract to sell, grant any option to purchase, or otherwise dispose of any debt securities of similar maturity, terms and conditions as such notes that have tenor of more than one year, or any securities that represent the right to receive any such debt securities.

LEGAL MATTERS

The validity of the notes will be passed upon for us by DLA Piper LLP (US), our United States counsel, and for the initial purchasers by Skadden, Arps, Slate, Meagher & Flom LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon for us by DLA Piper Mexico, S.C., our Mexican counsel, and Ritch, Mueller, Heather y Nicolau, S.C., special Mexican counsel to the initial purchasers.

INDEPENDENT AUDITORS

The financial statements of Crédito Real, S.A.B. de C.V., SOFOM, E.N.R. as of December 31, 2020, 2019 and 2018 and for each of the years then ended included in this Offering Memorandum, have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C. (member of Deloitte Touche Tohmatsu Limited), independent auditors, as stated in their report dated April 22, 2021 appearing therein.

INDEX TO FINANCIAL STATEMENTS

**Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple,
Entidad No Regulada**

Independent Auditors' Report and Consolidated Financial Statements as of December 31, 2020 2019 and 2018 and for the Years then ended	<u>Page</u>
Independent Auditors' Report	F-2
.....	
Consolidated Balance Sheets	F-7
.....	
Consolidated Statements of Income	F-8
.....	
Consolidated Statements of Changes in Stockholders' Equity	F-9
.....	
Consolidated Statements of Cash Flows	F-11
.....	
Notes to Consolidated Financial Statements	F-13
.....	

(i) [Do not delete - this paragraph generates the automatic page number]

ANNEX A - SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN SOFOM GAAP AND U.S. GAAP

Our financial statements are prepared and presented in accordance with *Sofom* GAAP as prescribed by the CNBV. Certain differences exist between *Sofom* GAAP and accounting principles generally accepted in the United States of America, or U.S. GAAP, which might be material to the financial information contained herein. The matters described below summarize those differences that may be material. We have not prepared a reconciliation of our financial statements and related footnote disclosures, appearing in the offering memorandum, from *Sofom* GAAP to U.S. GAAP and we have not quantified those differences. Accordingly, no assurance is provided that the following summary of differences is complete. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between *Sofom* GAAP and U.S. GAAP, and how those differences might affect the financial information herein.

Accounting for the Effects of Inflation

Mexico

Through December 31, 2007, *Sofom* GAAP required that the comprehensive effects of inflation be recorded in financial information and that such financial statements be restated to constant pesos as of the latest balance sheet date presented. Beginning January 1, 2008, *Sofom* GAAP modified the accounting for inflationary effects and defines two economic environments, an “inflationary environment” and a “non-inflationary environment.” An inflationary environment is one in which the cumulative inflation of the three preceding years is 26% or more, in which case the comprehensive effects of inflation should be recognized in financial information; a non-inflationary environment is one in which the cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in financial information.

United States

Under U.S. GAAP, companies are generally required to prepare financial statements on a historical cost basis. Specific rules and regulations established by the SEC allow for companies to maintain the effects of inflations in its reconciliation from local GAAP to U.S. GAAP for companies registering securities with the SEC for sale in the United States, when, for local purposes, such company prepares comprehensive price-level adjusted financial statements, as required or permitted by their home-country GAAP. This is because the SEC recognizes that presentation of price-level adjusted financial information in inflationary economies is more meaningful than historical-cost based financial reporting.

Preoperating Costs

Mexico

Through December 31, 2002, under *Sofom* GAAP, preoperating costs incurred were permitted to be capitalized and amortized by us over the period of time estimated to generate the income necessary to recover such costs. Beginning January 1, 2003, only preoperating costs incurred during the development stage are capitalized and all other preoperating costs are expensed as incurred; previously capitalized amounts are permitted to continue to be amortized through December 31, 2008. Beginning January 1, 2009, any remaining unamortized preoperating costs must be written off to retained earnings.

United States

Under U.S. GAAP, preoperating costs should be treated as period expenses and are not capitalizable.

Labor Obligations

Mexico

Under *Sofom* GAAP, the discount rate to calculate the Defined Benefits Obligation OBD will be determined based on the market rate of high-quality corporate bonds, provided that there is a deep market for such bonds. Otherwise, the market rate of the bonds issued by the federal government must be used.

Under *Sofom* GAAP, the use of the broker is eliminated for the deferral of actuarial gains and losses and the actuarial gains and losses recognized in stockholders' equity must be recycled to results in the Remaining Useful Life of the Plan.

United States

Under U.S. GAAP, the accounting for defined benefit postretirement plans, which include seniority premiums within Mexico, was amended in 2006 such that an employer is required to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan). Accordingly, the related asset or liability should be equal to the projected net liability less any plan assets, such that all unrecognized items are recognized as part of the liability, with an offsetting charge or credit through other comprehensive income.

Under U.S. GAAP, the selected discount rate should reflect the rates at which the benefits can be effectively settled. Circumstances in which there is no deep market in high-quality corporate bonds are not specifically addressed.

Under U.S. GAAP, an entity may adopt either (1) the deferral method (i.e., corridor approach) and recycle amounts in excess of the corridor through net periodic benefit cost over an amortization period, or (2) a systematic method that results in faster recognition.

Deferred Income Tax and Statutory Employee Profit Sharing

Mexico

Sofom GAAP is similar to U.S. GAAP with respect to accounting for deferred income taxes in that an asset and liability approach is required. Under *Sofom* GAAP, deferred tax assets must be reduced by a valuation allowance if it is "highly probable" that all or a portion of the deferred tax assets will not be realized. The determination of the need for a valuation allowance must consider future taxable income and the reversal of temporary taxable differences. Net deferred income tax assets or liabilities are presented within long-term assets or liabilities.

Under *Sofom* GAAP, through 2007, deferred employee profit sharing is recognized only for timing differences arising from the reconciliation between accounting and taxable income for employee profit sharing purposes, for which it may be reasonably estimated that a future liability or benefit will arise and there is no indication that the liability will not be paid or the benefits will not be realized. Effective January 1, 2008, *Sofom* GAAP was modified such that it now requires a balance sheet methodology for determining deferred employee profit sharing, similar to that used for deferred income taxes.

Sofom GAAP allows the recognition of a net statutory employee profit sharing asset.

United States

Under U.S. GAAP, deferred income taxes are also accounted for using the asset and liability approach. A valuation allowance is recognized to reduce the value of deferred tax assets to the amount that, based on the weight of all positive and negative available evidence, is "more likely than not" to be realized. In order to make this determination, entities must consider future reversals of taxable temporary differences, future taxable income, taxable income in prior carryback years and tax planning strategies. Additionally, if a company has experienced recurring losses, little weight, if any, may be placed on future taxable income as objective evidence to support the recoverability of a deferred income tax asset. U.S. GAAP requires that deferred tax assets and liabilities be classified as current or long-term depending on the classification of the asset or liability to which the deferred relates.

U.S. GAAP also requires the use of the balance sheet methodology when calculating deferred employee profit and requires that a related liability be recorded for all temporary differences. U.S. GAAP does not allow the recognition of net deferred employee profit sharing assets.

Impairment of Long-Lived Assets in Use

Mexico

Under *Sofom* GAAP, long-lived assets with definite lives, such as property and equipment, are evaluated periodically in order to determine if a potential impairment indicator exists. The calculation of impairment losses requires the determination of the recoverable value of the assets. Recoverable value is defined as the greater of the net selling price of a cash generating unit and its value in use. Value in use is the present value of discounted future net cash flows.

In addition, under certain limited circumstances, the reversal of previously recognized impairment losses is permitted. Any recorded impairment losses are presented as non-ordinary expenses.

United States

U.S. GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of an asset is not recoverable when the estimated future undiscounted cash flows expected to result from the use of the asset are less than the carrying value of the asset. Impairment losses are measured as the difference between the carrying value of the asset and its fair value. Any impairment loss recorded for an asset to be held and used establishes a new cost basis and, therefore, cannot be reversed in the future. Impairment losses are classified within operating expenses in the statement of income.

Fair Value of Financial Instruments

Mexico

Sofom GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price.

United States

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, U.S. GAAP establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Allowance for Loan Losses

Mexico

Sofom GAAP requires a specific methodology to determine the allowance for loan losses, which take into consideration the value of the loan, the credit rating of the borrower (including country, financial and industry risk and payment experience) and any credit enhancements. Based on these factors, the CNBV prescribes a range of loss percentages that are to be applied to the value of the loan in order to determine the amount of the loan loss to be provisioned. Loan loss percentages are calculated by the CNBV based on either an expected loss model or an incurred loss model depending on the classification of the loan.

United States

U.S. GAAP accounting literature establishes that for larger, non-homogeneous loans, once an entity determines that a loan is impaired (meaning that it is probable that the entity will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement), the entity shall measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. The estimates surrounding credit losses for U.S. GAAP purposes are based on an incurred loss model. For practical purposes, entities may also measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Fair value of the collateral must be used when foreclosure is deemed probable.

For smaller-balance homogeneous loans, entities should collectively evaluate the loans for impairment, using a formula based on various factors to estimate an allowance for loan losses, including past loss experience, recent economic events and current conditions, geographical concentrations and portfolio delinquency rates.

Acquisitions of Loan Portfolios

Mexico

Under *Sofom* GAAP, a loan portfolio that is acquired in a transaction that is accounted for as an asset acquisition or a business combination is initially measured based on the accounting criteria of the CNBV, net of allowances for loan losses determined in accordance with the CNBV's models. Such amounts generally coincide with the seller's basis and may differ materially from the fair value of the acquired loan portfolio.

United States

Under U.S. GAAP, a loan portfolio that is acquired in a transaction that is accounted for as an asset acquisition or a business combination is initially recognized at fair value.

ANNEX B – FORM OF PRICING SUPPLEMENT

ISSUER

Crédito Real, S.A.B. de C.V., SOFOM, E.N.R.

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