OFFERING MEMORANDUM

€350,000,000
Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada
(incorporated under the laws of Mexico)
5.000% Senior Notes Due 2027

We are offering €350,000,000 aggregate principal amount of our 5.000% senior notes due 2027 (the ''notes''). We will pay interest on the notes semi-annually on each February 1 and August 1 of each year beginning on February 1, 2020. The notes will mature on February 1, 2027. We may redeem the notes, in whole or in part, at any time on or after October 1, 2022, at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest, if any, to the date of redemption and additional amounts thereon. Prior to October 1, 2022, we may also redeem the notes, in whole or in part, at a redemption price based on a ''make-whole'' premium plus accrued and unpaid interest, if any, and additional amounts thereon, to the date of redemption. In addition, at any time on or prior to October 1, 2022, we may redeem up to 35.0% of the notes outstanding on such redemption date at a redemption price equal to 105.000% of their principal amount, plus accrued and unpaid interest, if any, and additional amounts thereon, if any, to the date of redemption, using the proceeds of certain equity sales. Furthermore, if tax laws currently in effect are modified and the change results in higher withholding taxes in respect of interest and interest-like payments on the notes, we may redeem the notes in whole, but not in part, at 100% of their principal amount, plus accrued and unpaid interest, if any, and additional amounts thereon, if any, to the date of redemption. If a change of control triggering event as described in this offering memorandum under the heading ''Description of the Notes—Change of Control Triggering Event'' occurs, we will be required to offer to purchase the notes from the holders. There is no sinking fund for the notes.

The notes will be unconditionally guaranteed by certain of our subsidiaries, jointly and severally, on a senior unsecured basis. The notes and the subsidiary guarantees will be our and our subsidiary guarantors' senior unsecured general obligations (subject to certain obligations for which preferential treatment is given under applicable laws, including tax, labor and social security claims) and will rank equally in right of payment with all of our and our subsidiary guarantors' existing and future senior unsecured indebtedness. The notes will rank effectively junior in right of payment to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will be structurally subordinated to debt obligations of our subsidiaries that are not guarantors of the notes. We have launched a cash tender offer (the ''Tender Offer'') for up to US$300,000,000, aggregate principal amount of our 7.250% senior notes due 2023 (the ''2023 Senior Notes'') validly tendered and accepted by us on or before October 9, 2019.

We intend to use the net proceeds from this offering to (i) pay the consideration for the Tender Offer and accrued and unpaid interest of the 2023 Senior Notes to the date of redemption, pursuant to the terms of, and subject to the conditions set forth under, the documents relating to the Tender Offer, (ii) pay fees and expenses incurred in connection with this offering and the Tender Offer, and (iii) the remainder, if any, including in the event that the Tender Offer is not successful, for general corporate purposes. The Tender Offer is not being made pursuant to this offering memorandum. The closing of the Tender Offer is contingent upon the closing of this offering.

No public market currently exists for the notes. Application is expected to be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange.

Investing in the notes involves risks. See "Risk Factors" beginning on page 31 of this offering memorandum.

Offering Price: 99.251% plus accrued interest, if any, from October 1, 2019.

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, 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*). 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 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 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, AND THE TERMS OF THIS OFFERING AND THE NOTES.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, (the ''Securities Act''), any state securities laws, or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act (''Regulation S'')), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold in the United States only to qualified institutional buyers (''QIBs'') in compliance with Rule 144A under the Securities Act (''Rule 144A'') and to persons other than U.S. persons outside the United States in compliance with Regulation S. Prospective purchasers that are QIBs are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of eligible offerees and certain restrictions on transfer of the notes, see ''Transfer Restrictions.''

PRIIPs Regulation / Prospectus Regulation / 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 (the ''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 Directive 2014/65/EU (as amended, or MiFID II); or (ii) a customer within the meaning of Directive EU 2016/97, or 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, or 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. Any offer or sale of notes in any Member State of the EEA which has implemented the Prospectus Regulation must be addressed to qualified investors (as defined in the Prospectus Regulation).

The notes will be ready for delivery in book-entry form only through the facilities of Euroclear Bank S.A./N.V., as operator of the Euroclear System (''Euroclear''), and Clearstream Banking, *société anonyme*, Luxembourg (''Clearstream'') on or about October 1, 2019.

Joint Bookrunners

Barclays **BNP PARIBAS** **Morgan Stanley**

The date of this offering memorandum is September 26, 2019.

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You should rely only on the information contained in this offering memorandum. Neither we nor the initial purchasers have authorized any other person to provide you with information that is different from or additional to that contained in this offering memorandum, and neither we nor the initial purchasers take responsibility for any other information that others may give you. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. This document may only be used where it is legal to offer and sell the notes. Neither we nor any of the initial purchasers are making an offer to sell or seeking offers to buy the notes in any jurisdiction where such an offer or sale is not permitted.

Unless otherwise specified or the context requires, references in this offering memorandum to "Crédito Real," "the Issuer," "the Company," "we," "us," "our" or any similar terms, refer to Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada.

Except as otherwise indicated, all references to "Subsidiary Guarantors" are to our subsidiaries Crédito Real, S.A., a corporation organized and existing under the laws of the Republic of Panama, and Creal Nómina S.A. de C.V., a corporation organized and existing under the laws of Mexico that will provide a note guarantee on the Issue Date (as defined below).

NOTICE TO INVESTORS

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. By purchasing the notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the CNBV nor the U.S. Securities and Exchange Commission (the "SEC"), nor any state or other foreign securities commission or regulatory authority, has approved or disapproved the offering of the notes nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, adequacy or completeness of this offering memorandum. Any representation to the contrary is a criminal offense.

We have submitted this offering memorandum solely to a limited number of QIBs in the United States and to investors outside the United States so they can consider a purchase of the notes. We have not authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See "Transfer Restrictions."

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. We and the initial purchasers cannot assure you that this information is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to such documents and other information for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our company and of the terms of this offering and the notes, including the merits and risks involved.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

Neither we nor the initial purchasers are making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding any investment in the notes.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief (and we have taken all reasonable care to ensure that), the information contained in this offering memorandum is in accordance with the facts and does not omit any material information. You should assume that the information contained in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum.

We reserve the right to withdraw this offering of the notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective investor less than the full amount of notes sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the notes.

You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor any of the initial purchasers will have any responsibility therefor.

MiFID II Product Governance/Professional investors and ECPs only target market. Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

For information for investors in certain countries, see "Plan of Distribution" and "Transfer Restrictions."

AVAILABLE INFORMATION

Clearing System

The notes have been accepted for clearance through Euroclear and Clearstream. For the Rule 144A notes, the ISIN number is XS2060699886, and the common code is 206069988. For the Regulation S Notes, the ISIN number is XS2060698219, and the common code is 206069821.

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 "Available Information— 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.

Subsidiary Guarantors

The registered address for Creal Nómina, S.A. de C.V. is Avenida Insurgentes Sur No. 730, 20th Floor, Colonia del Valle Norte, Alcaldía Benito Juárez, 03103, Mexico City, Mexico. The registered address for Crédito Real, S.A. is Calle 37, Avenida Perú, Manuel Enrique Building, local 1, Calidonia a un costado del hotel Ávila, Ciudad de Panamá, República de Panamá.

Available Documentation

For so long as the notes are listed and admitted to trading on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange, copies of the following items will be available in physical form at the address identified in the immediately preceding paragraph:

- this offering memorandum;
- a copy of our current by-laws (*estatutos sociales*);
- our audited consolidated financial statements;
- a copy of the Indenture; and
- any other documents relating to the offering of the notes referred to herein.

The Indenture will further require that we furnish to the Trustee (as defined under "Description of the Notes— General") all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. At our written request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the notes promptly upon receipt. See "Description of the Notes."

We will make available to the holders of the notes, at the corporate trust office of the Trustee at our sole expense, copies of the Indenture as well as this offering memorandum, and copies in English of our annual audited consolidated financial statements and our quarterly unaudited consolidated financial statements. Information will also be available at the office of the Luxembourg Listing Agent (as defined under "Description of the Notes— General").

Listing

Application will be made to admit the notes to listing in the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF of the Luxembourg Stock Exchange, in accordance with its rules. This offering memorandum forms, in all material respects, the listing memorandum for admission to the Luxembourg Stock Exchange. We will be required to comply with any undertakings given by us from time to time to the Luxembourg Stock Exchange in connection with the notes, and to furnish all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

Authorization

The proposed offering of the notes was approved by our Board of Directors on August 29, 2019, based on the prior and general authorization granted by our shareholders meeting held on January 25, 2019.

No Material Adverse Change

Other than as disclosed in this offering memorandum, there has been no material adverse change in our prospects since December 31, 2018, and there has been no significant change in our financial or trading position since December 31, 2018.

No Material Litigation

See "Business— Litigation."

Company Registration

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

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, political 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 to 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 therein, and our ability to obtain 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;
- our ability to collect on our loans;
- 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"), mortgage 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;

- difficulties, uncertainties, liabilities and regulations related to mergers, acquisitions or joint ventures;

- trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from, free trade agreements (including the North American Free Trade Agreement ("NAFTA"), to which Mexico is a party, and timely ratification and effectiveness of the United States Mexico Canada Agreement ("USMCA"), to which Mexico is a party and which is intended to replace NAFTA);

- changes in the policies of central banks and/or Mexico's or foreign governments, including policies related to convertibility or transferability;

- 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, 2016, 2017, and 2018 and for the years then ended, together with the notes thereto (which we refer to as the "audited financial statements"), and our unaudited condensed consolidated interim financial statements as of June 30, 2019 and for the six months ended June 30, 2018 and 2019, together with the notes thereto (which we refer to as the "interim financial statements"). The audited financial statements and the interim financial statements are referred to herein jointly as the "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 article 78, 3rd paragraph of 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 (other than debt instruments), 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 despósito, 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 and our unaudited condensed consolidated interim 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, 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,			Six Months Ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(In millions of pesos)				
Net income attributable to controlling interests	1,714.0	1,661.1	1,955.4	881.8	1,116.9
Average stockholders' equity	8,493.7	10,475.1	15,170.8	13,399.4	15,972.0
Subordinated Perpetual Notes[(1)]	-	4,206.7	4,206.7	4,206.7	4,206.7
Net income attributable to controlling interests / Average stockholders' equity - Subordinated Perpetual Notes[(2)(3)]	**20.2%**	**17.6%**	**17.8%**	**19.2%**	**19.0%**

(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.
(3) Figures as for the six months ended June 30, 2018 and 2019 were annualized by multiplying the corresponding quarterly amount by four and divided by two.

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

	Year Ended December 31,			Six Months Ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(In millions of pesos)				
Net income attributable to controlling interests	1,714.0	1,661.1	1,955.4	881.8	1,116.9
Average stockholders' equity	8,493.7	10,475.1	15,170.8	13,399.4	15,972.0
Net income attributable to controlling interests / Average stockholders' equity [(1)(2)]	**20.2%**	**15.9%**	**12.9%**	**13.2%**	**14.0%**

(1) Represents Net income attributable to controlling interests divided by average stockholders' equity.
(2) Figures as for the six months ended June 30, 2018 and 2019 were annualized by multiplying the corresponding quarterly amount by four and divided by two.

- *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,			Six Months Ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(In millions of pesos)				
Total debt	24,588.5	23,584.5	30,646.7	27,480.7	35,027.8
Total stockholder's equity	9,277.3	14,768.4	15,935.6	15,018.3	15,936.3
Subordinated Perpetual Notes[(1)]	-	4,206.7	4,206.7	4,206.7	4,206.7
Total debt / Total stockholder's equity - Subordinated Perpetual Notes[(2)]	**2.7**	**2.2**	**2.6**	**2.5**	**3.0**

(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,			Six Months Ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(In millions of pesos)				
Total debt	24,588.5	23,584.5	30,646.7	27,480.7	35,027.8
Total stockholder's equity	9,277.3	14,768.4	15,935.6	15,018.3	15,936.3
Total debt / Total stockholder's equity[(1)]	**2.7**	**1.6**	**1.9**	**1.8**	**2.2**

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

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

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

	Year Ended December 31,			Six Months Ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(In millions of pesos)				
Total stockholder's equity	9,277.3	14,768.4	15,935.6	15,018.3	15,936.3
Subordinated Perpetual Notes[(1)]	-	4,206.7	4,206.7	4,206.7	4,206.7
Total loan portfolio	23,927.0	29,015.0	36,319.1	33,660.1	41,084.9
Total stockholder's equity / Total loan portfolio - Subordinated Perpetual Notes[(2)]	**38.8%**	**36.4%**	**32.3%**	**32.1%**	**28.5%**

(1) Subordinated Perpetual Notes issued in November 2017.
(2) Represents total stockholder's equity less Subordinated Perpetual Notes divided by total 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,			Six Months Ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(In millions of pesos)				
Total stockholder's equity	9,277.3	14,768.4	15,935.6	15,018.3	15,936.3
Total loan portfolio	23,927.0	29,015.0	36,319.1	33,660.1	41,084.9
Total stockholder's equity / Total loan portfolio	**38.8%**	**50.9%**	**43.9%**	**44.6%**	**38.8%**

- *Efficiency ratio* - This measure consists of (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 for the period in each case, excluding amounts attributable to Reparadora RTD, S.A. de C.V. ("Reparadora RTD") since this business does not involve credit risk.

Below is a reconciliation of the efficiency ratio for the periods indicated excluding Reparadora RTD.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(In millions of pesos)				
Administrative and marketing expense[(i)]					
Administrative and marketing expense Crédito Real	2,922.0	3,417.5	3,483.1	1,763.1	1,705.8
Less: Administrative and marketing expense Reparadora RTD	407.9	476.0	592.9	285.6	296.7
	2,514.1	2,941.5	3,423.9	1,477.5	1,409.1
Financial margin[(ii)]					
Financial margin Crédito Real	5,041.8	5,831.3	7,080.2	3,307.9	3,524.9
Less: Financial margin Reparadora RTD	14.4	8.6	1.7	4.5	(7.6)
	5,027.4	5,822.6	7,078.5	3,303.3	3,531.5
Commissions and fees income[(a)]					
Commissions and fees income Crédito Real	539.6	826.4	564.1	375.8	274.6
Less: Commissions and fees income Reparadora RTD	426.1	500.7	567.6	281.6	269.7
	113.5	325.7	(3.4)	94.1	4.9
Commissions and fees paid[(b)]					
Commissions and fees paid Crédito Real	283.4	234.6	256.0	121.9	180.5
Less: Commissions and fees paid Reparadora RTD	1.3	2.7	2.8	1.3	1.3
	282.1	231.9	253.1	120.6	179.3
Efficiency ratio excluding Reparadora RTD[(1)]	**51.7%**	**49.7%**	**42.4%**	**45.1%**	**41.9%**

(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.

Below is a reconciliation of the efficiency ratio for the periods indicated including Reparadora RTD.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(In millions of pesos)				
Administrative and marketing expense[(i)]	2,922.0	3,417.5	3,483.1	1,763.1	1,705.8
Financial margin[(ii)]	5,041.8	5,831.3	7,080.2	3,307.9	3,524.9
Commissions and fees income[(a)]	539.6	826.4	564.1	375.8	274.6
Commissions and fees paid[(b)]	283.4	234.6	256.0	121.9	180.5
Efficiency ratio[(1)]	**55.2%**	**53.2%**	**47.1%**	**49.5%**	**47.1%**

(1) Represents (i) administrative and marketing expense for the period divided by the sum of (ii) financial margin and the difference between (a) commissions and fees collected and (b) commissions and fees paid for the period, expressed as a percentage.

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.

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.19.2087 per U.S. dollar, the exchange rate determined by Banco de México on June 28, 2019 and published in the Official Gazette of the Federation (*Diario Oficial de la Federación*, or the "Official Gazette") on July 1, 2019.

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.

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.

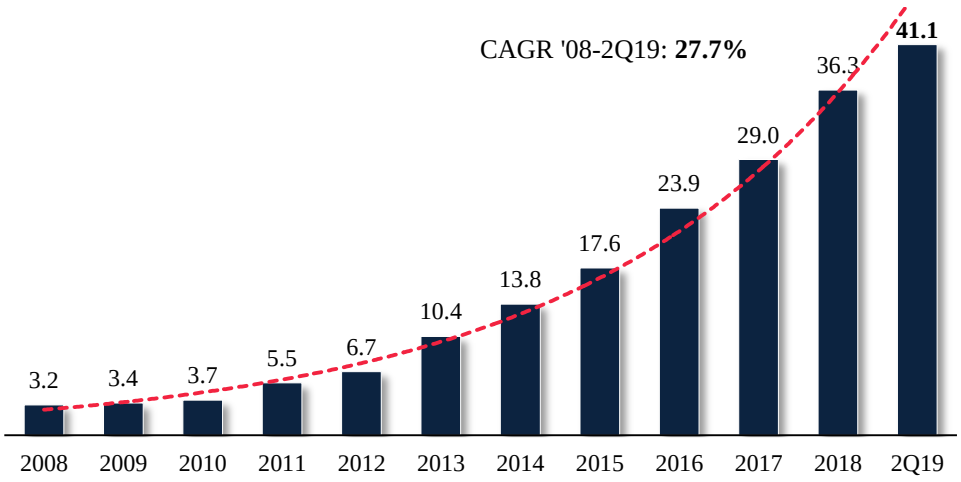
Our Company

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 25 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) consumer loans, (iii) loans for used car purchases ("used car loans"), (iv) SME loans, and (v) loans to small groups of borrowers ("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 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 ten years.

Total Loan Portfolio / Ps$Bn



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 14 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 314 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 of Mexico.

For our SME loans, we have a business center in Mexico City that promotes loans directly with local businesses. In October 2013, in order to strengthen our position in the SME loan market, we entered into an alliance with Fondo H, S.A. de C.V. ("Fondo H"), an originator focused on granting short- and medium-term loans to SMEs in Mexico 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.

Additionally, we offer leasing, factoring and fleet management financial products to the SME segment that we believe has high growth potential and is underserved by traditional banks. Our average client for this product has US$5 million in annual sales and approximately 15 employees, and is primarily engaged in the services or commerce sector. We intend to specialize in these products and to partner with certain vendors to take advantage of this opportunity and build a strong pipeline, which we believe will allow us to better assess our customer/risk profile and manage the leased assets.

Used car loans in Mexico are originated through contracts with companies that sell pre-certified used cars. As of June 30, 2019, we had five alliances with distributors. Additionally, in Mexico we have a partnership with 20 branches and 106 alliances with agencies located in 32 states in Mexico, which provide secured financing for cars and commercial vehicles. Regarding the used car loans business in the United States, we have two distributors that operate under the CRUSA Finance and Don Carro brands. As of June 30, 2019, CRUSA Finance had licenses to operate in 27 states in the United States with 910 car dealers and Don Carro operated through one branch office. These distributors are primarily focused on serving the Hispanic market segment with limited credit history in the United States.

Our group loans are originated either by us or by a distributor, through a joint network of 1,617 promoters and 197 branches. The promoters are familiar with the specific needs of small business owners and self-employed individuals.

In February 2016, we acquired 70% of Marevalley Corporation, S.A. (which operates under the brand name "Instacredit"), a consumer loan-based company that has 65 branches throughout Costa Rica, Nicaragua and Panama. Instacredit started its business in April 2000 in San José, Costa Rica and since 2007 has expanded into other countries in Central America. Instacredit offers everyday rapid credit solutions to low- and lower middle-income consumers that do not have access to traditional bank loans primarily through the following products: consumer loans (unsecured), car loans (secured), SME loans (secured), and home equity loans (secured).

Distributors of payroll loans, SME loans, consumer 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 the majority 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, which is a market segment we are in the process of exiting. For example, the compound annual growth rate ("CAGR") of our total loan portfolio from 2008 through June 30, 2019 was 27.7%, and the SME loans and used car loans businesses launched in 2013 combined represent 21.8% of our loan portfolio as of June 30, 2019. During the 25 years that we have been in business, we have disbursed approximately 5.2 million loans to over 2.6 million customers based on our estimates.

From 2016 through 2018, our loan portfolio and interest income have increased at a CAGR of 23.2% and 21.6%, respectively, driven by the expansion of our used car loans, SME loans, payroll loans and consumer loans.

For the six months ended June 30, 2019, we had an interest income of Ps.5,671.3 million, a net financial margin of Ps.3,524.9 million and a net income attributable to controlling interest of Ps.1,116.9 million. As of June 30, 2019, we had 869,562 customers and a Ps.41,084.9 million total loan portfolio.

The table below shows the percentage breakdown of our interest income, loan 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,						As of and for the Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
			(In millions of pesos)				*(In millions of pesos)*			
Interest Income										
Payroll loans	3,727.1	53.6%	5,177.4	60.5%	6,256.4	60.8%	3,037.7	62.4%	3,463.7	61.1%
Consumer loans (Instacredit)	1,704.6	-	2,100.0	24.5%	2,538.3	24.7%	1,152.5	23.7%	1,363.9	24.0%
Used cars loans	798.7	11.5%	820.9	9.6%	928.7	9.0%	405.0	8.3%	463.0	8.2%
Small business loans	265.8	3.8%	357.6	4.2%	476.1	4.6%	240.3	4.9%	338.0	6.0%
Group loans	31.6	0.5%	35.7	0.4%	15.6	0.2%	6.8	0.1%	18.2	0.3%
Durable Goods loans and Other	137.4	2.0%	65.8	0.8%	72.5	0.7%	29.3	0.6%	24.5	0.4%
Comissions	-	-	-	-	-	-	-	-	-	-
Non-recurring item[1]	293.0	-	-	-	-	-	-	-	-	-
Total	**6,958.2**	**71.3%**	**8,557.3**	**100.0%**	**10,287.6**	**100.0%**	**4,871.7**	**100%**	**5,671.3**	**100.0%**
Loan Portfolio										
Payroll loans	14,530.4	60.7%	19,307.8	66.5%	24,807.4	68.3%	22,703.8	67.5%	26,664.6	64.9%
Consumer loans (Instacredit)	4,390.7	-	4,612.7	15.9%	4,462.7	12.3%	4,678.9	13.9%	4,692.4	11.4%
Used cars loans	2,778.6	11.6%	2,714.0	9.4%	2,948.2	8.1%	2,818.2	8.4%	3,687.4	9.0%
Small business loans	1,368.5	5.7%	1,746.1	6.0%	3,676.7	10.1%	2,878.5	8.6%	5,249.0	12.8%
Group loans	418.4	1.7%	230.0	0.8%	70.5	0.2%	217.3	0.6%	445.4	1.1%
Durable Goods loans and Other Commissions	440.4	1.8%	404.5	1.4%	353.6	1.0%	363.5	1.1%	346.2	0.8%
Total	**23,927.0**	**81.6%**	**29,015.0**	**100.0%**	**36,319.1**	**100.0%**	**33,660.1**	**100%**	**41,084.9**	**100.0%**
Clients										
Payroll loans	352,667	45.0%	379,533	45.6%	404,066	47.4%	393,752	46.0%	420,917	48.4%
Consumer loans (Instacredit)	161,785.0	-	181,314	21.8%	173,974	20.4%	184,852	21.6%	169,659	19.5%
Used cars loans	14,875	1.9%	14,154	1.7%	16,544	1.9%	15,329	1.8%	18,167	2.1%
Small business loans	233	0.0%	360	0.0%	575	-	484	0.1%	622	0.1%
Group loans	205,019	26.2%	215,139	25.8%	208,956	24.5%	213,075	24.9%	217,016	25.0%
Durable Goods loans and Other	48,967	6.2%	42,342	5.1%	47,754	5.6%	47,986	5.6%	43,181	5.0%
Total	**783,546**	**79.4%**	**832,842**	**100.0%**	**851,869**	**99.9%**	**855,478**	**100%**	**869,562**	**100.0%**
Origination[1]										
Payroll loans	4,969.3	33.8%	5,758.2	30.6%	6,523.4	27.1%	3,106.3	27.8%	2,684.0	19.7%
Consumer loans (Instacredit)	2,999.4	-	3,322.5	17.6%	2,992.1	12.4%	1,440.6	12.9%	1,596.2	11.7%
Used cars loans	1,516.5	10.3%	1,819.8	9.7%	3,516.0	14.6%	1,642.4	14.7%	1,966.1	14.4%
Small business loans	3,712.2	25.3%	2,783.3	14.8%	5,434.3	22.6%	2,331.9	20.9%	4,312.7	31.6%
Group loans	1,384.6	9.4%	4,976.9	26.4%	5,318.2	22.1%	2,543.3	22.8%	2,921.7	21.4%
Durable Goods loans and Other	98.7	0.7%	175.0	0.9%	254.4	1.1%	109.1	1.0%	171.9	1.3%
Total	**14,680.7**	**79.6%**	**18,835.6**	**100.0%**	**24,038.3**	**100.0%**	**11,173.6**	**100%**	**13,652.5**	**100.0%**

(1) Relates to interest income earned on a non-recurring gain of Ps.293.0 million due to the partial unwinding of the derivatives that hedged the 2019 Senior Notes.

(2) Includes income generated through 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, 2016, 2017 and 2018, we had capitalization ratios of 38.8%, 36.4% and 32.3% (43.9% including the Subordinated Perpetual Notes), respectively. As of June 30, 2019, our capitalization ratio was 28.5% (38.8% including the Subordinated Perpetual Notes).

Our efficiency ratio (excluding Reparadora RTD) was 41.9% for the six months ended June 30, 2019 compared to 45.1% for the six months ended June 30, 2018, reflecting the consolidation of our most recently acquired businesses such as Instacredit, and Crédito Real USA Finance ("CRUSA Finance"). In addition, our return on average stockholders' equity (including the Subordinated Perpetual Notes) for the six months ended June 30, 2019 and June 30, 2018 was 14.0% and 13.2%, respectively. As of June 30, 2019, our non-performing loans ("NPL") were 1.5% of our total loan portfolio.

For the year ended December 31, 2018, 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.1,131.7 million and for the six months ended June 30, 2019, the net income of the Company (on a standalone basis) and its Restricted Subsidiaries was Ps.658.5 million. As of June 30, 2019, the Company (on a standalone basis) and its Restricted Subsidiaries, on a combined basis contributed to 96.4% 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 June 30, 2019, the consolidated net worth of the Company (on a standalone basis) and its Restricted Subsidiaries was Ps.14,735.3 million (US$767.1 million). On the Issue Date, each of our Restricted Subsidiaries will be a guarantor with respect to the notes under the Indenture.

The following is a brief description of our loan products:

- *Payroll Loans*. Our payroll loans are granted mainly to 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 314 branches nationwide and a sales force of more than 6,400 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.

As of June 30, 2019, our average payroll loan had a principal amount of Ps.63,349, an average term of 41 months and was payable in bi-weekly fixed installments of interest and principal, with an average annual interest rate of 56.4% and an average annual yield of 27.5%, net of risk and profit sharing with our distributors. As of June 30, 2019, we had 420,917 payroll loans outstanding and a Ps.26,664.6 million payroll loan portfolio, which represented an estimated customer market share of 42% based on our internal estimates, with an average delinquency rate of 1.2%. For the six months ended June 30, 2019, our payroll loan portfolio generated interest income of Ps.3,463.7 million, or 61.1% of our total interest income.

- *Instacredit*. 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 June 30, 2019, Instacredit represented Ps.4,692.4 million, or 11.4% of our loan portfolio. Instacredit has a well-recognized brand with a multi-product platform, over 18 years of experience and 65 branches located in Costa Rica, Nicaragua and Panama with a large base of customers. Instacredit primarily offers: consumer loans, car loans, SME loans and home equity loans. For the six months ended June 30, 2019, our Instacredit portfolio generated interest income of Ps.1,363.9 million, or 24.0% of our total interest income.

- *Used Car Loans*. 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.

  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. As of June 30, 2019 CR Fact distribution network consisted of 20 branches and 106 agreements with agencies located in 32 states in Mexico. The average term of this product is 12 months with a monthly interest rate of 3.7%. We provide financing services under our own brands 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.

  In the United States, we mainly provide used car loans to the Hispanic market segment with limited credit history or access to credit through two companies that operate under the CRUSA Finance and Don Carro brands, in which we have equity stakes of 99.3% and 80%, respectively. As of June 30, 2019, CRUSA Finance had licenses to operate in 27 states in the United States with 910 car dealers and Don Carro which operated through one branch office.

  As of June 30, 2019, our used car loan portfolio was Ps.3,687.4 million (of which 66.0% is related to our operations in the United States) with a total of 18,167 customers with an average delinquency rate of 0.8%. For the six months ended June 30, 2019, our used car loan portfolio generated interest income of Ps.463.0 million, or 8.2% of our total interest income.

- *SME Loans*. This business aims to capture a market segment that is underserved by banks. 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.8.4 million with an average term of 3-36 months. We believe this market represents a great opportunity because of the large number of small businesses in Mexico.

  Additionally, we offer leasing, factoring and fleet management financial products to the SME segment that we believe has high growth potential and is underserved by traditional banks. Our average client for this product has US$5 million in annual sales and approximately 15 employees, and is primarily engaged in the services or commerce sector. We intend to specialize in these products and to partner with certain vendors to take advantage of this opportunity and build a strong pipeline, which we believe will allow us to better assess our customer/risk profile and manage the leased assets.

Our general practice is not to provide financings for debt substitutions with other financial institutions, dividend payments, equity buybacks or project finance. In the United States, we offer SME loans through our subsidiary Credito Real USA Business Capital. As of June 30, 2019, the size of the SME loan portfolio was Ps.5,249.0 million with 622 clients and a delinquency rate of 0.5%. For the six months ended June 30, 2019, our SME loan portfolio generated interest income of Ps.338.0 million, or 6.0% of our total interest income.

- *Group Loans*. Our group loans consist of short-term loans of 16 weeks made to micro-business owners, predominantly women, who form small pools of eight 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 any 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 June 30, 2019, we offered group loans through a network of 197 branches and 1,617 full time promoters, reaching 217,016 customers in 27 states throughout Mexico. 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 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. 60% 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 June 30, 2019, 99.5% of our customers had acquired this insurance policy.

  As of June 30, 2019, we had a Ps.445.4 million group loan portfolio with an average delinquency rate of 1.9%. As of June 30, 2019, the average group loan of our distributors had a principal amount of Ps.4,125 per group member, an average term of four months, and an average annual yield of 102.9% (taking into account the aggregate portfolio of our distributors). For the six months ended June 30, 2019, our group loan portfolio generated interest income of Ps.18.2 million, or 0.3% of our total interest income.

- *Durable Goods and Other Loans*. We are in the process of gradually 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.

  As of June 30, 2019, we had 43,181 clients for durable goods and other loans (including our Resuelve customers) and an outstanding portfolio of Ps.346.2 million. For the six months ended June 30, 2019, our durable goods and other portfolio generated interest income of Ps.24.5 million, or 0.4% of our total interest income.

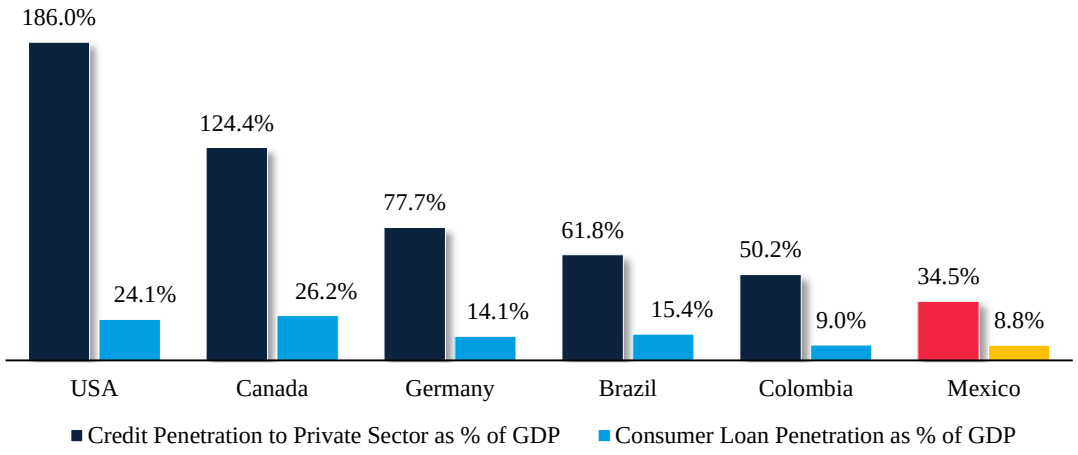
- *Other Business Lines*. On December 14, 2015, we acquired a 55.2% equity interest in CAT 60, S.A.P.I. de C.V., the holding company of Resuelve. Resuelve offers services aimed at repairing individuals' credit standing by establishing a savings program for the customer and restructuring the customer's debt with its creditors. As of June 30, 2019, Resuelve had 42,983 customers in Mexico, managing Ps.4,023.0 million in debt, without assuming the credit risk associated with lending to a customer. In 2014, as part of a strategy to expand this business, Resuelve began operations in Colombia and launched new lines of business, such as a product to manage the accounting of small businesses through an innovative technology platform. In 2015, we made a minority investment in Credilikeme, an internet-based consumer loan platform. Credilikeme allows clients to access same-day consumer loans with an average principal amount of Ps.2,708 through an online platform. Credilikeme does not require a credit score but instead operates under a reward system. First-time clients initially have access to smaller loan amounts, but if the client repays the

loan, Credilikeme provides clients with access to a larger loan amount, a lower interest rate and a longer-term loan.

Our Target Markets

According to the Mexican National Council for Financial Inclusion (*Consejo Nacional de Inclusión Financiera*, or "CONAIF"), Mexico has a large unbanked population, estimated at 32% or 24.1 million of the adult population in 2015. The unbanked segment is primarily composed of low- and lower middle-income individuals, mostly living in rural areas. As of 2015, 33.6 million or 44% of the total adult population has at least a savings account with a bank or financial institution, while 46.7 million or 61% of the total adult population does not have a savings account in a financial institution but rather uses informal saving mechanisms. Additionally, only 29% or 22 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 2018 for selected countries.



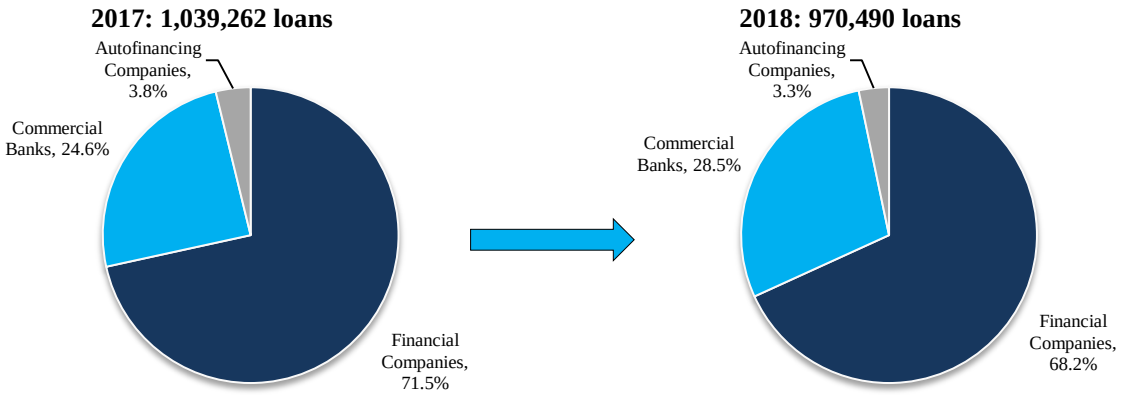
Source: World Bank and Euromonitor with information as of 2018, except Credit Penetration to Private Sector as % of GDP of Canada, which show figures as of 2008

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 420,917 active clients out of approximately 8.4 million potential payroll loan clients throughout the country according to our internal estimates.

- *U.S. Auto Loans*. There were 10.5 million vehicles sold in the retail used car market as of the first quarter 2019, a decrease of 1.6% compared to the first quarter 2018, when the figure stood at 10.6 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, 2018 to represent the largest ethnic minority in the United States, with 59.8 million people, or 18.3% of the total population.

- *Auto Loans in Mexico*. The total number of auto loans in Mexico showed a CAGR of 10.2% from 2013 to 2018. The auto loan industry decreased from 1,039,262 loans in 2017 to 970,490 loans in 2018, representing a 6.4% decrease. Of the total number of loans in 2017, 71.5% were financed by non-commercial bank companies, while in 2018 that proportion remained at 68.2%. The top four players in auto financing in Mexico are NR Finance México, S.A. de C.V., SOFOM, E.N.R. ("NR Finance Mexico") with a 20.7% market share, GM Financial de México, S.A. de C.V., SOFOM, E.N.R. ("GM Financial") with a 15.4% market share, Volkswagen Bank, S.A., Institución de Banca Múltiple ("VW Financial Services") with a 11.7% market share, and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer ("Bancomer") with a 10.3% market share.

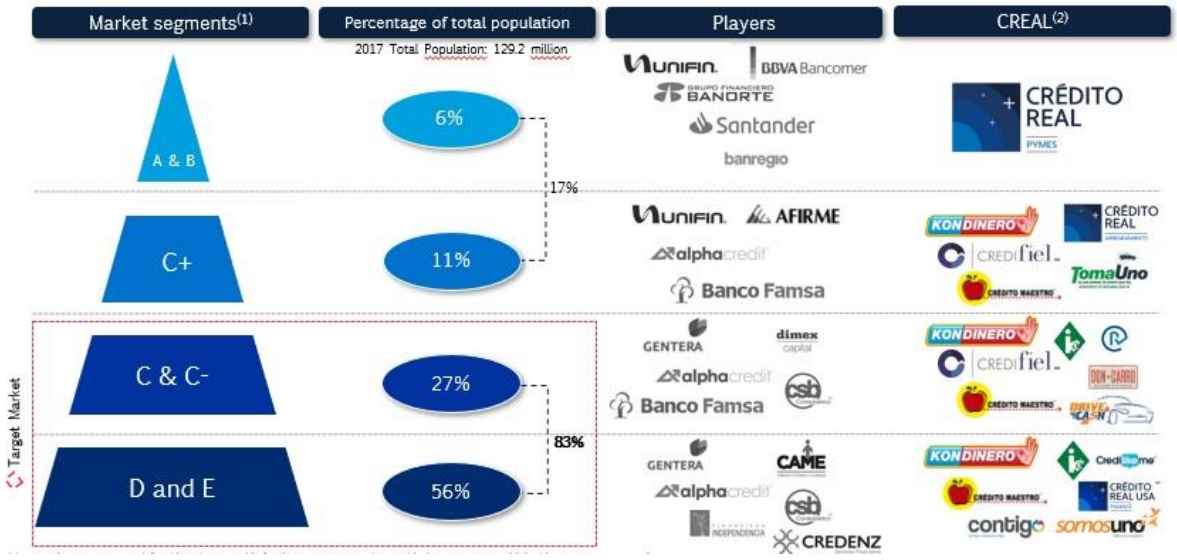


Source: Mexican Automobile Distributors' Association (*Asociación Mexicana de Distribuidores Automotores*), as of December 2018.

- *SME Loans*. 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, accounting for 41.8% of total employment. The market leaders are HSBC under the brand Estímulo HSBC, Bancomer 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.

- *Group Loans*. We operate in the group loan market under the Contigo and Somos Uno brand names. There are more than seven million microfinance borrowers in Mexico. When compared to its regional peers, however, Mexico has the smallest share of the microfinance loan segment, leaving a large potential market underserved. We believe our business is well-positioned to grow in the following years in this segment.

The following chart presents the main financial services providers for the different population segments in Mexico as of December 31, 2017, and also 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.

According to CONAIF, 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

We believe that our more than 25 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 June 30, 2019, we had 420,917 payroll loan clients, which represented a loan portfolio of Ps.26,664.6 million, equal to 64.9% of our total loan portfolio. Instacredit, as of June 30, 2019, had 169,659 clients and a loan portfolio of Ps.4,692.4 million, representing 11.4% of our total loan portfolio. In the SME loans segment, as of June 30, 2019, we had 622 clients and a loan portfolio of Ps.5,249.0 million, representing 12.8% of our total loan portfolio. In the used car loans segment, as of June 30, 2019, we had 18,167 clients and a loan portfolio of Ps.3,687.4 million, representing 9.0% of our total loan portfolio. As of the same date, we also had 217,016 group

loan clients and a loan portfolio of Ps.445.4 million, accounting for 1.1% of our total loan portfolio. Finally, in the durable goods and other loans segment, as of June 30, 2019, we had 43,181 clients and an outstanding portfolio of durable goods and other loans of Ps.346.2 million, representing 0.8% of our total loan 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 June 30, 2019, our NPLs were 1.5% of our total loan 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. 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. In addition, each borrowing group member jointly and severally guarantees each other, assuming joint responsibility for any default by any group member. A key differentiator of our business model is the level of discipline we maintain in the execution of our group loan 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 with the 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.

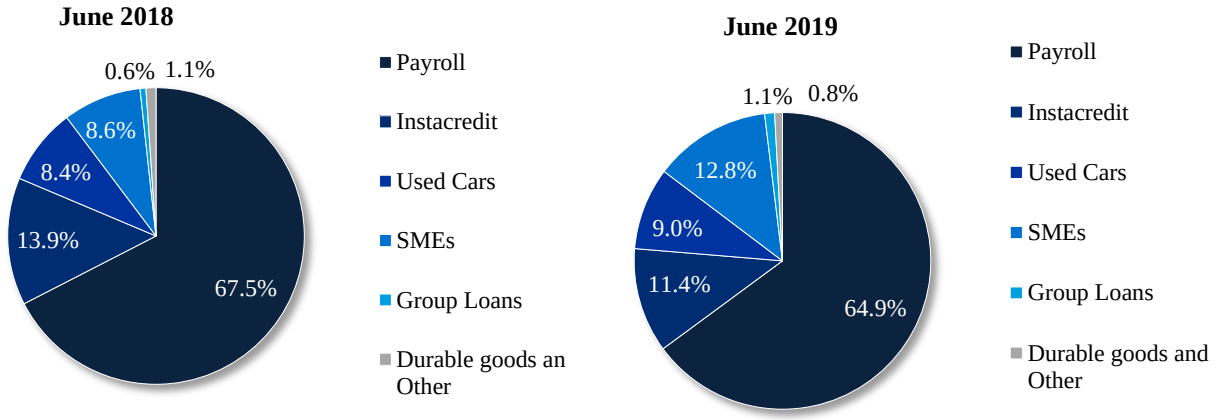
For our used car loans, the car financially secures the loan granted. In addition, we believe our standardized and proven collection process, which allows for the continuous monitoring of client repayment dynamics and the implementation of early action in the case of delayed payments, has allowed us to maintain low delinquency rates across our product lines.

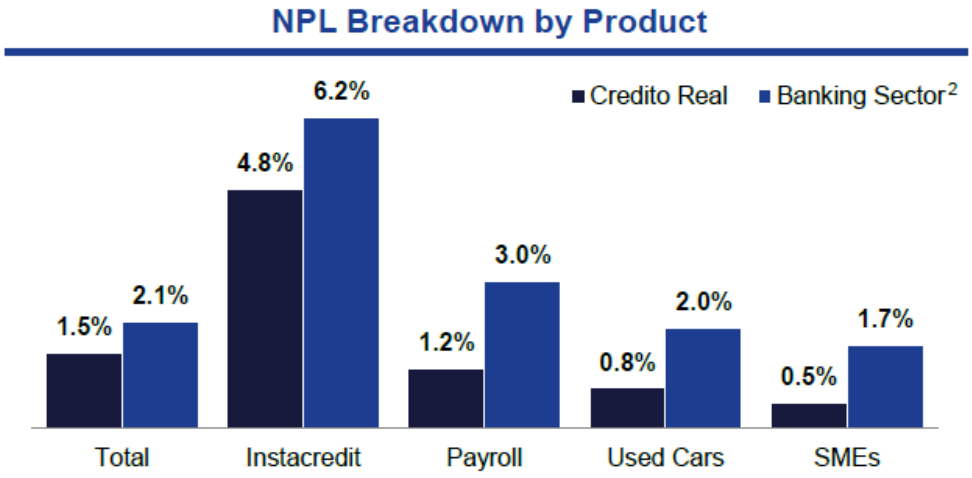
For our SME loans, we believe that the best way to maintain a low delinquency rate is to build a close relationship with the customer and create a product that matches the cash flow of the customer's business, providing an expedited and reliable source of funding when they are required. Our tailored approach and responsive customer service help us maintain an SME loan portfolio with a low delinquency rate relative to the rest of the industry.

For Instacredit, we believe we can maintain a stable delinquency rate by taking certain actions such as centralizing collection that before was managed directly in the branches, to reach a more stable level in the mid-term. Additionally, we are focusing on standarizing several collection strategies in Costa Rica, Nicaragua and Panama as well as the operating efficiency in the collection process. Also, to monitor any deviation, we have established a monthly committee in charge of reviewing some preventative and corrective measures for credit risk.

We believe our NPL ratio of 1.5% is one of the lowest among our peers with respect to each of our loan products as of June 30, 2019.

The charts below illustrate the diversification of our loan portfolio as of June 30, 2019, as compared to June 30, 2018:





We believe that our profitability, the quality of our assets and our efficiency and capitalization ratios compare favorably with other banking and group loan players in Mexico.

The following table shows relevant statistics of selected financial services companies in Mexico and Latin America as of December 31, 2018:

Name	Return on Average Equity[(1)]	Consumer Loan Portfolio NPL Ratio[(2)]	Efficiency Ratio[(3)]	Capitalization Ratio[(4)(5)]
Microfinance and Personal Consumer Companies				
Crédito Real	**12.9%**	**1.7%**	**42.4%**	**43.9%**
Banco Ahorro Famsa	9.7%	15.8%	56.7%	20.2%
Banco Azteca	15.6%	5.8%	82.7%	25.2%
BanCoppel	22.3%	15.8%	38.9%	40.9%
Compartamos	19.4%	4.2%	44.9%	16.8%
Consubanco	18.4%	2.6%	70.6%	45.7%
Financiera Independencia	10.6%	5.0%	44.3%	53.7%
Unifin	7.7%	5.5%	70.4%	51.9%
Banks				
Citibanamex	10.8%	4.9%	61.9%	23.8%
Banorte	25.6%	3.7%	44.9%	14.1%
Banregio	19.8%	1.8%	51.4%	17.7%
HSBC	10.1%	3.7%	67.8%	15.8%
Inbursa	11.3%	6.1%	30.5%	44.6%
Santander	15.7%	3.8%	45.1%	18.4%

Source: Company filings presented to CNBV as of December 31, 2018, except Financiera Independencia and Unifin which were obtained from public filings. Includes all subsidiaries.

(1) Public information (2018 net income / total equity average during 2018).
(2) Calculated as consumer non-performing loans divided by total consumer loans as of December 31, 2018.
(3) Calculated as (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.
(4) Calculated as total shareholder's equity as of December 31, 2018 divided by total gross portfolio as of December 31, 2018.
(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 segment, 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 eleven other independent distributors, through which we provide national coverage for loan origination. Our used cars loans are originated through five distributors, one partnership with 20 branches and 106 agreements with agencies in 32 states of Mexico and two partnerships in the United States with one branch and 910 points of sale in 27 states of the United States. 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 197 branches and over 1,617 promoters. Furthermore, in 2016 we invested in Instacredit, allowing us to diversify across other Central American markets with high growth potential. 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 loan portfolio by 22.1% as of June 30, 2019, as compared to June 30, 2018.

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 three (3) to forty six (46) 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.63,349 for payroll loans, Ps.27,658 for consumer loans, Ps.202,972 for used car loans, Ps.8.4 million for SME loans, Ps.4,125 per participant for group loans, and Ps.8,018 for durable goods and other loans resulting in our credit risk being dispersed among 869,562 customers as of June 30, 2019.

Proprietary Platform Tailored for the Segments We Serve

With more than 25 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 small 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 June 30, 2019, our NPLs were 1.5% of our total loan 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 72 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.

We have the capacity to cross check the performance of each payroll loan with our distributors on a daily basis. In the case of group loans, we measure delinquency performance on a four-day basis for internal purposes which allows us to take immediate action and thereby results in a lower NPL ratio. In addition, on average, our technological platform has historically allowed us to answer 97% of all customer incoming calls in less than 12 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 June 30, 2019, our payroll loans, group loans, durable goods and other loans, SME loans, consumer loans and used car loans had annual yields averaging 27.5%, 102.9%, 12.1%, 16.7%, 63.0% and 26.9% respectively, and had average terms of 41 months, four months, 12 months, 3 to 36 months, 46 months and 12 to 36 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 June 30, 2019, we collected principal and interest payments of Ps.12,005.3 million, representing 69.7% of the average total loan 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. From June 30, 2018 to June 30, 2019, we increased our funding sources by entering into two new credit agreements and one amended credit agreements for a total aggregate principal amount of Ps.1,619.8 million with three domestic financial institutions. In addition, between June 30, 2018 and June 30, 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"). 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 June 30, 2019, the unused portion of our uncommitted bank credit lines totaled Ps.1,019.3 million and the authorized, unissued amount under our securitized certificates program totaled Ps.8,585 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, 2016, 2017 and 2018, our capitalization ratio was 38.8%, 50.9% and 43.9%, respectively. As of June 30, 2019, and June 30, 2018, our capitalization ratio was 38.8% and 44.6%, respectively. To further strengthen our capital structure for future growth, in 2017 we issued the Subordinated Perpetual Notes. As of December 31, 2018, and June 30, 2019, excluding the Subordinated Perpetual Notes our capitalization ratio was 36.4% and 28.5%, respectively.

Experienced Management with Proven Track Record and Shareholder Support

Our management team consists of experienced professionals who have an average of 16 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 30 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, group 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 have completed our acquisition of Directodo, and are leveraging our existing synergies with Credifiel and Crédito Maestro in order 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 June 30, 2019, we believe we had a penetration of approximately 42% of the government-agency and labor-union markets we serve, and we believe this low penetration will allow for significant future growth. We believe the overall payroll loan business represents a market opportunity of more than 8.4 million people, creating significant growth opportunities 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.

- ***Expand Our SME Loan Business***. We believe the low penetration of financial institutions in this market and the significant SME potential market in Mexico, represents a good business opportunity for us. We believe that our alliance with Fondo H along with our new leasing business will continue to support our presence in this market and provide a good foundation for our growth in this segment.

- ***Expand Our Group Loan Business***. We believe that our existing brands will present significant opportunities for growth, as we increase the number of branches, focusing on making the ratio of loans per promoter more efficient. Additionally, we believe there is an opportunity to reprice some of our products in order to align them with the market of group loans. We are also re-designing collection strategies in order to achieve profitability in the mid-term.

- ***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 and CR Fact with its two products 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 June 30, 2019, we operated through five 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 June 30, 2019, the distribution network of CR Fact consisted of 20 branches and 106 agreements with agencies located in 32 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.

In the United States, we mainly provide used car loans to the Hispanic market segment with limited credit history or access to credit through two companies that operate under the CRUSA Finance and Don Carro brands, in which we have equity stakes of 99.3% and 80%, respectively. As of June 30, 2019, CRUSA Finance had licenses to operate in 27 states in the United States with 910 car dealers and Don Carro which operated through one branch office. CRUSA Finance is currently focused on growing the base of dealerships submitting applications and in increasing the loans granted per month.

- ***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.

- ***Expansion in Latin America and the United States***. We began operations in Central America through the acquisition of 70% of Instacredit in 2016. 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. The four main products that Instacredit currently offers are consumer loans, car loans, SME loans and home equity loans. In the United States, in 2014, we initially ventured in the used car loans segment through the acquisition of Don Carro and strengthened our distribution capacity in the same segment in 2015 through the acquisition of a controlling interest in CRUSA Finance. 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 businesses get access to capital and equipment financing.

- ***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, 2016, 2017 and 2018, our capitalization ratio was 38.8%, 50.9% and 43.9%, respectively. 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 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. We believe that the issuance of these perpetual notes enhanced our capitalization ratio. Additionally, in January 2018, we completed the issuance of CHF$170 million unsecured bonds due 2022 in the Swiss market. Finally, in February 2019, we issued US$400 million senior notes due 2026. As of June 30, 2019, debt securities represented 63% of our total debt (excluding accrued interest and mark-to-market), and the remaining 37% was represented by bank loans. As of June 30, 2019, we had uncommitted credit lines with various financial institutions totaling Ps.11,965.4 million, of which the unused portion represented Ps.1,019.3 million. In terms of maturity profile, 24.3% of our debt (excluding accrued interest and mark-to-market) is scheduled to mature by June, 2020, and the remaining 75.7% will mature by July, 2020 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

Loan Agreement with BNP

On April 26, 2019 we entered into an uncommitted letter agreement with BNP Paribas (the "BNP Facility") 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 20, 2020), for an aggregate principal amount not to exceed US$30 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 June 30, 2019, the aggregate principal amount of loans outstanding under the BNP Facility was Ps.576 million (US$30 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Loan Agreements—Loan Agreement with BNP Paribas."

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. This credit facility will mature on August 7, 2022. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 4.0%. 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Loan Agreements—Second Loan Agreement with Credit Suisse."

Concurrent Tender Offer of the 2023 Senior Notes

Concurrently with the offering of the notes hereby, we launched a tender offer (the "Tender Offer") to purchase for cash up to US$300,000,000 of the aggregate principal amount of our 7.250% senior notes due 2023 (the "2023 Senior Notes") issued under the indenture dated July 20, 2016, between us and The Bank of New York Mellon, as trustee, registrar, principal paying agent and transfer agent (as supplemented by the first supplemental indenture dated August 24, 2018, the "2023 Indenture"), pursuant to the terms of, and subject to the conditions set forth under, an offer to purchase, dated as of September 12, 2019, and related documents (the "Tender Offer Documents"). As of June 30, 2019, the aggregate principal outstanding amount of the 2023 Senior Notes was US$625.0 million.

The Tender Offer will expire at 11:59 p.m., New York City time, on October 9, 2019, unless extended or earlier terminated by us in our sole discretion, subject to applicable law. The Tender Offer is conditioned on the satisfaction, or waiver by us, of certain conditions, including, but not limited to, the consummation of this offering.

The period to be eligible to receive the Total Consideration (as defined in the Tender Offer Documents) for 2023 Senior Notes tendered in the Tender Offer expired at 5:00 p.m., New York City time, on September 25, 2019 (such time and date, the "Early Tender Deadline"). As of the Early Tender Deadline, we received tenders on the 2023 Senior Notes representing US$196,284,000 (or 31.4%) in aggregate principal amount of the then outstanding 2023 Senior Notes. We have accepted for purchase (subject to satisfaction of the offering of the notes) all of the 2023 Senior Notes validly tendered (and not validly withdrawn) in the Tender Offer on or prior to the Early Tender Deadline.

Our Principal Offices

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.

The Offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the notes.

Issuer	Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, a publicly listed variable capital stock corporation, non-regulated multiple purpose financial company, organized and existing under the laws of Mexico.
Initial Note Guarantors	Crédito Real, S.A., a corporation organized and existing under the laws of the Republic of Panama, and Creal Nómina S.A. de C.V., a corporation organized and existing under the laws of Mexico.
Notes Offered	€350,000,000 aggregate principal amount of 5.000% senior notes due 2027.
Offering Price	99.251%, plus accrued interest, if any, from October 1, 2019.
Maturity Date	February 1, 2027.
Interest Rate	Interest on the notes will accrue at a rate of 5.000% per year.
Interest Payment Dates	February 1 and August 1 of each year, beginning on February 1, 2020.
Guarantees	The payment of principal, interest, Additional Amounts and premiums, if any, and other amounts on the notes and under the Indenture will be fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. See "Description of the Notes—Guarantees."
Ranking	The notes will be our senior unsecured obligations, guaranteed by certain of our existing subsidiaries, and they will rank: • equal in right of payment with all of our and the subsidiary guarantors' existing and future senior unsecured indebtedness (subject to certain obligations for which preferential treatment is given under Mexican and Panamanian applicable laws, including tax, labor and social security claims); and • senior to all of our and the subsidiary guarantors' existing and future subordinated indebtedness. The notes will effectively rank junior to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will be structurally subordinated to all indebtedness, including trade payables, of any of our subsidiaries that are not guarantors of the notes. As of June 30, 2019, we had a total indebtedness (excluding accrued interest and mark-to-market) of Ps.36,310.4 million

(US$1,890.3 million), of which Ps.8,913.5 million (US$464.0 million) was secured by collateral.

As of June 30, 2019, after giving pro forma effect to the offer and sale of the notes and the application of the net proceeds from this offering as described under "Use of Proceeds":

- we and our subsidiaries would have had total indebtedness (excluding accrued interest) of Ps.40,494.8 million (US$2,108.1 million), Ps.8,913.5 million (US$464.0 million) of which was secured;
- we and our subsidiary guarantors would have had total indebtedness (excluding accrued interest) of Ps.37,176.8 million (US$1,935.4 million), Ps.5,066.3 million (US$263.8 million) of which was secured;
- our non-guarantor subsidiaries would have had total indebtedness (excluding accrued interest) of Ps.3,318.0 million (US$172.7 million), Ps.3,847.2 million (US$200.2 million) of which was secured.

Issuance in Euro..... All payments of principal and interest on the notes, including payments made upon any redemption of the notes, will be payable in Euros. If the Euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the Euro is no longer being used by the then member states of the European Economic and Monetary Union that have adopted the Euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then we will be entitled, until the Euro is again available to us or so used, to satisfy our payment obligations in respect of the Notes by making such payments in U.S. dollars on the basis of the "Market Exchange Rate." The term "Market Exchange Rate" is defined under "Description of Notes—Issuance in Euro."

Change of Control ..... Upon the occurrence of a Change of Control Triggering Event (as defined under "Description of the Notes"), we will be required to make an offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus any Additional Amounts (as defined under "Description of the Notes") then due, if any, plus any accrued and unpaid interest through the purchase date. See "Description of the Notes— Change of Control Triggering Event."

Optional Redemption.....	On or after October 1, 2022 we may redeem the notes, in whole or in part, at any time at the redemption prices set forth in "Description of the Notes— Optional Redemption," plus any Additional Amounts then due, if any, and accrued and unpaid interest to the date of redemption. Prior to October 1, 2022 we may, at our option, redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount, plus a make-whole amount, any Additional Amounts then due, if any, and any accrued and unpaid interest to the date of redemption. See "Description of the Notes—Optional Redemption."
Optional Redemption upon Equity Sales.....	At any time, or from time to time, on or prior to October 1, 2022 we may, at our option, use the net cash proceeds of certain Equity Sales to redeem up to 35.0% of the aggregate principal amount of the notes at a redemption price equal to 105.000% of their principal amount, plus any Additional Amounts then due, if any, and any accrued and unpaid interest to the date of redemption, provided, that: • after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture remains outstanding; and • we make such redemption not more than 90 days after the consummation of such Equity Sale. See "Description of the Notes—Optional Redemption—Optional Redemption upon Equity Sales."
Tax Redemption	We may redeem the notes, in whole but not in part, prior to maturity, at a redemption price equal to 100% of their principal amount, plus any accrued and unpaid interest to the date of redemption, and Additional Amounts due thereon, if tax laws and regulations currently in effect are modified and the change results in us becoming obligated to pay Additional Amounts in respect of payments of interest or amount deemed interest under the notes in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to the notes. See "Description of the Notes—Optional Redemption—Optional Redemption for Changes in Withholding Taxes."
Additional Amounts	Payments of interest on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes) to investors that are non-residents of Mexico for tax purposes will generally be subject to Mexican withholding taxes at a rate of 4.9%. See "Taxation—Mexican Federal Tax Considerations—Payments of Interest." Subject to certain specified exceptions, we

will pay such additional amounts as may be necessary so that the net amount received by the holders of the notes in respect of principal, interest or other amounts due on the notes, after any such withholding or deduction, will not be less than the amount each holder of notes would have received if such withholding or deduction had not applied. See "Description of the Notes—Additional Amounts."

Certain Covenant ..... The Indenture governing the notes contains covenants that will limit the creation of liens by us and certain of our subsidiaries, and will permit us and certain subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets to, another person only if any such transaction complies with certain requirements.

In addition, the Indenture governing the notes will limit, among other things, our ability and the ability of certain 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 or transfer assets.

These covenants are subject to a number of important exceptions and qualifications. See "Description of the Notes — Certain Covenants."

Events of Default ..... The Indenture governing the notes sets forth the events of default applicable to the notes. See "Description of the Notes — Events of Default."

Further Issuances ..... Subject to the limitation contained in the Indenture, we may from time to time, and without providing notice to or obtaining the consent of the holders of the notes, create and issue an unlimited principal amount of Additional Notes of the same series as the notes initially issued in this offering, provided, however, that unless such Additional Notes are issued under a separate CUSIP number, either such Additional Notes are part of the same "issue" for U.S. federal income tax purposes or are issued pursuant to a "qualified reopening" for U.S federal income tax purposes.

Use of Proceeds	We estimate that we will receive net proceeds from the offer and sale of the notes, after deducting initial purchasers' commissions but before the payment of other offering expenses, of approximately €342.9 million (US$375 million). We intend to use the net proceeds from this offering to (i) pay the consideration for the Tender Offer and accrued and unpaid interest of the 2023 Senior Notes to the date of redemption, pursuant to the terms of, and subject to the conditions set forth under, the documents relating to the Tender Offer, (ii) pay fees and expenses incurred in connection with this offering and the Tender Offer, and (iii) the remainder, if any, including in the event that the Tender Offer is not successful, for general corporate purposes. The Tender Offer is not being made pursuant to this offering memorandum. Certain of the initial purchasers or their affiliates may hold positions in the 2023 Senior Notes. As a result, certain of those initial purchasers or their affiliates may receive some of the proceeds from this offering. See "Use of Proceeds."
Taxation	For a summary of the Mexican federal income tax considerations and the U.S. federal income tax considerations of an investment in the notes, see "Taxation."
Book-Entry; Delivery and Form	The notes will be initially issued in the form of (i) one or more Rule 144A global notes (the "Rule 144A Global Notes"), offered and sold to "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the Securities Act), and (ii) one or more Regulation S global notes (the "Regulation S Global Notes" and together with the Rule 144A Global Notes, the "Global Notes"), offered and sold to persons other than "U.S. persons" (as defined in Regulation S) in offshore transactions in reliance on Regulation S under the Securities Act. Each Global Note will be deposited upon issuance with a common depository for Euroclear and Clearstream, in each case for credit to the account of a direct or indirect participant of Euroclear and/or Clearstream. Investors in the Global Notes who are participants in Euroclear and/or Clearstream may hold their interests in the Global Notes directly through Euroclear and/or Clearstream. Investors in the Global Notes who are not participants in Euroclear and/or Clearstream may hold their interests indirectly through organizations that are participants in Euroclear and/or Clearstream. Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and/or Clearstream and indirect participants (with respect to other owners of beneficial interests in the Global Notes) and any such interest may not be exchanged for certificated securities, except

	in limited circumstances. See "Book-Entry, Delivery and Form." Certificated notes cannot be traded through the facilities of Euroclear and/or Clearstream. The notes will be issued only in denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Settlement	The notes will be delivered in book-entry form through the facilities of Euroclear and Clearstream.
Transfer Restrictions	We have not and will not register the notes under the Securities Act or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. As required under Article 7 of the Mexican Securities Market Law, we will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico for informational purposes only. 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 or otherwise be subject to intermediation activities in Mexico. The notes may only be offered the notes may only be offered, 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*). See "Transfer Restrictions."
Risk Factors	Investing in the notes involves substantial risks and uncertainties. See "Risk Factors" and other information included in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.
Tender Offer	Concurrently with the offering of the notes hereby, we will offer to purchase for cash up to US$300,000,000 aggregate principal amount of our outstanding 2023 Senior Notes, pursuant to the terms of, and subject to the conditions set forth under the Tender Offer Documents. Barclays Capital Inc., BNP Paribas Securities Corp. and Morgan Stanley & Co. LLC are acting as dealer managers for the Tender Offer. For further information and copies of the Tender Offer Documents, please contact the information agent D.F. King & Co.
Listing of the Notes	Application is expected to be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange.

Governing Law	The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee and Registrar	The Bank of New York Mellon.
Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch.
Luxembourg Paying Agent, and Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.

Security Identifiers

	ISIN	**Common Codes**
Rule 144A	XS2060699886	206069988
Regulation S	XS2060698219	206069821

Summary Financial Information

The financial information for the years ended December 31, 2016, 2017, and 2018 has been derived from our audited financial statements included elsewhere in this offering memorandum, together with the notes thereto. The financial information for the six-month periods ended June 30, 2018 and 2019 has been derived from our interim financial statements.

The following tables present summary financial information and other data as of December 31, 2016, 2017, and 2018 and for years then ended and as of and for the six-month periods ended June 30, 2019 and 2018, 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, CRHOLDING and CR-Seg, Inc. See "Presentation of Certain Financial and Other Information."

Income Statement

	Year Ended December 31,			
	2016	**2017**	**2018**	**2018[13]**
	(In millions of pesos)			*(In millions of dollars)*
Interest income	6,958.2	8,557.3	10,287.6	535.6
Interest expense	(1,916.4)	(2,726.1)	(3,207.4)	(167.0)
Financial margin	5,041.8	5,831.3	7,080.2	368.6
Provision for loan losses	(831.6)	(1,343.1)	(1,800.7)	(93.7)
Financial margin after provisions for loan losses	4,210.2	4,488.1	5,279.5	274.8
Commissions and fees income	539.6	826.4	564.1	29.4
Commissions and fees paid	(283.4)	(234.6)	(256.0)	(13.3)
Intermediation income	375.8	152.9	(20.8)	(1.1)
Other operating income	267.3	350.2	425.1	22.2
Administrative and marketing expense	(2,922.0)	(3,417.5)	(3,483.1)	(181.3)
Operating result	2,187.4	2,165.5	2,508.8	130.6
Equity in income of associates	136.1	177.7	154.7	8.1
Income before income taxes	2,323.5	2,343.3	2,663.5	138.7
Current income taxes	(234.0)	(92.7)	(172.8)	(9.0)
Deferred income taxes	(270.4)	(435.6)	(477.8)	(24.9)
Income taxes	(504.4)	(528.3)	(650.6)	(33.9)
Net income	1,819.1	1,815.0	2,012.9	104.8
Non-controlling interest	(105.2)	(153.8)	(57.6)	(3.0)
Net income attributable to controlling interest	**1,714.0**	**1,661.1**	**1,955.4**	**101.8**

Income Statement

	Six Months Ended June 30,		
	2018	**2019**	**2019[13]**
	(In millions of pesos)		*(In millions of dollars)*
Interest income	4,871.7	5,671.3	295.2
Interest expense	(1,563.8)	(2,146.5)	(111.7)
Financial margin	3,307.9	3,524.9	183.5
Provision for loan losses	(876.3)	(721.0)	(37.5)
Financial margin after provisions for loan losses	2,431.6	2,803.9	146.0
Commissions and fees income	375.8	274.6	14.3
Commissions and fees paid	(121.9)	(180.5)	(9.4)
Intermediation income	49.6	251.0	13.1
Other operating income	173.2	170.2	8.9
Administrative and marketing expense	(1,763.1)	(1,705.8)	(88.8)
Operating result	1,145.1	1,613.4	84.0
Equity in income of associates	64.6	5.8	0.3
Income before income taxes	1,209.7	1,607.6	83.7
Current income taxes	(69.9)	(346.1)	(18.0)
Deferred income taxes	(211.2)	(86.1)	(4.5)
Income taxes	(281.1)	(432.2)	(22.5)
Net income	928.6	1,175.4	61.2
Non-controlling interest	(46.8)	(58.5)	(3.0)
Net income attributable to controlling interest	**881.8**	**1,116.9**	**58.1**

Balance Sheet

	As of December 31,			
	2016	**2017**	**2018**	**2018[13]**
	(In millions of pesos)			*(In millions of dollars)*
Assets:				
Cash and cash equivalents	315.8	810.6	575.7	30.0
Investments in securities	992.7	529.8	940.9	49.0
Derivatives	2,466.9	1,920.9	1,028.0	53.5
Performing loan portfolio:				
Commercial loans	16,656.0	20,903.9	26,090.6	1,358.3
Consumer loans	6,754.0	7,505.9	9,610.9	500.3
Total performing loan portfolio	23,410.0	28,409.8	35,701.6	1,858.6
Non-performing loan portfolio:				
Commercial loans	323.8	331.4	307.6	16.0
Consumer loans	193.2	273.8	310.0	16.1
Total non-performing loan portfolio	517.0	605.2	617.6	32.1
Loan portfolio	23,927.0	29,015.0	36,319.1	1,890.8
Less: allowance for loan losses	(767.5)	(1,067.5)	(1,067.9)	(55.6)
Loan portfolio, net	23,159.6	27,947.5	35,251.2	1,835.2
Other accounts receivables, net	3,577.3	4,629.7	5,378.8	280.0

	As of December 31,			
	2016	**2017**	**2018**	**2018[13]**
		(In millions of pesos)		*(In millions of dollars)*
Foreclosed assets, net	28.0	3.3	10.5	0.5
Property, furniture and fixtures, net	262.1	342.2	341.5	17.8
Long-term investments in shares	1,057.8	1,265.3	1,193.4	62.1
Deferred taxes			-	-
Other assets, net:				
Deferred charges, advance payments and intangibles	3,849.7	4,130.9	4,793.7	249.6
Other short and long term assets	205.5	327.6	48.8	2.5
Total assets	**35,915.4**	**41,907.7**	**49,562.5**	**2,580.2**
Liabilities:				
Notes payable (Securitized Certificates)	2,759.2	1,000.0	1,463.5	76.2
Senior notes payable	14,129.3	13,543.9	17,018.8	886.0
Bank loans and borrowings from other entities:				
Short-term	5,051.7	2,927.9	7,359.7	383.1
Long-term	2,648.3	6,112.8	4,804.7	250.1
	7,700.1	9,040.6	12,164.4	633.3
Derivatives	-	137.6	-	0.0
Income taxes payable	236.3	390.9	264.0	13.7
Employee profit sharing profit	18.4	16.2	-	-
Accrued liabilities and other accounts payable	448.9	1,229.1	457.4	23.8
Deferred taxes, net	1,345.9	1,781.0	2,258.8	117.6
Total liabilities	**26,638.1**	**27,139.4**	**33,626.9**	**1,750.6**
				-
Stockholders' equity:				-
Capital stock	660.2	660.2	660.2	34.4
Share subscription premium	1,450.3	1,462.6	1,407.5	73.3
Subordinated obligations in circulation	-	4,206.7	4,206.7	219.0
Earned capital:				
Legal reserve	132.0	132.0	132.0	6.9
Accumulated results from prior years	4,244.1	5,442.4	6,561.1	341.6
Result from valuation of cash flow hedges, net	229.4	359.7	128.6	6.7
Cumulative translation adjustment	167.6	93.7	- 30.1	- 1.6
Re-measurements of employee defined benefits	2.5	1.1	5.6	0.3
Non-controlling interest	677.2	748.9	908.5	47.3
Net income attributable to controlling interest	1,714.0	1,661.1	1,955.4	101.8
Total stockholders' equity	**9,277.4**	**14,768.4**	**15,935.6**	**829.6**
Total liabilities and stockholders' equity	**35,915.4**	**41,907.7**	**49,562.5**	**2,580.2**

Balance Sheet

	As of June 30,		
	2018	**2019**	**2019[13]**
	(In millions of pesos)		*(In millions of dollars)*
Assets:			
Cash and cash equivalents	420.8	511.5	26.6
Investments in securities	781.8	888.1	46.2
Derivatives	1,064.7	442.7	23.0
Performing loan portfolio:			
Commercial loans	21,726.4	29,910.9	1,557.2
Consumer loans	11,303.0	10,554.0	549.4
Total performing loan portfolio	33,029.4	40,465.0	2,106.6
Non-performing loan portfolio:			
Commercial loans	312.7	351.8	18.3
Consumer loans	318.0	268.1	14.0
Total non-performing loans portfolio	630.7	619.9	32.3
Loan portfolio	33,660.1	41,084.9	2,138.9
Less: allowance for loan losses	(1,138.5)	(1,272.0)	(66.2)
Loan portfolio, net	32,521.6	39,812.9	2,072.7
Other accounts receivable, net	4,998.9	5,808.6	302.4
Foreclosed assets, net	-	8.6	0.4
Property, furniture and fixtures, net	324.6	737.6	38.4
Long-term investments in shares	1,092.2	1,186.7	61.8
Deferred taxes	-	-	-
Other assets:			
Deferred charges, advance payments and intangibles	4,500.8	4,535.7	236.1
Other short and long term assets	30.8	83.1	4.3
Total assets	**45,736.1**	**54,015.4**	**2,812.0**
Liabilities:			
Notes payable (Securitized Certificates)	1,982.9	1,220.4	63.5
Senior notes payable	15,345.1	21,853.7	1,137.7
Bank loans and borrowings from other entities:			
Short-term	4,186.7	8,661.9	450.9
Long-term	5,965.9	3,291.9	171.4
	10,152.7	11,953.7	622.3
Securities and derivatives transactions	-	-	-
Income taxes payable	342.3	306.7	16.0
Employee profit sharing profit	-	-	-
Accrued liabilities and other accounts payable	902.7	399.6	20.8
Deferred taxes, net	1,992.3	2,344.9	122.1
Total liabilities	**30,717.9**	**38,079.1**	**1,982.4**
Stockholders' equity:			
Capital stock	660.2	660.2	34.4
Share subscription premium	1,463.4	1,185.7	61.7
Subordinated obligations in circulation	4,206.7	4,206.7	219.0
Earned capital:			
Legal reserve	132.0	132.0	6.9
Accumulated results from prior years	6,863.9	7,907.8	411.7
Result from valuation of cash flow hedges, net	(31.4)	(226.3)	(11.8)
Cumulative translation adjustment	12.0	(66.4)	(3.5)

	As of June 30,		
	2018	2019	2019[13]
	(In millions of pesos)		*(In millions of dollars)*
Re-measurements of employee defined benefits	1.2	5.7	0.3
Non-controlling interest	828.4	1,014.1	52.8
Net income attributable to controlling interest	881.8	1,116.9	58.1
Total stockholders' equity	**15,018.3**	**15,936.3**	**829.6**
Total liabilities and stockholders' equity	**45,736.2**	**54,015.4**	**2,812.0**

Other Financial Data and Ratios

	As of and for the Year Ended December 31,		
	2016	2017	2018
Net income margin[1]	22.5%	22.2%	20.8%
Return on average loan portfolio[2]	7.6%	6.3%	5.7%
ROA: Return on average total assets[3]	5.0%	4.5%	4.2%
ROE: Return on average stockholders' equity[4]	20.2%	15.9%	12.9%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes)[5]	-	17.6%	17.8%
Debt to equity ratio[6]	2.7x	1.6x	1.9x
Debt to equity ratio (excluding Subordinated Perpetual Notes)[7]	-	2.2x	2.6x
Yield[8]	31.0%	32.6%	30.2%
Average cost of funds[9]	8.2%	11.6%	11.4%
Efficiency ratio[10]	55.2%	49.7%	42.4%
Capitalization ratio[11]	38.8%	50.9%	43.9%
Capitalization ratio (excluding Subordinated Perpetual Notes)[12]	-	36.4%	32.3%
Credit Quality Ratios			
Provisions for loan losses as a percentage of total loan portfolio	3.5%	4.6%	5.0%
Allowance for loan losses as a percentage of total past-due loan portfolio	148.4%	176.4%	172.9%
Total past-due loan portfolio as a percentage of total loan portfolio	2.2%	2.1%	1.7%

Other Financial Data and Ratios

	As of and for the six months ended June 30,	
	2018	**2019**
Net income margin[(1)]	21.1%	18.3%
Return on average loan portfolio[(2)]	5.6%	5.8%
ROA: Return on average total assets[(3)]	4.1%	4.3%
ROE: Return on average stockholders' equity[(4)]	13.2%	14.0%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes)[(5)]	19.2%	19.0%
Debt to equity ratio[(6)]	1.8x	2.2x
Debt to equity ratio (excluding Subordinated Perpetual Notes)[(7)]	2.5x	3.0x
Yield[(8)]	31.1%	29.4%
Average cost of funds[(9)]	10.7%	13.2%
Efficiency ratio[(10)]	45.1%	42.0%
Capitalization ratio[(11)]	44.6%	38.8%
Capitalization ratio (excluding Subordinated Perpetual Notes)[(12)]	32.1%	28.5%
Credit Quality Ratios		
Provisions for loan losses as a percentage of total loan portfolio	5.2%	3.5%
Allowance for loan losses as a percentage of total past-due loan portfolio	180.5%	205.2%
Total past-due loan portfolio as a percentage of total loan portfolio	1.9%	1.5%

(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) 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.

(9) 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.

(10) Efficiency ratio consists of (i) administrative and marketing expense, including in Controladora CR México 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 for the period, expressed as a percentage, in each case, excluding amounts attributable to Reparadora RTD since this business does not involve credit risk.

(11) Capitalization ratio consists of total stockholders' equity at the end of the period divided by total loan portfolio at the end of the period expressed as a percentage.

(12) Capitalization ratio consists of total stockholders' equity at the end of the period (excluding the Subordinated Perpetual Notes) divided by total loan portfolio at the end of the period expressed as a percentage.

(13) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps.19.2087 per U.S. dollar, the exchange rate determined by Banco de México on June 28, 2019 and published in the Official Gazette on July 1, 2019. 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.

RISK FACTORS

You should carefully consider the following discussion of risks, as well as all the other information presented in this offering memorandum before investing in the notes. These risks are not the only risks that affect our business. Additional risks that are presently unknown to us, that we currently deem immaterial or that do not require specific disclosure may also impair our business. Any of the following risks, if any of them actually occurs, is likely to materially and adversely affect our business, results of operations, financial condition and prospects.

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. Although we believe the adverse worldwide economic conditions experienced over recent years are improving, the degree and pace of recovery is uncertain and is expected to vary around the globe. 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.

- 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 necessities, the availability of consumer credit, interest rates, consumer confidence, retail trends and foreign currency exchange rates. These economic conditions are beyond our control. 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, and 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. During 2017 and for the period commencing on January 1, 2018 and ending on November 11, 2018, Banco de México increased its reference rate from 5.75% to 8.0%. 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 loan portfolio, including in respect to auto loans in the United States and consumer loans, SME loans, mortgage 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 June 30, 2019, we had total outstanding indebtedness of Ps.36,310.4 million (US$1,890.3 million), excluding accrued interest. Of our indebtedness outstanding as of June 30, 2019, Ps.8,829.0 million (US$459.6 million), or 24.3%, consisted of indebtedness due to mature by June 2019, while the remaining Ps.27,481.4 million (US$1,430.7 million), equal to 75.7% of our total outstanding indebtedness, consisted of indebtedness due to mature after June 2020. 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.

In addition, concurrently with this offering, we intend to consummate the Tender Offer. We expect that the net cash proceeds from this offering will be sufficient to fund the payments for the 2023 Senior Notes and all fees and expense related to the Tender Offer and this offering. In the case that the net proceeds from this offering are not sufficient to make all such payments, we may not have sufficient resources to repay our indebtedness as it becomes due or sufficient time to finance the repayment thereof.

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.

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 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* 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. Our group loan business also faces competition from non-governmental organizations ("NGOs"). We expect competition to continue to increase, particularly in our payroll and SME loans segments, 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.

The Mexican Congress approved changes to the Mexican Law for the Protection and Defense of Financial Services Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) which gives CONDUSEF broad authority to 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 banking 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; and (v) given broad authority to fine financial institutions that do not comply with an order issued by CONDUSEF.

We are dependent on three principal payroll loan distributors to originate payroll loans, on Fondo H to originate SME loans, on Contigo and Somos Uno for group loans and on three other companies for used car loans.

As of June 30, 2019, 67% 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 loan 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 June 30, 2019, 31.4% 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. As of June 30, 2019, 100% of the origination of group loans was attributed to Contigo and Somos Uno distributors, in which the Company owns equity. For the used car loans business, the distributors Drive & Cash operating in Mexico, and CRUSA Finance and Don Carro operating in the United States originated 87.5% of the used car loan portfolio as of June 30, 2019. If any of our distributors terminate or decrease the amount of loans they originate, the size of our total loan 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 238 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 Educacion* (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.

Group loans pose unique risks not generally associated with other forms of lending.

Our group loan customers are typically low-income individuals who have limited access to traditional sources of credit and need working capital for their microbusinesses. Loans to such borrowers may pose risks not generally associated with other forms of lending in Mexico. Our group loan customers typically have limited credit histories or none at all, posing a higher degree of risk than borrowers with established credit histories. Our group loans rely on non-traditional guarantee mechanisms, such as personal guarantees by each member of the borrowing group, which pose a higher degree of risk than loans secured by physical collateral. See "Business—Our Loan Products—Group Loans." As a result, in the future we may experience higher levels of non-performing loans and may be required to record higher provisions for loan losses, which may materially and adversely affect our results of operations and financial position. There can be no assurance that the levels of non-performing loans and subsequent charge-offs will not be materially higher in the future, which could have an adverse effect on our business, financial condition and results of operations. Furthermore, increased public scrutiny of the market, such as the recent political debate regarding lending practices in India and Bangladesh, may have an adverse effect on our business, financial condition and results of operations.

The expansion of our group loan business may not be successful.

As part of our growth strategy, in 2014 we entered into partnerships to grant group loans under the "Contigo" and "Somos Uno" brand names, and we intend to continue expanding our group loan business, including in areas where we currently do not have a significant presence. See "Business—Overview—History and Development." We may not be able to fully implement our expansion plans because of a number of factors, including inability of our partners to maintain high asset quality or effective collections processes, adverse changes in general economic conditions, adverse changes in the availability of desirable locations to offer loans or our inability to hire competent personnel in our proposed new locations. Difficulties in implementing our planned expansion may result in an 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 Económic*a) 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 2026 Senior Notes, 2023 Senior Notes and 2019 Senior Notes, Subordinated Perpetual Notes, 2022 Swiss Notes or other debt offerings or bank credit lines, including the notes offered hereby. 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 offered hereby, the 2026 Senior Notes, 2023 Senior Notes and 2019 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.

Risks Relating to Mexico

Mexican governmental policies or regulations, 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. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions and policies concerning the economy, state-owned enterprises and state-controlled, -funded or -influenced financial institutions could have a significant impact on private-sector entities in general and on us in particular, and on market conditions, including prices and returns on Mexican securities, including the notes. In addition, the Mexican government may implement significant changes in laws, public policies and/or regulations that could affect political and economic conditions in Mexico, which could adversely affect our business. This risk may significantly increase with the new administration of Mr. Andrés Manuel López Obrador. See "—Political, Economic and Social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our operations."

In addition, 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 commissions charged by Mexican financial institutions. As of the date of this offering memorandum, it 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 25 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 operations.

Political circumstances in Mexico might significantly affect Mexican economic policies which could have an effect on our operations. Mexico's presidential, federal and local elections were held on July 1, 2018 with a result of a majority (in the presidential, federal and local elections) in favor of the left-wing political party Morena. The executive branch of the Mexican Federal Government and the party with the majority in both chambers of the Mexican Congress (*Congreso de la Unión de los Estados Unidos Mexicanos*) changed as of December 1, 2018.

Mr. Andrés Manuel López Obrador, the President of Mexico, and the appointed public officials of Morena, acting within their corresponding positions, have the ability to direct the policies of the public administration and to present and approve any amendments to regulation issued by the executive branch, which could adversely affect economic, political and social conditions in Mexico. In addition, as a result of the majority in both chambers of the Mexican Congress obtained by Morena, Mr. Andrés Manuel López Obrador has considerable power to pass new laws, amend existing laws and determine governmental policies and actions that relate to the Mexican economy and, consequently, affect the operations and financial performance of businesses in Mexico, such as our company.

During his campaign Mr. Andrés Manuel López Obrador announced structural changes such as (i) the decentralization of the ministries, which could lead to political instability and (ii) several structural changes within the public administration, including the implementation of an austerity policy and a significant decrease in salaries and labor benefits currently granted to public officers. On November 5, 2018, the new Mexican Law of Compensation of Public Employees (*Ley Federal de Remuneraciones de los Servidores Públicos Reglamentaria de los Artículos 75 y 127 de la Constitución Política de los Estados Unidos Mexicanos*) was published in the Official Gazette. Among other matters, this law sets forth several caps on federal government employee salaries. In the first weeks of the new administration, several government employees have resigned or have been fired as a result of this new law and as a result of the implementation of an austerity policy. As our payroll loans represent the majority of our portfolio and these are mainly granted to state and federal public sector employees, retirees and pensioners, any reduction in the number of employees or in the public sector salaries could lead to a decrease in our main customers' base and/or credit capacity, impacting average loan sizes and loan origination, which could materially and adversely affect our business, results of operations and financial position.

During political transition years, Mexico historically has experienced increased uncertainty, reduction in private investment and political and social tension. Furthermore, we cannot predict whether potential changes in Mexican governmental and economic policies or changes in the current regulation to be implemented by the new administration could adversely affect economic conditions in Mexico or the financial services sector or our customers' businesses and therefore the election could have an adverse effect on us.

We cannot predict the impact that political, economic and social conditions will have on the Mexican economy. Furthermore, we cannot provide any assurances that political, economic or social developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition, results of operations and prospects.

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 counties 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 3.36% in 2016, 6.77% in 2017 and 4.83% in 2018. 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 six months ended June 30, 2019. However, we cannot assure you that such measures will be effective or ongoing or predict how they will impact the Mexican economy.

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 current 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 September 30, 2018, Mexico, Canada and United States reached an agreement on the terms and conditions of the USMCA, replacing NAFTA, after more than one year of negotiation and significant strain on the relationships among the three countries. As of the date of this offering memorandum, parties to the USMCA are pursuing their domestic processes towards ratification and implementation of the USMCA. Adverse economic conditions in the United States, the implementation of the USMCA or other related events could have a significant adverse effect on the Mexican economy. 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. The withdrawal agreement

reached between the European Union and the United Kingdom was rejected three times by the United Kingdom's Parliament and a new deadline was set for October 31, 2019, by which time the United Kingdom has to ratify the exit treaty, opt for a no-deal Brexit, or cancel its withdrawal from the bloc. On July 23, 2019, Boris Johnson, who had openly supported the departure of the United Kingdom from the European Union and vowed to leave the European Union on October 31, 2019, was elected as the new prime minister of the United Kingdom. The potential impact of Brexit on our results of operations is 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.

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

Payments on the notes and the subsidiary guarantees will be effectively junior to any of our and our subsidiary guarantors' secured indebtedness and structurally junior to debt obligations of our subsidiaries that do not guarantee the notes.

The notes, and the obligations of any existing and future note guarantors, will constitute our, and any such note guarantors', senior unsecured obligations and will rank equal in right of payment with all of our and any such note guarantors' other existing and future senior unsecured indebtedness, other than obligations preferred by statute (such as tax and labor claims). Although the holders of the notes will have a direct, but unsecured claim on our assets and property, payment on the notes will be subordinated in right of payment to any of our and the subsidiary guarantors' existing or future secured debt, to the extent of the assets securing such debt. Although the Indenture governing the notes will contain restrictions on the incurrence of additional liens, these restrictions are subject to important qualifications and exceptions, and the liens that we may incur in compliance with these restrictions or liens that arise from governmental or creditor action could be substantial. Payment by us in respect of the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our subsidiaries that do not guarantee the notes.

If we or any of the subsidiary guarantors become insolvent or are liquidated, or we or any of the subsidiary guarantors become subject to bankruptcy proceedings, or if payment under any secured debt is accelerated, the relevant lenders and security holders under our securitization transactions would be entitled to exercise the remedies available to a secured lender. Accordingly, any proceeds upon a realization of the collateral would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the notes. After such application of the proceeds from collateral, it is possible that there would be no assets remaining from which claims of the holders of the notes could be satisfied.

The notes are not guaranteed by all of our existing subsidiaries and may not be guaranteed by certain of our future subsidiaries. However, our financial information (including the financial statements included herein) is presented on a consolidated basis. Any right that we, the subsidiary guarantors or any future note guarantors will have to receive assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors and holders of debt of those subsidiaries.

In addition, 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. In addition, payments to us by our subsidiaries may be subject to local restrictions on repatriation of earnings or currency exchange. Under Panamanian law, the obligations of the Panamanian subsidiary guarantor are also subordinated to certain statutory preferences, such as claims for salaries, wages and credits guaranteed over assets (but up to the value of such assets), social security contributions, taxes, and court fees and expenses.

Further, if any assets remain after payment of these lenders, the remaining assets would be available to creditors preferred by statute, such as holders of tax and labor claims, and might be insufficient to satisfy the claims of the holders of the notes and holders of other unsecured debt including trade creditors that rank equal to holders of the notes.

We and any future note guarantors may incur substantially more debt, which could further exacerbate the risks associated with our indebtedness.

As of June 30, 2019, we had a total indebtedness (excluding accrued interest) of Ps.36,310.4 million (US$1,890.3 million), of which Ps.8,913.5 million (US$464 million) was secured by collateral. After giving pro forma effect to the offer and sale of the notes and the application of the net proceeds from this offering as described under "Use of Proceeds," we would have had total indebtedness (excluding accrued interest) of Ps.40,494.8 million (US$2,108.1 million). We and any future note guarantors or Restricted Subsidiary may be able to incur substantial additional debt in the future. For example, we and our Restricted Subsidiaries may be able to incur, among others, up to the greater of (x) US$100.0 million and (y) 15.0% of our and our Restricted Subsidiaries consolidated net worth under our general indebtedness basket. As of June 30, 2019, our and our Restricted Subsidiaries (which are the Initial Subsidiary Guarantors with respect to the notes on the Issue Date) consolidated net worth was Ps.14,735.3 million (US$767.1 million). As of June 30, 2019, our Restricted Subsidiaries (which are the Initial Subsidiary Guarantors with respect to the notes on the Issue Date) net income was Ps.658.5 million (US$34.3 million). Although the agreements governing our outstanding indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent us from incurring obligations that do not constitute "indebtedness" as defined in the relevant documents. Adding new debt to our current indebtedness levels would increase our leverage. The related risks that we now face could intensify.

The instruments governing our indebtedness, including the notes offered hereby, contain cross-default provisions that may cause all of the debt issued under such instruments to become immediately due and payable as a result of a default under an unrelated debt instrument.

The indenture governing the notes contains numerous restrictive covenants. Instruments governing our other indebtedness also contain certain affirmative and negative covenants and require us and our subsidiaries to meet certain financial ratios and tests. Our failure to comply with the obligations contained in the indenture or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could then result in the related debt and the debt issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such default could require us to sell our assets and otherwise curtail operations in order to pay our creditors.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions" for a full explanation of such restrictions.

An active trading market for the notes may not develop.

Currently there is no market for the notes. Application will be made to have the notes listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market. Even if the notes become listed on this exchange, we may delist the notes. A trading market for the notes may not develop, or if a market for the notes were to develop, the notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

Payments of judgments against us or the guarantors on the Notes may not be in Euros.

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 article 8 of 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. You should be aware that 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 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 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) would be converted into pesos at the prevailing exchange rate at that time and location, not reflecting any devaluation of the peso to the Euro 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 the Euro 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). There is also limited relevant related legal precedent or judicial history.

For such reasons, 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. At present, there are very few Mexican legal precedents regarding bankruptcy or *concurso mercantil* in Mexico on this point and, accordingly, uncertainty exists as to how a Mexican court would measure the claims of holders of the notes.

We and the Mexican subsidiary guarantors may not be able to make payments in Euro.

In the past, the Mexican economy has experienced balance of payments deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to foreign currencies, it has done so in the past and could do so again in the future. We cannot assure you that the Mexican government will not implement a restrictive exchange control policy in the future. Any such restrictive exchange control policy could prevent or restrict our access or the access of any Mexican subsidiary guarantor to Euros to meet our or such subsidiary guarantor's Euro obligations and could also have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Mexican economy.

The notes permit us to make payments in U.S. dollars if we are unable to obtain Euros.

If the Euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the Euro is no longer being used by the then member states of the European Economic and Monetary Union that have adopted the Euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then we will be entitled, until the Euro is again available to us or so used, to satisfy our payment obligations in respect of the notes by making such payments in U.S. dollars. The amount payable on any date in Euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/Euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the Indenture governing the notes. Investors will be subject to foreign exchange risks as to payments of principal and interest that may have important economic and tax consequences to them.

We may be unable to purchase the notes upon a change of control event, which would result in defaults under the Indenture governing the notes.

The terms of the notes require us to make an offer to repurchase the notes upon the occurrence of a specified change of control event at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Any financial arrangements we may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit our ability to fund the repurchase of your notes in certain circumstances. It is possible that we will not have sufficient funds at the time of any change of control to make the required repurchase of notes or that restrictions on our other financing arrangement will not allow the repurchase of notes or that restrictions in our other financing arrangements will not allow the repurchases. If we fail to repurchase the notes in such circumstances, we would default under the Indenture, which may, in turn, trigger cross-default provisions in our other debt instruments. See "Description of the Notes—Change of Control Triggering Event."

It may be difficult to enforce claims against us or our 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.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

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. We 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.

The Indenture governing the notes will contain periodic reporting requirements that will be different and less burdensome than would be applicable to us if we had agreed to register the notes following the closing of the offering.

We do not presently file periodic reports and other information with the SEC, and the Indenture governing the notes will not require us to file such reports or other information. The Indenture will require us to provide annual and quarterly reports, including English language translations, to the holders of notes and the trustee. The requirements of the Indenture, however, will be more limited in certain respects than those applicable to public companies under the Exchange Act. See "Description of the Notes—Certain Covenants—Reports to Holders."

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

The notes will be fully and unconditionally guaranteed, jointly and severally, 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. However, it is possible that such guarantees may not be enforceable. 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 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. The obligations of any subsidiary guarantor may, additionally, be subject to review under United States state or federal fraudulent transfer laws or that of any other applicable jurisdiction. In addition, under Mexican Bankruptcy Law, if any of the subsidiary guarantors are judicially declared bankrupt or subject to *concurso mercantil*, each of such 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.

Under Panamanian law, the enforceability of the provisions of the note guarantees may be limited to the extent that: (i) they are intended to be enforceable even in case of termination or lack of validity, legality or enforceability of any transaction document or any other document, guarantee or security; (ii) they are intended to survive notwithstanding changes in the principal obligations secured that necessarily novate it as a matter of law, in other

words, that create an entirely new obligation inconsistent or incompatible with the original guaranteed obligation; (iii) they are intended to waive the applicability of statutes of limitation that would otherwise bar enforcement, and (iv) the note guarantor is made to renounce defenses or exceptions that may be asserted in litigation.

The Tender Offer may not be successful, in which case we will use the proceeds initially allocated for such transactions for general corporate purposes.

The Tender Offer may not be successful (including as a result of the failure to satisfy the Financial Condition (as such term is defined in the Tender Offer Documents)) and the Indenture does not provide for any redemption, escrow or any other similar protection mechanism for investors to recover all or any portion of the proceeds from the notes that we initially intended to use to complete such transactions. In that event, we may elect to use such applicable proceeds for general corporate purposes. If the Tender Offer is not successful we will have incremental debt and will continue to be subject to the existing terms and conditions of the 2023 Senior Notes, which are slightly different to the terms and conditions of the notes. We cannot assure you that the Tender Offer will be successful, which could also have a material adverse effect on our business, financial condition and results of operations.

USE OF PROCEEDS

We estimate that the net proceeds from the issuance of the notes will be approximately €342.9 million (US$375 million) (after deducting the initial purchasers' discounts and commissions and the payment of estimated offering expenses).

We intend to use the net proceeds from this offering to (i) pay the consideration for the Tender Offer and accrued and unpaid interest of the 2023 Senior Notes to the date of redemption, pursuant to the terms of, and subject to the conditions set forth under, the documents relating to the Tender Offer, (ii) pay fees and expenses incurred in connection with this offering and the Tender Offer, and (iii) the remainder, if any, including in the event that the Tender Offer is not successful, for general corporate purposes. The Tender Offer is not being made pursuant to this offering memorandum.

See "Risk Factors—Risks Relating to the Notes —The Tender Offer and the Consent Solicitation may not be successful, in which case we will use the proceeds initially allocated for such transactions for general corporate purposes."

As of June 30, 2019, the aggregate principal outstanding amount of the 2023 Senior Notes was US$625.0 million.

Certain of the initial purchasers or their affiliates may hold positions in the 2023 Senior Notes. As a result, certain of those initial purchasers or their affiliates may receive some of the proceeds from this offering. See "Plan of Distribution—Other Relationships."

EXCHANGE RATES

Mexico has had a free market for foreign exchange since the end of 1994 and Mexico's Central Bank (*Banco de México*) allows the peso to float freely against the U.S. dollar, the Euro and other foreign currencies. As a result, policy has evolved toward an inflation targeting regime and Banco de México intervenes directly in the foreign exchange market only to reduce excessive short-term volatility. Banco de México, as an autonomous authority, recognizes price stability as its fundamental goal and implements monetary policy using a target for the overnight interest rate charged in the interbank market. An interest rate regime became effective on January 21, 2008, and substituted the regime based on daily balances known as the "corto." As part of the interest rate target regime, open market operations (liquidity auctions) aim to provide the incentives for commercial banks to keep their accounts at Banco de México with a balance of zero at the daily market closing, in an environment where the overnight rate equals the target rate. Banco de México provides or withdraws liquidity as needed to meet its target rate through these operations. Positive balances in the accounts kept by the commercial banks at Banco de México are not paid interest, while overdrafts or negative balances are charged twice the overnight interest rate target. An increase in interest rates can make domestic financial assets more attractive to investors than foreign financial assets, which could trigger an appreciation of the nominal exchange rate and vice versa.

On October 8, 2008, as a result of the foreign exchange volatility caused by the global financial crisis, the Foreign Exchange Commission (*Comisión de Cambios*) of the Federal Government, comprised of the Ministry of Finance (*Secretaria de Hacienda y Crédito Público*, or "SHCP") and Banco de México officials and which is responsible for determining Mexico's exchange rate policy, established daily dollar auctions in order to help stabilize foreign exchange markets. The dollar amounts auctioned have been modified in order to adapt to market conditions. Banco de México also announced in early 2010 that it would follow a policy of foreign reserve accumulation and, to facilitate such objective, it put in place a monthly auction of options to sell U.S. dollars to Banco de México pursuant to certain rules.

There can be no assurance that the Mexican government will maintain its current policies with respect to the peso or that the peso will not depreciate significantly in the future. The Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves in the past. While the Mexican government, for more than 15 years, has not restricted the ability of Mexican and foreign individuals or entities to convert pesos to other currencies, we cannot assure you that the Mexican government will not institute restrictive exchange control policies in the future. To the extent that any such restrictive exchange control policies were to be instituted in the future in the event of shortages of foreign currency, our ability to transfer or convert pesos into U.S. dollars, Euros and other currencies to service our foreign currency obligations, and your ability to transfer or convert our dividends paid in pesos into U.S. dollars and other currencies, would be adversely affected and foreign currency may not be available without substantial additional cost.

The following table sets forth, for the periods indicated, the low, high, average and period-end exchange rates determined by Banco de México, all expressed in nominal pesos per U.S. dollar.

	Exchange Rate (Ps. per US$)[1]			
Year Ended December 31,	**Low[2]**	**High[2]**	**Average[3]**	**Period-End**
2014	12.85	14.79	13.30	14.72
2015	14.56	17.38	15.85	17.21
2016	17.18	21.05	18.66	20.66
2017	17.49	21.91	18.93	19.74
2018	17.98	20.72	19.24	19.68
Month Ended				
March 31, 2019	18.87	19.52	19.25	19.38
April 30, 2019	18.77	19.38	19.02	18.94
May 31, 2019	18.98	19.26	19.09	19.24
June 30, 2019	18.98	19.76	19.27	19.17
July 31, 2019	18.91	19.24	19.06	19.09
August 31, 2019	18.99	20.10	19.59	20.10

(1) Source: Mexican Central Bank.

(2) Rates shown are the actual low and high, on a day-by-day basis for each period.

(3) Average of daily rates in the case of monthly averages and average of such monthly averages in the case of yearly averages.

This offering memorandum contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The convenience translations should not be construed as a representation that the peso amounts actually represent such U.S. dollar amounts or that they could be converted into U.S. dollars at the specified rate or at all. The exchange rate used for purposes of convenience translations is the exchange rate published by Banco de México in the Official Gazette. The exchange rate determined by Banco de México on June 28, 2019 and published in the Official Gazette on July 1, 2019, expressed in nominal pesos per U.S. dollar, was Ps.19.2087.

The following table sets forth, for the periods indicated, the high, low, average and year-end noon exchange rate, expressed in Mexican pesos per Euro, published by the Mexican Central Bank. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

	Exchange Rate (Ps. per €)[1]			
Year Ended December 31,	**Low[2]**	**High[2]**	**Average[3]**	**Period-End**
2014	16.86	18.46	17.67	17.84
2015	16.08	19.99	17.62	18.69
2016	18.63	22.63	20.67	21.81
2017	19.68	23.61	21.34	23.61
2018	21.40	24.34	22.70	22.52
Month Ended				
March 31, 2019	21.45	21.90	21.73	21.79
April 30, 2019	21.12	21.59	21.29	21.25
May 31, 2019	21.17	21.91	21.37	21.91
June 30, 2019	21.35	22.24	21.77	21.87
July 31, 2019	21.20	21.58	21.37	21.21
August 31, 2019	21.33	22.28	21.91	22.04

(1) Source: Mexican Central Bank.

(2) Rates shown are the actual low and high, on a day-by-day basis for each period.

(3) Average of daily rates in the case of monthly averages and average of such monthly averages in the case of yearly averages.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2019 (a) on an actual historical basis; and (b) as adjusted to give effect to:

(i) the issuance of the notes and the use of the proceeds therefrom as if it had occurred on June 30, 2019, including: and

(ii) the consummation of the Tender Offer assuming that US$196,248,000 aggregate principal amount of the 2023 Senior Notes are tendered and purchased.

You should read this table together with the information under the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto included elsewhere in this offering memorandum. Solely for the convenience of the reader, (i) peso amounts appearing in the table below have been translated to U.S. dollar amounts at the exchange rate of Ps.19.2087 per U.S. dollar, the exchange rate determined by Banco de México on June 28, 2019 and published in the Official Gazette on July 1, 2019, and (ii) Euro amounts have been translated to peso amount at the exchange rate of Ps.21.8643 per Euro, the exchange rate published for informational purposes by Banco de México on June 28, 2019 based on information from the International Monetary Fund.

	As of June 30, 2019			
	Actual		**As Adjusted**	
	(Unaudited)			
	(In millions of pesos)	*(In millions of dollars)*	*(In millions of pesos)*	*(In millions of dollars)*
Cash and cash equivalents	511.5	26.6	4,392.1	228.7
Short-term debt:				
Notes payable	1,220.4	63.5	1,220.4	63.5
Bank loans and borrowings from other entities	8,661.9	450.9	8,661.9	450.9
Long-term debt:				
Bank loans and borrowings from other entities	3,291.9	171.4	3,291.9	171.4
Senior Notes	21,853.7	1,137.7	18,541.1	965.2
Notes issued hereby	-	-	7,497.0	390.3
Total debt	**35,027.8**	**1,823.5**	**39,212.2**	**2,041.4**
Stockholders' equity:				
Paid-in capital	1,845.9	96.1	1,845.9	96.1
Perpetual Notes	4,206.7	219.0	4,206.7	219.0
Earned capital	9,883.7	514.5	9,580.0	498.7
Total stockholders' equity	**15,936.3**	**829.6**	**15,632.6**	**813.8**
Total capitalization	**50,964.1**	**2,653.2**	**54,844.8**	**2,855.2**

SELECTED FINANCIAL INFORMATION

The financial information for the years ended December 31, 2016, 2017, and 2018 has been derived from our audited financial statements included elsewhere in this offering memorandum, together with the notes thereto. The financial information for the six-month period ended June 30, 2018 and 2019 has been derived from our interim financial statements.

The following tables present selected financial information and other data as of December 31, 2016, 2017, and 2018 and for years then ended and as of and for the six-month periods ended June 30, 2018 and 2019, 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, CRHOLDING and CR-Seg, Inc. See "Presentation of Certain Financial and Other Information."

Income Statement

	Year Ended December 31,			
	2016	**2017**	**2018**	**2018[13]**
	(In millions of pesos)			*(In millions of dollars)*
Interest income	6,958.2	8,557.3	10,287.6	535.6
Interest expense	(1,916.4)	(2,726.1)	(3,207.4)	(167.0)
Financial margin	5,041.8	5,831.3	7,080.2	368.6
Provision for loan losses	(831.6)	(1,343.1)	(1,800.7)	(93.7)
Financial margin after provisions for loan losses	4,210.2	4,488.1	5,279.5	274.8
Commissions and fees income	539.6	826.4	564.1	29.4
Commissions and fees paid	(283.4)	(234.6)	(256.0)	(13.3)
Intermediation income	375.8	152.9	(20.8)	(1.1)
Other operating income	267.3	350.2	425.1	22.2
Administrative and marketing expense	(2,922.0)	(3,417.5)	(3,483.1)	(181.3)
Operating result	2,187.4	2,165.5	2,508.8	130.6
Equity in income of associates	136.1	177.7	154.7	8.1
Income before income taxes	2,323.5	2,343.3	2,663.5	138.7
Current income taxes	(234.0)	(92.7)	(172.8)	(9.0)
Deferred income taxes	(270.4)	(435.6)	(477.8)	(24.9)
Income taxes	(504.4)	(528.3)	(650.6)	(33.9)
Net income	1,819.1	1,815.0	2,012.9	104.8
Non-controlling interest	(105.2)	(153.8)	(57.6)	(3.0)
Net income attributable to controlling interest	**1,714.0**	**1,661.1**	**1,955.4**	**101.8**

Income Statement

	Six Months Ended June 30,		
	2018	**2019**	**2019[13]**
	(In millions of pesos)		*(In millions of dollars)*
Interest income	4,871.7	5,671.3	295.2
Interest expense	(1,563.8)	(2,146.5)	(111.7)
Financial margin	3,307.9	3,524.9	183.5
Provision for loan losses	(876.3)	(721.0)	(37.5)
Financial margin after provisions for loan losses	2,431.6	2,803.9	146.0
Commissions and fees income	375.8	274.6	14.3
Commissions and fees paid	(121.9)	(180.5)	(9.4)
Intermediation income	49.6	251.0	13.1
Other operating income	173.2	170.2	8.9
Administrative and marketing expense	(1,763.1)	(1,705.8)	(88.8)
Operating result	1,145.1	1,613.4	84.0
Equity in income of associates	64.6	5.8	0.3
Income before income taxes	1,209.7	1,607.6	83.7
Current income taxes	(69.9)	(346.1)	(18.0)
Deferred income taxes	(211.2)	(86.1)	(4.5)
Income taxes	(281.1)	(432.2)	(22.5)
Net income	928.6	1,175.4	61.2
Non-controlling interest	(46.8)	(58.5)	(3.0)
Net income attributable to controlling interest	**881.8**	**1,116.9**	**58.1**

Balance Sheet

	As of December 31,			
	2016	**2017**	**2018**	**2018[13]**
	(In millions of pesos)			*(In millions of dollars)*
Assets:				
Cash and cash equivalents	315.8	810.6	575.7	30.0
Investments in securities	992.7	529.8	940.9	49.0
Derivatives	2,466.9	1,920.9	1,028.0	53.5
Performing loan portfolio:				
Commercial loans	16,656.0	20,903.9	26,090.6	1,358.3
Consumer loans	6,754.0	7,505.9	9,610.9	500.3
Total performing loan portfolio	23,410.0	28,409.8	35,701.6	1,858.6
Non-performing loan portfolio:				
Commercial loans	323.8	331.4	307.6	16.0
Consumer loans	193.2	273.8	310.0	16.1
Total non-performing loan portfolio	517.0	605.2	617.6	32.1
Loan portfolio	23,927.0	29,015.0	36,319.1	1,890.8
Less: allowance for loan losses	(767.5)	(1,067.5)	(1,067.9)	(55.6)
Loan portfolio, net	23,159.6	27,947.5	35,251.2	1,835.2
Other accounts receivables, net	3,577.3	4,629.7	5,378.8	280.0
Foreclosed assets, net	28.0	3.3	10.5	0.5

	As of December 31,			
	2016	**2017**	**2018**	**2018[13]**
		(In millions of pesos)		*(In millions of dollars)*
Property, furniture and fixtures, net	262.1	342.2	341.5	17.8
Long-term investments in shares	1,057.8	1,265.3	1,193.4	62.1
Deferred taxes			-	-
Other assets, net:				
Deferred charges, advance payments and intangibles	3,849.7	4,130.9	4,793.7	249.6
Other short and long term assets	205.5	327.6	48.8	2.5
Total assets	**35,915.4**	**41,907.7**	**49,562.5**	**2,580.2**
Liabilities:				
Notes payable (Securitized Certificates)	2,759.2	1,000.0	1,463.5	76.2
Senior notes payable	14,129.3	13,543.9	17,018.8	886.0
Bank loans and borrowings from other entities:				
Short-term	5,051.7	2,927.9	7,359.7	383.1
Long-term	2,648.3	6,112.8	4,804.7	250.1
	7,700.1	9,040.6	12,164.4	633.3
Derivatives	-	137.6	-	0.0
Income taxes payable	236.3	390.9	264.0	13.7
Employee profit sharing profit	18.4	16.2	-	-
Accrued liabilities and other accounts payable	448.9	1,229.1	457.4	23.8
Deferred taxes, net	1,345.9	1,781.0	2,258.8	117.6
Total liabilities	**26,638.1**	**27,139.4**	**33,626.9**	**1,750.6**
				-
Stockholders' equity:				-
Capital stock	660.2	660.2	660.2	34.4
Share subscription premium	1,450.3	1,462.6	1,407.5	73.3
Subordinated obligations in circulation	-	4,206.7	4,206.7	219.0
Earned capital:				
Legal reserve	132.0	132.0	132.0	6.9
Accumulated results from prior years	4,244.1	5,442.4	6,561.1	341.6
Result from valuation of cash flow hedges, net	229.4	359.7	128.6	6.7
Cumulative translation adjustment	167.6	93.7	- 30.1	- 1.6
Re-measurements of employee defined benefits	2.5	1.1	5.6	0.3
Non-controlling interest	677.2	748.9	908.5	47.3
Net income attributable to controlling interest	1,714.0	1,661.1	1,955.4	101.8
Total stockholders' equity	**9,277.4**	**14,768.4**	**15,935.6**	**829.6**
Total liabilities and stockholders' equity	**35,915.4**	**41,907.7**	**49,562.5**	**2,580.2**

Balance Sheet

	As of June 30,		
	2018	**2019**	**2019[13]**
	(In millions of pesos)		*(In millions of dollars)*
Assets:			
Cash and cash equivalents	420.8	511.5	26.6
Investments in securities	781.8	888.1	46.2
Derivatives	1,064.7	442.7	23.0
Performing loan portfolio:			
Commercial loans	21,726.4	29,910.9	1,557.2
Consumer loans	11,303.0	10,554.0	549.4
Total performing loan portfolio	33,029.4	40,465.0	2,106.6
Non-performing loan portfolio:			
Commercial loans	312.7	351.8	18.3
Consumer loans	318.0	268.1	14.0
Total non-performing loans portfolio	630.7	619.9	32.3
Loan portfolio	33,660.1	41,084.9	2,138.9
Less: allowance for loan losses	(1,138.5)	(1,272.0)	(66.2)
Loan portfolio, net	32,521.6	39,812.9	2,072.7
Other accounts receivable, net	4,998.9	5,808.6	302.4
Foreclosed assets, net	-	8.6	0.4
Property, furniture and fixtures, net	324.6	737.6	38.4
Long-term investments in shares	1,092.2	1,186.7	61.8
Deferred taxes	-	-	-
Other assets:			
Deferred charges, advance payments and intangibles	4,500.8	4,535.7	236.1
Other short and long term assets	30.8	83.1	4.3
Total assets	**45,736.1**	**54,015.4**	**2,812.0**
Liabilities:			
Notes payable (Securitized Certificates)	1,982.9	1,220.4	63.5
Senior notes payable	15,345.1	21,853.7	1,137.7
Bank loans and borrowings from other entities:			
Short-term	4,186.7	8,661.9	450.9
Long-term	5,965.9	3,291.9	171.4
	10,152.7	11,953.7	622.3
Securities and derivatives transactions	-	-	-
Income taxes payable	342.3	306.7	16.0
Employee profit sharing profit	-	-	-
Accrued liabilities and other accounts payable	902.7	399.6	20.8
Deferred taxes, net	1,992.3	2,344.9	122.1
Total liabilities	**30,717.9**	**38,079.1**	**1,982.4**
Stockholders' equity:			
Capital stock	660.2	660.2	34.4
Share subscription premium	1,463.4	1,185.7	61.7
Subordinated obligations in circulation	4,206.7	4,206.7	219.0
Earned capital:			
Legal reserve	132.0	132.0	6.9
Accumulated results from prior years	6,863.9	7,907.8	411.7
Result from valuation of cash flow hedges, net	(31.4)	(226.3)	(11.8)

	As of June 30,		
	2018	2019	2019[13]
	(In millions of pesos)		*(In millions of dollars)*
Cumulative translation adjustment	12.0	(66.4)	(3.5)
Re-measurements of employee defined benefits	1.2	5.7	0.3
Non-controlling interest	828.4	1,014.1	52.8
Net income attributable to controlling interest	881.8	1,116.9	58.1
Total stockholders' equity	**15,018.3**	**15,936.3**	**829.6**
Total liabilities and stockholders' equity	**45,736.2**	**54,015.4**	**2,812.0**

Other Financial Data and Ratios

	As of and for the Year Ended December 31,		
	2016	2017	2018
Net income margin[1]	22.5%	22.2%	20.8%
Return on average loan portfolio[2]	7.6%	6.3%	5.7%
ROA: Return on average total assets[3]	5.0%	4.5%	4.2%
ROE: Return on average stockholders' equity[4]	20.2%	15.9%	12.9%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes)[5]	-	17.6%	17.8%
Debt to equity ratio[6]	2.7x	1.6x	1.9x
Debt to equity ratio (excluding Subordinated Perpetual Notes)[7]	-	2.2x	2.6x
Yield[8]	31.0%	32.6%	30.2%
Average cost of funds[9]	8.2%	11.6%	11.4%
Efficiency ratio[10]	51.7%	49.7%	42.4%
Capitalization ratio[11]	38.8%	50.9%	43.9%
Capitalization ratio (excluding Subordinated Perpetual Notes)[12]	-	36.4%	32.3%
Credit Quality Ratios			
Provisions for loan losses as a percentage of total loan portfolio	3.5%	4.6%	5.0%
Allowance for loan losses as a percentage of total past-due loan portfolio	148.4%	176.4%	172.9%
Total past-due loan portfolio as a percentage of total loan portfolio	2.2%	2.1%	1.7%

Other Financial Data and Ratios

	As of and for the Six Months Ended June 30,	
	2018	**2019**
Net income margin[(1)]	21.1%	18.3%
Return on average loan portfolio[(2)]	5.6%	5.8%
ROA: Return on average total assets[(3)]	4.1%	4.3%
ROE: Return on average stockholders' equity[(4)]	13.2%	14.0%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes)[(5)]	16.8%	19.0%
Debt to equity ratio[(6)]	1.8x	2.2x
Debt to equity ratio (excluding Subordinated Perpetual Notes)[(7)]	2.5x	3x
Yield[(8)]	31.1%	29.4%
Average cost of funds[(9)]	10.7%	13.2%
Efficiency ratio[(10)]	45.1%	42.0%
Capitalization ratio[(11)]	44.6%	38.8%
Capitalization ratio (excluding Subordinated Perpetual Notes)[(12)]	32.1%	28.5%
Credit Quality Ratios		
Provisions for loan losses as a percentage of total loan portfolio	5.2%	3.5%
Allowance for loan losses as a percentage of total past-due loan portfolio	180.5%	205.2%
Total past-due loan portfolio as a percentage of total loan portfolio	1.9%	1.5%

(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) 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.

(9) 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.

(10) Efficiency ratio consists of (i) administrative and marketing expense, including in Controladora CR México 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 for the period, expressed as a percentage, in each case, excluding amounts attributable to Reparadora RTD since this business does not involve credit risk.

(11) Capitalization ratio consists of total stockholders' equity at the end of the period divided by total loan portfolio at the end of the period expressed as a percentage.

(12) Capitalization ratio consists of total stockholders' equity at the end of the period excluding the Subordinated Perpetual Notes divided by total loan portfolio at the end of the period expressed as a percentage.

(13) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps.19.2087 per U.S. dollar, the exchange rate determined by Banco de México on June 28, 2019 and published in the Official Gazette on July 1, 2019. 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.

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.

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%.

In the six months ended June 30, 2019, the Mexican economy grew 1.2%, on an annualized basis, driven by the strong performance of the services sector, along with a pickup in manufacturing activity. Inflation has remained relatively stable despite the depreciation of the peso against the U.S. dollar at the beginning of 2019 and the impact of the deregulation of energy prices and the deceleration of the construction sector.

Effect of Tax Legislation

On January 1, 2014, the Tax Reforms became effective. While the corporate income tax rate, which had previously been scheduled for reduction, remained at 30%, the Tax Reforms (i) resulted in several amendments to corporate tax deductions, among other things, by eliminating deductions that were previously allowed for related party payments to certain foreign entities and limiting tax deductions on severance payments to employees; (ii) imposed a 10% withholding income tax on dividends paid by the corporation to individuals or foreign residents; (iii) standardized the value-added tax in all areas of Mexico; (iv) required the use of electronic invoices and new monthly tax reports (including uploading certain accounting records) to be provided to governmental tax authorities; and (v) imposed a 10% income tax payable by individuals on the sale of stock listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*).

The Tax Reforms also abolished the flat rate business tax law, or IETU (for its Spanish acronym) and the cash deposit tax, or IDE (for its Spanish acronym).

Under the Mexican Income Tax Law *(Ley del Impuesto sobre la Renta)*, the effect of inflation on monetary assets and liabilities are to be considered as a deduction, therefore decreasing the taxable income, or as income, therefore increasing the taxable income. The effect of inflation on monetary assets and liabilities is estimated

considering the annual inflation rate recorded and the excess of either monetary assets or liabilities. The effect of inflation results in a tax deduction when monetary assets exceed monetary liabilities and on taxable income when monetary liabilities exceed monetary assets. Uncollectable accounts that have an unpaid balance of less than 30,000 UDIs and which have not received a payment within the last year are considered a deduction.

On September 8, 2019 a bill for the 2020 tax reform was presented to the Mexican Congress. While in said bill the corporate income tax rate remains at 30%, as of the date of this offering memorandum it is uncertain what will be the position of the Mexican Congress with respect to the proposed tax reforms.

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.

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%
Through June 30, 2019	8.6000%	8.4880%	8.5312%	8.4880%

(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, 2018, the TIIE was 8.6% and as of June 30, 2019, the TIIE was 8.5%.

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 for the year ended December 31, 2018 was 30.2% and our average interest rate paid on the portfolio for the same period was 9.4%, resulting in a net interest margin of 20.8%. 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 2016 and 2017 on an annual basis and during 2018 on a quarterly basis, and through the second quarter of 2019. Collections include both principal and interest payments.

Period	Value	Payroll Loans	Used Cars Loans	Small Business Loans	Durable Goods	Group Loans	Consumer Loans (Instacredit)	Total
2016	Average Portfolio	14,063.4	2,432.3	1,413.0	692.4	328.9	3,481.0	22,410.9
	Collections	6,269.0	1,390.8	3,357.4	389.9	1,270.5	1,808.5	14,486.1
	Collections as percentage of Average portfolio	44.6%	57.2%	237.6%	56.3%	386.3%	52.0%	64.6%
2017	Average Portfolio	17,207.4	2,587.1	1,662.2	317.1	244.6	4,261.9	26,280.3
	Collections	6,679.3	1,263.3	2,987.7	205.7	2,115.2	4,017.9	17,269.0
	Collections as percentage of Average portfolio	38.8%	48.8%	179.7%	64.9%	864.8%	94.3%	65.7%
2018								
Q1:	Average Portfolio	20,267.2	2,752.1	2,052.2	409.6	194.8	4,509.5	30,185.5
	Collections	1,852.8	668.7	607.3	32.1	351.4	1,028.9	4,541.1
	Collections as percentage of Average portfolio	36.6%	97.2%	118.4%	31.3%	721.6%	91.3%	60.2%
Q2:	Average Portfolio	21,965.2	2,804.2	2,618.4	389.1	188.4	4,542.6	32,508.0
	Collections	2,316.1	833.4	687.2	36.7	379.3	1,065.3	5,317.9
	Collections as percentage of Average portfolio	42.2%	118.9%	105.0%	37.7%	805.2%	93.8%	65.4%
Q3:	Average Portfolio	23,449.4	2,769.5	3,046.5	355.4	142.9	4,539.4	34,303.2
	Collections	2,515.7	1,456.0	1,009.2	61.8	469.5	1,049.1	6,561.3
	Collections as percentage of Average portfolio	42.9%	210.3%	132.5%	69.6%	1314.0%	92.4%	76.5%
Q4:	Average Portfolio	24,501.2	2,834.5	3,445.6	350.4	69.6	4,431.4	35,632.8
	Collections	2,739.4	731.9	1,108.0	40.2	137.2	1,061.6	5,818.2
	Collections as percentage of Average portfolio	44.7%	103.3%	128.6%	45.9%	789.0%	95.8%	65.3%
FY:	Average Portfolio	23,233.2	2,819.4	3,032.0	369.8	129.0	4,487.0	34,070.4
	Collections	9,423.9	3,690.0	3,411.7	170.8	1,337.4	4,204.8	22,238.6
	Collections as percentage of Average portfolio	40.6%	130.9%	112.5%	46.2%	1036.8%	93.7%	65.3%
2019								
Q1:	Average Portfolio	25,140.0	3,088.3	4,048.4	371.0	174.5	4,476.1	37,298.3
	Collections	2,152.9	987.7	974.8	123.3	226.6	1,042.6	5,507.8
	Collections as percentage of Average portfolio	34.3%	127.9%	96.3%	132.9%	519.4%	93.2%	59.1%
Q2:	Average Portfolio	26,068.6	3,457.9	4,834.5	367.3	361.9	4,590.9	39,681.1
	Collections	2,646.7	876.6	1,436.5	66.4	405.2	1,065.9	6,497.3
	Collections as percentage of Average portfolio	40.6%	101.4%	118.8%	72.3%	447.8%	92.9%	65.5%

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—Group Loans—Credit Application and Approval Process"; and "Business—Our Loan Products—Used Car 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 2.2%, 2.1% and 1.7% as of December 31, 2016, 2017, and 2018, respectively, and 1.9% and 1.5% for the six months ended June 30, 2018 and 2019, respectively.

As of June 30, 2019, none of our loans were restructured. 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.

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. For our Group Loans, we intend to increase the number of branches and to continue growing the number of clients served by our current promoters and hiring more promoters for our existing branches. 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 legal or physical persons 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 June 30, 2019, the aforementioned contracts established a percentage of unpaid loan amounts of 1.5%. 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:

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

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

(a) 45%, for Preferential Positions.

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

(c) 100%, for 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 (EIi) 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:

$$EI_i = S_i$$

(II) For the other lines of credit:

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

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) If ATRiM >= 4 then PIiM = 100%

(b) If ATRiM < 4 then:

$$P_i^M = \frac{1}{1 + e^{-[-0.5753+04056\ ATR_i^M + 0.7923\ VECES_i^M - 4.1891\% PAGO_i^M + 0.9962 PER_i^M]}}$$

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:

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

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 $ATRM$ 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).

Deferred Taxes

We calculate deferred taxes through the assets and liabilities method, which compares the accounting and tax values of assets and liabilities to determine deductible and taxable temporary differences to which the tax rate at which these items will be reversed is applied.

Significant management judgment is required in determining the necessity of any valuation allowance against recognized deferred income tax assets. The need for a valuation allowance is based on management's projections of future financial results. If actual results differ from these estimates or if we adjust the projections in future periods, we may need to materially adjust the valuation allowance, which may materially impact our results of operations in future periods.

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 Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018.

Interest Income

The following table sets forth the components of our interest income for the six months ended June 30, 2018 and 2019.

	Six Months Ended June 30,	
	2018	**2019**
	(In millions of pesos)	
Interest income from payroll loans	3,037.7	3,463.7
Interest income from Instacredit	1,152.5	1,363.9
Interest income from used cars loans	405.0	463.0
Interest income from small business loans	240.3	338.0
Interest income from group loans	6.8	18.2
Interest income from durable goods and other loans	29.3	24.5
Total interest income	**4,871.7**	**5,671.3**

For the six months ended June 30, 2019, we had total interest income of Ps.5,671.3 million, reflecting an increase of Ps.799.7 million, or 16.4%, compared to Ps.4,871.7 million for the same period in 2018. Interest income earned on our group loans, SME loans, consumer loans, used cars loans and payroll loans increased 166.4%, 40.7%, 18.3%, 14.3% and 14.0%, respectively. While the interest income earned on our durable goods and other loans decreased 16.5% respectively, during the same period. The average balance of our total loan portfolio during the six months ended June 30, 2019 was Ps.38,560.0 million, an increase of Ps.7,173.2 million or 22.1% from the Ps.32,508.0 million average balance during the six months ended June 30, 2018. The increase in interest income primarily resulted from the growth in the loan portfolio supported principally by our payroll, SME loans and used cars segments.

Interest Expense

Total interest expense, which consists primarily of interest paid and accrued on our interest-bearing liabilities, increased by Ps.582.7 million, reflecting a 37.3% increase to Ps.2,146.5 million for the six months ended June 30, 2019, from Ps.1,563.8 million for the six months ended June 30, 2018. The increase is mainly explained by a larger debt balance at higher interest rates mainly resulting from our issuance of the 2026 Senior Notes in February 2019.

Our average balance of interest-bearing liabilities debt portfolio increased from Ps.25,099.4 million for the six months ended June 30, 2018 to Ps.32,447.8 million As of June 30, 2019, reflecting an increase of Ps.7,348.4 million, or 29.3%.

Financial Margin

Our financial margin increased by Ps.217.0 million, or 6.6%, to Ps.3,524.9 million for the six months ended June 30, 2019, compared to Ps.3,307.9 million for the six months ended June 30, 2018.

For the six months ended June 30, 2019, the average interest rate earned from the average interest-earning assets was 29.4% and the average interest rate paid on the portfolio was 13.2%, resulting in a net interest margin of 18.3%. Comparatively, the average interest rate earned from the portfolio during the six months ended June 30, 2018 was 32.3% and the average interest rate paid on the portfolio during the same period was 10.4%, resulting in a net interest margin of 21.9%.

Provisions for Loan Losses

Provisions for loan losses, the estimated reserve amount reserved for the contingency of unrecoverable loans, decreased by Ps.155.3 million, or 17.7%, to Ps.721.0 million for the six months ended June 30, 2019, from Ps.876.3 million for the six months ended June 30, 2018. In the six months ended June 30, 2019, the decrease in provisions was attributable to a better performance of each segment's loan portfolio which resulted in a decrease in delinquency rates.

As of June 30, 2019, the balance of the allowance for loan losses was Ps.1,272.0 million, which was equal to 205.2% of the Ps.619.9 million non-performing portfolio on our balance sheet as of that date. As of June 30, 2018, the balance of the allowance for loan losses was Ps.1,138.5 million, which was equal to 180.5% of the Ps.630.7 million non-performing portfolio on our balance sheet as of that date.

Commissions and Fees Income

Total commissions and fees received was Ps.274.6 million for the six months ended June 30, 2019, compared to Ps.375.8 for the six months ended June 30, 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 six months ended June 30, 2019 and 2018.

	Six Months Ended June 30,	
	2018	**2019**
	(in millions of pesos)	
Bank fees and administrative commissions and fees[(1)]	1.0	1.3
Commissions and fees related to debt issuances[(2)]	119.4	177.5
Other commissions and fees	1.6	1.7
Total commissions and fees paid	**121.9**	**180.5**

(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.58.6 million, or 48.1%, to Ps.180.5 million for the six months ended June 30, 2019, compared to Ps.121.9 million for the six months ended June 30, 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, decreased by Ps.57.3 million to Ps.1,705.8 million for the six months ended June 30, 2019, compared to Ps.1,763.1 million for the six months ended June 30, 2018. The decrease was primarily attributed to efficiencies achieved in Instacredit and in the businesses in Mexico.

Operating Result

Operating result increased by Ps.468.3 million, to Ps.1,613.4 million for the six months ended June 30, 2019, compared to Ps.1,145.1 million for the six months ended June 30, 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.70.3 million, to Ps.(5.8) million, for the six months ended June 30, 2019, compared to Ps.64.6 million for the six months ended June 30, 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 the second quarter of 2019. Since the beginning of 2019, Contigo and CR Arrendamiento made capital 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.

	Six Months Ended June 30,	
	2018	**2019**
	(In millions of pesos)	
ISR:		
Current	(69.9)	(346.1)
ISR:		
Deferred	(211.2)	(86.1)
Total Income Tax	**(281.1)**	**(432.2)**

Income taxes increased by Ps.151.1 million to Ps.432.2 million for the six months ended June 30, 2019, compared to Ps.281.1 million for the six months ended June 30, 2018. The effective tax rate reached 26.9% and 23.2% respectively for the nine months ended in June 30, 2019 and 2018, respectively. The mismatch between the statutory rate (30.0%) and the Company's consolidated effective rate (26.9%) 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.276.2 million and the decrease of Ps.125.1 million in the deferred tax for the six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 2018, while such transactions were recognized as current taxes.

Non-controlling Interest

Non-controlling interest increased income to Ps.58.5 million for the six months ended June 30, 2019, an increase of Ps.11.7 million from Ps.46.8 million for the six months ended June 30, 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.235.0 million, or 26.7% to Ps.1,116.9 million for the six months ended June 30, 2019, compared to Ps.881.8 million for the six months ended June 30, 2018.

Results of Operations for the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

Interest Income

The following table sets forth the components of our interest income for the years ended December 31, 2018 and 2017.

	Years Ended December 31,	
	(In millions of pesos)	
	2017	**2018**
Interest income from payroll loans	5,177.4	6,256.4
Interest income from Instacredit	2,100.0	2,538.3
Interest income from used car loans	820.9	928.7
Interest Income from small business loans	357.6	476.1
Interest income from group loans	35.7	15.6
Interest income from durable goods and other loans	65.8	72.5
Total interest income	**8,557.3**	**10,287.6**

For the year ended December 31, 2018, we had total interest income of Ps.10,287.6 million, reflecting an increase of Ps.1,730.2 million, or 20.2%, compared to Ps.8,557.3 million for the year ended December 31, 2017. Interest income earned on our SME loans, consumer loans, payroll loans, used cars loans and durable goods and other loans increased 33.1%, 20.9%, 20.8%, 13.1% and 10.2% respectively, while the interest income earned on our group loans decreased 56.2%.

The average balance of our total loan portfolio during the year ended December 31, 2018 was Ps.34,070.4 million, an increase of Ps.7,790.1 million or 29.6%, from the Ps.26,278.6 million average balance during the year ended December 31, 2017.

The increase in the payroll loans, SME loans, and used cars loans was Ps.5,499.6 million, Ps.1,930.6 million and Ps.234.2 million, respectively, in the year ended December 31, 2018 compared to the year ended December 31, 2017. The group loans, consumer loans and durable goods and other portfolios decreased Ps.159.5 million, Ps.150.0 million and Ps.50.9 million, respectively, during the same period. The increase in interest income primarily resulted from the growth in the loan portfolio supported principally by our SME loans and our payroll segments.

Interest Expense

Total interest expense, which consists primarily of interest paid and accrued on our interest-bearing liabilities, increased Ps.481.3 million, reflecting a 17.7% increase to Ps.3,207.4 million for the year ended December 31, 2018 from Ps.2,726.1 million for the year ended December 31, 2017.

The average amount of our debt used to fund the loan portfolio originated by the distributors increased from Ps.23,585.7 million during 2017 to an average for the year ended December 31, 2018 of Ps.27,556.5 million, representing an increase of Ps.3,970.8 million or 17.3%. The increase largely followed the increasing reference rate year-over-year and, to lesser extent, the interest paid on the CHF$30 million tranche hedge for our 2022 Swiss Notes.

Until June 2018, we recognized interest accrued under our Subordinated Perpetual Notes in our income statement because we use an interest-only swap on the primary position covered. In order to be consistent with the principal amount, which is recorded as equity, and in accordance with the accounting standards (which requires interests as dividends), as of July 2018, the accounting treatment was changed to record the interests of the Subordinated Perpetual Notes under stockholders' equity when the coupon is paid.

Financial Margin

Our financial margin increased by Ps.1,248.9 million, or 21.4%, to Ps.7,080.2 million for the year ended December 31, 2018, compared to Ps.5,831.3 million for the year ended December 31, 2017.

The average interest rate on interest-earning assets includes the loan portfolio as well as investments in securities. For the year ended December 31, 2018, the average interest rate earned from the average interest-earning assets was 30.2% and the average interest rate paid on the portfolio was 11.4%, resulting in a net interest margin of 20.8%.

Provisions for Loan Losses

Provisions for loan losses, the estimated reserve for unrecoverable loans, increased by Ps.457.6 million, or 34.1%, reflecting an increase to Ps.1,800.7 million for the year ended December 31, 2018 from Ps.1,343.1 million for the year ended December 31, 2017. The increase was mainly attributed to the expansion of our payroll business and to a deterioration in our consumer loans' portfolio. In particular, Instacredit's loan portfolio deteriorated due to the sociopolitical conditions in Nicaragua.

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. As of December 31, 2017, the balance of the allowance for loan losses was Ps.1,067.5 million, which was equal to 176.4% of the Ps.605.2 million non-performing portfolio on our balance sheet as of that date.

Commissions and Fees Income

Our commissions and fees income amounted Ps.564.1 million for the year ended December 31, 2018, compared to Ps.826.4 million in 2017, the decrease primarily resulted from a decrease in origination of consumer loans.

Commissions and Fees Paid

The following table sets forth the components of our commissions and fees paid for the years ended December 31, 2018 and 2017.

	Years Ended December 31,	
	2017	**2018**
	(in millions of pesos)	
Bank fees and administrative commissions and fees[(1)]	5.0	1.7
Commissions and fees related to debt issuances[(2)]	229.6	251.0
Other commissions and fees	0.0	3.3
Total commissions and fees paid	**234.6**	**256.0**

(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 and the issuance of our Senior Notes, as well as commissions and fees payable to rating agencies.

Total commissions and fees paid increased by Ps.21.4 million, to Ps.256.0 million for the year ended December 31, 2018 from Ps.234.6 million for the year ended December 31, 2017. This increase results from the commissions paid for 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.65.7 million to Ps.3,483.1 million for the year ended December 31, 2018, compared to Ps.3,417.5 million for the year ended December 31, 2017. This increase was primarily attributed to expenses associated with expanding our portfolio of businesses in Mexico.

Operating Result

Operating result increased by Ps.343.3 million to Ps.2,508.8 million for the year ended December 31, 2018 compared to Ps.2,165.5 million for the year ended December 31, 2017. The increase was mainly due to the increase in the interest income line.

Equity in Income of Associates

Equity in income of associates decreased by Ps.23.0 million, to Ps.154.7 million for the year ended December 31, 2018 from Ps.177.7 million for the year ended December 31, 2017. The decrease was mainly due to the combined effect of decrease in Contigo's net income, which were partially offset by the increase in net income of our minority participation payroll companies (Crédito Maestro, Credifiel and CR Arrendamiento).

Income Taxes

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

	Years Ended December 31,	
	2017	**2018**
	(In millions of pesos)	
ISR:		
Current	(92.7)	(172.8)
ISR:		
Deferred	(435.6)	(477.8)
Total Income Tax	**(528.3)**	**(650.6)**

Income taxes increased by Ps.122.3 million, to Ps.650.6 million for the year ended December 31, 2018 from Ps.528.3 million for the year ended December 31, 2017. The effective tax rate reached 24.4% and 22.5% respectively, for 2018 and 2017.

The increase in the current ISR of Ps.80.1 million in the year ended December 31, 2018 compared to the year 2017 reflects an increase in the current taxes of Instacredit.

The increase in deferred tax of Ps.42.3 million in the year ended December 31, 2018 compared to the year ended December 31, 2017 increased in line with the organic growth of the portfolio.

Non-controlling Interest

Non-controlling interest decreased income by Ps.57.6 million for the year ended December 31, 2018, a decrease of Ps.96.3 million compared to Ps.153.8 million income for the year ended December 31, 2017, as a result of the recognition of our controlling interest in Instacredit, Resuelve and CRUSA Finance under interest income.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest increased by Ps.294.2 million or 17.7%, to Ps.1,955.4 million for the year ended December 31, 2018, compared to Ps.1,661.1 million for the year ended December 31, 2017. The increase in net income is due to a 33.1% growth of our loan portfolio in Mexico.

Results of Operations for the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Interest Income

The following table sets forth the components of our interest income for the years ended December 31, 2017 and 2016.

	Years Ended December 31,	
	(In millions of pesos)	
	2016	**2017**
Interest income from payroll loans	3,727.1	5,177.4
Interest income from Instacredit	1,704.6	2,100.0
Interest income from used car loans	798.7	820.9
Interest Income from small business loans	265.8	357.6
Interest income from group loans	31.6	35.7
Interest income from durable goods and other loans	137.4	65.8
Interest income	6,665.2	8,557.3
Non-recurring item	293.0	-
Total interest income	**6,958.2**	**8,557.3**

For the year ended December 31, 2017, we had total interest income of Ps.8,557.3 million, reflecting an increase of Ps.1,599.1 million, or 23.0%, compared to Ps.6,958.2 million for the year ended December 31, 2016. Additionally, in 2016 we had a non-recurring effect of Ps.293.0 million due to the unwinding of our 2019 Senior Notes. Interest income earned on our payroll, SME loans, consumer loans, group loans and used cars loans increased 38.9%, 34.5%, 23.2%, 12.9% and 2.8% respectively, while the interest income earned on our durable goods and other loans decreased 52.1%, due to the diversification strategy we pursued. We decided to divest our durable goods business due to market conditions in that business line, which is the reason we ceased originations in this business line in the fourth quarter of 2016.

The average balance of our total loan portfolio during the year ended December 31, 2017 was Ps.26,278.6 million, an increase of Ps.3,867.7 million or 17.3%, from the Ps.22,410.9 million average balance during the year ended December 31, 2016.

The increase in the payroll, SME loans and consumer loans portfolios was of Ps.4,777.4 million, Ps.377.6 million and Ps.222.0 million, respectively, in the year ended December 31, 2017 compared to the year ended December 31, 2016. The group loans, used cars and durable goods and other portfolios decreased Ps.188.4 million, Ps.64.6 million and Ps.35.9 million, respectively, during the same period.

The increase in interest income is mainly explained by the growth in the loan portfolio driven by the combined effect of the growth observed in the consolidated loan portfolio, largely supported by the payroll business, and higher interest rates on loans granted, corresponding to the adjustments in the Mexican reference rate.

Interest Expense

Total interest expense, which consists primarily of interest paid and accrued on our interest-bearing liabilities, increased Ps.809.7 million, reflecting a 42.3% increase to Ps.2,726.1 million for the year ended December 31, 2017 from Ps.1,916.4 million for the year ended December 31, 2016.

The average amount of our debt used to fund the loan portfolio originated by the distributors increased from Ps.23,488.1 million during 2016 to an average for the year ended December 31, 2017 of Ps.23,585.7 million, representing an increase of Ps.97.6 million or 0.4%. This reflected an increase in the cost of funds from 8.2% in 2016 to 11.6% in 2017, mainly explained by the increase in the TIIE rate.

Financial Margin

Our financial margin increased by Ps.789.5 million, or 15.7%, to Ps.5,831.3 million for the year ended December 31, 2017, compared to Ps.5,041.8 million for the year ended December 31, 2016.

The average interest rate on interest-earning assets includes the loan portfolio as well as investments in securities. For the year ended December 31, 2017, the average interest rate earned from the average interest-earning assets was 32.6% and the average interest rate paid on the portfolio was 10.4%, resulting in a net interest margin of 22.2%. Comparatively, the average interest rate earned from the average interest-earning assets during the year ended December 31, 2016, which also includes the non-recurring effect of the unwinding of derivative instruments in connection with the partial prepayment of the 2019 Senior Notes in July 2016, was 31.0% and the average interest rate paid on the portfolio during the same period was 8.6%, resulting in a net interest margin of 22.5%.

Provisions for Loan Losses

Provisions for loan losses, the estimated reserve for unrecoverable loans, increased by Ps.511.5 million, or 61.5%, reflecting an increase to Ps.1,343.1 million for the year ended December 31, 2017 from Ps.831.6 million for the year ended December 31, 2016. The increase was mainly the result of the deterioration of Instacredit's used cars portfolio and the registered payroll loan portfolio under the securitization program, as well as by the year-over-year growth in the loan portfolio.

As of December 31, 2017, the balance of the allowance for loan losses was Ps.1,067.5 million, which was equal to 176.4% of the Ps.605.2 million non-performing portfolio on our balance sheet as of that date. As of December 31, 2016, the balance of the allowance for loan losses was Ps.767.5 million, which was equal to 148.5% of the Ps.517.0 million non-performing portfolio on our balance sheet as of that date.

Commissions and Fees Income

Our commissions and fees income amounted Ps.826.4 million for the year ended December 31, 2017, compared to Ps.539.6 million for the year ended December 31, 2016. This increase was primarily the result of an increase in the fees received by Resuelve and Instacredit as a result of the expansion of their portfolios.

Commissions and Fees Paid

The following table sets forth the components of our commissions and fees paid for the years ended December 31, 2017 and 2016.

	Years Ended December 31,	
	2016	**2017**
	(in millions of pesos)	
Bank fees and administrative commissions and fees[(1)]	3.1	5.0
Commissions and fees related to debt issuances[(2)]	280.2	229.6
Other commissions and fees	0.1	0.0
Total commissions and fees paid	**283.4**	**234.6**

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

(4) 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 and the issuance of our Senior Notes, as well as commissions and fees payable to rating agencies.

Total commissions and fees paid decreased by Ps.48.8 million, to Ps.234.6 million for the year ended December 31, 2017 from Ps.283.4 million for the year ended December 31, 2016. This decrease resulted from lower commissions paid in 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.495.5 million to Ps.3,417.5 million for the year ended December 31, 2017, compared to Ps.2,922.0 million for the year ended December 31, 2016. This growth is mainly driven by an increase in the United States administrative expenses as a result of the depreciation of the peso relative to the U.S. dollar, an increase in insurance related expenses, an increase in origination expenses in payroll business, an increase in expenses as our portfolio and debt issuances have increased.

Operating Result

Operating result decreased by Ps.22.0 million to Ps.2,165.5 million for the year ended December 31, 2017 compared to Ps.2,187.4 million for the year ended December 31, 2016. The decrease was mainly due to the increase in the provisions for loan losses and in the administrative and marketing expense.

Equity in Income of Associates

Equity in income of associates increased by Ps.41.6 million, to Ps.177.7 million for the year ended December 31, 2017 from Ps.136.1 million for the year ended December 31, 2016. The increase was mainly due to higher income in our minority participation payroll companies (Crédito Maestro and Credifiel).

Income Taxes

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

	Years Ended December 31,	
	2016	**2017**
	(In millions of pesos)	
ISR:		
Current	(234.0)	(92.7)
ISR:		
Deferred	(270.4)	(435.6)
Total Income Tax	**(504.4)**	**(528.3)**

Income taxes increased by Ps.23.9 million, to Ps.528.3 million for the year ended December 31, 2017 from Ps.504.4 million for the year ended December 31, 2016. The effective tax rate reached 21.7% and 22.5% respectively, for 2016 and 2017.

The decrease in the current ISR of Ps.141.3 million in the year ended December 31, 2017 compared to the year 2016 is attributable to the preferred tax regime estimation for the operations of Instacredit, which was over-provisioned in 2016.

The increase in deferred tax of Ps.165.2 million in the year ended December 31, 2016 compared to the year ended December 31, 2015 is mainly attributable to the effect of the losses generated by CR MPM, LLC (Don Carro), as well as the increase in the provision for charge-off accounts.

Non-controlling Interest

Non-controlling interest decreased income by Ps.153.8 million for the year ended December 31, 2017, a decrease of Ps.48.7 million compared to Ps.105.2 million income for the year ended December 31, 2016, as a result of the recognition of our controlling interest in Instacredit, Resuelve and CRUSA Finance under interest income.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest decreased by Ps.52.9 million or 3.1%, to Ps.1,661.1 million for the year ended December 31, 2017, compared to Ps.1,714.0 million for the year ended December 31, 2016. The decrease in net income is due to the non-recurring effect of the unwinding of the financial derivatives transactions related to the prepayment of the 2019 Senior Notes in July 2016. Excluding this non-recurring effect, net income for the year ended December 31, 2016 would have been Ps.1,542.1 million, which represented a 7.7% increase when compared to the net income in the year ended December 31, 2017.

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 June 30, 2018, we held Ps.511.5 million of cash and cash equivalents. Similarly, as of June 30, 2019, we had investments in securities valued at Ps.888.1 million, of which Ps.387.5 million were invested in financial instruments denominated in U.S. dollars, while the remaining Ps.500.6 million were denominated in 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 Subordinated Perpetual Notes, which were issued in 2017; and our 2022 Swiss Notes, which were issued in 2018.

Our total indebtedness (excluding accrued interest) increased by Ps.8,112.3 million, or 28.8%, from Ps.28,198.1 million as of June 30, 2018 to Ps.36,3610.4 million as of June 30, 2019.

As of June 30, 2019, Ps.8,829.0 million, or 24.3%, of our total indebtedness (excluding accrued interest) consisted of long-term notes and outstanding bank credit lines due to mature by June 2020. The remaining Ps.27,481.4 million, or 75.7%, of our total indebtedness (excluding accrued interest) consisted of both long-term notes and outstanding bank credit lines due to mature after July 2020. As of June 30, 2019, excluding the Subordinated Perpetual Notes we had a debt-to-equity ratio of 3.0 to 1. 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 following tables present our total indebtedness (excluding accrued interest) as of December 31, 2016, 2017 and 2018 and as of June 30, 2018 and 2019 related to notes publicly issued in Mexico and bank financings in the form of credit lines as well as our total indebtedness (excluding accrued interest) related to our 2023 and 2026 Senior Notes, 2022 Swiss Notes and Senior Trust bonds:

	As of December 31,						As of June 30,			
	2016		2017		2018		2018		2019	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	*(In millions of pesos, except percentages)*									
At period end [1]	4,517.5	9.0%	5,989.2	9.2%	9,648.9	9.6%	7,674.5	9.8%	8,647.3	10.6%
Average during period [2]	5,896.4	7.9%	5,971.2	9.6%	7,756.8	9.7%	6,669.2	9.5%	8,298.7	10.5%
Maximum month-end balance	4,517.5	9.0%	7,125.9	10.0%	9,648.9	9.6%	7,674.5	9.8%	8,647.3	10.6%
Bond Issuances										
At period end [1]	2,750.0	7.2%	1,000.0	9.9%	0.0	0.0%	-	-	-	-
Average during period [2]	4,253.7	6.3%	2,820.8	8.3%	0.0	0.0%	-	-	-	-
Maximum month-end balance	2,750.0	7.2%	3,500.0	7.9%	0.0	0.0%	-	-	-	-
Senior notes										
At period end [1]	13,817.9	10.3%	13,819.6	11.9%	14,147.9	12.1%	13,821.7	12.1%	19,525.5	14.0%
Average during period [2]	10,068.3	8.8%	13,759.8	11.6%	13,816.2	11.8%	13,771.9	12.1%	15,533.4	14.0%
Maximum month-end balance	13,817.9	10.3%	13,891.3	10.9%	14,147.9	12.1%	13,843.1	12.1%	19,568.9	14.0%
Swiss Notes										
At period end [1]	-	-	-	-	3,416.6	10.7%	3,414.0	10.7%	3,404.5	11.5%
Average during period [2]	-	-	-	-	3,114.7	10.2%	3,380.4	9.6%	3,404.5	11.5%
Maximum month-end balance	-	-	-	-	3,426.1	10.7%	3,414.0	10.7%	3,404.5	11.5%
Senior trust bonds										
At period end [1]	-	-	-	-	1,415.0	10.8%	800.0	10.1%	1,415.0	10.7%
Average during period [2]	-	-	-	-	902.5	9.7%	800.0	10.1%	1,415.0	10.7%
Maximum month-end balance	-	-	-	-	1,415.0	10.8%	800.0	10.1%	1,415.0	10.8%
Total borrowings, at period end (excluding accrued interest)	**21,085.4**	**9.7%**	**20,808.8**	**11.0%**	**28,628.4**	**11.1%**	**25,710.2**	**11.2%**	**32,992.4**	**12.7%**

The following table presents, as of June 30, 2019 the indebtedness of our affiliates (excluding accrued interest):

	As of June 30, 2019							
	CRUSA Fin		Instacredit		Resuelve		CRFED	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	*(In millions of pesos, except percentages)*							
At period end	1,166.4	5.8%	2,102.7	13.6%	10.6	13.0%	38.4	6.8%
Average during period	931.2	5.9%	2,079.0	12.8%	12.7	13.0%	38.4	6.8%
Maximum month-end balance	1,166.4	5.9%	2,102.7	13.6%	14.9	13.0%	38.4	6.8%
Total	1,166.4	5.8%	2,102.7	13.6%	10.6	13.0%	38.4	6.8%

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 June 30, 2019, including interest payments and the repayment of principal at maturity (Obligations), during the third and fourth quarters of 2019, and the first and second 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.

	2019		2020		
	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	Total
	(In millions of pesos)				
Collections	5,402.2	5,824.4	3,814.2	3,635.0	18,675.8
Obligations	2,769.1	774.3	1,748.3	3,324.6	8,616.3

Contractual Obligations

The table below sets forth information of our contractual obligations (excluding accrued interest) as of June 30, 2019.

	As of June 30, 2019				
	2019	2020	2021	2022 and Thereafter	Total
			(in millions of pesos)		
Debt (excluding accrued interest and mark-to-market)[(1)]:					
Short-term debt	3,561.5	-	-	-	3,561.5
Current portion of long-term debt	-	5,181.9	-	-	5,181.9
Long-term debt	-	940.8	2,091.8	22,878.8	25,911.4
Operating leases	-	-	-	-	-
Total contractual obligations (excluding accrued interest and mark-to-market)	**3,561.5**	**6,122.7**	**2,091.8**	**22,878.8**	**34,654.9**

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

As of June 30, 2019, our weighted debt maturity is 3.5 years. In contrast, our weighted debt maturity was 3.9 years as of December 31, 2016, 3.3 years as of December 31, 2017, and 2.7 years as of December 31, 2018.

As of June 30, 2019, Ps.8,913.5 million, or 24.5%, of our outstanding indebtedness (excluding accrued interest) was secured by collateral.

As of June 30, 2019, our contractual obligations denominated in U.S. dollars represented US$1,069 million aggregate principal amount, US$400 million of 2026 Senior Notes issued in 2019, US$625 million of 2023 Senior Notes issued in 2016, US$44 million of a syndicated credit line, and our contractual obligations denominated in Swiss Francs represented CHF$170 million aggregate principal amount of 2022 Senior Notes issued in 2018. However, except for US$100 million relating to the 2026 Senior Notes, the principal and interest payments related to these obligations were fully hedged mainly through cross-currency swaps, which in some cases employ exchange rate caps.

As of June 30, 2019, we were in compliance with all payments of principal and interest under our outstanding indebtedness. The instruments governing our existing indebtedness contain certain covenants that limit the future actions we may take or transactions that we may enter into. Following is a brief description of the principal terms of such instruments.

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 June 30, 2019, 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 June 30, 2019,

we had US$625.0 million of indebtedness outstanding under this indenture. 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 CHF$170 million aggregate principal amount which will mature on February 9, 2022. As of June 30, 2019, we had CHF$170 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.

Securitized Senior Trust Bonds

See "—Securitization Programs" below.

Loan Agreements

We have access to bank credit lines in an aggregate amount of Ps.14,798.2 million as of June 30, 2019. As of June 30, 2019, an aggregate amount of Ps.11,953.7 million is outstanding from such bank credit lines. As of June 30, 2019, 8,913.5 million, or 24.5%, of our loan portfolio was pledged to secure our obligations under certain of our credit facilities. As of June 30, 2019, Ps.1,019.4 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 and April 4, 2017, respectively) for an aggregate principal amount of Ps.1,500.0 million for purposes of granting equipment and business loans. This revolving credit facility has an indefinite term. As of June 30, 2019, we had Ps.1,404.1 million of indebtedness outstanding under this credit facility. 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 11, 2018 pursuant to an equivalent secured term credit facility with Banco Invex, for an aggregate principal amount of up to Ps.250.0 million. This credit facility will mature on April 11, 2020 and bears interest at a rate equal to TIIE plus an applicable margin. As of June 30, 2019, the outstanding principal amount under the credit facility with Banco Invex was Ps.119.0 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

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.650.0 million pursuant to which on May 22, 2018 we entered into a loan agreement maturing on December 15, 2021, and, on April 10, 2019 we entered into a credit agreement maturing on December 15, 2022. The loans under theses credit agreements are secured by pledges on a portion of our portfolio and bear interest at a fixed or variable rate equal to TIIE plus an applicable margin, in each case, as set forth in the promissory note evidencing each disbursement. As of June 30, 2019, we had Ps.325.9 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) 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 Bancomer

On May 6, 2016, we entered into a secured revolving credit facility with Bancomer (as amended and supplemented on May 4, 2017 and June 2, 2017) for an aggregate principal amount of Ps.600.0 million. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement, with a maturity date of May 6, 2020. As of June 30, 2019, we had Ps.600.0 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. On May 29, 2018, we entered into another secured revolving credit facility with Bancomer for an aggregate principal amount of Ps.100.0 million. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. The agreement has a term of 24 months, with a maturity date of May 29, 2020. As of June 30, 2019, we had Ps.100.0 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 April 26, 2013, 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") (as amended on September 3, 2015, March 28, 2017 and May 9, 2018), with a maximum aggregate principal amount of Ps.490.0 million. This credit facility will mature on April 28, 2020. The loans under this credit facility bear interest at a fixed or variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of June 30, 2019, the unpaid amount under this credit facility was Ps.423.6 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 accomplish 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 (as amended on March 26, 2014, June 29, 2015, April 8, 2016 and May 29, 2018), with a 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 TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of June 30, 2019, the outstanding amount under this credit facility was Ps.410.2 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 Bajio, 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"), with a maximum aggregate principal amount of Ps.100.0 million. This credit facility will mature on December 15, 2019. The loans under this credit facility bear interest at a fixed or variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of June 30, 2019, the outstanding amount under this credit facility was Ps.100.0 million.

On April 26, 2018, 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 26, 2020. The loans under this credit facility bear interest at a fixed or variable rate equal to TIIE 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 June 30, 2019, the outstanding amount 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. This credit facility will mature on February 21, 2020. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 5.5%. As of June 30, 2019 the outstanding amount under this credit facility was US$44.0 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; 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.

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. This credit facility will mature on August 7, 2022. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 4.0%. 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.

Loan Agreements with Banorte

We have a line of credit with Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte") with a maximum aggregate principal amount of Ps.1,600.0 million pursuant to which, on October 17, 2017, we entered into a term loan agreement maturing on October 16, 2021, and, on September 27, 2018, we entered into a revolving credit agreement maturing on September 26, 2020. The loans under these credit agreements are secured by pledges on a portion of our portfolio. As of June 30, 2019, the aggregate unpaid amount under these loans was Ps.849.9 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 TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of June 30, 2019, the outstanding amount under this contract was Ps.500.0 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) 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.900.0 million. This credit facility will mature on September 18, 2020. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of June 30, 2019, the outstanding amount under this credit facility was Ps.437.5 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) 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 1, 2016, we entered into a loan revolving facility secured by a pledge with Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel ("Mifel"), with a maximum aggregate principal amount of Ps.100.0 million. This credit facility will mature on August 1, 2019. The loans under this credit facility bear interest

at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of June 30, 2019, the outstanding amount 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; and (4) create or permit to be created any lien, except for permitted liens thereunder, and requires us to maintain (A) a capitalization ratio equal to or greater than 0.20:1.00; and (B) a delinquency ratio equal to or lower than 0.05:1.00. 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.1,500.0 million (as amended on November 8, 2017, August 7, 2018 and May 23, 2019). This credit facility matures on May 29, 2020. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of June 30, 2019, we had Ps.1,500.0 million of indebtedness outstanding under this credit facility, with a maturity date of May 29, 2020. 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 (Resuelve tu Deuda)

On September 11, 2017, Reparadora RTD, S.A. de C.V., entered into a credit facility with Banco Santander, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México ("Santander") for a maximum aggregate principal amount of Ps.7.5 million. This credit facility matures on September 3, 2019. This loan bears interest at a variable annual rate equal to TIIE plus an applicable margin. As of June 30, 2019, the outstanding amount of this credit facility was Ps.7.5 million. The facility terms allow partial or full prepayments without penalty and require the borrower and its joint obligors to comply with certain restrictive covenants that, among other things, limit their ability to: (1) sell or impose a lien over assets; (2) provide collateral to lenders; (3) conduct mergers, transformations or spin-offs; and (4) change the control of the company.

On September 17, 2018, Reparadora RTD, S.A. de C.V., entered into a credit facility with Santander for a maximum aggregate principal amount of Ps.12.5 million. This credit facility matures 12 months after its execution date. The loans under this credit facility bears interest at a variable annual rate of TIIE plus an applicable margin. As of June 30, 2019, the outstanding amount under each credit facility was Ps.3.1 million.

Loan Agreements with Santander

On February 23, 2018, we entered into a revolving credit facility with Santander with a maximum aggregate principal amount of Ps.200.0 million. This credit facility will mature on February 23, 2020. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin. As of June 30, 2019, we had an outstanding amount of Ps.200.0 million under this credit facility. 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) 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) a default of any obligation under any other loan agreement (cross-default). 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 26, 2019 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 20, 2020), for an aggregate principal amount not to exceed US$30 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 June 30, 2019, the aggregate principal amount of loans outstanding under the BNP Facility was Ps.576 million (US$30 million).

This credit facility requires us to comply with certain restrictive covenants that, among other things, 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 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$65.0 million. This credit facility matures on September 30, 2019. 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 June 30, 2019, the outstanding amount under this credit facility was Ps.166.4 million, or US$60.7 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) adjusted tangible net worth of at least US$19.5 million in the aggregate for all borrowers.

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 and Republic Bank Limited. The total amount of the Facilities is ₡76.6 billion. Of the Facilities, one matured in 2019, six in 2020, five in 2021, one in 2022 and one in 2040. 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 June 30, 2019, the outstanding amount under the Facilities was Ps.2,102.7 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 June 30, 2019, the outstanding principal amount was Ps.800 million.

On November 1, 2018, a second Issuing Trust completed a second bond issuance for an aggregate principal amount of Ps.615 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 2.25% and mature on November 1, 2023. The proceeds from this offer will be used to fund our portfolio growth and other corporate purposes. These bonds were placed in Mexico through BIVA, a 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 June 30, 2019, the outstanding principal amount was Ps.615 million.

Off Balance Sheet Arrangements

We lease the building where our main offices are located, under an eleven-year non-cancelable operating lease. Rental, expense was Ps.39.8 million, Ps.38.9 million and Ps.40.7 million, for the year ended December 31, 2018, 2017, and 2016, respectively and Ps.20.6 million and Ps.19.5 million for the six months ended June 30, 2019 and 2018, respectively. Future minimum annual lease payments are US$1.9 million for the remaining six years which will be adjusted in accordance with the terms of the contract.

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, and 4.8 in 2018. 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 the U.S. dollar

We are exposed to foreign currency exchange rate risk and U.S. dollar-denominated interest rate risk as a result of our obligations contracted in this currency. Since we issued the 2026 Senior Notes for US$400.0 million, we entered into two cross-currency swaps in order to cover US$300.0 million and the remaining US$100.0 million has a natural hedge from our used car loan portfolio originated in the United States. From our 2023 Senior Notes of US$625.0 million, we entered into cross-currency swaps for the total amount of US$550.0 million, while we entered into a call spread contract for the remaining US$75.0 million and our syndicated credit line in a total amount of US$440.0 million was fully hedged by cross-currency swaps.

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.

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 or the CHF 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 U.S. dollars or CHF Francs. Thus, essentially through these swaps funds received by us from our lending activities in local currency are applied to service our foreign currency (U.S. dollar) obligations without the need to convert pesos to U.S. dollars. 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 mark-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 June 30, 2019, we do not have money 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 June 30, 2019, 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 interest we incur on the 2023 Senior Notes. For our 2026 Senior Notes, the instrument changes US$300.0 million interest profile from a fixed rate in dollars to a fixed rate in pesos, which results in we being obligated to pay interest calculated at a fixed rate in pesos to the counterparty every 28 days and the counterparty being obligated 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.

The instrument changes the interest US$211.8 million of our 2023 Senior Notes profile, from a fixed rate in dollars to fixed rates 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 and in U.S. dollars to us every six months. For the remaining amount of US$338.2 million of our 2023 Senior Notes, the instrument changes the interest profile from a fixed rate in dollars to a floating-rate in pesos, so we deliver interest calculated at a TIIE plus an applicable margin every 28 days and the counterparty delivers 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 Francs 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 Francs to us once a year. For the hedged amount of CHF$30.0 million, the instrument changes the interest profile from a fixed rate in CHF Francs to a floating-rate in pesos, so we deliver interest calculated at a TIIE plus an applicable margin every 28 days and the counterparty delivers interest calculated at a fixed rate in CHF Francs to us once a year. Lastly, for the remaining hedged amount of CHF $20.0 million, the participating swap changes the interest profile from a fixed rate in CHF Francs to a fixed rate in pesos.

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.

Without accounting for hedges, 48.7% of our consolidated debt is fixed. Considering all the contracted hedges by us, such as the cross-currency swaps and the interest rate swaps, 64.2% of our total debt (excluding accrued interests and mark-to-market) has fixed rates as of June 30, 2019.

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, 2016, 2017, and 2018 and the six-month period ended June 30, 2018 and 2019 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, 2016, 2017, and 2018 and the six months ended June 30, 2019 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,								
	2016			2017			2018		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(In millions of pesos, except percentages)								
Investment in securities									
Pesos	1,153.0	69.6	6.0%	458.2	34.2	7.5%	849.8	113.5	13.4%
Dollars.....	26.3	-	-	74.4	-	-	81.4	-	-
Sub-total	1,179.3	69.6	5.9%	532.5	34.2	6.4%	931.2	113.5	12.2%
Loans									
Pesos	16,956.2	4,779.0	28.2%	19,748.8	5,900.8	29.9%	27129.1	6,962.7	25.7%
Dollars.....	5,454.7	2,109.6	45.7%	6,529.8	2,622.3	40.2%	6,941.3	3,211.4	46.3%
Sub-total	22,410.9	6,888.6	30.7%	26,278.6	8,523.1	32.4%	34,070.4	10,174.1	29.9%
Total interest earning assets									
Pesos	18,109.1	4,848.6	26.8%	20,206.9	5,935.0	29.4%	27,978.9	7,076.2	25.3%
Dollars.....	5,481.0	2,109.6	38.5%	6,604.2	2,622.3	39.7%	7,022.7	3,211.4	45.7%
Sub-total	23,590.2	6,958.2	29.5%	26,811.1	8,557.3	31.9%	35,001.6	10,287.6	29.4%
Cash and cash equivalents									
Pesos	322.7	-	-	382.1	-	-	136.4	-	-
Dollars.....	160.1	-	-	262.5	-	-	314.1	-	-
Sub-total	482.8	-	-	644.7	-	-	450.5	-	-
Allowances for loan losses									
Pesos	(299.9)	-	-	(321.5)	-	-	(465.9)	-	-

Dollars	(500.0)	-	-	(649.2)	-	-	(628.6)	-	-
Sub-total	(799.9)	-	-	(970.6)	-	-	(1,094.4)	-	-
Furniture, property and equipment net									
Pesos	134.5	-	-	181.4	-	-	229.4	-	-
Dollars	116.9	-	-	117.8	-	-	107.2	-	-
Sub-total	251.4	-	-	299.2	-	-	336.7	-	-
Other non-interest earning assets net									
Pesos	10,363.7	-	-	8,046.0	-	-	9,491.5	-	-
Dollars	182.3	-	-	1,810.2	-	-	2,102.8	-	-
Sub-total	10,546.0	-	-	9,856.2	-	-	11,594.2	-	-
Total assets:									
Pesos	**28,630.1**	**4,848.6**	**16.9%**	**28,495.0**	**5,935.0**	**20.8%**	**37,370.4**	**7,076.2**	**18.9%**
Dollars	**5,440.4**	**2,109.6**	**38.8%**	**8,145.5**	**2,622.3**	**32.2%**	**8,918.2**	**3,211.4**	**36.0%**
Total	**34,070.4**	**6,958.2**	**20.4%**	**36,640.5**	**8,557.3**	**23.4%**	**46,288.6**	**10,287.6**	**22.2%**

	Six Months Ended June 30,					
	2018			**2019**		
	Average Balance	**Interest Income**	**Average Interest Rate**	**Average Balance**	**Interest Income**	**Average Interest Rate**
	(In millions of pesos, except percentages)					
Investment in securities						
Pesos	632.1	11.0	3.5%	896.1	410.2	91.6%
Dollars	82.1	-	0.0%	87.1	-	0.0%
Sub-total	714.2	11.0	3.1%	983.2	410.2	83.4%
Loans						
Pesos	24,309.5	3,327.1	27.4%	31,333.2	3,603.7	23.0%
Dollars	7,034.2	1,533.6	43.6%	7,227.3	1,657.4	45.9%
Sub-total	31,343.7	4,860.7	31.0%	38,560.5	5,261.1	27.3%
Total interest earning assets						
Pesos	24,941.6	3,338.1	26.8%	32,229.3	4,014.0	24.9%
Dollars	7,116.3	1,533.6	43.1%	7,314.3	1,657.4	45.3%
Sub-total	32,057.9	4,871.7	30.4%	39,543.7	5,671.3	28.7%
Cash and cash equivalents						
Pesos	221.8	-	-	125.9	-	-
Dollars	303.9	-	-	373.3	-	-
Sub-total	525.8	-	-	499.2	-	-
Allowances for loan losses						
Pesos	(448.6)	-	-	(491.8)	-	-
Dollars	(645.5)	-	-	/724.2)	-	-
Sub-total	(1,094.1)	-	-	(1,216.0)	-	-
Furniture, property and equipment net						
Pesos	221.6	-	-	418.5	-	-
Dollars	109.9	-	-	196.9	-	-
Sub-total	331.4	-	-	615.4	-	-
Other non-interest earning assets net						
Pesos	9,493.5	-	-	9,756.9	-	-
Dollars	2,177.3	-	-	2,477.6	-	-
Sub-total	11,670.9	-	-	12,234.6	-	-
Total assets:						
Pesos	**34,430.0**	**3,338.1**	**19.4%**	**41,959.4**	**4,014.0**	**19.1%**
Dollars	**9,062.0**	**1,533.6**	**33.8%**	**9,638.0**	**1,657.4**	**34.4%**
Total	**43,492.0**	**4,871.7**	**22.4%**	**51,597.4**	**5,671.3**	**22.0%**

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,								
	2016			2017			2018		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
	(In millions of pesos, except percentages)								
Bank loans:									
Pesos	6,086.9	368.5	6.1%	5,479.7	447.0	8.2%	5,265.5	232.1	4.4%
Dollars	2,744.7	229.9	9.9%	3,358.7	195.9	5.8%	4,738.3	522.0	11.0%
Sub-total	8,831.6	598.4	6.8%	8,838.4	642.9	7.3%	10,003.8	754.1	7.5%
Notes payable and Senior Notes Payable:									
Pesos	14,656.5	1,318.0	9.0%	15,261.2	2,083.1	13.6%	17,552.8	2,453.3	14.0%
Dollars	-	-	-	(513.9)	-	-	-	-	-
Sub-total	14,656.5	1,318.0	9.0%	14,747.3	2,083.1	14.1%	17,552.8	2,453.3	14.0%
Total interest-bearing liabilities:									
Pesos	20,743.4	1,686.5	8.1%	20,740.9	2,530.2	12.2%	22,818.3	2,685.4	11.8%
Dollars	2,744.7	229.9	9.9%	2,844.8	195.9	6.9%	4,738.3	522.0	11.0%
Sub-total	23,488.1	1,916.4	8.2%	23,585.7	2,726.1	11.6 %	27,556.5	3,207.4	11.6%
Non-interest-bearing liabilities:									
Pesos	1,778.6	-	-	2,150.3	-	-	2,671.8	-	-
Dollars	310.8	-	-	429.4	-	-	889.5	-	-
Sub-total	2,089.4	-	-	2,579.7	-	-	2,561.2	-	-
Stockholders' equity:									
Pesos	7,352.4	-	-	7,538.0	-	-	11,640.4	-	-
Dollars	1,140.6	-	-	2,937.0	-	-	3,530.4	-	-
Sub-total	8,493.0	-	-	10,475.1	-	-	15,170.8	-	-
Total liabilities and Stockholders' equity:									
Pesos	**29,874.4**	**1,686.5**	**5.6%**	**30,429.3**	**2,530.2**	**8.3%**	**37,130.4**	**2,685.4**	**7.2%**
Dollars	**4,196.1**	**229.9**	**6.5%**	**6,211.2**	**195.9**	**3.2%**	**9,158.2**	**522.0**	**5.7%**
Total	**34,070.5**	**1,916.4**	**5.6%**	**36,640.5**	**2,726.1**	**7.4%**	**46,288.6**	**3,207.4**	**6.9%**

	For the Six Months Ended June 30,					
	2018			2019		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
			(In millions of pesos, except percentages)			
Bank loans:						
Pesos	4,115.9	71.2	3.5%	6,183.2	41.9	1.4%
Dollars	4,325.0	272.4	12.6%	4,882.0	344.7	14.1%
Sub-total	8,440.9	343.6	8.1%	11,065.2	386.6	7.0%
Notes payable and Senior Notes Payable:						
Pesos	16,658.5	1,220.2	14.6%	21,382.6	1,759.9	16.5%
Dollars	0.0	-	-	-	-	-
Sub-total	16,658.5	1,220.2	14.6%	21,382.6	1,759.9	16.5%
Total interest-bearing liabilities:						
Pesos	20,774.4	1,291.4	12.4%	27,565.8	1,801.8	13.1%
Dollars	4,325.0	272.4	12.6%	4,882.0	344.7	14.1%
Sub-total	25,099.4	1,563.8	12.5%	32,447.8	2,146.5	13.2%
Non-interest-bearing liabilities:						
Pesos	2,825.9	-	-	2,500.0	-	-
Dollars	830.4	-	-	757.1	-	-
Sub-total	3,656.3	-	-	3,257.1	-	-
Stockholders' equity:						
Pesos	11,528.0	-	-	11,865.8	-	-
Dollars	3,208.2	-	-	4,106.2	-	-
Sub-total	14,736.2	-	-	15,972.0	-	-
Total liabilities and Stockholders' equity:						
Pesos	**35,128.4**	**1,291.4**	**7.4%**	**41,931.6**	**1,801.8**	**8.6%**
Dollars	**8,363.6**	**272.4**	**6.5%**	**9,745.3**	**344.7**	**7.1%**
Sub-total	**43,492.0**	**1,563.8**	**7.2%**	**51,678.8**	**2,146.5**	**8.3%**

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, 2018 compared to 2017, for the year ended December 31, 2017 compared to 2016 and for the six months ended June 30, 2019 compared to the same period ended June 30, 2018. 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.

	2017/2016			2018/2017			June 2019/2018		
	Increase (decrease) due to changes in interest			Increase (decrease) due to changes in interest			Increase (decrease) due to changes in interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(In millions of pesos)								
Interest earning assets									
Investments in securities									
Pesos……..	(41.9)	6.5	(35.4)	29.2	50.0	79.3	4.6	394.6	399.2
Dollars……	-	-	-	-	-	-	-	-	-
Sub-total…….	(41.9)	6.5	(35.4)	29.2	50.0	79.3	4.6	394.6	399.2
Loans									
Pesos……..	787.1	334.7	1,121.8	2,205.2	(1,143.3)	1,061.9	961.3	(684.7)	276.6
Dollars……	415.8	97.0	512.8	165.2	423.9	589.1	42.1	81.7	123.8
Sub-total…….	1,202.9	431.7	1,634.5	2,370.4	(719.5)	1,651.0	1,003.4	(603.0)	400.4
Total interest-earning assets									
Pesos……..	**745.1**	**341.2**	**1,086.4**	**2,234.4**	**(1,093.3)**	**1,141.2**	**965.9**	**(290.1)**	**675.8**
Dollars……	**415.8**	**97.0**	**512.8**	**165.2**	**423.9**	**589.1**	**42.1**	**81.7**	**123.8**
Total…….	**1,160.9**	**438.2**	**1,599.1**	**2,399.7**	**(669.4)**	**1,730.2**	**1,008.0**	**(208.3)**	**799.7**
Interest-Bearing Liabilities									
Bank loans									
Pesos……..	(23.1)	101.6	78.5	(17.5)	(197.5)	(215.0)	35.8	(65.1)	(29.3)
Dollars……	28.7	(62.7)	(34.0)	80.5	245.6	326.1	35.1	37.1	72.2
Sub-total…….	5.6	38.9	44.5	63.0	48.1	111.1	70.9	(28.0)	42.9
Notes payable and Senior Notes Payable									
Pesos……..	10.7	754.5	765.2	312.8	57.4	370.2	346.0	193.7	539.8
Dollars……	-	-	-	-	-	-	-	-	-
Sub-total…….	10.7	754.5	765.2	312.8	57.4	370.2	346.0	193.7	539.8
Total interest-bearing liabilities									
Pesos……..	**(12.4)**	**856.1**	**843.7**	**295.3**	**(140.1)**	**155.2**	**381.8**	**128.6**	**510.4**
Dollars……	**28.7**	**(62.7)**	**(34.0)**	**80.5**	**245.6**	**326.1**	**35.1**	**37.1**	**72.2**
Total…….	**16.3**	**793.4**	**809.7**	**375.8**	**105.5**	**481.3**	**416.9**	**165.8**	**582.7**

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,			For the Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(In millions of pesos, except percentages)				
Total average earning assets					
Pesos	18,109.1	20,206.9	27,978.9	24,941.6	32,229.3
Dollars	5,481.0	6,604.2	7,022.7	7,116.3	7,314.3
Total	23,590.2	26,811.1	35,001.6	32,057.9	39,543.7
Historical financial margin[(1)]					
Pesos	3,162.1	3,404.8	4,390.8	2,046.7	2,212.1
Dollars	1,879.7	2,426.4	2,689.4	1,261.1	1,312.7
Total	5,041.8	5,831.3	7,080.2	3,307.9	3,524.9
Gross yield [(2)]					
Pesos	26.8%	29.4%	25.3%	26.8%	24.9%
Dollars	38.5	39.7%	45.7%	43.1%	45.3%
Weighted-average rate	29.5%	31.9%	29.4%	30.4%	28.7%
Net yield [(3)]					
Pesos	17.5%	16.8%	15.7%	16.4%	13.7%
Dollars	34.3%	36.7%	38.3%	35.4%	35.9%
Weighted-average rate	21.4%	21.7%	20.2%	20.6%	17.8%
Yield spread [(4)]					
Pesos	9.3%	12.5%	9.6%	10.4%	11.2%
Dollars	4.2%	3.0%	7.4%	7.7%	9.4%
Weighted-average rate	8.1%	10.2%	9.2%	9.8%	10.9%

(1) Financial margin is interest income less interest expense.

(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,			For the Six Months Ended June, 30,	
	2016	2017	2018	2018	2019
	(In millions of pesos, except percentages)				
Net income	1,714.0	1,661.1	1,955.4	881.8	1,116.9
Average total assets	34,070.4	36,640.5	46,288.6	41,658.1	51,676.8
Average stockholders' equity	8,493.0	10,475.1	15,170.8	13,399.4	15,972.0
Net income, as a percentage of:					
Average total assets	5.0%	4.5%	4.2%	4.2%	4.3%
Average stockholders' equity	20.2%	15.9%	12.9%	13.2%	14.0%
Average stockholders' equity, as a percentage of the average total assets	24.9%	28.6%	32.8%	32.2%	31.0%
Dividends payout ratio	5.7%	5.6%	9.9%	11.6%	13.2%

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 loans with other entities are contracted at both fixed and floating rates and are denominated in pesos, with the exception of our 2023 Senior Notes and 2026 Senior Notes, one

syndicated loan 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 June 30, 2019, 64.2% 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, 2018 and as of June 30, 2019. Fixed-rate instruments were classified in this table according to their contractual maturity.

	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
	(In millions of pesos)						
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	2,227.7	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	**485.6**	**2,552.2**	**2,253.3**	**4,445.8**	**2,223.7**	**18,915.8**	**49,562.5**
Interest rate sensitivity gap	1,769.1	(1,168.5)	(461.1)	(1,251.2)	7,683.0	(6,571.4)	-
Cumulative interest rate sensitivity gap	1,769.1	600.6	139.5	(1,11.6)	6,571.4	-	-
Cumulative gap as percentage of total interest-earning assets	4.8%	1.6%	0.4%	(3.0%)	17.7%	-	-

	As of June 30 2019,						
	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	Total
	(In millions of pesos)						
Assets							
Cash and cash equivalents	511.5	-	-	-	-	-	511.5
Fixed-rate performing loans	1,453.0	3,545.4	5,389.0	6,892.3	22,533.2	-	39,812.9
Investments in securities	808.3	38.5	41.3		-	-	888.1
Total interest-earning assets	2,772.8	3,583.9	5,430.3	6,892.3	22,533.2	-	41,212.5
Other non-interest-earning assets	-	-	-	-	-	12,802.9	12,802.9
Non-performing loans						619.9	619.9
Less: Allowance for loans losses	-	-	-	-	-	1,272.0	1,272.0
Total assets	**2,772.8**	**3,583.9**	**5,430.3**	**6,892.3**	**22,533.2**	**12,150.8**	**53,363.3**
Liabilities and stockholders' equity:							
Notes Payable	-	-	18.2	108.9	1,029.0	-	1,156.1
Senior Notes Payable	327.4	-	-	-	21,590.6	-	21,918.0
Bank loans and borrowings from other entities	375.3	2,439.3	774.3	5,072.9	3,291.9	-	11,953.7
Total interest-bearing liabilities	702.8	2,439.3	792.4	5,181.9	25,911.4	-	35,027.8
Other non-interest bearing liabilities	-	-	-	-	-	3,051.3	3,051.3
Stockholders' equity	-	-	-	-	-	15,936.3	15,936.3
Total liabilities and stockholders' equity	**702.8**	**2,439.3**	**792.4**	**5,181.9**	**25,911.4**	**18,987.6**	**54,015.4**
Interest rate sensitivity gap	2,070.1	1,144.5	4,637.9	1,710.4	(3,378.2)	(6,836.7)	-

Cumulative interest rate sensitivity gap	2,070.1	3,214.6	7,852.5	9,562.9	6,184.7	-	-
Cumulative gap as percentage of total interest-earning assets	5.0%	7.8%	19.1%	23.2%	15.0%	-	-

As of June 30, 2019, interest-earning assets totaled Ps.35,207.9 million. Of these assets, 3.9% amortize periodically every 30 days or less. Such assets are integrated as follows: 97.2% by our performing loan portfolio and 2.8% by investments in securities. Of our total loans, most are fixed-rate loans.

Of our interest-bearing liabilities as of June 30, 2019, 100% consisted of loans from banks and other entities and totaled Ps.27,865.6 million. Of our total interest-bearing liabilities, 3.3% 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.511.5 million as of June 30, 2019, representing 1.0% 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,						As of June 30,			
	2016		2017		2018		2018		2019	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	*(In millions of pesos, except percentages)*									
At period end [1]	4,517.5	9.0%	5,989.2	9.2%	9,648.9	9.6%	7,674.5	9.8%	8,647.3	10.6%
Average during period [2]	5,896.4	7.9%	5,971.2	9.6%	7,756.8	9.7%	6,669.2	9.5%	8,298.7	10.5%
Maximum month-end balance	4,517.5	9.0%	7,125.9	10.0%	9,648.9	9.6%	7,674.5	9.8%	8,647.3	10.6%
Bond Issuances										
At period end [1]	2,750.0	7.2%	1,000.0	9.9%	0.0	0.0%	-	-	-	-
Average during period [2]	4,253.7	6.3%	2,820.8	8.3%	0.0	0.0%	-	-	-	-
Maximum month-end balance	2,750.0	7.2%	3,500.0	7.9%	0.0	0.0%	-	-	-	-
Senior notes										
At period end [1]	13,817.9	10.3%	13,819.6	11.9%	14,147.9	12.1%	13,821.7	12.1%	19,525.5	14.0%
Average during period [2]	10,068.3	8.8%	13,759.8	11.6%	13,816.2	11.8%	13,771.9	12.1%	15,533.4	14.0%
Maximum month-end balance	13,817.9	10.3%	13,891.3	10.9%	14,147.9	12.1%	13,843.1	12.1%	19,568.9	14.0%
Swiss Notes										
At period end [1]	-	-	-	-	3,416.6	10.7%	3,414.0	10.7%	3,404.5	11.5%
Average during period [2]	-	-	-	-	3,114.7	10.2%	3,380.4	9.6%	3,404.5	11.5%
Maximum month-end balance	-	-	-	-	3,426.1	10.7%	3,414.0	10.7%	3,404.5	11.5%
Senior trust bonds										
At period end [1]	-	-	-	-	1,415.0	10.8%	800.0	10.1%	1,415.0	10.7%
Average during period [2]	-	-	-	-	902.5	9.7%	800.0	10.1%	1,415.0	10.7%
Maximum month-	-	-	-	-	1,415.0	10.8%	800.0	10.1%		

end balance.....									1,415.0	10.8%
Total borrowings, at period end (excluding accrued interest).....	**21,085.4**	**9.7%**	**20,808.8**	**11.0%**	**28,628.4**	**11.1%**	**25,710.2**	**11.2%**	**32,992.4**	**12.7%**

(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

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

Loan Portfolio

Total 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," "loan portfolio," and "total loan portfolio" include total performing loans plus total non-performing loans. See "Summary Financial Information."

Our total loan portfolio as of June 30, 2019 and December 31, 2018 amounted to Ps.41,084.9 million and Ps.36,319.1 million, respectively. These changes represent an increase of 22.0% in our total loan portfolio from the preceding period. These increases were mainly due to the double-digit growth in SME loans, used car and payroll portfolios.

Classification of our Loan Portfolio

The following table sets forth the classification of our total loan portfolio in terms of performing and non-performing loan portfolios, as of December 31, 2016, 2017, and 2018 and as of June 30, 2019.

	As of December 31,					
	2016		**2017**		**2018**	
	Amount	**% of Portfolio**	**Amount**	**% of Portfolio**	**Amount**	**% of Portfolio**
	(In millions of pesos, except percentages)					
Performing loan portfolio	23,410.0	97.8%	28,409.8	97.9%	35,701.6	98.3%
Non-performing loan portfolio	517.0	2.2%	605.2	2.1%	617.6	1.7%
Total loan portfolio[(1)].....	**23,927.0**	**100.0%**	**29,015.0**	**100.0%**	**36,319.1**	**100.0%**

	As of June 30,			
	2018		**2019**	
	Amount	**% of the Portfolio**	**Amount**	**% of the Portfolio**
	(In millions of pesos, except percentages)			
Performing loan portfolio	33,029.4	98.1%	40,465.0	98.5%
Non-performing loan portfolio	630.7	1.9%	619.9	1.5%
Total loan portfolio[(1)].....	**33,660.1**	**100.0%**	**41,084.9**	**100.0%**

(1) Loans amounts include accrued interest

Performing Loan Portfolio

Our total performing loan portfolio increased 22.5% as of June 30, 2019 compared to June 30, 2018. See "Business—Our Loan Products."

Our performing payroll loan portfolio totaled Ps.26,353.3 million as of June 30, 2019, reflecting an increase of Ps.3,920.1 million, or 17.5% compared to June 30, 2018. This increase was primarily due to our recent entrance into the pensioners' segment market. Our performing payroll loan portfolio as a percentage of our total performing loan portfolio was 65.1% as of June 30, 2019, compared to 67.9% as of June 30, 2018.

Our performing durable goods and other loans portfolio totaled Ps.315.8 million as of June 30, 2019, compared to Ps.341.8 million as of June 30, 2018. Our performing durable goods and other loan portfolio as a percentage of our total performing loan portfolio was 0.8% as of June 30, 2019 and 1.0% as of June 30, 2018.

Our performing SME loan portfolio totaled Ps.5,224.6 million as of June 30, 2019. Our performing SME loan portfolio as a percentage of our total performing loan portfolio was 12.9%. The increase was mainly driven by our strategy of extending the average loan term and average loan amount by focusing on larger accounts.

Our performing group loan portfolio totaled Ps.445.4 million as of June 30, 2019, reflecting an increase of Ps.228.1 million, or 105.0%, compared to June 30, 2018. Our performing group loan portfolio as a percentage of our total performing loan portfolio was 1.1% as of June 30, 2019, compared to 0.7% as of June 30, 2018.

Our performing used car loan portfolio totaled Ps.3,659.6 million as of June 30, 2019, an increase of 30.6% compared to the same period in 2018. Our performing Used Car loan portfolio as a percentage of our total performing loan portfolio was 9.0% as of June 30, 2019.

The performing loan portfolio of Instacredit totaled Ps.4,466.3 million As of June 30, 2019 and the performing Instacredit loan portfolio as a percentage of our total performing loan portfolio was 11.0%.

Performing loan portfolio by product

	As of December 31,			As of June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
			(In millions of pesos)		
Payroll Loans	14,234.7	19,075.3	24,537.3	22,433.3	26,353.3
Consumer Loans	4,287.5	4,373.0	4,191.7	4,379.9	4,466.3
Used Cars Loans	2,686.3	2,684.7	2,923.0	2,803.1	3,659.6
Small Business Loans	1,356.5	1,722.6	3,651.2	2,854.1	5,224.6
Group Loans	418.4	230.0	70.5	217.3	445.4
Durable Goods Loans	426.6	324.3	327.8	341.8	315.8
Total performing loan portfolio	**23,410.0**	**28,409.8**	**35,701.6**	**33,029.4**	**40,465.0**

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.

	As of December 31,						As of June 30,			
	2016		2017		2018		2018		2019	
Mexican federal entity	**Loan Amount[1]**	**% of Portfolio[2]**	**Loan Amount[1]**	**% of Portfolio[2]**	**Loan Amount[1]**	**% of Portfolio[2]**	**Loan Amount[1]**	**% of Portfolio[2]**	**Loan Amount[1]**	**% of Portfolio[2]**
					(In millions of pesos, except percentages)					
Aguascalientes	189.1	0.8%	187.0	0.6%	236.8	0.7%	204.2	0.6%	250.1	0.6%
Baja California Norte	202.2	0.8%	221.8	0.8%	360.4	1.0%	283.4	0.8%	395.1	1.0%
Baja California Sur	90.5	0.4%	125.8	0.4%	221.0	0.6%	166.0	0.5%	260.8	0.6%
Campeche	268.8	1.1%	228.8	0.8%	274.8	0.8%	246.8	0.7%	279.1	0.7%
Chiapas	909.4	3.8%	721.6	2.5%	811.6	2.2%	741.7	2.2%	862.5	2.1%
Chihuahua	239.6	1.0%	236.9	0.8%	369.0	1.0%	286.7	0.9%	377.3	0.9%
Coahuila	224.4	0.9%	290.5	1.0%	496.0	1.4%	366.8	1.1%	552.4	1.3%
Colima	88.6	0.4%	103.4	0.4%	135.6	0.4%	118.0	0.4%	144.7	0.4%
Mexico City	3,011.6	12.6%	4,719.2	16.3%	8,752.0	24.1%	6,286.9	18.7%	11,107.2	27.0%

Mexican federal entity	As of December 31, 2016 Loan Amount[1]	2016 % of Portfolio[2]	2017 Loan Amount[1]	2017 % of Portfolio[2]	2018 Loan Amount[1]	2018 % of Portfolio[2]	As of June 30, 2018 Loan Amount[1]	2018 % of Portfolio[2]	2019 Loan Amount[1]	2019 % of Portfolio[2]
	(In millions of pesos, except percentages)									
Durango	117.0	0.5%	161.0	0.6%	271.4	0.7%	207.8	0.6%	300.3	0.7%
State of Mexico	2,161.8	9.0%	1,999.5	6.9%	3,069.1	8.5%	2,395.5	7.1%	3,260.4	7.9%
Guanajuato	514.0	2.1%	555.4	1.9%	677.5	1.9%	607.7	1.8%	682.2	1.7%
Guerrero	979.4	4.1%	915.4	3.2%	1,119.1	3.1%	1,007.5	3.0%	1,145.6	2.8%
Hidalgo	333.6	1.4%	339.7	1.2%	443.9	1.2%	381.6	1.1%	442.3	1.1%
Jalisco	571.0	2.4%	601.4	2.1%	926.1	2.5%	719.3	2.1%	1,040.5	2.5%
Michoacan	362.5	1.5%	454.7	1.6%	589.7	1.6%	516.4	1.5%	645.3	1.6%
Morelos	176.9	0.7%	207.3	0.7%	271.1	0.7%	232.9	0.7%	271.0	0.7%
Nayarit	125.7	0.5%	147.2	0.5%	192.6	0.5%	171.5	0.5%	204.1	0.5%
Nuevo León	362.6	1.5%	496.8	1.7%	912.5	2.5%	679.6	2.0%	1,058.7	2.6%
Oaxaca	1,695.4	7.1%	1,581.7	5.5%	1,899.8	5.2%	1,676.5	5.0%	1,899.0	4.6%
Puebla	334.4	1.4%	421.0	1.5%	731.8	2.0%	549.0	1.6%	813.4	2.0%
Querétaro	196.8	0.8%	134.7	0.5%	168.6	0.5%	141.0	0.4%	196.3	0.5%
Quintana Roo	156.6	0.7%	104.6	0.4%	170.3	0.5%	121.0	0.4%	190.6	0.5%
San Luis Potosi	370.1	1.5%	402.7	1.4%	556.7	1.5%	454.1	1.3%	596.7	1.5%
Sinaloa	347.3	1.5%	403.7	1.4%	582.7	1.6%	477.1	1.4%	637.0	1.6%
Sonora	385.1	1.6%	542.7	1.9%	781.2	2.2%	629.3	1.9%	853.8	2.1%
Tabasco	424.7	1.8%	443.2	1.5%	525.0	1.4%	482.7	1.4%	530.2	1.3%
Tamaulipas	350.4	1.5%	328.1	1.1%	475.9	1.3%	381.3	1.1%	505.2	1.2%
Tlaxcala	125.5	0.5%	96.0	0.3%	124.5	0.3%	105.7	0.3%	124.9	0.3%
Veracruz	1,514.7	6.3%	1,716.6	5.9%	2,701.2	7.4%	2,187.3	6.5%	2,998.3	7.3%
Yucatan	207.2	0.9%	187.4	0.6%	304.0	0.8%	237.6	0.7%	321.0	0.8%
Zacatecas	82.1	0.3%	75.2	0.3%	89.7	0.2%	86.7	0.3%	93.0	0.2%
Others[(3)]	101.4	0.4%	189.7	0.7%	1.0	0.0%	337.6	1.0%	0.4	0.0%
Mexico	17,220.4	72.0%	19,340.9	66.7%	29,242.7	80.5%	23,487.1	69.8%	33,039.4	80.4%
United States	2,317.8	9.7%	2,841.0	9.8%	2,030.5	5.6%	2,956.6	8.8%	2,434.8	5.9%
Central America	4,390.7	18.4%	6,833.1	23.6%	5,045.9	13.9%	7,216.4	21.4%	5,610.7	13.7%
Total	**23,927.0**	**100%**	**29,015.0**	**100.0%**	**36,319.1**	**100.0%**	**33,660.1**	**100.0%**	**41,084.9**	**100.0%**

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

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

(3) 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, 2016 Loan Amount	2016 % of the Portfolio	2017 Loan Amount	2017 % of the Portfolio	2018 Loan Amount	2018 % of the Portfolio	As of June 30, 2018 Loan Amount	2018 % of the Portfolio	2019 Loan Amount	2019 % of the Portfolio
	(In millions of pesos, except percentages)									
Less than Ps.3,000	25.9	0.1%	27.2	0.1%	37.4	0.1%	34.3	0.1%	72.4	0.2%
Between Ps.3,001 and Ps.5,000	190.5	0.8%	176.9	0.6%	197.4	0.6%	187.6	0.6%	206.8	0.5%
Between Ps.5,001 and Ps.10,000	1,218.9	5.2%	1,124.3	4.0%	1,138.2	3.2%	1,119.5	3.4%	1,172.4	2.9%
Between Ps.10,001 and Ps.15,000	1,771.8	7.6%	1,749.6	6.2%	1,752.2	4.9%	1,758.1	5.3%	1,763.5	4.4%
Between Ps.15,001 and Ps.20,000	1,874.7	8.0%	1,881.5	6.6%	1,872.3	5.2%	1,900.6	5.8%	1,876.1	4.6%
Over Ps.20,001	18,328.1	78.3%	23,450.3	82.5%	30,704.0	86.0%	28,029.3	84.9%	35,373.8	87.4%
Total loan portfolio	**23,409.9**	**100.0%**	**28,409.8**	**100.0%**	**35,701.6**	**100.0%**	**33,029.4**	**100.0%**	**40,465.0**	**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 June 30, 2019, the aforementioned contracts established a percentage of unpaid loan amounts of 1.5%. 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 June 30, 2019, our total non-performing loan portfolio was Ps.619.9 million, or 1.5% of our total loan portfolio. Our total non-performing loan portfolio decreased by Ps.10.8 million, or 1.7%, as compared to June 30, 2018, driven by the change in product mix and by a decrease of the non-performing loan portfolio of Instacredit.

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,			As of June 30,	
	(In millions of pesos)				
	2016	**2017**	**2018**	**2018**	**2019**
Payroll Loans	295.8	232.5	270.1	270.5	311.2
Consumer Loans	103.2	239.7	271.0	299.0	226.1
Used Cars Loans	92.3	29.3	25.2	15.0	27.8
Small Business Loans	11.9	23.5	25.5	24.4	24.4
Group Loans	-	-	0.0	0.0	0.0
Durable Goods Loans	13.8	80.2	25.8	21.8	30.5
Total non-performing loan portfolio	**517.0**	**605.2**	617.6	630.7	619.9

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,					
	(In millions of pesos)					
	2016		2017		2018	
	Loans by Product	Allowances for Loan Losses	Loans by Product	Allowances for Loan Losses	Loans by Product	Allowances for Loan Losses
	(In millions of pesos)					
Payroll Loans	14,530.4	(66.1)	19,307.8	(223.6)	24,807.4	(535.2)
Consumer Loans	4,390.7	(428.7)	4,612.7	(442.7)	4,462.7	(373.6)
Used cars Loans	2,778.6	(113.7)	2,714.0	(234.6)	2,948.2	(44.9)
Small Business Loans	1,368.5	(78.1)	1,746.1	(79.6)	3,676.7	(73.1)
Group Loans	418.4	(15.5)	230.0	(15.7)	70.5	(0.6)
Durable Goods Loans	440.4	(65.4)	404.5	(71.3)	353.6	(40.6)
Total loan portfolio plus allowances	**23,927.0**	**(767.5)**	**29,015.0**	**(1,067.5)**	**36,319.1**	**(1,067.9)**

	As of June 30,			
	2018		2019	
	Loans by Product	Allowances for Loan Losses	Loans by Product	Allowances for Loan Losses
	(In millions of pesos)			
Payroll Loans	22,703.8	(481.0)	26,664.6	(491.6)
Instacredit	4,678.9	(399.0)	4,692.4	(643.8)
Used cars Loans	2,818.2	(138.5)	3,687.4	(7.1)
Small Business Loans	2,878.5	(68.4)	5,249.0	(100.9)
Group Loans	217.3	(12.3)	445.4	(14.8)
Durable Goods and Other Loans	363.5	(39.3)	346.2	(13.8)
Total loan portfolio plus allowances	**33,660.1**	**(1,138.5)**	**41,084.9**	**(1,272.0)**

For the periods ended June 30, 2019 and 2018 we recorded provisions charged against income totaling Ps.1,272.0 million and Ps.1,138.5 million, respectively.

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 Basel recommendations and is based on the Probability of Default and Severity of Losses of the loan portfolio.

	For the year ended December 31,			For the Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(In millions of pesos)				
Balance at beginning of year	485.5	767.5	1,067.5	1,067.5	1,067.9
Plus:					
Increase to the allowance for loan losses	831.6	1,343.1	1,753.3	876.3	721.0
Consolidation adjustment	477.1	242.1	-	-	-
Sub-total	1,794.2	2,352.7	2,820.8	1,943.8	1,788.9
Less:					
Loan write-offs	1,026.8	1,285.2	1,752.9	805.3	516.9
Methodology change adjustment	-	-			
Balance at the end of the year	767.4	1,067.5	1,067.9	1138.5	1,272.0

(1) The adjustment was due to the change in the methodology of calculation of allowance for loan losses for the commercial loan portfolio As of September 30, 2014. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Key Factors Affecting our Financial Condition and Results of Operations—Allowance for Loan Losses".

The decrease in loan write-offs of Ps.288.4 million from June 30, 2018 to June 30, 2019 was primarily due to the signs of recovery in Instacredit portfolio.

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 June 30, 2019, 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.

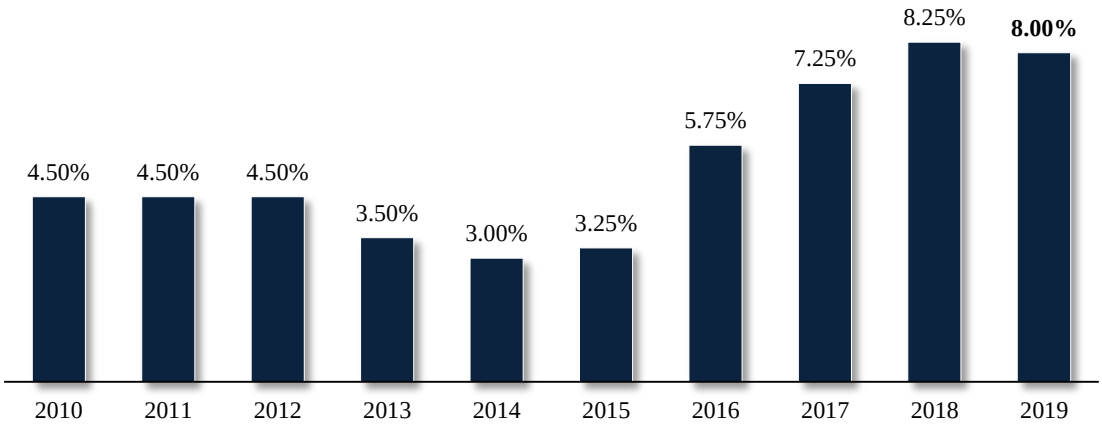
THE MEXICAN PAYROLL LENDING, SME LOANS, GROUP LOANS AND AUTO FINANCING MARKETS AND UNITED STATES AUTO FINANCING MARKET

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. Mexican GDP grew at an average rate of 2.6% in the last five years, from 2013 to 2018.

In addition, since the beginning of 2018, Banco de México has 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. The current rate is 8.00%, with the last down on August 14, 2019.

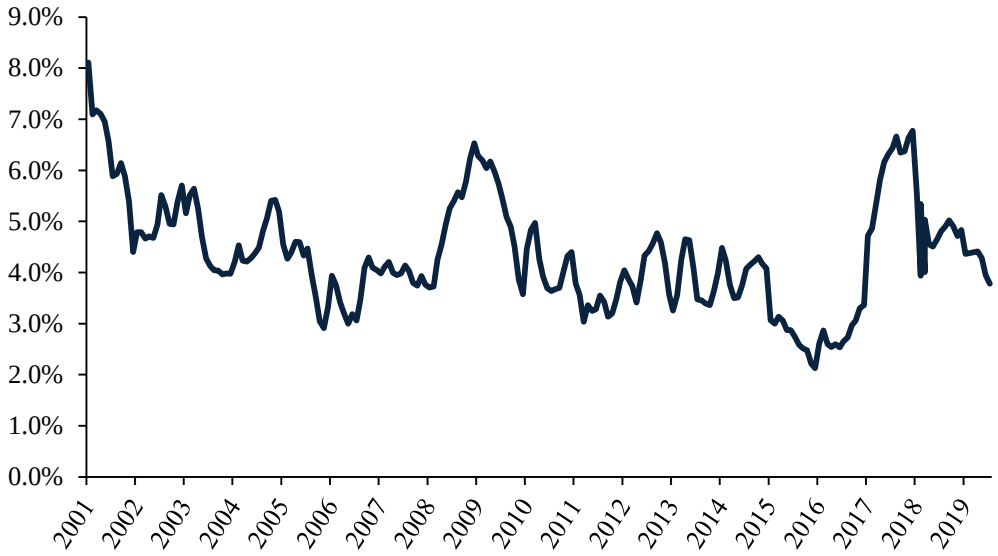
Banxico Interest Rate



Source: Banco de México, as of August 19, 2019.

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 4.2%. 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 June 30, 2019, the inflation rate reached 3.85%.

Historical Inflation



Source: INEGI, as of July 31, 2019.

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 unemployment rate in Mexico was on average 3.3% in 2018.

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. On June 28, 2019, the exchange rate was Ps.19.2087 per U.S. dollar determined by Banco de México and published in the Official Gazette on July 1, 2019.

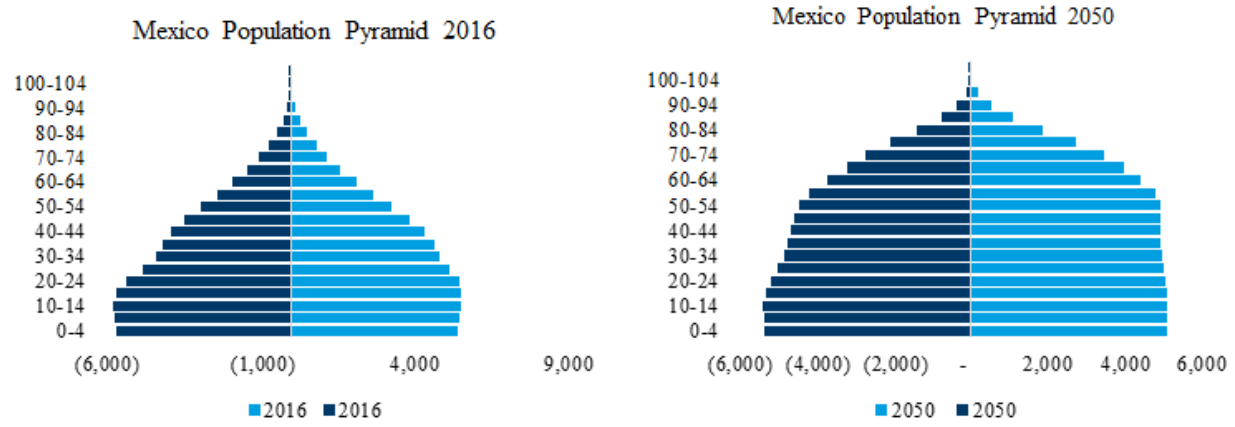
US dollar vs. Mexican Peso Exchange Rate



Source: Banco de México, as of December 31, 2018.

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



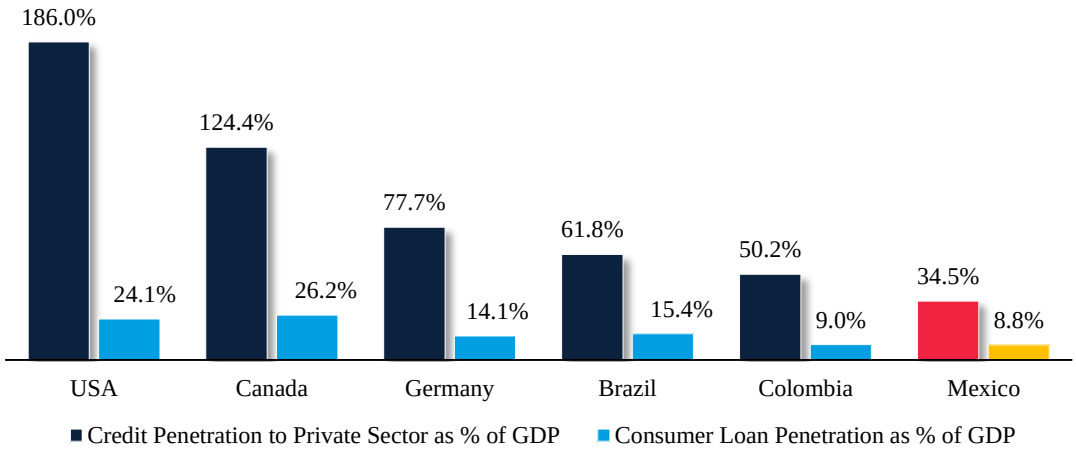
Overview of Credit to the Private Sector in Mexico

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 12.5% from December 2010 to December 2018. As of December 2018, the total bank loan portfolio to the private sector was Ps.4,648 billion, representing an increase of 10.7% compared to December 2017. Such bank loans to the private sector currently represent roughly 89.7% of the total bank loan portfolio, with the remaining 10.3% comprised of governmental loans. As of December 2017, commercial lending represented 60.0% of the total bank loans to the private sector portfolio, followed by consumer lending at 22.3% and mortgage lending at 17.6%.

Consumer loans, in particular, had a CAGR of 12.8% from 2010 through 2018, 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 2.11% and 2.15% as of December 2018 and December 2017 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 December 2018 represented 34.5% of GDP, compared to 50.2% in Colombia, 61.8% in Brazil, 77.7% and 186.0% in the US. Such low penetration is largely driven by the large fraction of the Mexican population that remains without access to financial services. According to CONAIF, 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.

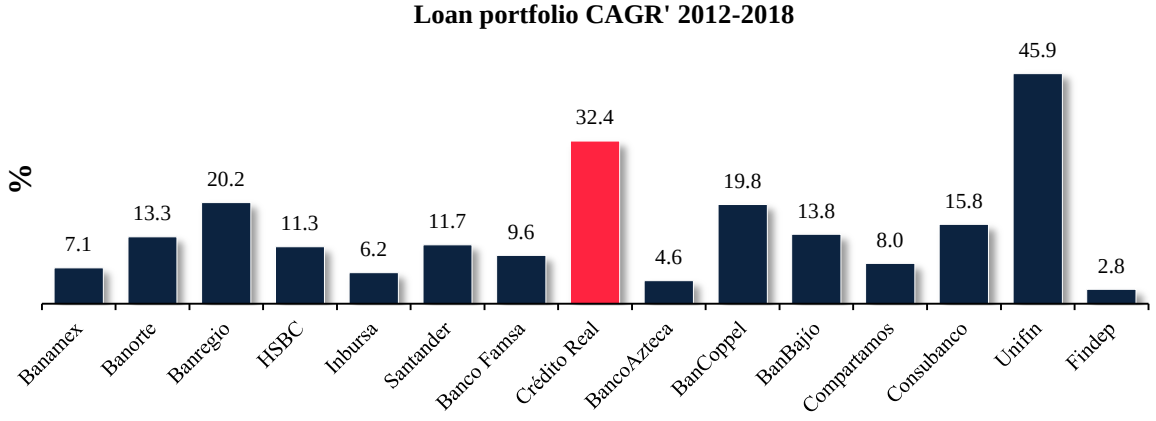
Credit Penetration in Mexico (% of GDP)



Source: World Bank and Euromonitor with information as of December, 2018, except Credit Penetration to Private Sector as 9% of GDP of Canada, which show figures as of 2008

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 1,644 non-regulated registered *Sofomes* as of the date of this offering memorandum.

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 2018 in the total loan portfolio of selected commercial banks in Mexico and of selected nonbank financial institutions and consumer-focused banks.



Source: Company filings presented to CNBV as of December 31, 2018, except Financiera Independencia and Unifin 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.

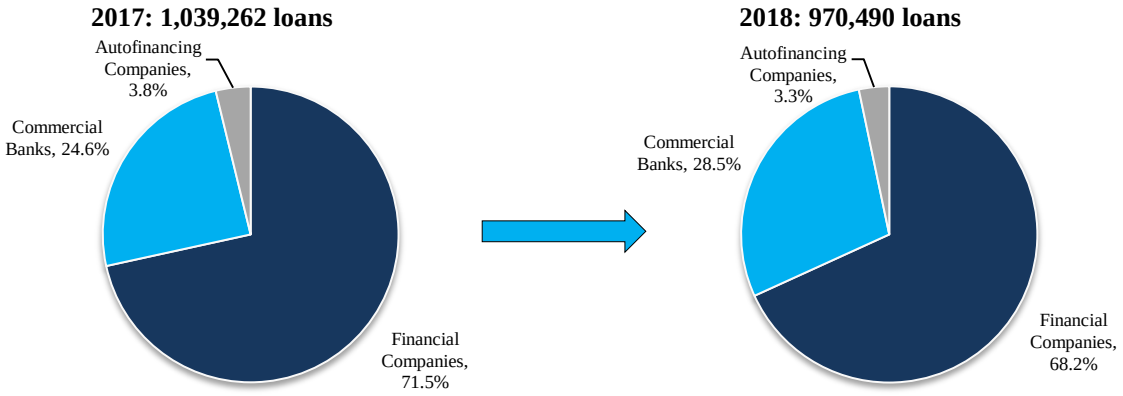
The Mexican payroll lending market is highly fragmented and dominated by regional competitors that have limited access to funding sources. Only a few market participants offer payroll lending on a nationwide basis and can access the capital markets for funding. Among these are Crédito Real, AlphaCredit Capital, S.A. de C.V., 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 6.2 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

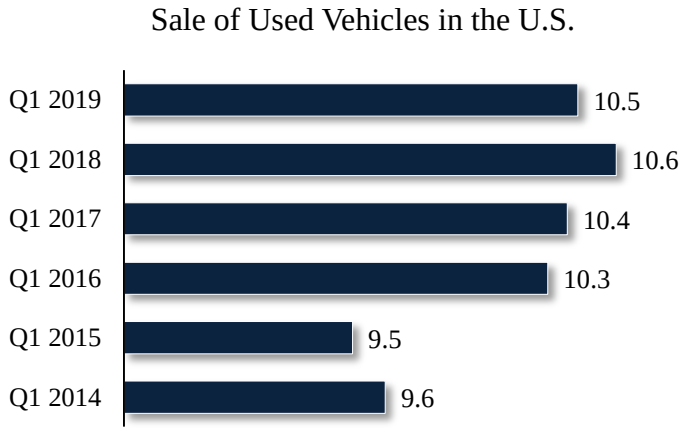
The total number of auto loans in Mexico showed a CAGR of 10.2% from 2013 to 2018. In 2016, the Mexican auto loan industry reached its highest level of loans in the last 10 years with 1,066,983 loans. However, the auto loan industry decreased from 1,039,262 loans in 2017 to 970,490 loans in 2018, representing a 6.4% decrease. Of the total number of loans in 2017, 71.5% were financed by non-commercial bank companies, while in 2018 that proportion decreased to 68.2%, showing however a strong increase but with enough room to continue gaining market share against commercial banks. The top five players in auto financing in Mexico are NR Finance Mexico with 18.6% market share, GM Financial with 15.4% market share, VW Financial Services with 11.7% market share, Bancomer with 10.3% market share, and Banorte with 7.1% market share.



Source: Mexican Automobile Distributors' Association (Asociación Mexicana de Distribuidores Automotores), as of December 2018.

Overview of the Used Car Loan Market in the U.S.

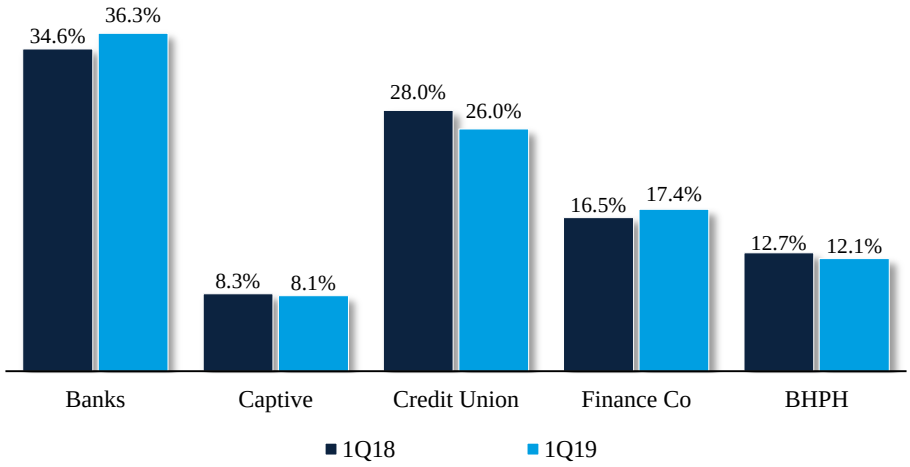
The National Auto Auction Association estimates that sales of used cars finished near 40.2 million units in 2018, up 2.6% from the previous year. The association further forecasts that volumes will continue to grow in 2019 as increased retail activity drives dealer consignment higher and growth in new lease originations, finance contracts outstanding, and business and business fleet purchases push commercial consignments up. Used car demand has been steady and is growing with the increase in supply. In the first quarter of 2019, 10.5 million vehicles were sold in the retail used market, a slight decrease of 1.6% over the first quarter of 2018, when the figure stood at 10.6 million.



Source: Edmunds, first quarter of 2019 Used Vehicle Market Report

As sales continue to rise, lenders are looking to finance more consumer purchasing of used vehicles. In the first quarter of 2019, 36.3% of used car loans were financed by banks, followed by 26.0% by Credit unions, 17.4% by finance companies, 12.1% by Buy Here Pay Here dealerships, and the remaining 8.1% by Captive finance companies. As of the first quarter 2019, 55.5% of all used vehicles were financed by auto loans compared to 54.0% in the same period 2018.

Market share of used financing



Source: Experian: State of the Automotive Finance Market as of first quarter of 2019.

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 June 2018, group loans had an average loan amount of approximately Ps.8,998.

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. 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.

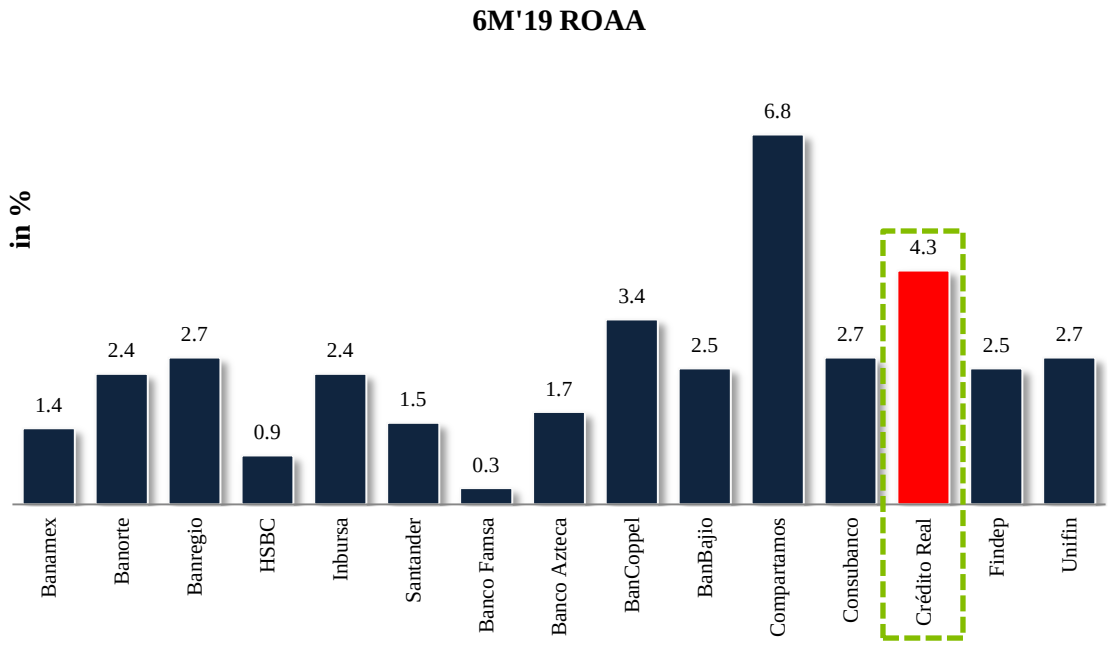
Principal Competitors in the Payroll Lending, Group Loan and Durable Goods Financing Markets in Mexico

The following table sets forth the principal companies in some of the markets in which we operate:

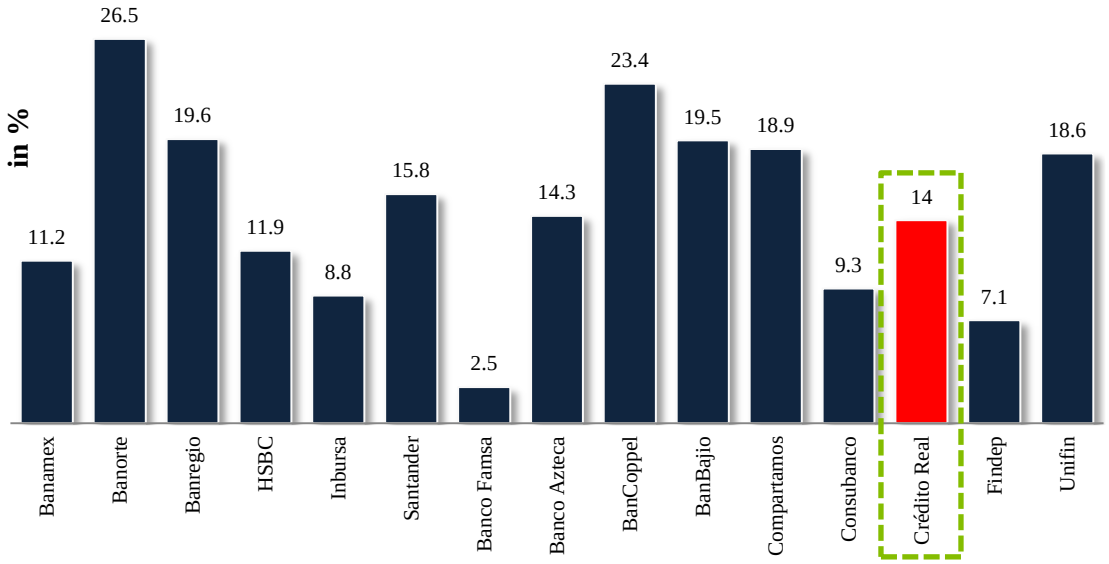
Institution	Crédito Real Competing Product *(In millions of pesos)*	Gross Consumer Loan Portfolio (2018)	Consumer Portfolio NPL Ratio (2018)
Microfinance and Personal Consumer Companies			
Crédito Real[(1)]		**36,319**	**2.1%**
Banco Ahorro Famsa	Durable Goods Loans	23,752	15.6%
Banco Azteca	Durable Goods Loans	79,453	7.1%
BanCoppel	Durable Goods Loans	23,939	14.5%
Compartamos	Group Loans	23,627	3.3%
Consubanco	Payroll Loans	6,836	5.7%
Financiera Independencia[(1)]	Group Loans	7,955	6.3%
Commercial Banks			
Citibanamex		671,735	4.0%
Banorte		769,433	4.1%
Banregio		98,416	1.7%
BanBajío		170,254	0.9%
HSBC		379,026	4.5%
Inbursa		250,048	6.3%
Santander		682,848	4.5%

Source: Company filings presented to CNBV as of December 31, 2018, except Financiera Independencia which was obtained from public filings.
(1) Our NPL was 3.4%, 1.6%, 1.9% 2.2% and 1.7% for the years ended December 31, 2010, 2012, 2014, 2016 and 2018, respectively.

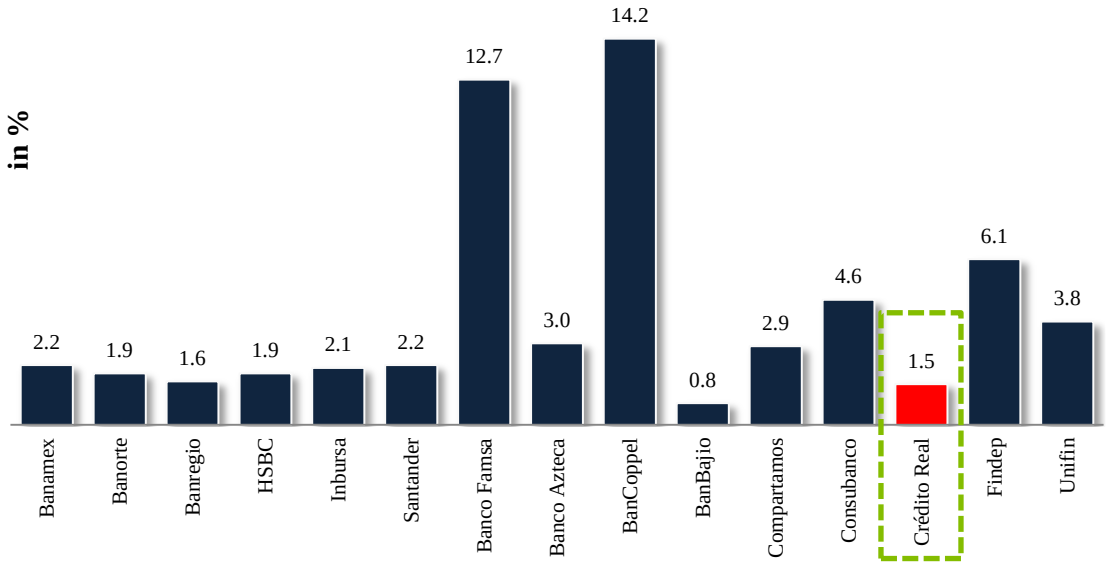
The following chart presents the ROAA, ROAE and NPL Ratio for the Company and select competitors as of June 30, 2019:



6M'19 ROAE



6M'19 NPL Ratio



Source: As reported by the CNBV as of June 30, 2019.

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 June 30, 2019, 18.2% 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 publicly listed variable capital stock corporation (*sociedad anónima bursátil de capital variabl*e).

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 27 states with a network of over 910 used car dealers.

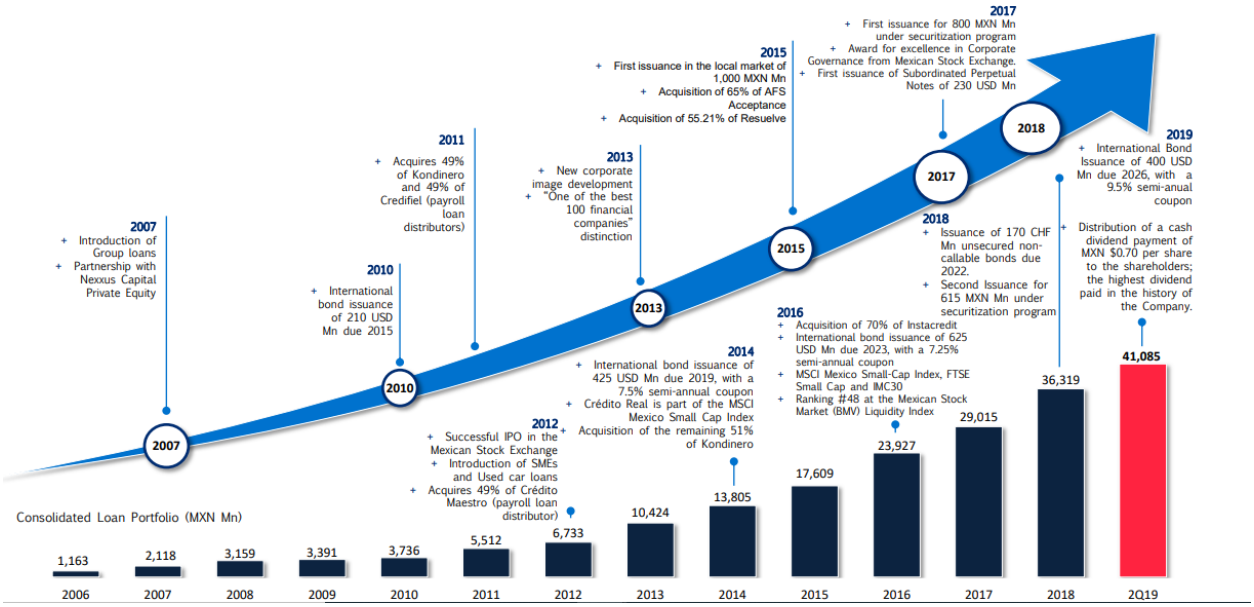
In December 2015, we acquired 55.21% of the capital of CAT 60, S.A.P.I. de C.V., which holds several entities in the Resuelve Group. This entity offers credit repair services focused on people with debt problems, advising on savings plans and negotiating with creditors to reach an agreement and settle 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.

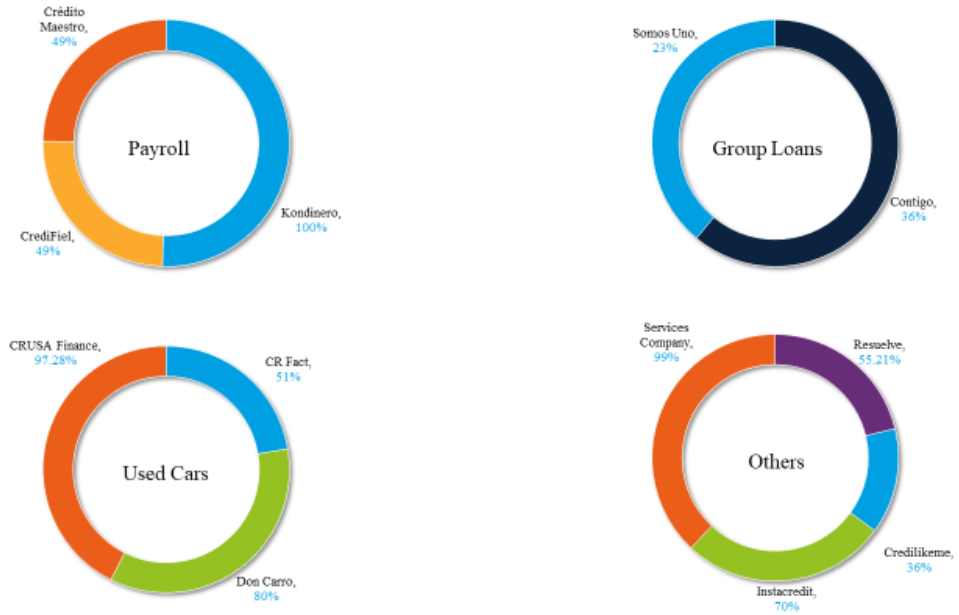
We further expanded into the United States in 2017 through the acquisition, together with a business partner, of Crédito Real USA Business Capital, a company that focuses on helping contractors and small business get access to capital and equipment financing.

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.

From December 31, 2016 to December 31, 2018, our loan portfolio increased at a CAGR of 23.2%, from Ps.23,927.0 million to Ps.36,319.1 million. During the more than 25 years that we have been in business, we have disbursed approximately 5.2 million loans to more than 2.6 million customers.



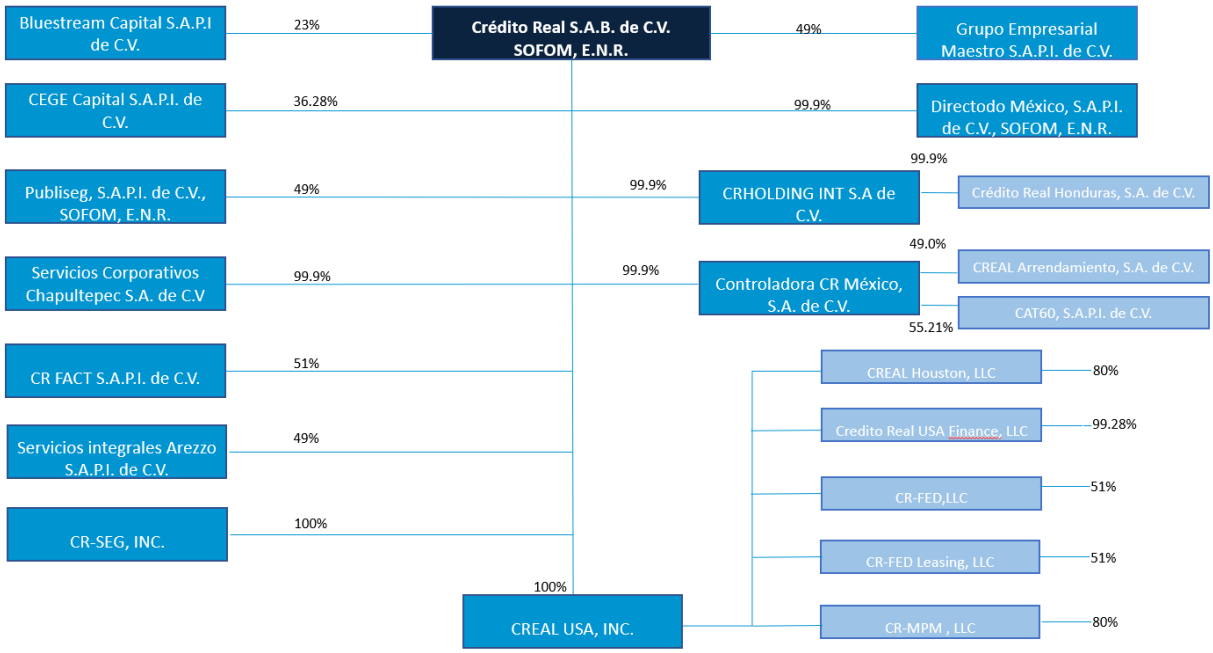
The following chart shows a breakdown of our subsidiaries by business line as of June 30, 2019:



Note: "Service Companies" (Servicios Corporativos Chapultepec) is a corporation which provides us exclusively with administrative services. 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 25 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 40.8 million potential customers in Mexico.

According to the U.S.Bureau, as of 2017 there are 58.8 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 World Bank 2017, in Central America, the three countries 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 (82.8%), Nicaragua (51.4%), and Panama (83.3%) are below the world average (184.1%). Costa Rica has a population of 4.9 million, Nicaragua of 6.2 million, and Panama of 4.0 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 installments. 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, 2016, 2017 and 2018, we had capitalization ratios of 38.8%, 50.9% and 43.9% (32.3% including the Subordinated Perpetual Notes), respectively. As of June 30, 2019, our capitalization ratio was 43.9% (32.3% including 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 June, 30, 2019, except for Group Loans, which includes the information of our two principal partners (Contigo and Somos Uno).

	Loan Product					
	Payroll Loans	**Consumer Loans (Instacredit)**	**Used Cars Loans**	**Small Business Loans**	**Group Loans**	**Durable Goods**
Main characteristics	Loans repaid through deductions from the paychecks of unionized government employees	Focused on consumer loans, SME loans, and auto loans and home equity loans	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	Provides enterprise financing through non-revolving short- and long-term lines to fund working capital requirements and investment activities	Small group loans for working capital requirements of micro-businesses loans for working capital requirements of microbusinesses	Short-term consumer loans to finance purchases of durable goods from selected specialized retail chains
Average loan amount (approx.)(1)	Ps.63,349	Ps.27,658	Ps.202,972	Ps.8,438,856	Ps.4,125	Ps.8,018
Payment frequency	Every 2 weeks	Monthly	Monthly	Monthly	Weekly	Monthly
Average term	41 months	46 months	12 - 36 months	3-36 months	4 months	12 months
Average interest rate	56.4%	56.2%	28.3%	18.7%	102.9%	N.A.

Origination channel (distribution)	14 distributors (including 1 in Honduras), owning 100% of Kondinero and 49% of the other two largest.	Instacredit has presence with 65 branches: in Costa Rica (46 branches), Nicaragua (13 branches) and Panama (6 branch). 376 sales reps all-around.	Alliances with 5 distributors. One partnership with 20 branches and 106 agreements with agencies in 32 states of Mexico. One strategic alliance in USA, CR USA FIN with over 910 distributors in 27 states of the US.	Alliance with Fondo H.	Two partnerships, 197 branches and 1,617 promoters	Divesting. There is non origination since December 31, 2016.
Average yield	27.5%	63.0%	26.9%	16.7%	102.9%	12.1%
Risk & profit sharing	Include sharing risk with the distributors	Equity participation	The risk and the profit is shared with the distributors and majority share.	Some loans include sharing risk with the distributor	Not applicable	Some products include sharing risk with the specialized retail chains
Percentage of loan portfolio	64.9%	11.4%	9.0%	12.8%	1.1%	0.8%
Delinquency rate	1.2%	4.8%	0.8%	0.5%	1.9%	8.8%
Clients	420,917	169,659	18,167	622	217,016	43,181
Target market(2)	C+, C-, D+	C+,C,D	C+, C, C-, D	C+, C	C-,D, E	C, D+, D

(1) The amount of group loans includes the loan amount for each member of the group.

(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) Divestment from durable goods loans is underway and no new loans are being made.

Between December 31, 2015 and December 31, 2017, our total loan portfolio grew by a CAGR of 28.4%. 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 are is our oldest business line, has presence in every state in Mexico, while currently our SMEs business operates in two of the 32 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 June 30, 2019.

Business Line	Payroll Loans	SME Loans	Group Loans	Durable Goods Loans	Used Cars Loans	Consumer Loans	Total
Aguascalientes	1.1%	0.0%	0.4%	0.0%	0.2%	0.0%	0.6%
Baja California	1.7%	0.0%	0.0%	0.6%	0.4%	0.0%	1.0%
Baja California Sur	1.1%	0.0%	0.8%	0.0%	0.1%	0.0%	0.6%
Campeche	1.3%	0.0%	0.0%	0.0%	0.1%	0.0%	0.7%
Chiapas	3.7%	0.0%	2.6%	0.3%	0.3%	0.0%	2.1%
Chihuahua	1.6%	0.0%	0.5%	0.0%	0.6%	0.0%	0.9%
Coahuila	2.2%	0.0%	3.1%	0.0%	0.3%	0.0%	1.3%
Colima	0.5%	0.0%	1.3%	0.0%	0.6%	0.0%	0.4%
Mexico City	8.2%	99.2%	7.4%	53.8%	15.1%	0.0%	27.0%
Durango	1.2%	0.0%	2.3%	0.0%	0.0%	0.0%	0.7%
State of Mexico	12.9%	0.1%	10.6%	28.6%	6.2%	0.0%	7.9%
Guanajuato	2.5%	0.0%	4.9%	0.5%	1.3%	0.0%	1.7%
Guerrero	4.7%	0.0%	6.9%	0.0%	0.2%	0.0%	2.8%
Hidalgo	1.8%	0.0%	1.5%	0.0%	0.7%	0.0%	1.1%
Jalisco	3.3%	0.0%	6.9%	0.0%	4.8%	0.0%	2.5%
Michoacan	2.1%	0.0%	10.5%	0.0%	0.3%	0.0%	1.6%
Morelos	0.9%	0.0%	2.2%	0.0%	0.6%	0.0%	0.7%
Nayarit	0.7%	0.0%	1.6%	0.0%	0.4%	0.0%	0.5%
Nuevo Leon	4.2%	0.0%	2.5%	0.4%	2.3%	0.0%	2.6%
Oaxaca	8.5%	0.0%	3.0%	0.6%	0.1%	0.0%	4.6%
Puebla	3.0%	0.0%	3.5%	0.1%	2.4%	0.0%	2.0%
Querétaro	0.5%	0.0%	1.4%	0.0%	1.3%	0.0%	0.5%
Quintana Roo	0.8%	0.0%	0.0%	0.1%	0.2%	0.0%	0.5%
San Luis Potosi	2.3%	0.0%	3.4%	0.0%	0.7%	0.0%	1.5%
Sinaloa	2.5%	0.0%	3.5%	0.0%	1.0%	0.0%	1.6%
Sonora	3.4%	0.0%	3.5%	0.0%	1.1%	0.0%	2.1%
Tabasco	2.0%	0.0%	3.9%	0.7%	0.6%	0.0%	1.3%
Tamaulipas	2.2%	0.0%	0.0%	1.5%	0.5%	0.0%	1.2%
Tlaxcala	0.5%	0.0%	0.7%	0.0%	0.3%	0.0%	0.3%
Veracruz	12.5%	0.6%	10.5%	3.8%	1.2%	0.0%	7.3%
Yucatan	1.4%	0.0%	0.0%	9.0%	0.3%	0.0%	0.8%
Zacatecas	0.4%	0.0%	0.7%	0.0%	0.1%	0.0%	0.2%
Others[(1)]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mexico	95.8%	100.0%	100.0%	100.0%	44.3%	0.0%	80.4%
United States of America	0.0%	0.0%	0.0%	0.0%	55.7%	0.0%	5.9%
Central America	4.2%	0.0%	0.0%	0.0%	0.0%	100.0%	13.7%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) Other Entities includes IMSS and Mexican federal entities.

As of June 30, 2019, our payroll loan portfolio was concentrated primarily in the State of Mexico (13.0%), Mexico City (8.3%), Veracruz (12.7%) and Oaxaca (8.6%). 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 June 30, 2019, our group loan portfolio was concentrated in the states of Michoacan (10.5%), Veracruz (10.5%), Mexico City (6.9%) and State of Mexico (10.6%). 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.

As of June 30, 2019, our SME loan portfolio was concentrated in Mexico City and Veracruz. 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 June 30, 2019, our used car loans portfolio was concentrated in the United States (51.4%), and in Mexico (48.6%). This concentration is the result of the operation of our partners in the United States and the current distribution agreements in Mexico. We expect to broaden the geographic span of this portfolio in the future.

Finally, As of June 30, 2019, our consumer 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.

We believe that our efforts to consolidate our payroll business, expand our group loan branch network and expand the geographic reach of our most recent business lines of SME loans and 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.

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 varies between 3% and 5% 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.8,315.6 million throughout Mexico until June 30, 2019.

On June 30, 2019, Directodo had 105 cooperation agreements with government agencies, and operated 140 branches in all states of Mexico. On June 30, 2019, Directodo had 1,273 employees, including 944 sales executives and 71 telephone operators, the remainder are corporate employees.

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 June 30, 2019, Publiseg was the third largest originator of payroll loans for us, with Ps.545.4 million originated during the six months of 2019. 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 87 branches located in 32 states of Mexico with a sales force of over 1,612 developers. As of June 30, 2019, Publiseg had 97 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.

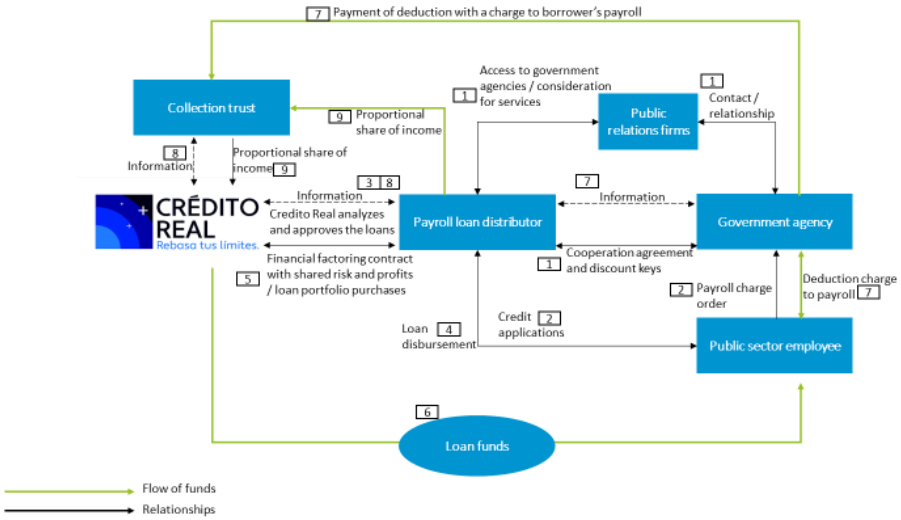
As of June 30, 2019, Crédito Maestro had cooperation agreements with 36 government agencies, and operated 87 branches in 32 States in Mexico. As of June 30, 2019, Crédito Maestro had 1,648 employees, including around 1,400 sales executives.

Currently, our payroll loans are originated by Directodo, Publiseg and GEMA under the Kondinero, Credifiel and Crédito Maestro brands, respectively, as well as by 11 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 June 30, 2019, our average payroll loan had a principal amount of Ps.63,349, a term of 41 months and was payable in bi-weekly fixed installments of interest and principal, with an average annual interest rate of 56.0% and an average annual yield of 27.5%, net of risk and profit sharing with our distributors. As of June 30, 2019, we had 420,917 payroll loans outstanding and a Ps.26,664.6 million payroll loan portfolio, which represented an estimated customer market share of 42% based on our internal estimates, with an average delinquency rate of 1.2%. For the six months ended June 30, 2019, our payroll loan portfolio generated interest income of Ps.3,463.7 million, or 61.1% of our total interest 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 14 distributors. These distributors in turn have cooperation agreements with public sector employers or employee labor unions in 314 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 June 30, 2019, approximately 40.9% of the payroll loans we acquired were made to current employees of the state and federal public school systems. Public healthcare professionals represent 6.1% of our loan originations and IMSS employees represent 36.6%, while other government employees account for the remaining 16.5%.

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
- INFONACOT.

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 the end of the second quarter of 2019, loans to pensioners amounted to 21% of our total payroll loan origination.

Used Car Loans

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 12-36 months with an average interest rate of 28.3%. 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 June 30, 2019, the CR Fact distribution network consisted of 20 branches and 106 agreements with agencies located in 32 states in Mexico. The average term of this product is 12 months with a monthly interest rate of 3.7%.

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.

In the United States, we mainly provide used car loans to the Hispanic market segment with limited credit history or access to credit through two companies that operate under the CRUSA Finance and Don Carro brands, in which we have equity stakes of 99.3% and 80%, respectively. As of June 30, 2019, CRUSA Finance had licenses to operate in 27 states in the United States with 910 car dealers and Don Carro which operated through one branch office.

As of June 30, 2019, our used car loan portfolio was Ps.3,687.4 million (of which 69.6% is related to our operations in the United States) with a total of 18,167 customers with an average delinquency rate of 0.8%. For the six months ended June 30, 2019, our used car loan portfolio generated interest income of Ps.463.0 million, or 8.2% of our total interest income.

Distribution and Origination

We have an internal sales force and direct agreements with 5 commercial distributors, which as of June 2019, represented 100.0% of the total origination of our local cars business. The year-end strategy of the Company for this business segment 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 reposition 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.

Competition

The market for used car loans in Mexico is not very penetrated. Our competitors are mainly:

- Some 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.

SME Loans

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.8.4 million with an average term of 3-36 months. During 2018, Credito Real developed its own leasing product to complement its product mix within this segment to the SMEs customer base. We believe this market represents a great opportunity because of the large number of small businesses in Mexico.

This alliance has enabled us to grow our loan portfolio more rapidly, from Ps.1,368.5 million at the end of 2016 to Ps.1,746.1 million at the end of 2017 and Ps.3,676.7 million at the end of 2018. This growth is equivalent to a CAGR of 39.0% over three 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 June 30, 2019, the size of the SME loan portfolio was Ps.5,249.0 million with 622 clients and a delinquency rate of 0.5%. For the six months ended June 30, 2019, our SME loan portfolio generated interest income of Ps.338.0 million, or 6.0% of our total interest income.

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.

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.

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 1,617 promoters and a network comprising 197 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 eight 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 June 30, 2019, we offered group loans through a network of 197 branches and 1,617 full-time promoters, reaching 217,016 customers in 27 states throughout Mexico. 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 June 30, 2019, 99.5% of our customers had acquired this insurance policy and we expect this trend to continue.

As of June 30, 2019, we had a Ps.445.4 million group loan portfolio with an average delinquency rate of 1.9%. As of June 30, 2019, the average group loan of our distributors had a principal amount of Ps.4,125 per group member, an average term of four months, and an average annual yield of 102.9% (taking into account the aggregate portfolio of our distributors). For the six months ended June 30, 2019, our group loan portfolio generated interest income of Ps.18.2 million, or 0.3% of our total interest 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 June 30, 2019, we had 1,617 promoters across 197 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.4,125 per group member, has an average term of four months and carries an average annual interest rate of 102.9%.

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.

As of June 30, 2019, we had 43,181 clients for our durable goods and other loans segment (including our Resuelve customers) and an outstanding portfolio of Ps.346.2 million. For the six months ended June 30, 2019, our durable goods and other portfolio generated interest income of Ps.24.5 million, or 0.4% of our total interest income.

Collection

In the event of a late or missed loan payment, collection efforts will be conducted.

(i) For payroll loans, the collection effort will be conducted by our distributors, each of which has direct contact with the government agencies, labor unions and borrowers. We participate by informing the distributor of late payments. In case of a loss, we will share the loss with the distributor in accordance with the terms of the applicable loss agreement.

(ii) For used car loans, each car outside of the United States has a GPS system that allows us to know in real-time where the car is located at all times. In addition, all cars are insured.

(iii) For SME loans, we have certain warranties that support the loans.

(iv) For durable goods loans, our call center will contact the borrower directly and attempt to recover the payment.

(v) For group loans, the promoter, in concert with other members of the group, will handle the collection effort. We assess delinquency of the loans based on a four-day internal payment metric and determine what additional measures need to be taken after a loan becomes delinquent.

On December 14, 2015, we acquired a 55.2% equity interest in CAT 60, S.A.P.I. de C.V., the holding company of Resuelve. Resuelve offers services aimed at repairing individuals' credit standing by establishing a customer savings program and restructuring the customer's debt with its creditors. As of June 30, 2019, Resuelve had 42,983 customers in Mexico, managing Ps.4,023.0 million in debt, without assuming the credit risk associated with lending

to a customer. In 2014, as part of a strategy to expand this business, Resuelve began operations in Colombia and launched new lines of business, such as a product to manage the accounting of small businesses through an innovative technology platform. Finally, in 2015, we made a minority investment in Credilikeme, an internet-based consumer loan platform in which we have an equity stake of 35.5%. Credilikeme allows clients to obtain same-day consumer loans with an average principal amount of Ps.2,708.0 through an online platform. Credilikeme does not require a credit score but instead operates under a reward system. First-time clients initially have access to smaller loan amounts, but if the client repays the loan, Credilikeme provides clients with access to a larger loan amount, a lower interest rate and a longer term loan.

Instacredit

On February 22, 2016, we acquired a 70% equity interest in Instacredit. Since the acquisition date, Instacredit is consolidated into Credito Real's financial statements. 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 consumer loan-based company that has 65 branches 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: consumer loans, car loans, SME loans and home equity loans. For the six months ended June 30, 2019, our consumer loan portfolio generated interest income of Ps.1,363.9 million, or 24.0% of our total interest income.

As of June 30, 2019, Instacredit represented Ps.4,692.4 million, or 11.4%, of our loan portfolio. Instacredit has a well-recognized brand with a multi-product platform, over 18 years of experience and 65 branches located in Costa Rica, Nicaragua and Panama with a large base of customers. Instacredit primarily offers: consumer loans, car loans, SME loans and home equity loans. For the six months ended June 30, 2019, our Instacredit portfolio generated interest income of Ps.1,363.9 million, or 24.0% of our total interest income.

Consumer Loans

Consumer 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 consumer loans are unsecured, the average interest rate in Costa Rica is 62.2%, 62.2% in Nicaragua and 59.9% in Panama, with an average duration of 40 months. All consumer loans represent 52.5% of the Instacredit's loan portfolio As of June 30, 2019.

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 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, for which 100% of the auto loans are secured.

As of June 30, 2019, auto loans represented 35.8% of Instacredit's active loan portfolio with an average interest rate of 49.6% in Costa Rica, 50.1% in Nicaragua and 44.2% in Panama.

SME Loans

SME Loans are granted to small and medium enterprises (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 a site-visit to clients businesses must be conducted as a requirement for eligibility for a loan.

As an underwriting procedure, the SME must present valid bills, financial statements or any other way to prove financial capability to confront the monthly installments. SME loans are collateralized with asset that the analyst considers valuable enough to serve as collateral, such as trucks, cars, real estate or any other personal.

As of June 30, 2019, SME loans represented 9.1% of the active loan portfolio with an average interest rate of 55.2% in Costa Rica, 58.0% in Nicaragua and 62.9% in Panama.

Home Equity Loans

Home equity loans are loans granted to clients that are looking to renovate their home and are willing to set the asset as collateral. In order for the house to be approved as collateral, the house must not have another mortgage in place with any other entity. The size of the loan is subject to the valuation of the asset performed by an authorized appraisal agent, the average loan-to-value for this product is 30% to 60%.

Home Equity Loans represent 2.6% of Instacredit's loan portfolio with an average interest rate of 52.0% in Costa Rica and 46.8% in Panama.

General Underwriting Procedure

The general underwriting procedure is similar for the four loan types offered to Instacredit clients. This procedure 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. The mentioned ratio must not exceed 50%. The analyst will also examine the income sources provided by the potential client to determine the maximum amount that can be offered to the client. The data verification and the credit evaluation process, in 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 66%, banks collect 21%, and Instacredit partners collect the remaining 13%.

In order to collect more efficiently, Instacredit has a collection call center in each of the countries it operates, the call center has specialized collection staff. As of June 2019, over 164 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
BETO Le presta	Costa Rica	Personal loans	2	24 hours
eCREDIT SOLUCIONES	Costa Rica	Personal and credit cards	1	24 hours
CORPORACION EL SOL	Panama	Personal loans	52	2 hours
GOVIMAR PRESTAMOS	Panama	Personal loans	14	24 hours

Competitive Strengths

Instacredit's branch-based business model provides accessibility to clients all around Costa Rica, Nicaragua and in Panama to an immediate financial solution 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 16 years of experience, strong brand positioning and expertise has allowed it to create an operational model highly developed to best fit potential and actual customer needs. With the support of its technological platform, it can fulfill any request of internal and external clients providing the best customer experience possible. In its frequent effort to deliver the best possible customer service, Instacredit has a permanent marketing campaign, market research and customer service evaluation through all its branches and call center. This has allowed it to become the top-of-mind choice of its target market when it comes to cover a financial need.

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 audits.

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 June 30, 2019, there were a total of 605 individuals working at Crédito Real. The following table sets forth the number of our full-time employees and their positions:

Position	Number of Employees
Operational and Administrative	514
Managers	79
Officers	12

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. 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, CrediEquipos, 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 12 directors, including six 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 April 8, 2019.

The following individuals currently serve on our board of directors:

Name	Title	Age
Ángel Francisco Romanos Berrondo	Chairman	51
Eduardo Berrondo Avalos	Member	60
Jose Luis Berrondo Avalos	Member	67
Moises Rabinovitz Ohrenstein (*)	Member	61
Isser Rabinovitz Stern (*)	Member	35
Allan Cherem Mizrahi	Member	37
Gerardo Ciuk Diaz	Member	55
Juan Pablo Zorilla Saavedra	Member	37
Jose Eduardo Esteve Recolons (*)	Member	51
Gilbert Sonnery Garreau-Dombasle (*)	Member	65
Raul Alberto Farias Reyes (*)	Member	36
Enrique Alejandro Castillo Badia (*)	Member	38

The following individuals are alternate directors:

Name	Title	Age
Luis Berrondo Barroso	Alternate	36
Aby Litjszain Chernizky (*)	Alternate	40
Marcos Shemaria Zlotorynski (*)	Alternate	57
Francisco Javier Velasquez Lopez	Alternate	36
Jorge Esteve Recolons (*)	Alternate	50
Enrique Saiz Fernandez (*)	Alternate	70

(*) Independent directors.

During December 2013, Guillermo Javier Solórzano Leiro was designated as Secretary of our board of directors and Gabriela Espinosa Cantú was designated as Alternate Secretary in the board of directors meeting of April 25, 2017 and they were confirmed during our ordinary shareholders' meeting held on April 8, 2019.

Below are brief biographical descriptions of our directors:

Ángel Francisco Romanos Berrondo. Mr. Romanos is our Chief Executive Officer and Chairman of the board, serving on our board for 22 years. He was Treasurer of Mabe, S.A. de C.V., from 1987 through 1993 and Manager of International Business of CB Capitales, 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 an M.B.A. with a specialty in finance and statistics from the Wharton School of Business.

José Luis Berrondo Avalos. Mr. Berrondo is a shareholder of Crédito Real and has served on our board for 24 years. He 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 M.B.A. 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 and "AD2" certificate from IPADE.

Moisés Rabinovitz Ohrenstein. Mr. Rabinovitz has been chairman of Directodo's board of directors since its foundation in 2006. He has been chairman of the board of directors of Grupo Kon and its subsidiaries since 1997. He served as an advisor to MundiHogar from 1988 to 2003 and as General Director from 1995 to 2003. He was an advisor to and the General Director of Electrónicos y Muebles Ibser from 1982 to 1995. He holds a degree in business administration from the Technological Institute of Superior Studies of the West (*Instituto Tecnológico y de Estudios Superiores de Occidente*, or ITESO).

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 Technological Institute of Superior Studies of Monterrey (*Instituto Tecnológico de Estudios Superiores de Monterrey*).

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 an M.B.A. from Babson College with a specialty in entrepreneurship.

Gerardo Ciuk Díaz. Mr. Ciuk was Chief Executive Officer and a member of the board of directors of *Mexicana de Autobuses.* From 2000 to 2004, Mr. Ciuk was the President of the board of directors of Grupo Ambar. From 2000 to 2010, Mr. Ciuk was Chief Executive Officer and President of the board of directors of Grupo Mexicano en Apoyo a la Economía Familiar. From 2010 to date, Mr. Ciuk has been the President of the board of directors of Gear Alimentos, and since 2014, he has been General Director and a member of the board of directors of Cr-Fact. Mr. Ciuk holds a degree in Business Administration from Universidad Anáhuac.

Juan Pablo Zorrilla Saavedra. He is the founder and Co-Chief Executive Officer of Resuelve tu Deuda. Mr. Zorrilla was editorial advisor at Grupo Reforma, associate at Barclays and senior manager at Prudential Financial. He currently teaches the entrepreneurship class at Universidad Iberoamericana. Mr. Zorrilla holds a degree in industrial engineering from Universidad Iberoamericana and an M.B.A. from Stanford.

José Eduardo Esteve Recolons. Independent Director. Mr. Esteve has served in our board for 11 years. From 1994 through 2002, he was Director of Retail Banking at Bital and from 2002 through 2005, he was Director of Personal Financial Services at HSBC. He is currently the Chief Executive Officer of Comercial del Bosque, S.A. de C.V. Mr. Esteve is also on the board of directors of Controladora Mabe, S.A. de C.V. and Agrofinanzas. Mr. Esteve holds an M.B.A. from Southern Methodist University.

*Gilbert Sonnery Garreau-Dombas*le. 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 USA and Textile Engineering in France. Mr. Sonnery concluded a business certification (*Programa de Alta Dirección, AD-2*) at 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 financial institutions and corporate clients (domestic and foreign) such as Citibank, Bank of Tokyo, Citibanamex, Goldman Sachs, Jefferies and Deutsche Bank, among others. 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 in Finance from the National University of Singapore and a Master of Laws from New York University.

Enrique Alejandro Castillo Cantú. Independent Director. Mr. Castillo has over 13 years of private equity experience. Currently, he is a Managing Director at the H.I.G. Capital headquarters 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 INSEAD and graduated with academic excellence from the Universidad Iberoamericana in Mexico City 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	25
Carlos Enrique Ochoa Valdés	Deputy Chief Executive Officer / Chief Financial Officer	22
Luis Carlos Aguilar Castillo	Commercial Officer for Payroll Loans	23
Claudia Patricia Jolly Zarazúa	Treasurer	21
Luis Calixto López Lozano	General Counsel	18
Adalberto Robles Rábago	Human Resources Officer	11
José Juan Gonzalez Abundis	Chief Operations Officer	10
Luis Arturo Magallanes Mantecon	Chief Marketing Officer	6
Luis Berrondo Barroso	M&A Officer	4
Pablo Federico Bustamante González	Controller	2
Felipe Guelfi Regules	Business Officer	2
Hector Huelgas Lamas	Internal Audit Officer	3

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 for 25 years. He was also Treasurer of Mabe, S.A. de C.V., from 1987 through 1993 and Manager of International Business of CB Capitales, S.A., from 1994 through 1996. Mr. Romanos sits on the board of Mabe, S.A. de C.V. and holds an M.B.A. 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 Mexico ("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 M.B.A. 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, Citibanamex (Banco Nacional de México) and Monroy Petersen. Mrs. Jolly has an extensive and solid experience in investment banking, business strategy, investment projects and in corporate finance industry. Mrs. Jolly holds a degree in Business Administration and has an M.B.A. and a Diploma in Financial Derivatives all from the ITAM. She also has a Diploma in Direction Program D-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 *Instituto Tecnológico Autónomo de México*, or ITAM, and holds a master's degree in corporate law 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 from the Instituto Tecnológico de Monterrey and holds a master's degree in finance from the same institution.

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 ("LIM").

Luis Arturo Magallanes Mantecon. Mr. Magallanes is our Chief Marketing Officer. He has over twenty years of international management, sales and marketing experience. Mr. Magallanes previously worked at Coca-Cola in different positions, such as marketing director and regional director for The Coca Cola Company. At the Panamco Group (FEMSA), he served as vice president of marketing for Mexico, vice president of marketing for Brazil and vice president of marketing for Latin America. He has also served as marketing director for DHL Mexico.

Luis Berrondo Barroso. Mr. Berrondo has been our Mergers and Acquisitions (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 and partner at VARIV Capital from 2014 to 2015. Mr. Berrondo holds an M.B.A. 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 Project Manager since 2016. Mr. Guefi 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 Huelgas Lamas. Mr. 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 16 years of experience in auditing. 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.

Audit Committee

The Audit Committee is made up of three members: Mr. José Eduardo Esteve Recolons, Mr. Gilbert Sonnery Garreau-Dombasle and Mr. Enrique Alejandro Castillo Badía who were ratified as members of the Audit Committee by the ordinary shareholders' meeting held on April 8, 2019. 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: Mr. Gilbert Sonnery Garreau-Dombasle, Mr. José Eduardo Esteve Recolons and Enrique Alejandro Castillo Badía, who were ratified members of the Corporate Practices Committee by the ordinary shareholders' meeting held on April 8, 2019. The chairman of the Corporate Practices Committee is Mr. Gilbert Sonnery Garreau-Dombasle. 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 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; and
- 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 June 30, 2019, the aggregate compensation paid to our directors and executive officers was Ps.33.0 million

On April 8, 2019, the general shareholder's meeting adopted a resolution approving a payment of Ps.26,500 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.

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 aims to achieve the benefits of universal banking 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 general provisions issued by the CNBV in connection with prevention of transactions with illegal funds.

Pursuant to the article 78, 3rd paragraph of 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 (other than debt instruments), 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.

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. 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, the possibility of imposing such limits is subject to any future reform or amendment to applicable normativity. The Mexican Supreme Court of Justice has recently ruled that Mexican judges have the authority to reduce an interest rate if they determine it to be an unfair interest rate even if such reduction has not been solicited by the debtor, therefore the possibility of imposing such limits has been and continues to be debated by the Mexican Congress and Mexican regulation authorities.

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 the *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 transmission 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, 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, 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 accumulate 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 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. 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.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the ownership of our capital structure as of June 30, 2019.

Shareholder	Number of shares	%
Founding Shareholders[(1)]	117,640,482	30.985
Free Float	262,027,408	69.015
Total	**379,667,890**	**100.00**

(1) 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 Crédito Real. The members of the Berrondo family, as a group, could exercise significant influence over Crédito Real. 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 Crédito Real and seven other members of the Berrondo family each have more than 2% and less than 5% of the issued and outstanding shares of Crédito Real. 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 Crédito Real.

Crédito Real has no knowledge of any commitment that may result in a change of control of its shares. 101,029,081 shares of Crédito Real 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.

CERTAIN RELATIONSHIPS AND 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, 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 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, we paid Chapultepec a total of Ps.4.7 million, Ps.2.9 million and Ps.5.1 million, and Ps.1.8 million and Ps.4.6 million respectively.

Servicios Chapultepec became a wholly-owned subsidiary of Crédito Real as a result of the merger of Futu-Iem into Crédito Real.

Technical Assistance Contract with Servej

On May 30, 2001, Servej executed a service contract for technical assistance pursuant to provided us with certain professional and consulting services. In 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, we paid Servej a total of approximately Ps.5.0 million, Ps.1.4 million. In 2018 and in the six months ended June 30, 2018 and 2019 there were no payments to Servej.

Servej is an affiliate of Crédito Real in which the shareholders of Crédito Real hold more than 10% of the shares.

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 auditors who are specialists in the development of studies on transfer pricing for the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2018 and 2019.

The following table summarizes our related party transactions in the years ended December 31, 2016, 2017, and 2018 and the six months ended June 30, 2018 and 2019.

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.

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,			Six Months Ended June 30,	
Related Party	Type of Transaction	2016	2017	2018	2018	2019
				(in pesos)		
Autos Latitud 25	Accrued Interest For	590,926	-	-	-	-
Bluestream Capital, S.A. de C.V.	Accrued Interest For	6,873,134	9,110,179	7,434,040	1,977,002	4,313,623
CAT 60, S.A.P.I. de C.V.	Accrued Interest For	10,216,800	-	14,525,694	3,278,694	7,948,135
CEGE Capital, S.A.P.I. de C.V., SOFOM E.N.R.	Accrued Interest For	24,622,484	28,268,021	9,907,660	6,513,647	12,191,285
Coco Colima, S.A. de C.V.	Accrued Interest For	-	43,627	-	-	-
Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R.	Accrued Interest For	29,333	2,528	-	-	-
Creal Arrendamiento, S.A. de C.V.	Accrued Interest For	869,097	36,528,190	153,893,183	53,694,642	144,073,855
Creal Dallas, LLC	Accrued Interest For	930,024	-	-	-	-
Crédito Real USA Finance	Accrued Interest For	13,199,306	17,656,069	12,286,058	4,016,448	11,845,732
CR-Fact, S.A.P.I. de C.V.	Accrued Interest For	31,421,702	43,028,462	75,992,004	33,752,245	53,702,638
CR MPM, LLC	Accrued Interest For	70,729,747	-	88,904,890	54,534,120	30,034,929
Grupo Empresarial Maestro S.A. de C.V.	Accrued Interest For	2,846,062	-	-	-	-
H Financieros S.A. de C.V., SOFOM, E.N.R.	Accrued Interest For	4,136,179	-	-	-	-
Instacredit, S.A. (Costa Rica)	Accrued Interest For	2,969,659	-	-	-	-
Instacredit, S.A. (Nicaragua)	Accrued Interest For	39,907,848	-	-	-	-
Marevalley Corporation, S.A.	Accrued Interest For	1,174,566	96,445,340	115,592,189	59,250,402	50,006,488
OFEM D.F., S.A. DE C.V.	Accrued Interest For	-	875,000	-	-	-

		Amounts Paid				
		Year Ended December 31,			Six Months Ended June 30,	
Related Party	**Type of Transaction**	**2016**	**2017**	**2018**	**2018**	**2019**
Servicios Adquiridos, S.A. de C.V.	Accrued Interest For	-	15,642,125	-	-	-
CR-Fact, S.A.P.I. de C.V.	Assignment Of Portfolio	-	-	-	-	-
Directodo México, S.A.P.I. de C.V.	Assignment Of Portfolio	1,222,771,539	1,283,408,588	1,258,497,589	586,878,970	857,964,162
OFEM D.F., S.A. DE C.V. (antes "Grupo Empresarial Maestro S.A. de C.V.")	Assignment Of Portfolio	1,964,663,546	1,515,304,446	1,533,887,405	902,878,646	1,007,952
CEGE Capital, S.A.P.I. de C.V., SOFOM E.N.R.	Assignment Of Portfolio	157,650,365	-	-	-	-
H Financieros S.A. de C.V., SOFOM, E.N.R.	Assignment Of Portfolio	234,619,851	156,178,865	130,318,563	57,481,035	79,750,921
Bluestream Capital, S.A. de C.V.	Assignment Of Portfolio	18,095,806	-	-	-	-
OFEM D.F., S.A. DE C.V.	Assignment Of Portfolio	81,118,288	-	-	-	-
Publiseg, S.A.P.I. de C.V., SOFOM, E.N.R.	Assignment Of Portfolio	871,309,132	531,253,115	732,485,525	413,599,422	732,485,525
CR MPM, LLC	Assignment Of Portfolio	1,113,799,387	-	-	-	-
Aventuras y Expediciones de Los Cabos, S.A. de C.V.	Financial Leasing	3,891,885	595,753	-	-	-
Bluestream Capital, S.A. de C.V.	Financial Leasing	-	171,742	140,046	70,340	59,252
Coco Colima, S.A. de C.V.	Financial Leasing	-	363,614	580,149	248,667	317,261
CR-Fact, S.A.P.I. de C.V.	Financial Leasing	-	-	-	-	-
Directodo México, S.A.P.I. de C.V.	Financial Leasing	-	1,870,692	2,524,616	1,440,940	571,059
OFEM D.F., S.A. DE C.V.	Financial Leasing	-	2,817,072	3,291,332	1,841,441	168,254
CR MPM, LLC	Income Services		2,463,018	-	-	-
Directodo México, S.A.P.I. de C.V.	Income Services	16,740,016	44,868,867	81,610,396	39,063,233	48,923,989
Eventos Tenisticos	Income Services	-	17,210	-	-	-
CAT 60, S.A.P.I. de C.V.	Marketing Services		699,983			-
H Financieros S.A. de C.V., SOFOM,	Marketing Services	10,588,643	-	-	-	-

		Amounts Paid				
		Year Ended December 31,			Six Months Ended June 30,	
Related Party	**Type of Transaction**	**2016**	**2017**	**2018**	**2018**	**2019**
E.N.R.						
Reparadora RTD, S.A. de C.V.	Marketing Services	150,000	-	-	-	-
CEGE Capital, S.A.P.I. de C.V., SOFOM ENR	Payroll Services	-	10,031,487	9,907,660	6,513,647	12,191,285
Coco Colima, S.A. de C.V.	Payroll Services	-	42,665	-	-	-
Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R.	Payroll Services	77,929	-	-	-	-
Servicios Corporativos Chapultepec, S.A. de C.V.	Payroll Services	4,736,246	2,918,316	5,109,469	1,804,788	4,656,716
Servej, S.A. de C.V.	Personal Services	5,091,781	1,432,065	-	-	-

(1) Creal Dallas was absorbed by and merged into Credito Real USA in 2017.

DESCRIPTION OF THE NOTES

We will issue the notes under an Indenture, to be dated the Issue Date, between us and The Bank of New York Mellon, as trustee (the "Trustee"). The terms of the notes include those stated in the Indenture and those made a part of the Indenture by reference to the Trust Indenture Act of 1939 (the "TIA"). The Indenture is not, however, required to be nor will it be qualified under the TIA and will not incorporate by reference all provisions of the TIA. We summarize below certain provisions of the Indenture, but do not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights. You can obtain a copy of the Indenture in the manner described under "Additional Information," and, for so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange, at the office of the paying agent in Luxembourg.

You can find the definition of capitalized terms used in this section under "—Certain Definitions." When we refer to:

- *the Company in this section, we mean Crédito Real, S.A.B. de C.V., SOFOM, E.N.R., and not any of its subsidiaries; and*

- *notes in this section, we mean the notes originally issued on the Issue Date and Additional Notes.*

General

The notes will:

- be general unsecured obligations of the Company;

- rank equal in right of payment with all other existing and future Senior Indebtedness of the Company (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 existing and future Subordinated Indebtedness of the Company, if any;

- be effectively subordinated to all existing and future Secured Indebtedness of the Company to the extent of the value of the assets securing such Indebtedness; and

- be structurally subordinated to all existing and future Indebtedness and trade payables of the Company's Subsidiaries that are not Guarantors.

As of June 30, 2019, we had a total indebtedness (excluding accrued interest and mark-to-market) of Ps. 36,310.4 million (US$1,890.3 million), of which Ps. 8,913.5 million (US$464.0 million) was secured by collateral. After giving pro forma effect to the offer and sale of the notes and the application of the net proceeds from this offering as described under "Use of Proceeds," we would have had total indebtedness (excluding accrued interest) of Ps.40,494.8 million (US$2,108.1 million).

Additional Notes

Subject to the limitations set forth under "—Certain Covenants —Limitation on Incurrence of Additional Indebtedness," the Company and its Subsidiaries may incur additional Indebtedness. At the Company's option, this additional Indebtedness may consist of additional notes ("Additional Notes") issued by the Company in one or more transactions, which have identical terms (other than issue date and issue price) as the notes issued on the Issue Date; *provided* that such Additional Notes are issued as part of the same issue or as part of a qualified reopening for U.S. federal income tax purposes. Holders of Additional Notes would have the right to vote together with holders of notes issued on the Issue Date as one class.

Principal, Maturity and Interest

The Company will issue notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes will mature on February 1, 2027, at which time the principal amount of the notes outstanding on such date will become due and payable. The redemption price of the notes outstanding on such date will be 100.0%, plus accrued and unpaid interest and Additional Amounts thereon; however, the Company may redeem the notes, at its option, in whole or in part prior to such date. See "—Optional Redemption" below. The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will accrue at the rate of 5.000% per annum and will be payable semi-annually in arrears on each February 1 and August 1 of each year, commencing on February 1, 2020. Payments will be made to the persons in whose names the notes are registered at the close of business on the last day on which Clearstream and Euroclear are open for business immediately preceding the related interest payment date.

Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on an annual basis (as computed using the ACTUAL/ACTUAL (ICMA) payment of the International Capital Markets Association). The redemption of notes with unpaid and accrued interest to the date of redemption will not affect the right of holders of record on a record date to receive interest due on an interest payment date.

Initially, the Trustee will act as Registrar and the Bank of New York Mellon London Branch will act as Paying Agent and Transfer Agent for the notes. The Company may change the Paying Agent and Registrar without notice to holders. Payments on the notes will be made at the office or agency of the Principal Paying Agent in London, United Kingdom. Application is expected to be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange. As long as the notes are listed on this market, the Company will also maintain a Paying Agent in Luxembourg.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal of or interest on the notes that remains unclaimed for two years, and, thereafter, holders entitled to any such money must look to the Company for payment as general creditors.

Form and Title

We will issue the notes in the form of one or more registered notes in global form without interest coupons. The notes will be deposited with a common depositary for, and in respect of interests held through, Euroclear Bank SA/NV, as operator of Euroclear and Clearstream and registered in the name of the common depositary's nominee. Beneficial interests in the global notes will be represented, and transfers of such beneficial interests will be effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes.

The registered holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Guarantees

The notes will be initially guaranteed by our Restricted Subsidiaries, Crédito Real, S.A. and Creal Nómina, S.A. de C.V. As of the Issue Date, all other Subsidiaries of the Company are Unrestricted Subsidiaries.

The Guarantors will, subject to applicable law, fully and unconditionally guarantee the full and punctual payment of principal, premiums, if any, interest, Additional Amounts and any other amounts that may become due and payable by the Company in respect of the notes and under the Indenture (a "Note Guarantee"). The Note

Guarantees will provide that the Guarantors will immediately pay any amount that the Company fails to punctually pay but is required to pay pursuant to the terms of the notes and/or the Indenture.

All of our Restricted Subsidiaries will provide a subsidiary guarantee with respect of the notes on the Issue Date. Not all of our future Restricted Subsidiaries will guarantee the notes. The Note Guarantees will not be secured by any of the assets or properties of the Guarantors. As a result, if the Guarantors are required to pay under the Note Guarantees, holders of the notes would be unsecured creditors of the Guarantors. The Note Guarantees will not be subordinated to any of the Company's or the Guarantors' other unsecured debt obligations.

If, after the date of the Indenture, the Company or any of its present or future Restricted Subsidiaries acquires or creates a Restricted Subsidiary that is an Eligible Subsidiary after giving effect to that transaction or an existing Restricted Subsidiary becomes an Eligible Subsidiary, the Company must cause such Eligible Subsidiary to provide a Note Guarantee.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

The Note Guarantee of a Guarantor will terminate upon:

(1) a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture,

(2) if the Note Guarantee was required pursuant to the terms of the Indenture, the cessation of the circumstances requiring the Note Guarantee,

(3) the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary, or

(4) defeasance or discharge of the notes, as provided in "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

In the event of a bankruptcy, liquidation or reorganization of non-guarantor Subsidiaries, these non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us. In addition, holders of minority equity interests in Subsidiaries may receive distributions prior to or *pro rata* with the Company depending on the terms of the equity interests. See "Risk Factors—Risks Relating to the Notes—Payments on the notes will be effectively junior to any of our secured indebtedness and structurally junior to debt obligations of our subsidiaries that are not guarantors."

Additional Amounts

We are required by Mexican law to deduct Mexican withholding taxes, and pay such taxes to the Mexican tax authorities, from payments of interest on the notes (and amounts deemed interest pursuant to Mexican law, as any discount on the principal amount of the notes) made to investors who are not residents of Mexico for tax purposes, and will pay additional amounts on those payments to the extent described in this subsection.

The Company and the Guarantors will pay to holders of the notes additional amounts ("Additional Amounts") that may be necessary so that every net payment of interest, any premium paid upon redemption of the notes or principal to holders of the notes will not be less than the amount provided for in the notes. By net payment, we mean the amount we or our paying agent pay the holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by a Mexican taxing authority or any other jurisdiction in which the Company (or the relevant Guarantor) is organized or resident for tax purposes or from or through which payment on the notes or the Note Guarantees is made (a "Relevant Jurisdiction"), or any political subdivision or taxing authority thereof or therein ("Taxes").

Our obligation to pay Additional Amounts is subject to several important exceptions, however. The Company, and the Guarantors will not pay Additional Amounts to any holder for or solely on account of any of the following:

- any Taxes imposed solely because at any time there is or was a connection between the holder or beneficial owner of the note and the Relevant Jurisdiction (or any political subdivision or taxing authority thereof or therein), including such holder or beneficial owner (i) being or having been a citizen or resident thereof for tax purposes, (ii) maintaining or having maintained an office, permanent establishment, or branch, in all cases subject to taxation therein, or (iii) being or having been present or engaged in a trade or business therein (other than the receipt of payments or the ownership or holding of a note),

- any estate, inheritance, gift, transfer, personal property or similar tax, assessment or other governmental charge imposed with respect to the notes,

- any Taxes imposed solely because the holders or any other person having a beneficial interest in the notes fails to comply with any certification, information, documentation or other reporting requirement concerning the nationality, residence for tax purposes or identity of the holders or any beneficial owner of the note, if compliance is required by statute, rule, regulation, officially published administrative practice of the taxing jurisdiction or by an applicable income tax treaty which is in effect and to which Mexico or any other Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax or other governmental charge and we (or the relevant Guarantor) have given the holders notice prior to the first payment date with respect to which we (or the relevant Guarantor) shall apply this clause, that such holder will be required to provide any such certification, information, documentation or reporting requirement,

- any withholding or deduction imposed on a payment by any tax authority other than Mexico or any other Relevant Jurisdiction,

- any Taxes with respect to such note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to the holders, whichever occurs later, except to the extent that the holders of such note would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 30-day period,

- any Taxes payable otherwise than by deduction or withholding from payments on the notes,

- any payment on the note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note,

- any taxes imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), as of the Issue Date and any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any law, regulation or practice adopted pursuant to any such intergovernmental agreement (collectively, "FATCA"), or

- any combination of any of the foregoing.

The limitations on our obligations to pay Additional Amounts stated in the third bullet point above will not apply if (a) the provision of the certification, information, documentation or other evidence described in such third bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note, taking into account any relevant differences between U.S. and Mexican law, rule, regulation or administrative practice, than comparable information or other reporting requirements imposed

under U.S. tax law (including the United States-Mexico income tax treaty), regulation and published administrative practice, or (b) with respect to taxes imposed by Mexico or any political subdivision or taxing authority thereof or therein, Article 166, section II, subsection a), of the Mexican Income Tax Law (or a substantially similar successor of such Article) is in effect, unless the provision of the certification, information, documentation or other evidence described in the third bullet is expressly required by statute, rule or regulation in order to apply Article 166, section II, subsection a), of the Mexican Income Tax Law (or a substantially similar successor of such Article), the Company, or the relevant Guarantor, cannot obtain such certification, information, documentation or other evidence on its own through reasonable diligence and the Company otherwise would meet the requirements for application of Article 166, section II, subsection a), of the Mexican Income Tax Law (or such successor of such Article) and regulations.

In addition, such third bullet point does not require, and should not be construed as requiring, that a holder or beneficial owner certify that it is or is not a non-Mexican pension or retirement fund or a non-Mexican financial institution for the purpose of establishing eligibility for an exemption from, or a reduction of, Mexican withholding tax or to provide information concerning whether it is or is not a tax-exempt pension or retirement fund.

Upon written request, the Company and the Guarantors will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Mexican taxes in respect of which we have paid any Additional Amount. We will make copies of such documentation available to the holders of the notes or the paying agent upon written request.

Any reference in this section, the Indenture, or the notes to principal, premium, interest or any other amount payable in respect of the notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this subsection.

In the event that Additional Amounts actually paid with respect to the notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto, including taking any action for such refund to be repaid.

In the event of any merger or other transaction described and permitted under "—Certain Covenants — Limitation on Merger, Consolidation and Sale of Assets," then all references to Mexico, Mexican law or regulations, and Mexican taxing authorities under this section "—Additional Amounts" (other than the fourth and fifth paragraphs above) and under "—Optional Redemption —Optional Redemption for Changes in Withholding Taxes" shall be deemed to also include the relevant Qualified Merger Jurisdiction, the law or regulations of the relevant Qualified Merger Jurisdiction, and any taxing authority of the relevant Qualified Merger Jurisdiction, respectively.

Optional Redemption

Except as stated below, the Company may not redeem the notes prior to October 1, 2022. On and after October 1, 2022, the Company will be entitled at its option to redeem all or a portion of the notes at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on October 1 of any year set forth below, plus any Additional Amounts then due, if any, plus accrued and unpaid interest to the date of the redemption:

Year	Percentage
2022	102.500%
2023	101.250%
2024 and thereafter	100.000%

Prior to October 1, 2022, the Company will have the right, at its option, to redeem any of the notes, in whole or in part, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to 100.0% of the principal amount of such notes, plus the Make-Whole Amount and accrued and unpaid interest to the date of redemption, plus Additional Amounts, if any.

"Make-Whole Amount" means, with respect to any note on any redemption date, the greater of: (1) 1.00% of the principal amount of such note on such redemption date and (2) the excess of:

(a) the present value at such redemption date of (x) the redemption price of such note on October 1, 2022 (such redemption price being described in the table above in this "—Optional Redemption" section exclusive of any accrued interest), *plus* (y) all required interest payments that would otherwise be due to be paid on such note during the period between the redemption date and October 1, 2022 (excluding accrued but unpaid interest), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)), at the applicable Comparable Government Bond Rate plus 50 basis points; over

(b) the outstanding principal amount of the note.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, the German government bond (*Bundesanleihe*) selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro-denominated corporate debt securities of a comparable maturity to the remaining term of such notes.

"Comparable Government Bond Price" means, with respect to any redemption date for the notes, (1) the arithmetic average as determined by the Independent Investment Banker of the Reference Government Bond Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Government Bond Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"Comparable Government Bond Rate" means, with respect to any redemption date for the notes, the rate per annum equal to the yield to maturity, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), on the third Business Day prior to the date fixed for redemption, calculated in accordance with customary financial practice in pricing new issues of comparable corporate debt securities paying interest on an annual basis (ACTUAL/ACTUAL (ICMA)) of the Comparable Government Bond, calculated using a price for the Comparable Government Bond (expressed as a percentage of its principal amount) equal to the Comparable Government Bond Price for such redemption date. The Comparable Government Bond Rate will be calculated by the Independent Investment Banker and reported to the Company on the third Business Day preceding the redemption date.

"Independent Investment Banker" means one of the Reference Government Bond Dealers appointed by the Company.

"Reference Government Bond Dealer" means each of Barclays Bank PLC, BNP Paribas and Morgan Stanley & Co. International plc, or their respective affiliates or successors which are primary Comparable Government Bond dealers, and no less than three other leading primary Comparable Government Bond dealers reasonably designated by the Company; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary Comparable Government Bond dealer, the Company shall substitute therefor another primary Government Bond dealer.

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any redemption date, the arithmetic average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Government Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Government Bond Dealer at 11:00 a.m., Central European Time (CET), on the third Business Day preceding such redemption date.

Optional Redemption upon Equity Sales

At any time, or from time to time, on or prior to October 1, 2022, the Company may, at its option, use the net cash proceeds of one or more Equity Sales to redeem up to 35% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture at a redemption price equal to 105.000% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption, plus Additional Amounts, if any; *provided*, that:

(1) after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture remains outstanding; and

(2) the Company shall make such redemption not more than 90 days after the consummation of such Equity Sale.

"Equity Sale" means an underwritten primary public offering for cash, after the Issue Date, of Qualified Capital Stock of the Company or of any direct or indirect parent of the Company (to the extent the proceeds thereof are contributed to the common equity of the Company).

Optional Redemption for Changes in Withholding Taxes

If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or any political subdivision or taxing authority or other instrumentality thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change in such laws, rules or regulations becomes effective on or after the date on which the notes we are offering are issued and, if applicable, after the date such Relevant Jurisdiction becomes a Relevant Jurisdiction (which, in the case of a merger, consolidation or other transaction permitted and described under "—Certain Covenants —Limitation on Merger, Consolidation and Sale of Assets," shall be treated for this purpose as the date of such transaction) (a "Tax Law Change"), we have (or the relevant Guarantor) become obligated, or will become obligated, in each case after taking all reasonable measures to avoid this requirement, to pay Additional Amounts in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to the notes (see "—Additional Amounts" and "Taxation —Mexican Taxation") (a "Withholding Tax Event"), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 60 nor more than 90 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any Additional Amounts due thereon up to but not including the date of redemption; *provided, however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we (or the relevant Guarantor) would be obligated to pay these Additional Amounts if a payment on the notes were then due and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this provision, we will deliver to the Trustee:

- a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred, and

- an opinion of legal counsel (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.

This notice, once delivered by us to the Trustee, will be irrevocable.

We will give notice to Euroclear and Clearstream pursuant to the provisions described under "—Notices" of any redemption we propose to make at least 30 days (but not more than 60 days) before the redemption date.

Optional Redemption Procedures

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements of the principal securities exchange or market, if any,

on which notes are listed or, if the notes are not then listed on a securities exchange or market, on a *pro rata* basis or by any other method as may be required in accordance with the procedures of Euroclear and Clearstream. No notes of a principal amount of €100,000 or less may be redeemed in part and notes of a principal amount in excess of €100,000 may be redeemed in multiples of €1,000 only.

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange, the Company will cause notices of redemption also to be published as provided under "—Certain Covenants —Notices." A new note in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the holder thereof and mailed to such holder upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

The Company will pay the redemption price for any note together with accrued and unpaid interest thereon through the date of redemption. On and after the redemption date, interest will cease to accrue on notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any notes by the Company, such redeemed notes will be cancelled.

Notwithstanding the foregoing provisions of this "—Optional Redemption" section, the Company and its Subsidiaries are not prohibited from acquiring the notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise.

Change of Control Triggering Event

Upon the occurrence of a Change of Control (a "Change of Control Triggering Event"), each holder will have the right to require that the Company purchase all or a portion (in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and any Additional Amounts, if any, through the date of purchase (the "Change of Control Triggering Event Payment").

Within 30 days following the date upon which the Change of Control Triggering Event occurred, the Company must send, by first-class mail, a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a "Change of Control Triggering Event Offer") and publish the Change of Control Triggering Event Offer in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). The Change of Control Triggering Event Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Change of Control Triggering Event Payment Date").

On the Change of Control Triggering Event Payment Date, the Company will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Triggering Event Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Change of Control Triggering Event Payment in respect of all notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

If only a portion of a note is purchased pursuant to a Change of Control Triggering Event Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

The Company will not be required to make a Change of Control Triggering Event Offer upon a Change of Control Triggering Event if (l) a third party makes the Change of Control Triggering Event Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Triggering Event Offer made by the Company and purchases all notes properly tendered and not withdrawn under the Change of Control Triggering Event Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

A Change of Control Triggering Event Offer may be made in advance of a Change of Control Triggering Event, and conditioned upon the occurrence of such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Triggering Event Offer. Notes repurchased by the Company pursuant to a Change of Control Triggering Event Offer will have the status of notes issued but not outstanding or will be retired and canceled, at the option of the Company. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

In the event that holders of not less than 95% of the aggregate principal amount of the outstanding notes accept a Change of Control Triggering Event Offer and the Company or a third party purchases all of the notes held by such holders, the Company will have the right, on not less than 30 nor more than 60 days' prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Triggering Event Offer described above, to redeem all of the notes that remain outstanding following such purchase at a purchase price equal to the Change of Control Triggering Event Payment plus, to the extent not included in the Change of Control Triggering Event Payment, accrued and unpaid interest, if any, on the notes that remain outstanding, to the date of redemption (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date).

Other existing and future Indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Company to repurchase the notes upon a Change of Control Triggering Event would cause a default under such Indebtedness even if the Change of Control itself does not.

If a Change of Control Triggering Event Offer occurs, there can be no assurance that the Company will have available funds sufficient to make the Change of Control Triggering Event Payment for all the notes that might be delivered by holders seeking to accept the Change of Control Triggering Event Offer. In the event the Company is required to purchase outstanding notes pursuant to a Change of Control Triggering Event Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations in respect of Senior Indebtedness. However, there can be no assurance that the Company would be able to obtain necessary financing.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of notes in connection with a Change of Control Triggering Event Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control Triggering Event" provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder to require the Company to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Certain Covenants

Suspension of Covenants

During any period of time that (i) the notes have Investment Grade Ratings from both Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "Covenant Suspension Event", and the date on which such Covenant Suspension Event occurs being referred to as a "Suspension Date"), the Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture described under:

- "—Limitation on Incurrence of Additional Indebtedness";
- "—Limitation on Guarantees";
- "—Limitation on Restricted Payments";
- "—Limitation on Asset Sales and Sales of Subsidiary Stock";
- "—Limitation on Securitization";
- "—Limitation on Designation of Unrestricted Subsidiaries";
- "—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";
- "—Limitation on Layered Indebtedness";
- clause (b) of "—Limitation on Merger, Consolidation or Sale of Assets"; and
- "—Conduct of Business" (collectively, the "Suspended Covenants").

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") one of the Rating Agencies withdraws its Investment Grade Rating or downgrades its rating assigned to the notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified as having been incurred pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness" below or one of the clauses set forth in clause (2) of "—Limitation on Incurrence of Additional Indebtedness" below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to the first or second clauses of "—Limitation on Incurrence of Additional Indebtedness," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause 2(c) of "—Limitation on Incurrence of Additional Indebtedness." Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under "—Limitation on Restricted Payments" will be made as though the covenant described under "—Limitation on Restricted Payments" had been in effect since the Issue Date and throughout the Suspension Period.
The Company will notify the Trustee of the occurrence of any Suspension Date or Reversion Date within 10 Business Days of its occurrence. After any such notice of the occurrence of a Reversion Date, the Trustee shall assume the Suspended Covenants apply and are in full force and effect.

Limitation on Incurrence of Additional Indebtedness

(1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, except that the Company and the Guarantors may Incur Indebtedness, including Acquired Indebtedness, if, at the time of and immediately after giving *pro forma* effect to the Incurrence thereof and the application of the proceeds therefrom the Capitalization Ratio of the Company is greater than 13.50%.

(2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may Incur the following Indebtedness ("Permitted Indebtedness"):

(a) Indebtedness in respect of the notes, excluding Additional Notes or guarantees thereof;

(b) Guarantees by any Restricted Subsidiary of Indebtedness of the Company Incurred in accordance with this covenant, which Guarantee is permitted under "—Limitation on Guarantees" below; *provided* that (i) if such Guarantee is of Subordinated Indebtedness then the Note Guarantee of such Guarantor shall be senior to such Guarantor's Guarantee of Subordinated Indebtedness and (ii) if such Restricted Subsidiary is not a Guarantor it shall simultaneously provide a Note Guarantee and become a Guarantor;

(c) Hedging Obligations entered into by the Company and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes, including, without limitation, Hedging Obligations in respect of the notes;

(d) intercompany Indebtedness between the Company and any Restricted Subsidiary or between any Restricted Subsidiaries; *provided* that:

(1) if the Company or any Guarantor is the obligor on any such Indebtedness owed to a Restricted Subsidiary that is not a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the notes and the Indenture, in the case of the Company, or such Guarantor's Note Guarantee, in the case of any such Guarantor; *provided* that the Company, its parent companies (if any) and any Guarantor shall agree to vote such Indebtedness, or provide their consents in connection with such Indebtedness, in any Mexican Restructuring, in a manner that is consistent with the vote of, or the consents provided by, the holders of the notes and other unaffiliated creditors of the same class as the notes, and

(2) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (e) at the time such event occurs;

(e) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(f) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or any Restricted Subsidiary, as the case may be, in order to provide for judicial deposits required in connection with any judicial or administrative proceeding, provide security for workers' compensation claims, payment obligations in connection with self-insurance, health, disability or other employee benefits or similar requirements in the ordinary course of business;

(g) Indebtedness in respect of bid, performance, surety bonds or *fianzas* in the ordinary course of business for the account of the Company or any of its Restricted Subsidiaries, including Guarantees or obligations of the Company or any Restricted Subsidiary with respect to letters of credit and/or *fianzas* supporting such bid, performance or surety obligations (in each case other than for the payment of borrowed money);

(h) Refinancing Indebtedness in respect of:

(1) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) of this covenant (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (l)), or

(2) Indebtedness Incurred pursuant to clauses (2)(a) and 2(j) of this covenant and other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any of the other clauses of this definition of Permitted Indebtedness;

(i) Capitalized Lease Obligations and Purchase Money Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed US$5.0 million (or the equivalent in other currencies) at any one time outstanding;

(j) Permitted Acquisition Indebtedness;

(k) (i) Capital Securities and (ii) any Refinancing of Capital Securities; *provided*, that, if such Refinancing of Capital Securities is made with the proceeds from Senior Indebtedness, (x) such Refinancing of Capital Securities is made as a result of the occurrence of a Capital Securities Redemption Event; or (y) a Credit Ratings Downgrade does not occur primarily as a result of a voluntary Refinancing of Capital Securities with the proceeds from Senior Indebtedness.

(l) indemnification, adjustment of purchase price, earn-out or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets of the Company or any Restricted Subsidiary or Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or equity interests for the purposes of financing or in contemplation of any such acquisition; *provided* that (1) any amount of such obligations included on the face of the balance sheet of the Company or any Restricted Subsidiary shall not be permitted under this clause (l) and (2) in the case of a disposition, the maximum aggregate liability in respect of all such obligations outstanding under this clause (l) shall at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiaries in connection with such disposition; and

(m) additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (x) US$100.0 million and (y) 15.0% of Consolidated Net Worth of the Company and its Restricted Subsidiaries at any time outstanding.

(3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant, (i) the outstanding principal amount of any item of Indebtedness will be counted only once, (ii) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP, and (iii) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the determination of any particular amount of Indebtedness will not be included. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (2) of this covenant will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision. For purposes of determining compliance with this "Limitation on Incurrence of Additional Indebtedness" covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (2)(a) through (2)(m) above, or is entitled to be incurred pursuant to clause (1) of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses, although the Company may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later re-divide or reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant. Notwithstanding any other provision of

this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values. For the avoidance of doubt, any Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date is deemed not to be Incurred.

(4) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the Incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be a provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent of the Indebtedness Refinanced, except to the extent that (x) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (y) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess will be determined on the date such Refinancing Indebtedness is Incurred.

Limitation on Guarantees

The Company will not permit any Restricted Subsidiary of the Company to Guarantee any Indebtedness of the Company in excess of US$10.0 million, unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee the notes on an equal and ratable basis with such Guarantee for so long as such Guarantee remains effective, and in an amount equal to the amount of Indebtedness so Guaranteed. Any Guarantee by any such Restricted Subsidiary of Subordinated Indebtedness of the Company will be subordinated and junior in right of payment to the contemporaneous Guarantee of the notes by such Restricted Subsidiary.

In the event that any Restricted Subsidiary is required to Guarantee the notes in accordance with the preceding paragraph, such Restricted Subsidiary will be released and relieved of its obligations under such Guarantee in the event:

(1) there is a Legal Defeasance or a Covenant Defeasance of the notes;

(2) there is a sale or other disposition of Capital Stock of such Restricted Subsidiary following which such Restricted Subsidiary is no longer a direct or indirect Subsidiary of the Company; or

(3) such Restricted Subsidiary is designated as an Unrestricted Subsidiary;

provided that, in each case, such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions of the Indenture.

Limitation on Restricted Payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

- dividends or distributions payable in Qualified Capital Stock of the Company,
- dividends or distributions payable to the Company and/or a Restricted Subsidiary, or

- dividends, distributions or returns of capital made on a *pro rata* basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

(b) purchase, redeem or otherwise acquire or retire for value:

- any Capital Stock of the Company, or

- any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Company (other than a Restricted Subsidiary) or any Preferred Stock of a Restricted Subsidiary, except for Capital Stock held by the Company or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a *pro rata* basis from the Company and/or any Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand, according to their respective percentage ownership of the Capital Stock of such Restricted Subsidiary;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness or any Capital Securities (excluding (x) any intercompany Indebtedness owed to the Company and/or any Guarantor, (y) any intercompany Indebtedness between Restricted Subsidiaries that are not Guarantors, or (z) the purchase, repurchase or other acquisition of Indebtedness that is contractually subordinate or otherwise junior in right of payment to the notes, purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case within one year of such date of purchase, repurchase or acquisition); or

(d) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to Incur at least US$1.00 of additional Indebtedness pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness"; or

(3) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof, shall exceed the sum of:

(A) 50.0% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100.0% of the loss, accrued during the period, treated as one accounting period, beginning on the first day of the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*

(B) 100.0% of the aggregate net proceeds, including cash and the Fair Market Value of property used in a Permitted Business (other than cash and securities), received by the Company from any Person from any:

- contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Company, in each case, subsequent to the Issue Date,

- issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company, or

- issuance and sale subsequent to the Issue Date of any Capital Securities,

excluding, in each case, any net proceeds:

(x) received from a Restricted Subsidiary of the Company; or

(y) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; *plus*

(C) any Investment Return; *plus*

(D) US$20.0 million.

Notwithstanding the preceding paragraph, this covenant does not prohibit:

(1) the payment of any dividend or distribution or the consummation of any irrevocable redemption of Subordinated Indebtedness within 60 days after the date of declaration of such dividend or distribution or giving of the redemption notice, as the case may be, if the dividend, distribution or redemption would have been permitted on the date of declaration or notice pursuant to the preceding paragraph; *provided* that such redemption shall be included (without duplication for the declaration) in the calculation of the amount of Restricted Payments;

(2) the making of any Restricted Payment,

(x) in the form of Qualified Capital Stock of the Company,

(y) through the application of the net proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company, or

(z) through the application of the net proceeds received by the Company from a substantially concurrent issuance or sale of Capital Securities;

provided that the value of any such Qualified Capital Stock or Capital Securities used or the net proceeds of which are used to make a Restricted Payment pursuant to this clause (2) shall be excluded from clause (3)(B) of the first paragraph of this covenant;

(3) the prepayment, exchange, refinancing, replacement, purchase, redemption, retirement, defeasance, refund or other acquisition for value of Subordinated Indebtedness (w) in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of Refinancing Indebtedness for such Subordinated Indebtedness, (x) in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of Indebtedness Incurred pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness"; *provided* that, with respect to this clause (x), (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to the relevant transaction and (ii) no Credit Ratings Downgrade shall have resulted from the relevant transaction, (y) in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of Indebtedness Incurred pursuant to clause (2)(k) of "—Limitation on Incurrence of Additional Indebtedness"; *provided* that, with respect to this clause (y), no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to the relevant transaction, or (z) in exchange for cash on hand (other than cash received as a result of the Incurrence of Indebtedness of the type specified in the foregoing clauses (w), (x) and (y)); *provided* that, with respect to this clause (z), (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to the relevant transaction and (ii) no Credit Ratings Downgrade shall have resulted from the relevant transaction.

(4) repurchases by the Company of Common Stock of the Company or options, warrants or other securities exercisable or convertible into Common Stock of the Company from any current or former employees, officers, directors or consultants of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of such employees, officers or directors, or the termination of retention of any such consultants, in an amount not to exceed US$2.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years up to a maximum of US$2.0 million) plus the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries;

(5) the repurchase of Capital Stock deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock represents a portion of the exercise price of those stock options or warrants;

(6) if no Default or Event of Default shall have occurred and be continuing, the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Capital Stock of the Company or any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant "—Limitation on Incurrence of Additional Indebtedness";

(7) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Company pursuant to and in accordance with the terms of a "change of control" covenant set forth in the Indenture or other agreement pursuant to which such Subordinated Indebtedness is issued and such "change of control" covenant is substantially similar to the Change of Control Triggering Event provision included in the Indenture; *provided* that the Company (or another Person) has repurchased all notes required to be repurchased by the Company under the caption "Change of Control Triggering Event" prior to the purchase, redemption or other acquisition or retirement for value of such Subordinated Indebtedness pursuant to the applicable "change of control" covenant;

(8) if no Default or Event of Default shall have occurred and be continuing, the purchase by the Company of fractional shares arising out of stock dividends, splits or combinations or business combinations; *provided* that such purchases are not made for the purposes of circumventing the provisions of this covenant; and

(9) if no Default or Event of Default shall have occurred and be continuing, other Restricted Payments in an aggregate amount not to exceed US$10.0 million per annum.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (3) (z), (4), (6) and (8) above shall be included in such calculation and amounts expended pursuant to clauses (2), (3) (with the exception of (3) (z)), (5), (7) and (9) above shall not be included in such calculation.

Limitation on Asset Sales and Sales of Subsidiary Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock sold or otherwise disposed of, and

(b) at least 75% of the consideration received for the assets or Capital Stock sold by the Company or the Restricted Subsidiary, as the case may be, in such Asset Sale shall be in the form of cash or Cash Equivalents received at the time of such Asset Sale.

For purposes of the immediately preceding clause (b), each of the following will be deemed to be cash:

(1) any liabilities that are included on the balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets and as a result of which the Company or such Restricted

Subsidiary, as the case may be, are fully and unconditionally released from any further liability in connection therewith;

(2) any securities, notes or other obligations or assets received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days of the receipt thereof (subject to ordinary settlement periods), to the extent of the cash or Cash Equivalents received in that conversion;

(3) the Fair Market Value of any Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary or assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; and

(4) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale; *provided* that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (4) less the amount of Net Proceeds previously realized in cash or Cash Equivalents from the sale of prior Designated Non-cash Consideration is less than the greater of (x) 4% of Consolidated Tangible Assets at the time of the receipt of such Designated Non-cash Consideration and (y) US$15.0 million, in each case with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value;

provided that amounts received pursuant to clauses (1), (3) and (4) shall not be deemed to constitute Net Cash Proceeds for purposes of making an Asset Sale Offer.

The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

(a) repay any Senior Indebtedness of the Company, any Indebtedness secured by the assets subject to such Asset Sale or Indebtedness of any Restricted Subsidiary (in each case owing to a Person other than the Company or any Restricted Subsidiary and including, in each case without limitation, Capitalized Lease Obligations), and/or

(b) make capital expenditures in a Permitted Business, and/or

(c) purchase

(1) assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Guarantor in a Permitted Business,

(2) all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business if, after giving effect to any such acquisition, such Person is or becomes or such assets are contributed to a Guarantor, or

(3) enter into a binding commitment with a Person, other than the Company or any of its Restricted Subsidiaries, to apply such Net Cash Proceeds pursuant to clause (b) and/or (c) above, *provided* that such binding commitment shall be subject only to customary conditions and the applicable purchase shall be consummated within 180 days following the expiration of the aforementioned 365-day period.

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within the 365 days of the Asset Sale as described in clause (a), (b) and/or (c) of the immediately preceding paragraph, the Company will make an offer to purchase notes (the "Asset Sale Offer"), at a purchase price equal to 100.0% of the principal amount of the notes to be purchased, plus accrued and unpaid interest thereon, to the date of purchase (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering holders on a *pro rata* basis, and, at the Company's option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds

of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

The purchase of notes pursuant to an Asset Sale Offer will occur not less than 20 Business Days following the date thereof, or any longer period as may be required by law, nor more than 45 days following the 365th day following the Asset Sale (except in the case of clause (c)(3) in which case such period shall be extended for 180 days). The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of US$20.0 million. At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of US$20.0 million, will be applied as required pursuant to this covenant. Pending application in accordance with this covenant, Net Cash Proceeds may be applied to temporarily reduce revolving credit borrowings or Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will be mailed first class, postage prepaid, to the record holders as shown on the register of holders within 20 days following such 365th day, with a copy to the Trustee offering to purchase the notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, holders may elect to tender their notes in whole or in part in minimum principal amounts of €100,000 and integral multiples of €1,000 in excess thereof in exchange for cash.

On the Asset Sale Offer Payment Date, the Company will, to the extent lawful:

(1) accept for payment all notes or portions thereof properly tendered pursuant to the Asset Sale Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

To the extent holders of notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Company will purchase the notes and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered). If only a portion of a note is purchased pursuant to an Asset Sale Offer, a new note in a principal amount equal to the portion thereof not purchased will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer will be cancelled and cannot be reissued.

The Company will comply with the requirements of Rule 14e-l under the Exchange Act and any other applicable securities laws in connection with the purchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the "Asset Sale" provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" provisions of the Indenture by doing so.

Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of notes and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Company and its Restricted Subsidiaries may use any remaining Net Cash Proceeds for any purpose not otherwise prohibited by the Indenture.

Limitation on Securitization

The Company and its Restricted Subsidiaries may sell, transfer or otherwise dispose of accounts receivable to a Securitization Vehicle; *provided* that:

(1) the sale, transfer or other disposition is in connection with a Loan-Related Securitization; and

(2) the aggregate consideration received in each such sale, transfer or other disposition is at least equal to the Fair Market Value of the receivables transferred.

Limitation on Designation of Unrestricted Subsidiaries

The Company may designate after the Issue Date any Subsidiary of the Company as an "Unrestricted Subsidiary" under the Indenture (a "Designation") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with "—Limitation on Transactions with Affiliates";

(2) at the time of and after giving effect to such Designation, the Company could Incur US$1.00 of additional Indebtedness pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness"; and

(3) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph of "—Limitation on Restricted Payments" or as a Permitted Investment in an amount (the "Designation Amount") equal to the amount of the Company's Investment in such Subsidiary on such date; and

At the time of such Designation, neither the Company nor any Restricted Subsidiary will:

(1) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of such Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(2) be directly or indirectly liable for any Indebtedness of such Subsidiary; or

(3) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of such Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Company or any Restricted Subsidiary of the Capital Stock of such Subsidiary.

The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation; and

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary, unless otherwise designated by the Company herein or

pursuant to the Indenture. All Designations and Revocations must be evidenced by a certificate of the Chief Financial Officer of the Company, delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any other Restricted Subsidiary; or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law, rule, regulation or order;

(2) the Indenture or the notes;

(3) the terms of any Indebtedness outstanding on the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or refinancing thereof; *provided* that any amendment, modification, restatement, renewal, restructuring, replacement or refinancing is not materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(4) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred under the Indenture;

(5) any instrument governing Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(6) customary restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided* that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(7) customary restrictions imposed on the transfer of copyrighted or patented materials;

(8) an agreement governing Indebtedness of the Company or any Restricted Subsidiaries permitted to be Incurred subsequent to the date of the Indenture in accordance with the covenant described above under the caption "—Limitation on Incurrence of Additional Indebtedness"; *provided* that the provisions relating to such encumbrance or restriction contained in such agreement are no more restrictive, taken as a whole, than those contained in the agreement referred to in clause (3) of this paragraph;

(9) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in paragraph (a)(3) of this covenant;

(10) Liens permitted to be incurred under the provisions of the covenant described below under the caption "—Limitation on Liens" that limits the right of the debtor to dispose of the assets securing such Indebtedness;

(11) provisions limiting the payment of dividends or the disposition or distribution of assets or property or transfer of Capital Stock in joint venture agreements, sale-leaseback agreements, limited liability company organizational documents and other similar agreements entered into in accordance with the terms of the Indenture and (a) in the ordinary course of business consistent with past practice or (b) with the approval of the Company's Board of Directors, which limitation is applicable only to the assets, property or Capital Stock that are the subject of such agreements;

(12) restrictions on cash, Cash Equivalents, Marketable Securities or other deposits or net worth imposed by customers or lessors under contracts or leases entered into in the ordinary course of business consistent with past practice to secure trade payable obligations; and

(13) restrictions customarily granted in connection with any Loan-Related Securitizations.

Limitation on Layered Indebtedness

The Company will not, and will not permit any Guarantor to, directly or indirectly, Incur any Indebtedness that is subordinate in right of payment to any other Senior Indebtedness, unless such Indebtedness is expressly subordinate in right of payment to the notes, or the Note Guarantee, as the case may be, to the same extent and on the same terms as such Indebtedness is subordinate to such other Senior Indebtedness; *provided* that the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of any Liens arising or created in respect of some but not all such Senior Indebtedness.

Limitation on Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables unless contemporaneously therewith effective provision is made to secure the notes and all other amounts due under the Indenture, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the notes, prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Company shall be the surviving or continuing Person, or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(A) shall be a Person organized or formed and validly existing under the laws of Mexico or a Qualified Merger Jurisdiction, and

(B) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the notes and the performance and observance of every covenant of the notes and the Indenture on the part of the Company to be performed or observed and shall cause each Guarantor (including Persons that become Guarantors as a result of the transaction) to confirm by supplemental indenture that its Note Guarantee will apply for the Obligations of the Surviving Entity in respect of the Indenture and the notes;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a *pro forma* basis to any Indebtedness, including any Acquired Indebtedness, Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be:

(1) will be able to Incur at least US$1.00 of additional Indebtedness pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness," or

(2) will have a Capitalization Ratio of not less than the Capitalization Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction;

(c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a *pro forma* basis to any Indebtedness, including any Acquired Indebtedness, Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing;

(d) if the Company is organized under Mexican law and merges with a corporation, or the Surviving Entity is, organized under the laws of a Qualified Merger Jurisdiction or the Company is organized under the laws of a Qualified Merger Jurisdiction and merges with a Person, or the Surviving Entity is, organized under the laws of Mexico, the Company or the Surviving Entity will have delivered to the Trustee an Opinion of Counsel from each of Mexico and the relevant Qualified Merger Jurisdiction to the effect that, as applicable:

(i) the holders of the notes will not recognize income, gain or loss for income tax purposes under the laws of the relevant Qualified Merger Jurisdiction or Mexico as a result of the transaction and will be taxed in the holder's home jurisdiction in the same manner and on the same amounts (assuming solely for this purpose that no Additional Amounts are regarded to be paid on the notes) and at the same times as would have been the case if the transaction had not occurred,

(ii) any payment of interest or principal under or relating to the notes will be paid in compliance with any requirements under the section "—Additional Amounts," and

(iii) no other taxes on income, including capital gains, will be payable by holders of the notes under the laws of Mexico or the relevant Qualified Merger Jurisdiction relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon; *provided* that the holder does not use or hold, and is not deemed to use or hold the notes in carrying on a business in Mexico or the relevant Qualified Merger Jurisdiction, and

(e) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clause (b) above will not apply to:

(1) any transfer of the properties or assets of a Restricted Subsidiary to the Company;

(2) any merger of a Restricted Subsidiary into the Company; or

(3) any merger of the Company into a Wholly-Owned Subsidiary of the Company created for the purpose of holding the Capital Stock of the Company.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing corporation, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the notes with the same effect as if such Surviving Entity had been named as such. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under "—Change of Control Triggering Event," if applicable.

Each Guarantor will not, and the Company will not cause or permit any Guarantor to, consolidate with or merge into, or sell or dispose of all or substantially all of its assets to, any Person (other than the Company) that is not a Guarantor unless:

(a) such Person (if such Person is the surviving entity) assumes all of the obligations of such Guarantor in respect of its Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the Indenture;

(b) such Note Guarantee is to be released as provided under "—Note Guarantees"; or

(c) such sale or other disposition of substantially all of such Guarantor's assets is made in accordance with "—Limitation on Asset Sales and Sales of Subsidiary Stock."

Limitation on Transactions with Affiliates

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), unless:

(a) the terms of such Affiliate Transaction are not materially less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$10.0 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US$20.0 million, the Company must in addition obtain and deliver to the trustee a favorable written opinion from an internationally recognized investment banking firm as to the fairness of the transaction to the Company and its Restricted Subsidiaries from a financial point of view.

(2) Paragraph (1) above will not apply to:

(a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;

(b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary as determined in good faith by the Company's Board of Directors or senior management of the Company;

(c) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date and any amendment, modification or replacement of such agreement (so long as such amendment, modification or replacement is not materially more disadvantageous to the Company and its Restricted Subsidiaries or the holders of the notes, taken as a whole, than the original agreement as in effect on the Issue Date);

(d) any Restricted Payments made in compliance with "—Limitation on Restricted Payments" or any Permitted Investments;

(e) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding US$2.0 million outstanding at any one time;

(f) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments pursuant thereto;

(g) any issuance of Capital Stock (other than Disqualified Stock) of the Company to Affiliates of the Company or to any director, officer, employee or consultant of the Company, and the granting and performance of registration rights;

(h) transactions between the Company or any of its Restricted Subsidiaries and any Securitization Vehicle in the ordinary course of business in connection with Loan-Related Securitizations; and

(i) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Company or its Restricted Subsidiaries (as applicable), or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party.

Conduct of Business

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Reports to Holders

So long as any notes are outstanding, the Company will furnish to the Trustee:

(a) Within 120 days following the end of each of the Company's fiscal years, (i) information on the Capitalization Ratio, Consolidated Net Income, Consolidated Net Worth, Consolidated Tangible Assets, Net Loan Portfolio, Total Unencumbered Assets, Total Unsecured Indebtedness and Secured Indebtedness of the Company and its Restricted Subsidiaries as of and for such fiscal year and (ii) information (presented in the English language) including sections titled "Consolidated Financial Information and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" with scope and content substantially similar to the corresponding sections in this offering memorandum (after taking into consideration any changes to the business and operations of the Company after the Issue Date) and consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Company for the two most recent fiscal years in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with an audit report thereon by the Company's independent auditors; and

(b) Within 60 days following the end of each of the first three fiscal quarters in each of the Company's fiscal years (beginning with the fiscal quarter ended September 30, 2019), (i) information on the Capitalization Ratio, Consolidated Net Income, Consolidated Net Worth, Consolidated Tangible Assets, Net Loan Portfolio,

Total Unencumbered Assets, Total Unsecured Indebtedness and Secured Indebtedness of the Company and its Restricted Subsidiaries as of and for the fiscal quarter then ended and (ii) quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto for the Company on a consolidated basis, in each case as of and for the fiscal quarter then ended and the corresponding fiscal quarter in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such fiscal quarter and condensed footnote disclosure (in each case, presented in the English language).

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, the Company shall furnish to the holders of the notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

In addition, if and so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt thereof shall not constitute constructive notice of any information contained therein or determinable for information contained therein, including the Company's compliance with any of their respective covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

Listing

In the event that the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange, the Company will use its commercially reasonable efforts to maintain such admission to listing and trading; *provided* that if, as a result of any applicable rule, requirement or legislation, the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the notes in accordance with the rules of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union and recognized by the U.S. Securities and Exchange Commission as the Company may decide.

Notices

As long as the notes are represented by a global note deposited with a common depositary for Clearstream and Euroclear, notices to be given to holders will be given to Clearstream and Euroclear in accordance with their applicable policies as in effect from time to time. If we issue notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the Trustee's records, and will be deemed given when mailed.

From and after the date the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange and so long as it is required by the rules of such exchange, all notices to holders of notes will be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*);

(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions; or

(3) on the website of the Luxembourg Stock Exchange, *www.bourse.lu*.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of notes at their registered addresses.

Events of Default

The following are "Events of Default":

(1) default in the payment when due of the principal of or premium, if any, on any notes, including the failure to make a required payment to purchase notes tendered pursuant to an optional redemption, Change of Control Triggering Event Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest or Additional Amounts, if any, on any notes;

(3) the failure to perform or comply with any of the provisions described under "Certain Covenants — Merger, Consolidation and Sale of Assets";

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 30 days or more after written notice to the Company from the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes;

(5) default by the Company or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which:

(a) is caused by a failure to pay principal or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in the instrument governing such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its stated maturity;

and, in each case, the principal or accreted amount of Indebtedness at the relevant time, aggregates US$25.0 million or more;

(6) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary to pay one or more final judgments against any of them, aggregating US$25.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;

(7) certain events of bankruptcy affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries, including the declaration of their *concurso mercantil* or *quiebra*; or

(8) any Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or a Guarantor denies or disaffirms its obligations under its Note Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on

all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses (including the fees and expenses of its counsel), disbursements and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any notes.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders, if within 30 days after such Event of Default arose the Company delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged, or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default, or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the notes as described above be annulled, waived or rescinded upon the happening of any such events.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless such holders have offered to the Trustee satisfactory indemnity. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

(1) such holder gives to the Trustee written notice of a continuing Event of Default;

(2) holders of at least 25% in principal amount of the then outstanding notes make a written request to pursue the remedy;

(3) such holders of the notes provide to the Trustee satisfactory indemnity;

(4) the Trustee does not comply within 60 days; and

(5) during such 60 day period the holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee written notice of events which would constitute such Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 105 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is known to the Trustee (within the meaning of the Indenture), the Trustee must mail to each holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as its trust officer in good faith determines that withholding notice is in the interests of the holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations with respect to outstanding notes discharged ("Legal Defeasance"). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes after the deposit specified in clause (1) of the second following paragraph, except for:

(1) the rights of holders to receive payments in respect of the principal of, premium, if any, and interest on the notes when such payments are due;

(2) the Company's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties and immunities of the Trustee and the Company's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to certain covenants (including, without limitation, obligations to make Change of Control Triggering Event Offers, Asset Sale Offers, the obligations described under "—Certain Covenants" and the cross-acceleration provisions and judgment default provisions described under "Events of Default") that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee or a Paying Agent, in trust for the benefit of the holders, cash in Euros, European Government Obligations, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that:

(a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee:

(a) an Opinion of Counsel from Mexican legal counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that, based upon Mexican law then in effect, holders will not recognize income, gain or loss for Mexican tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Mexican taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or

(b) a ruling directed to the Trustee received from the tax authorities of Mexico to the same effect as the Opinion of Counsel described in clause (a) above;

(5) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with "—Certain Covenants —Limitation on Incurrence of Additional Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(6) the Trustee has received an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(7) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(8) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(9) the Company has delivered to the Trustee an Opinion of Counsel from counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

(1) either:

(a) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all notes not theretofore delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or European Government Obligations sufficient without reinvestment to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(2) the Company has paid all other sums payable under the Indenture and the notes by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company and the Trustee, without the consent of the holders, may amend the Indenture or the notes for certain specified purposes, including curing ambiguities, omissions, defects or inconsistencies, to provide for uncertificated notes in addition to or in place of certificated notes; to provide for the assumption of the Company's obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of the Company's assets, as applicable; to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder; to comply with applicable requirements of the U.S. Securities and Exchange Commission; to conform the text of the Indenture or the notes to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture or the notes; to comply with the requirements of any applicable securities depositary; to provide for a successor Trustee in accordance with the terms of the Indenture; to otherwise comply with any requirement of the Indenture; to issue Additional Notes; and make any other changes which do not adversely affect the rights of any of the holders in any material respect. In entering into any such amendment, the Trustee will be entitled to conclusively rely upon an Opinion of Counsel and Officers' Certificate, and shall have no liability whatsoever in reliance upon the foregoing.

Other modifications and amendments of the Indenture or the notes may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each holder affected thereby, no amendment may (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;

(4) make any notes payable in money other than that stated in the notes;

(5) make any change in provisions of the Indenture entitling each holder to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce such payment, or permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;

(6) amend, change or modify in any material respect any obligation of the Company to make and consummate a Change of Control Triggering Event Offer in respect of a Change of Control Triggering Event that has occurred, or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;

(7) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any holder or amend the terms of the notes in a way that would result in a loss of exemption from Taxes;

(8) make any change to the provisions of the Indenture or the notes that adversely affects the ranking of the notes; and

(9) eliminate or modify in any manner a Guarantor's obligation with respect to its Note Guarantee which adversely affects the holders of the notes in any material respect, except as contemplated in the Indenture.

Governing Law; Jurisdiction

The Indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York. The Company and the Guarantors consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan and have appointed an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the notes.

The Trustee

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture and the provisions of the TIA contain certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. Subject to the TIA, the Trustee will be permitted to engage in other transactions; *provided* that if the Trustee acquires any conflicting interest as described in the TIA, it must eliminate such conflict or resign.

No Personal Liability

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or any Guarantor shall not have any liability for any obligations of the Company or any Guarantor under the notes or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each holder waives and releases all such liability.

Currency Indemnity

The Company and the Guarantors will pay all sums payable under the Indenture or the notes solely in Euro. Any amount that a holder receives or recovers in a currency other than Euro in respect of any sum expressed to be due to such holder from the Company or any Guarantors will only constitute a discharge to us, to the greatest extent permitted under applicable law, to the extent of the Euro amount which such holder is able to purchase with the

amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which such holder is able to do so. If the Euro amount is less than the Euro amount expressed to be due to such holder under any note, to the greatest extent permitted under applicable law, the Company and the Guarantors will indemnify such holder against any loss such holder may sustain as a result. In any event, the Company and the Guarantors will indemnify any such holder against the cost of making any purchase of Euro. For the purposes of this paragraph, it will be sufficient for such holder to certify in a satisfactory manner that such holder would have suffered a loss had an actual purchase of Euro been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which such holder was able to do so. In addition, any such holder will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Issuance in Euro

All payments of principal and interest on the notes, including payments made upon any redemption of the notes, will be payable in Euro. If the Euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the Euro is no longer being used by the then member states of the European Economic and Monetary Union that have adopted the Euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then we will be entitled, until the Euro is again available to us or so used, to satisfy our payment obligations in respect of the notes by making such payments in U.S. dollars. The amount payable on any date in Euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second Business Day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/Euro exchange rate published in The Wall Street Journal on or prior to the second Business Day prior to the relevant payment date (the "Market Exchange Rate"). Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the Indenture governing the notes. Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing. Investors will be subject to foreign exchange risks as to payments of principal and interest that may have important economic and tax consequences to them. See "Risk Factors."

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"*Accounting Event*" means an event which shall be deemed to occur if the Company has received an opinion of a recognized accounting firm of international standing (an "*Accounting Opinion*") stating that, as a result of a change in the accounting rules, methodology or official interpretations of the International Accounting Standards Board ("*IASB*") or similar governing body effective in Mexico after the issue date of a series of Capital Securities, such Capital Securities, in whole or in part, must not or must no longer be recorded as "equity" pursuant to *Sofom* GAAP as in effect in Mexico or any other accounting principles applicable to the Company in lieu of *Sofom* GAAP.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or

any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person; *provided* that such Indebtedness is not incurred in connection with, or in anticipation or contemplation of such merger, consolidation, amalgamation or acquisition. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"Additional Amounts" has the meaning set forth under "—Additional Amounts" above.

"Additional Notes" has the meaning set forth under "—Payment of Additional Notes" above.

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Affiliate Transaction" has the meaning set forth under "—Certain Covenants—Limitation on Transactions with Affiliates" above.

"Asset Acquisition" means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;

(2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

"Asset Sale" means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a "disposition") by the Company or any Restricted Subsidiary of:

(a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Company); or

(b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Company) of the Company or any Restricted Subsidiary.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under "—Certain Covenants—Merger, Consolidation and Sale of Assets;"

(2) for purposes of "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock" only, the making of a Restricted Payment permitted under "—Certain Covenants—Limitation on Restricted Payments" or any Permitted Investment;

(3) a disposition to the Company or a Guarantor, including a Person that is or will become a Guarantor immediately after the disposition;

(4) transactions that involve assets or Capital Stock of a Restricted Subsidiary having a Fair Market Value of less than US$15.0 million (or the equivalent in other currencies) during the life of the notes;

(5) a transfer of assets between or among the Company and any Guarantor;

(6) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Company to the Company or any Restricted Subsidiary;

(7) the disposition of accounts receivable and loans as permitted under "—Certain Covenants—Limitations on Securitizations";

(8) the sale of delinquent loans to unaffiliated third parties;

(9) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;

(10) the sale of assets received by the Company or any of its Restricted Subsidiaries upon the foreclosure of a Lien in the ordinary course of business;

(11) the granting of Liens permitted under "Certain Covenants—Limitation on Liens";

(12) the good faith surrender or waiver of contract rights or settlement, release or surrender of contract, tort or other claims or statutory rights in connection with a settlement in the ordinary course of business consistent with past practice; and

(13) a disposition to a Restricted Subsidiary that is not a Guarantor from another Restricted Subsidiary that is not a Guarantor.

"Asset Sale Offer" has the meaning set forth under "—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock."

"Asset Sale Transaction" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

"Board of Directors" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day, other than a Saturday or Sunday, (i) which is not a day on which banking institutions are authorized or required by law to close in New York City, United States or in Mexico City, Mexico and (ii) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, operates.

"Capital Securities" means, with respect to the Company, any bonds, debentures, notes or other similar instruments of the Company (i) which are expressly subordinated in right of payment and in insolvency to the prior payment in full of any note and any other Senior Indebtedness, (ii) which either (1) have no final maturity date or (2) have a scheduled maturity date of at least 10 years after the Issue Date, (iii) the first scheduled principal payment in respect of which may not occur until at least 12 months after the last scheduled principal payment of any note and any other Senior Indebtedness, (iv) the principal of which may not be accelerated so long as any note remains outstanding (except pursuant to a customary bankruptcy event of default with respect to the Company), (v) are senior only to Capital Stock of the Company, (vi) in respect of which interest may be deferred and cancelled, and

(vii) which, prior to their issuance, are provided equity-like treatment by at least two Rating Agencies pursuant to their respective rating criteria.

"*Capital Securities Redemption Event*" means, with respect to a series of Capital Securities, an (1) Accounting Event, (2) Rating Methodology Event, (3) Tax Deductibility Event, (4) Withholding Tax Event or (5) any event similar to any of the foregoing clauses (1) through (4) pursuant to the terms of the relevant Capital Securities.

"Capital Stock" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and

(3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

"Capitalization Ratio" means, for any Person, as of any date of determination, the result (expressed as a percentage) obtained by dividing (x) Consolidated Net Worth of such Person by (y) Net Loan Portfolio of such Person.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"Cash Equivalents" means:

(1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(2) *Certificados de la Tesorería de la Federación (Cetes)* or *Bonos de Desarrollo del Gobierno Federal (Bondes)*, in each case, issued by the government of Mexico and maturing not later than one year after the acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Fitch or any successor thereto;

(4) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least F1 from Fitch;

(5) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than US$500.0 million, or (c) in the case of Mexican peso deposits, any of the five top-rated banks (as evaluated by an internationally recognized rating agency) organized under the laws of Mexico;

(6) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (5) above;

(7) any other debt instruments having a rating of at least A-1 or AAA from S&P or F1 or AAA from Fitch with maturities of one year or less from the date of acquisition; and

(8) investments in money market funds, which invest substantially all of their assets in securities of the types described in clauses (1) through (7) above.

"Change of Control" means the occurrence of one or more of the following events:

(1) any Person or a Group other than the Permitted Holders is or becomes the beneficial owner, directly or indirectly, in the aggregate of 35.0% or more of the total voting power of the Voting Stock of the Company; *provided* that the Permitted Holders beneficially own, directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) than such other Person or Group and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company or such successor (for the purposes of this clause, such other Person or Group shall be deemed to beneficially own any Voting Stock of a specified entity held by a parent entity, if such other Person or Group "beneficially owns" directly or indirectly, more than 35.0% of the voting power of the Voting Stock of such parent entity and the Permitted Holders "beneficially own" directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of such parent entity);

(2) the Company consolidates with, or merges with or into, another Person, or the Company sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Company, determined on a consolidated basis, to any Person, other than a transaction where the Person or Persons that, immediately prior to such transaction "beneficially owned" the outstanding Voting Stock of the Company are, by virtue of such prior ownership, or Permitted Holders are, the "beneficial owners" in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee person (or if such surviving or transferee Person is a direct or indirect wholly-owned subsidiary of another Person, such Person who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with the Indenture;

(3) individuals who on the Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors or whose nomination for election by the stockholders of the Company was voted upon favorably by the Permitted Holders, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(4) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of the Indenture.

For purposes of this definition:

(a) "beneficial owner" will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any Person or Group will be deemed to have "beneficial ownership" of all securities that such Person or Group has the right to acquire, whether such right is exercisable immediately, only after the passage of time or, except in the case of the Permitted Holders, upon the occurrence of a subsequent condition.

(b) "Person" and "Group" will have the meanings for "person" and "group" as used in Sections 13(d) and 14(d) of the Exchange Act; and

(c) the Permitted Holders or any other Person or Group will be deemed to beneficially own any Voting Stock of a corporation held by any other corporation (the "parent corporation") so long as the Permitted Holders or such other Person or Group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50.0% of the voting power of the Voting Stock of the parent corporation and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent corporation.

"Change of Control Triggering Event" has the meaning set forth under "—Change of Control Triggering Event."

"Change of Control Triggering Event Offer" has the meaning set forth under "—Change of Control Triggering Event."

"Change of Control Triggering Event Payment" has the meaning set forth under "—Change of Control Triggering Event."

"Change of Control Triggering Event Payment Date" has the meaning set forth under "—Change of Control Triggering Event."

"Clearstream" means Clearstream Banking S.A.

"Common Stock" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with GAAP; *provided* that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary gains or losses;

(3) the net income (but not loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that, solely for purposes of calculating Consolidated Net Income pursuant to clause (3) of the first paragraph of "Certain Covenants —Limitation on Restricted Payments" only, Consolidated Net Income of the Company will include the Company's proportionate share of the net income of:

(a) any Person acquired in a "pooling of interests" transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with the Company or any Restricted Subsidiary; or

(b) a Surviving Entity prior to assuming the Company's obligations under the Indenture and the notes pursuant to "Certain Covenants —Limitation on Merger, Consolidation and Sales of Assets";

(4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that (and only so long as) a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;

(5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiary in the case of the Company);

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness and Hedging Obligations; and

(8) the cumulative effect of changes in accounting principles.

"Consolidated Net Worth" means, as of any date of determination, with respect to any Person, the consolidated stockholders' equity of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with GAAP, less (without duplication) amounts attributable to Disqualified Capital Stock of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company).

"Consolidated Tangible Assets" means, as of any date of determination, the total assets of the Company and its Restricted Subsidiaries less Intangible Assets, in each case, determined on a consolidated basis as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with GAAP.

"Covenant Defeasance" has the meaning set forth under "—Legal Defeasance and Covenant Defeasance."

"*Credit Ratings Downgrade*" means the rating of the Company's long-term senior unsecured indebtedness is decreased by one or more rating notches by any Rating Agency during the period commencing on the announcement of a proposed transaction and ending sixty (60) days following the consummation thereof, as expressly stated by the applicable Rating Agency to have been primarily the result of such transaction.

"Currency Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration used in a Permitted Business (other than securities) received by the Company or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an officers' certificate, setting forth the basis of such valuation, executed by the Chief Executive Officer or the Chief Financial Officer of the Company and delivered to the Trustee, less the amount of cash or Cash Equivalents received in connection with a sale of such Designated Non-cash Consideration.

"Designation" and "*Designation Amount"* have the meanings set forth under "—Certain Covenants — Limitation on Designation of Unrestricted Subsidiaries" above.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the notes; *provided, however*, that (x) Capital Stock representing the *parte* variable thereof, shall not be deemed as Disqualified Capital Stock, and (y) any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the final maturity of the notes shall not constitute Disqualified Stock if:

(1) the "asset sale" or "change of control" provisions applicable to such Capital Stock are not materially more favorable to the holders of such Capital Stock than the terms applicable to the notes and described under "—Certain Covenants —Limitation on Sales of Assets and Subsidiary Stock" and "—Change of Control Triggering Event"; and

(2) any such requirement only becomes operative after compliance with such terms applicable to the notes, including the purchase of any notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount

of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"Eligible Subsidiary" means a Restricted Subsidiary that is a Wholly-Owned Subsidiary of the Company or of a Guarantor but excluding any Subsidiary (i) that is contractually restricted from acting as a Guarantor of the notes pursuant to an agreement in effect on the Issue Date or (ii) the net assets of which are less than US$5.0 million.

"Euroclear" means Euroclear Bank SA/NV.

"*European Government Obligations*" means direct non-callable and non-redeemable obligations denominated in Euros (in each case, with respect to the issuer thereof) of any member state of the European Union that is a member of the European Union as of the Issue Date.

"Event of Default" has the meaning set forth under "Events of Default."

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Fair Market Value" means, with respect to any asset (including, without limitation, accounts receivable), the price (after deducting any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset (including, without limitation, accounts receivable) will be determined conclusively by the senior management of the Company acting in good faith.

"Fitch" means Fitch, Inc. and its successors and assigns.

"GAAP" means either (i) the accounting criteria established by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the CNBV) applicable to the Company, (ii) the Mexican Financial Reporting Standards (*Normas de Información Financiera*) issued by the Mexican Board for Financial Information Standards (*Consejo Mexicano de Normas de Información Financiera*) or (iii) the International Financial Reporting Standards, in each case as in effect from time to time.

"Guarantee" means any obligation, contingent or otherwise, including an *aval*, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" means any Eligible Subsidiary that provides a Note Guarantee pursuant to the Indenture unless and until such Guarantor is released from its Note Guarantee pursuant to the Indenture.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement or Currency Agreement.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred" and "Incurring" will have meanings correlative to the preceding).

"Indebtedness" means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) all obligations under Hedging Obligations of such Person;

(9) to the extent not otherwise included in this definition, all liabilities required to be recorded on the consolidated balance sheet of such Person in accordance with GAAP in connection with a sale or other disposition of securitized receivables or other accounts receivables and related assets, including, without limitation, in connection with any Loan-Related Securitization; and

(10) all Disqualified Capital Stock issued by such Person.

"Intangible Assets" means with respect to the Company and its Restricted Subsidiaries, all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items which would be treated as intangibles on the balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP.

"Interest Rate Agreement" of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"Investment" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person,

(2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) any other Person, or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" will have corresponding meanings.

For purposes of the "Limitation on Restricted Payments" covenant, the Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

"Investment Grade Rating" means a rating equal to or higher than (i) BBB- (or the equivalent) by Fitch or (ii) BBB- (or the equivalent) by S&P, or, if either such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other Rating Agency.

"Investment Return" means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Company or any Restricted Subsidiary:

(1) (x) the proceeds in cash and the Fair Market Value of property other than cash received by the Company or any Restricted Subsidiary upon the sale, liquidation or repayment of such Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Company and its Restricted Subsidiaries in full, less any payments previously made by the Company or any Restricted Subsidiary in respect of such Guarantee and (y) any dividends or distributions received by the Company or any Restricted Subsidiary from an Unrestricted Subsidiary, to the extent such amounts were not otherwise included in Consolidated Net Income;

(2) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:

(a) the Company's Investment in such Unrestricted Subsidiary at the time of such Revocation;

(b) that portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of Revocation that is proportionate to the Company's equity interest in such Unrestricted Subsidiary at the time of Revocation; and

(c) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and

(3) in the event the Company or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, the Fair Market Value of the Investment of the Company and its Restricted Subsidiaries in such Person,

in the case of each of (1), (2) and (3), up to the amount of such Investment that was treated as a Restricted Payment under "Certain Covenants —Limitation on Restricted Payments" less the amount of any previous Investment Return in respect of such Investment.

"Issue Date" means October 1, 2019.

"Legal Defeasance" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"Lien" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"Loan Receivables" means loans and other loan-related receivables purchased or originated by the Company or any Restricted Subsidiary; *provided*, *however*, that for purposes of determining the amount of a Loan Receivable at any time, such amount shall be determined in accordance with GAAP, consistently applied, as of the most recent practicable date.

"Loan-Related Securitization" means any securitization, factoring, discounting or similar financing transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries directly or indirectly through a Securitization Vehicle securitizes a pool of specified Loan Receivables, Residual Interests, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary on terms that the Board of Directors has concluded are customary and market terms fair to the Company and its Restricted Subsidiaries and the proceeds of which are used for working capital, to repay any Senior Indebtedness of the Company, make capital expenditures in a Permitted Business, and/or purchase assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business.

"Marketable Securities" has the meaning ascribed to such term under GAAP.

"Mexican Restructuring" means any case or other proceeding against the Company or any Subsidiary with respect to it or its debts under any bankruptcy, *concurso mercantil*, *quiebra*, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, *conciliador*, liquidator, custodian or other similar official of it or any substantial part of its property.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(l) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

"Net Loan Portfolio" means, as of any date of determination, for any Person, the net loan portfolio of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with GAAP.

"Obligations" means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes, the Indenture.

"Officer" means, when used in connection with any action to be taken by the Company, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, the General Counsel, the Controller or the Secretary of the Company.

"Officers' Certificate" means, when used in connection with any action to be taken by the Company, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture) and which opinion shall be reasonably acceptable to the Trustee.

"Permitted Acquisition Indebtedness" means Indebtedness of the Company to the extent such Indebtedness was (i) Indebtedness of a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary, (ii) Indebtedness of a Person that was merged, consolidated or amalgamated into the Company, or (iii) assumed in connection with the acquisition of assets from a Person; *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged, consolidated or amalgamated into the Company or assumed in connection with an Asset Acquisition, as applicable, after giving *pro forma* effect thereto, (a) the Company would be permitted to incur at least US$1.00 of additional Indebtedness pursuant to clause (1) under "—Certain Covenants —Limitation on Incurrence of Additional Indebtedness," or (b) the Capitalization Ratio of the Company and its Restricted Subsidiaries would be equal to or greater than the Capitalization Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction.

"Permitted Business" means the business or businesses conducted by the Company and its Subsidiaries as of the Issue Date, and any business related, ancillary or complementary thereto or otherwise arising out of those activities, including, without limitation, any activities relating to payroll loan financing, durable goods lending, auto loans, loans to small- and medium-enterprises (SMEs) and independent professionals, the extension of group loans and other consumer goods and receivables financing services.

"Permitted Holders" means (a) Venlo Resources Pte. Ltd. and any Affiliates thereof; (b) any member of the Berrondo, Saiz or Esteve families who holds shares of the Company on the Issue Date; (c) a parent, brother or sister of any individual named in clause (b); (d) the spouse or a former spouse of any individual named in clause (b) or (c); (e) the lineal descendants of any person named in clauses (b) through (d); (f) the estate or any guardian, custodian or other legal representative of any individual named in clauses (b) through (e); (g) any trust established principally for the benefit of any one or more of the individuals named in clauses (b) through (f); (h) any Person in which a majority of the voting capital stock is owned, directly or indirectly, by any one or more of the Persons named in clauses (b) through (g); and (i) MAHLER Enterprises PTE. LTD.

"Permitted Indebtedness" has the meaning set forth under clause (2) of "Certain Covenants —Limitation on Incurrence of Additional Indebtedness."

"Permitted Investments" means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary, except for a Guarantee of Indebtedness of a Restricted Subsidiary;

(2) Investments by the Company, or any Restricted Subsidiary, in the Company;

(3) Investments in cash and Cash Equivalents;

(4) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(5) Investments permitted pursuant to clause (2)(b), (c) or (e) of "Certain Covenants —Limitation on Transactions with Affiliates";

(6) Investments received as a result of the bankruptcy or reorganization of any Person, or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under "Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock";

(8) Investments in the form of Hedging Obligations permitted under clause 2(d) of "Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(9) Investments in a Person engaged in a Permitted Business; *provided* that any such Investment, taken together with all Investments made in reliance on this clause (9) shall not exceed in any calendar year (with any unused amounts in any prior calendar year being permitted to be carried over into succeeding calendar years), the sum of (a) (x) 10% of the Consolidated Net Worth of the Company *plus* (y) US$100.0 million (the aggregate amount of (x) and (y) not to exceed US$400.0 million while the Notes are outstanding), *plus* (b) returns received from Investments made under this clause (9); *provided, however*, that these returns (i) are not included in the Consolidated Net Income of the Company, (ii) are in the form of cash and (iii) do not exceed the amount of Investments in such Person made after the Issue Date in reliance on this clause (9). For the avoidance of doubt, Investments in or among Restricted Subsidiaries shall not be affected by this clause (9);

(10) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(11) payroll, travel, entertainment, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(12) loans or advances to employees in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(14) payroll loans, durable goods loans, auto loans, small business loans, group loans and other loans (including loan portfolios) made or acquired by the Company in the ordinary course of business, including, without limitation, the acquisition of loans or loan portfolios from third parties; and

(15) Investments in any Person in connection with a Loan-Related Securitization; *provided* that such Investment in any such Person is in the form of a receivables financing facility, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary and transferred to such Person in connection with a Loan-Related Securitization (including by way of transfers of receivables to a Securitization Vehicle);

provided, however, that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to, one or more of the above clauses (1) through (15) so that the entire Investment would be a Permitted Investment.

"Permitted Liens" means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith;

(2) Liens Incurred or deposits made in the ordinary course of business (x) in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or (y) to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(4) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(5) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "—Certain Covenants —Limitation on Incurrence of Additional Indebtedness" and that are secured by the same assets as secure such Hedging Obligations;

(6) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under "—Certain Covenants —Limitation on Liens" not incurred pursuant to clauses (9) and (10) of this definition of "Permitted Liens" and which Indebtedness has been Incurred in accordance with "—Certain Covenants — Limitation on Incurrence of Additional Indebtedness"; *provided* that such new Liens:

(a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced, and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(7) Liens securing Acquired Indebtedness Incurred in accordance with "—Certain Covenants —Limitation on Incurrence of Additional Indebtedness" not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary, and

(b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

(8) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided* that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired, and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(9) any pledge or deposit of cash or property in conjunction with obtaining surety and performance bonds and letters of credit required to engage in constructing on-site and off-site improvements required by municipalities or other governmental authorities in the ordinary course of business;

(10) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(11) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligations and forward contracts, options, futures contracts, futures options or similar agreements or arrangements designed to protect the Company and its Restricted Subsidiaries from fluctuations in interest rates;

(12) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(13) licenses of intellectual property in the ordinary course of business;

(14) Liens to secure a defeasance trust to the extent such defeasance is otherwise permitted pursuant to the terms of the Indenture;

(15) easements, rights-of-way, zoning and similar restrictions, reservations, restrictions or encumbrances in respect of real property or title defects that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties (as such properties are used by the Company or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(16) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings that may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such legal proceedings may be initiated shall not have expired;

(17) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary; or

(18) to the extent that at the time of and immediately after giving *pro forma* effect to the Incurrence thereof the Total Unencumbered Assets of the Company and its Restricted Subsidiaries is at least 110.0% of the Total Unsecured Indebtedness of the Company and its Restricted Subsidiaries, Liens on Loan Receivables, other receivables, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary Incurred in connection with any Loan-Related Securitization or any debt facility entered into for the purpose of financing or refinancing the purchase or origination or financing the pooling of Loan Receivables or other receivables, net interest margin securities or similar or related assets by the Company or a Restricted Subsidiary.

"Person" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Post-Petition Interest" means, to the extent applicable, all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Purchase Money Indebtedness" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Qualified Merger Jurisdiction" means (i) the United States, any State thereof or the District of Columbia; (ii) any member state of the European Union; or (iii) any other nation that has a sovereign debt rating from two Rating Agencies that is equal to or higher than the sovereign debt rating assigned to Mexico by such Rating Agencies.

"Rating Agencies" means (i) S&P and (ii) Fitch or (iii) if S&P or Fitch or both shall not make a rating of the notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Fitch or both, as the case may be.

"Rating Date" means the earlier of the date of public notice of the occurrence of a Change of Control or of the entry into a definitive agreement contemplating a Change of Control.

A "*Rating Methodology Event*" shall be deemed to occur when the Company certifies in a notice to the Trustee that an amendment, clarification or change has occurred in the equity credit criteria of S&P or Fitch, which amendment, clarification or change results in a lower equity credit for a series of Capital Securities than the then respective equity credit assigned on the issue date of such Capital Securities, or if equity credit is not assigned on such issue date, at the date when the equity credit is assigned for the first time.

"Refinance" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" will have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is:

(a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company,

(b) Indebtedness of a Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Guarantor, and

(c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the notes, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"Refinancing of Capital Securities" means the prepayment, exchange, refinancing, replacement, purchase, redemption, retirement, defeasance, refund or other acquisition for value of Capital Securities.

"Residual Interests" means (i) any residual interests in Loan-Related Securitizations, Securitization Securities or any other interests in Securitization Vehicles or (ii) the residual value of any assets that are financed through Indebtedness Incurred in connection with a Loan-Related Securitization, regardless of whether required to appear on the face of the consolidated financial statements of such Person and its Subsidiaries in accordance with GAAP.

"Restricted Payment" has the meaning set forth under "Certain Covenants —Limitation on Restricted Payments."

"Restricted Subsidiary" means any Subsidiary of the Company, which at the time of determination is not an Unrestricted Subsidiary.

"Revocation" has the meaning set forth under "—Certain Covenants —Limitation on Designation of Unrestricted Subsidiaries."

"S&P" means Standard & Poor's Ratings Services and its successors and assigns.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"Secured Indebtedness" means any Indebtedness secured by a Lien upon the property or assets of the Company and/or its Restricted Subsidiaries.

"Securitization Securities" has the meaning set forth in the definition of "Securitization Vehicle."

"Securitization Vehicle" means (i) any Person (whether or not a Restricted Subsidiary of the Company) established for the purpose of issuing asset-backed securities of any kind or issuing any other Indebtedness (whether or not in the form of securities) backed by Loan Receivables or Residual Interests ("Securitization Securities"), and (ii) any special purpose, bankruptcy remote Restricted Subsidiary of the Company or any of its Restricted Subsidiaries established in connection with the issuance of Securitization Securities and any other entity (or several entities) that serves as an intermediate entity between a Restricted Subsidiary, as the case may be, that initially purchases or originates Loan Receivables or Residual Interests and an entity referred to in clause (i) regardless of

whether such Restricted Subsidiary is an issuer of Securitization Securities; *provided* that in each case, such entity is an entity:

(1) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Loan-Related Securitizations and any activity necessary, incidental or related thereto,

(2) no portion of the Debt or any other obligation, contingent or otherwise, of which

(A) is Guaranteed by the Company or any Restricted Subsidiary of the Company,

(B) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way, or

(C) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(3) with respect to which neither the Company nor any Restricted Subsidiary of the Company (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results

other than, in respect of clauses (2) and (3), (x) pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Loan-Related Securitization, and (y) any Guarantees by the Company or a Restricted Subsidiary of any Indebtedness of a Securitization Vehicle that would constitute Permitted Indebtedness or which would be permitted under "—Limitation on Incurrence of Additional Indebtedness."

"Senior Indebtedness" means the notes (and any Note Guarantee thereof) and any other Indebtedness of the Company or a Guarantor that is not, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes, or the relevant Note Guarantee.

"Significant Subsidiary" means a Subsidiary of the Company constituting a "Significant Subsidiary" of the Company in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

"*Sofom* GAAP" means, collectively, the accounting criteria established by the CNBV in its 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 Despósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas* and *Disposiciones de carácter general aplicables a las Instituciones de Crédito*).

"Subordinated Indebtedness" means, with respect to the Company or a Guarantor, any Indebtedness of the Company or a Guarantor that is, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes, the relevant Note Guarantee or any other Senior Indebtedness, as the case may be.

"Subsidiary" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50.0% of the voting power of the other Person's outstanding Voting Stock.

"Surviving Entity" has the meaning set forth under "—Certain Covenants —Limitation on Merger, Consolidation and Sale of Assets."

A "*Tax Deductibility Event*" shall be deemed to have occurred with respect to a series of Capital Securities if, as a result of a Tax Law Change (even if such change is not yet effective), payments of interest by the Company in respect of such Capital Securities are no longer, or within 90 calendar days of the date of any opinion of counsel provided pursuant to the indenture pursuant to which such Capital Securities were issued will no longer be, deductible in whole or in part for corporate income tax purposes in Mexico or any political subdivision or taxing authority thereof or therein affecting taxation, and the Company cannot avoid the foregoing by taking reasonable measures available to it.

"Total Unencumbered Assets" means, as of any date of determination, the total assets of the Company and its Restricted Subsidiaries determined on a consolidated basis (but excluding Intangible Assets, any deferred tax assets and accounts receivable (other than receivables subject to Loan-Related Securitizations)), in each case not securing any portion of Secured Indebtedness as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with GAAP.

"Total Unsecured Indebtedness" means, as of any date of determination, the total outstanding principal amount of all Unsecured Indebtedness of the Company and its Restricted Subsidiaries determined on a consolidated basis as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with GAAP.

"U.S. Dollar Equivalent" means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in *The Wall Street Journal* in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination.

Except as described under "—Certain Covenants —Limitation on Incurrence of Additional Indebtedness," whenever it is necessary to determine whether the Company has complied with any covenant in the Indenture or a Default has occurred and an amount is expressed in a currency other than U.S. dollars, such amount will be treated as the U.S. Dollar Equivalent determined as of the date such amount is initially determined in such currency.

"Unrestricted Subsidiary" means (i) Servicios Corporativos Chapultepec, S.A. de C.V., (ii) CR Fact, S.A.P.I. de C.V., (iii) Directodo México, S.A.P.I. de C.V., SOFOM, E.N.R, (iv) Crédito Real USA, Inc., (v) CRHOLDINGINT, S.A. de C.V., (vi) Controladora CR México, S.A. de C.V., (vii) CR-SEG, Inc., (viii) any Subsidiary of the Persons listed in clause (i) through (vii) (except for Crédito Real, S.A. and Creal Nómina, S.A. de C.V.), and (ix) any Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to "Certain Covenants —Limitation on Designation of Unrestricted Subsidiaries." Any such Designation may be revoked by a certificate of the Chief Financial Officer of the Company, subject to the provisions of such covenant.

"Unsecured Indebtedness" means any Indebtedness of the Company and/or its Restricted Subsidiaries other than Secured Indebtedness.

"Voting Stock" with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

"Wholly-Owned Subsidiary" means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons

pursuant to applicable law) is owned by such Person and/or one or more Persons that satisfy this definition in respect of such Person (or a combination thereof).

BOOK-ENTRY, DELIVERY AND FORM

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A notes"). Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("Regulation S notes"). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Rule 144A global notes"). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the "Regulation S global notes" and, together with the Rule 144A global notes, the "global notes").

The global notes will be deposited upon issuance with a common depositary for Euroclear and Clearstream and registered in the name of the common depositary for credit to the accounts of Euroclear and Clearstream, who will credit the accounts of direct or indirect participants in Euroclear or Clearstream, as described below under "—Depository Procedures."

Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "restricted period"), beneficial interests in the Regulation S global notes may be transferred to a U.S. person only in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S Notes and Rule 144A Notes."

Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions." Regulation S notes will also bear the legend as described under "Transfer Restrictions." In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their direct or indirect participants, which may change from time to time.

Depository Procedures

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

Information Concerning Euroclear and Clearstream

All book-entry interests will be subject to the operations and procedures of Euroclear and/or Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions only through Euroclear or Clearstream participants.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Payments in respect of the principal of and premium, if any, and interest on a global note registered in the name of the common depository will be payable by the Trustee (or the paying agent if other than the Trustee) to the common depository in its capacity as the registered holder under the Indenture. We and the Trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of us, the Trustee or any of our agents or the Trustee has or will have any responsibility or liability for:

- any aspect of Euroclear and/or Clearstream's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the global notes, or for maintaining, supervising or reviewing any of Euroclear and/or Clearstream's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

- any other matter relating to the actions and practices of Euroclear and/or Clearstream or any of its participants or indirect participants.

Subject to the transfer restrictions described under "Transfer Restrictions," transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Each of Euroclear and Clearstream has advised the Issuer that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account with Euroclear and/or Clearstream interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction.

The information in this section concerning Euroclear and Clearstream and their book-entry systems has been obtained from sources that the Issuer believes to be reliable, but we take no responsibility for the accuracy thereof.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form ("certificated notes") if:

(1) (a) the common depositary notifies us that it is unwilling or unable to continue as depositary for the global notes and (b) we fail to appoint a successor depositary within 90 days of such notice;

(2) we, at our option, notify the Trustee in writing that we have elected to cause the issuance of the certificated notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the Trustee in accordance with the Indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

(1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the notes are being transferred to a person:

(A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

(B) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(C) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers of beneficial interests within a global note may be made without delivery of any written certification or other documentation from the transferor or the transferee.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in Euroclear and Clearstream by means of an instruction originated by the Trustee. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of Euroclear and Clearstream for payment.

TAXATION

General

The following summary contains a description of certain United States and Mexican federal income tax considerations generally applicable to the ownership and disposition of the notes by certain holders.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the Tax Treaty, all of which are subject to change. This summary does not purport to be a comprehensive description of all the United States or Mexican federal tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. The summary does not address any tax considerations under the laws of any state or municipality of Mexico or state of locality of the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States.

Prospective investors should consult their own tax advisors as to the Mexican and United States tax consequences of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign (non-Mexican and non-U.S.), state, municipal or local tax laws.

Mexico has also entered into or is negotiating several double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

Mexican Federal Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are treated as non-residents of Mexico, for Mexican federal income tax purposes, and that do not hold such notes through a permanent establishment for tax purposes in Mexico, to which income under the notes is attributable; for purposes of this summary, each such non-resident holder of Mexico for tax purposes is referred to as a foreign holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and regulations in effect on the date of this offering memorandum, all of which are subject to change (including through the proposed 2020 tax reform presented to the Mexican Congress on September 8, 2019), possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this summary.

This summary does not constitute tax advice, does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. In particular, this summary does not describe any tax consequences arising under the laws of any state or, municipality of Mexico.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico (and the laws of any state or municipality of Mexico) or any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is treated as a non-resident of Mexico for tax purposes, a foreign holder for purposes of this summary, and generally subject to taxation, at a Mexican federal level, as specified in this summary in connection with the notes.

Tax residency is a highly technical definition that involves the application of a number of factors that are principally described under Articles 9 and 10 of the Mexican Tax Code (*Código Fiscal de la Federación*) and in some cases, provisions of tax treaties entered into by Mexico and in effect on the date of this offering memorandum, including the Tax Treaty. An individual is a resident of Mexico for tax purposes if he/she established his/her home in Mexico. When the individual has a home in another country, the individual will be deemed a resident in Mexico if

his/her center of vital interests is located in Mexican territory; this will be deemed to occur if (i) more than 50.0% of the aggregate income realized by such individual in the calendar year is from a Mexican source of income, or (ii) the principal center of the professional activities of the individual is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime as defined by Mexican law, will be considered a resident of Mexico for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years. Unless otherwise evidenced, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico. Under the proposed 2020 tax reform presented to the Mexican Congress on September 8, 2019, if any non-Mexican entities (including transparent or pass-through entities) maintain the principal administration of its business or the effective location of its management in Mexico, such non-Mexican entity will also be deemed to be a resident in Mexico for tax purposes.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes, any and all income attributable to that permanent establishment of such resident will be subject to Mexican income taxes, in accordance with applicable tax laws. However, any determination of residence, whether involving an individual or a corporation, should take into account the particular situation for each individual or legal entity.

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount or any amount or any premium paid in respect of the notes, which is deemed to be interest) made by us to a foreign holder of the notes will be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met:

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the General Provisions Applicable to Securities Issuers and other Securities Market Participants, promptly after completion of the issuance of the notes;

- the notes are placed outside of Mexico through banks or brokerage firms, in a country with which Mexico has in force a treaty for the avoidance of double taxation which is in effect (which currently includes the United States of America); and

- we timely comply with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria*), fifteen business days after the placement of the notes, of certain information regarding the issuance of the notes and this offering memorandum.

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% or higher. As a *Sofom*, under the Mexican Income Tax Law, we are entitled to a beneficial treatment pursuant to which, any and all interest we pay to non-residents of Mexico for tax purposes (as foreign holders of the notes), is subject to a 4.9% withholding tax rate (this withholding tax rate was not modified in the proposed 2020 tax reform presented to the Mexican Congress on September 8, 2019). If beneficial owners, whether acting directly or indirectly, individually or jointly with related persons, that receive more than 5% of the interest paid under the notes (i) are persons who own, directly or indirectly, individually or with related persons, 10% of our voting stock, or (ii) are corporations or other entities, of which 20% or more of the voting stock is owned by us, directly or indirectly, jointly or severally, with persons related to us, then the Mexican withholding tax rate applicable to payments of interest under our notes may increase to the maximum applicable rate according to the Mexican Income Tax Law (currently 35%). For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;

- both persons have common interests; or

- a third party has an interest in the business or assets of both persons.

As of the date of this offering memorandum, the Tax Treaty is not expected to have any effect on the Mexican tax consequences described in this summary, in connection with the payment of interest under the notes, because, as described above, under the Mexican Income Tax Law, we expect to be entitled to withhold taxes in connection with interest payments (or amounts deemed as interest)under the notes at a 4.9% rate.

Payments of interest made with respect to the notes to a non-Mexican pension or retirement fund will be generally exempt from Mexican withholding taxes, provided that (1) the fund is the beneficial owner of such interest, (2) the fund is duly established pursuant to the laws of its country of residence,(3) the relevant interest income is exempt from taxation in the country of residence of the fund, and (4) such fund provides information to us, that we then can provide to the Mexican Tax Administration Service, in respect of such fund's place of residence.

Holders or beneficial owners of the notes may be requested, subject to 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 as described under "Description of the Notes—Payment of Additional Amounts."

Payments of Principal

Pursuant to the Mexican Income Tax Law, payments of principal on the notes made by us to foreign holders of the notes will not be subject to any Mexican withholding tax.

Taxation of Capital Gains

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a foreign holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the notes by a foreign holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment for tax purposes in Mexico, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Other Mexican Taxes

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes applicable to the purchase, ownership or disposition of the notes by a foreign holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamp, issuer registration or similar taxes or duties payable by us or by foreign holders of the notes with respect to the notes (including their issuance).

U.S. Federal Income Tax Considerations

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to the ownership and disposition of the notes by an initial purchaser that is a U.S. Holder (as defined below) as of the date hereof. Except where noted, this summary deals only with notes that are held as capital assets by a U.S. Holder of the notes who acquired the notes upon original issuance at their initial offering price. This summary does not describe the application of the Medicare net investment income tax, or any tax considerations arising out of the tax laws of any state, local or foreign jurisdiction, or any possible applicability of U.S. federal gift or estate tax. This summary does not apply to investors subject to special rules, including:

- dealers in securities,
- traders in securities that elects to use a mark-to-market method of accounting for securities holdings,
- tax-exempt organizations,
- banks,
- insurance companies,
- real estate investment trusts,
- regulated investment companies,
- persons that are subject to special tax accounting rules pursuant to section 451(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"),
- persons liable for alternative minimum tax,
- persons that hold the notes as part of a straddle or a hedging or conversion transaction, and
- U.S. Holders whose functional currency is not the U.S. Dollar.

This discussion is based on the Code, its legislative history, existing and proposed regulations, and published rulings and court decisions, all as in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect.

For purposes of this discussion a "U.S. Holder" is a beneficial owner of notes who or that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States,
- a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia),
- an estate the income of which is subject to U.S. federal income tax 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 United States persons for all substantial decisions or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States 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 tax treatment of the partnership. A partner in a partnership holding the notes should consult its tax advisor regarding the U.S. federal income tax treatment of an investment in the notes.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO IT OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

Payment of Interest and Additional Amounts

It is expected that the notes will not be issued with original issue discount for U.S. federal income tax purposes ("OID") in excess of a de minimis amount, and this disclosure assumes as much. If the notes are issued at a discount from their stated principal amount, and such discount is equal to or more than the product of one-fourth of one percent (0.25%) of the stated principal amount of the notes and the number of full years to their maturity, the notes

will have OID equal to such discount. All U.S. Holders are urged to consult their tax advisors in the event the notes are issued with OID.

Interest on the notes (and any Additional Amounts) will generally be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes. U.S. Holders using the cash basis method of accounting will be required to include in income the U.S. dollar value of each interest payment based on the spot rate in effect on the date the payment is received, regardless of whether the payment is in fact converted into U.S. dollars at that time, and will recognize no exchange gain or loss on receipt of the payment. U.S. Holders using the accrual method of accounting may translate accrued interest into U.S. dollars at the average rate of exchange for the period or periods during which the interest accrued, or, at the holder's election, at the spot rate on (i) the last day of the accrual period, (or, if the accrual period straddles the holder's taxable year, the last day of the taxable year)or (ii) the date the interest payment is received if such date is within five business days of the end of the accrual period. The election described in the preceding sentence must be consistently applied to all debt instruments from year to year and can be changed only with the consent of the IRS. Accrual basis U.S. Holders will recognize ordinary exchange gain or loss on the receipt of payments in respect of accrued interest (including, upon sale or other disposition of a note, proceeds attributable to accrued interest previously included in income) in an amount equal to the difference between (i) the U.S. dollar value of the payment (as determined based on the spot rate in effect on the date the payment is received) and (ii) the amount of interest income accrued in respect of the payment. Any such exchange gain or loss will generally be U.S. source.

A U.S. Holder may be entitled to deduct or credit against its U.S. federal income tax liability any foreign taxes withheld by us from payments on the notes, subject to certain limitations. The election to deduct or credit foreign taxes applies to all of such U.S. Holder's foreign taxes for a particular tax year. The rules regarding the calculation and timing of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions are complex and depend upon a U.S. Holder's particular circumstances. Interest income on a note generally will be considered foreign source "passive category" income for foreign tax credit purposes. U.S. Holders should consult an independent tax advisor regarding the availability of the foreign tax credit in their particular circumstances.

Sale, Exchange, Retirement, or Other Disposition

A U.S. Holder will generally recognize taxable gain or loss on the sale, exchange, redemption, or other taxable disposition of the notes in an amount equal to the difference between the amount realized on the disposition (other than any amount attributable to accrued stated interest or Additional Amounts not previously included in income, which will be taxable as ordinary interest income in the manner described above) and the U.S. Holder's adjusted tax basis in the notes.

A U.S. Holder's adjusted tax basis in a note will generally equal the U.S. dollar value of the euro purchase price on the date of purchase calculated at the spot rate of exchange on that date decreased by any payments received on the note other than stated interest received on the note. Except as described below, any gain or loss recognized on a disposition of a note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder's holding period for the note exceeds one year at the time of the disposition. Long-term capital gains recognized by individuals and certain other non-corporate U.S. Holders generally are eligible for reduced rates of taxation. Deductions in respect of capital losses are subject to limitations.

Gain or loss recognized by a U.S. Holder on the disposition of a note will generally be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such note. Such foreign currency exchange gain or loss will equal the difference between (1) the U.S. dollar value of the stated principal amount (if the notes are redeemed) or disposition price (denominated in euros) calculated at the spot rate of exchange on the date such disposition payment is received or the note is disposed of, and (2) the U.S. dollar value of the U.S. Holder's initial purchase price (denominated in euros) calculated at the spot rate of exchange on the date of purchase. If the notes are traded on an established securities market, a U.S. Holder using the cash method of accounting, and, if it so elects, a U.S. Holder using the accrual method of tax accounting, will determine the U.S. dollar value of the amount of euros realized upon a disposition by translating such amount at the spot rate of exchange on the settlement date of such disposition. The election described in the preceding sentence must be consistently applied by to all debt instruments from year to

year and can be changed only with the consent of the IRS. The realization of any foreign currency exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of a note.

In most circumstances, gain realized by a U.S. Holder on the sale or other disposition of a note will be treated as U.S. source for U.S. foreign tax credit limitation purposes.

Foreign Asset Reporting

Specified Foreign Financial Assets

Certain U.S. Holders are required to report information relating to an interest in the notes, subject to certain exceptions, by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the notes. Substantial penalties can apply if a U.S. Holder is required to submit such information to the IRS and fails to do so. U.S. Holders are urged to consult their tax advisors regarding information reporting requirements relating to ownership of the notes.

Certain Panamanian Tax Considerations

The following is a summary of certain Panamanian income tax consequences resulting from the beneficial ownership and disposition of the notes. This summary is based on the Panamanian Tax Code of 1956, as amended, applicable tax laws, decrees and regulations issued thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and is subject to any changes in these or other laws, decrees, regulations and interpretations occurring after such date, including those with retroactive effect. This summary is intended as a summary only and is not a complete list or analysis of all potential Panamanian tax consequences to holders of the notes. This summary does not address the tax treatment of potential investors that may be subject to special income tax withholding rules. The summary is not intended as tax advice to any particular investor, nor does it purport to furnish information in the level of detail or with attention to an investor's specific tax circumstances that would be provided by an investor's own tax advisor. Prospective purchasers of the notes should consult their own tax advisors as to the specific Panamanian and other tax consequences of acquiring, owning, and disposing of the notes.

Payments of principal and interest on the notes will not be subject to income tax or withholding taxes in Panama, so long as the proceeds of the issuance and sale of the notes are not placed, invested or economically used in Panama and the income we earned was exclusively from activities outside Panama.

There are no stamp, transfer or inheritance taxes payable in Panama applicable to the purchase, ownership or other disposition of the notes. For purposes of Panamanian law, the notes will be equivalent, and should for all purposes, be considered as bonds. Notwithstanding the foregoing, the transaction documents will become subject to stamp taxes in Panama if and when submitted as evidence before any court or other governmental authority in Panama at a rate of US$0.10 for each US$100.00 or fraction of US$100.00 of the face value of the obligations stated therein.

The offering and sale of the notes and the use of proceeds therefrom described in this offering memorandum will all take place outside of Panama, and we do not intend to place, invest or economically utilize the proceeds in Panama that we will receive upon the issuance and sale of the notes, or to conduct business activities in Panama.

With the exception of an Agreement for Tax Cooperation and the Exchange of Information Relating to Taxes entered into between Panama and the United States of America on November 30, 2010, which came into effect on April 18, 2011, there is currently no tax treaty between the United States and Panama. Panama has also entered into Agreements for Taxation Cooperation and the Exchange of Taxation Information with the following countries, all of which are currently in force: Canada, Denmark, Finland, Greenland, Iceland, Faroe Islands, Norway, Sweden and Japan.

Panama has entered into treaties to avoid double taxation with the following countries, all of which are currently in force: Barbados, South Korea, United Arab Emirates, Spain, France, Netherlands, Ireland, Luxembourg, Mexico, Portugal, Qatar, United Kingdom, Czech Republic, Singapore, Israel, Vietnam and Italy.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement, each initial purchaser named below has, severally and not jointly, agreed to purchase, and we have agreed to sell, the principal amount of the notes opposite such initial purchaser's name.

Initial Purchasers	Principal Amount of Notes
Barclays Bank PLC	€116,666,667
BNP Paribas	€116,666,667
Morgan Stanley & Co. International plc	€116,666,666
Total	**€350,000,000**

None of Barclays Bank PLC, BNP Paribas and Morgan Stanley & Co. International plc are broker-dealers registered with the SEC and, therefore, may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that any of Barclays Bank PLC, BNP Paribas and Morgan Stanley & Co. International plc intend to effect sales of the Notes in the United States, they will do so through Barclays Capital Inc., BNP Paribas Securities Corp. and Morgan Stanley & Co. LLC, respectively, or one or more U.S. registered broker-dealers or otherwise, as permitted by applicable U.S. law. The initial purchasers may offer and sell notes through certain of their respective affiliates.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchaser may be increased, the commitments of the defaulting initial purchaser may be assumed by other persons satisfactory to the non-defaulting initial purchasers and us or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers or their affiliates are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The initial purchasers may offer and sell notes through certain of their affiliates.

The Notes Are Not Being Registered

The notes have not been, and will not be, registered under the Securities Act or the securities law of any other jurisdiction, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and that it will send to each dealer to whom it sells such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described below under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of Notes

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any U.S. national securities exchange. Application will be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, we cannot assure you that the listing application will be approved. We cannot assure the liquidity of the trading market for the notes.

If an active trading market for the notes 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 on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Stabilization

In connection with this offering, BNP Paribas (the "Stabilizing Manager") (or persons acting on behalf of the Stabilizing Manager) may over-allot notes or effect transactions with a view to supporting the market price of the notes during the stabilization period 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 notes is made and, if begun, may be ended at any time, but it must end no later than 30 calendar days after the date on which we received the proceeds of the issue, or no later than 60 calendar days after the date of allotment of the notes, whichever is the earlier. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

Settlement

We expect that delivery of the notes will be made against payment of the notes on or about October 1, 2019, which will be the third business day following the date of this offering memorandum (such settlement being referred to as "T+3"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of each initial purchaser, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any dollar denominated debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Certain of the initial purchasers or their affiliates may hold positions in the 2019 Senior Notes or the 2023 Senior Notes. As a result, certain of those initial purchasers or their affiliates may receive some of the proceeds from this offering. The initial purchasers or their affiliates are acting as dealer managers in the Tender Offer concurrent with this offering. Certain of the dealer managers may hold some of the notes that will be purchased in the Tender Offer with the proceeds of this offering.

Some of the initial purchasers 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 these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers 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 our or our affiliates' securities and/or instruments or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers 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 offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers 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.

Sales Outside of the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

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 or otherwise be subject to intermediation activities in Mexico. The notes may only be offered the notes may only be offered, 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*). See "Transfer Restrictions". 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 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 responsibility and has not been reviewed nor authorized by the CNBV and may not be publicly distributed in Mexico.

Prohibition of Sales to EEA Retail Investors

Each initial purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes to any retail investor in the European Economic Area. For the purposes of this provision, 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. This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in United Kingdom

This document is only being distributed and is only 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 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 of the initial purchasers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated by an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The notes offered hereby may be sold in Canada 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 noted offered hereby must be made in accordance with an exemption form, 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 circular (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 purchasers' 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 initial purchasers 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 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.

Notice to Prospective Investors in 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.

Notice to Prospective Investors in Switzerland

This offering memorandum, as well as any other material relating to the notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the notes, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The notes are being offered in Switzerland by way of a private placement, (i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the notes with the intention to distribute them to the public). The investors will be individually approached by the initial purchasers from time to time. This document, as well as any other material relating to the notes, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been provided in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong 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.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "FIEL") and each initial purchaser 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.

Notice to Prospective Investors in 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 or 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:

(a) 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;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) 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 Securities and Futures Act (Chapter 289 of Singapore) (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).

Notice to Prospective Investors in Chile

The offer of the notes will begin on September 12, 2019 and is subject to General Rule No. 336 of the Chilean Securities Commission (Superintendencia de Valores y Seguros de Chile) ("SVS"). The notes being offered are not registered in the Securities Registry (Registro de Valores) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As with all unregistered securities, the issuer of the notes is not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 12 de septiembre 2019 y está acogida a la NCG 336 de la superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in 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.

Notice to Prospective Investors in 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 interests 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.

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 or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons ("non-U.S. purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms "offshore transactions," "United States" and "U.S. person" have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers 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 that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);

(2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes 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 shall not resell or otherwise transfer any of such notes except:

- to the Company or any of its subsidiaries;
- pursuant to a registration statement which has been declared effective under the Securities Act;
- within the United States to a QIB in compliance with Rule 144A under the Securities Act;
- outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
- pursuant to another available exemption from the registration requirements of the Securities Act;

(4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;

(5) It understands that the certificates evidencing the notes (other than the Regulation S global notes) will bear a legend substantially to the following effect unless otherwise determined by us:

THE SECURITIES 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 SECURITY 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) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF 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 SECURITY 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 UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT 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 SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND SHALL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

(6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40-day "distribution compliance period" within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a U.S. global note, and that each Regulation S global note will contain a legend to substantially the following effect:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT, THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

(7) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;

(8) It acknowledges that the Company will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Company that the restrictions set forth herein have been complied with; and

(9) It acknowledges that the Company, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the Company, the trustee and the initial purchasers. 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 acknowledgments, representations and agreements on behalf of each such account.

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 the note guarantors are legal entities formed and existing under the laws of Mexico and Panama, as applicable. Most of our and the subsidiary guarantors' 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 subsidiary guarantors' 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 appointed CT Corporation System, located in New York, New York, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering.

Mexico

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, provided that U.S. courts would grant reciprocal treatment to Mexican judgments. Additionally, there is uncertainty as to the enforceability, in (i) original actions in Mexican courts, of liabilities predicated, in whole or in part, on U.S. federal securities laws; and (ii) as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated on the civil liability provisions of U.S. federal securities laws.

Panama

In accordance with the legislation of Panama, our legal counsels indicate that the recognition, execution or homologation of a US judgment, are recognized as foreign judgments and are processed in Panama by the Fourth Chamber of General Businesses of the Supreme Court of Justice, through a procedure known under Panamanian law as "Exequatur," which are subject to all judicial acts pronounced in form of judgment or sentence, which are likely to be always recognized that meet the requirements be private in civil, commercial or labor matters and have been issued by competent judicial authorities of the requesting state.

The Supreme Court of Panama recognizes a foreign judgment only if the judgment complies with the requirements of articles 1419 to section 1421 of the Judicial Code of Panama, and includes procedures for recognition, execution or homologation of arbitral awards. The Supreme Court of Justice will grant recognition to a foreign judgment if:

- that the sentence has been issued as a result of the exercise of a personal claim, except as provided by law especially in matters of successions opened in foreign countries;
- that has not been issued in rebellion, understood as such, for the purposes of this article, the case in which the claim was not personally notified to the defendant, having ordered personal notification by the court of the case, unless the defendant rebel request the execution;
- that the obligation for which compliance has been carried out is tendered in Panama; and
- that the copy of the judgment is authentic.

Currently, there is no bilateral treaty that regulates the reciprocal and automatic recognition of the enforcement of judicial decisions in civil and commercial matters between the United States and Panama. In practice, there is a reciprocity in the application of judgments between both countries, and in our jurisdiction in Panama, provided that it is not contrary to public order. In the exequatur procedure, it is sent to the office of the Solicitor-General of the Nation, and each party may file final allegations in support of such party's position.

Once the Supreme Court of Panama grants the recognition of a foreign judgment, said judgment may be executed before the competent Panamanian courts, complying with the formalities contained in Article 877 of the Judicial Code of Panama.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP, our United States counsel, and for the initial purchasers by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon for us by Jones Day México, 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, 2018, 2017 and 2016 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 March 22, 2019 appearing therein.

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Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

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

Consolidated Financial Statements for the Years Ended December 31, 2018, 2017 and 2016 and Independent Auditors' Report Dated March 22, 2019



Deloitte.

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

Opinion

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

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

Basis for Opinion

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

Other Matter

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

Key Audit Matters

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

Deloitte se refiere a Deloitte Touche Tohmatsu Limited, sociedad privada de responsabilidad limitada en el Reino Unido, y a su red de firmas miembro, cada una de ellas como una entidad legal única e independiente. Conozca en www.deloitte.com/mx/conozcanos la descripción detallada de la estructura legal de Deloitte Touche Tohmatsu Limited y sus firmas miembro.

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

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

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

Our audit procedures to address this significant matters included:

- Testing the design and implementation of the key controls in the processes of identifying, measuring and registration of financial derivatives instruments of the Entity.

- Testing the accounting records underlying the balance sheet and the statements of income accounts as of August 31 and December 31, 2018 based on a sample of financial instruments. In our opinion, the information tested in the accounting records was reasonable.

- Involved the Deloitte's internal specialists to review accounting records.

- Validated as of the appropriate presentation and disclosure in the consolidated financial statements as of December 31, 2018.

The results of our audit procedures were reasonable.

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

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

Our audit procedures to address this key audit matter included:

- We tested the design and operating effectiveness of the relevant controls with a focus on the review-type controls, for the classification of the commercial loan portfolio into different groups, as well as consumer loans and home loans and the review of the variables for the estimate of the probability of default for each type of loan.

- We tested the design and operating effectiveness of the determination of the credit rating and/or score, which are determined based on the quantitative factors related to the financial information of the borrower, credit bureau information and qualitative factors related to their environment, behavior and performance.

- We tested a sample of loans as of August 31 and December 31, 2018, assessing the reasonableness of the criteria and considerations used for the determination of the estimate based on an independent calculation procedure, compared the results against those recorded by the Entity with the aim of assessing any indication of error or Management bias, and concluded that the results were within reasonable ranges.

The results of our audit procedures were reasonable.

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

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

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

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

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Entity´s ability to continue as a going concern, disclosing, as applicable, matters, related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

March 22, 2019

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries
(formerly Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries)
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Consolidated Balance Sheets

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

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

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

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

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

See accompanying notes to consolidated financial statements.



Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries
(formerly Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries)
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Consolidated Statements of Income

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

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

See accompanying notes to consolidated financial statements.

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries
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Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Consolidated Statements of Changes in Stockholders' Equity

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

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

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

See accompanying notes to consolidated financial statements.

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries
(formerly Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries)
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Consolidated Statements of Cash Flows

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

	2018	2017	2016
Net income	$ 2,012,917	$ 1,814,983	$ 1,819,166
Adjustments for items that do not result in cash flows:			
Depreciation of furniture and fixtures	47,355	72,518	117,098
Amortization of intangibles assets	36,579	64,035	42,727
Provisions	40,689	124,987	63,834
Deferred income taxes	650,600	528,297	504,402
Equity in income of associates	(154,715)	(177,743)	(136,096)
	2,633,425	2,427,077	2,411,131
Operating activities			
Change in investment in securities	(411,097)	462,907	(449,409)
Change in derivatives (asset)	524,143	683,665	(354,108)
Change in loan portfolio (net)	(7,303,695)	(5,149,835)	(6,035,429)
Change in other accounts receivables (net)	(749,129)	(1,052,375)	(1,318,400)
Change in foreclosed assets (net)	(7,241)	24,735	(28,004)
Change in other assets	(420,579)	(403,323)	(110,699)
Change in senior notes and notes payable	3,938,493	(2,344,569)	5,943,521
Change in bank loans	3,123,747	1,340,579	1,201,123
Change in other accounts payable	(1,128,344)	714,422	(357,825)
Net cash flows from operating activities	(2,433,702)	(5,723,794)	(1,509,230)
Investing activities:			
Net cash and marketable securities (delivered) acquired in connection with business acquisition	-	-	(1,136,393)
Acquisitions of property and equipment	(46,638)	(216,597)	(230,109)
Dividends received in cash	113,895	95,116	96,672
(Increase) decrease in investments in shares	179,192	(207,014)	283,443
Net cash flows from investing activities	246,449	(328,495)	(986,387)
Financing activities:			
Cash flow generated from hedging instruments	-	130,280	140,177
Dividends paid in cash	(193,436)	(96,800)	-
Share subscriptions premium	-	12,349	2,284
Repurchase of own shares	(91,528)	(58,465)	(27,910)
Subordinate obligations	-	4,206,685	-
Dividends paid in subordinate obligations	(252,889)	-	-
Net cash flows from financing activities	(537,853)	4,194,049	114,551

	2018	2017	2016
Net (decrease) increase in cash and cash equivalents	(91,681)	568,837	30,065
Effect of change in the value of cash and equivalents	(143,222)	(73,989)	164,869
Cash and cash equivalents at beginning of year	810,622	315,774	120,840
Cash and cash equivalents at end of year	$ 575,719	$ 810,622	$ 315,774

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

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

1. Activities, regulatory environment and significant events

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

Payroll loans

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

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

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

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

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

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

PYMES loans

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

Used car loan

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

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

Consumer loans

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



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

Group loans

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

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

Regulatory environment

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

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

Significant events 2018 –

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

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

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

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

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

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

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

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

2. Basis of presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Crédito Real USA, Inc. ("CR USA") -

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

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

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

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

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

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

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

III. *CREAL Houston, LLC*

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

IV. *CR Fed, LLC*

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

V. *CR-FED, Leasing LLC*

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

VI. *CR-FED ABL, LLC*

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

VII. *DC Reinsurance Company, LTD*

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

VIII. *CR-MPM, LLC*

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

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

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

I. Marevalley Corporation -

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

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

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

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

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

Irrevocable issuance, management and payment Trust No. 3200

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

Irrevocable issuance, management and payment Trust No. 3670

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies

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

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

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

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

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

Changes accounting issued by the CINIF –

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

Restructurings and renewals

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

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

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

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

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

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

Interest rate: when the interest rate is agreed.

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

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

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

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

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

Allowance for loan losses

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

Methodology for commercial loan portfolio

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

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

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

Where:

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

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

$$PI_i = \frac{1}{1+e^{-(500-TotalCreditScore_i)\times\frac{\ln(2)}{40}}}$$

For purposes of the above:

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

Total credit score $_i$ = *a x (Quantitative credit score* $_i$*) + (1- a) x (Qualitative credit score* $_i$*)*

Where:

Quantitative Credit Score $_i$ = is the score obtained for the i-esimo borrower when evaluating the risk factors.
Qualitative Credit Score $_i$ = is the score obtained for the i-esimo borrower when evaluating the risk factors.
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 loans which report 18 or more months of arrears in payment of the due and payable amount under the terms originally agreed.

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

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

$$EI_i = S_i$$

II. For the other lines of credit:

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{AuthorizedLineofCredit}\right)^{-0.5794}, 100\%\right\}$$

Where:

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

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

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

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

Methodology for consumer loan portfolio

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

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

Determination of the following items for each credit operation.

Due and payable amount: The amount payable by the borrower in the billing period in accordance with the loan agreement. For loans with weekly and half-monthly billing periods, the accumulation of previous unpaid due and payable amounts must not be included. For loans with a monthly billing period, the due and payable amount must include both the amount applicable to the month and the previous unpaid due and payable amounts, as the case may be.

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

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

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

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

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

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



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

Original value of the asset: The amount applicable to the value of the financed asset recorded by the borrower at the time the loan is granted. If the loan is not to finance the purchase or acquisition of an asset, the original value of the asset will be equal to the original amount of the loan. Also, the original amount of the loan may be used for loans which do not reflect the original value of the asset and were granted prior to the enactment of these Provisions.

Loan balance: The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less payments for financed insurance coverage, collections of principal and interest, and any applicable reductions, waivers, rebates and discounts granted.

In any case, the amount subject to the classification must not include uncollected accrued interest, recognized in memorandum accounts on the balance sheet for loans classified as non-performing portfolio

Type of loan: Personal loans include those that are collected by the Entity through any means of payment other than from the payroll account.

The recognition of the allowance for loan losses on the non-revolving consumer loan portfolio are based on outstanding balances as of the final day of each month.

The Entity determines the percentage used to determine the allowances to be created for each loan, which will be the result of multiplying the Probability of Default by the Severity of the Loss.

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

Where:

Ri = Amount of reserves to be established for the nth credit.
PIi = Probability of Default on the nth credit.
SPi = Severity of the Loss on the nth credit.
EIi = Exposure to Default of the nth credit.

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

a) If $ATR_i^M >= 4$ *then* $PI_i^M = 100\%$

b) If $ATR_i^M < 4$ then:

$$P_i^M = \frac{1}{1 + e^{-[-0.5753 + 04056\, ATR_i^M + 0.7923\, VECES_i^M - 4.1891\%PAGO_i^M + 0.9962 PER_i^M]}}$$

Where:

P_i^M = Probability of monthly noncompliance nth for the loan.
ATR_i^M = Number of observed late payments at the date of calculation of new reserves, which are derived from the application of the following formula:

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

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

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

If the payments of the loan include a variable component, the Entity's best estimate will be used to determine the value of the sum of all the scheduled payments to be made by the borrower. The value of such sum cannot be less than or equal to the original amount of the credit.

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

The Severity of the Loss (SP) for the non-revolving consumer loan portfolio will be 65%, provided that the element ATR_i^M does not exceed 9. Otherwise, an SP of 100% is determined.

The Exposure to Default *(Eli)* of each loan from the non-revolving consumer loan portfolio will be equal to the Loan Balance *(Si)*.

Loan portfolio acquisitions - On the acquisition date of the loan portfolio, the contractual value of the acquired portfolio is recognized and classified in accordance with the type of portfolio acquired. Any difference between the acquisition price and the contractual values are recorded as follows:

a) When the acquisition price is lower than its contractual value, a gain is recognized in "Other revenues from operations" up to the amount recognized as allowance for loan losses, with the remaining difference recognized as a deferred credit, which will be recognized as the loan is amortized;

b) When the acquisition price of the portfolio is greater than its contractual value, a deferred charge is recognized which will be recognized as the collections are made according with the proportion which these represent in the credit contract;

c) For revolving loans, such difference will be recognized directly to results of the year on the acquisition date.

Other accounts receivable, net – Represents amounts owed to the Entity but not included in the loan portfolio and includes recoverable taxes, amounts paid to distributors and the amounts to be received from the distributors, interest accrued in a period before the first repayment of the loan, other debtors, as well as allowances for bad debts on these accounts. The amounts paid or to be received from the distributors are comprised of both (a) the amounts related to the distributor's jointly and severally liable for the amounts not paid by the debtors established in the financial factoring contracts, which are in non-performing portfolio and (b) the advances applicable to the distributor established in the financial factoring contract.

This items are also comprised of balances that are aged less than 90 days from initial recognition. Balances older than 90 days are reserved in full against income, regardless of their chances of recovery or the collection process for such assets.

Foreclosed assets - Foreclosed assets are recorded at fair value and are presented net on the balance sheet, discounting the reserve for impairment due to the drop in value, which is calculated as established in Accounting Criterion B-7 and Article 132 of the General Provisions Applicable to Credit Institutions. The reserve is recorded in the statement of income under other income (expenses) from operations.

Furniture and fixtures, net – Furniture and fixtures is recorded at acquisition cost. Depreciation and amortization are calculated using a percentage based on the economic useful life of the assets.

Investments in subsidiaries - Permanent investments in entities in which they have control, are initially recognized based on the net fair value of identifiable assets and liabilities of the entity at the date of acquisition. This value is adjusted after the initial recognition of the corresponding portion of both the comprehensive income or loss of the subsidiary and the distribution of earnings or capital reimbursements thereof.

When the fair value of the consideration paid is greater than the value of the investment in the subsidiary, the difference represents goodwill, which is presented as part of the same investment.

Other permanent investments – Permanent investments made by the Entity over which control, joint control or significant influence are not exercised are recorded at acquisition cost.

Goodwill: The excess of cost over the fair value of the shares of subsidiaries at the date of acquisition is not amortized and is subject to impairment tests at a minimum, on an annual basis.

Impairment of long-lived assets in use – The Entity makes an impairment tests for the long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the book value exceeds the greater of the aforementioned amounts.

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

Employee Benefits – They are those granted to personnel and / or their beneficiaries in return for services rendered by the employee including all kinds of remuneration accrues as follows:

I. Direct benefits to employees – They are assessed in proportion to the services provided, considering their current salaries and liability is recognized as it accrues. It includes mainly the Employee Profit Sharing ("PTU"), compensated absences, such as vacation and vacation premiums, and incentives.

II. Employee benefits from termination, retirement and other The liability for seniority premiums and termination of the employment relationship are recognized as they accrue and are calculated by independent actuaries based on the method of projected unit credit using nominal interest rates, as indicated in Note 16 to the consolidated financial statements.

III. Employee participation in profits - PTU is recorded in income for the year in which it is incurred and presented under the heading of "Administrative expenses" in the income statement. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

As of December 31, 2016 the Entity determined a tax loss, for which reason it did not have a basis for the determination of current and deferred PTU. For the years 2018 and 2017, there is a basis for current PTU.

Other assets, net - Are represented mainly by (i) fees and expenses required financing activities as bank lines of credit and debt issues in the market that are amortized according to the term of the related contract, (ii) ISR, (iii) advance to third parties and (iv) other intangible assets. Intangible assets are classified as definite and indefinite useful life, the amortization of intangible assets is calculated using the straight-line method over the remaining life and are subject to impairment tests. Within this category in other assets short and long term car inventory is presented. Vehicles are initially recognized at acquisition value. The acquisition value of vehicles, including the costs have been incurred initially to be acquired and subsequently incurred to replace or increase its service potential. The repair and maintenance costs are recognized in the income statement as incurred.



Notes payable (Securitized certificates), bank loans and other loans - Include financial liabilities from the issuance of debt financial instruments in the stock market and bank loans and other agencies, which are recorded at the value of the contractual obligation to represent and includes accrued interest related to the debt. In the case of foreign currency obligations these are valued at the exchange rate on the last day of the year. Accrued interest is recorded in the income statement under "Interest expense".
Senior notes - They include financial liabilities from the issuance of financial instruments of unsecured debt securities in US dollars, listed on the Luxembourg Stock Exchange. These notes are aimed at institutional investors under Regulation 144A (CUSIP 22547AAA9) and under Regulation S of the Securities Act of 1933 of USA. The value of the Senior Notes at year-end is estimated considering the exchange rate on the last day of the year and the valuation of the primary position using the same consideration valuation Instrument Cross Currency Swaps ("CCS") and accrued interest. Furthermore, all premiums and discounts paid for the issue of the Senior Notes are recorded in such item. Likewise, the Entity issued Swiss bonds ("Swiss Bonds-CHF"), which are not guaranteed and can not be exchanged before maturity. Swiss Bonds-CHF are not allowed in transactions in a regulated market in the European Economic Area or any other outside it, and will be quoted exclusively in the SIX Swiss (Securities Market in Switzerland).

Sundry creditors and other payables - They are represented mainly by disposals of portfolio and Value Added Tax ("VAT") derived from portfolio purchases to various distributors pending payment.

Provisions - When the Entity has a present obligation as a result of a past event, which will probably result in the use of economic resources and that can be reasonably estimated, a provision is recognized.

Financial margin - The net interest margin of Entity consists of the difference resulting from total interest income less interest expense.

Recognition of interest income - Interest income is determined by applying the applicable interest rate to the outstanding principal balance during the reporting period.

The accrual of interest is suspended when an outstanding loan balance is deemed to be non-performing and is recorded as non-performing portfolio. Interest on non-performing loans is recognized as collected.

When installment payments are received on past due repayments which include principal and interest, they are first applied to the oldest interest.

Interest income recognized by the Entity refers exclusively to the Entity's share and, accordingly, excludes the share applicable to the distributors. Pursuant to the agreements executed, the Entity shares with each distributor the credit risk and the revenues generated on the loans originated by the distributor. The distributor is responsible for servicing the loan and covering all of the operating expenses related to the portfolio that it originates.

Interest expenses - They are recorded as accrued in accordance with contracts made are recorded in the income statement monthly.

Statements of cash flows– The cash flows statement presents consolidated Entity's ability to generate cash and cash equivalents, as well as how the entity uses those cash flows to meet your needs. The preparation of the cash flow statement is performed on the indirect method, based on the net income for the period based on the provisions of Criterion D-4, *cash flow statements*, the Commission.

Earnings per share - Basic earnings per common share are calculated by dividing consolidated net income of the controlling interest by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined only when there is income from continuing operations by adjusting consolidated net income and common shares on the assumption that the Entity's commitments to issue or exchange its own shares are to be met.

Memorandum accounts (see Note 23)

Loan commitments – The balance represents irrevocable letters of credit and unused credit lines.

Uncollected interest earned on non performing portfolio– They represent accrued interest recognized in the income statement, because it loans classified as non-performing loans.

Lines of credit not drawn down - Represent lines of credit authorized but not drawn done by the Entity.

4. Cash and cash equivalents

As of December 31 2018, 2017 and 2016, the cash and cash equivalents were as follows:

	2018	2017	2016
Banks:			
National currency	$ 148,022	$ 651,675	$ 126,921
Foreign currency	427,697	158,947	188,853
	$ 575,719	$ 810,622	$ 315,774

5. Investments in securities

As of December 31 2018, 2017 and 2016, investments in securities were as follows:

2018	Amount invested	Rate	Amount
Investments in Mexican pesos (a)			
Bank promissory notes	$ 724,048	7.55%	$ 724,048
Government paper	80,004	8.16%	80,004
Commercial paper	55,214	5.00%	55,214
Total securities to trade in pesos	859,266		859,266
Investments in foreign currency USD (b)			
Bank promissory notes	$ 81,599	4.50%	$ 81,599
Total securities to trade in dollars	81,599		81,599
Total investments in securities	$ 940,865		$ 940,865

2017	Amount invested	Rate	Amount
Investments in Mexican pesos (a)			
Bank promissory notes	$ 208,614	6.96%	$ 208,614
Government paper	38,404	6.98%	38,404
Commercial paper	203,810	7.48%	203,981
Total securities to trade in pesos	450,828		450,999
Investments in foreign currency USD (b)			
Bank promissory notes	$ 78,769	3.06%	$ 78,769
Total securities to trade in dollars	78,769		78,769
Total investments in securities	$ 529,597		$ 529,768

	2016		
	Amount invested	Rate	Amount
Investments in Mexican pesos			
Commercial paper (c)	$ 473,470	5.39%	$ 561,566
Bank promissory notes (c)	200,000	5.91%	200,000
Bank promissory notes (c)	44,862	Entre TIIE +1.75 y +2.25	45,642
Total securities to trade in pesos	718,332		807,208
Investments in foreign currency USD			
Government paper (d)	$ 10,306	0.64%	$ 10,306
Commercial paper (d)	170,541	7.25%	175,161
Total securities to trade in dollars	180,847		185,467
Total investments in securities	$ 899,179		$ 992,675

(a) Investments denominated in Mexican pesos are comprised as follows:

Investments in bank paper are comprised of bank debt in pesos, with a 2-day maturity. At the close of December 2018 and 2017, they represent a total value of $724,048 and $208,614, respectively.

Investments in government paper are comprised of government debt in pesos with maturity at 2 days. At the close of December 2018 and 2017, they represent a total value of $80,004 and $28,404, respectively.

Investments in corporate paper are comprised of corporate debt in pesos with maturities of between 3 and 330 days. At the close of December 2018 and 2017, they represent a total value of $55,214 and $203,981, respectively.

(b) As of December 31, 2018 and 2017, investments in bank paper denominated in US dollars, with a maturity of between 30 and 293 days, represent a total value of $81,599 and $78,769, respectively.

(c) Investments denominated in Mexican pesos are comprised as follows:

Investments in bank paper are comprised of bank debt in pesos, with a 3-day maturity. At the close of December 2016, they represent a total value of $561,566.

Investments in corporate paper are comprised of corporate debt in pesos with maturities of between 3 and 132 days. At the close of December 2016, they represent a total value of $245,642.

(d) Investments denominated in US dollars are comprised as follows:

As of December 31, 2016, investments in government paper denominated in US dollars with a 10 day maturity are $10,306.

As of December 31, 2016, investments in corporate paper in US dollars are $175,161.

6. Financial Derivatives Instruments

The policy established by management is to contract financial derivatives with the aim of hedging the risks inherent to exposure in foreign currency (exchange rate) and due to interest rate risk generated by the contracting of debt instruments established in a currency other than the Mexican peso or a variable interest rate.

Margin Call

Any appreciation of the Mexican peso with respect to the U.S. dollar during the term of the debt issued by Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada may result in mark-to-market losses, which in turn, could trigger margin calls. Therefore, the Entity has entered into credit lines with its cross currency swap counterparties that help mitigate the risks of having to post collateral with its swap counterparties in order to satisfy margin calls. As of December 31, 2018, the Entity does not have collateral to satisfy margin calls with its various counterparties.

Derivatives for hedging purposes

Derivatives designated as hedges recognize the changes in valuation according to the type of hedge in question: (1) when they are fair value hedges, the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in earnings; (2) when they are cash flow hedges, the effective portion of the result of the hedge instrument is recognized in stockholders' equity as part of other comprehensive income and loss, and the ineffective portion of the result of the hedge instrument is recognized immediately in results for the period.

Furthermore, in fair value hedges, the fair value of the debt in foreign currency is recognized on the consolidated balance sheet, and changes to this debt are recognized in earnings.

The changes in fair value of the financial derivatives and the changes in fair value of the debt are recorded in the intermediation income. The valuation of financial derivatives and primary position is based on valuation techniques widely accepted in the financial community.

Relationship of Senior Notes with maturity in 2019 (figures in US dollars expressed in thousands)

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate applicable to its issue of Senior Notes with a coupon rate of 7.50%, maturing in 2019. The Senior Notes were issued for US $425,000. However, on August 9, 2016, a portion was prepaid, resulting in a remaining outstanding balance of US $134,853. With the original amount, there were five financial derivatives for hedging purposes; however, when the prepayment was made, there were also modifications in the derivatives in order to not generate over-hedging. Below is a description of the derivatives in effect as of December 2018, which continue to hedge the Senior Notes.

On July 2, 2015, the Entity entered into a Cross Currency Swap with Bank Morgan Stanley (France) ("Morgan") for US $75,000 at an exchange rate of MX $14.50 per US dollar, in which a fixed rate of 6.30% is paid, to cover part of the Senior Notes maturing in the year 2019. Furthermore, the Entity contracted a strategy with exchange rate options (collar) with the purchase of a put option at MX $14.50 per US dollar and the sale of a call option at MX $20.00 per US dollar in the final exchange.

On August 9, 2016, the Entity restructured a Cross Currency Swap with Deutsche Bank, modifying only the notional amount to a remaining balance of US $59,853 at an exchange rate of MX $14.50 per US dollar, in which a fixed rate of 7.18% is paid to cover the rest of the Senior Notes maturing in the year 2019.

On December 31, 2018 the Entity restructured a Cross Currency Swap with Deutsche Bank, modifying only the notional amount by applying a new exchange rate of MX $20.00 per US dollar to the remaining balance of US $59,853 at a fixed rate of 7.18% to cover the rest of the Senior Notes 2019.

For accounting purposes, given that the option is a zero cost collar, the Entity has designated the aforementioned financial derivatives as cash flow hedges. In the case of the currency swaps, the changes in the fair value of the derivative are recorded in other comprehensive income, by reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect the results for the year. With regard to the options, only the intrinsic value was designated as cash flow hedges, for which reason the changes in the intrinsic value of the derivative are recorded in other comprehensive income, reclassifying any ineffective portion to the statement of income and the extrinsic value is recognized immediately in results for the period.

Trading characteristics:

Characteristics of CCS	Morgan Stanley ID ELGKW	Deutsche Banck (2) ID 6258211MX
Currency A:	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Morgan Stanley	DB
Required to pay fixed rate amounts in currency B:	CR	CR
Transaction date:	July 2, 2015	August 9, 2016
Reference exchange amount in both currencies:	At the beginning and at Maturity	At the beginning and at Maturity
Start date:	March 13, 2014	March 13, 2014
Maturity date:	March 13, 2019	March 13, 2019
A currency settlement date A:	USD 75,000	USD 59,853
A currency settlement date B:	MXN $1,087,500	MXN $867,869
Fixed rate for the amount in currency B for the first period:	$14.5000 MXN per USD	$14.5000 MXN per USD
Floating or Fix rate for currency A:	7.50%	7.50%
Spread	N/A	N/A
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360
A currency payment dates A:	The 13th day of every March and September	The 13th day of every March and September
A currency settlement date A:	March 13, 2019	March 13, 2019
A currency payment dates B:	Every 28 days as of March 3, 2014	Every 28 days as of March 13, 2014
Floating or fixed rate for currency B:	6.30%	7.18%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360
Market value MXN (thousands)	$ 434,185	$ 15,163
Market value USD (thousands)	$ 22,095	$ 772

Option Details	Morgan Stanley ID ELGKW
Style of option:	European
Type of option	USD Call / USD Put
Currency and amount of Call:	Collar (Call Corto, Put Largo)
Currency and amount of Put:	USD 75,000
Floor Rate:	USD 75,000
Cap Rate:	$14.50
Maturity date:	$20.00
Day of payment	March 13, 2019
Premium:	March 13, 2019
Market value MXN (thousands)	-
Market value USD (thousands)	$ (31,752)
	$ (1,616)

As of December 31, 2018, the fair value of the aforementioned financial derivatives for the hedging relationship of the Senior Notes maturing in 2019, is MX $417,596 (equivalent to 21,250 US dollars), which was recorded as an asset with a credit to the supplemental account subsequent to the effect of the period through comprehensive income. The effect as of December 31, 2018 recognized in equity is $31,431 (equivalent to $1,599 US dollars) and the effect recognized in the statement of income, as a gain, due to the extrinsic value of the options is MX $31,752 (equivalent to 1,616 US dollars) for the Call, and MX $0.1 ($0.005USD), for the Put. The effect reclassified to the statement of income as accrued interest income is MX $52,455 (equivalent to 2.670 US dollars).and FX impact MX $365,463 (equivalent to 18,598 US dollars).

Please note that the Entity received a benefit of MX $316,384 (equivalent to US $16,100), due to a modification in the exchange rate agreed, which changed from MX $14.50 to $20.00 per US dollar.

The periods in which the cash flows from the derivatives in relation to the hedging of the Senior Notes maturing in 2019 are expected to occur and impact the statement of results are as follows:

Year		Pesos	US dollars
2019	$	31,431	1,599

Syndicated line relationship (figures in US dollars expressed in thousands)

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate and the interest rate applicable to its line of credit with Credit Suisse, for US $110,000, whose transaction date was February 21, 2017, and will be payable on February 19, 2020 at the Libor rate plus 5.5% of monthly.

On February 21, 2017, the Entity executed a Cross Currency Swap with Credit Suisse AG, Cayman Islands Branch ("CS"), at MX $20.4698 per US dollar, where it receives a floating LIBOR interest rate +5.5% and pays fixed interest of 7.22% denominated in Mexican pesos under pure interest swaps in order to hedge the interest on the line of credit executed with Credit Suisse.

For accounting purposes, the Entity has designated the aforementioned financial derivative as a cash flow hedge, recognizing the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portions and the respective amounts to the statement of income when the forecast cash flows hedged affect the results of the year.

Characteristics of CCS	Credit Suisse ID 9003636
Currency A:	Dollars (USD)
Currency B:	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Credit Suisse
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	February 21, 2017
Reference exchange amount in both currencies:	N/A
Start date:	February 21, 2017
Maturity date:	February 21, 2020
A currency settlement date A:	USD 110,000
A currency settlement date B:	MXN $2,251,678
Fixed rate for the amount in currency B for the first period:	$20.4698 MXN per USD
Floating rate for currency A:	USD-LIBOR-BBA
Spread	5.50%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Actual/360
A currency payment dates A:	Quarterly, beginning February 21, 2017
A currency settlement date A:	N/A
A currency payment dates B:	The 21th day of each month beginning February 21, 2017
Floating or fixed rate for currency B:	7.22%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360
Market value MXN (thousands)	$ 33,451
Market value USD (thousands)	$ 1,702
Collateral MXN	$ -

As of December 31, 2018, the fair value of the aforementioned financial derivative in relation to the syndicated line hedge is MX $33,451 (equivalent to 1,702 US dollars) which was recognized as an asset with a credit to the stockholders' equity supplemental account subsequent to the effect of the period through comprehensive income. The effect as of December 31, 2018 recognized in equity is MX $153,509 (equivalent to 7,812 US dollars) and the effect reclassified to the statement of income for accrued interest income is MX $79,459 (equivalent to 4,043 US dollars), and the exchange rate component is of MX $5,677 (equivalent to 289 US dollars).

Also, there was an impact due to an offsetting charge of MX $272,095 (equivalent to 13,846 US dollars); this commission was paid in March 2017 to Credit Suisse in order to record the derivative with these characteristics.

The periods in which the cash flows from the derivative in the syndicated line hedging relationship are expected to occur and impact the statement of income are as follows:

Year		Pesos	US dollars
2019	$	(31,452)	(1,600)
2020	$	(122,055)	(6,211)

Senior Notes Relationship with maturity in 2023 (figures in US dollars expressed in thousands)

The Entity uses financial derivatives for hedging purposes to manage the risks related to the fair value of its issue of Senior Notes with a coupon rate of 7.25%, maturing in 2023.

On August, 2016, the Entity contracted five Cross Currency Swaps which hedge the fair value of the principal debt for the Senior Notes maturing in 2023 with the following financial institutions: (i) Barclays, (ii) Morgan Stanley, (iii) UBS, (iv) Banamex and (v) Deutsche Bank. This is because it is being converted from a debt that pays a fixed rate in US dollars to one payable in Mexican pesos at a variable rate. The issue of the Senior Notes maturing in 2023 was for US $625,000, while the financial derivatives were only contracted for a portion of the amount exposed. For accounting purposes three Cross Currency Swaps were designated as fair value hedges; i.e., the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in results in the same periods, and for the Cross Currency Swaps agreed with Morgan Stanley, 13.2% is recorded at fair value and the remaining 86.8% is recorded as cash flow, as well as that agreed with Barclays, where the changes in the fair value of the derivative are recorded in other comprehensive income and loss, and any ineffective portion and the respective amounts are reclassified to the statement of income when the projected cash flows hedged affect the results of the period.

Given that in the Cross Currency Swaps acquired at the beginning, the Entity paid MX4 million at a variable rate, the Entity executed 4 interest rate swaps to partially change from the variable rate to a fixed rate during the current year with the following institutions: Barclays, Morgan Stanley and two IRS with Credit Suisse. These instruments are designated as cash flow hedges for accounting purposes, with the changes in the fair value of the derivative recorded in other comprehensive income and loss and any ineffective portion and the respective amounts reclassified to the income statement when the hedged projected cash flows hedged affect the results for the period.

Trading characteristics	Barclays 9007408	Morgan Stanley DMFS4	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Currency A:	Dollars (USD)	Dollars (USD)	Dollars (USD)	Dollars (USD)	Dollars (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Obligated to pay fixed rate for amounts in currency A:	Barclays	Morgan Stanley	UBS	Banamex	Deutsche Bank
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR	CR	CR	CR
Date of transaction:	August 5, 2016	August 5, 2016	August 5, 2016	August 5, 2016	August 5, 2016
Swap reference amount in both currencies:	At the start and at maturity	At the start and at maturity	At the start and at maturity	At the start and at maturity	At the start and at maturity
Starting date:	July 20, 2016	July 20, 2016	July 20, 2016	July 20, 2016	July 20, 2016

Trading characteristics	Barclays 9007408	Morgan Stanley DMFS4	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Maturity date:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Reference amount in currency A:	USD 125,000	USD 100,000	USD 100,000	USD 100,000	USD 125,000
Reference amount in currency B:	MXN $2,361,250	MXN $1,889,000	MXN $1,889,000	MXN $1,889,000	MXN $2,361,250
Exchange rate used to calculate reference amount in currency B:	$18.8900 MXN per USD	$18.8900 MXN per USD	$18.8900 MXN per USD	$18.8900 MXN per USD	$18.8900 MXN per USD
Fixed rate for amounts in currency A:	7.25%	7.25%	7.25%	7.25%	7.25%
Spread	N/A	N/A	N/A	N/A	N/A
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360	30/360	30/360	30/360
Payment dates currency A:	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016
Settlement date currency A:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Payment dates currency B:	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016
Floating rate for amounts in currency B:	TIIE 28D	TIIE 28D	TIIE 28D	TIIE 28D	TIIE 28D
Spread Currency B:	6.13%	6.16%	6.215%	6.19%	6.17%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXN (thousands)	$ 86,311	$ 66,855	$ 82,661	$ 64,660	$ 82,653
Market value USD (thousands)	$ 4,392	$ 3,402	$ 4,206	$ 3,290	$ 4,206
Colateral MXN	$ -	$ -	$ -	$ -	$ -

Caracteristicas IRS	Credit Suisse 9003699	Barclays 9009053	Morgan Stanley OZNJJ	Credit Suisse 9003793
Notional:	$1,500	$1,000	$1,000	$500
Currency:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay fixed rate:	CR	CR	CR	CR
Required to pay floating rate:	Credit Suisse	Barclays	Morgan Stanley	Credit Suisse
Transaction date:	April 18, 2017	May 15, 2017	June 14, 2017	June 14, 2017
Start date:	March 29, 2017	May 16, 2017	May 24, 2017	May 24, 2017
Maturity date:	July 29, 2023	July 20, 2023	July 23, 2023	July 20, 2023
Fixed rate:	7.26%	7.27%	7.12%	7.12%
Floating rate:	TIIE	TIIE	TIIE	TIIE
Fraction for the count of days applicable to floating or fixed rate:	Real/360	Real/360	Real/360	Real/360
Interest payment dates:	Every 28 days as of March 29, 2018	Every 28 days as of May 16, 2018	Every 28 days as of June 21, 2018	Every 28 days as of May 24, 2018
Market value MXN (thousands)	$ 77,442	$ 51,268	$ 57,269	$ 28,621
Market value USD (thousands)	$ 3,941	$ 2,609	$ 2,914	$ 1,456

As of December 31, 2018 the fair value of the Cross Currency Swaps in relation to the coverage of the senior bonds maturing in 2023 is MX $383,140 (equivalent to US $19,497), recorded as a credit in assets for MX $144,309 (equivalent to US $7, 344) with its counterparty to the stockholders' equity complementary account through comprehensive income and loss (due to the portion as a cash flow hedge) with a debit of MX $238,831 (equivalent to US $12,154) as a gain in the statement of income (due to the portion as a fair value hedge). The effect as of December 31, 2018 recognized in net assets is MX $5,191 (equivalent to US $264) and the exchange rate gain plus the accrued interest comes to MX $256,783 (equivalent to US $13,067), which amount is recognized in the statement of income. The effect as of December 31, 2018 recognized in the statement of income for the hedged item (related with the foreign currency swaps which form part of the fair value hedge) represents a loss of MX $238,831 (equivalent to US $12,154). The hedged portion had an offsetting effect that was recognized as a debit in liabilities for MX $117,665 (equivalent to US $5988) with its counterparty in net assets, as part of other comprehensive income).

As of December 31, 2018, the fair value of the interest rate swaps for the Senior Notes 2023 in a hedging relationship is MX $241.,602 ($10,921 US dollars), which was recorded as an asset with a debit to the stockholders' equity supplemental account through comprehensive income. The effect as of December 31, 2018 recognized in equity is MX $211,329, ($10,754 US dollars). and in the statement of income with an effect of MX $3,273 (equivalent to US $167) due to the accrued interest.

The periods in which the cash flows derived from the derivatives in relation to the hedge of the Senior Bonds that mature in 2023 are expected to occur and impact the income statement are as follows:

Year	Pesos	US dollars
2018	$ 27,703	$ 1,410
2019	$ (202,251)	$ (10,292)
2020	$ (206,508)	$ (10,509)
2021	$ (143,307)	$ (7,293)
2022	$ (122,930)	$ (6,256)
2023	$ 652,484	$ 33,203

Perpetual Bond Relationship (figures in US dollars expressed in thousands)

The Entity uses financial derivatives as hedges to manage the risks related to redemptions in the interest rate applicable to their issue of the perpetual bonds long-term notes, which were offered on November 29, 2017 and accrue interest at a fixed rate of 9.125%.

On December 5, 2017, the Entity contracted six Cross Country Swaps (CCS) with Morgan Stanley, Credit Suisse and Barclays for $230,000, of these, a first tranche with three derivatives has a fixed rate of 9.125%, maturing in 2019, while the second tranche with the remaining three derivatives pays a variable rate (28 day TIIE) plus a spread, to cover 100% of the perpetual bonds.

For accounting purposes, the Entity has designated the aforementioned financial derivatives as fair value hedges; i.e., the fluctuations of the derivative and the item hedged are valued at fair and are recognized in results in the same periods.

Characteristics of CCS	Barclays 9009347	Barclays 9009344	Credit Suisse 9003986	Credit Suisse 9003980
Currency A:	Dollar (USD)	Dollar (USD)	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Barclays	Barclays	CR	CR
Required to pay fixed rate amounts in currency B:	CR	CR	Credit Suisse	Credit Suisse
Transaction date:	December 5, 2017	December 5, 2017	December 5, 2017	December 5, 2017
Reference exchange amount in both currencies:	At the beginning and at Maturity	At the beginning and at Maturity	At the beginning and at Maturity	At the beginning and at Maturity
Start date:	November 29, 2017	November 29, 2019	November 29, 2017	November 29, 2019
Maturity date:	November 29, 2019	November 29, 2022	November 29, 2019	November 29, 2022
A currency settlement date A:	USD 65,000	USD 65,000	USD 65,000	USD 65,000
A currency settlement date B:	MXN $1,216,800	MXN $1,216,800	MXN $1,216,800	MXN $1,216,800
Fixed rate for the amount in currency B for the first period:	$18.7200 MXN per USD	$18.7200 MXN per USD	$18.7200 MXN per USD	$18.7200 MXN per USD
Floating rate for currency A:	9.13%	9.13%	9.13%	9.13%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360	30/360	30/360
A currency payment dates A:	Half – year as November 29, 2017	Half – year as November 29, 2019	Half – year as November 29, 2017	Half – year as November 29, 2019
A currency settlement date A:	November 29, 2019	November 29, 2022	November 29, 2019	November 29, 2022
A currency payment dates B:	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019
Floating or fixed rate for currency B:	9.56%	TIIE 28D	9.56%	TIIE 28D
Spread currency B:	N/A	3.57%	N/A	3.60%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXN (thousands)	$ 11,371	$ (39,057)	$ 11,417	$ (39,745)
Market value USD (thousands)	$ 579	$ (1,987)	$ 581	$ (2,023)
Collateral MXN	$ -	$ -	$ -	$ -

Characteristics of CCS	Morgan Stanley HL0TZ	Morgan Stanley HL0U0
Currency A:	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Morgan Stanley	Morgan Stanley
Required to pay fixed rate amounts in currency B:	CR	CR
Transaction date:	December 5, 2017	December 5, 2017
Reference exchange amount in both currencies:	N/A	N/A
Start date:	November 29, 2017	November 29, 2019
Maturity date:	November 29, 2019	November 29, 2022
Reference amount in currency A:	USD 100,000	USD 100,000
Reference amount in currency B:	MXN $1,872,000	MXN $1,872,000
Exchange rate used to calculate reference amount in currency B:	$18.7200 MXN per USD	$18.7200 MXN per USD
Fixed rate for amounts in currency A:	9.13%	9.13%
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360
Payment dates currency A:	Half – year as November 29, 2017	Half – year as November 29, 2019
Settlement date currency A:	November 29, 2019	November 29, 2022
Payment dates currency B:	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019
Floating rate for amounts in currency B:	9.56%	TIIE 28D
Spread currency B:	N/A	3.60%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360
Market value MXN (thousands)	$ 14,989	$ (61,378)
Market value USD (thousands)	$ 763	$ (3,123)

As of December 31, 2018, the fair value of derivatives related to perpetual bond hedge is MX $102,403 (equivalent to 5,211US dollars), which was recorded as an asset and income in the income statement.

CHF Bond Relationship (figures in US dollars expressed in thousands)

The Entity uses financial derivatives as hedges to manage the risks related to redemptions in the interest rate applicable to their issuance of the CHF Bond, which were offered on February 13, 2018 and accrue interest at a fixed rate of 2.875%.

On February 13, 2018, the Entity contracted three Cross Currency Swaps to hedge the exchange rate of the interests and principal for the CHF Bond, with the following financial institutions: (i) Credit Suisse, (ii) Deutsche Bank, (iii) Barclays. The debt is being converted from one that pays a fixed rate in CHF to Mexican pesos at a fixed rate. The issuance of the Bond maturing in 2022 was for CHF $170,000, while the financial derivatives were only contracted for a 71% of the amount exposed. For accounting purposes these three Cross Currency Swaps were designated as cash flow hedges; i.e., the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in other comprehensive income in the same periods.

On June 7, 2018, the Entity contracted a Cross Currency Swap to hedge to hedge the exchange rate on an additional 18% of the principal and the interest rate for the CHF Bond, with Deutsche Bank. This portion of the debt is being converted from one that pays a fixed rate in CHF to Mexican Pesos at a variable rate. For accounting purposes this Cross Currency Swap was designated as a fair value hedge; i.e., the fluctuations of the derivative and the hedged item are valued at fair value and are recognized in results in the same periods. In total, the Entity has hedged 88% of the debt.

Trading characteristics of CCS	**Credit Suisse 9004110**	**Deutsche Bank D948548M**	**Barclays 9009487**	**Deutsche Bank G370871M**
Currency A:	Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Required to pay amounts in currency A:	Deutsche Bank	Deutsche Bank	Barclays	Deutsche Bank
Required to pay amounts in currency B:	CR	CR	CR	CR
Transaction date:	Febraury 13, 2018	February 13, 2018	February 13, 2018	June 7, 2018
Reference exchange amount in both currencies:	At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity
Start Date:	Febraury 9, 2018	February 9, 2018	February 9, 2018	February 9, 2018
Maturity date:	Febraury 9, 2022	February 9, 2022	February 9, 2022	February 9, 2022
A currency settlement date A:	CHF 40,000	CHF 40,000	CHF 40,000	CHF 30,000
A currency settlement date B:	MXP $797,857	MXP $625,942	MXP $796,600	MXP $625,942
Fixed rate for the amount in currency B for the first period:	$19.9464 MXP por CHF	$19.9150 MXP por CHF	$19.9150 MXP por CHF	$20.8647 MXP por CHF
Fix rate for currency A:	2.88%	2.88%	2.88%	2.88%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency	30/360	30/360	30/360	30/360
A currency settlement date A:	Annually as of February 9,	Annually as of February 9,	Annually as of February 9,	Annually as of February 9,
A currency payment dates A:	Febraury 9, 2022	Febraury 9, 2022	Febraury 9, 2022	Febraury 9, 2022
A currency payment dates B:	Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018
Fix rate for currency B:	11.97%	11.97%	11.96%	TIIE 28D
Spread currency B:	0.00%	0.00%	0.00%	3.26%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXP (thousands)	$ 32,135	$ 32,379	$ 33,214	$ (27,143)
Market value USD (thousands)	$ 1,635	$ 1,648	$ 1,690	$ (1,381)
Collateral MXP	$ -	$ -	$ -	$ -

As of December 30, 2018, the fair value of the Cross Currency Swaps in relation to the hedge of the CHF Bond maturing in 2022 is MXP $70,586 (equivalent to USD $3,592), which was recorded as an liability, against an impact as a loss other comprehensive income of MXP $50,899 (equivalent to USD $2,590) due to the portion as a cash flow hedge, as a loss in profit or loss of MXP $(27,143) (equivalent to USD $(1,381)) due to the portion as a fair value hedge and as a loss in profit or loss of MXP $46,830 (equivalent to USD $2,383) due to the exchange rate and accrued interests. The effect as of December 31, 2018 recognized in the consolidated statement of income for the hedged item (related to the CCS that are in a fair value hedge) is a gain of MXP $27,143 (equivalent to USD $1,381).

The periods in which the cash flows from the derivatives in relation to the hedging of the CHF Bond Relationship are expected to occur and impact the consolidated statement of income are as follows:

Year	Mexican Pesos	U.S. Dollars
2018	$ (132,828)	$ (6,759)
2019	$ (200,551)	$ (10,206)
2020	$ (180,749)	$ (9,198)
2021	$ (161,462)	$ (8,216)
2022	$ 726,489	$ 36,969

CREAL-16 Bond Relationship

At the end of the first quarter of 2018, these instruments were settled because the hedged debt that was covered was prepaid (issuance of notes with ticker symbol CREAL16), for an amount of MXP $5,879 (equivalent to USD $299) as a revenue in the consolidated statement of income.

Securitized portfolio

The Entity has a securitized portfolio in two trusts whose purpose is to mitigate the account rate risk with hedge derivatives with a balance sheet valuation of $18,172 at the close of 2018.

Nature and degree of risks arising from the derivatives

As of September 30, 2018, the exchange rates are $19.6512 Mexican Peso per U.S. dollar and $19.1650 Mexican Peso per Swiss franc. In order to mitigate the volatility of the exchange rate, Crédito Real has entered into several hedging strategies described below.

The risks associated with variations in the USD/MXP exchange rates arise from the instruments that are denominated in foreign currency such as the 2019 Senior Notes, 2023 Senior Notes, Syndicated Line and the Perpetual Notes. The interest rate risk arises from foreign currency instruments at fixed rates and of local instruments at a variable rate like the 2019 Senior Notes, 2023 Senior Notes, and Perpetual Notes. The risk associated with variations in the CHF/MXP exchange rates arises from the instruments held in foreign currency CHF like the CHF Bond.

Sensitivity analysis

The Entity performed a sensitivity analysis so as to foresee situations that could result in extraordinary losses regarding the valuation of the derivative financial instruments composing its position at the December 2018 close.

A derivatives sensitivity analysis is performed by considering the following elements:

Estimate the surplus value or shortfall of the securities valuation in the event of:

- An increase of +1 peso in the MXN/USD exchange rate
- A decrease of -1 in the MXN/USD exchange rate
- An increase of +100 interest rate basis points
- A decrease of -100 interest rate basis points

Foreign currency sensitivity

Hedging derivatives fair value	+1 exchange rate	-1 exchange rate
Foreign currency swap	$ 480,667	$ (477,803)
Cash flow hedge derivatives	**+1 exchange rate**	**-1 exchange rate**
Foreign currency swap	$ 701,669	$ (705,033)
Foreign currency option	$ (46,388)	$ 23,509

Interest rate sensitivity of interest rate

Cash flow hedge derivatives	+100 bp interest rate	-100 bp interest rate
Interest rate swap	$ 99,289	$ (142,458)

If any of the sensitivity scenarios detailed in the above table actually arise, the losses generated by derivative instruments held for trading purposes and fair value hedges will directly affect the statement of income, while cash flow hedges will affect the Entity's capital.

Maturity analysis

Below is an analysis of the future obligations of the financial derivatives. Please note that even though the foreign currency swaps represent active positions as of December 31, 2018, the Entity elects to present the undiscounted future flows which represent a liability according to their maturity.

	2019	2020	2021	2022	2023
Foreign currency swaps	$ (649,916)	$ (1,295,663)	$ (1,150,825)	$ (892,413)	$ 337,768
Interest rate Swaps	$ 57,390	$ 60,202	$ 51,807	$ 61,020	$ 29,275

7. Loan Portafolio

At December 31, 2018, 2017 and 2016, the loan portfolio was comprised as follows:

	2018	2017	2016
Loan portfolio -			
Commercial portfolio	$ 30,989,761	$ 27,052,994	$ 25,425,100
Consumer portfolio	9,610,914	7,505,932	6,753,971
Performing loan portfolio	40,600,675	34,558,926	32,179,071

	2018	2017	2016
Less-			
Interest accrued on factoring operations	(4,870,974)	(6,129,035)	(8,748,522)
Gauging warranty	(28,140)	(20,072)	(20,535)
Performing Loan Portfolio	35,701,561	28,409,819	23,410,014
Non-performing loan portfolio	617,555	605,219	517,008
Loan Portfolio	36,319,116	29,015,038	23,927,022
Less-			
Allowance for loan losses	(1,067,923)	(1,067,540)	(767,460)
Performing Loan Portfolio, net	$ 35,251,193	$ 27,947,498	$ 23,159,562

As of December 31, 2018, 2017 and 2016, there is a restricted current portfolio of $6,447,633, $4,738,331 and $2,260,406, respectively, in accordance with the collateral loan contracts.

The portfolio is comprised of 804,921, 883,195 and 783,546 customers at the end of 2018, 2017 and 2016, respectively.

The average loan balance is $32, $35 and $30 at December 31, 2018, 2017 and 2016, respectively, with an average term of 41, 38, and 38, respectively, for both the commercial and consumer portfolios.

The interest income recognized by the Entity refers exclusively to the Entity's participation and, accordingly, excludes the participation applicable to the distributors. In accordance with the agreements executed, the Entity shares with the distributor the credit risk and the revenues generated by the loans originated by the distributor. The distributor is responsible for administering the service of the credit granted and covering all the operating expenses related to the portfolio that it originates.

At December 31, 2018, the performing loan portfolio that has a balance with at least one day of aging is as follows:

	0 to 30	31 to 60	61 to 90	Total
Commercial loan	$ 24,558,086	$ 1,006,917	$ 525,644	$ 26,090,647
Consumer loan	9,308,825	222,861	79,228	9,610,914
	$ 33,866,911	$ 1,229,778	$ 604,872	$ 35,701,561

At December 31, 2018, the non-performing loan portfolio that has balance with at least once day of aging is as follows:

	91 to 180
Commercial loan	$ 307,551
Consumer loan	310,004
	$ 617,555

8. Allowances for loan lossess

At December 31, 2018, 2017 and 2016, the Entity maintained an allowance for loan losses equivalent to 173%, 176% and 148% of non-performing portfolio, respectively.

As of December 31, 2018, 2017 and 2016, changes in the allowance for loan losses were as follows:

	2018	2017	2016
Opening balance	$ 1,067,540	$ 767,460	$ 485,506
Portfolio applications	(1,758,642)	(1,285,192)	(1,026,759)
CR USA, Creal Dallas and Controladora CR consolidation effect	(41,710)	242,129	477,120
Charge to results	1,800,735	1,343,143	831,593
Closing balance	$ 1,067,923	$ 1,067,540	$ 767,460

9. Other account receivable, net

As of December 31, 2018, 2017 and 2016, other accounts receivable were as follows:

	2018	2017	2016
Other accounts receivable from distributors	$ 4,546,336	$ 4,159,428	$ 2,707,174
Value added tax (VAT) receivable	37,380	42,555	60,968
Other debtors	493,521	445,453	828,910
Recoverable income tax	304,821	13,947	11,351
	5,382,058	4,661,383	3,608,403
Allowance for other accounts receivable	(3,256)	(31,710)	(31,105)
	$ 5,378,802	$ 4,629,673	$ 3,577,298

As of December 31, 2018, 2017 and 2016, other accounts receivable from distributors were as follows:

	2018	2017	2016
Interest accrued in advance period	$ 200,518	$ 252,232	$ 113,247
Advances to distributors	2,311,271	2,072,234	1,610,107
Joint and several liability of the distributor	509,708	802,014	409,307
Other debts	1,524,839	1,032,948	574,513
Total	$ 4,546,336	$ 4,159,428	$ 2,707,174

10. Property, furniture and fixtures

At December 31, 2018, 2017 and 2016, property, furniture and equipment are as follows:

	Depreciation period (years)	2018	2017	2016
Office Furniture and fixtures	10	$ 347,186	$ 340,378	$ 175,833
Computers	3	202,305	198,338	137,428
Transportation equipment	4	20,350	19,951	25,225
		569,841	558,667	338,486
Less - Accumulated depreciation		(256,490)	(246,112)	(173,594)
		313,351	312,555	164,892
Installation expenses	20 and 10	128,501	125,982	129,566
Less – Accumulated amortization		(100,399)	(96,367)	(32,332)
		28,102	29,615	97,234
		$ 341,453	$ 342,170	$ 262,126

11. Investment in shares of associates

At December 31, 2018, 2017 and 2016, investments in shares of associates are as follows:

Entity	% Ownership 2018, 2017 and 2016	Book Value			Ownership in results		
		2018	2017	2016	2018	2017	2016
Publiseg, S.A.P.I. de C.V. SOFOM (a)	49.00%	$ 484,852	$ 489,193	$ 463,119	$ 33,446	$ 26,074	$ 14,617
Grupo Empresarial Maestro S.A. de C.V. (a)	49.00%	546,367	512,568	502,949	109,298	120,533	114,043
Bluestream Capital, S.A. de C.V. (b)	23.00%	4,666	3,331	1,173	1,544	793	666
Cege Capital, S.A.P.I. de C.V., SOFOM ENR (c)	36.30%	96,407	95,493	89,245	333	11,042	13,830
Other	-	61,120	164,737	1,335	10,094	19,301	(7,060)
		$ 1,193,412	$ 1,265,322	$ 1,057,821	$ 154,715	$ 177,743	$ 136,096

(a) Directodo, Publiseg, and Grupo Empresarial Maestro, are the Entity's principal distributors, and their origination efforts are performed exclusively for the Entity. As of December 31, 2018, 2017 and 2016, these companies have cooperation agreements executed with different unions around the country, including several chapters of the National Education Workers' Union, the National Social Security Workers' Union, the Union of the Federal Public Education Department and the Health Workers' Union. Their operations began in 2006, 2005 and 2002, respectively, and their work forces have a nationwide presence and they have over 342 branches.

(b) By unanimous resolutions adopted at shareholders' meeting held on January 14, 2014, the Entity subscribed and paid 29,862 no par value, Class II common shares of Bluestream, which represent 23% of Bluestrem's outstanding shares.

(c) In the Ordinary General Meeting of Shareholders held on March 31, 2014, the shareholders authorized the subscription and payment of 245,000 no par value, Class I, Series "B" common shares of Cege, which accounts for 37.98% of Cege's outstanding shares.

At the Extraordinary General Meeting of Shareholders held on December 17, 2015, the subscription and payment of 100,000,000 Series "C" preferred shares was approved, which is part of the variable capital of Cege, which was paid on December 29, 2014.

12. Other assets

At December 31, 2018, 2017 and 2016, other assets were as follows:

	2018	2017	2016
Goodwill (a)	$ 1,978,716	$ 1,414,780	$ 1,053,517
Costs for issuance of securities and bank loans	112,830	43,675	40,400
Prepaid expenses (b)	48,771	327,573	205,502
Other long and short term assets (c)	340,125	315,057	441,961
	2,480,442	2,101,085	1,741,380
Intangible asset branch network (d)	80,641	80,640	80,641
Instacredit's intangible assets (See Note 1c)	1,052,750	1,052,750	1,052,750
Directodo's intangible assets	1,267,380	1,264,176	1,255,013
	2,400,771	2,397,566	2,388,404
Accumulated amortization	(47,053)	(44,432)	(77,676)
	2,353,718	2,353,134	2,310,728
Guarantee	8,333	4,274	3,062
	$ 4,842,493	$ 4,458,493	$ 4,055,170

(a) The acquisition of 49.00% of Grupo Empresarial Maestro implied the recognition of goodwill of $580,223 for 2014, based on the book value and the price paid.

The acquisition of 36.11% of Credilikeme implied the recognition of goodwill of $11,887 for 2015, based on the book value and the price paid.

The acquisition of 55.21% of RTD implied the recognition of goodwill of $242,288 for 2015, based on the book value and the price paid.

The acquisition of 100% of CR-USA finance (formerly AFS Acceptance) implied the recognition of goodwill of $99,412 for 2015, based on the book value and the price paid.

The acquisition of 70% of Marevalley resulted in the recognition of goodwill of $30,981 for 2016, in accordance with the fair value and the purchase price paid.

(b) The other short- and long-term assets represent an inventory of 799 automobiles derived from consolidating the figures with Creal Dallas; the balance at the close of December 2018 in is $10,538 US dollars.

(c) Is comprised of licenses acquired for the portfolio system and expenses incurred for the execution of the loan portfolio operation and acquisition agreement with Fondo H, which will be amortized during the life of the portfolio acquired.

(d) In a contract dated December 26, 2006, between the Entity and Crediplus, S.A. de C.V. (an affiliated Entity), the Entity acquired Crediplus' branch network, which originated and issued loans, as well as the know how developed by Crediplus regarding its branch network. This know how consists of: (i) analyzing and studying markets (ii) analyzing and studying customers; (iii) analyzing and studying demographic and socio-demographic profiles of zones; (iv) analyzing and studying area flows; (v) analyzing and studying backgrounds of zones; (vi) analyzing and studying competition; (vii) designing branches internally and externally; (viii) preparing operating and policies and procedures manuals; (ix) developing and implementing advertising schemes, and (x) preparing market strategies. The Entity also registered the Crediplus trademark and commercial advertisements with the Mexican Institute of Industrial Property. Such intangible was defined by Management as having a definite life of 20 years, for which reason it is being amortized over such term beginning May 2007.

13. Indebtedness

At December 31, 2018, 2017 and 2016, indebtedness was comprised as follows:

	Rate	Date of maturity	2018	2017	2016
Notes payable (Securitized Certificates)	TIIE + 2.70%	2018	$ -	$ 1,000,000	$ 2,750,000
Notes payable (Securitized Certificates)	TIIE + 2.25	Between November 2023 and July 2023	1,431,729		
Senior Notes	7.50% y 7.25%	Between March 2019 and July 2023	16,824,892	13,186,350	13,817,895
Accrued interest			225,746	357,524	320,548
Total			$ 18,482,367	$ 14,543,874	$ 16,888,443

As of December 31, 2018, there are two unsecured issues of Senior Notes for $1,315,000. Both issues were classified by Fitch Ratings, which gave a "AAA(mex) vra" rating, and by HR Ratings, which gave a "HR AAA(E)" rating, both with a stable outlook.

Currently, the Entity has two issues of Senior Notes, which is unsecured debt issued abroad for a total amount of US $759 million.

The first issue was carried out on March 13, 2014, for US $425 million, bears interest of 7.50% a year payable on a semiannual basis on March 13 and September 13 of each year until maturity on March 13, 2019. In July 2016, the option was taken to make a partial prepayment, for which reason the remaining balance as of December 31, 2016 is US $134 million.

This first issue was rated by Standard & Poor's, which granted a long-term global rating of "BB", which rose to "BB+", on February 3, 2015. By the same token, HR Ratings on May 27, 2015 assigned the rating of HR BB+ (G), which rose to HR BBB-(G), on May 25, 2016.

The second issue was made on July 20, 2016, for US $625 million, bearing interest of 7.25% a year payable on a semiannual basis on January 20 and July 20 of each year until maturity on July 20, 2023, and may be prepaid as of the fourth year of the issue.

This second issue was rated by Standard & Poor's, which granted a long-term global rating of "BB+"; by Fitch Ratings, which granted a rating of "BB+(EXP)"; and by HR Ratings, which granted a rating of HR BB-(G).

The Securities were issued and offered in accordance with Rule 144A and Regulation S of the US Securities Act of 1933. Principal will be paid at maturity of the instruments or, as the case may be, on the date of their advance redemption.

14. Bank loans and other loans

At December 31, 2018, 2017 and 2016, debt was comprised as follows:

	Rate	Date of Maturity	2018	2017	2016
Bank Loans in MXN (a)	TIIE + spread	Between 2018 and 2020	$ 6,553,913	$ 3,751,315	$ 2,502,786
Bank Loans in USD (b)	LIBOR + spread	In the 2018	5,576,540	5,129,177	5,147,597
Accrued Interest			33,926	160,140	49,670
Total			$ 12,164,379	$ 9,040,632	$ 7,700,053

(a) As of December 31, 2018, the Entity has bank loans guaranteed with portfolio for $6,268,201 and unsecured bank loans for $6,143,358. Such lines were granted by 32 institutions to finance the growth of the loan portfolio and increase working capital. The loans are granted by financial institutions widely recognized in the Mexican Financial System. The lines of credit have maturity dates of between 90 days and three years and pay interest at a variable rate.

(b) As of December 31, 2018, the Entity has two syndicated bank loans in foreign currency for a total of US $110 million, which, valued at the close of the year, represents MX $1,281,415 pesos and the second, for a total of US $79 million which, valued at the close of the year, represents MX 1,562,807, both paying interest at several percentage points above the variable LIBOR rate.

Contractual maturities of debt are as follows:

	Amount
2019	$ 9,466,231
2020	3,804,481
2021	1,078,203
2022	4,211,617
2023	11,826,542
Accrued interest	259,672
Total	$ 30,646,746

15. Accrued liabilities and other accounts payable

At December 31, 2018, 2017 and 2016, accrued liabilities and other accounts payable are integrated as follows:

	2018	2017	2016
Provisions for various obligations	$ 185,932	$ 575,294	$ 125,215
Liability for employee retirement obligations	36,838	37,684	29,615
Taxes payable	46,323	39,949	50,472
Dividends payable	2,350	2,361	2,361
Other accounts payable to distributors	59,770	142,961	208,087
Value Added Tax (VAT) payable	48,713	65,332	15,812
Accrued liabilities	59,148	365,527	17,359
	$ 439,074	$ 1,229,108	$ 448,921

16. Labor obligations

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

Net periodic cost for the obligations derived from seniority premium and severance payments for obligations assumed was $6,352, $5,301 and $5,236 on 2018, 2017 and 2016, respectively.

The Entity each year records the net periodic cost to create a fund to cover the net projected liability for seniority premiums, pensions and severance, thereby increasing the related liability, in accordance with actuarial calculations made by independent actuaries. These calculations are based on the projected unit credit method. Therefore, a provision is being created for the liability which at present value will cover the defined benefits obligation at the estimated retirement date of all the covered employees.

As of December 31, 2018, 2017 and 2016, the balance of the defined benefits plan fund was $335, $319 and $307, respectively

As of December 31, 2018, 2017 and 2016, the Entity amortizes the variations in actuarial assumptions for seniority premiums over approximately 4.75, 4.28, and 4.29 years, respectively, based on the average remaining years of employee services.

As of December 31, 2018, 2017 and 2016, he gains and losses recorded in the OCI are presented net of their deferred tax liability (asset), which amounted to $5,611, $1,087 and $2,459, respectively.

The actuarial gains and losses at the time of adoption were recognized in the equity account Other Comprehensive Income and Loss. This amount will be recycled in the results for the year over the remaining average labor life.

As of December 31, 2018, 2017 and 2016, the balances and movements of the liabilities related to the Entity's defined benefits plan, which includes the pension plan, seniority premiums and severance payments, are shown below:

	2018	2017	2016
Obligations from defined benefits	$ (37,173)	$ (35,985)	$ (30,037)
Fair value of plan assets	335	319	307
Projected net liability	$ (36,838)	$ (35,666)	$ (29,730)

Net periodic cost is composed as follows:

	2018	2017	2016
Services cost for the year	$ 3,223	$ 2,692	$ 2,899
Financial cost	3,157	2,636	2,361
Expected yield on assets	(102)	(27)	(24)
Services cost for the year	$ 6,278	$ 5,301	$ 5,236

Interest rated used in actuarial calculation in nominal terms for 2018, 2017 and 2067 were as follows:

	2018	2017	2016
Discount rate	10.00%	9.00%	9.00%
Percentage increase in wages	4.75%	4.75%	4.75%

The movement of the projected net liability was as follows

	2018	2017	2016
Opening balance	$ (35,683)	$ (29,730)	$ (24,891)
Loss recognized	-	(635)	-
Gains recognized	-	138	-
Re-measurements recognized in ORI	4,485	(138)	180
Provision of the year	(6,260)	(5,301)	(5,019)
Payments with a charge to the reserve	620	-	-
Projected net liability	$ (36,838)	$ (35,666)	$ (29,730)

17. Stockholders' equity

Capital stock as of December 31, 2018, 2017 and 2016, was comprised as follows:

	Number of Shares (Class I) Fixed Capital	Number of Shares (Class II) Variable Capital	Total stocks
"Unique" Series shares at no par value	$ 37,555,390	$ 354,664,034	$ 392,219,424

Pursuant to a resolution of the Stockholders' Ordinary Meeting held on March 1, 2018 the financial statements were approved which reported net income of $1,661,144 in the fiscal year 2017 and the following application was made:

a. The transfer of $1,661,144 of the Entity's separate net income was transferred to the account "Result from previous years".

As of December 31, 2018, 2017 and 2016 common stock is $657,238, of which $62,931, refers to fixed capital (with no right of withdrawal), represented by 37,555,390 Unique Series, Class I ordinary, no par value shares, while $594,307 refers to variable capital, represented by 354,664,034 Unique Series, Class II ordinary, no par value shares. The restatement effect recognized in common stock as of December 31, 2007 is $2,916.

Pursuant to a resolution of the Stockholders' Ordinary General Meeting held on March 1, 2018 the payment of dividends was declared for $96,800, which was applied with a charge to "Results from previous years". The dividends werr distributed to the stockholders, based on their current equity percentage, from the Net Tax Income Account ("CUFIN").

The Entity has a share buyback program up to the amount of net income, including the retained earnings from the immediately preceding year. At the close of the year 2018, 2017 and 2016, the amount of repurchased shares is $221,785, $141,963 and $75,570 equivalent to 12,551,534, 5,259,479 and 2,612,248 shares, respectively.

In accordance with the General Corporate Law, at least 5% of the net profits for the year must be set aside to form the legal reserve until reaching 20% of common stock at par value. The legal reserve may be capitalized, but cannot be distributed unless the Entity is dissolved, and must be replenished when it is decreased for any reason. As of December 31 2018, 2017 and 2016, the legal reserve established by the Entity amounts to $132,030.

Stockholders' equity, except restated paid-in capital and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against income tax of the year in which the dividend tax is paid and, in the following two years, against tax for the year and the related estimated payments.

Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

Period	Amount	Distributed earnings	Reinvested earnings	Amount not subject to withholding
2015	$ -	$ 156,888	$ 156,888	$ -
2017	$ -	$ 96,800	$ 96,800	$ -
2018	$ -	$ 193,436	$ 193,436	$ -

The balances of the stockholders' equity tax accounts as of December 31, 2018, 2017 and 2016, are:

	2018	2017	2016
Net tax income account	$ 1,097,116	$ 18,470	$ 16,894
Contributed capital account	$ 2,935,410	$ 2,800,162	$ 2,622,611

18. Transactions and balances with related parties

The Entity, its subsidiaries and affiliates perform transactions between related parties including investments, credit and the provision of services, among others, the majority of which generate income for one entity and expenses for another. Transactions and balances with consolidated entities consolidate were eliminated and those of entities which do not consolidate are reflected in these consolidated financial statements.

a) The balances with related parties as of December 31, are:

	2018	2017	2016
Assets:			
Corporate loan portfolio	$ 2,942,097	$ 2,888,524	$ 2,441,264
Receivables for services provided	5,247	6,267	10,032
Total Assets	$ 2947,344	$ 2,894,791	$ 2,451,296
Liabilities:			
Intercompany loans	$ (2,942,097)	$ (2,888,524)	$ (2,441,264)
Payables for services received	(5,247)	(6,267)	(10,032)
Total Liabilities	$ (2,947,344)	$ (2,894,791)	$ (2,451,296)

b) Transaction with related parties, carried out in the ordinary course of business was as follow:

	2018	2017	2016
Results:			
Positive interest accrued	$ 1,142,960	$ 889,587	$ 704,933

19. Balances and transactions in foreign currencies

a. The monetary position of foreign currencies as of December 31, 2018, 2017 and 2016 is:

	2018	2017	2016
USD Dollars:			
Monetary assets	466,620	471,792	390,012
Monetary liabilities	(267,767)	(209,241)	(257,494)
Position (short) long	198,853	262,551	132,518
Equivalent in pesos	$ 3,907,702	$ 5,162,514	$ 2,732,495

b. Transactions in foreign currencies were as follows:

	2018	2017 (USD Dollars)	2016
Interest expenses	163,421	144,012	107,182
Interest income	(26,564)	(20,612)	(18,173)

c. Exchange rates in pesos wing force date of the consolidated financial statements and the date of the auditor's report were as follows:

	December 31 of			March 22,
	2018	2017	2016	2019
Dollar, banking	$ 19.6512	$ 19.6629	$ 20.6198	$ 19.1369

20. Other operating income

As December 31, 2018, 2017 and 2016, the other income from the operation, were as follows:

	2018	2017	2016
Other revenue Central America	$ 107,792	$ 159,791	$ 143,932
Other revenue USA	170,453	104,077	108,393
Other revenue management services	146,897	86,294	14,926
	$ 425,142	$ 350,162	$ 267,251

21. Income taxes

The Entity is subject to ISR. According with the ISR law, the rate is 30% in 2018, 2017 and 2016 and it will continue at 30% thereafter.

ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on values in constant pesos, increased or reduced by the effect of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

The provision of ISR results is as follows:

	2018	2017	2016
ISR:			
Current	$ (172,773)	$ (92,722)	$ (234,046)
Deferred	$ (477,827)	$ (435,574)	$ (270,356)
Stock deferred	$ (126,704)	$ (77,590)	$ (98,335)

As of December 31 2018, 2017 and 2016, the deferred tax balance is as follows:

	2018	2017	2016
Deferred ISR assets:			
Allowance for loan losses	$ 407,366	$ 638,198	$ 497,977
Furniture and fixtures	23,227	52,619	22,950
Provisions	18,606	254,836	17,152
Tax loss carryforwards	75,520	161,326	369,168
Other assets, net	21,291	83,695	37,078
Deferred ISR	546,010	1,190,674	944,325
Deferred ISR (liability):			
Other accounts receivable, net (a)	(2,566,439)	(2,281,574)	(1,749,544)
Advance payments	(153,666)	(250,679)	(167,109)
Derivative financial instruments	(84,754)	(439,443)	(373,585)
Deferred ISR liability	(2,804,859)	(2,971,696)	(2,290,238)
Deferred ISR (net)	$ (2,258,849)	$ (1,781,022)	$ (1,345,913)

(a) Mainly advance earned income in the first period loan amortization.

Value-added tax - Pursuant to the Value-Added Tax Law, in order to obtain a credit for the value-added taxes paid by the Entity in the years 2018, 2017 and 2016, the Entity determined the amount of the credit considering the total of its taxed activities compared to the total activities subject to that tax. As a result, the Entity determined tax that was non-creditable and deductible for income tax purposes in the amount of $55, $82 and $26, respectively, which was recognized in results of such year.

Accounting-tax reconciliation - The main items that affected the determination of the Entity's tax result were those related to the annual adjustment for inflation, interest accrued in advance period, advance payments and the allowances for loan losses which have not been deductible.

Following is a reconciliation of the statutory ISR rate and the effective rate expressed as a percentage of income before ISR:

	2018	2017	2016
Statutory rate	30%	30%	30%
Effects of inflation	(2)%	(1)%	-%
Interest accrued in advance period	(6)%	(4)%	(6)%
Allowance for loan losses	1%	2%	1%
Advance payments	3%	2%	1%
Others	-	(2)%	1%
Effective rate	25%	28%	27%

Tax loss carry forwards - As of December 31, 2018, the Entity has tax loss carry forwards for ISR purposes:

Maturity Date	Amount
2026	246,675

Review and tax matters

Action for annulment filed against the unpaid tax liability for rejection of deductions for the year 2007.

On July 9, 2015, the Entity filed an action for annulment against the Federal Tax Court to challenge official notice 900 06-2017-13558, dated April 29, 2015, whereby the Central Administrator for Inspection of the Financial Sector of the General Administration for Large Taxpayers of the Tax Administration Service, assessed against the Entity an unpaid tax liability for $38,000,000, related to income tax payable for fiscal year 2007, plus the respective restatements, surcharges and fines. Such lawsuit was turned over to the First Metropolitan Regional Chamber of the Federal Tax Court, which in a ruling of September 1, 2015, admitted it under docket number 17549/15-17-01-8.

On January 4, 2018, the First Metropolitan Regional Chamber of the Federal Tax Court issued a verdict on the aforementioned proceeding for annulment filed by the Entity, declaring it null and void, because it considers illegal the tax liability determined in official notice 900 06-2015-13558, dated April 29, 2015, but also declared as valid the rejection of the deduction taken by the Entity in the year 2007.

On August 17, 2018 the Entity filed a protection lawsuit with the Circuit Appeals Court in Mexico City against the verdict declaring the partial nullity of the tax liability originated from the rejection of the deduction taken by the Entity in the year 2007.

The Entity is currently waiting for the final verdict to be issued by the Circuit Appeals Court in Mexico City, México.

Furthermore, the Entity has a surety that was offered and accepted by the authorities on February 7, 2018 through official notice 400-73-02-05-2017-16444 dated December 13, 2017, issued by the General Collections Administration.

In official notice 211-2/20913-JC/2018, related to docket number 211.115.11(8331)"2018"/316/3 dated December 6, 2018, the Commission concluded the penalty procedure initiated as a result of the on-site visit made to Crédito Real in 2017, by levying the minimum fine, with the Entity paying MX $72.47 thousands on January 10, 2019.

According to Management and its outside legal advisors, there is a remote possibility that an unpaid tax liability will be confirmed.

22. Earnings per share

The amounts used to determine diluted earnings per share were as follows:

	2018		
	Income	Number of shares	Mexican pesos per share
Net income attributable to common stock	$ 1,955,358	392,219,424	$ 4.99

	2017		
	Income	Number of shares	Mexican pesos per share
Net income attributable to common stock	$ 1,661,144	392,219,424	$ 4.24

	2016		
	Income	Número de acciones ordinarias exhibidas al 100%	Mexican pesos per share
Net income attributable to common stock	$ 1,714,001	392,219,424	$ 4.37

23. Memorandum accounts

Memorandum accounts for purposes of presentation required by the Commission in accounting policies are an integral part of the balance sheet, however, the memorandum accounts were only subject of external audit and relate to operations that have a direct bearing on the balance sheet accounts, however, these are not reviewed.

	2018	2017	2016
Credit Commitments	$ 354,728	$ 300,573	$ 452,071
Uncollected interest earned on non-performing portfolio	$ 366,701	$ 290,276	$ 505,852
Unarranged Credit Lines	$ 156,023	$ 1,999,177	$ 1,996,956

24. Comparative table of main asset and liability maturities

Below are the maturity dates of the main assets and liabilities as of December 31, 2018

	Until 6 months	From 6 months to 1 year	From 1 year to 5 years	Total
Cash and cash equivalents	$ 575,719	$ -	$ -	$ 575,719
Investment in securities	859,307	81,558	-	940,865
Derivative financial instruments	1,028,013	-	-	1,028,013
Loan portfolio, net	7,571,956	6,285,288	21,393,949	35,251,193
Other accounts receivable	5,378,802	-	-	5,378,802
Total assets	$ 15,413,797	$ 6,366,846	$ 21,393,949	$ 43,174,592
Notes payable and senior notes	$ (2,327,726)	$ (22,484)	$(16,132,157)	$(18,482,367)
Bank loans				
Derivative financial instruments	(2,936,412)	(4,179,609)	(5,048,358)	(12,164,379)
Other accounts payable	(721,315)	-	-	(721,315)
Total liabilities	(5,985,453)	(4,202,093)	(21,180,515)	(31,368,061)
Assets less liabilities	$ 9,428,344	$ 2,164,753	$ 213,434	$ 11,806,531

25. Rating (unaudited)

As of December 31, 2018, the ratings assigned to the Entity are as follows:

Rating agency	Short term	Long term	Perspective	Date
Standard & Poor's				
Foreign currency	-	BB+	Stable	November 5, 2018
National issue	mxA-1	mxA+	Stable	November 5 2018
Fitch Ratings				
Foreign currency	B	BB+	Stable	February 16, 2018
Stock certificates	F1(mex)	A+(mex)	Stable	February 16, 2018
Fiduciary stock certificates	-	AAA(mex)	-	September 28, 2018
HR Ratings				
Foreign currency	-	HR BBB-	Stable	July 24 2018
Stock certificates	HR1	HR AA-	Stable	July, 24, 2018
Fiduciary stock certificates	-	HR AAA	-	October 31, 2018

26. Contingencies

As of December 31, 2018, 2018 and 2016, management and its legal, tax and labor internal and external advisers, consider that it has not received any legal claims or has not been subject to lawsuits that arise in the recognition of a contingent liability by the Entity.

27. Commitments

The Entity at December 31 2018, 2017 and 2016, has its own commitments and the operation mentioned in Note 13 "Indebtedness" and Note 14 "Bank Loans and other loans".

28. Subsequent events

On February 7, 2019 the Entity announced the issue of bonds maturing in 2026 (Senior Notes 2026), which are unsecured and cannot be enforced before maturity, for the amount of US $400,000,000. The Senior Notes 2026 pay an annual rate of 9.5%. The Senior Notes 2026 were classified as "BB+" globally by Fitch Ratings and Standard and Poor's. These bonds are not acceptable for transactions in a regulated market of the EEA ("European Economic Area") or any other outside such area.

On February 27, 2019 the Entity contracted two Cross Currency Swap ("CCS") with a notional value of US $150,000,000 for each Derivative to cover exchange rate and interest rate fluctuations in relation to its Senior Notes 2026. The first CCS was contracted with Barclays where a fixed rate of 9.5% will be received, with payment of monthly coupons at a fixed rate of 15.84%; the second CCS was contracted with Goldman Sachs, where a fixed rate of 9.5% will be received, with payment of semiannual coupons at a fixed rate of 15.75%.

On March 11, 2019, the Entity fully repaid, under the terms established, the principal and interest for the long-term debenture issued on July 2, 2015 abroad with ticker symbol "SN2019", for the amount of US $134,853,000 (one hundred thirty-four million eight hundred fifty-three thousand US dollars).

29. Business segment information

Currently, the Entity has one operating segment, the loan portfolio, which represents the Entity's sole strategic business unit. Operating segment information is determined based on the information used by management to assess performance and allocate resources. The following presents information for each business unit determined by Management. In addition, information is presented by products and geographical area.

	2018			
	Mexico	USA	Central America	Total
Payroll loans	$ 24,224,222	$ -	$ 5,045,889	$ 29,270,111
Group loans	70,531	-	-	70,531
Durable goods loans	353,616	-	-	353,616
Small business loans	3,676,684	-	-	3,676,684
Used car loans	917,690	2,030,484	-	2,948,174
Total	$ 29,242,743	$ 2,030,484	$ 5,045,889	$ 36,319,116

	2017			
	Mexico	USA	Central America	Total
Payroll loans	$ 19,307,798	$ -	$ 4,612,722	$ 23,920,520
Group loans	229,991	-	-	229,991
Durable goods loans	224,511	-	-	224,511
Small business loans	1,926,053	-	-	1,926,053
Used car loans	613,563	2,100,400	-	2,713,963
Total	$ 22,301,916	$ 2,100,400	$ 4,612,722	$ 29,015,038

	2016			
	Mexico	USA	Central America	Total
Payroll loans	$ 14,530,433	$ -	$ 4,390,736	$ 18,921,169
Group loans	418,402	-	-	418,402
Durable goods loans	440,381	-	-	440,381
Small business loans	1,368,462	-	-	1,368,462
Used car loans	460,797	2,317,811	-	2,778,608
Total	$ 17,218,475	$ 2,317,811	$ 4,390,736	$ 23,927,022

The loan portfolio which shows arrears in excess of 90 calendar days, and up to 180 calendar days, at the end of December 2018, 2017 and 2016, was $799,171, $705,811 and $926,315, respectively. By the same token, the joint and several liability of the distributors for overdue loans as of those dates is $181,615, $100,592 and $409,309, respectively, and is presented under other accounts receivable. Accordingly, as of December 31 2018, 2017 and 2016, the overdue loan portfolio was $617,556, $605,219 and $517,006, respectively.

30. New accounting principles

On November 15, 2018, the National Banking and Securities Commission issued, through the Federal Official Gazette, a resolution modifying the Provisions published in the Federal Official Gazette on January 23, 2018. The most important changes in the resolution are outlined below:

The Financial Reporting Standards B-17 "Determination of fair value", C-3 "Accounts receivable", C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 "Revenues from contracts with customers", D-2 "Costs of contracts with customers" and D-5 "Leases", issued by the Mexican Financial Reporting Standards Board and referred to in paragraph 3 of Treatment A-2 "Application of specific standards" of Annex E will go into effect on January 1, 2020."

As of December 31, 2017, the CINIF has enacted the following NIF and Improvements to the NIF:

Effective January 1, 2019

NIF D-5, *Leases* – The accounting recognition for the lessor remains the same and only disclosure requirements are added. For the lessee it introduces a single recognition model for leases which eliminates their classification as operating or capital leases, so the latter should recognize the assets and liabilities of all leases of over 12 months (unless the underlying asset is low value). Consequently, the most important impact will be an increase in the assets leased and in the financial liabilities of a lessee when recognizing an asset for the right to use the underlying asset leased and a lease liability which reflects the obligation of the lease payments at present value. The following aspects should be considered when this NIF is applied: a) a lease is defined as a contract which transfers to the lessee the right to use an asset for a determined period of time in exchange for a consideration; therefore, it should be evaluated, at the start of the contract, whether the right to control the use of an identified asset for a determined period of time is obtained; b) it changes the nature of the expenses related with leases, by replacing the expense for operating lease in accordance with Bulletin D-5, with an expense for depreciation or amortization of the assets for the right of use (in operating costs) and an interest expense on the lease liabilities (in comprehensive financing result); c) it modifies the presentation in the statement of cash flows when reducing the cash flows from operating activities, with an increase in outlays of cash flows from financing activities to reflect the payments of the lease liabilities; d) it modifies the recognition of the gain or loss when a vendor-lessee transfers an asset to another entity and leases that asset back

Based on a preliminary assessment of the subsidiaries to which the recognition of NIF-D-5 applies as of January 1, 2019, the Entity will recognize an asset for use right of $470,032, a liability from lease agreements for $467,509, and an effect for guarantee deposits of $2,523, in relation to its lease contracts which fulfill the aforementioned characteristics. The net impact in results for lease expenses and depreciation will decrease by $1534, and interest expense will increase by $8,399. Furthermore, the agreements related to leases shorter than one year and low value assets will continue to be recognized in results as they are accrued.

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

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

NIF C-3, Accounts receivable – The main changes consist of specifying that: a) the accounts receivable based on a contract represent a financial instrument; b) the allowance for bad debts for commercial accounts is recognized from the time the revenue is accrued, based on the expected credit losses; c) the time value of money should be considered as of the initial recognition; consequently, if the effect of the present value of the account receivable is material based on its term, it should be adjusted based on such present value, and d) required disclosures include an analysis of the change between the opening and closing balances of the allowance for bad debts.

NIF C-9, Provisions, contingencies and commitments – The term probable replaced the term virtually avoidable in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

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

NIF C-16, Impairment of financial instruments receivable (FIR) – Determine when and how the expected losses from impairment of FIR should be recognized; this is when, as result of an increase in the credit risk, it is concluded that a part of the future cash flows from the FIR will not be recovered, and proposes that the expected loss should be recognized based on the historical experience of credit losses, current conditions and reasonable and sustainable forecasts of the various quantifiable future events that might affect the amount of the future recoverable cash flows of the FIR, which means that estimates must be made and should be periodically adjusted based on past experience. Furthermore, in relation to interest-bearing FIR, enitites shall estimate the amount and timing for the cash flows expected to be recovered, as the recoverable amount must be recognized at present value.

NIF C-19, Financial instruments payable – Establishes: a) the possibility of valuing, after their initial recognition, certain financial liabilities at fair value, when certain exceptional conditions are fulfilled; b) the valuation of long-term liabilities at their present value at initial recognition, considering their present value when their term exceeds one year or outside normal credit conditions, and c) when a liability is restructured, but the future cash flows to settle the liability are not substantially modified, the costs and commissions disbursed in this process will affect the amount of the liability and will be amortized based on a modified effective interest rate, instead of directly affecting the net income or loss.

NIF C-20, Financial instruments receivable – Specifies the classification of financial instruments in the assets, based on the business model: a) if the intention is to generate a profit through a contractual return, predetermined in a contract, they are recognized at amortized cost; b) if they are also used to generate a profit based on their purchase and sale, they are recognized at fair value. Any embedded financial derivative that modifies the cash flows of principal and interest from the host instrument will not be separated; instead, all will be valued at fair value, as if it were a negotiable financial instrument.

31. Authorization to issue the consolidated financial statements

The consolidated financial statements were authorized for issuance on March 22, 2019, by the Entity's CEO and Deputy CEO/CFO. For this reason, they do not reflect events that took place after such date and are subject to approval by the Stockholders' Annual Ordinary General Meeting, which may decide to modify them in accordance with the General Companies Law. The accompanying consolidated financial statements as of December 31, 2017 were approved at a Stockholders' Ordinary General Meeting held on April 24, 2018.

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

Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2019 and for the six months ended June 30, 2019 and 2018

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple,
Entidad No Regulada and Subsidiaries
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Unaudited Condensed Consolidated Interim Balance Sheets

As of June 30, 2019 and December 31, 2018
(In thousands of Mexican pesos)

Assets	June 30, 2019	December 31, 2018
Cash and cash equivalents	$ 511,464	$ 575,719
Investment in securities:		
Trading securities	888,115	940,865
	1,399,579	940,865
Derivatives:		
Hedging purposes	442,651	1,028,013
	442,651	1,028,013
Performing loan portfolio:		
Commercial loans:		
Commercial or business activity	29,910,934	26,090,647
Consumer loans:	10,553,049	9,610,914
Total performing loan portfolio	40,464,983	35,701,561
Non-Performing loan portfolio:		
Commercial loans:		
Commercial or business activity	351,813	307,551
Consumer loans:	268,109	310,004
Total non-performing loan portfolio	619,922	617,555
Loan portfolio	41,084,905	36,319,116
Less - Allowance for loan losses	(1,271,980)	(1,067,923)
Loan portfolio, net	39,812,925	35,251,193
Other accounts receivable, net	5,808,575	5,378,802
Foreclosed assets, net	8,628	10,510
Property furniture and fixtures, net	737,611	341,453
Long-term investment in shares	1,186,677	1,193,412
Other assets, (net)		
Deferred charges, advanced payments and intangibles	4,535,657	4,793,722
Other short and long-term assets	83,089	48,771
	4,618,746	4,842,493
Total assets	$ 54,015,392	$ 49,562,460

Liabilities	June 30, 2019	December 31, 2018
Notes Payable (Securitized Certificates)	$ 1,220,363	$ 1,463,518
Senior Notes Payable	21,853,724	17,018,849
	23,074,087	18,482,367
Bank loans and other loans:		
Short-term loans	8,661,854	7,359,690
Long-term loans	3,291,882	4,804,689
	11,953,736	12,164,379
Other accounts payable:		
Income taxes payable	296,124	263,951
Employee profit sharing payable	10,607	18,290
Accrued liabilities and other accounts payable	399,583	439,074
	706,314	721,315
Deferred taxes, net	2,344,945	2,258,849
Total liabilities	38,079,082	33,626,910
Stockholders' equity		
Paid in capital:		
Capital stock:	660,154	660,154
Share subscription premium	1,185,737	1,407,522
Subordinated obligations in circulation	4,206,685	4,206,685
	6,052,576	6,274,361
Earned capital:		
Legal reserve	132,030	132,030
Retained earnings	7,907,758	6,561,118
Result from valuation of cash flow hedges, net	(226,303)	128,622
Cumulative translation adjustment	(66,379)	(30,074)
Re-measurements of employee defined benefits	5,680	5,611
Net income attributable to controlling interest	1,116,898	1,955,358
Non-controlling interest	1,014,050	908,524
	9,883,734	-
Total stockholders' equity	15,936,310	15,935,550
Total liabilities and stockholders' equity	$ 54,015,392	$ 49,562,460

Memorandum accounts

	June 30, 2019	December 31, 2018
Credit Commitments	$ 339,192	$ 354,728
Uncollected interest earned on non-performing portfolio	$ 354,728	$ 366,701
Unused credit lines	$ 1,019,383	$ 156,023

"The historical balance of capital stock as of June 30, 2019 is $660,154. The effect recognized in the capital stock as of December 31, 2007 is $2,916."

See accompanying notes to unaudited condensed consolidated interim financial statements.

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Unaudited Condensed Consolidated Interim Statements of Income

For the six months ended June 30, 2019 and 2018
(In thousands of Mexican pesos)

	Six months ended June 30,	
	2019	**2018**
Interest income	$ 5,671,340	$ 4,871,686
Interest expense	(2,146,468)	(1,563,807)
Financial margin	3,524,872	3,307,879
Provisions for loan losses	(720,964)	(876,264)
Financial margin after provision for loan losses	2,803,908	2,431,615
Commissions and fees income	274,563	375,776
Commissions and fees paid	(180,549)	(121,940)
Intermediation income	251,012	49,604
Other operating income	170,220	173,177
Administrative and marketing expense	(1,705,799)	(1,763,082)
Operating result	1,613,355	1,145,150
Equity in income (loss) of associates	(5,759)	64,580
Income before income taxes	1,607,596	1,209,730
Current income taxes	(346,085)	(69,866)
Deferred income taxes	(86,097)	(211,248)
	(432,182)	(281,114)
Net income	1,175,414	928,616
Non-controlling interest	(58,516)	(46,768)
Net income attributable to controlling interest	$ 1,116,898	$ 881,848
Earnings per share	$ 2.84	$ 2.25
Weighted average shares outstanding	392,219,424	392,219,424

See accompanying notes to unaudited condensed consolidated interim financial statements.

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2019 and 2018
(In thousands of Mexican pesos)

	Paid in Capital				Earned Capital						
	Capital stock	Share subscription premium	Subordinated obligations in circulation	Legal reserve	Retained earnings	Results from valuation of cash flow hedges	Cumulative translation effect	Re-measurements of employee defined benefits	Net income attributable to controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2018	$ 660,154	$ 1,462,618	$ 4,206,685	$ 132,030	$ 5,442,351	$ 359,727	$ 93,665	$ 1,087	$ 1,661,144	$ 748,890	$ 14,768,351
Changes arising from stockholder decisions-											
Transfer of prior year results	-	-	-	-	1,661,144	-	-	-	(1,661,144)	-	-
Dividend payments	-	-	-	-	(193,436)	-	-	-	-	-	(193,436)
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-
Repurchase of own shares	-	827	-	-	(46,045)	-	-	-	-	-	(45,218)
Total entries approved by stockholders	-	827	-	-	1,421,663	-	-	-	(1,661,144)	-	(238,654)
Changes affecting comprehensive income-											
Result from consolidation of minority interest companies	-	-	-	-	-	-	-	-	-	32,902	32,902
Result from valuation of cash flow hedging instruments	-	-	-	-	-	(391,171)	-	-	-	-	(391,171)
Cumulative translation effect	-	-	-	-	-	-	(81,655)	-	-	(120)	(81,775)
Re-measurements of employee defined benefits	-	-	-	-	(140)	-	-	140	-	-	-
Net income	-	-	-	-	-	-	-	-	881,848	46,768	928,616
Total comprehensive income	-	-	-	-	(140)	(391,171)	(81,655)	140	881,848	79,550	488,572
Balances as of June 30, 2018	660,154	1,463,445	4,206,685	132,030	6,863,874	(31,444)	12,010	1,227	881,848	828,440	15,018,269
Balances as of January 1, 2019	660,154	1,407,522	4,206,685	132,030	6,561,118	128,622	(30,074)	5,611	1,955,358	908,524	15,935,550
Changes arising from stockholder decisions-											
Transfer of prior year results	-	-	-	-	1,955,358	-	-	-	(1,955,358)	-	-
Dividend payments	-	-	-	-	(578,487)	-	-	-	-	-	(578,487)
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-
Repurchase of own shares	-	(221,785)	-	-	168,702	-	-	-	-	-	(53,083)
Others	-	-	-	-	(193,182)	-	-	-	-	-	(193,182)
Total entries approved by stockholders	-	(221,785)	-	-	1,352,391	-	-	-	(1,955,358)	-	(824,752)
Changes affecting comprehensive income-											
Result from consolidation of minority interest companies	-	-	-	-	-	-	-	-	-	47,301	47,301
Result from valuation of cash flow hedging instruments	-	-	-	-	-	(354,925)	-	-	-	-	(354,925)
Cumulative translation effect	-	-	-	-	-	-	(36,305)	-	-	(291)	(36,596)
Re-measurements of employee defined benefits	-	-	-	-	(5,751)	-	-	69	-	-	(5,682)
Net income	-	-	-	-	-	-	-	-	1,116,898	58,516	1,175,414
Total comprehensive income	-	-	-	-	(5,751)	(354,925)	(36,305)	69	1,116,898	105,526	825,512
Balances as of June 30, 2019	$ 660,154	$ 1,185,737	$ 4,206,685	$ 132,030	$ 7,907,758	$ (226,303)	$ (66,379)	$ 5,680	$ 1,116,898	$ 1,014,050	$ 15,936,310

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2019 and 2018
(In thousands of Mexican pesos)

	Six months ended June 30, 2019	2018
Net income	$ 1,175,414	$ 928,616
Adjustments for items that do not result in cash flows:		
Depreciation of furniture and fixtures	61,052	44,461
Amortization of intangible assets	32,742	31,135
Provisions	59,791	38,843
Income taxes current and deferred	432,182	281,114
Equity in (income) loss of associates	5,759	(64,580)
	1,766,940	1,259,589
Operating activities:		
Change in investment in securities	52,750	(252,047)
Change in derivatives (net)	230,437	327,420
Change in loan portfolio (net)	(4,561,733)	(4,574,062)
Change in other accounts receivables (net)	(429,773)	(369,276)
Change in foreclosed assets (net)	1,883	3,269
Change in other assets	191,005	(104,217)
Change in senior notes and notes payable	4,591,720	2,784,153
Change in bank loans	(210,642)	1,112,025
Change in other accounts payable	(420,878)	(499,988)
Net cash flows from operating activities	(555,231)	(1,572,723)
Investing activities:		
Acquisitions of property and equipment	(457,211)	(26,850)
Dividends received in cash	-	48,340
Decrease (increase) in investments in shares	(173,507)	222,126
Net cash flows from investing activities	(630,718)	243,616
Financing activities:		
Dividends paid in cash	(578,487)	(193,436)
Share subscriptions premium	-	827
Repurchase of own shares	168,702	(46,045)
Others	(198,863)	-
Net cash flows from financing activities	(608,648)	(238,654)
Net (decrease) increase in cash and cash equivalents	(27,657)	(308,172)
Effect for change in the value of cash and equivalents	(36,598)	(81,655)
Cash and cash equivalents at beginning of the period	575,719	810,622
Cash and cash equivalents at end of the period	$ 511,464	$ 420,795

See accompanying notes to unaudited condensed consolidated interim financial statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As of June 30, 2019 and December 31, 2018 and for the period of six months ended June 30, 2019 and 2018
(In thousands of Mexican pesos)

1. Activities, regulatory environment and significant events

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries (the "Entity" or "Crédito Real"), is a non-banking institution in Mexico, focused on consumer lending which has diversified business platform integrated mainly by six business lines: (i) payroll lending, (ii) durable goods loans, (iii) small and medium business loans, (iv) group loans, (v) used car loans and (vi) Instacredit (Central America), where the loans offered include personal loans, automobile loans, loans for small and medium businesses (PYMES) and others. Loans paid via payroll are offered to unionized government employees through a national network of 14 distributors with which credit granting agreements have been executed. Crédito Real has executed exclusivity agreements with three of the main distributors and holds a significant amount of their common stock. The origination of consumer loans ceased as of July 2016, and only internal collection activities for the performing portfolio are being carried out. Loans are granted to small and medium businesses to cover the working capital requirements and investment activities of micro, small and medium enterprises; these resources are provided through a specialized broker or under the Entity's own trademark. Group loans are mainly offered to groups of women with a productive activity by using the joint credit methodology; these loans are granted by two associated entities with a network of 1,617 promoters and 197 branches. Used car loans are granted to acquire preowned automobiles through agreements with 5 car dealers specialized in the purchase-sale of automobiles and a subsidiary with a network of 20 branches that offers financing by receiving automobiles and commercial vehicles as collateral; and finally through one entities which focus mainly on the people with limited credit history in the United States of America ("EUA"): Credito Real USA Finance, which has around 910 distributors in 27 states throughout the United States. The Entity also has presence in Costa Rica, Nicaragua and Panama with the brand Instacredit, through a network of 65 branches and more than 376 promoters. Instacredit is a recognized brand in Central America, with more than 19 years of experience, and has a multiproduct platform offering loans in the segments of personal loans, automobile loans, PYMES and home improvements.

Payroll Loans

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

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

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

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

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

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

PYMES Loans

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

Used Car Loans

Used car loans in Mexico are originated through contracts with car companies that sell used cars. Currently 5 partnerships have been executed. Additionally, the Entity has a 51% holding in a company which operates under the brand "Drive & Cash", which is engaged in offering financing through the warranty of automobiles and commercial vehicles.

The Entity also has a majority stake in a credit operator for used cars in the US, operating as Crédito Real USA Finance. Such operator has a service platform which enables it to operate in 27 states throughout the United States and has operating agreements in place with more than 910 distributors in that country.

Consumer Loans

The Entity ceased offering consumer loans as of July 30, 2016 and dedicates resources exclusively to the collection of performing portfolio until completed.

Group Loans

Group loans are originated through two specialized operators which have 1,617 promoters in a network comprising 197 branches. The promoters are familiar with the specific needs of micro-entrepreneurs and the self-employed.

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

Regulatory environment

In accordance with article 78 of the General Provisions applicable to securities issuers and other participants, Crédito Real prepares and presents its consolidated financial statements in accordance with the accounting criteria applicable to regulated multiple purpose financial corporations. referred to in article 87-D, fraction V, of the General Law of Credit Organizations and Auxiliary Activities (the "LGOAAC") issued by the Mexican Banking and Securities Commission (the "Commission").

The Entity prepare its consolidated financial statements in accordance with the accounting criteria established by the Commission as set forth in the Provisions.

Significant events 2019 -

a) On February 7, 2019 the Entity announced the issue of bonds maturing in 2026 (Senior Notes 2026), which are unsecured and cannot be enforced before maturity, for the amount of US $400,000,000. The Senior Notes 2026 pay an annual rate of 9.5%. The Senior Notes 2026 were classified as "BB+" globally by Fitch Ratings and Standard and Poor's. These bonds are not acceptable for transactions in a regulated market of the EEA ("European Economic Area") or any other outside such area.

b) On March 11, 2019, the Entity fully repaid, under the terms established, the principal and interest for the long-term debenture issued on July 2, 2015 abroad with ticker symbol "SN2019", for the amount of US $134,853,000 (one hundred thirty-four million eight hundred fifty-three thousand US dollars).

c) On January 2019, the Entity cancelled 12,551,534 Common stock shares for MXN $226,118

2. Basis of presentation

Interim financial statements - The accompanying unaudited condensed consolidated interim financial statements as of June 30, 2019 have not been audited. In the opinion of Entity's management, all the adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying unaudited condensed consolidated interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Entity and the respective notes for the year ended December 31, 2018.

Monetary unit of the financial statements - The unaudited condensed consolidated interim financial statements and notes as of June 30, 2019 and December 31, 2018, and for the six months ended June 30, 2019 and 2018 include balances and transactions of different purchasing power.

Consolidation of financial statements - The accompanying unaudited condensed consolidated financial statements include the financial statements of the Entity and those of its subsidiaries in which control is exercised. All significant intercompany balances and transactions have been eliminated.

Subsidiaries	|Share holding porcentaje 2019	2018
Servicios Corporativos Chapultepec, S.A. de C.V.	99.99%	99.99%
Directodo México, S.A.P.I. de C.V.	99.99%	99.99%
CR-Fact, S.A.P.I. de C.V.	51.00%	51.00%
Controladora CR México, S.A. de C.V.	99.97%	99.97%
CRholdingint, S.A. de C.V.	99.94%	99.94%
Crédito Real USA, Inc.	100.00%	100.00%
CR-Seg, Inc.	100.00%	100.00%
Fideicomiso irrevocable de emisión, administración y pago No. 3200	100.00%	100.00%
Fideicomiso irrevocable de emisión, administración y pago No. 3670	100.00%	100.00%

Comprehensive income - It is composed of the net result for the period plus other items that represent a gain or loss for the same period which, in conformity with the accounting practices followed by the Entity, are presented directly in stockholders' equity. As of June 30, 2019 and December 31, 2018 and 2017, comprehensive income and loss is represented by the net result, the result from valuation of cash flow hedge instruments and the actuarial losses from defined benefit plans.

Translation of financial statements of subsidiaries in foreign currency - To consolidate the financial statements of foreign transactions, they are modified in the recording currency for presentation in the unaudited condensed consolidated interim financial statements of the Entity. The financial statements are translated to Mexican pesos, using the following methodologies: The foreign transactions whose recording currency and functional currency are the same, translate the financial statements at the following exchange rates: 1) closing rate for assets and liabilities, 2) historical rate for stockholders' equity and 3) that of the accrual date for revenues, costs and expenses. The effects of conversion are recorded in stockholders' equity.

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

3. Summary of significant accounting policies

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

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

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

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

On November 15, 2018, the National Banking and Securities Commission issued, through the Federal Official Gazette, a resolution modifying the Provisions published in the Federal Official Gazette on January 23, 2018. The most important changes in the resolution are outlined below:

The Financial Reporting Standards B-17 "Determination of fair value", C-3 "Accounts receivable", C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 "Revenues from contracts with customers", D-2 "Costs of contracts with customers" and D-5 "Leases", issued by the Mexican Financial Reporting Standards Board and referred to in paragraph 3 of Treatment A-2 "Application of specific standards" of Annex E will go into effect on January 1, 2020."

Based on the financial statements of the subsidiaries to which the recognition of NIF-D-5 applies as of January 1, 2019, the Entity recognized a right of use asset of $470,032, and a lease liability of $467,509. Right of use asset includes an effect from security deposits of $2,523 in relation to its lease contracts which fulfill the aforementioned characteristics. The net impact related to lease expenses and depreciation decreased the profit (loss) by $1,534, and the interest expense increased by $8,399. Furthermore, agreements related to leases shorter than one year and low value assets will continue to be recognized in results as they are accrued. Net impact related to the adoption of NIF D-5 is as follows:

	Balance including NIF D-5 impact as of June 30, 2019	Balance excluding NIF D-5 impact as of June 30, 2019
Assets	$ 737,611	$ 531,088
Liabilities	399,583	200,613
P&L	1,116,898	1,124,512

As of June 30, 2019, the Entity recognized an effect related to the implementation of NIF D-5 in the financial statements assets for a right of use of $206,523, a lease liability of $198,970 and an effect in P&L for $7,614.

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

4. Investments in securities

As of June 30, 2019 and December 31, 2018, investments in securities were as follows:

	June 30, 2019		
	Amount invested	Rate	Amount
Investments in Mexican pesos (a)			
Bank promissory notes	$ 445,157	8.09%	$ 445,357
Commercial paper	55,495	8.23%	55,521
Total securities to trade in Mexican pesos	500,652		500,878
Investments in foreign currency USD (b)			
Bank promissory notes	387,463	1.05%	388,708
Total securities to trade in dollars	387,463		388,708
Total investments in securities	$ 888,115		$ 889,586

	December 31, 2018		
	Amount invested	Rate	Amount
Investments in Mexican pesos (a)			
Bank promissory notes	$ 724,048	7.55%	$ 724,048
Government paper	80,004	8.16%	80,004
Commercial paper	55,214	5.00%	55,214
Total securities to trade in pesos	859,266		859,266
Investments in foreign currency USD (b)			
Bank promissory notes	81,599	4.50%	81,599
Total securities to trade in dollars	81,599		81,599
Total investments in securities	$ 940,865		$ 940,865

As of June 30, 2019, investments in trading securities are comprised as follows:

(a) Investments in Mexican pesos

- Investments in bank debt, with a two-day maturity, for a total value of $445,157.
- Investments in commercial paper with a two-day maturity, for a total value of $55,495.

(b) Investments in foreign currency USD:

Investments in bank debt, with maturities ranging between two and 366 days for a total value of $387,463.

5. Financial derivatives

The policy established by management is to contract financial derivatives with the aim of hedging the inherent risks to the Entity's exposure in foreign currency (exchange rate) such as the interest rate risk generated by the debt instruments established in a currency other than the Mexican peso or a variable interest rate.

Margin Call

Any appreciation of the peso with respect the U.S. dollar during the term of the debt may result in mark-to-market losses, which in turn, could trigger margin calls. Therefore, the Entity entered into credit lines with its financial derivatives counterparties to mitigate the post collateral risks with them, in order to satisfy margin calls. As of June 30, 2019, the Entity does not have collateral risks to satisfy margin calls with the different counterparties.

Derivatives for hedging purposes

Derivatives designated as hedges recognize the changes in valuation according to the type of hedge: (1) when they are fair value hedges, the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in earnings; (2) when they are cash flow hedges, the effective portion of the result of the hedge instrument is recognized in stockholders' equity as part of other comprehensive income and loss, and the ineffective portion of the result of the hedge instrument is recognized immediately in results for the period.

Debt's fair value in foreign currency is recognized in the condensed consolidated balance sheets, and changes to this debt are recognized in the statement of income.

The changes in fair value of the financial derivatives as well as the fair value of the debt, are recorded in the unaudited condensed consolidated interim statements of income, under intermediation income. The valuation of financial derivatives and primary position is based on techniques accepted in the financial community.

Syndicated Line Relationship

The Entity uses financial derivatives for hedging purposes to manage the fluctuation risk in the exchange rate and the interest rate applicable to its credit line with Credit Suisse for USD $110,000, dated February 16, 2017, and will be payable on February 19, 2020, at LIBOR rate plus 5.50%.

On February 21, 2017, the Entity executed a Cross Currency Swap with Credit Suisse Mexico Branch, at MXP $20.4698 per U.S. dollar, wherein it receives a floating LIBOR interest rate +5.5%, and pays fixed interest of 7.22% denominated in Mexican pesos in order to hedge the credit line's interest.

For accounting purposes, the Entity has designated the aforementioned financial derivative as a cash flow hedge, recording the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portions and the respective amounts to the unaudited condensed consolidated interim statement of income when the hedged forecast cash flows affect the results of the period.

CCS' trading characteristics	Credit Suisse ID 9003636
Currency A:	U. S. Dollars (USD)
Currency B:	Mexican Pesos (MXP)
Required to pay floating rate amounts in currency A:	Credit Suisse
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	February 21, 2017
Reference exchange amount in both currencies:	N/A
Start date:	February 21, 2017
Maturity date:	February 21, 2020
Currency A settlement:	USD 110,000
Currency B settlement:	MXP $2,251,678
Fixed rate for the amount in currency B for the first period:	$20.4698 MXP per USD
Floating rate for currency A:	USD-LIBOR-BBA
Spread	5.50%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Actual/360
Currency A payment dates:	Quarterly, beginning February 21, 2017
Currency A settlement date:	N/A
Currency B payment dates:	The 21st day of each month beginning February 21, 2017
Floating or fixed rate for currency B:	7.22%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360
Market value MXP (thousands)	$ (14,366)
Market value USD (thousands)	$ (748)
Collateral MXP	$

As of June 30, 2019, the fair value of the aforementioned financial derivatives for the syndicated line hedge relationship is $(14,366) (equivalent to USD $(748)), which was recorded as a liability with a debit to the stockholders' equity supplemental account with the effect of the period through comprehensive income. The effect recognized in equity as of June 30, 2019 is $231,188 (equivalent to USD $12,036), the reclassified effect within the unaudited condensed consolidated interim statement of income as accrued interest income including the FX impact is for $49,595 (equivalent to USD $2,582), and an exchange loss due to a compensatory fee of $ 5,677 (equivalent to USD $289). The current notional is USD $44,000.

Also, an impact due to an offsetting commission charge of MXP $272,095 (equivalent to USD $14,528) was paid in March 2017 to Credit Suisse in order to recognize the derivative with these characteristics.

The periods in which the cash flows from the derivative in the syndicated line hedging relationship are expected to occur and impact unaudited condensed consolidated interim statement of income are as follows:

Year	Mexican Pesos	U.S. dollars
2019	$ 402	21
2020	$ 236,464	12,310

Senior Notes Relationship with maturity in 2023

The Entity uses financial derivatives for hedging purposes to manage the risks related to the issuance of its Senior Notes with a yield of 7.25%, maturing in 2023.

On August 5, 2016, the Entity contracted five Cross Country Swaps which hedge the principal debt for the Senior Notes maturing in 2023, with the following financial institutions: (i) Barclays, (ii) Morgan Stanley, (iii) UBS, (iv) Banamex and (v) Deutsche Bank. This is because the Entity hedges its interest and foreign exchange risk and converts it from a debt that pays a fixed rate in U.S. dollars to one payable in Mexican pesos with a variable rate. The issuance of the Senior Notes maturing in 2023 was for USD $625,000, while the financial derivatives were only contracted for a portion of the total amount. For accounting purposes three Cross Currency Swaps were designated as fair value hedges; i.e., the fluctuations of the derivative and the hedged item are valued at fair value and are recognized in results in the same periods. For the Cross Currency Swaps entered into with Morgan Stanley, 13.2% is recorded at fair value and the remaining 86.8% is recorded as cash flow, as well as the agreed with Barclays, where the changes in the fair value of the derivative are recorded in other comprehensive income and loss, and any ineffective portion and the respective amounts are reclassified to the unaudited condensed consolidated interim statement of income when the projected cash flows hedged affect the results of the period.

For the first Cross Currency Swaps acquired, the Entity paid MXN $4 million at a variable rate, therefore, the Entity executed four interest rate swaps to partially change from the variable rate to a fixed rate during second quarter of 2017 with the following institutions: Barclays, Morgan Stanley and two IRS with Credit Suisse. These instruments are designated as cash flow hedges for accounting purposes, with changes in the fair value of the derivative in other comprehensive income or loss and any ineffective portion and the respective amounts reclassified to the unaudited condensed consolidated interim statement of income when the hedged projected cash flows affect the results of the period.

On March, 2019, the Entity contracted a structure of two Coupon-Only Swaps with Call Spread with Morgan Stanley and BNP Paribas, with the objective of hedging the principal and the interest portions of the Senior Notes 2023. For BNP Paribas, the structure has a notional amount of $25,000, at a fx impact of $19.49 pesos per dollar; with a start date on March 12, 2019 and maturity date on July 20, 2023. The Coupon Only Swap has a fixed rate of 11.8% which includes the cost of premium; the call spread consists of a long call with a strike value at $19.49 and a short call at $27. For Morgan Stanley, the structure has a notional amount of $50,000, at a fx impact of $19.3 pesos per dollar; with a start date on January 22, 2019 and maturity date on July 20, 2023. The Coupon Only Swap has a fixed rate of 8% and the rate associated with the premium is 3.72%, the call spread consists of a long call with a strike value at $19.3 and a short call at $27.

CCS' trading characteristics	Barclays 9007408	Morgan Stanley DMFS4	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Currency A:	U.S. Dollars (USD)	U.S. Dollars (USD)	U.S. Dollars (USD)	U.S. Dollars (USD)	U.S. Dollars (USD)
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Obligated to pay fixed rate for amounts in currency A:	Barclays	Morgan Stanley	UBS	Banamex	Deutsche Bank
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR	CR	CR	CR
Date of transaction:	August 5, 2016	August 5, 2016	August 5, 2016	August 5, 2016	August 5, 2016
Swap reference amount in both currencies:	At the start and at maturity	At the start and at maturity	At the start and at maturity	At the start and at maturity	At the start and at maturity
Starting date:	July 20, 2016	July 20, 2016	July 20, 2016	July 20, 2016	July 20, 2016
Maturity date:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Reference amount in currency A:	USD 125,000	USD 100,000	USD 100,000	USD 100,000	USD 125,000
Reference amount in currency B:	MXP $2,361,250	MXP $1,889,000	MXP $1,889,000	MXP $1,889,000	MXP $2,361,250
Exchange rate used to calculate reference amount in currency B:	$18.8900 MXP per USD	$18.8900 MXP per USD	$18.8900 MXP per USD	$18.8900 MXP per USD	$18.8900 MXP per USD
Fixed rate for amounts in currency A:	7.25%	7.25%	7.25%	7.25%	7.25%
Spread	N/A	N/A	N/A	N/A	N/A
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360	30/360	30/360	30/360
Payment dates currency A:	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016

CCS' trading characteristics	Barclays 9007408	Morgan Stanley DMFS4	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Settlement date currency A:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Payment dates currency B:	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016
Floating rate for amounts in currency B:	TIIE 28D	TIIE 28D	TIIE 28D	TIIE 28D	TIIE 28D
Spread Currency B:	6.13%	6.16%	6.215%	6.19%	6.17%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXP (thousands)	$ 72,767	$ 56,194	$ 50,941	$ 53,401	$ 68,434
Market value USD (thousands)	$ 3,788	$ 2,925	$ 2,652	$ 2,780	$ 3,563
Collateral MXP	$ -	$ -	$ -	$ -	$ -

IRS Characteristics	Credit Suisse 9003699	Barclays 9009053	Morgan Stanley OZNJJ	Credit Suisse 9003793
Notional:	$1,500	$1,000	$1,000	$500
Currency:	MXP	MXP	MXP	MXP
Required to pay fixed rate:	CR	CR	CR	CR
Required to pay floating rate:	Credit Suisse	Barclays	Morgan Stanley	Credit Suisse
Transaction date:	April 18, 2017	May 15, 2017	June 14, 2017	June 14, 2017
Start date:	March 29, 2017	May 16, 2017	May 24, 2017	May 24, 2017
Maturity date:	July 29, 2023	July 20, 2023	July 23, 2023	July 20, 2023
Fixed rate:	7.26%	7.27%	7.12%	7.12%
Floating rate:	TIIE	TIIE	TIIE	TIIE
Fraction for the count of days applicable to floating or fixed rate:	Actual/360	Actual/360	Actual/360	Actual/360
Interest payment dates:	Every 28 days as of March 29, 2017	Every 28 days as of May 16, 2017	Every 28 days as of June 21, 2017	Every 28 days as of May 24, 2017
Market value MXN (thousands)	$ 1,765	$ 824	$ 6,348	$ 3,172
Market value USD (thousands)	$ 92	$ 43	$ 330	$ 165
Collateral MXP	$ -	$ -	$ -	$ -

CCS' trading characteristics	Morgan Stanley ID PHE7D	BNP Paribas ID MD21304233	Option details	Morgan Stanley ID WAW1A	BNP Paribas ID MD21303775
Currency A:	U.S. Dollar (USD)	U.S. Dollar (USD)	Style of option:	European USD Call	European USD Call
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Type of option	Collar (Short Call, Long Call)	Collar (Short Call, Long Call)
Required to pay amounts in currency A:	Morgan Stanley	BNP	Currency and amount of Short Call:	USD $50,000	USD $25,000
Required to pay amounts in currency B:	CR	CR	Currency and amount of Long Call:	USD $50,000	USD $25,000
Transaction date:	March 4, 2019	March 8, 2019	Short Call Rate:	$ 27.00	$ 27.00
Reference exchange amount in both currencies:		At the beginning and at maturity	Long Call Rate:	$ 19.30	$ 19.49
Start date:	January 20, 2019	March 12, 2019	Maturity date:	July 20, 2023	July 20, 2023
Maturity date:	July 20, 2023	July 20, 2023	Day of payment	July 20, 2023	July 20, 2023
Currency A settlement:	USD $50,000	USD $25,000	Premium:	130,249	67,106
Currency B settlement:	MXP $965,000	MXP $487,250	Market value MXN (thousands)	$ 124,767	$ 59,769
Fixed rate for the amount in currency B for the first period:	$19.3000 MXP per USD	$19.4900 MXP per USD	Market value USD (thousands)	$ 6,495	$ 3,112
Floating or fix rate for currency A:	7.25%	7.25%			
Spread	N/A	N/A			

Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360
Currency A payment dates:	The 20th day of every July and January	The 20th day of every July and January
Currency A settlement date:	July 20, 2023	July, 2023
Currency B payment dates:	Every 28 days as of July 20, 2019	Every 28 days as of July 20, 2019
Floating or fixed rate for currency B:	8.00%	11.8%
		Premium of call spread implied in the above rate.
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360
Market value MXP (thousands)	$ 23,128	$ 5,826
Market value USD (thousands)R3al047	$ 1,204	$ 303
Collateral MXP	$ -	$ -

As of June 30, 2019, the fair value of the Full Cross Currency Swaps related to the hedge of the Senior Notes maturing on 2023 is MXP $301,738 (equivalent to USD $15,708), which was recorded as an asset with a credit of MXP $121,517 (equivalent to USD $6,326) to the stockholders' equity through comprehensive income (for the cash flow hedge portion) and a credit of MXP $180,221 (equivalent to USD $9,382) as a gain in the statement of income (for the fair value hedge portion).The effect as of June 30, 2019, recognized in equity is MXP $56,099 (equivalent to USD $2,920) and loss due to exchange rate and accrued interest of MXP $183,621 (equivalent to USD $9,559) recognized in results. The effect as of June 30, 2019, recognized in the unaudited condensed consolidated interim statement of income for the hedged item (related to the fair value hedge portion of the cross currency swaps) is a loss of MXP $180,221 (equivalent to USD $177). The hedged item also includes an offsetting charge of MXP $117,665 (equivalent to USD $6,125) (as a debit to the liability).

As of June 30, 2019, the fair value of the interest rate swaps for the Senior Notes 2023 in a hedging relationship is $12,109 (equivalent to USD $630), which was recorded as an asset with a credit to the stockholders' equity supplemental account through comprehensive income. The effect as of June 30, 2019 recognized in equity is $10,811 (equivalent to USD $563) and in the unaudited condensed consolidated interim income statement, an effect of $1,297 (equivalent to USD $68) due to accrued interest.

As of June 30, 2019, the fair value of the Coupon Only Swap with the Call Spread for the hedging relationship of the Senior Note maturing in 2013, is $213,490 (equivalent to USD $11,114), which was recorded as an asset with a credit to other comprehensive income. The effect as of June 30, 2019 recognized in equity is $6,766 (equivalent to USD $352) and the effect recognized in the unaudited condensed consolidated interim statement of income as a gain due to the value of the options of $184,535 (equivalent to USD $9,607) for the Call. The effect reclassified to the statement of income as accrued interest income is $35,720 (equivalent to USD $1,859).

For accounting purposes, the Entity has designated the Coupon Only Swap with the Call Spread as cash flow hedges. In the case of the Coupon Only Swaps, the changes in the fair value of the derivative are recorded in other comprehensive income, by reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect the results for the year. The initial recognition was a debit to an asset regarding the call spread with a credit to a liability due to the fact that the premium was financed. The changes in the value of the derivative are recorded in the results of the period.

The periods in which the cash flows from the derivatives related to the hedging of the Senior Bonds maturing in 2023 are expected to occur and impact the unaudited condensed consolidated interim statement of income are as follow:

Year	Mexican Pesos	U.S. dollars
2019	$ (347,359)	$ (18,083)
2020	$ (777,806)	$ (40,492)
2021	$ (646,207)	$ (33,641)
2022	$ (659,204)	$ (34,317)
2023	$ 2,504,252	$ 130,371

Perpetual Bond Relationship

The Entity uses financial derivatives as economic hedges to manage the risks related to the interest rate applicable to its issuance of the perpetual bonds long-term notes, which were offered on November 29, 2017. At the Entity's sole discretion, interest payments on the notes may be deferred for any period of time; provided that any such deferred payments will themselves bear interest at a fixed rate of 9.125%.

On December 5, 2017, the Entity contracted six Cross Country Swaps (CCS) with Morgan Stanley, Credit Suisse and Barclays for $230,000,000 USD; of these, a first tranche with three derivatives receives a fixed rate of 9.125% and pays a fixed rate of 9.56% maturing in 2019; while the second tranche, which starts after the first one matures, with the remaining three derivatives, receives a fixed rate of 9.125% and pays a variable rate (28 day TIIE) plus a spread, maturing in 2022. This structure hedges 100% of the interest' exchange rate to be paid on the perpetual bonds.

CCS' trading characteristics	Barclays 9009347	Barclays 9009344	Credit Suisse 9003986	Credit Suisse 9003980
Currency A:	U.S. Dollar (USD)	U.S. Dollar (USD)	U.S. Dollar (USD)	U.S. Dollar (USD)
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Required to pay amounts in currency A:	Barclays	Barclays	Credit Suisse	Credit Suisse
Required to pay amounts in currency B:	CR	CR	CR	CR
Transaction date:	December 5, 2017	December 5, 2017	December 5, 2017	December 5, 2017
Reference exchange amount in both currencies:	N/A	N/A	N/A	N/A
Start date:	November 29, 2017	November 29, 2019	November 29, 2017	November 29, 2019
Maturity date:	November 29, 2022	November 29, 2022	November 29, 2019	November 29, 2022
Currency A settlement:	USD 65,000	USD 65,000	USD 65,000	USD 65,000
Currency B settlement:	MXP $1,216,800	MXP $1,216,800	MXP $1,216,800	MXP $1,216,800
Fixed rate for the amount in currency B for the first period:	$18.7200 MXP per USD	$18.7200 MXP per USD	$18.7200 MXP per USD	$18.7200 MXP per USD
Floating rate for currency A:	9.13%	9.13%	9.13%	9.13%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360	30/360	30/360
Currency A payment dates:	Semianually as November 29, 2017	Semianually as November 29, 2019	Semianually as November 29, 2017	Semianually as November 29, 2019
Currency A settlement date:	November 29, 2019	November 29, 2022	November 29, 2019	November 29, 2022
Currency B payment dates:	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019
Floating or fixed rate for currency B:	9.56%	TIIE 28D	9.56%	TIIE 28D
Spread currency B:	N/A	3.57%	N/A	3.60%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXP (thousands)	$ 7,651	$ (15,563)	$ 7,679	$ (16,358)
Market value USD (thousands)	$ 398	$ (810)	$ 400	$ (852)
Collateral MXP	$ -	$ -	$ -	$ -

CCS' trading characteristics	Morgan Stanley HL0TZ	Morgan Stanley HL0U0
Currency A:	U.S. Dollar (USD)	U.S. Dollar (USD)
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Required to pay amounts in currency A:	Morgan Stanley	Morgan Stanley
Required to pay amounts in currency B:	CR	CR
Transaction date:	December 5, 2017	December 5, 2017
Reference exchange amount in both currencies:	N/A	N/A
Start date:	November 29, 2017	November 29, 2019
Maturity date:	November 29, 2019	November 29, 2022
Reference amount in currency A:	USD 100,000	USD 100,000
Reference amount in currency B:	MXP $1,872,000	MXP $1,872,000
Exchange rate used to calculate reference amount in currency B:	$18.7200 MXP per USD	$18.7200 MXP per USD
Fixed rate for amounts in currency A:	9.13%	9.13%
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360
Payment dates currency A:	Semiannually as of November 29, 2017	Semiannually as of November 29, 2019
Settlement date currency A:	November 29, 2019	November 29, 2022
Payment dates currency B:	Every 28 days as of November 29, 2017	Every 28 days as of November 29, 2019
Floating rate for amounts in currency B:	9.56%	TIIE 28D
Spread currency B:	N/A	3.60%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360
Market value MXP (thousands)	$ 3,816	$ (25,350)
Market value USD (thousands)	$ 199	$ (1,320)
Collateral MXP	$ -	$ -

As of June 30, 2019, the fair value of derivatives related to perpetual bond hedge is $(38,125) (equivalent to USD $1,985), which was recorded as a liability and a loss in the unaudited condensed consolidated interim statement of income.

CHF Bond Relationship

The Entity uses financial derivatives as hedges to manage the risks related to the interest rate applicable to its issuance of the CHF Bond long-term notes, which were offered on February 13, 2018, and accrue interest at a 2.875% fixed rate.

On February 13, 2018, the Entity contracted three Cross Currency Swaps to hedge the exchange rate of the interest and principal of the CHF Bond, with the following financial institutions: (i) Credit Suisse, (ii) Deutsche Bank, (iii) Barclays. The debt is being converted from a CHF fixed rate to a Mexican pesos fixed rate. The issuance of the Bond maturing in 2022 was for CHF $170,000, while the financial derivatives were only contracted for a 71% of the exposed amount. For accounting purposes these three Cross Currency Swaps were designated as cash flow hedges; i.e., the fluctuations of the derivative and the item hedged are valued at fair value and are recognized in OCI in the same period.

On June 7, 2018, the Entity contracted a Cross Currency Swap to hedge the exchange rate on an additional 18% of the principal, accrued interest and also the interest rate for the CHF Bond, with Deutsche Bank. This portion of the debt was converted from one that pays a fixed rate in CHF to one that pays Mexican Pesos at a variable rate. For accounting purposes this Cross Currency Swap was designated as a fair value hedge; i.e., the fluctuations of the derivative and the hedged item are valued at fair value and are recognized in results in the same periods. In total, the Entity has hedged 88% of the debt.

On March, 2019 the Entity contracted a structure of one Coupon-Only Swap with Call Spread with BNP Paribas, with the objective of hedging both the principal and interest portions of the CHF Bond maturing in 2022. The structure has a notional of $20,000, at a fx impact $19.35 pesos per dollar; with a start date on March 12, 2019 and maturity date on February 9, 2022. The Coupon Only Swap has a fixed rate of 9.45% (the premium of the call spread is financed; hence, it is implied in this rate) and the call spread consist of a long call with a strike at $19.35 and a short call at $25.

CCS' trading characteristics	Credit Suisse 9004110	Deutsche Bank D948548M	Barclays 9009487	Deutsche Bank G370871M
Currency A:	Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Required payment amounts in currency A:	Credit Suisse CR	Deutsche Bank CR	Barclays CR	Deutsche Bank CR
Required payment amounts in currency B:	February 13, 2018	February 13, 2018	February 13, 2018	June 07, 2018
Transaction date:	At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity
Reference exchange amount in both currencies :	February 9, 2018	February 9, 2018	February 9, 2018	February 9, 2018
Start date:	February 9, 2022	February 9, 2022	February 9, 2022	February 9, 2022
Maturity date:	CHF 40,000	CHF 40,000	CHF 40,000	CHF 30,000
Currency A settlement:	MXP $797,857	MXP $625,942	MXP $796,600	MXP $625,942
Currency B settlement:	$19.9464 MXP per CHF	$19.9150 MXP per CHF	$19.9150 MXP per CHF	$20.8647 MXP per CHF
Fixed rate for the amount in currency B for the first period:	2.88%	2.88%	2.88%	2.88%
Fix rate for currency A:	30/360	30/360	30/360	30/360
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency	Annually as of February 9, 2018	Annually as of February 9, 2018	Annually as of February 9, 2018	Annually as of February 9, 2018
Currency A settlement:	February 9, 2022	February 9, 2022	February 9, 2022	February 9, 2022
Currency A payment dates:	Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018
Currency B payment dates:	11.97%	11.97%	11.96%	TIIE 28D
Fix rate for currency B:	0.00%	0.00%	0.00%	3.26%
Spread currency B:	Actual/360	Actual/360	Actual/360	Actual/360
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	$ (19,481)	$ (19,067)	$ (17,754)	$ (49,253)
Market value MXP (thousands)	$ (1,014)	$ (993)	$ (924)	$ (2,564)
Market value USD (thousands)	$ -	$ -	$ -	$ -
Collateral MXP				

CCS's trading characteristics	BNP Paribas ID MD21304233	Option details	BNP Paribas ID MD21304233
Currency A:	CHF	Style of option:	European
Currency B:	Mexican Pesos (MXP)	Type of option	CHF Collar (Short Call, Long Call)
Required to pay amounts in currency A:	BNP Paribas	Currency and amount of Short Call:	CHF $20,000
Required to pay amounts in currency B:	CR	Currency and amount of Long Call:	CHF $20,000
Transaction date:	March 8, 2019	Short Call Rate:	$ 25.00
Reference exchange amount in both currencies:		Long Call Rate:	$ 19.35
Start date:	March 12, 2019	Maturity date:	February 7, 2022
Maturity date:	February 9, 2022	Day of payment	February 7, 2022
Currency A settlement:	CHF $20,000	Premium:	
Currency B settlement:	MXP $387,000	Market value MXN (thousands)	$ 56,156
Fixed rate for the amount in currency B for the first period:	$19.3500 MXP per CHF	Market value USD (thousands)	$ 2,923
Floating or fix rate for currency A:	2.88%		
Spread	N/A		
Fraction for the count of days applicable to the fixed rate for	30/360		

amounts in foreign currency A:	
Currency A payment dates:	Annually as of February 9, 2019
Currency A settlement date:	February 9, 2022
Currency B payment dates:	Monthly as of February 9, 2019
Floating or fixed rate for currency B	9..45%
	Premium of call spread implied in the above rate.
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360
Market value MXP (thousands)	$ 2,212
Market value USD (thousands)R3al047	$ 115
Collateral MXP	$ -

As of June 30, 2019, the fair value of the Cross Currency Swaps related to the hedge of the CHF Bond maturing in 2022, is MXP $(105,556) (equivalent to USD $5,495), which was recorded as a liability against other comprehensive loss of MXP $(40,354) (equivalent to USD $(2,101)) for the cash flow hedge portion, a loss in results of MXP $(49,253) (equivalent to USD $(2,564)) for the fair value hedge portion, and a loss in profit or loss of MXP $(15,949) (equivalent to USD $(830)) due to the exchange rate and accrued interest. The effect for the six months ended June 30, 2019 recognized in the consolidated statement of income for the hedged item (related to the CCS that are in a fair value hedge) is a gain of MXP $49,253 (equivalent to USD $2,564).

As of June 30, 2019, the fair value of the Coupon Only Swap with the Call Spread related to the hedge of the CHF Bond maturing in 2022, is $2,212 (equivalent to USD $115), which was recorded as an asset with a debit to other comprehensive income. The effect as of June 30, 2019 recognized in equity is $(601) (equivalent to USD $31) and the effect recognized in the unaudited condensed consolidated interim statement of income is a gain, due to the options' value of $56,156 (equivalent to USD $2,923) for the Call. The effect reclassified in the statement of income as accrued interest income is for $2,812 (equivalent to USD $146).

The periods in which the cash flows from the derivatives related to the hedge of the CHF Bond Relationship are expected to occur and impact the unaudited condensed consolidated interim statement of income are as follows:

Year	Mexican Pesos	U.S. dollars
2019	$ (200,053)	$ (10,414)
2020	$ (301,449)	$ (15,693
2021	$ (292,743)	$ (15,240)
2022	$ 835,199	$ 43,480

Senior Notes Relationship with maturity in 2026

On February 26, 2019, the Entity uses financial derivatives for hedging purposes to manage the risks related to exchange rate fluctuations as the interest rate and notional applicable to its Senior Notes maturing in 2026. The instrument has a notional amount equivalent to $150,000 dollars, at exchange rate of 19.1735 pesos per dollar, at pay rate of 15.84%; with date of the start on February 7, 2019 and maturity date on February 7, 2026.

On February 27, 2019, the Entity uses financial derivatives for hedging purposes to manage the risks related to exchange rate, the interest, rate, and principal applicable to its Senior Notes line of credit with Goldman Sachs with maturity on 2026. The instrument has a notional amount equivalent to $150,000 dollars, at exchange rate of 19.2458 pesos per dollar, at rate of 15.75%; with a start date on February 7, 2019 and maturity date on February 7, 2026.

For accounting purposes, the Entity has designated the aforementioned financial derivative as a cash flow hedge, recording the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portions and the respective amounts to the unaudited condensed consolidated interim statement of income when the forecast cash flows hedged affect the results of the period.

CCS' trading characteristics	Barclays ID 9010142	Goldman Sach ID SDBB7MM3333PLZH ZZP111
Currency A:	U. S. Dollars (USD)	U. S. Dollars (USD)
Currency B:	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Required to pay floating rate amounts in currency A:	Barclays	Goldman Sachs
Required to pay fixed rate amounts in currency B:	CR	CR
Transaction date:	February 26, 2019	February 27, 2019
Reference exchange amount in both currencies:	N/A	N/A
Start date:	February 7, 2019	February 7, 2019
Maturity date:	February 7, 2026	February 7, 2026
Currency A settlement:	USD 150,000	USD 150,000
Currency B settlement:	MXP $2,876,025	MXP $2,886,870
Fixed rate for the amount in currency B for the first period:	$19.1735 MXP per USD	$19.2458 MXP per USD
Fix rate for currency A:	9.5%	9.5%
Spread		
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360
Currency A payment dates :	Semiannually as of February 7, 2019	Semiannually as of February 7, 2019
Currency A settlement date :	February 7,2026	February 7, 2026
Currency B payment dates:	Each month beginning March 19, 2019	Each month beginning March 19, 2019
Floating or fixed rate for currency B:	15.84%	15.75%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360
Market value MXP (thousands)	$ 86,311	$ (73,678)
Market value USD (thousands)	$ 4,493	$ (3,836)
Collateral MXP	$ -	$ -

As of June 30, 2019, the fair value of the aforementioned financial derivatives for the Senior Note 2026 relationship is $(12,633) (equivalent to USD $(658)), which was recorded as a liability with a debit to the stockholders' equity supplemental account through comprehensive income. The effect as of June 30, 2019 recognized in equity is $2,416 (equivalent to USD $126), and the effect reclassified to the unaudited condensed consolidated interim statement of income as accrued interest income is $10,217 (equivalent to USD $532),

The periods in which the cash flows from the derivative in the syndicated line hedging relationship are expected to occur and impact unaudited condensed consolidated interim statement of income are as follow:

Year	Mexican Pesos	U.S. dollars
2019	$ (206,855)	(10,768)
2020	$ (383,416)	(19,960)
2021	$ (384,700)	(20,027)
2022	$ (380,846)	(19,826)
2023	$ (380,836)	(19,826)
2024	$ (383,416)	(19,960)
2025	$ (382,131)	(19,893)
2020	$ 86,369	4,496

Revolving Debt Santander Relationship

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the interest rate applicable to its revolving credit line with Santander Bank, for a maximum amount of $200,000, entered on February 23, 2018, at the variable monthly rate of TIIE+3%.

From December 2018 until June 2019, the credit line with Santander has been fully disposed. The Entity's strategy is to continue with this level of exposure; hence, the interest payments of the debt are considered a highly probable transaction

On March 13, 2019, the Entity executed a Cap with Santander for $10,000 with a strike of 9.25% for which a premium of $23 was paid.

Option details	**Santander ID B6744**
Style of option:	European
Type of option	Long Call
Currency and amount of Call:	MXN 10,000
Cap Rate:	9.25%
Maturity date:	July 31, 2019-February 28, 2020
Day of payment	March 13, 2019
Premium value MXP (thousands):	$ 23
Market value MXP (thousands)	$ 1
Market value USD (thousands)	$ -
Collateral MXP	$ -

Relationship of Senior Notes with maturity in 2019

At the end of the first quarter of 2019, these instruments that were hedging the Issuance of Notes with ticker symbol SN 2019 expired. A gain of $406,440 was recognized (equivalent to USD $21,158) within the unaudited condensed consolidated interim statement of income.

Nature and degree of risks arising from the derivatives

As of June 30, 2019 the exchange rates are $19.2087 Mexican Peso per U.S. dollar and $19.6966. Mexican Peso per Swiss Franc. In order to mitigate the volatility of the exchange rate, Crédito Real has entered into several hedging strategies described below.

The risks associated with variations in the USD/MXP exchange rates arise from the instruments that are denominated in foreign currency such as the Senior Notes 2019, Senior Notes 2023, Syndicated Line and Senior Notes 2026. The interest rate risk arises from foreign currency instruments at fixed rates and of local instruments at a variable rate like the Senior Notes 2019, Senior Notes 2023, Perpetual Notes, Senior Notes 2026 and Santander Credit Line. The risk associated with variations in the CHF/MXP exchange rates arises from the instruments held in foreign currency CHF like the CHF Bond.

Sensitivity analysis

The Entity performed a sensitivity analysis to forecast situations that could result in extraordinary losses as regards the valuation of the derivative financial instruments composing its position as of June 30, 2019.

A derivatives' sensitivity analysis is performed by management considering the following elements:

Estimate the increase or decrease in the fair value of securities in the event of:

- An increase of +1 peso in the MXP/USD exchange rate
- A decrease of -1 in the MXP/USD exchange rate

- An increase of +100 interest rate basis points
- A decrease of -100 interest rate basis points

Foreign currency sensitivity

Hedging derivatives' fair value	+1 exchange rate	-1 exchange rate
Foreign currency swap	$ 561,954	$ (302,860)

Cash flow hedging derivatives	+1 exchange rate	-1 exchange rate
Foreign currency swap	$ 639,634	$ (1,284,200)
Foreign currency option	$ 278,319	$ 201,305

Interest rate sensitivity of interest rate

Cash flow hedging derivatives	+100 bp interest rate	-100 bp interest rate
Interest rate swap	$ 114,530	$ (96,573)

If any of the sensitivity scenarios detailed in the above table actually arise, the losses generated by derivative instruments held for trading purposes and fair value hedges will directly affect the results of the period, while cash flow hedges will affect the Entity's capital.

Maturity analysis

Below is an analysis of the future obligations of the financial derivatives. Although the foreign currency swaps represent asset positions as of June 30, 2019, the Entity elects to present the undiscounted future cash flows which represent a liability according to their maturity.

	2019	2020	2021	2022	2023	2024	2025	2026
Foreign currency swaps	(755)	(1,546)	(1,305)	(1,084)	(229)	(383)	(382)	(42)
Interest rate swaps	22	11	(16)	(8)	.4			
Coupon Only Swap	(45)	(55)	(54)	(27)	25			

6. Allowances for loan losses

As of June 30, 2019 and December 31, 2018, the Entity maintained an allowance for loan losses equivalent to 119% of non-performing portfolio.

As of June 30, 2019 and December 31, 2018, changes in the allowance for loan losses were as follows:

	June 30, 2019	December 31, 2018
Opening balance	$ 1,067,924	$ 1,067,540
Portfolio applications	(650,982)	(1,758,642)
CR USA, Creal Honduras, CR Holdingint and Controladora CR consolidation effect	134,075	(41,718)
Charge to results	720,964	1,800,744
Closing balance	$ 1,271,981	$ 1,067,924

7. Investments in shares of associates

As of June 30, 2018 and December 31, 2017, investments in shares of associated entities are as follows:

Entities	% Ownership	Participation in stockholders' equity		Participation in results	
		June 30, 2019	December 31, 2018	June 30, 2019	June 30, 2018
Publiseg, S.A.P.I. de C.V. SOFOM (a)	49.00%	$ 496,637	$ 484,852	$ 11,785	$ 14,617
Grupo Empresarial Maestro S.A. de C.V. (a)	49.00%	583,736	546,367	35,381	48,524
Bluestream Capital, S.A. de C.V. (b)	23.00%	4,872	5,666	206	653
Cege Capital, S.A.P.I. de C.V., SOFOM ENR (c)	36.28%	72,965	96,407	(30,453)	3,365
Others	23.98%	28,467	61,120	(22,677)	(2,578)
		$ 1,186,677	$ 1,193,412	$ -5,759	$ 64,580

(a) Directodo, Publiseg, and GEMA, are the Entity's principal distributors, and their origination efforts are performed exclusively for the Entity. As of June 30, 2017 and December 31, 2017 these entities have cooperation agreements executed with different unions around the country, including several chapters of the National Education Workers' Union, the National Social Security Workers' Union, the Union of the Federal Public Education Department and the Health Workers' Union. Their operations began in 2006, 2005 and 2002, respectively, and their work forces have a nationwide presence and they have over 257 branches.

(b) By unanimous resolutions adopted at shareholders' meeting held on January 14, 2014, the Entity subscribed and paid 29,862 no par value, Class II common shares of Bluestream, which represent 23% of Bluestrem's outstanding shares.

In the Ordinary General Meeting of Shareholders held on March 31, 2014, the shareholders authorized the subscription and payment of 245,000 no par value, Class I, Series "B" common shares of Cege, which accounts for 37.98% of Cege's outstanding shares

8. Indebtedness

As of June 30, 2019 and December 31, 2019, indebtedness was comprised as follows:

	Rate	Date of maturity	June 30, 2019	December 31, 2018
Senior notes	7.25% and 9.50%	Between March 2023 and February 2026	$ 18,272,714	$ 13,632,223
Swiss notes	2.88%	February 2, 2022	3,317,844	3,209,482
Notes payable (Securitized Certificates)	TIIE + 2.25%	Between november 2022 and november 2023	1,156,100	1,431,729
Accrued interest			327,429	225,745
Total			$ 23,074,087	$ 18,499,179

On March 7, 2017, the Company established a revolving long-term note program with an aggregate principal amount of up to $5,000 million as well as a short-term note program, under which the Company was allowed to publicly issue a maximum aggregate principal amount of $2,500 million. Both programs were cancelled on April 13, 2018. Therefore, the Entity has no outstanding issuances.

The unsecured US$134,853 Senior Notes remaining amount will mature on March 13, 2019, and pay semiannual interest at a 7.5% annual rate on March 13 and September 13 of each year.

The second unsecured US$625,000 Senior Notes will mature on July 20, 2023, and pay semiannual interest at a 7.25% annual rate on July 20 and January 20 of each year and may be prepaid as of the fourth year of the issue.

Both notes are rated by Standard & Poor's, with a long-term global rating of "BB+", by HR Ratings with the rating "HR BBB-(G)" and by Fitch Ratings, with a rating of "BB+(EXP)".

On last February 9, 2018, the Company debuted on the Swiss market issuing unsecured CHF170,000 notes, which will mature on February 9, 2022 and pay annual interest at a 2.885% annual rate on February 9 of each year.

The securitized MXN 800,000 notes will mature on November 3, 2022 and pay monthly interest at a variable rate plus a margin of 2.25%, and will amortize equal payments of principal from December 2019 through November 2022.

The securitized MXN 615,000 notes will mature on November 1, 2023 and pay monthly interest at a variable rate plus a margin of 2.25%, and will amortize equal payments of principal from December 2020 through November 2023.

Contractual maturities of indebtedness and other loans are as follows:

	Amount
2019	$ 18,156
2020	231,833
2021	385,367
2022	3,685,054
2023	10,517,506
2024	7,908,742
Accrued Interest	327,429
	$ 23,074,087

9. Bank loans and other loans

As of June 30, 2019 and December 31, 2018, debt was comprised as follows:

	Rate	Date of maturity	June 30, 2019	December 31, 2018
Bank loans in MXP (a)	TIIE + spread	Between 2019 and 2022	$ 7,757,187	$ 6,553,913
Bank loans in USD (b)	LIBOR + spread	Between 2019 and 2023	4,151,011	5,576,540
Accrued interest			45,538	33,926
Total			$ 11,953,736	$ 12,164,379

a) As of June 30, 2019, the Entity has bank loans in Mexican pesos guaranteed with portfolio for $5,066,274 and unsecured bank loans for $3,591,583 (excluding accrued interest). Such lines were granted by 15 institutions to finance the growth of the loan portfolio and increase working capital. The loans are granted by financial institutions widely recognized in the Financial System. The lines of credit have maturity dates of between 90 days and three years and pay interest at variable and fixed rates.

b) As of June 30, 2018, the Entity has a syndicated bank loan in foreign currency for a total of US $44 million, which, valued as of June 30, 2019, represents $845,142 and pays interest at a variable LIBOR rate plus percentage points. The remaining amount in US dollars are comprised by credit loans granted to our subsidiaries by 17 banks with maturity dates of between 60 days and four years and pay interest at variable and fixed rates.

Contractual maturities of indebtedness and bank loans and other loans are as follows:

	Amount
2019	$ 3,543,374
2020	5,890,894
2021	1,706,470
2022	343,470
2023	423,990
Accrued Interest	45,538
	$ 11,953,736

10. Stockholders' equity

Capital stock as of June 30, 2019 and December 31, 2018, was comprised as follows:

	Number of shares (Class I) Fixed capital	Number of Shares (Class II) Variable capital	Total shares
"Unique" Series shares at no par value	37,555,390	354,664,034	392,219,424

The effect recognized in the capital stock as of December 31, 2007 is $ 2,916

Pursuant to a resolution approved at Stockholders' Ordinary Meeting held on March 1, 2018, the stockholders approved the 2017 financial statements and approved the transfer of net income reported therein in the amount of $1,661,144 to "Result from previous years".

As of June 30, 2019 and December 31, 2018, common stock is $657,238, of which $ 62,931 refers to fixed capital (with no right of withdrawal), represented by 37,555,390 Unique Series, Class I ordinary, no par value shares, while $594,307 refers to variable capital, represented by 354,664,034 Unique Series, Class II ordinary, no par value shares.

Pursuant to a resolution approved at the General Ordinary Stockholders' Meeting held on April 24, 2018, dividends of up to $193,436 were declared payable from the "Results from previous years" account.

The aforementioned dividend payments approved to stockholders are payable from the Net Tax Income Account ("CUFIN").

The Entity has a share buyback program up to the amount of net income, including the retained earnings from the immediately preceding year. As of June 30, 2019 and December 31, 2018 the amount of repurchased shares is $53,083 and $174,143 equivalent to 2,331,283 and 7,522,363 shares, respectively.

In accordance with the General Corporate Law, at least 5% of the net profits for the year must be set aside to form the legal reserve until reaching 20% of common stock at par value. The legal reserve may be capitalized, but cannot be distributed unless the Entity is dissolved, and must be replenished when it is decreased for any reason. As of June 30, 2019 and December 31, 2018, the legal reserve established by the Entity amounts to $132,030.

Stockholders' equity, except restated paid-in capital and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against income tax of the year in which the dividend tax is paid and, in the following two years, against tax for the year and the related estimated payments.

Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

Period	Amount	Distributed earnings	Reinvested earnings	Amount not subject to withholding
2015	$ -	$ 156,888	$ 156,888	$ -
2017	$ -	$ 96,800	$ 96,800	$ -
2018	$ -	$ 193,436	$ 193,436	$ -
2019	$ -	$ 257,532	$ 257,532	$ -

11. Balances and transactions in foreign currencies (In thousands of USD)

a. The monetary position of foreign currencies as of June 30, 2019 and December 31, 2018 is:

	June 30, 2019	December 31, 2018
U.S. Dollars:		
Monetary assets	518,114	466,620
Monetary liabilities	(292,926)	(267,767)
Long position	225,188	198,853
Equivalent in Mexican pesos	$ 4,325,564	$ 3,907,702

b. Transactions in foreign currencies were as follows as of June 30, 2019 and 2018 is:

	June 30, 2019	June 30, 2018
	(U.S. Dollars)	
Interest expenses	(17,982)	(2,490)
Interest income	86,473	13,306

c. Mexican peso exchange rates in effect at the dates of the consolidated balance sheets and at the date of issuance of these unaudited condensed consolidated financial statements were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
U.S. dollar	$ 19.2087	$ 19.6512	$ 19.6912

12. Income taxes

Review and tax matters

Action for annulment filed against the tax credit for the rejection of deductions for tax year of 2007.

On July 9, 2015, the Company filed an action for annulment before the Tax and Administrative Justice Federal Court against the official letter number 900 06-2015-13558, dated April 29, 2015, for which the Central Administration of Supervision to the Financial Sector of the General Administration of Large Taxpayers of the Tax Administration Service, determined in charge of the Company a tax credit in the amount of 38 million pesos, related to Income Tax Payable corresponding to the tax year 2007 plus updates, surcharges and fines. That application was turned to the First Metropolitan Regional Chamber of the Tax and Administrative Justice Federal Court, which by agreement dated in September 1, 2015 granted it to the formal procedure by assigning it the file number 17549/15-17-01-8.

On January 4, 2018, the First Metropolitan Regional Chamber of the Tax and Administrative Justice Federal Court gives judgment to the aforementioned nullity petition filed by the Company and by means of which the partial nullity of the same is declared, since it considers the tax credit determined by official letter 900 06-2015-13558, dated April 29, 2015, but also declares as valid the rejection of the deduction made by the Company in 2007.

On August 17, 2018, the Company filed a request for defense (amparo claim) before the Collegiate Circuit Court in Mexico City against the judgment that declared the partial nullity of the tax credit that originates from the rejection of the deduction taken by the company in 2007.

The Company is currently in the process of waiting for the final judgment to be issued by the Collegiate Circuit Court in Mexico City

Additionally, it is important to mention that the Company has a guarantee that was offered and accepted by the authority on May 10, 2019 through official letter 400-73-00-02-05-2019-01689 dated April 29, 2019 issued by the General Collection Administration of the Tax Administration Service.

In accordance to management's and external legal advisors' opinion, the possibilities that the aforementioned tax credit shall be settled are remote.

13. Comparative table of main asset and liability maturities

Main asset and liability maturities at June 30, 2019 are as follows:

	Until 6 months	From 6 m onths to 1 year	From 1 year to 6 years	Total
Cash and cash equivalents	$ 511,464	$ -	$ -	$ 511,464
Investment in securities	888,115		-	888,115
Derivative financial instruments	-	-	442,651	442,651
Loan portfolio, net	10,387,400	6,892,289	22,533,236	39,812,925
Other accounts receivable, net	$ 5,808,575	$ -	$ -	$ 5,808,575
Total assets	$ 17,595,554	$ 6,892,289	$ 22,975,887	$ 47,463,730

	Until 6 months	From 6 months to 1 year	From 1 year to 6 years	Total
Notes Payable and Senior Notes	$ 345,585	$ 108,938	$ 22,619,564	$ 23,074,087
Bank loans	3,588,911	5,072,942	3,291,883	11,953,736
Other accounts payable	3,051,259	-	-	3,051,259
Total liabilities	$ 6,985,755	$ 5,181,880	$ 25,911,447	$ 38,079,082
Net	$ 10,609,800	$ 1,710,409	$ (2,935,560)	$ 9,384,648

14. Commitments

The Entity at June 30 2019, has its own commitments and the operation mentioned in Note 8 "Indebtedness" and Note 9 "Bank Loans and other loans".

15. Subsequent events

During the second half of 2019, the Entity prepaid the second issuance of its loan portfolio securitization program for MXP°$615,000, which accrues interest at TIIE + 225 points for a term of 5 years, under the securitized certificates program that was approved by the Commission in accordance with official letter No. 153/10865/2017.

16. Business segment information

Currently, the Entity has one operating segment, the loan portfolio, which represents the Entity's sole strategic business unit. Operating segment information is determined based on the information used by management to assess performance and allocate resources. The following presents information for each business unit determined by the Entity, management. Financial information presented by products and geographical area is presented below.

	June 30, 2019			
	Mexico	USA	Central America	Total
Payroll loans	$ 25,746,231	$ -	$ 5,610,708	$ 31,356,939
Group loans	445,363	-	-	445,363
Durable goods loans	346,241	-	-	346,241
Small business loans	5,248,968	-	-	5,248,968
Used car loans	1,252,589	2,434,805	-	3,687,394
Total	$ 33,039,392	$ 2,434,805	$ 5,610,708	$ 41,084,905

	December 31, 2018			
	Mexico	USA	Central America	Total
Payroll loans	$ 24,224,222	$ -	$ 5,045,889	$ 29,270,111
Group loans	70,531	-	-	70,531
Durable goods loans	353,616	-	-	353,616
Small business loans	3,676,684	-	-	3,676,684
Used car loans	917,690	2,030,484	-	2,948,174
Total	$ 29,242,743	$ 2,030,484	$ 5,045,889	$ 36,319,116

17. New accounting principles

On November 15, 2018, the National Banking and Securities Commission issued, through the Federal Official Gazette, a resolution modifying the Provisions published in the Federal Official Gazette on January 23, 2018. The most important changes in the resolution are outlined below:

The Financial Reporting Standards B-17 "Determination of fair value", C-3 "Accounts receivable", C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 "Revenues from contracts with customers", D-2 "Costs of contracts with customers" and D-5 "Leases", issued by the Mexican Financial Reporting Standards Board and referred to in paragraph 3 of Treatment A-2 "Application of specific standards" of Annex E will go into effect on January 1, 2020."

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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.

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OFFERING MEMORANDUM

Joint Bookrunners

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The date of this offering memorandum is September 26, 2019.