

FINAL PRICING SUPPLEMENT

Dated as of January 11, 2021


CRÉDITO REAL, S.A.B. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, ENTIDAD NO REGULADA
**Issue of U.S.\$500,000,000 Senior Notes
under the U.S.\$1,500,000,000
Medium-Term Notes Program**

**CUSIP: Rule 144A 22547A AD3 / Regulation S P32506 AE0;
ISIN: Rule 144A US22547AAD37 / Regulation S USP32506AE09;
Comon Code: Rule 144A 228959332 / Regulation S 228892068**

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the “**Issuer**”), has prepared an offering memorandum, dated April 20, 2020 (as supplemented by the Supplement, dated January 6, 2021, the “Offering Memorandum”). You should read the Offering Memorandum in its entirety, including the “Risk Factors” section and our financial statements and the notes to those statements. In addition, certain statements herein include forward-looking information that involves risks and uncertainties. Please see “Forward-Looking Statements” in the Offering Memorandum. This final pricing supplement should be read in conjunction with, and is qualified in its entirety by, the Offering Memorandum. Terms used in this final pricing supplement but not defined herein shall have the meaning provided to such terms in the Offering Memorandum, unless context otherwise requires.

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 Euro MTF Market of the Luxembourg Stock Exchange.

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” in the Offering Memorandum.

Prohibition of sales to EEA retail investors – This final pricing supplement and the accompanying Offering Memorandum are not intended to be distributed and the Notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where the 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.

Prohibition of sales to UK retail investors – This final pricing supplement and the accompanying Offering Memorandum are not intended to be distributed and 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 United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This final pricing supplement and the accompanying Offering Memorandum are for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Order, (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). This final pricing supplement and the accompanying Offering Memorandum are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this final pricing supplement and the accompanying Offering Memorandum relates is available only to and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this final pricing supplement and the accompanying Offering Memorandum or any of their contents.

Dealers

BNP PARIBAS

Santander

Goldman Sachs & Co. LLC

SMBC Nikko

PART A – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Memorandum. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. The Offering Memorandum has been published on the website of the Luxembourg Stock Exchange.

1.	Issuer:	Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada
2.	(a) Title:	8.000% Senior Notes due 2028
	(b) Series Number:	N/A
	(c) Tranche Number:	N/A
3.	Specified Currency or Currencies:	U.S. dollars (U.S.\$)
4.	Aggregate Nominal Amount:	U.S.\$500,000,000
5.	Issue Price:	100.000% of the Aggregate Nominal Amount plus accrued interest, if any, from the Issue Date.
6.	(a) Minimum Denominations:	U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
	(b) Calculation Amount:	U.S.\$1,000
7.	(a) Issue Date:	January 21, 2021
	(b) Interest Commencement Date:	Issue Date
8.	Maturity Date:	January 21, 2028
9.	Interest Basis:	8.000% Fixed Rate
10.	Change of Interest Basis:	N/A
11.	Issuer Call Option:	Applicable, see below under “Provisions Relating to Redemption”.
12.	Status of the Notes:	Senior

PROVISIONS RELATING TO INTEREST PAYABLE

13.	Fixed Rate Note Provisions:	Applicable for the period to (but excluding) the Maturity Date.
	(a) Rate(s) of Interest:	8.000% per annum payable in arrears on each Interest Payment Date.
	(b) Interest Payment Date(s):	January 21 and July 21 of each year up to and including the Maturity Date.
	(c) Regular Record Date(s):	January 6 and July 6 of each year.
	(d) Fixed Day Count Fraction:	30/360

	(e) Interest Determination Date(s):	N/A
14.	Yield:	8.000%
		The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
15.	Fixed Reset Note Provisions:	N/A
16.	Floating Rate Note Provisions:	N/A

PROVISIONS RELATING TO REDEMPTION

17.	Redemption of Notes Prior to Maturity Solely for Withholding Tax Event:	Applicable (in whole, but not in part).
18.	Optional Redemption of Senior Notes with a Make-Whole Premium:	Applicable as described below.
	(a) Make-Whole Redemption Date:	Applicable at any time prior to January 21, 2025.
	(b) Make-Whole Redemption Price:	As described in “Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Optional Redemption of Senior Notes with a Make-Whole Premium” in the Base Offering Memorandum, with the spread specified below.
	(i) Benchmark Security(ies):	As described in “Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Optional Redemption of Senior Notes with a Make-Whole Premium” in the Base Offering Memorandum.
	(ii) Reference Time:	As described in “Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Optional Redemption of Senior Notes with a Make-Whole Premium” in the Base Offering Memorandum.
	(iii) Make Whole Margin:	A spread of 50 basis points.
	(iv) Par Redemption Date:	N/A
	(v) Linear Interpolations:	As described in “Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Optional Redemption of Senior Notes with a Make-Whole Premium” in the Base Offering Memorandum.
	(vi) Calculation Agent (if other than the Company):	N/A
19.	Optional Redemption of Senior Notes Upon Equity Sales:	Applicable on or prior to January 21, 2025 as described in “Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Optional Redemption of Senior Notes upon Equity Sales” in the Base Offering Memorandum; provided that the reference to

“105.000%” in the first paragraph therein shall be replaced with 108.000%.

20.	Other Optional Redemption Events Applicable to Senior Notes:	Applicable. On or after January 21, 2025 in whole or in part, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on January 21 of any year set forth below:								
		<table border="0"> <tr> <td style="text-align: left; padding-right: 20px;">Year</td> <td>Purchase Price</td> </tr> <tr> <td>2025</td> <td>104.000%</td> </tr> <tr> <td>2026</td> <td>102.000%</td> </tr> <tr> <td>2027 and thereafter</td> <td>100.000%</td> </tr> </table>	Year	Purchase Price	2025	104.000%	2026	102.000%	2027 and thereafter	100.000%
Year	Purchase Price									
2025	104.000%									
2026	102.000%									
2027 and thereafter	100.000%									
21.	Redemption of Senior Notes upon a Change of Control Triggering Event:	Applicable, as described in “Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Redemption of Senior Notes upon a Change of Control Triggering Event” in the Base Offering Memorandum.								
22.	Redemption of Subordinated Notes Upon a Rating Methodology Event:	N/A								
23.	Optional Redemption of Subordinated Notes Upon a Tax Deductibility Event:	N/A								
24.	Optional Redemption of Subordinated Notes Upon a Substantial Repurchase Event:	N/A								
25.	Optional Redemption of Subordinated Notes following an Accounting Event:	N/A								
26.	Redemption of Subordinated Notes upon a Change of Control that Results in a Ratings Decline:	N/A								
27.	Subordinated Notes Optional Redemption:	N/A								
	(a) First Call Date:	N/A								
28.	Redemption price payable on Redemption of Subordinated Notes Upon a Rating Methodology Event, Optional Redemption of Subordinated Notes Upon a Tax Deductibility Event, Optional Redemption of Subordinated Notes Upon a Substantial Repurchase Event, Optional Redemption of Subordinated Notes following an Accounting Event, Redemption of Subordinated Notes upon a Change of Control that Results in a Ratings Decline:	N/A								

GENERAL PROVISIONS APPLICABLE TO THE NOTES

29.	Form of Notes:	Registered Notes.

		Regulation S Global Note registered in the name of a nominee for DTC.
		Rule 144A Global Note registered in the name of a nominee for DTC.
30.	Additional Notes:	Applicable.
31.	Additional Events of Default:	N/A
32.	Other Terms:	N/A

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to Trading:	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 Euro MTF Market of the Luxembourg Stock Exchange.
(ii)	Estimate of Net Proceeds (Gross Proceeds Less Commissions and Expenses):	U.S.\$491,000,000
(iii)	Estimate of total expenses related to admission to trading:	€5,000

2.	RATINGS¹	Expected: BB (stable) / BB+ (negative) (S&P / Fitch).

3. TENDER OFFER AND CONSENT SOLICITATION

Concurrently with the offering of the Notes, the Issuer launched a tender offer (the “**Tender Offer**”) to purchase for cash up to U.S.\$215,000,000 of the aggregate principal amount of its 7.250% Senior Notes due 2023 (the “**2023 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**”), and a solicitation of consents (the “**Consent Solicitation**”) from the holders of the 2023 Notes to amend certain provisions of the 2023 Indenture, in each case, pursuant to the terms of, and subject to the conditions set forth under, an offer to purchase and consent solicitation statement, dated as of January 6, 2021, and related documents (the “**Tender Offer Documents**”). As of December 31, 2020, the aggregate principal outstanding amount of the 2023 Notes was U.S.\$426,903,000

¹ The security ratings above are not a recommendation to buy, sell or hold the securities offered hereby. The ratings may be subject to revision or withdrawal at any time. Each of the security ratings above should be evaluated independently of any other security rating.

4. USE OF PROCEEDS

The proceeds of the issuance of the Notes will be used to (i) purchase a portion of the aggregate principal amount of the Issuer's outstanding 2023 Notes, (ii) pay the consideration for the Tender Offer and the Consent Solicitation, and accrued and unpaid interest on the 2023 Notes, pursuant to the terms of, and subject to the conditions set forth under the Tender Offer Documents, (iii) repay in full the principal of, interest on, and other amounts due under the credit agreement dated as of September 24, 2020 among the Issuer, the lenders party thereto and Barclays Bank plc, as administrative agent, (iv) pay fees and expenses incurred in connection with the offering of the Notes and the Tender Offer and Consent Solicitation, and (v) the remainder, if any, including in the event that the Tender Offer and the Consent Solicitation are not successful, for general corporate purposes.

5. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

The Dealers are acting as dealer managers and solicitation agents in respect of the Tender Offer and Consent Solicitation. Certain of the Dealers or their affiliates may hold positions in the 2023 Notes. As a result, certain of those Dealers or their affiliates may receive some of the proceeds from this offering.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. In particular, certain of the Dealers or their affiliates are lenders under certain of the Issuer or its subsidiaries credit facilities, including bilateral and syndicated credit facilities and facilities through lease securitizations and receivables transactions.

The Dealers have received, or may in the future receive, customary fees and commissions for these transactions. In addition, certain of the Dealers or their affiliates are counterparties to several of the Issuer or its subsidiaries derivative transactions.

(i)	ISIN Code:	144A Note: US22547AAD37 Reg. S Note: USP32506AE09
(ii)	CUSIP:	144A Note: 22547A AD3 Reg. S Note: P32506 AE0
(iii)	Common Code:	144A Note: 228959332 Reg. S Note: 228892068
(iv)	Issuer Legal Entity Identifier Code:	LEI 549300W2IL7TPPCTKL39
(v)	Clearing System(s):	DTC

- (vi) Names and addresses of additional Agent(s) (if any): BNP Paribas Securities Corp., Goldman Sachs & Co., Santander Investment Securities Inc., and SMBC Nikko Securities America, Inc.
- (vii) Delivery: Delivery free of payment.

6. DISTRIBUTION

- (i) If Syndicated, Names and Addresses of Dealers and Underwriting Commitments: Applicable.

Dealers	Principal Amount of Notes
BNP PARIBAS SECURITIES CORP. 787 Seventh Avenue New York, New York 10019	U.S.\$125,000,000
GOLDMAN SACHS & CO. LLC 200 West Street New York, New York 10282	U.S.\$125,000,000
SANTANDER INVESTMENT SECURITIES INC. 45 E 53rd Street New York, New York 10022	U.S.\$125,000,000
SMBC NIKKO SECURITIES AMERICA, INC. 277 Park Avenue New York, New York 10172	U.S.\$125,000,000
Total	U.S.\$500,000,000

- (ii) Arranger(s): N/A
- (iii) Stabilizing Manager(s) (if any): N/A
- (iv) If Non-Syndicated, Name and Address of Dealer(s): N/A
- (v) U.S. Selling Restrictions: Rule 144A; Reg. S Compliance Category 2.
- (vi) Prohibition of Sales to EEA and UK Retail Investors: Applicable.

7. INDENTURE AND TRUSTEE

- Indenture: The Notes will be issued under the Medium Term Note Program Indenture, dated April 20, 2020, between the Issuer and The Bank of New York Mellon, as Trustee, Paying Agent, Registrar and Transfer Agent.
- Governing Law: The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

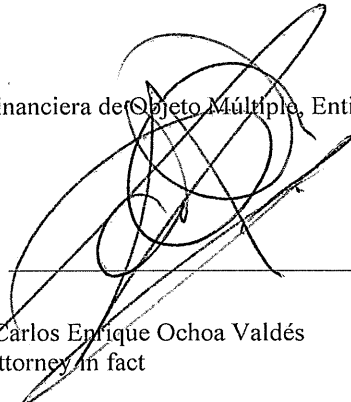
3.	Trustee, Registrar, Paying Agent and Transfer Agent	The Bank of New York Mellon
4.	Luxembourg Paying Agent, and Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the pricing supplement required for issue and admission to trading on the Euro MTF Market and for listing on the Official List of the Luxembourg Stock Exchange of the Notes described herein pursuant to the listing of the U.S.\$1,500,000,000 Medium-Term Note Program of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada.

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Signed on behalf of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada:

By: 

Name: Carlos Enrique Ochoa Valdés

Title: Attorney in fact

SUPPLEMENT DATED JANUARY 6, 2021
TO BASE OFFERING MEMORANDUM, DATED APRIL 20, 2020



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

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

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, a publicly listed variable capital stock corporation, multiple purpose financing company, non-regulated entity (the “Issuer”), incorporated under the laws of the United Mexican States (“Mexico”), has prepared this supplement (the “Supplement”) to supplement and be read in conjunction with the base offering memorandum, dated April 20, 2020 (the “Offering Memorandum”), which constitutes the listing particulars for the purpose of admitting the notes (as defined in the Offering Memorandum) to the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market, which is not a regulated market within the meaning of Directive 2014/65/EU concerning markets in financial instruments, as amended (the “MIFID II”).

The Offering Memorandum does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129, including as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “Prospectus Regulation”). The Offering Memorandum and this Supplement have not been reviewed or approved by any regulator which is a competent authority under the Prospectus Regulation. Application has been made to Luxembourg Stock Exchange for the approval of this document as supplementary listing particulars. There can be no assurance that a listing of notes of any Series on the Official List of the Luxembourg Stock Exchange or any other stock exchange will be achieved prior to the issue date of any Series of notes or otherwise.

Capitalized terms defined in the Offering Memorandum shall have the same meaning when used in this Supplement. If there is any inconsistency between any statement in this Supplement and any other statement in the Offering Memorandum, the statements in this Supplement will prevail.

The purpose of this Supplement is to:

- Incorporate by reference into the Offering Memorandum the Issuer’s unaudited condensed consolidated interim financial statements as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019, together with the notes thereto (our “Third Quarter Financial Statements”).
- Incorporate by reference into the Offering Memorandum the information set forth in this Supplement.
- Replace the paragraph under the section with the heading “Available Information—No Material Adverse Change” of the Offering Memorandum with the following statement:

“Other than as disclosed in this Offering Memorandum and this Supplement, there has been no material adverse change in our prospects since September 30, 2020, and there has been no significant change in our financial or trading position since September 30, 2020.”

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

Except as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to the information included in the Offering Memorandum has arisen or been noted, as the case may be, since the date of publication of the Offering Memorandum.

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

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

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

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*, OR “RNV”), MAINTAINED BY THE CNBV, AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO OR OTHERWISE BE SUBJECT TO INTERMEDIATION ACTIVITIES IN MEXICO. THE NOTES MAY ONLY BE OFFERED OR SOLD, ON A PRIVATE PLACEMENT BASIS, TO INVESTORS IN MEXICO THAT QUALIFY AS INSTITUTIONAL INVESTOR (“*INVERSIONISTA INSTITUCIONAL*”) OR ACCREDITED INVESTOR (“*INVERSIONISTA CALIFICADO*”), PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*) AND REGULATIONS THEREUNDER. WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THE OFFERING OF THE NOTES OUTSIDE MEXICO. SUCH NOTICE WILL BE SUBMITTED TO THE CNBV TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND REGULATIONS THEREUNDER, AND FOR STATISTICAL AND INFORMATIONAL PURPOSES ONLY. THE DELIVERY TO, OR RECEIPT BY, THE CNBV OF SUCH NOTICE DOES NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OF OUR OR THE SUBSIDIARY GUARANTORS’ (IF ANY) SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS SUPPLEMENT OR IN THE OFFERING MEMORANDUM. THE INFORMATION CONTAINED IN THIS SUPPLEMENT AND IN THE OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED NOR AUTHORIZED BY THE CNBV AND NEITHER THIS SUPPLEMENT NOR THE OFFERING MEMORANDUM MAY BE PUBLICLY DISTRIBUTED IN MEXICO.

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FORWARD LOOKING STATEMENTS

Certain statements contained in this Supplement 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 Supplement to identify such forward-looking statements. Forward-looking statements included in this Supplement are based on our current expectations and projections related to future events and trends which affect or would affect our business, the economy and other future conditions.

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

- general economic conditions in the countries in which we conduct our business and globally, and any significant economic, trade, political, health-related (including the current COVID-19 virus or COVID-19) or social instability and other developments in those countries, and globally;
- our ability to implement our operating strategy and business plan;
- our ability to freely determine the interest rates we charge our clients (including changes in relevant laws and regulations or judicial rulings that may result in the imposition of maximum limits on the interest rates and fees and commissions for other services we charge our customers);
- our ability to attract new customers, maintain our existing customers (in particular, significant customers), and expand our business;
- our level of capitalization and reserves;
- our level of outstanding indebtedness, our ability to comply with the provisions set forth in our debt instruments and make timely payments thereon, and our ability to incur new debt;
- changes to, or termination of, our agreements and relationships with our loan distributors;
- changes to the relationships our distributors have with government agencies and unions;
- possible disruptions to commercial activities due to natural and human-induced disasters, such as weather conditions, earthquakes, terrorist activities, social unrest and violence, armed conflicts and health epidemics and pandemics, including the current COVID-19 pandemic;
- our ability to collect on our loans, including as a result of the failure of our customers to repay their loans, as a result of changing economic conditions, including in connection with the COVID-19 pandemic;
- changes in the currency exchange rates, including the peso/U.S. dollar exchange rate;
- increases in defaults by our customers, as well as any increase in our allowance for loan losses;
- credit risks, market risks and any other risks related to financing activities;
- competition in the Mexican markets for payroll loans, group loans, 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, including as a result of cyber-attacks, and the impact of such interruptions or failures on our reputation, operations and results;
- difficulties, uncertainties, liabilities and regulations related to mergers, acquisitions, joint ventures or acquisitions of portfolios of loans;
- actions taken by the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*), the CNBV, Mexico's Central Bank or the CONDUSEF with respect to our business and the Mexican financial industry, generally;
- the impact of the incoming United States government administration on the economy (including trade) and the political situation in Mexico;
- changes to, or withdrawals from, free trade agreements, to which Mexico is a party, including the United States Mexico Canada Agreement (the "USMCA");
- the implementation of the USMCA and other changes in international trade, imposition of barriers and tariffs or import taxes and changes in existing trade policies;
- changes in the policies of central banks and/or Mexico's or foreign governments, including policies related to convertibility or transferability or changes in the independency of Mexico's Central Bank;
- changes to accounting principles, laws, regulations, taxation and governmental policies related to our activities, including, but not limited to, usury, consumer and financial services users protection laws, austerity measures imposed by governments in the countries where we operate (such as job cuts, reorganization of agencies or maximum limits on salaries for government employees);
- loss of key personnel;
- terrorist and organized criminal activities as well as geopolitical events;
- adverse administrative or legal proceedings;
- our clients' ability to pay their loans and the stability of their sources of income;
- potential volatility in the foreign currency exchange market;
- decreases in our credit ratings;
- potential acquisitions, mergers or joint ventures;
- voting interests of our majority shareholders;
- declarations of insolvency, bankruptcy or becoming subject to "*concurso mercantil*," "*quiebra*" or similar proceedings; and
- other developments, factors or trends affecting our financial condition and our operating income, including the risk factors presented under "Risk Factors" in this Supplement and the 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 Supplement to make an investment decision.

Forward-looking statements included herein are made only as of the date of this Supplement. 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.

RECENT DEVELOPMENTS

COVID-19 Pandemic

In late 2019, an outbreak of the COVID-19 virus originated in China and since then it has spread globally becoming a pandemic, disrupted markets and economies worldwide and resulted in severe uncertainty about the economies affected by the pandemic. The rapid outbreak and measures taken by governments to contain its spread have had adverse consequences for the global economy, including on demand, operations, availability of goods and services, supply chains and financial markets. The Issuer has been, and will continue to be, affected by the COVID-19 pandemic both directly and indirectly, through an impact on its customers, counterparties, employees and other stakeholders, both in Mexico and elsewhere, as a result of, among others, public health measures, such as closings of “non-essential” businesses and restrictions on travel and gatherings. The exact ramifications of this pandemic continue to be highly uncertain and, as of the date of this Supplement, it is difficult to predict the spread or duration of the pandemic or its full effect on the Mexican and global economies, including its effect on employment and the ability of our customers to service their indebtedness.

Similar to other emerging countries, the Mexican economy suffered from a significant economic slowdown during 2020, which is expected to continue throughout 2021. After a few months of national confinement, in June the Mexican government launched a four-color coding system to resume the gradual return to activities. Based on several metrics related to the COVID-19 spread, the Mexican government currently conducts a biweekly update for each state and depending on the risk level, some activities are allowed to resume provided that they comply with strict hygiene measures. All non-essential activities were again suspended in Mexico City as of the end of 2020. As the COVID-19 outbreak is still evolving and given the uncertainty of its lasting effect, the financial impact on Mexico’s economy will depend on future developments that cannot yet be determined. Furthermore, even though Mexico’s Central Bank has joined other institutions globally by reducing interest rates and by implementing measures to mitigate the impact on the financial system and markets, fiscal stimulus and other government aid in Mexico has been limited.

The COVID-19 pandemic and the preventive measures implemented in Mexico and elsewhere to contain its spread have had, and will continue to have, material negative impacts on our business (including our ability to expand our business and to collect on loans), revenues, expenses, credit costs and overall results of operations and financial condition. In addition, the impact of COVID-19 in the Mexican financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain financing in favorable terms or at all. The slowdown of the economic activity has resulted in a significant decrease in the demand of our financial products and services and has caused an adverse effect on our borrowers, which could in turn increase our delinquency rates. Financial distress among SMEs (particularly in certain industries) has adversely affected their ability to service their loans with us, which has had and may continue to have a significant adverse impact in our income and collections and the quality of our portfolio, our capacity to repay our debt and comply with the covenants (including financial ratios) of our debt instruments.

In addition to measures adopted to control the spread of COVID-19, the Mexican government, and other governments of countries where we operate, have issued special or temporary measures and recommendations to, among others, strengthen the financial system, standardize accounting and disclosure, maintain the flow of credit and benefit debtors. Such measures may include, among others, the temporary suspension of, or the delay in, payroll deductions or limit our rights to collect amounts due from debtors or enforce our loan agreements. Existing and future measures implemented by the Mexican government in connection with the COVID-19 could have a material adverse effect on our business, liquidity, results of operations or financial condition.

Despite the availability of a vaccine, the COVID-19 pandemic may not be fully contained for the foreseeable future and certain regions may be subject to an increase in the number of people infected and deaths. Although some countries already launched their vaccination campaigns, manufacturing, distribution and logistics challenges persist, particularly in emerging countries. Therefore, a prolonged sanitary crisis could continue to reduce economic activity in Mexico, resulting in a further decline in employment, as well as in confidence among businesses and consumers. For some sectors uncertainty continues and the strong increase in unemployment rates will affect the expected recovery of consumption. These factors could further negatively impact economic activity and our customers, cause a continued decline in our revenues and the use of our products and services and increase our non-performing loans (and as a result increase our reserves) and further increase our credit and other costs.

As a result of the COVID-19 pandemic, the asset quality of our loan portfolio has deteriorated and more of our clients could default on their loans in the near future. While our liquidity position remains strong, a significant increase in delinquency rates could adversely and materially affect our liquidity, results of operations and financial

condition. There can be no assurance that the material adverse impact of the COVID-19 pandemic will not lead to a tightening of liquidity conditions or funding uncertainty. Over the course of 2020, we increased our provisions for loan losses due to the expected deterioration of our loan portfolio as a result of the economic downturn caused by the COVID-19 pandemic and the measures adopted by governments to mitigate its effects. For example, our cost of risk increased from 2.9% for the nine months ended September 30, 2019 to 3.8% for the nine months ended September 30, 2020 due to the booking of new provisions and impairment charges in response to the expected increase in nonperforming loans as a result of the COVID-19 pandemic, and we will continue to book new provisions and recognize additional charges in the future. The impact on our allowance for impairment losses is currently uncertain, as it is highly dependent on the duration of the COVID-19 pandemic and the extent and length of the ensuing economic downturn. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Net Provisions for Loan Losses*”. We cannot assure that our provisions for loan losses will not increase further or that they will be adequate to cover any future losses in our loan portfolio, any of which may affect us, including our results of operations, financial condition and our ability to pay our debt.

We have implemented a series of measures focused on ensuring the safety and health of our employees and customers, guaranteeing our continued operation and refocusing our communication programs to support our employees, customers and stakeholders. Our contingency plans allowed us to timely react to the COVID-19 pandemic, including by quickly deploying our workforce to their remote workstations, which has allowed us to protect their health.

In addition, since the outbreak of the COVID-19 pandemic, we have been focusing primarily on asset quality preservation as well as on maintaining healthy capitalization and liquidity levels. We are closely monitoring the financial situation of all our clients, whom we have continued servicing with flexible and tailored solutions, with the aim of preserving our business relationships. We believe maintaining our relationships will be key to overcome the current challenging environment and our aim is to provide solutions to clients requiring assistance, on a case-by-case basis, as opposed to designing generalized solutions. We believe we have the personnel and technological resources necessary to provide such tailored solutions. Among other mitigating initiatives, we have: (i) offered payment deferrals and extension of loans, especially to our clients in the SMEs segment, and (ii) implemented stricter origination standards, by outlining specific credit profiles (e.g., active clients with solid credit records, AAA credit profiles and wage earners). These initiatives have allowed us to maintain stable collection metrics and performance in each business line. In particular, collection in our payroll segment in Mexico has remained stable and origination and collection in our used car loan segment have increased in 2020 in part due to surging demand for alternative options to public transportation amid the high risk of COVID-19 contagion. For the fiscal quarters ended March 31, 2020, June 30, 2020 and September 30, 2020, collections were Ps. 8,191 million, Ps. 8,679 million and Ps. 7,889 million. In addition, for each such fiscal quarters, loans that participated in any of our relief programs accounted for only 1.1%, 8.6% and 6.3%, respectively, of our total loan portfolio. Origination also has remained relatively stable, for the fiscal quarters ended of September 20, 2019, December 31, 2019, March 31, 2020, June 30, 2020 and September 30, 2020, with Ps. 7,436 million, Ps. 9,632 million, Ps. 8,076 million, Ps. 7,961 million and Ps. 7,934 million, respectively.

As of the date of this Supplement, we have refinanced all scheduled maturities for 2020 and have been able to maintain a solid financial position. Our operations are diversified in terms of countries, currencies and products. In particular, our loan portfolio is guaranteed or collateralized as follows: (i) in payroll, collection is directly discounted from our clients’ paychecks, most of them being federal and state government workers whose employment is expected to remain almost unaffected by the pandemic, (ii) in SMEs, the collateral lies on the residual value of each leased equipment, and at the same time we have a limited exposure to high-risk sectors (such as retailers, hotels and restaurants), and (iii) in used car loans, the collateral are the vehicles themselves.

Our SMEs segment set an approval rate for new clients of only 10% in order to maintain our focus and efforts towards active clients, for the sake of asset quality preservation. In the United States, origination metrics in our used cars and SMEs segments maintained pre-pandemic comparable levels and collection recovered primarily driven by the momentum generated by the economic relief package approved by the U.S. federal government. At Instacredit, origination and collection have been affected from time to time in 2020 due to the intermittent lockdowns implemented by the Costa Rican government.

To safeguard our liquidity levels, we have decided to postpone the distribution of dividends (traditionally distributed during April or May). We have also suspended the operation of our stock buyback program.

The extent to which COVID-19 may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact

on financial markets and the financial condition of our clients and the availability of a vaccine, all of which are highly uncertain and cannot be predicted. We will continue to closely monitor and evaluate the nature and extent of the impact of COVID-19 on our operations, liquidity, financial condition, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, suppliers and clients.

See “Risk Factors—Our operations and results have been impacted by the COVID-19 pandemic, which we expect will have a continued and material adverse effect on our business, results of operations and financial condition.”

Recent Developments Relating to Our Indebtedness

Credit Suisse Syndicated Loan Agreement

On February 19, 2020, we and our subsidiary Marevalley Corporation entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million. This credit facility has two tranches, one of which will mature on February 21, 2023 and the other on February 21, 2025. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 3.75% and 4.0%, respectively. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under such facility, which loans remain outstanding as of the date of this Supplement.

Loan Agreements with Santander

On March 17, 2020, we entered into a revolving credit facility with Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (“Santander”) for a maximum aggregate principal amount of Ps.200.0 million. This credit facility will mature on March 17, 2021. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under this credit facility, which proceeds were used to repay in full the loans under the credit agreement with Santander dated February 23, 2018. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.200.0 million.

On March 19, 2020, we entered into a credit facility with Santander, for a maximum aggregate principal amount of Ps.800 million. This credit facility will mature on March 18, 2024. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under this credit facility, which proceeds were used for general corporate purposes. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.800.0 million.

Loan Agreement with BNP Paribas

On April 24, 2020, we entered into an Amendment to the Bilateral Uncommitted Facility Letter with BNP Paribas pursuant to which, subject to availability, we may be entitled to request loans with a term not exceeding April 23, 2021, and increased the commitments available to the Issuer up to an aggregate principal amount of US\$50.0 million. 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 September 30, 2020, the aggregate principal amount of loans outstanding under the BNP Paribas facility was Ps.1,202.2 million (US\$50 million).

Loan Agreement with SMBC

On April 28, 2020, we entered into a novation agreement relating to a secured term loan facility with SMBC, S.A.P.I. de C.V., SOFOM, E.N.R. for a maximum aggregate principal amount of Ps.800.0 million, which proceeds were used for general corporate purposes. This credit facility will mature on May 4, 2023. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin. This credit facility is secured by a pledge over a portion of our loan portfolio. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.800.0 million.

Loan Agreements with BBVA

On May 12, 2020, we entered into a secured revolving credit facility with BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (“BBVA”) for an aggregate principal amount of Ps.460.0

million, which proceeds were used for general corporate purposes. The loans under this credit facility bear interest at a variable rate equal to THIE plus an applicable margin as set forth in the promissory notes that evidence each disbursement. This credit facility was fully drawn down and will mature on May 12, 2022. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps. 460.0 million.

On May 29, 2018, we entered into another secured revolving credit facility with BBVA (as amended and supplemented on May 29, 2020) for an aggregate principal amount of Ps.240.0 million, which proceeds were used for general corporate purposes. The loans under this credit facility bear interest at a variable rate equal to THIE plus an applicable margin. This credit facility will mature on May 29, 2022. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.240.0 million.

These credit facilities are secured by pledges over portions of our loan portfolio.

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., integrante de Grupo Financiero Banamex, S.A. de C.V. (“Citibanamex”) for an aggregate principal amount of Ps.500.0 million, as amended on November 8, 2017, August 7, 2018, May 23, 2019, February 12, 2020, May 26, 2020 and June 11, 2020 to increase the principal amount under the credit facility by an additional Ps.1,000.0 million. This credit facility will mature on May 28, 2021. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Loan Agreements—Loan Agreement with Citibanamex.*”

Loan Agreement with Scotiabank

On August 19, 2020, we entered into a secured revolving credit facility with Scotiabank Inverlat S.A. Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (“Scotiabank”), for a maximum aggregate principal amount of Ps.490.0 million, which proceeds were used for general corporate purposes. This credit facility was fully drawn down and will mature on August 19, 2021. Loans under this credit facility bear interest at a fixed or variable rate equal to THIE plus an applicable margin. This credit facility is secured by a pledge over a portion of our accounts receivable. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.451.0 million.

This credit facility is secured by a commercial pledge over certain of our accounts receivable.

Loan Agreement with NAFIN

On March 18, 2005, we entered into a term credit facility with Nacional Financiera, S.N.C. (“NAFIN”) (as amended and supplemented on March 14, 2006, October 7, 2008, March 10, 2009, April 24, 2009, September 3, 2010, September 27, 2011, January 8, 2013, August 30, 2013, November 7, 2014, April 4, 2017 and April 20, 2020, respectively) for an aggregate principal amount of Ps. 2,500.0 million for purposes of granting equipment and business loans. This revolving credit facility has an indefinite term. Each disbursement under this facility must be repaid within 48 months as of the date of such disbursement. As of September 30, 2020, the amount outstanding under this credit facility was Ps. 2,472.9 million. 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.

Barclays Facility

On September 24, 2020, we entered into a credit agreement with several lenders party thereto, and Barclays Bank Plc, as administrative agent, for an aggregate principal amount of up to US\$50.0 million (the “Barclays MtM Credit Agreement”). The loans under this credit facility will mature on December 28, 2021. The loans under this credit facility bear interest at a variable rate equal to the LIBOR plus an applicable margin equal to 5.00%. On the closing date, we requested the disbursement of loans for the maximum aggregate principal amount available under this credit facility, which loans remain outstanding as of the date of this Supplement. The Barclays MtM Credit Agreement is secured by the mark-to-market value of certain rights under certain hedge agreements transferred to a Mexican security trust. The proceeds from these loans were used for general corporate purposes and to repay debt. As of September 30, 2020, the outstanding principal amount under this credit facility was Ps.1,091.7 million (US\$50 million).

ResponsAbility Facilities

On September 28, 2020, we entered into: (i) a credit agreement with responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (LUX) Micro and SME Finance Leaders, for an aggregate principal amount of up to US\$3,375,000 (the “ResponsAbility SICAV Credit Agreement I”), (ii) a credit agreement with responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (LUX) Financial Inclusion Fund, for an aggregate principal amount of up to US\$4,250,000 (the “ResponsAbility SICAV Credit Agreement II”), (iii) a credit agreement with responsAbility SICAV (Lux), acting for its sub-fund responsAbility SICAV (LUX) Micro and SME Finance Debt Fund, for an aggregate principal amount of up to US\$6,750,000 (the “ResponsAbility SICAV Credit Agreement III”), and (iv) a credit agreement with MultiConcept Fund Management S.A., acting in its own name for responsAbility Global Micro and SME Finance Fund, for an aggregate principal amount of up to US\$10,625,000 (the “ResponsAbility Fund Credit Agreement,” and together with the ResponsAbility SICAV Credit Agreement I, ResponsAbility SICAV Credit Agreement II and ResponsAbility SICAV Credit Agreement III, the “ResponsAbility Facilities”). The loans under the ResponsAbility Facilities will mature on October 2, 2023. The loans under the ResponsAbility Facilities bear interest at an annual rate of 6.30%. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount available under the ResponsAbility Facilities, which loans remain outstanding as of the date of this Supplement. As of September 30, 2020, the principal outstanding amount under this loan was Ps.542.5 million.

Our obligations under ResponsAbility Facilities are unsecured. The proceeds from these loans were used for general corporate purposes.

PEN Credit Suisse Credit Agreement

On November 27, 2020, we entered into a credit agreement with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for an aggregate principal amount of up to US\$7.5 million with respect to the dollar denominated loans (the “Dollar Loans”) and an amount of up to PEN\$65 million with respect to the Peruvian soles denominated loans (the “PEN Loans”) (the “PEN Credit Suisse Credit Agreement”). The loans under this credit facility will mature on February 21, 2023. The Dollar Loans bear interest at a variable rate equal to the LIBOR plus an applicable margin equal to 7.00% and the PEN Loans under this credit facility bear interest at an annual rate of 7.65%. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount available under this credit facility, which loans remain outstanding as of the date of this Supplement. The proceeds from these loans were used for general corporate purposes and to repay debt.

Second Multiva Credit Agreement

On April 22, 2020, we entered into a new secured credit facility with Banco Multiva, S.A., Institución de Banca Múltiple, Grupo Financiero Multiva (the “Second Multiva Credit Agreement”), for a maximum aggregate principal amount of Ps.100.0 million. This credit facility will mature on April 22, 2022. Loans under this credit facility bear interest at a fixed or variable rate equal to TIIE plus an applicable margin as set forth in the promissory notes that evidence each disbursement. This credit facility is secured by a pledge over a portion of our loan portfolio. As of September 30, 2020, the total amount under this credit facility remained available.

Morgan Stanley Facility

On December 21, 2020, we entered into a credit agreement with several lenders party thereto, Wilmington Savings Fund Society, FSB, as administrative agent and Morgan Stanley Senior Funding, Inc, as lead arranger, for an aggregate principal amount of up to US\$15.0 million (the “Morgan Stanley Facility”). The loans under this credit facility will mature on June 24, 2022. The loans under this credit facility bear interest at a variable rate equal to the LIBOR plus an applicable margin equal to 5.00%. On the closing date, we requested the disbursement of loans for US\$15 million in principal amount available under this credit facility, which loans remain outstanding as of the date of this Supplement. The Morgan Stanley Facility is secured by the mark-to-market value of certain rights under certain hedge agreements transferred to a Mexican security trust. The proceeds from these loans will be used for general corporate purposes.

DFC Finance Agreement

On December 18, 2020, we entered into a credit agreement with the United States International Development Finance Corporation (the “DFC”), for an aggregate principal amount of up to US\$100.0 million (the “DFC Finance Agreement”). The loans under this credit facility will mature on December 15, 2027 and bear interest at an annual interest rate equal to the sum of 3% plus the DFC cost of funds as set forth in the promissory notes that evidence the

disbursement. Closing and the corresponding disbursement of the loans for the maximum aggregate principal amount available under this credit facility is expected to occur on January 7, 2021. The proceeds from these loans will be used to finance certain eligible loans to customers in Mexico.

Purchase of Bafamsa's Loan Portfolio

On December 9, 2020, the Issuer together with two investment funds managed by Promecap and Credit Suisse, respectively, agreed to purchase a payroll-backed loan portfolio originated by Banco Ahorro Famsa ("Bafamsa"), a Mexican banking institution undergoing liquidation proceedings before Mexico's Instituto de Protección al Ahorro Bancario or IPAB. As of June 30, 2020 the total principal amount of such loan portfolio was estimated at Ps\$8,360,000,000. Notwithstanding, the final consideration to be paid for such loan portfolio will be determined at the time of closing. This transaction has been approved by the Mexican regulatory and antitrust authorities and remains subject to customary conditions for this type of transactions. This transaction is expected to close on or about January 7, 2021.

Board of Directors

On October 23, 2020, Mr. Moises Rabinovitz Ohrenstein, Mr. Jose Eduardo Esteve Recolons, Mr. Gerardo Ciuk Diaz and Mr. Juan Pablo Zorrilla Saavedra resigned to their positions as members of our board of directors. As a result, Mr. Juan Carlos Benavides Berrondo, Mr. Felipe Esteve Recolons and Ms. Francesca Berrondo Lombardo were appointed as members of our board. The appointment of such new members was ratified by our shareholders' meeting on December 15, 2020.

The following table sets forth our current directors and their alternates:

Name	Title	Age
Ángel Francisco Romanos Berrondo (<i>Chairman</i>)	Chairman	53
José Luis Berrondo Avalos	Member	69
Eduardo Berrondo Avalos	Member	62
Francesca Berrondo Lombardo	Member	28
Juan Carlos Benavides Berrondo	Member	43
Allan Cherem Mizrahi	Member	39
Iser Rabinovitz Stern*	Member	37
Felipe Esteve Recolons*	Member	49
Gilbert Sonnery Garreau-Dombasle*	Member	67
Enrique Alejandro Castillo Badía*	Member	41
Raúl Alberto Fariás Reyes*	Member	37
<i>Alternate directors</i>		
Luis Berrondo Barroso	Alternate	38
Gabriel Sragovicz Guterman	Alternate	51
Jaime Antonio Arrieta Noriega	Alternate	64
Marcos Shemaria Zlotorynski*	Alternate	59
Jorge Esteve Recolons*	Alternate	52
Enrique Saiz Fernández*	Alternate	72

(*) Independent directors.

Tender Offer and Consent Solicitation of the 2023 Senior Notes

On January 6, 2021, we launched a (i) tender offer (the "Tender Offer") to purchase for cash up to US\$215,000,000 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"), and (ii) a solicitation of consents (the "Consent Solicitation") from the holders of the 2023 Senior Notes to amend certain provisions of the 2023 Indenture, in each case, pursuant to the terms of, and subject to the conditions set forth under, an offer to purchase and consent solicitation statement, dated as of January 6, 2021, and

related documents (the “Tender Offer Documents”). As of December 31, 2020, the aggregate principal outstanding amount of the 2023 Senior Notes was US\$426,903,000.

Availability of Fourth Quarter 2020 and Full Year 2020

Our consolidated financial statements as of and for the three months ended December 31, 2020 (“4Q2020 Financial Statements”) and for the full fiscal year ended December 31, 2020 are not expected to be reported and filed with the Mexican Stock Exchange until after the offering of the Notes is completed.

According to CNBV regulation, we are required to report the fourth quarter of 2020 results and fiscal year of 2020 results, no later than 40 business days after December 31, 2020 and the third day following the shareholders meeting approving the results for the prior fiscal year, respectively.

2020 Year End Trends

Internal reviews and procedures necessary to complete our financial statements as of and for the fiscal quarter and year ended December 31, 2020 are continuing as of the date of this Supplement. We cannot ensure, therefore, that our financial statements as of and for the fiscal quarter and year ended December 31, 2020 will be consistent with the trends discussed below or that the market perception of the results reported in our financial statements as of and for the fiscal quarter and year ended December 31, 2020 will not adversely affect the trading of our securities. The information below has not been reviewed or subject to any procedures by our auditors, and it is possible that these procedures may result in adjustments to the preliminary trends discussed below. The discussion below contains forward-looking statements, see “Forward Looking Statements”.

Although we expect that the trends for the fourth quarter of 2020 (“4Q2020”) will be consistent with the trends seen during the second and third quarters of 2020, the information presented in this section is not indicative of the results that may be expected for the fourth fiscal quarter of 2020, the fiscal year ended December 31, 2020 or any other period and there could be trends for the 4Q2020, the fiscal year ended December 31, 2020 or any other period that differ from those experienced in the first three fiscal quarters of 2020, including among others, the impact of the adverse macroeconomic environment that has resulted from the COVID-19 pandemic. See “Risk Factors—Our operations and results have been impacted by the COVID-19 pandemic, which we expect will have a continued and material adverse effect on our business, results of operations and financial condition” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Supplement.

During the year ended December 31, 2020, our income and loan portfolio originations have been negatively impacted and we increased our provisions for loan losses in accordance with applicable regulations and required methodologies in anticipation of potential deterioration of our loan portfolio, in each case, as a result of the COVID-19 pandemic and the measures adopted by governments to mitigate or address its effects, including among others, as a result of political pressure, economic measures and lockdowns. For example, our cost of risk increased from 2.9% for the nine months ended September 30, 2019 to 3.8% for the nine months ended September 30, 2020 due to the booking of new provisions and impairment charges in response to such anticipated increase in nonperforming loans. If necessary, we will continue to book new provisions and recognize additional charges in the future which will impact our results. The impact on our allowance for impairment losses is currently uncertain, as it is highly dependent on the duration of the COVID-19 pandemic and the extent and length of the ensuing economic downturn. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Net Provisions for Loan Losses”.

According to preliminary available information as of the date of this Supplement, we expect our 4Q2020 Financial Statements to be relatively consistent with the trends and performance reflected during the second and third quarters of 2020, other than as disclosed above and throughout this Supplement. However, reviews and processes necessary to finalize our 4Q2020 Financial Statements have not yet been completed and the information presented above is not indicative of the results that may be expected for the three months and year ended December 31, 2020, or any other period.

RISK FACTORS

Our operations and results have been impacted by the COVID-19 pandemic, which we expect will have a continued and material adverse effect on our business, results of operations and financial condition.

Since December 2019, COVID-19 has spread throughout the world. The global outbreak of COVID-19 and the measures adopted by governments to mitigate its effects are having a material adverse impact on the global and national economies, which scope, magnitude and duration cannot yet be determined. Several measures have been undertaken by the governments of various jurisdictions, including the countries in which we operate, to counter the spread of the COVID-19 outbreak, including mandatory quarantines, the suspension of non-essential activities, border closures and travel restrictions. Our customers in the low- and lower middle-income segments of the population in the countries where we operate have been hit particularly hard by the COVID-19 pandemic and related economic disruption.

The impact of the COVID-19 pandemic in the financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general, which could limit our ability to obtain hedges or financing in a timely manner, on acceptable terms or at all. In addition, the slowdown in the economic activity caused by the COVID-19 and other related factors may result in a decrease in the demand for our financial products and services, may cause an increase in business failures among small- and midsize businesses that we serve and may adversely affect the ability of our clients to repay past or future loans, which could adversely affect the quality of our portfolio, our capacity to repay our debt or comply with the covenants (including financial ratios) of our debt instruments.

In addition to the impact on human lives and the health of millions of people globally, the pandemic is expected to lead to sharp declines in the GDP of those countries which are most affected by the pandemic in 2020 and possibly 2021, increases in unemployment levels, a sharp deterioration in the valuation of financial assets and investments, increased volatility in the financial markets, including with respect to the value and trading of our debt securities, exchange rate volatility, an increase in loan defaults and increases in public sector financing due to actions taken by governments in response to the pandemic. In addition, the measures adopted to mitigate the effects of the pandemic have affected us directly, by decreasing lending volumes, reducing collections as a result of certain relief programs, putting pressure on our capitalization ratios, increasing our delinquency rates and requiring additional allowances for impairment of loans and indirectly, through an impact on our customers, counterparties, employees and other stakeholders.

As a result of the COVID-19 pandemic, the asset quality of our loan portfolio has deteriorated and more of our clients could default on their loans in the near future. While our liquidity position remains strong, a significant increase in delinquency rates could adversely and materially affect our liquidity, results of operations and financial condition. Among other measures taken at the outset of the COVID-19 pandemic, as uncertainty about liquidity rapidly increased, additional funding sources were sought, including a US\$1.1 million loan under the U.S. Paycheck Protection Program received on May 6, 2020 by our subsidiary Credito Real USA Finance LLC, which we intend to repay in full promptly after the date of this Supplement. There can be no assurance that the material adverse impact of the COVID-19 pandemic will not lead to a tightening of liquidity conditions or funding uncertainty. During the year ended December 31, 2020, our income and loan portfolio originations have been negatively impacted and we increased our provisions for loan losses in accordance with applicable regulations and required methodologies in anticipation of potential deterioration of our loan portfolio, in each case, as a result of the COVID-19 pandemic and the measures adopted by governments to mitigate or address its effects, including among others, as a result of political pressure, economic measures and lockdowns. For example, our cost of risk increased from 2.9% for the nine months ended September 30, 2019 to 3.8% for the nine months ended September 30, 2020 due to the booking of new provisions and impairment charges in response to such anticipated increase in nonperforming loans. If necessary, we will continue to book new provisions and recognize additional charges in the future which will impact our results. The impact on our allowance for impairment losses is currently uncertain, as it is highly dependent on the duration of the COVID-19 pandemic and the extent and length of the ensuing economic downturn. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Net Provisions for Loan Losses*”. We cannot assure you that our provisions for loan losses will not increase further or that they will be adequate to cover any future losses in our loan portfolio, any of which may affect us, including our results of operations, financial condition and our ability to pay our debt, including the Notes.

Any of the foregoing, and any future adverse conditions related to the COVID-19 pandemic, could have a material adverse effect on our business, financial condition and results of operations, and adversely affect our ability to access capital and liquidity on financial terms acceptable to us or at all.

Uncertainties regarding the transition away from or possible discontinuance of the London Inter-Bank Offered Rate (LIBOR) could have adverse consequences to us.

LIBOR is extensively used as a “benchmark” or “reference rate” across financial products and markets globally. The U.K. Financial Conduct Authority (FCA) has raised questions about the future sustainability of LIBOR, and, as a result, the FCA obtained voluntary panel bank support to sustain LIBOR only until 2021, and LIBOR is expected to be discontinued as early as January 1, 2022. In addition, following guidance provided by the Financial Stability Board, other regulators have suggested reforming or replacing other benchmark rates with alternative reference rates. Accordingly, the transition away from and discontinuance of LIBOR or any other benchmark rate presents various uncertainties, risks and challenges to financial markets and institutions. These include, among others, the pricing, liquidity, value of, return on and market for financial instruments and contracts that reference LIBOR or any other applicable benchmark rate.

Certain of our indebtedness denominated in U.S. dollars is referenced to LIBOR. The transition away from and discontinuation of LIBOR could present significant operational, legal, financial and other risks. For example, LIBOR transition presents various challenges related to contractual mechanics of existing floating rate contracts that reference LIBOR and mature after 2021. While all of our LIBOR-referenced contracts and instruments provide for alternative benchmark rates, the new benchmark rates may significantly differ from the prior rates. As a result, we may need to proactively address any rate differences in such instruments and contracts, which could be time consuming and costly. In addition, the transition away from and discontinuance of LIBOR could result in disputes, including litigation, whether or not the underlying documentation provides for alternative benchmark rates.

There are uncertainties regarding the transition of administration in the United States.

On November 3, 2020, the U.S. held a presidential election in which Joseph R. Biden, Jr. was elected president of the United States. It is expected that Mr. Biden will be inaugurated on January 20, 2021. The full extent of Mr. Biden’s legislative agenda, the relationship between the executive and legislative powers and future U.S. policies with respect to matters of importance to Mexico and its economy, particularly trade and migration, remain uncertain and will start to be developed in the coming months.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2020 (a) on an actual historical basis and (b) as adjusted to give effect to the incurrence after September 30, 2020 of Ps.3,211.2 million (US\$145.0 million) of indebtedness and the use of proceeds thereof, of which Ps.564.7 million (US\$25.5 million) were incurred under the PEN Credit Suisse Credit Agreement, Ps.100.0 million (US\$4.5 million) assumed to be incurred under the Second Multiva Credit Agreement, Ps.332.2 million (US\$15.0 million) were incurred under the Morgan Stanley Facility and Ps.2,214.4 million (US\$100.0 million) assumed to be incurred under the DFC Finance Agreement.

The following table should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Third Quarter Financial Statements and the notes thereto included elsewhere in this Supplement.

Solely for the convenience of the reader, peso amounts appearing in the table below have been translated to U.S. dollar amounts at the exchange rate determined by Banco de México on September 29, 2020 and published in the Official Gazette on September 30, 2020, expressed in nominal pesos per U.S. dollar, which was Ps.22.1438.

	As of September 30, 2020			
	Actual		As Adjusted	
	(Unaudited)			
	(In millions of pesos)	(In millions of dollars)	(In millions of pesos)	(In millions of dollars)
Cash and cash equivalents.....	399.6	18.0	3,610.9	163.1
Investment in securities.....	2,144.3	96.8	2,144.3	96.8
Short-term debt:				
Notes payable	859.9	38.8	859.9	38.8
Bank loans and borrowings from other entities	12,204.3	551.1	12,204.3	551.1
Long-term debt:				
Bank loans and borrowings from other entities	9,273.7	418.8	12,485.0	563.8
Senior Notes	30,095.8	1,359.1	30,095.8	1,359.1
Total debt	52,433.7	2,367.9	55,645.0	2,512.9
Stockholders' equity:				
Paid-in capital.....	1,731.2	78.2	1,731.2	78.2
Perpetual Notes.....	4,206.7	190.0	4,206.7	190.0
Earned capital	11,841.5	534.8	11,841.5	534.8
Total stockholders' equity	17,779.4	802.9	17,779.4	802.9
Total capitalization	70,213.1	3,170.8	73,424.4	3,315.8

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The selected unaudited condensed consolidated interim financial information presented below should be read in conjunction with “Presentation of Certain Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our Third Quarter Financial Statements, our Financial Statements and other financial information included elsewhere in this Supplement and the Offering Memorandum.

Unaudited Financial Information

The selected unaudited condensed consolidated interim financial information as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019 presented below has been derived from and should be read in conjunction with our Third Quarter Financial Statements included elsewhere in this Supplement.

Certain amounts and percentages included in this Supplement 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 Third Quarter 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” in the Offering Memorandum 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 Third Quarter 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, and CRHOLDING. See “Presentation of Certain Financial and Other Information” in the Offering Memorandum.

Income Statement

	Nine Months Ended September 30,		
	2019	2020	2020 ⁽¹³⁾
	(In millions of pesos)		(In millions of dollars)
Interest income	8,640.0	7,615.5	343.9
Interest expense	(3,360.2)	(3,369.0)	(152.1)
Financial margin	5,279.8	4,246.5	191.8
Provision for loan losses	(955.4)	(1,368.8)	(61.8)
Financial margin after provisions for loan losses	4,324.4	2,877.7	130.0
Commissions and fees income	411.6	115.6	5.2
Commissions and fees paid	(263.1)	(181.9)	(8.2)
Intermediation income	198.4	31.7	1.4
Other operating income	89.6	702.4	31.7
Administrative and marketing expense	(2,635.5)	(2,352.3)	(106.2)
Depreciation expense	-	(334.6)	(15.1)
Operating result	2,125.5	858.6	38.8
Equity in income of associates	59.9	5.2	0.2
Income before income taxes	2,185.5	863.9	39.0
Current income taxes	(432.1)	(233.1)	(10.5)
Deferred income taxes	(117.8)	58.5	2.6
Income taxes	(549.9)	(174.6)	(7.9)
Net income	1,635.5	689.3	31.1
Non-controlling interest	(82.7)	(53.6)	(2.4)
Net income attributable to controlling interest	1,552.9	635.7	28.7

Balance Sheet

	As of September 30,		
	2019	2020	2020⁽¹³⁾
	<i>(In millions of pesos)</i>		<i>(In millions of dollars)</i>
Assets:			
Cash and cash equivalents.....	658.2	399.6	18.0
Investments in securities	258.6	2,144.3	96.8
Derivatives	860.1	5,246.8	236.9
Performing loan portfolio:			-
Commercial loans	32,328.8	35,263.1	1,592.5
Consumer loans	10,411.0	12,401.8	560.1
Total performing loan portfolio.....	42,739.8	47,664.9	2,152.5
Non-performing loan portfolio:			
Commercial loans	423.2	399.0	18.0
Consumer loans	309.3	451.4	20.4
Total non-performing loans portfolio	732.5	850.4	38.4
Loan portfolio.....	43,472.4	48,515.3	2,190.9
Less: allowance for loan losses.....	(1,310.0)	(1,847.8)	(83.4)
Loan portfolio, net	42,162.3	46,667.5	2,107.5
Other accounts receivable, net	6,862.8	9,490.6	428.6
Foreclosed assets, net	9.5	32.2	1.5
Property, furniture and fixtures, net	733.1	3,307.8	149.4
Long-term investments in shares	1,263.3	1,252.5	56.6
Deferred taxes	-	-	-
Other assets:			-
Deferred charges, advance payments and intangibles	4,505.7	5,133.7	231.8
Other short- and long-term assets	78.7	271.2	12.2
Total assets	57,392.4	73,946.3	3,339.4
Liabilities:			
Notes payable (Securitized Certificates)	581.9	859.9	38.8
Senior notes payable	22,179.7	30,095.8	1,359.1
Bank loans and borrowings from other entities:			-
Short-term	8,069.9	12,204.3	551.1
Long-term	6,635.3	9,273.7	418.8
	14,705.1	21,478.0	969.9
Securities and derivatives transactions	-	96.0	4.3
Income taxes payable	318.6	333.3	15.1
Employee profit sharing profit	-	-	-
Accrued liabilities and other accounts payable	683.6	941.1	42.5
Deferred taxes, net	2,439.5	2,362.8	106.7
Total liabilities.....	40,908.5	56,166.9	2,536.5
Stockholders' equity:			
Capital stock.....	660.2	660.2	29.8
Share subscription premium	1,185.5	1,071.0	48.4
Subordinated obligations in circulation	4,206.7	4,206.7	190.0
Earned capital:			
Legal reserve	132.0	132.0	6.0
Accumulated results from prior years	8,069.8	9,538.2	430.7
Result from valuation of cash flow hedges, net	(403.7)	(150.8)	(6.8)
Cumulative translation adjustment.....	20.2	523.4	23.6

	As of September 30,		
	2019	2020	2020 ⁽¹³⁾
	(In millions of pesos)		(In millions of dollars)
Re-measurements of employee defined benefits			
Non-controlling interest	1,060.3	1,163.0	52.5
Net income attributable to controlling interest	1,552.9	635.7	28.7
Total stockholders' equity	16,483.9	17,779.4	802.9
Total liabilities and stockholders' equity	57,392.4	73,946.3	3,339.4

Other Financial Data and Ratios

	As of and for the Nine Months Ended September 30,	
	2019	2020
Net income margin ⁽¹⁾	17.7%	11.8%
Return on average loan portfolio ⁽²⁾	5.2%	1.8%
ROA: Return on average total assets ⁽³⁾	3.9%	1.2%
ROE: Return on average stockholders' equity ⁽⁴⁾	12.9%	4.8%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes) ⁽⁵⁾	17.5%	6.3%
Debt to equity ratio ⁽⁶⁾	2.3x	2.9x
Debt to equity ratio (excluding Subordinated Perpetual Notes) ⁽⁷⁾	3.1x	3.9x
Yield ⁽⁸⁾	29.0%	21.1%
Average cost of funds ⁽⁹⁾	13.3%	9.1%
Efficiency ratio ⁽¹⁰⁾	43.3%	53.6%
Capitalization ratio ⁽¹¹⁾	37.7%	33.8%
Capitalization ratio (excluding Subordinated Perpetual Notes) ⁽¹²⁾	28.2%	28.0%
Credit Quality Ratios		
Provisions for loan losses as a percentage of total loan portfolio	2.9%	3.8%
Allowance for loan losses as a percentage of total past-due loan portfolio	178.8%	217.3%
Total past-due loan portfolio as a percentage of total loan portfolio	1.7%	1.8%

- (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 nine months annualized.
- (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 nine months annualized.
- (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 nine months annualized.
- (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 nine months annualized.
- (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 nine months annualized.
- (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 loan portfolio) consists of interest income for the period divided by the average quarterly loan portfolio amounts. For quarterly figures, cumulative income is nine months annualized.
- (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 nine months annualized.
- (10) Efficiency ratio consists of the sum of administrative and marketing expense, and commissions and fees paid minus depreciation expense of the period divided by the sum of financial margin, commissions and fees collected, and other income from operations minus depreciation expense 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 portfolio (including all our productive assets) 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.22.1438 per U.S. dollar, the exchange rate determined by Mexican Central Bank on September 29, 2020 and published in the Official Gazette on September 30, 2020. 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.

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

The following discussion should be read in conjunction with our Third Quarter Financial Statements, included elsewhere in this Supplement, and the Management’s Discussion and Analysis of Financial Condition and Results of Operation in the Offering Memorandum. Our Third Quarter 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,” in the Offering Memorandum, 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 for this Supplement or the Offering Memorandum. Certain amounts and percentages included in this Supplement have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be the exact arithmetic results of their components as shown herein.

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

Results of Operations for the Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019 Interest Income

The following table sets forth the components of our interest income for the nine months ended September 30, 2019 and 2020.

	Nine Months Ended September 30,	
	2019	2020
	<i>(In millions of pesos)</i>	
Interest income from payroll loans.....	5,188.3	3,790.2
Interest income from Instacredit	2,103.9	2,202.1
Interest income from used cars MX	321.6	314.3
Interest income from CR USA.....	423.7	814.2
Interest income from small business loans	531.5	432.1
Interest income from group loans.....	38.4	45.8
Interest income from durable goods and other loans.....	32.6	16.9
Total interest income	8,640.0	7,615.5

For the nine months ended September 30, 2020, we had total interest income of Ps.7,615.5 million, reflecting a decrease of Ps.1,024.5 million, or 11.9%, compared to Ps. 8,640.0 million for the same period in 2019. The decline was mainly attributed to the following factors: (i) softened economic dynamism caused by the effects of COVID-19 (a) which impacted our payroll loan business’ origination volumes, non-performing loans, and mix of products towards lower yielding products (COVID-19 lockdown measures in Mexico limited our operations due to the fact that our business is conducted mainly by sales representatives at the clients’ premises) and (b) by the deployment of relief programs mainly in SMEs under a scenario where SMEs represent a greater contribution to the total portfolio compared to past quarters, and (ii) by the consolidation of CREAL Arrendamiento, S.A. de C.V. (“CREAL Arrendamiento”) in the second quarter of 2020, which prior to its consolidation, the Issuer recorded in the “Interest Income” line those charges associated to funding 100% of the operations of CREAL Arrendamiento. This change resulted in the following effects: (a) from the date the Issuer started consolidating CREAL Arrendamiento, only the credit loan portfolio revenue of CREAL Arrendamiento is recorded in the “Interest Income” line, while its main stream of revenue, corresponding to the leasing and factoring portfolios (~70% of revenues), is now recorded in the “Other Income from Operations and Commissions” line, and (b) although the interest rate charged by CREAL Arrendamiento for simple loans is usually higher than what was charged to CREAL Arrendamiento, it was affected by the deployment of relief programs.

Interest income earned on our Instacredit loans, group loans, and CR USA loans increased 4.7%, 19.3% and 92.2%, respectively. While the interest income earned on our payroll loans, Used Cars MX, SME loans, and durable goods and other loans decreased 26.9%, 2.3%, 18.7% and 48.2%, respectively during the same period.

Interest Expense

Total interest expense, which consists primarily of interest paid and accrued on our interest-bearing liabilities, increased by Ps.8.8 million, reflecting a 0.3% increase to Ps.3,369.0 million for the nine months ended September 30, 2020, from Ps. 3,360.2 million for the nine months ended September 30, 2019. The increase is mainly explained by the effect of the peso depreciation on the coupons paid in the first half of the year, which was partially offset by the better conditions arranged in our debt throughout the LTM and by the prevailing lower interest environment (-350 bps. interest rate cuts year-to-date).

Financial Margin

Our financial margin decreased by Ps.1,033.3 million, or 19.6%, to Ps. 4,246.5 million for the nine months ended September 30, 2020, compared to Ps. 5,279.8 million for the nine months ended September 30, 2019. This variation was mainly attributed to lower income due to weaker dynamics across all our business lines, mainly payroll and SMEs businesses, as consequence of COVID-19 pandemic and the change in our method of recording revenue (given CREAL Arrendamiento's consolidation), as we started recognizing the leasing and factoring revenues in the Operating Result. Despite the COVID-19 effects, the international businesses continue to have a significant weight in the consolidated financial margin, accounting for 60.4% or Ps. 2,565.5 million in the nine months ended September 30, 2020.

For the nine months ended September 30, 2020, the average interest rate earned from the average interest-earning assets was 21.1% and the average interest rate paid on the debt was 9.1%, resulting in a net interest spread of 11.8%. Comparatively, the average interest rate earned from the portfolio during the nine months ended September 30, 2019 was 29.0% and the average interest rate paid on the debt during the same period was 13.3%, resulting in a net interest spread of 17.7%.

Net Provisions for Loan Losses

Provisions for loan losses, the estimated amount reserved for the contingency of unrecoverable loans net of charge-off accounts, increased by Ps. 413.35 million, or 43.3%, to Ps. 1,368.8 million for the nine months ended September 30, 2020, from Ps. 955.4 million for the nine months ended September 30, 2019 attributed to the greater creation of provisions, as well as higher delinquency and charges linked to the effects of the COVID-19 pandemic.

As of September 30, 2020, the balance of the allowance for loan losses was Ps.1,847.8 million, which was equal to 217.3% of the Ps. 850.4 million non-performing portfolio on our balance sheet as of that date. As of September 30, 2019, the balance of the allowance for loan losses was Ps. 1,310.0 million, which was equal to 178.8% of the Ps. 732.5 million non-performing portfolio on our balance sheet as of that date. Our current coverage ratio is adequate to account for potential loan losses in the short- and long-term.

Commissions and Fees Income

Total commissions and fees collected was Ps. 115.6 million for the nine months ended September 30, 2020, compared to Ps. 411.6 million for the nine months ended September 30, 2019, mainly explained by the divestment of Resuelve in December 2019. Since the second quarter of 2020, this line item mainly represents revenues generated by CREAL Arrendamiento's factoring portfolio.

Commissions and Fees Paid

The following table sets forth the components of our commissions and fees paid for the nine months ended September 30, 2020 and 2019.

Nine Months Ended September 30,		
	2019	2020
	(in millions of pesos)	
Bank fees and administrative commissions and fees ⁽¹⁾	(7.9)	(1.5)
Commissions and fees related to debt issuances ⁽²⁾	(251.9)	(175.2)
Other commissions and fees	(3.3)	(5.2)
Total commissions and fees paid	(263.1)	(181.9)

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

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

Total commissions and fees paid decreased by Ps. 81.3 million, or 30.9%, to Ps. 181.9 million for the nine months ended September 30, 2020, compared to Ps. 263.1 million for the nine months ended September 30, 2019. This decrease primarily resulted from lower commissions being paid related to 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, and depreciation of our leasing business, increased by Ps. 51.5 million to Ps. 2,686.9 million for the nine months ended September 30, 2020, compared to Ps. 2,635.5 million for the nine months ended September 30, 2019. The variation was primarily attributed to: (i) an increase related to depreciation expenses associated with the consolidation of CREAL Arrendamiento's operations; and (ii) an increase in our Central America and United States businesses, related to foreign exchange variations. These factors were offset by: (x) a decrease in Mexico, led by savings generated on a corporate level and the fact that Resuelve is no longer recognized in our financials given it was divested, and (y) a decrease in debt issuance expenses.

Operating Result

Operating result decreased by Ps. 1,266.9 million, to Ps. 858.6 million for the nine months ended September 30, 2020, compared to Ps. 2,125.5 million for the nine months ended September 30, 2019. This decrease was mainly attributed to the COVID-19 pandemic impacts on the Financial Margin and higher provisions for loan losses to cope with the prevailing situation.

Equity in Income of Associates

Equity in income of associates decreased by Ps. 54.7 million, to Ps. 5.2 million, for the nine months ended September 30, 2020, compared to Ps. 59.9 million for the nine months ended September 30, 2019. The decrease was mainly due to the combined effect of a decrease in Crédito Maestro's and Credifiel's net income, and CREAL Arrendamiento's net losses during the nine months ended September 30, 2020.

Income Taxes

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

Nine Months Ended September 30,		
	2019	2020
	(In millions of pesos)	
ISR:		
Current.....	(432.1)	(233.1)
ISR:		
Deferred.....	(117.8)	58.5
	(549.9)	(174.6)

**Nine Months Ended
September 30,**

2019 2020

(In millions of pesos)

Total Income Tax

Income taxes decreased by Ps. 375.3 million to Ps. 174.6 million for the nine months ended September 30, 2020, compared to Ps. 549.9 million for the nine months ended September 30, 2019. The effective tax rate reached 20.2% and 25.2% for the nine months ended September 30, 2020 and 2019, respectively. The mismatch between the statutory rate (30.0%) and the Issuer's consolidated effective rate of 20.2% was primarily derived from the mixed results of our subsidiaries upon the accounting consolidation and a higher contribution of our international businesses, where the statutory tax rate is lower.

The decrease in current tax of Ps. 199.0 million for the nine months ended September 30, 2020 primarily reflects the variation in our derivative financial instruments that hedge our external debt, as well as the variation in the valuation of the external debt.

The increase of Ps. 176.3 million in deferred tax for the nine months ended September 30, 2020 is primarily due to the variation effect of the abovementioned derivatives, which were registered as a deferred tax in our balance sheet for the nine months ended September 30, 2020 while the transactions were recognized as current taxes, as well as to the variation of the provisions for loan losses.

Non-controlling Interest

Non-controlling interest income decreased to Ps. 53.6 million for the nine months ended September 30, 2020, a decrease of Ps. 29.0 million from Ps. 82.7 million for the nine months ended September 30, 2019, primarily due to a reduction in gains from our subsidiaries in respect of which we have a majority interest.

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest decreased by Ps. 917.2 million, or 59.1%, to Ps. 635.7 million for the nine months ended September 30, 2020, compared to Ps. 1,552.9 million for the nine months ended September 30, 2019. This variation is primarily attributed to the combined effect of a softened economic dynamism and the measures taken during the last two quarters to cope with the COVID-19 pandemic in all our businesses, highlighting the implementation of relief programs, creation of additional provisions for credit losses and adoption of stricter origination standards. Nevertheless, the third quarter results are starting to show signs of recovery, as reflected in the generation of net income in all regions where the Issuer operates, driven by the timely implementation of the required measures to address this unprecedented situation, allowing us to further strengthen our liquidity and capitalization for the following periods.

Our Loan Products and Loan Portfolio

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 September, 30, 2020:

Loan Product						
	Payroll Loans	Consumer Loans (Instacredit)	Used Cars Loans MX	CR USA		Small Business Loans
				Used Cars USA	SMEs USA	

Main characteristics	Loans repaid through deductions from the paychecks of unionized government employees	Focused on consumer loans, SME loans, and auto loans	Focused on financing semi-new and used cars through strategic alliances with a network of distributors that use their own sales force	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	Focused on financing LOBs (latin-owned-business) and factoring to SMEs through strategic alliances	Provides enterprise financing through non-revolving short- and long-term lines to fund working capital requirements and investment activities as well as leasing and factoring
Average loan amount	63,317	34,910	114,315	332,366		11,790,458
Payment frequency	Every 2 weeks	Monthly	Monthly	Monthly		Monthly
Average term	40 months	42 months	43 months	67 months	19 months	25 months
Average interest rate	54.0%	56.0%	35.0%	24.7%	28.3%	22.3%
Origination channel (distribution)	13 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). 131 sales reps all-around.	Alliances with 7 distributors. One partnership with 20 branches and agreements throughout Mexico.	One strategic alliance with over 1,591 distributors in 28 states of the US.	Two strategic alliances in USA, Crédito Real Business Capital and Camino Financial.	CREAL Arrendamiento and an alliance with Fondo H.
Average yield	18.0%	57.0%	31.0%	26.0%		8.0%
Risk & profit sharing	Include sharing risk with the distributors	Equity participation	Sharing 50% of interest income.	Include sharing risk with the distributors		Some loans include sharing risk with the distributor
Percentage of loan portfolio	55.9%	10.2%	2.6%	8.3%		21.6% ⁽²⁾
Delinquency rate	1.7%	4.1%	1.3%	0.8%	0.5%	0.6%
Clients	464,559	154,268	11,788	12,839		624
Target market	C+, C-, D+	C+,C,D	C+, C, C-, D	C+, C, C-, D		C+, C

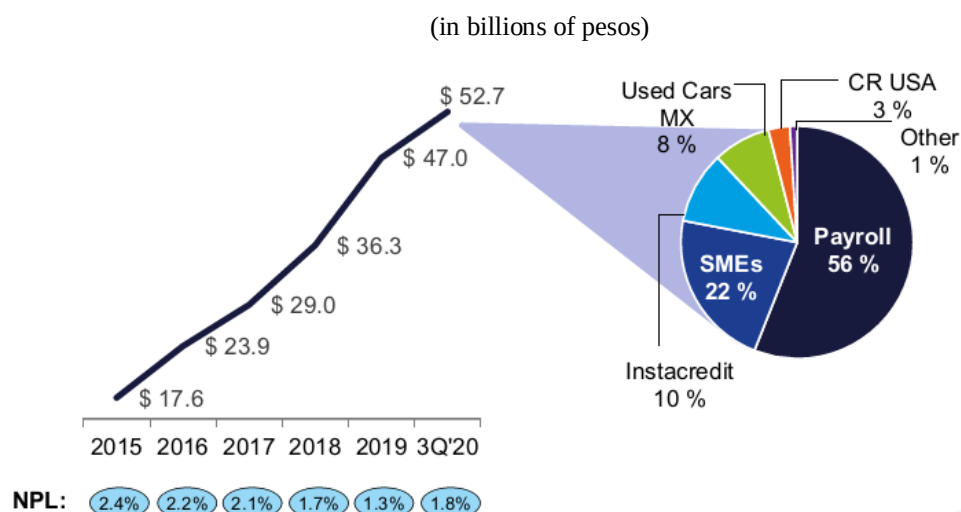
(1) Market segments are defined based on monthly family income, in accordance with the categories established by AMAI, as follows: Level E, between Ps.0 and Ps.2,699; Level D, between Ps.2,700 and Ps.6,799; Level D+, between Ps.6,800 and Ps.11,599; Level C, between Ps.11,600 and Ps.34,999; Level C+, between Ps.35,000 and Ps.84,999; and Levels A and B, Ps.85,000 or more.

(2) Integrated by SMEs traditional and CREAL Arrendamiento, and includes Ps. 2,617.4 million of leasing and Ps. 1,414.0 million factoring registered in fixed assets and other accounts receivable, respectively.

(*) Leasing average client has an average of US\$5 million in annual sales and approximately 15 employees.

(*) The chart does not consider group loans and durable goods. This is why the percentage of loan portfolio does not sum 100%.

The graph below shows certain information of the integration of our total loan portfolio per line of business.



Note: Total loan portfolio equals loan portfolio plus factoring and leasing portfolios (recorded under Other accounts receivable and Fixed assets, respectively in our statement of financial position).

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 execute our growth strategy and business plan. To this end, we have diverse sources of financing, such as bank credit lines and 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 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 minimize 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 investments 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 resources.

As of September 30, 2020, we held Ps. 399.6 million in cash and cash equivalents. Similarly, as of September 30, 2020, we had investments in securities valued at Ps. 2,144.3 million, of which Ps.1,548.3 million were invested in financial instruments denominated in U.S. dollars, while the remaining Ps.596.0 million were invested in financial instruments 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 2027 Euro 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.6,547.9 million, or 14.9%, from Ps. 43,838.0 million as of December 31, 2019 to Ps.50,385.9 million as of September 30, 2020. As of September 30, 2020, Ps.10,465.0 million, or 20.8%, of our total indebtedness (excluding accrued interest) consisted of short-term commitments of long-term notes and outstanding bank credit lines due to mature by September 2021. The remaining Ps.39,920.9 million, or 79.2%, of our total indebtedness (excluding accrued interest) consisted of both long-term notes and outstanding bank credit lines due to mature after October 2021. As of September 30, 2020, we had a debt-to-equity ratio of 2.9 to 1. We constantly evaluate other financing sources, such as the securitization of portions of our loan portfolio, issuances of debt securities and bank credit lines.

The impact of the COVID-19 pandemic in the financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain hedges or financing in a timely manner, on acceptable terms or at all. In addition, the slowdown in the economic activity caused by the COVID-19 pandemic and other internal factors may result in a decrease in the demand of our financial products and services, may cause an increase in business failures among small- and mid-sized businesses that we serve and may adversely affect the ability of our clients to repay past or future loans (including as a result of lay-offs, which may have a significant adverse effect in our income and collections), which could adversely affect the quality of our portfolio, our capacity to repay our debt or comply with the covenants (including financial ratios) of our debt instruments.

The extent to which the COVID-19 pandemic may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on consumer spending, including any recession resulting from the pandemic, all of which are highly uncertain and cannot be predicted.

The following table presents our total indebtedness in millions of pesos (excluding accrued interest) as of September 30, 2019 and 2020 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 Franc notes, Euro notes and senior trust bonds:

	As of September 30,			
	2019		2020	
	Amount	Average Rate	Amount	Average Rate
Bank financings				
At period end ⁽¹⁾	11,137.1	9.6%	17,062.72	8.2%
Average during period ⁽²⁾	10,430.3	10.0%	15,997.95	8.7%
Maximum month-end balance	11,137.1	10.7%	17,062.72	9.2%
Local bond issuances				
At period end ⁽¹⁾	0.0	0.0%	0.0	0.0%
Average during period ⁽²⁾	0.0	0.0%	0.0	0.0%
Maximum month-end balance	0.0	0.0%	0.0	0.0%
Senior notes ⁽³⁾				
At period end ⁽¹⁾	19,578.1	14.0%	23,968.59	12.2%
Average during period ⁽²⁾	19,564.6	14.0%	23,920.74	12.2%
Maximum month-end balance	19,611.6	14.0%	23,968.59	12.3%
Swiss Franc notes				
At period end ⁽¹⁾	3,404.6	11.7%	3,404.55	10.9%
Average during period ⁽²⁾	3,404.6	11.6%	3,404.55	11.0%
Maximum month-end balance	3,404.6	11.7%	3,404.55	11.0%
Senior trust bonds				
At period end ⁽¹⁾	800.0	10.3%	1,327.78	6.7%
Average during period ⁽²⁾	1,005.0	10.5%	1,350.00	7.0%
Maximum month-end balance	1,415.0	10.7%	1,372.22	7.4%
Total borrowings, at period end (excluding accrued interest)	34,919.8	12.3%	45,763.6	10.4%

(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 figures of the referred period.

(3) Includes U.S. dollar and Euro denominated notes.

The following table presents, as of September 30, 2020 the indebtedness of our affiliates (excluding accrued interest):

	As of September 30, 2020					
	Credito Real USA Finance		Instacredit		CRFED	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	<i>(In millions of pesos, except percentages)</i>					
At period end	1,879.5	5.25%	2,525.8	12.19%	217.0	5.75%
Average during period	1,842.9	4.85%	2,775.8	12.52%	214.6	5.75%
Maximum month-end balance	2,055.8	5.25%	3,342.1	12.90%	230.2	5.75%
Total	1,879.5	5.25%	2,525.8	12.19%	217.0	5.75%

Contractual Obligations

The table below sets forth information of our contractual obligations (excluding accrued interest) as of September 30, 2020.

	As of September 30, 2020				
	2020	2021	2022	2023 and Thereafter	Total
	<i>(in millions of pesos)</i>				
Debt (excluding accrued interest and mark-to-market) ⁽¹⁾⁽²⁾ :					
Short-term debt	2,505.6	3,483.7	-	-	5,989.3
Current portion of long-term debt	897.4	5,674.8	-	-	6,572.2
Long-term debt	-	2,549.6	8,712.1	26,562.8	37,824.5
Total contractual obligations (excluding accrued interest and mark-to-market)	<u>3,403.0</u>	<u>11,708.0</u>	<u>8,712.1</u>	<u>26,562.8</u>	<u>50,386.0</u>

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

(2) At September 30, 2020, the Issuer had short-term lease liabilities, together with long-term lease liabilities. The Issuer's asset leasing activities included assets utilized for placements and to manage financing. According to the lease contracts recorded at September 30, 2020, the Issuer had no future cash disbursements derived from residual value guarantees, extension options and contract terminations, restrictions imposed by leaseholders or sales transactions subject to leaseback agreements.

As of September 30, 2020, our weighted debt maturity was 3.1 years.

As of September 30, 2020, Ps. 13,537.5 million, or 26.9%, of our outstanding indebtedness (excluding accrued interest) was secured by collateral.

As of September 30, 2020, our contractual obligations denominated in U.S. dollars represented US\$1,121.9 million aggregate principal amount and comprised of US\$400.0 million of our 2026 Senior Notes issued in 2019, US\$426.9 million of our 2023 Senior Notes issued in 2016, US\$170 million of our two syndicated credit lines and US\$125.0 million of our three credit lines.

As of September 30, 2020, our contractual obligations denominated in Euro represented €350.0 million aggregate principal amount of our 2027 Senior Notes issued in 2019, and our contractual obligations denominated in Swiss Francs represented CHF170.0 million aggregate principal amount of our 2022 Senior Notes issued in 2018.

However, except for US\$100.0 million relating to the 2026 Senior Notes, US\$1.9 million relating to the 2023 Senior Notes, US\$30.0 million relating to a credit line, and €50 million relating to the 2027 Euro Notes, the principal and interest payments related to these obligations are fully hedged, mainly through cross-currency swaps, and in some cases rates are fixed. As of September 30, 2020, 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. Immediately below is a brief description of the principal terms of such instruments.

Indenture Governing our 2027 Senior Notes

On October 1, 2019, we entered into an indenture pursuant to which we issued and sold €350 million aggregate principal amount of 2027 Senior Notes. The 2027 Euro Notes will mature on February 1, 2027. As of September 30, 2020, we had €350 million of indebtedness outstanding under this indenture. The indenture governing the 2027 Euro Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture (as amended or supplemented from time to time) governing the Euro Notes limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Indenture Governing our 2026 Senior Notes

On February 7, 2019, we entered into an indenture pursuant to which we issued and sold US\$400 million aggregate principal amount of 2026 Senior Notes. The 2026 Senior Notes will mature on February 7, 2026. As of September 30, 2020, we had US\$400 million of indebtedness outstanding under this indenture. The indenture governing the 2026 Senior Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture (as amended or supplemented from time to time) governing the 2026 Senior Notes limits our ability and the ability of any subsidiaries of ours to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Indenture Governing our 2023 Senior Notes

On July 20, 2016, we entered into an indenture pursuant to which we issued and sold US\$625 million aggregate principal amount of 2023 Senior Notes. The 2023 Senior Notes will mature on July 20, 2023. As of September 30, 2020, we had US\$426.9 million of indebtedness outstanding under this indenture. On September 12, 2019 we launched the Tender Offer to purchase for cash up to US\$300 million of the 2023 Senior Notes. At the closing of the Tender Offer we purchased 2023 Senior Notes in an aggregate principal amount equal to US\$198.1 million. The indenture governing the 2023 Senior Notes contains covenants that limit the creation of liens by us and any of our subsidiaries, and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture (as amended or supplemented from time to time) governing the 2023 Senior Notes limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Purchase Agreement Governing our 2022 Swiss Notes

On February 7, 2018, we entered into a bond purchase agreement pursuant to which we issued and sold CHF170.0 million aggregate principal amount which will mature on February 9, 2022. As of September 30, 2020, we had CHF170.0 million of indebtedness outstanding under this agreement. The agreement governing the 2022 Swiss Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the agreement limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, guarantee debts and sell assets.

Loan Agreements

We have access to bank credit lines in an aggregate amount of Ps.24,181.5 million as of September 30, 2020. As of September 30, 2020, an aggregate amount of Ps21,685.0 million is outstanding from such bank credit lines. As

of September 30, 2020, Ps.13,537.5 million, or 26.9%, of our loan portfolio was pledged to secure our obligations under certain of our credit facilities. As of September 30, 2020, Ps. 1,952.7 million remains available under our bank credit lines.

Barclays Facility

On September 24, 2020, we entered into the Barclays MtM Credit Agreement. The loans under this credit facility will mature on December 28, 2021. The loans under this credit facility bear interest at a variable rate equal to the LIBOR plus an applicable margin equal to 5.00%. On the closing date, we requested the disbursement of loans for the maximum aggregate principal amount available under this credit facility, which loans remain outstanding as of the date of this Supplement. The Barclays MtM Credit Agreement is secured by the mark-to-market value of certain rights under certain hedge agreements transferred to a Mexican security trust. The proceeds from these loans were used for general corporate purposes and to repay debt. As of September 30, 2020, the outstanding principal amount under this credit facility was Ps.1,091.7 million (US\$50 million).

ResponsAbility Facilities

On September 28, 2020, we entered into the ResponsAbility Facilities. The loans under the ResponsAbility Facilities will mature on October 2, 2023. The loans under the ResponsAbility Facilities bear interest at an annual rate of 6.30%. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount available under the ResponsAbility Facilities, which loans remain outstanding as of the date of this Supplement. As of September 30, 2020, the principal outstanding amount under this loan was Ps.542.5 million.

Our obligations under ResponsAbility Facilities are unsecured. The proceeds from these loans were used for general corporate purposes.

Credit Suisse Syndicated Loan Agreement

On February 19, 2020, we and our subsidiary Marevalley Corporation entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million. This credit facility has two tranches, one of which will mature on February 21, 2023 and the other on February 21, 2025. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 3.75% and 4.0%, respectively. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under such facility, which loans remain outstanding as of the date of this Supplement.

Loan Agreements with Santander

On March 17, 2020, we entered into a revolving credit facility with Santander for a maximum aggregate principal amount of Ps.200.0 million. This credit facility will mature on March 17, 2021. The loans under this credit facility bear interest at a variable rate equal to TIE plus an applicable margin. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under this credit facility, which proceeds were used to repay in full the loans under the credit agreement with Santander dated February 23, 2018. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.200.0 million.

On March 19, 2020, we entered into a credit facility with Santander, for a maximum aggregate principal amount of Ps.800 million. This credit facility will mature on March 18, 2024. The loans under this credit facility bear interest at a variable rate equal to TIE plus an applicable margin. On the closing date thereof, we requested the disbursement of loans for the maximum aggregate principal amount under this credit facility, which proceeds were used for general corporate purposes. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.800.0 million.

Loan Agreement with NAFIN

On March 18, 2005, we entered into a term credit facility with NAFIN (as amended and supplemented on March 14, 2006, October 7, 2008, March 10, 2009, April 24, 2009, September 3, 2010, September 27, 2011, January 8, 2013, August 30, 2013, November 7, 2014, April 4, 2017 and April 20, 2020 respectively) for an aggregate principal amount of Ps.2,500.0 million for purposes of granting equipment and business loans. This revolving credit facility has an indefinite term. As of September 30, 2020, the amount outstanding under this credit facility was Ps. 2,472.9 million. This agreement does not have a maturity date. We are subject to certain restrictive covenants under the terms of this

credit facility that, among other things, limit our ability to sell or assign the accounts receivable we originate and fund with the proceeds of this loan.

Loan Agreement with BNP Paribas

On April 24, 2020, we entered into an Amendment to the Bilateral Uncommitted Facility Letter with BNP Paribas pursuant to which, subject to availability, we may be entitled to request loans with a term not exceeding April 23, 2021, and increased the commitments available to the Issuer up to an aggregate principal amount of US\$50.0 million. 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 September 30, 2020, the aggregate principal amount of loans outstanding under the BNP Paribas facility was Ps.1,202.2 million (US\$50 million).

Loan Agreement with Scotiabank

On August 19, 2020, we entered into a secured revolving credit facility with Scotiabank, for a maximum aggregate principal amount of Ps.490.0 million, which proceeds were used for general corporate purposes. This credit facility was fully drawn down and will mature on August 19, 2021. Loans under this credit facility bear interest at a fixed or variable rate equal to TIIE plus an applicable margin. This credit facility is secured by a pledge over a portion of our accounts receivable. As of September 30, 2020, the principal amount outstanding under this credit facility was Ps.451.0 million.

This credit facility is secured by a commercial pledge over certain of our accounts receivable.

Loan Agreements with Banco Invex

On March 29, 2017, we entered into a secured term credit facility with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero (“Banco Invex”). This credit facility was refinanced on July 26, 2019 pursuant to an equivalent secured term credit facility with Banco Invex, for an aggregate principal amount of up to Ps.300.0 million. This credit facility will mature on January 28, 2022 and bears interest at a rate equal to TIIE plus an applicable margin. As of September 30, 2020, the amount outstanding under this credit facility was Ps. 160.0 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.350.0 million pursuant to which on April 10, 2019 we entered into a credit agreement maturing on December 15, 2022. The loan under this credit agreement is 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 September 30, 2020, the amount outstanding under this credit facility was Ps.217.0 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) 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 overcollateralization level set forth in the agreement.

Loan Agreements with BBVA

On May 12, 2020, we entered into a secured revolving credit facility with BBVA for an aggregate principal amount of Ps.460.0 million. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement, with a maturity date of May 12, 2022. As of September 30, 2020, the amount outstanding under this credit facility was Ps. 460.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets; (2) provide collateral to lenders; (3) incur additional indebtedness, as well as require us to maintain (A) a ratio of non-performing loans to total loans less than or equal to 5%, and (B) a coverage ratio of non-performing loans greater than or equal to 1.2x.

This credit facility is secured by a pledge of a portion of our accounts receivable.

On May 29, 2018, we entered into another secured revolving credit facility with BBVA (as amended and supplemented on May 29, 2020) for an aggregate principal amount of Ps.240.0 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, 2022. As of September 30, 2020, we had Ps. 240.0 million of indebtedness outstanding under this credit facility. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets; (2) provide collateral to lenders; (3) incur additional indebtedness, as well as require us to maintain (A) a ratio of non-performing loans to total loans less than or equal to 5%, and (B) a coverage ratio of non-performing loans greater than or equal to 1.2x. This credit facility is secured by a pledge of a portion of our accounts receivable.

Loan Agreement with Banco Del Bajío

On April 12, 2013, we entered into a loan revolving facility secured by a pledge with Banco del Bajío, SA, Institución de Banca Múltiple (“Banco del Bajío”) (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 September 30, 2020, the amount outstanding under this credit facility was Ps.267.8 million. This credit facility requires us to comply with certain covenants that, among other things, limit our ability to: (1) provide collateral to lenders, (2) reduce our capital stock, (3) conduct mergers or spin-offs and (4) modify our corporate structure. Additionally, this credit facility contains certain early termination events, such as (1) changes in our corporate name or purposes, (2) labor conflicts affecting our payment capabilities, (3) the occurrence of a cross-default of another credit facility entered by us with Banco del Bajío, and (4) if the collateral does not comply with the overcollateralization level set forth in the agreement. 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 Multiva, as amended and supplemented on December 9, 2019, with a maximum aggregate principal amount of Ps.100.0 million. This credit facility will mature on December 9, 2021. The loans under this credit facility bear interest at a fixed or variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of September 30, 2020, the outstanding amount under this credit facility was Ps.100.0 million.

On April 22, 2020, we entered into a the Second Multiva Credit Agreement, for a maximum aggregate principal amount of Ps.100.0 million. This credit facility will mature on April 22, 2022. Loans under this credit facility bear interest at a fixed or variable rate equal to TIIE plus an applicable margin as set forth in the promissory notes that evidence each disbursement. This credit facility is secured by a pledge over a portion of our loan portfolio. As of September 30, 2020, the total amount under this credit facility remained available.

First Loan Agreement with Credit Suisse

On August 2, 2019, we entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million (the “First Loan Agreement with Credit Suisse”). The First Loan Agreement with Credit Suisse will mature on August 5, 2022. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 4.0%. As of September 30, 2020, the amount outstanding under this credit facility was US \$110.0 million. On the closing date thereof we requested the disbursement of loans for the maximum aggregate principal amount under such facility, the totality of which remains 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

On October 17, 2017, we entered into a term loan facility with Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (“Banorte”) with a maximum aggregate principal amount of Ps.600.0

million. This credit facility will mature on October 16, 2021. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. On September 27, 2018, we entered into a new revolving credit agreement with Banorte, (as amended on February 11, 2020), maturing on February 10, 2022, with a maximum aggregate principal amount of up to Ps.2,000.0 million taking into consideration both the term facility and the revolving facility. 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 loans under the term and the revolving credit agreements are secured by pledges on a portion of our portfolio. As of September 30, 2020, the outstanding amount under this credit facility was Ps. 1,983.3 million, of which Ps.133.3 million are term loans and Ps.1,850.0 million are revolving loans. 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 September 30, 2020, the amount outstanding under this credit facility was Ps.203.7 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets, (2) provide collateral to lenders, (3) conduct mergers or spin-offs, (4) reduce our capital stock and (5) modify our capital structure; as well as requires us to maintain (A) a capitalization ratio equal to or greater than 13.5%, (B) a leverage ratio equal to or lower than 3.5:1.0, (C) maintain a ratio of non-performing loans to total loans less than or equal to 5%, (D) minimum liquidity ratio equal to or greater than 1.1:1.0 and (E) a risk coverage ratio equal to or greater than 100%. In the event of a default of any obligation under any other loan agreement (cross-default) for an amount equal to US\$10 million, Bladex can accelerate this loan agreement.

Loan Agreement with SMBC

On January 27, 2016, we entered into a term loan facility secured by a pledge with SMBC, S.A.P.I. de C.V., SOFOM, E.N.R. (as amended on September 12, 2017) with a maximum aggregate principal amount of Ps.700.0 million. This credit facility will mature on September 18, 2020. On April 28, 2020 we celebrated a novation agreement of the credit line with a maximum aggregate principal amount of Ps.800.0 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. As of September 30, 2020, the amount outstanding under this credit facility was Ps.800.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs; (2) amend or modify our bylaws; (3) pay dividends except as permitted thereunder; and (4) create or permit to be created any lien, except for permitted liens thereunder, as well as require us to maintain (A) a capitalization ratio equal to or greater than 13.5%; (B) a ratio of non-performing loans to total loans less than or equal to 4%, (C) a risk coverage ratio equal to or greater than 100%, (D) a collateral coverage ratio equal to or less than 65% and (E) a minimum liquidity ratio equal to or greater than 1.1:1.0.

Loan Agreement with Mifel

On August 2, 2019, we entered into a loan revolving facility secured by a pledge with Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel (“Mifel”), for an aggregate principal amount of up to Ps.100.0 million. This credit facility will mature on August 2, 2022. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of September 30, 2020, the amount outstanding under this credit facility was Ps.100.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except as permitted thereunder, (2) sell, lease or otherwise transfer assets, except as permitted thereunder, (3) pay dividends, (4) create or permit to be created any lien, except for permitted liens thereunder and (5) grant

financing to third parties other than in the ordinary course of business, and requires us to maintain (A) a capitalization ratio equal to or greater than 12% and (B) a delinquency ratio equal to or lower than 6%. This agreement contains cross-default provisions which allow Mifel to terminate this agreement before maturity.

Loan Agreement with Citibanamex

On August 10, 2017, we entered into a loan revolving facility secured by a pledge with Citibanamex for an aggregate principal amount of Ps.500.0 million, as amended on November 8, 2017, August 7, 2018, May 23, 2019, February 12, 2020, May 26, 2020 and June 11, 2020 to increase the principal amount under the credit facility by an additional Ps.1,000.0 million. This credit facility will mature on May 28, 2021. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of September 30, 2020, the amount outstanding under this credit facility was Ps.1,500.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; (4) create or permit to be created any lien except, for permitted liens thereunder and (5) incur additional indebtedness, and requires us to maintain: (A) a ratio of non-performing loans to total loans less than or equal to 4%, (B) a coverage ratio of non-performing loans greater than or equal to 100%, (C) capitalization ratio equal to or greater than 20%, and (D) a liquidity ratio equal to or greater than 10%. This credit facility is secured by a pledge of a portion of our accounts receivable.

Loan Agreement with Bank of Tokyo

On November 11, 2019, we entered into a term loan facility secured by a pledge with Bank of Tokyo Finance México, with a maximum aggregate principal amount of Ps.50.0 million. This credit facility will mature on November 19, 2023. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of September 30, 2020, the amount outstanding under this credit facility was Ps.39.5 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs, (2) amend or modify our bylaws, (3) pay dividends except as permitted thereunder and (4) sell, lease or otherwise transfer assets, except as permitted thereunder.

Loan Agreement with IDB Invest

On November 26, 2019, we entered into a credit facility with IDB Invest, with a maximum aggregate principal amount of Ps.968.8 million. This credit facility will mature on November 15, 2024. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin, set forth in the promissory notes that evidence each disbursement. As of September 30, 2020, the amount outstanding under this credit facility was Ps.871.9 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets, (2) provide collateral to lenders, (3) conduct mergers or spin-offs, (4) enter into certain transactions with affiliates, and (5) change the nature of our business, as well as requires us to maintain (A) a capitalization ratio equal to or greater than 13.5%, (B) a leverage ratio equal to or lower than 3.5:1.0, (C) a ratio of non-performing loans to total loans less than or equal to 4%, (D) a minimum liquidity ratio equal to or greater than 0 and (E) a risk coverage ratio equal to or greater than 1.25:1.00.

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 Issuer (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 Issuer 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 September 30, 2020, the outstanding principal amount was Ps.577.8 million. On October 24, 2019, we issued a new bond (certificados bursátiles) in Mexico for an aggregate principal amount of Ps.750 million. Pursuant to the terms of the offer, these bonds are backed by a portion of our payroll loan portfolio, bear interest at an annual floating rate of TIIE plus 2.15% and mature on October 24, 2024. The proceeds from this offer were used to fund our portfolio growth and other corporate purposes. These bonds were placed in Mexico through BIVA, a relatively newly created stock exchange that is expected to support the growth of the Mexican securities

market through innovation, state-of-the-art technology, and accessibility. As of September 30, 2020, the outstanding principal amount was Ps.750.0 million.

INDEX TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple,
Entidad No Regulada**

**Unaudited Condensed Consolidated Interim Financial Statements as of September 30, 2020 and for
the nine months ended September 30, 2020 and 2019**

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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 September 30,
2020 and for the nine months
ended September 30, 2020 and
2019

**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, Mexico

**Unaudited Condensed Consolidated Interim
Financial Statements as of September 30,
2020 and for the nine months ended
September 2020 and 2019**

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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 September 30, 2020 and December 31, 2019
(In thousands of Mexican pesos)

Assets	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 399,573	\$ 1,180,867
Investment in securities:		
Trading securities	<u>2,144,349</u>	<u>1,294,358</u>
	2,144,349	1,294,358
Derivatives:		
Hedging purposes	<u>5,246,838</u>	<u>-</u>
	5,246,838	-
Performing loan portfolio:		
Commercial loans:		
Commercial or business activity	35,263,077	34,619,967
Consumer loans:	<u>12,401,805</u>	<u>11,705,735</u>
Total performing loan portfolio	47,664,882	46,325,702
Non-Performing loan portfolio:		
Commercial loans:		
Commercial or business activity	399,007	343,817
Consumer loans:	<u>451,422</u>	<u>288,901</u>
Total non-performing loan portfolio	<u>850,429</u>	<u>632,718</u>
Loan portfolio	48,515,311	46,958,420
Less - Allowance for loan losses	<u>(1,847,826)</u>	<u>(1,390,046)</u>
Loan portfolio, net	46,667,485	45,568,374
Other accounts receivable, net	9,490,643	6,796,910
Foreclosed assets, net	32,175	10,774
Property furniture and fixtures, net	3,307,795	625,326
Long-term investment in shares	1,252,547	1,273,557
Other assets, (net)		
Deferred charges, advanced payments and intangibles	5,133,653	4,590,582
Other short and long-term assets	<u>271,192</u>	<u>250,944</u>
	<u>5,404,845</u>	<u>4,841,526</u>
Total assets	<u>\$ 73,946,250</u>	<u>\$ 61,591,692</u>

Memorandum accounts

Credit Commitments
Uncollected interest earned on non-performing portfolio
Unused credit lines

Liabilities	September 30, 2020	December 31, 2019
Notes Payable (Securitized Certificates)	\$ 859,894	\$ 1,260,978
Senior Notes Payable	<u>30,095,788</u>	<u>24,636,734</u>
	30,955,682	25,897,712
Bank loans and other loans:		
Short-term loans	12,204,323	7,597,612
Long-term loans	<u>9,273,680</u>	<u>8,015,873</u>
	21,478,003	15,613,485
Derivatives:		
Hedging purposes	<u>95,989</u>	<u>765,329</u>
	95,989	765,329
Other accounts payable:		
Income taxes payable	323,236	313,630
Employee profit sharing payable	10,076	16,863
Accrued liabilities and other accounts payable	<u>941,141</u>	<u>513,740</u>
	1,274,453	844,233
Deferred taxes, net	<u>2,362,758</u>	<u>2,407,056</u>
Total liabilities	56,166,885	45,527,815

Stockholders' equity

Paid in capital:		
Capital stock:	660,154	660,154
Share subscription premium	1,071,029	1,192,265
Subordinated obligations in circulation	<u>4,206,685</u>	<u>4,206,685</u>
	5,937,868	6,059,104
Earned capital:		
Legal reserve	132,030	132,030
Retained earnings	9,556,399	7,664,422
Result from valuation of cash flow hedges, net	(150,786)	(708,201)
Cumulative translation adjustment	523,361	5,489
Re-measurements of employee defined benefits	(18,174)	(18,174)
Net income attributable to controlling interest	635,658	1,980,109
Non-controlling interest	<u>1,163,009</u>	<u>949,098</u>
	<u>11,841,497</u>	<u>10,004,773</u>
Total stockholders' equity	<u>17,779,365</u>	<u>16,063,877</u>

Total liabilities and stockholders' equity	<u>\$ 73,946,250</u>	<u>\$ 61,591,692</u>

September 30, 2020	December 31, 2019
<u>\$ 339,192</u>	<u>\$ 227,878</u>
<u>\$ 231,053</u>	<u>\$ 151,125</u>
<u>\$ 123,675</u>	<u>\$ 131,904</u>

“The historical balance of capital stock as of September 30, 2020 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 nine months ended September 30, 2020 and 2019
(In thousands of Mexican pesos)

	Nine months ended September 30,	
	2020	2019
Interest income	\$ 7,615,501	\$ 8,639,994
Interest expense	<u>(3,368,997)</u>	<u>(3,360,163)</u>
Financial margin	4,246,504	5,279,831
Provisions for loan losses	<u>(1,368,772)</u>	<u>(955,424)</u>
Financial margin after provision for loan losses	2,877,732	4,324,407
Commissions and fees income	115,554	411,646
Commissions and fees paid	(181,876)	(263,114)
Intermediation income	31,706	198,396
Other operating income	702,427	89,649
Administrative and marketing expense	<u>(2,686,915)</u>	<u>(2,635,462)</u>
Operating result	858,628	2,125,522
Equity in income (loss) of associates	<u>5,246</u>	<u>59,932</u>
Income before income taxes	863,874	2,185,454
Current income taxes	(233,088)	(432,123)
Deferred income taxes	<u>58,495</u>	<u>(117,803)</u>
	<u>(174,593)</u>	<u>(549,926)</u>
Net income	689,281	1,635,528
Non-controlling interest	<u>(53,623)</u>	<u>(82,669)</u>
Net income attributable to controlling interest	<u>\$ 635,658</u>	<u>\$ 1,552,859</u>
Earnings per share	<u>\$ 1.68</u>	<u>\$ 3.95</u>
Weighted average shares outstanding	376,667,890	392,219,424

See accompanying notes to unaudited condensed consolidated interim financial statements.

Unaudited Condensed Consolidated Interim
Statements of Changes in Stockholders’ Equity

For the nine months ended September 30, 2020 and 2019
 (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, 2019	\$ 660,154	\$ 1,407,522	\$ 4,206,685	\$ 132,030	\$ 6,561,118	\$ 128,622	\$ (30,073)	\$ 5,611	\$ 1,955,358	\$ 908,523	\$ 15,935,550
Repurchase of own shares	-	(222,023)	-	-	133,824	-	-	-	-	-	(88,199)
Transfer of prior year results	-	-	-	-	1,955,358	-	-	-	(1,955,358)	-	-
Dividend payment	-	-	-	-	(578,487)	-	-	-	-	-	(578,487)
Others	-	-	-	-	(1,986)	-	-	-	-	-	(1,986)
Total entries approved by stockholders	-	(222,023)	-	-	1,508,709	-	-	-	(1,955,358)	-	(668,672)
Changes affecting comprehensive income-											
Result from consolidation of minority interest companies	-	-	-	-	-	-	-	-	-	69,348	69,348
Result from valuation of cash flow hedging instruments	-	-	-	-	-	(532,367)	-	-	-	-	(532,367)
Cumulative translation effect	-	-	-	-	-	-	50,275	-	-	(198)	50,077
Re-measurements of employee defined benefits	-	-	-	-	(5,608)	-	-	-	-	-	(5,608)
Net income	-	-	-	-	-	-	-	-	1,552,859	82,669	1,635,528
Others	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(5,608)	(532,367)	50,275	-	1,552,859	151,819	1,216,978
Balances as of September 30, 2019	<u>\$ 660,154</u>	<u>\$ 1,185,499</u>	<u>\$ 4,206,685</u>	<u>\$ 132,030</u>	<u>\$ 8,064,219</u>	<u>\$ (403,745)</u>	<u>\$ 20,202</u>	<u>\$ 5,611</u>	<u>\$ 1,552,859</u>	<u>\$ 1,060,342</u>	<u>\$ 16,483,856</u>
Balances as of January 1, 2020	\$ 660,154	\$ 1,192,265	\$ 4,206,685	\$ 132,030	\$ 7,664,422	\$ (708,201)	\$ 5,489	\$ (18,174)	\$ 1,980,109	\$ 949,098	\$ 16,063,877
Changes arising from stockholder decisions-											
Transfer of prior year results	-	-	-	-	1,980,109	-	-	-	(1,980,109)	-	-
Dividend payments	-	-	-	-	(146,924)	-	-	-	-	-	(146,924)
Repurchase of own shares	-	(121,236)	-	-	58,792	-	-	-	-	-	(62,444)
Total entries approved by stockholders	-	(121,236)	-	-	1,891,977	-	-	-	(1,980,109)	-	(209,368)
Changes affecting comprehensive income-											
Result from consolidation of minority interest companies	-	-	-	-	-	-	-	-	-	160,288	160,288
Result from valuation of cash flow hedging instruments	-	-	-	-	-	557,415	-	-	-	-	557,415
Cumulative translation effect	-	-	-	-	-	-	517,872	-	-	-	517,872
Net income	-	-	-	-	-	-	-	-	635,658	53,623	689,281
Total comprehensive income	-	-	-	-	-	557,415	517,872	-	635,658	213,911	1,924,856
Balances as of September 30, 2020	<u>\$ 660,154</u>	<u>\$ 1,071,029</u>	<u>\$ 4,206,685</u>	<u>\$ 132,030</u>	<u>\$ 9,556,399</u>	<u>\$ (150,786)</u>	<u>\$ 523,361</u>	<u>\$ (18,174)</u>	<u>\$ 635,658</u>	<u>\$ 1,163,009</u>	<u>\$ 17,779,365</u>

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 nine months ended September 30, 2020 and 2019
(In thousands of Mexican pesos)

	Nine months ended September 30,	
	2020	2019
Net income	\$ 689,281	\$ 1,635,528
Adjustments for items that do not result in cash flows:		
Depreciation of furniture and fixtures	384,236	70,600
Amortization of intangible assets	90,489	49,671
Provisions	65,112	70,858
Income taxes current and deferred	(44,298)	549,927
Equity in (income) loss of associates	(5,246)	(59,932)
	<u>1,179,574</u>	<u>2,316,652</u>
Operating activities:		
Change in investment in securities	(849,991)	682,285
Change in derivatives (net)	(5,358,764)	(364,471)
Change in loan portfolio (net)	(1,099,112)	(6,911,126)
Change in other accounts receivables (net)	(2,693,734)	(1,483,996)
Change in foreclosed assets (net)	(21,401)	1,006
Change in other assets	(653,809)	208,433
Change in senior notes and notes payable	5,057,970	4,279,287
Change in bank loans	5,864,517	2,540,754
Acquisitions of property and equipment	(2,754,235)	-
Change in other accounts payable	365,110	(159,196)
Net cash flows from operating activities	<u>(2,143,449)</u>	<u>(1,207,024)</u>
Investing activities:		
Acquisitions of property and equipment	(312,469)	(462,283)
Increase (decrease) in investment shares	39,054	(162,576)
Net cash flows from investing activities	<u>(273,415)</u>	<u>(624,859)</u>
Financing activities:		
Dividends paid in cash	(146,924)	(578,487)
Repurchase of own shares	85,047	133,824
Other	-	(7,594)
Net cash flows from financing activities	<u>(61,877)</u>	<u>(452,257)</u>
Net (decrease) increase in cash and cash equivalents	(1,299,167)	32,512
Effect for change in the value of cash and equivalents	517,872	49,984
Cash and cash equivalents at beginning of the period	<u>1,180,868</u>	<u>575,719</u>
Cash and cash equivalents at end of the period	<u>\$ 399,573</u>	<u>\$ 658,215</u>

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As of September 30, 2020 and December 31, 2019 and for the period of nine months ended September 30, 2020 and 2019

(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 (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 lending which has diversified business platform integrated mainly by five business lines: (i) payroll lending, (ii) consumer 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 origination 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 directly by Crédito Real ceased as of July 2017, 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 1,940 promoters and 194 branches. Used car loans are granted to finance preowned automobiles to individuals in Mexico and USA mainly on the Hispanic-American market with limited credit history in the United States of America (“EUA”): CR USA Finance (formerly AFS Acceptance), which has around 1,591 distributors in 28 US states. The Entity has a presence in Costa Rica, Nicaragua and Panama with the brand Instacredit, through a network of 65 branches and more than 131 promoters. Instacredit is a recognized brand in Central America, with more than 20 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 the distributors 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 administering 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.

SMEs Loans, Factoring and Leasing

Through CReal Arrendamiento the Entity finance SMEs businesses in Mexico, granting loans, factoring and operating leasing in according of each customer needs. The Entity owns 49% of CReal Arrendamiento and controls its operation.

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 (SMEs) 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 7 partnerships have been executed with distributors in more than 735 points of sale. Additionally, the Entity has a 51% holding in CR-Fact, S.A.P.I. de C.V. which operates under the brand "Drive & Cash" and "Toma Uno", which is engaged in offering financing through the warranty of automobiles and commercial vehicles. As of September 30, 2020, the distribution network of CR-Fact is composed of 20 branches and 506 agreements located in 32 States Nationwide.

The Entity has a majority stake in a credit operator for used cars doing business as "CR USA Finance". Such operator has a service platform which enables it to operate in 28 states throughout the US, and also operating agreements in place with more than 1,591 distributors in that country.

Consumer Loans

On February 22, 2017, 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 on the same type of customer segment that it serves in Mexico, the middle and low income segment of the population unattended by the traditional banking system.

As of September 30, 2020, Instacredit contributed 24.4% of the Entity's consolidated income. It also represented 11.1% of the total credit portfolio. Instacredit has a recognized brand with a multiproduct platform, with 20 years of experience and 65 branches located in Costa Rica, Nicaragua and Panama with a customer base of 154,268. 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 1,940 promoters in a network comprising 194 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 under the group lending methodology 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 non 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 2020 -

- a) January 27, 2020. Crédito Real announces the cancellation of 3,000,000 ordinary, nominative, single series, Class II shares, representing the variable portion of the Company’s capital stock. The Shares represent 0.8% of the company’s capital stock and were acquired through Crédito Real’s stock buyback program.
- b) April 24, 2020. Crédito Real signs a credit line for US\$50,000,000 with a one-year term, with BNP Paribas.
- c) April 27, 2020. Crédito Real launches a Medium-Term Note Program (“MTN Program”) for up to US\$1.5 billion. The MTN Program will provide Crédito Real with access to a wide array of debt securities (notes) in various international markets, currencies and maturities. BNP Paribas and SMBC Nikko acted as arrangers for the MTN Program.
- d) May 4, 2020. Crédito Real obtains Ps.625 million from a credit line with the Japanese bank Sumitomo Mitsui Banking Corporation (SMBC).
- e) May 29, 2020. Crédito Real announces the renewal of two lines of credit for Ps.2,200 million with two of the largest banks in Mexico (Ps.1,500 million with Citibanamex and Ps.700 million with BBVA).
- f) May 29, 2020. Crédito Real obtains Ps.800 million from a credit line with Banco Santander México, after such institution authorized a new credit line, with a 4-year term.
- g) June 22, 2020. Japan Credit Rating Agency (“JCR”) assigns “BBB-” credit rating on global scale with a “Stable” outlook to Crédito Real’s MTM Program. Additionally, JCR affirmed the Company’s “BBB-” long-term issuer rating with a “Stable” outlook.
- h) June 25, 2020. Crédito Real is included in the "S&P/BMV Total Mexico ESG Index", the new ESG index launched by S&P Dow Jones Indices ("S&P DJI") and the Mexican Stock Exchange ("BMV"), which seeks to raise awareness among investors regarding the most representative shares of the BMV which meet ESG (“Environmental, Social, and Governance”) investment objectives, in order to encourage sustainability without reducing profitability.

- i) July 23, 2020. Crédito Real informs the beginning of an alliance with Grupo Famsa, S.A.B. de C.V. ("Grupo Famsa") in order to consolidate Crédito Real's presence in the north of Mexico. This alliance will strongly contribute to the following: i) sum the remarkable expertise and financial strength of Crédito Real with the knowledge and commercial presence of Grupo Famsa on the aforementioned products (payroll lending and consumer loans) and their respective markets; and, ii) contribute with over \$3,500 million pesos annually of expected origination from those products.
- j) September 14, 2020. Crédito Real engages with Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México ("Santander") as market maker. The purpose of the agreement is for Santander to intervene in the equity market to bolster liquidity, establish reference prices and contribute to the stability and continuity of Crédito Real's stock price.
- k) September 30, 2020. Crédito Real signed a new credit line for US\$50'000,000 for a 15-month term with Barclays. Additionally, the Entity arranged a senior unsecured financing for US\$25'000,000 for a 3-year term with ResponsAbility, an investment management company focused on microfinance and small, and medium-sized enterprises financing.
- l) During the 2Q 20 Crédito Real begins to consolidate CREAL Arrendamiento due to the control gained mainly because of the concentration of debt that CREAL Arrendamiento has with Crédito Real and due to having senior management personnel on making decision positions from Crédito Real. Additionally the Entity enter into a contract for the sale of shares through which it will acquire 26% of the capital stock of CREAL Arrendamiento for an amount of \$30,000 (the "intention payment"), this share participation increase should be finalized during the first semester of 2021. This transaction is considered as a business combination within the scope of NIF B-7, considering that immediately before the share purchase these entities were not under common control.

As a result of the foregoing, in relation to the analysis carried out by the Entity's management, the following assets and liabilities were identified at fair value:

	Amount
Transaction consideration paid	\$ 30,000
Recognized amounts of identifiable assets and liabilities assumed as of March 31, 2020 (unaudited):	
<i>Balance Sheet</i>	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 62,867
Other accounts receivable	3,216
Loan portfolio	5,916,843
Property furniture and fixtures	3,038,933
Other Assets	688,811
Total Assets	<u>9,710,670</u>
Short term liabilities	(9,583,323)
Long term liabilities	<u>-</u>
Total Liabilities	<u>(9,583,323)</u>
Fair Value of prior investment	<u>62,400</u>
Non controlling interest	<u>(31,850)</u>
Net assets acquired	<u>\$ 30,550</u>
Goodwill	<u>\$ (550)</u>

Results recognized for the period from January 1 to March 31, 2020 (unaudited):

	Amount
<i>Statement of Income</i>	
Total revenues	\$ 134,046
Interest expenses	(71,581)
Provisions for loan losses	<u>15,540</u>
Financial margin after provisions for loan losses	78,005
Operating expenses	(57,762)
Other operating income	<u>5,929</u>
Net income	<u>\$ 26,172</u>

Accounting effects to acquisition of CREAL Arrendamiento:

At the close of 1Q-2020, the Entity is still in the analysis, identification and recognition of intangible assets in the course of three months subsequent to the acquisition, in accordance with NIF B-7, not identifying additional intangibles to those indicated in the previous paragraph.

During the period from the date of its acquisition until March 31, 2020, CReal Arrendamiento has contributed interest income of \$ 134,046 and a net profit of \$ 26,172, consolidated amounts that are reported in the income statement. Combined interest income and combined net income for 1Q-2020 (Crédito Real consolidated and CReal Arrendamiento), estimated effect to the acquisition if they had been made as of January 1, 2020, are \$ 303,169 and \$ (11,017) respectively.

- m) Since the beginning of the pandemic, a series of initiatives and measures have been implemented to mitigate the impact of COVID-19 in our portfolio, as well as supporting our clients, case by case, to overcome this difficult situation. In this sense, among the mitigation measures are payment deferrals and the extension of loans, especially to our clients in the SME segments. Additionally, stricter origination standards were implemented, through the definition of a specific credit profile (active clients with solid credit history, AAA credit profiles or, for salaried workers). These actions have allowed us to maintain a stable performance in each of our business lines, which have begun to show signs of recovery.

In the case of Instacredit, the decision was made to implement the “Support for Current Portfolio” initiative, this initiative was structured so that qualifying clients will not have their credit history affected due to a temporary reduction in their income. This initiative corresponded to a default freeze carried out by Instacredit that ranged from April to June 2020. The behavior of the past due portfolio experienced from March to September (4.7% March, 1.3% June, 4.1% September), has been consistent with the financial projections made by Instacredit management when implementing this program at the beginning of the pandemic. From April to September, an average of 6,367 clients participated in this initiative, representing on average for the same period 10.02% of portfolio amount. The NPL for September improved to 4.1% this year versus 5.0% in the same month last year. The estimated impact in revenues related with the current customers that qualified into the mentioned program is ~\$111.5 million pesos from April to September, Instacredit also showed an increase in charge offs due to the Covid-19 impact estimated in \$65 million pesos.

Regarding the Autos Portfolio, assistance was established with those clients who had outstanding debts by making an intention payment equivalent to one amortization, this brings it up to date and said debt becomes enforceable at the end of the contract term. From April to September 2020, an average of 352 clients were registered in this relief program, representing an average 3.5% of the car portfolio amount in these 6 months. The NPL for Autos in September of this year is 1.0% compared to 1.2% in the same month last year, however the main impact in Autos corresponds to the revenue decrease of ~\$16.6 million pesos considering the period of April to September that represents 5.3% of the interest income in this portfolio.

Relief programs such as the deferral of a monthly payment were also carried out in the US businesses, supporting an average of 680 and 2,020 clients in SME's and Used Cars, respectively, during the period from April to September. The portfolio with relief programs in SME's was 25.96% of the portfolio amount and in Used Cars was 30.81% during the same period mentioned previously.

For SME's in Mexico, the relief programs were mainly granted in the Leasing business where the service segment customers like hospitality services have been impacted severely. In this case, the Entity through CReal Arrendamiento granted some measures to support their customers mainly with rent payment reductions and in specific cases grace periods. The financial impact from April to September of this program in that company was around \$130 million pesos a decrease in Other Incomes from Operations.

In the Payroll Discount business line, the collection was constant and as business usual through the distributors, the stet was provided through the granting of new credits to cover the relief program in IMSS Retirees and Pensioners Law where discounts corresponding to the months of May, June and July 2020 were reimbursed through these new credits that are at zero rate and will be collected in the three months following end of each contract. From April to September, the impact to financing this program represented \$29.0 million pesos as a funding cost. Other impacts in Payroll Discount business could be attributed to the COVID-19 crisis during these months, such as the lower origination due the market conditions, effects in pricing by focusing on existing customers due renewals or top-ups and the increase in NPLs; the estimated amount of those impacts are around the \$310 million pesos of lower interest income for the period.

Finally, it's important to mention that macroeconomics are an important element to consider in the performance of the different business lines and the whole company that continue to serve their customers in different geographies and keep their employees working safe in a challenging environment, the Entity made some investments in order to accomplish with the health standards established defined authorities during this pandemic that has not been material in economic terms but represents an important technologic improvement.

2. Basis of presentation

Interim financial statements - The accompanying unaudited condensed consolidated interim financial statements as of September 30, 2020 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, 2019.

Monetary unit of the financial statements - The unaudited condensed consolidated interim financial statements and notes as of September 30, 2020 and December 31, 2019, and for the nine months ended September 30, 2020 and 2019 include balances and transactions with 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	
	2020	2019
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.	99.98%	99.99%
CRholdingint, S.A. de C.V.	99.96%	99.99%
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%
Fideicomiso irrevocable de emisión, administración y pago No. 4217	100.00%	-

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	USD dollar	USD dollar	Mexican peso
CR Seg	USD dollar	USD dollar	Mexican peso
Marevalley Corporation (Instacredit)	USD dollar	USD dollar	Mexican peso
Crédito Real Honduras	Lempira	USD 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 September 30, 2020 and 2019, 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.

Classification of costs and expenses - These are presented in accordance with their function consistent with 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.

4. Investments in securities

As of September 30, 2020 and December 31, 2019, investments in securities were as follows:

	September 30, 2020		
	Amount invested	Rate	Amount
Investments in Mexican pesos:			
Bank promissory notes (a)	\$ 543,083	3.69%	\$ 543,083
Commercial paper (b)	<u>52,894</u>	3.00%	<u>52,894</u>
Total securities to trade in Mexican pesos	595,978		595,978
Investments in foreign currency USD:			
Bank promissory notes (c)	<u>1,548,372</u>	0.22%	<u>1,548,372</u>
Total securities to trade in dollars	<u>1,548,372</u>		<u>1,548,372</u>
Total investments in securities	<u>\$ 2,144,349</u>		<u>\$ 2,144,349</u>
	2019		
	Amount invested	Rate	Amount
Investments in Mexican pesos:			
Bank promissory notes	\$ 410,654	6.78%	\$ 410,654
Government paper	743,179	7.33%	743,179
Commercial paper	<u>47,329</u>	6.29%	<u>47,329</u>
Total securities to trade in Mexican pesos	1,201,162		1,201,162
Investments in foreign currency USD:			
Bank promissory notes	<u>93,196</u>	2.38%	<u>93,196</u>
Total securities to trade in dollars			
Total investments in securities	<u>\$ 1,294,358</u>		<u>\$ 1,294,358</u>

As of September 30, 2020, investments in trading securities denominated in Mexican pesos are comprised as follows:

- (a) Investments in bank debt, with maturities a one-day maturity, for a total value of \$543,083.
- (b) Investments in corporate debt with a one-day maturity, for a total value of \$52,894.
- (c) Investments in bank deposits between one to 360 days for a total value of \$1,548,372.

5. Financial derivative 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 September 30, 2020, there are not foreign currency deposits delivered to the counterparty regarding to the margin calls.

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 hedged item are valued at fair value and are recognized in earnings; (2) when they are cash flow hedges, the effective portion of the fair value 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.

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.

Syndicated line relationship (figures in USD dollars expressed in thousands)

On February 21, 2020, this instrument was settled for the amortization of USD \$ 44,000 of the total debt contracted with Credit Suisse for USD \$ 110,000 (Syndicated Line), for an amount of MXP \$ 216,418 (equivalent to USD \$ 9,773) as an expense.

Senior Notes Relationship with maturity in 2023 (figures in USD 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 USD dollars to one payable in Mexican pesos at a variable rate. The issue of the Senior Notes maturing in 2023 was for USD \$625,000, while the financial derivatives were only contracted for a portion of the amount exposed.

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.

On March 4, 2019, the Entity contracted a Coupon-Only Swap and Call Spread with Morgan Stanley to hedge both the notional amount and interest of part of the 2023 Senior Notes. This instrument was contracted for an amount equal to \$50 million dollars, at an exchange rate of 19.3000 pesos per USD dollar, with commencement on January 22, 2019 and maturity on July 20, 2023. The Coupon-Only Swap has a fixed rate of 11.72% denominated in Mexican pesos, while the Call Spread is composed by a long call with an agreed value of \$19.30 and a short call of \$27.00.

On March 8, 2019, the Entity contracted a Coupon-Only Swap and Call Spread with BNP Paribas to hedge both the notional amount and interest of part of the 2023 Senior Notes. This instrument was contracted for an amount equal to \$25 million dollars, at an exchange rate of 19.4900 pesos per USD dollar, with commencement on March 12, 2019 and maturity on July 20, 2023. The Coupon-Only Swap has a fixed rate of 11.80% denominated in Mexican pesos, while the Call Spread is composed by a long call with an agreed value of \$19.49 and a short call of \$27.00.

In October, the Entity brought forward the settlement of the Cross Currency Swap derivative contracted with Morgan Stanley and the derivative contracted with Barclays to leave an outstanding notional amount of USD \$25,000 after a debt prepayment. Following the change to this hedged item, the Entity restructured its current hedge ratios, leaving two Cross Currency (UBS and Banamex) Swaps as cash flow hedges, one fair value hedge (Deutsche Bank) and the Cross Currency instrument contracted with Barclays, divided into a 47% cash portion and a 53% fair value portion.

Characteristics of CCS	Barclays 9010978	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Currency A:	Dollars (USD)	Dollars (USD)	Dollars (USD)	Dollars (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Obligated to pay fixed rate for amounts in currency A:	Barclays	UBS	Banamex	Deutsche Bank
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR	CR	CR
Date of transaction:	October 9, 2019	August 5, 2016	July 20, 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
Starting date:	July 20, 2023	July 20, 2016	July 20, 2023	July 20, 2016
Maturity date:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Reference amount in currency A:	USD 25,000	USD 100,000	USD 100,000	USD 125,000
Reference amount in currency B:	MXN \$472,250	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
Fixed rate for amounts in currency A:	7.25%	7.25%	7.25%	7.25%
Spread	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
Payment dates currency A:	The 20 th day of every January and July as of January 20, 2020	The 20 th day of every January and July as of July 20, 2016	The 20 th day of every January and July as of July 20, 2016	The 20 th day of every January and July as of July 20, 2017
Settlement date currency A:	July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Payment dates currency B:	Every 28 days as of November 6, 2019	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
Spread Currency B:	6.13%	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
Market value MXN (thousands)	\$ 117,647	\$ 465,666	\$ 467,508	\$ 585,669
Market value USD (thousands)	\$ 5,313	\$ 21,029	\$ 21,112	\$ 26,448
Collateral MXN	\$ -	\$ -	\$ -	\$ -

Characteristics of IRS	Credit Suisse 9003699	Barclays 9009053	Morgan Stanley OZNIJ	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, 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)	\$ (107,074)	\$ (71,672)	\$ (67,455)	\$ (33,719)
Market value USD (thousands)	\$ (4,835)	\$ (3,237)	\$ (3,046)	\$ (1,523)

Characteristics de CCS	Morgan Stanley ID PHE7D	BNP Paribas ID MD21303775	Detail of the option	Morgan Stanley ID WAW1A
Currency A:	Dollar (USD)	Dollar (USD)	Style of Option:	European Compra USD / Venta USD
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Type of option	Call Largo/ Call Corto
Obligated to pay fixed rate for amounts in currency A:	Morgan Stanley	BNP	Currency and amount of call	USD 50,000
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR	Currency and amount of put:	USD 50,000
Date of transaction:	March 4, 2019	March 8, 2019	Floor rate:	\$ 19.30
Start date:	At the start and at maturity	At the start and at maturity	Cap rate:	\$ 27.00
Maturity date:	January 20, 2019	March 12, 2019	Maturity date:	July 20, 2023
A currency settlement date A:	July 20, 2023	July 20, 2023	Day of payment	July 20, 2023
A currency settlement date B:	USD 50,000	USD 25,000	Premium:	-
Fix rate for the amount in currency B for the first period:	MXN \$965,000	MXN \$487,250	Market value MXN (miles)	\$ 182,820
Floating rate of fix for currency A:	\$19.3000 MXN per USD	\$19.49 MXN per USD	Market value USD (miles)	\$ 8,256
Spread	7.25%	7.20%		
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	N/A	N/A	Detail of the option	BNP ID MD21303775
A currency payment dates A:	30/360	30/360		
A currency settlement date A:	The 20th day of every month	The 20th day of every month	Style of Option:	European Compra USD / Venta USD
A currency payment dates B:	March 13, 2019	March 13, 2019	Type of option:	Call Largo/ Call Corto
Floating or fixed rate for currency B:	Every 28 days as of January 20, 2019	Every 28 days as of March 12, 2017	Currency and amount of call:	USD 25,000
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	8.00%	11.8%	Currency and amount of put:	USD 25,000
Market value MXN (thousands)	Actual/360	Actual/360	Floor rate:	\$ 19.49
Market value USD (thousands)	\$ 34,096	\$ 16,514	Cap rate:	\$ 27.00
	\$ 1,540	\$ 746	Maturity date:	July 20, 2023
			Day of payment	July 20, 2023
			Premium:	-
			Market value MXN (miles)	\$ 87,837
			Market value USD (miles)	\$ 3,967

As of September 30, 2020, the fair value of the Cross Currency Swaps in relation to the hedging of the Senior bonds maturing in 2023 is MXP \$ 1,636,491 (equivalent to USD \$ 73,903 USD dollars), which was recorded as an asset with its counterparty to the supplementary account of stockholders' equity through comprehensive income (due to the portion as hedge of cash flow) for MXP \$ 988,479 (equivalent to USD \$ 1,452 USD dollars), and additionally, with a credit of MXP \$ 648,012 (equivalent to USD \$ 29,264 dollars Americans) as a gain in the income statement (due to the fair value hedge portion). The effect as of December 31, 2019 recognized in net assets is MX \$257,625 (equivalent to USD \$11,634) and the exchange rate gain plus the accrued interest comes to MX \$730,854 (equivalent to USD \$33,005), which amount is recognized in the statement of income. The effect as of December 31, 2019 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 \$648,012 (equivalent to USD\$29,269).

As of September 30, 2020, the fair value of the interest rate swaps for the Senior Notes 2023 in a hedging relationship is MX \$(279,920) (\$12,641 USD dollars), which was recorded as a liability with a debit to the stockholders' equity supplemental account through comprehensive income. The effect as of September 30, 2020 recognized in equity is MX \$(274,790), (\$12,409) USD dollars). and in the statement of income with an effect of MX \$5,730 (equivalent to USD \$259) due to the accrued interest.

At September 30, 2020, the fair value of the Coupon Only Swap with a Call Spread for the hedging relationship of the Senior Notes with maturity in 2023 is \$ 321,268 (equal to USD \$ 14,508), which was recorded as an asset. At September 30, 2020, the effect recognized in equity is \$(26,852) (equal to USD \$ 1,213), while an effect was recognized in the statement of income as an intermediation profit due to the option value of \$ 270,657 (equal to USD \$ 12,223) for the Call Spread. The effect reclassified to the statement of income as income derived from accrued interest is \$ 23,759 (equal to USD \$ 1,073). At the start of the derivative instrument, a liability of \$ 246,157 (equal to USD \$ 11,116) was recorded for the premium cost, which has been settled by applying a credit of MXP \$90,870 (equal to USD \$ 4,104) to results.

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	USD dollars
2020	\$ (269,230)	\$ (12,158)
2021	\$ (266,496)	\$ (12,035)
2022	\$ (270,663)	\$ (12,223)
2023	\$ 816,675	\$ 36,881

Perpetual Bond Relationship (figures in USD 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 accrued interest at a fixed rate of 9.125%.

On December 5, 2018, 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 THIE) 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	Credit Suisse 9003980
Currency A:	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Barclays	CR
Required to pay fixed rate amounts in currency B:	CR	Credit Suisse
Transaction date:	December 5, 2017	December 5, 2017
Reference exchange amount in both currencies:	At the beginning and at Maturity	At the beginning and at Maturity
Start date:	November 29, 2019	November 29, 2019
Maturity date:	November 29, 2022	November 29, 2022
A currency settlement date A:	USD 65,000	USD 65,000
A currency settlement date B:	MXN \$1,216,800	MXN \$1,216,800
	\$18.7200 MXN per	\$18.7200 MXN per
Fixed rate for the amount in currency B for the first period:	USD	USD
Floating rate for currency A:	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

Characteristics of CCS	Barclays 9009347	Credit Suisse 9003980
A currency payment dates A:	Half - year as November 29, 2018	Half - year as November 29, 2019
A currency settlement date A:	November 29, 2019	November 29, 2022
A currency payment dates B:	Every 28 days as of November 29, 2018	Every 28 days as of November 29, 2019
Floating or fixed rate for currency B:	TIE28D	TIE 28D
Spread currency B:	3.57%	3.60%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360
Market value MXN (thousands)	\$ 121,309	\$ 120,628
Market value USD (thousands)	\$ 5,478	\$ 5,447
Collateral MXN	\$ -	\$ -

Characteristics of CCS	Morgan Stanley HL0U0
Currency A:	Dollar (USD)
Currency B:	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Morgan Stanley
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	December 5, 2017
Reference exchange amount in both currencies:	N/A
Start date:	November 29, 2019
Maturity date:	November 29, 2022
Reference amount in currency A:	USD 100,000
Reference amount in currency B:	MXN \$1,872,000
Exchange rate used to calculate reference amount in currency B:	\$18.7200 MXN per USD
Fixed rate for amounts in currency A:	9.13%
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360
Payment dates currency A:	Half - year as November 29, 2019
Settlement date currency A:	November 29, 2022
Payment dates currency B:	Every 28 days as of November 29, 2019
Floating rate for amounts in currency B:	TIE 28D
Spread currency B:	3.60%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360
Market value MXN (thousands)	\$ 174,587
Market value USD (thousands)	\$ 7,884

As of September 30, 2020, the fair value of derivatives related to perpetual bond hedge is MX \$416,524 (equivalent to USD \$18,810 dollars), which was recorded as an asset and income in the income statement.

CHF Bond Relationship (figures in USD 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.

On March 8, 2019, the Entity contracted a coupon-only swap and call spread with BNP Paribas to hedge both the notional amount and interest as part of a Swiss bond with maturity in 2022. This instrument was contracted for an amount equal to 20 million Swiss francs, at an exchange rate of 19.3500 pesos per Swiss franc, with commencement on March 12, 2019 and maturity on February 7, 2022. The coupon-only swap has a 9.45% fixed interest rate denominated in Mexican pesos, while the call spread consists of a long call with an agreed value of \$19.35, together with a short call of \$25.00.

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:	February 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:	February 9, 2018	February 9, 2018	February 9, 2018	February 9, 2018
Maturity date:	February 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 9,2018	Annually as of February 9,2018	Annually as of February 9,2018	Annually as of February 9, 2018
A currency payment dates A:	February 9, 2022	February 9, 2022	February 9, 2022	February 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)	\$ 147,061	\$ 147,928	\$ 148,642	\$ 110,868
Market value USD (thousands)	\$ 6,641	\$ 6,680	\$ 6,713	\$ 5,007
Collateral MXP	\$ -	\$ -	\$ -	\$ -

Trading characteristics	BNP Paribas ID MD21304233
Currency A:	
Currency B:	Swiss Franc (CHF)
Required to pay amounts in currency A:	Mexican Pesos (MXN)
	BNP
Required to pay amounts in currency B:	CR
Transaction date:	March 9, 2019
Reference exchange amount in both currencies:	At the beginning and at Maturity
Start Date:	March 12, 2019
Maturity date:	February 9, 2022
A currency settlement date A:	CHF \$20,000
A currency settlement date B:	MXN \$387,000
Fixed rate for the amount in currency B for the first period:	\$19.35 MXN por CHF
Floating rate for currency A:	2.88%
Spread	N/A
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360
A currency payment dates A:	Yearly
A currency settlement date A:	February, 9 2019
Payment dates currency B	Every 28 days as of February 9, 2019
Floating rate for amounts un currency B (call spread premium implicit in rate):	9.45%
	The call spread premium is implicit in the rate
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360
Market value MXN (thousands)	\$ 10,629
Market value USD (thousands)	\$ 480

Detail of the Option	BNP ID MD21304233
Style of Option:	European
Type of option	Purchase CHF / Sell CHF
Currency and amount of call	Call Long/ Call Short
Currency and amount of put:	USD 20,000
Floor rate:	USD 20,000
Cap rate:	\$ 19.35
Maturity date:	\$ 25.00
Day of payment	February 20, 2022
Premium:	February 20, 2022
Market value MXN (miles)	-
Market value USD (miles)	\$ 79,520
	\$ 3,591

As of September 30, 2020, the fair value of the Cross Currency Swaps in relation to the hedge of the CHF Bond maturing in 2022 is MXP \$554,499 (equivalent to USD \$23,007, which was recorded as an liability, against an impact as a loss other comprehensive income of MXP \$94,194 (equivalent to USD \$4,254) due to the portion as a cash flow hedge, as a loss in profit or loss of MXP \$110,868 (equivalent to USD \$5,007) due to the portion as a fair value hedge and as a loss in profit or loss of MXP \$537,825 (equivalent to USD \$24,292) due to the exchange rate and accrued interests. The effect as of September 30, 2020 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 \$110,868 (equivalent to USD \$5,007).

At September 30, 2020, the fair value of the Coupon Only Swap with a Call Spread related to the hedges contracted for the CHF Bonds with maturity in 2022 is \$ 90,149 (equal to USD \$ 3,740), which was recorded as an asset. At September 30, 2020, the effect recognized in equity is \$ 2,343 (equal to USD \$ 97,232), while the effect recognized in the statement of income for intermediation is a profit, due to the option value of \$ 7,975 (equal to USD \$ 360) for the Call Spread. The effect reclassified in the statement of income as income derived from accrued interest is \$ 8,285 (equal to USD \$ 374). At the start of the derivative instrument, a liability was recorded for the premium cost of \$ 71,545 (equal to USD \$ 3,2312), which has been settled by applying a credit of MXP \$36,746 (equal to USD \$ 1,660) to results.

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
2020	\$ (81,588)	\$ (3,684)
2021	\$ (257,535)	\$ (11,630)
2022	\$ 247,273	\$ 11,167

Second syndicated credit line with maturity in 2022 (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate at interest rate fluctuations applicable to the credit line contracted with Credit Suisse for the amount of USD \$110,000 on August 21, 2019, which will be payable on August 5, 2022 at the monthly Libor rate plus 4%, with an initial exchange rate of 19.6250.

On August 22, 2019, the Entity contracted a Cross Currency Swap with Credit Suisse AG, Cayman Islands Branch ("CS") at the rate of \$19.6250 Mexican pesos per USD dollar, whereby it obtains a floating LIBOR interest rate plus 4% and pays interest at a fixed rate of 10.99% denominated in Mexican pesos, with interest rate and principal payment swaps to hedge the credit line contracted with Credit Suisse.

For accounting purposes, the Entity has designated this derivative financial instrument as a cash flow hedge, recording changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portion and the respective amounts in the statement of income when forecast hedged cash flows affect the results of the year.

Characteristics of CC	Credit Suisse ID 9004706
Currency A:	Dollar (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:	August 22, 2019
Reference exchange amount in both currencies:	N/A
Start date:	August 21, 2019
Maturity date:	August 5, 2022
A currency settlement date A:	USD 110,000
A currency settlement date B:	MXN \$2,158,750
Fixed rate for the amount in currency B for the first period:	\$19.6250 MXN per USD
Floating rate for currency A:	USD-LIBOR-BBA
Spread	4.00%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A::	Actual/360
A currency payment dates A:	Half year, as August 21 de 2019
A currency settlement date A:	N/A
A currency payment dates B:	Every 28 days, as of August 2,1 2019
Floating or fixed rate for currency B:	10.99%
Spread currency B:	Actual/360
Market value MXN (thousands)	\$ 235,523
Market value USD (thousands)	\$ 10,636
Collateral MXN	\$ -

As of September 30, 2020 the fair value of the aforementioned financial derivatives for the syndicated hedging relationship is MXP \$ 235,523 (equivalent to USD \$ 10,636), which was recorded as an asset with a credit to the complementary account of stockholders' equity with the effect of the period through comprehensive income. The effect as of September 30, 2020 recognized in equity is a debit of MXP \$ (47,116) (equivalent to USD \$ (2,128)), and the effect to the intermediation result as interest loss and accumulated exchange effect is MXP \$ 282,639 (equivalent to USD \$ 12,764).

The periods in which the cash flows derived from the derivatives in relation to the hedge of the syndicate line are expected to occur and impact the income statement are as follows:

Year	Pesos	USD Dollars
2020	\$ (109,954)	(4,965)
2021	\$ 27,474	1,241
2022	\$ 35,364	1,597

Senior Notes with maturity in 2026 (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate at interest rate fluctuations applicable to the 2026 Notes for the amount of USD \$400,000, contracted on February 7, 2019 and with maturity in 2026 and a fixed 9.5% interest rate payable half-yearly.

On February 26, 2019, the Entity contracted a derivative financial instrument composed by a Cross Currency Swap with Barclays to hedge both the notional amount and interest of part of the 2026 Senior Notes. This instrument was contracted for an amount equal to \$150 million dollars, at an exchange rate of \$19.1735 pesos per dollar, a fixed interest rate of 15.84% denominated in Mexican pesos, with commencement on February 7, 2019 and maturity on February 7, 2026.

On February 27, 2019, the Entity contracted a Cross Currency Swap with Goldman Sachs to hedge both the notional amount and interest of part of the 2026 Senior Notes. This instrument was contracted for an amount equal to \$150 million dollars, at an exchange rate of \$19.2458 pesos per dollar, a fixed interest rate of 15.75%, denominated in Mexican pesos, with commencement on February 7, 2019 and maturity on February 7, 2026

For accounting purposes, the Entity has designated this derivative financial instrument as a cash flow hedge, recording changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portion and the respective amounts in the statement of income when forecast hedged cash flows affect the results of the year.

Characteristics of CCS	Barclays ID 9010142	Goldman Sachs ID SDBB7MM333PLZHZZP11
Currency A:	Dollars (USD)	Dollars (USD)
Currency B:	Mexican pesos (MXN)	Mexican Pesos (MXN)
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
Reference amount in currency A:	USD 150,000	USD 150,000
Reference amount in currency B:	MXN \$2,876,025	MXN \$2,886,870
Fixed rate for the amount in currency B for the first period::	\$19.1735 MXN per USD	\$19.2458 MXN per USD

Characteristics of CCS	Barclays ID 9010142	Goldman Sachs ID SDBB7MM333PLZHZZP111
Floating rate for amounts in currency A:	Fixed	Fixed
Spread	9.50%	9.50%
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 of February 7, 2019	Half year, as of February 7, 2019
Settlement date currency A:	February 7, 2026	February 7, 2026
Payment dates currency B:	Every 28 day, As March 19, 2019	Every 28 day, As March 19, 2019
Floating rate of fixed rate for amounts in currency B:	15.84%	16.02%
Fraction for the count of days applicable to the floating rate to fixed for amounts in currency B:	Actual/360	Actual/360
Market value MXN (thousands)	\$ 622,444	\$ 539,419
Market value USD (thousands)	\$ 28,109	\$ 24,360
Collateral MXN	\$ -	\$ -

As of September 30, 2020 the fair value of the Cross Currency Swaps in relation to the hedge of the Senior Note 2026 is MXP \$1,161,863 (equivalent to USD \$52,469 which was recorded as an asset, against an impact is gain in the comprehensive income. The effect as of September 30, 2020 recognized in the consolidated statement of income for the hedged item. The effect as of September 30, 2020 recognized in equity is a debit of MXP \$ 258,856 (equivalent to USD \$ 11,690 USD dollars), and the effect to the intermediation result as interest loss and accumulated exchange effect is MXP \$ 903,007 (equivalent to USD \$ 40,779).

The periods in which the derivative's cash flows are expected to occur in the syndicated hedge relationship and have an impact on the income statement are as follows:

Year	Pesos	USD dollars
2020	\$ 177,266	8,005
2021	\$ 153,524	6,933
2022	\$ 132,784	5,996
2023	\$ 113,496	5,125
2024	\$ 95,572	4,316
2025	\$ 78,647	3,552
2026	\$ (492,433)	(22,238)

Senior Notes with maturity in 2027 (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate and interest rate fluctuations applicable to the 2027 Notes for the amount of €350,000 offered on international markets. These instruments were contracted on October 1, 2019, with maturity in 2027 and a fixed 5.00% interest rate payable half-yearly.

On October 1, 2019, the Entity contracted two derivative financial instruments (Principal-Only Swap and Coupon-Only Swap) with Barclays to hedge both the notional amount and interest of part of the 2027 Senior Notes. This instrument was contracted for an amount equal to €150 million, at an exchange rate of \$21,4706 pesos per euro, a fixed 11.33% interest rate denominated in Mexican pesos, with commencement on October 1, 2019 and maturity on February 1, 2027.

On October 1, 2019, the Entity contracted two derivative financial instruments (Principal-Only Swap and Coupon-Only swap) with Morgan Stanley to hedge both the notional amount and interest of part of the 2027 Senior Notes. This instrument was contracted for an amount equal to €150 million, at an exchange rate of \$21,4550 pesos per euro, a fixed 11.33% interest rate denominated in Mexican pesos, with commencement on October 1, 2019 and maturity on February 1, 2027.

For accounting purposes, the Entity has designated the above derivative financial instruments as cash flow hedges, recording changes in the fair value of these derivatives in other comprehensive income and reclassifying any ineffective portion and the respective amounts to other comprehensive income when forecast hedged cash flows affect the results of the year.

Characteristics de CCS	Barclays ID 9010994	Morgan Stanley ID AQOKP
Currency A:	Euros (EUR)	Euros (EUR)
Currency B:	Mexican Pesos (MXN)	Mexican PESos (MXN)
Obligated to pay fixed rate for amounts in currency A:	Barclays	Morgan Stanley
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR
Date of transaction::	October 1, 2019	October1, 2019
Reference exchange amount in both currencies:	N/A	N/A
Start date:	October 1,2019	October 1, 2019
Maturity date:	February 1, 2027	February 1,2027
A currency settlement date A:	EUR 150,000	EUR 150,000
A currency settlement date B:	MXN \$3,220,596	MXN \$3,368,250
Fixed rate for the amount in currency B for the first period:	\$21,4706 MXN per EUR	\$21,4550 MXN per EUR
Floating rate for currency A::	5%	5%
Spread	N/A	N/A
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Act/Act Half year, as February 1 de 2020	Act/Act Half year, as February 1, 2020
A currency payment dates A:	February 1,2027	February 1, 2027
A currency settlement date A:	Every 28 days, as of November 2019	Every 28 days, as of November 1, 2019
A currency payment dates B:	11.33%	11.33%
Floating or fixed rate for currency B:	Actual/360	Actual/360
Spread currency B:		
Market value MXN (thousands)	\$ 598,904	\$ 384,360
Market value USD (thousands)	\$ 27,046	\$ 17,357
Collateral MXN	\$ -	\$ -

At September 30, 2020 the fair value of the aforementioned derivative financial instruments as regards the hedging relationship with the 2027 Senior Notes is MXP \$983,265 (equal to USD \$44,404), which was recorded as an asset with a credit applied to the supplemental stockholders' equity account with the effect of the period through comprehensive income. At September 30, 2020, the effect recognized in equity is a debit of MXP \$(211,145) (equal to USD \$(9,535)), while the effect of the intermediation result is recorded as an interest gains, together with an accrued exchange effect of MXP \$(1,194,409) (equal to USD \$53,939).

The periods in which the derivative's cash flows are expected to occur in the syndicated hedging relationship and have an impact on the income statement are as follows:

Year	Pesos	USD Dollars
2020	\$ (240,698)	(9,282)
2021	\$ (192,771)	(7,434)
2022	\$ (171,877)	(6,628)
2023	\$ (152,133)	(5,867)
2024	\$ (345,795)	(13,335)
2025	\$ (115,728)	(4,463)
2026	\$ 1,430,147	55,150

Second syndicated credit line with maturity in 2023 (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate at interest rate fluctuations applicable to the credit line contracted with Morgan Stanley for the amount of USD \$60,000 on February 24, 2020, which will be payable on February 24, 2023 at the monthly Libor rate plus 3.75%, with an initial exchange rate of 18.9138.

On May 19, 2020, Crédito Real contracted a financial instrument derived from exchange rate and interest rate hedges (cross currency swap) with Morgan Stanley, with the objective of covering both the notional and the interest of the subsidiaries credit. the instrument was contracted for an amount equivalent to 40 million dollars, at an exchange rate of \$ 19.00 pesos per dollar, at a fixed rate in pesos of 9.36%; with start date May 21, 2020 and expiration date February 21, 2023.

On June 1, 2020, Crédito Real contracted a financial instrument derived from exchange rate and interest rate hedges (cross currency swap) with Morgan Stanley, with the objective of covering both the notional and the interest of the subsidiaries credit. the instrument was contracted for an amount equivalent to 20 million dollars, at an exchange rate of \$ 22.00 pesos per dollar, at a fixed rate in pesos of 8.62%; with start date May 21, 2020 and expiration date February 21, 2023

For accounting purposes, the Entity has designated this derivative financial instrument as a cash flow hedge, recording changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portion and the respective amounts in the statement of income when forecast hedged cash flows affect the results of the year.

Characteristics of CC	Morgan Stanley ID WDUVU	Morgan Stanley ID WFQC4
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:	May 19, 2020	Jun 01, 2020
Reference exchange amount in both currencies:	N/A	N/A
Start date:	May 21, 2020	May 21, 2020
Maturity date:	February 21, 2023	February 21, 2023
A currency settlement date A:	USD 40,000	USD 20,000
A currency settlement date B:	MXN \$760,000	MXN \$440,000
	\$19.00 MXN per USD	\$22.00 MXN per USD
Fixed rate for the amount in currency B for the first period:	USD	USD
Floating rate for currency A:	USD-LIBOR-BBA	USD-LIBOR-BBA
Spread	3.75%	3.75%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A::	Actual/360	Actual/360
A currency payment dates A:	Every 90 days as of May 21, 2020	Every 90 days as of May 21 de 2020
A currency settlement date A:	N/A	N/A
A currency payment dates B:	Every 28 days, as of May 21 2020	Every 28 days, as of May 21 2020
Floating or fixed rate for currency B:	9.36%	8.62%
Spread currency B:	Actual/360	Actual/360
Market value MXN (thousands)	\$ 124,425	\$ 2,753
Market value USD (thousands)	\$ 5,169	\$ 124
Collateral MXN	\$ -	\$ -

As of September 30, 2020 the fair value of the aforementioned financial derivatives for the syndicated hedging relationship is MXP \$ 127,177 (equivalent to USD \$ 5,743), which was recorded as an asset with a credit to the complementary account of stockholders' equity with the effect of the period through comprehensive income. The effect as of September 30, 2020 recognized in equity is a debit of MXP \$ (4,629) (equivalent to USD \$ (209)), and the effect to the intermediation result as interest loss and accumulated exchange effect is MXP \$ 131,806 (equivalent to USD \$ 5,952).

The periods in which the cash flows derived from the derivatives in relation to the hedge of the syndicate line are expected to occur and impact the income statement are as follows:

Year	Pesos	USD Dollars
2020	\$ (5,446)	(246)
2021	\$ (29,608)	(1,337)
2022	\$ (6,981)	(315)
2023	\$ 37,406	1,689

Second syndicated credit line with maturity in 2021 BNP (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate at interest rate fluctuations applicable to the credit line contracted with BNP Paribas for the amount of USD \$50,000 on February 21, 2020, which will be payable on April 24, 2021 at the monthly Libor rate plus 4.5%, with an initial exchange rate of 24.0450.

On April 30, 2020, Creditor Real contracted a financial instrument derived from foreign exchange hedge (cross currency swap) with BNP Paribas, with the objective of covering both the notional and the interest of the credit line contracted with the same counterparty. the instrument was contracted for an amount equivalent to 50 million dollars, at an exchange rate of \$ 24.0450 pesos per dollar, at a variable rate of TIIE plus spread; with start date April 24, 2020 and expiration date April 23, 2021.

For accounting purposes, the Entity has designated this derivative financial instrument as a cash flow hedge, recording changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portion and the respective amounts in the statement of income when forecast hedged cash flows affect the results of the year.

Characteristics of CC	BNP Paribas MD23424649
Currency A:	Dollar (USD)
Currency B:	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	BNP Paribas
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	April 30, 2020
Reference exchange amount in both currencies:	N/A
Start date:	April 24, 2020
Maturity date:	April 23, 2021
A currency settlement date A:	USD \$50,000
A currency settlement date B:	MXN \$1,202,250
Fixed rate for the amount in currency B for the first period:	\$24.0450 MXN per USD
Floating rate for currency A:	USD-LIBOR-BBA
Spread	4.50%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A::	Actual/360
A currency payment dates A:	Every 90 days, as of April 24, 2020
A currency settlement date A:	N/A
A currency payment dates B:	Every 28 days, as of April 24, 2019
Floating or fixed rate for currency B:	4.83%
Spread currency B:	Actual/360
Market value MXN (thousands)	\$ 95,992
Market value USD (thousands)	\$ 4,335
Collateral MXN	\$ -

As of September 30, 2020 the fair value of the aforementioned financial derivatives for the syndicated hedging relationship is MXP \$ 95,992 (equivalent to USD \$ 4,335), which was recorded as a liability with a debit to the complementary account of stockholders' equity with the effect of the period through comprehensive income. The effect as of September 30, 2020 recognized in equity is a debit of MXP \$ (4,920) (equivalent to USD \$ (222)), and the effect to the intermediation result as interest loss and accumulated exchange effect is MXP \$ (91,071) (equivalent to USD \$ (4,113)).

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 \$96,502 at the close of September 2020.

Nature and degree of risks arising from the derivatives

As of September 30, 2020, the exchange rates are \$22.1438 Mexican Peso per U.S. dollar and \$24.1013 Mexican Peso per Swiss franc. and \$25.9315 Mexican peso per Euro. 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 Senior Notes 2023, Senior Notes 2026, 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 Senior Notes, 2023, Syndicated Line, and Perpetual Notes. The risk associated with variations in the CH and EUR/MXP exchange rates arises from the instruments held in EUR such as the Senior Notes 2027.

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 September 2020 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	1,175,719 (1,175,722) (100.0%)	764,155 (764,157) (100.0%)
Cash flow hedge derivatives	+1 exchange rate	-1 exchange rate
Foreign currency swap	5,165,982 (5,165,889) (100.0%)	1,892,523 (1,892,439) (100.0%)
Foreign currency option	388,177 (388,177)	306,700 (306,700)
Primary position		
Level of effectiveness	(100.0%)	(100.0%)

Interest rate sensitivity of interest rate

Interest rate sensitivity analysis		
Cash flow hedge derivatives	+100 bp interest rate	-100 bp interest rate
Interest rate swap	(185,552)	(378,984)
Primary position	185,552	378,984
Level of effectiveness	(100%)	(100%)
<i>interest rate option</i>	0	0
Primary position	(0)	0
Level of effectiveness	(100.0%)	(100.0%)

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, 2019, the Entity elects to present the undiscounted future flows which represent a liability according to their maturity.

	2020	2021	2022	2023	2024	2025	2026	2027
Foreign Currency Swaps	\$ (281,984)	\$ (1,209,763)	\$ (265,869)	\$ 258,730	\$ 142,236	\$ (708,709)	\$ (105,844)	\$ 59,016
Interest Rate Swaps	(25,174)	(110,561)	(99,712)	(45,505)	-	-	-	-

6. Allowances for loan losses

As of September 30, 2020 and December 31, 2019, the Entity maintained an allowance for loan losses equivalent to 217% and 220%, of non-performing portfolio, respectively.

The Commission issued changes related to the rating methodology for the consumer portfolio in order to change the model for estimating the allowance for loan losses.

As of September 30, 2020 and December 31, 2019, changes in the allowance for loan losses were as follows:

	September 30, 2020	December 31, 2019
Opening balance	\$ 1,390,046	\$ 1,067,924
Portfolio applications	(1,069,328)	(1,084,795)
CR USA, Creal Honduras, CR Holdingint and Controladora		
CR consolidation effect	159,942	268,895
Charge to results	<u>1,367,166</u>	<u>1,138,022</u>
Closing balance	<u>\$ 1,847,826</u>	<u>\$ 1,390,046</u>

7. Investments in shares of associates

As of September 30, 2020, and December 31, 2019, investments in shares of associated entities are as follows:

Entities	% Ownership	Participation in stockholders' equity		Participation in results	
		September 30, 2020	December 31, 2019	September 30, 2020	September 30, 2019
Publiseg, S.A.P.I. de C.V. SOFOM (a)	49.00%	\$ 515,913	\$ 506,061	\$ 9,852	\$ 18,610
Grupo Empresarial Maestro S.A. de C.V. (a)	49.00%	537,412	524,772	13,657	49,021
Bluestream Capital, S.A. de C.V. (b)	23.00%	1,130	4,722	(3,593)	(143)
Cege Capital, S.A.P.I. de C.V., SOFOM ENR (c)	36.28%	81,498	74,419	6,638	(30,170)
Others		<u>116,594</u>	<u>163,583</u>	<u>(21,308)</u>	<u>22,614</u>
		<u>\$ 1,252,547</u>	<u>\$ 1,273,557</u>	<u>\$ 5,246</u>	<u>\$ 59,932</u>

- (a) Directodo, Publiseg, and GEMA, are the Entity's principal distributors, and their origination efforts are performed exclusively for the Entity. As of September 30, 2020 and December 31, 2019 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 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 36.30% of Cege's outstanding shares.

8. Indebtedness

As of September 30, 2020 and December 31, 2019, indebtedness was comprised as follows:

	Rate	Date of maturity	September 30, 2020	December 31, 2019
Senior notes	7.25% and 9.5%	Between 2023 and February 2026	\$ 16,569,023	\$ 13,849,086
Notes payable (Securitized Certificates)	TIIE + 2.15% to 2.25%	Between 2022 and October 2024	859,890	1,248,487
Swiss notes	2.785%	February 2, 2022	4,067,243	3,317,148
Euro notes	5%	February 1, 2027	9,204,194	7,430,037
Accrued interest			<u>255,333</u>	<u>52,954</u>
Total			<u>\$ 30,955,682</u>	<u>\$ 25,897,712</u>

The unsecured USD \$426,903 Senior Notes remaining amount 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.

The second unsecured USD \$400,000 Senior Notes will mature on February 7, 2026, and pay semiannual interest at a 9.5% annual rate on February 7 and August 7 of each year and may be prepaid as of the fourth year of the issuance.

Both notes are rated by Standard & Poor's, with a long-term global rating of "BB" and by Fitch Ratings, with a rating of "BB+(EXP)".

In February 2018, the Entity debuted on the Swiss market issuing unsecured CHF 170,000 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 \$800,000 notes will mature on November 3, 2022 and a monthly interest payment at a variable rate plus a margin of 2.25%, and will amortize equal payments of principal from December 2019 through November 2022.

The second securitized \$750,000 notes will mature on October 24, 2024 and a monthly interest payment at a variable rate plus a margin of 2.15%, and will amortize equal payments of principal from November 2021 through October 2024.

In October 2019, the Entity debuted on the Euro market issuing unsecured EUR 350,000 notes, which will mature on October 1, 2027 and pay semiannual interest at a 5% annual rate on October 1 and April 1 of each year and may be prepaid as of the third year of the issuance.

Contractual maturities of indebtedness and other loans are as follows:

Year	Amount
2020	\$ 12,680
2021	92,385
2022	4,363,735
2023	7,855,993
2024	208,333
2026	8,963,030
2027	9,204,194
Accrued interest	<u>255,333</u>
Total	<u>\$ 30,955,682</u>

9. Bank loans and other loans

As of September 30, 2020 and December 31, 2019, debt was comprised as follows:

	Rate	Date of maturity	September 30, 2020	December 31, 2019
Bank loans in MXP (a)	TIEE + spread	Between 2020 and 2024	\$ 10,867,472	\$ 8,658,028
Bank loans in USD (b)	LIBOR + spread	Between 2021 and 2024	10,581,441	6,913,072
Accrued interest			<u>29,090</u>	<u>42,385</u>
Total			<u>\$ 21,478,002</u>	<u>\$ 15,613,485</u>

- a) As of September 30, 2020, the Entity has bank loans in Mexican pesos guaranteed with loan portfolio with a carrying amount of \$ 12,209,745 and unsecured bank loans of \$9,475,314 (excluding accrued interest). Such lines were granted by 19 institutions to finance the growth of the loan portfolio and increase working capital. The loans are granted by widely recognized and reputable financial institutions. The lines of credit have maturity dates ranging between 90 days and five years and pay interest at variable and fixed rates.
- b) As of September 30, 2020, the Entity has two syndicated bank loans in foreign currency for a total of USD \$170 million, which, amounts to \$3,279,858 and pays interest at a variable LIBOR rate plus percentage points. The Entity has also three credit lines for a total amount of USD \$50 million, representing \$2,720,916, which pays interest at a variable LIBOR rate plus percentage points. The remaining amount in USD dollars are comprised of credit loans granted to our subsidiaries by 15 banks with maturity dates ranging between 60 days and three year and pay interest at variable and fixed rates.

Contractual maturities of indebtedness and bank loans and other loans are as follows:

Year	Amount
2020	\$ 3,336,342
2021	11,236,676
2022	4,712,739
2023	1,898,805
2024	264,349
2024	-
Accrued interest	<u>29,090</u>
Total	<u>\$ 21,478,002</u>

10. Stockholders' equity

Capital stock as of September 30, 2020 and December 31, 2020, was comprised as follows:

	2020			2019		
	Number of shares (Class I)	Number of Shares (Class II) Variable capital	Total	Number of shares (Class I)	Number of Shares (Class II) Variable capital	Total
	Fixed capital		shares	Fixed capital		shares
“Unique” Series shares at no par value	<u>37,555,390</u>	<u>339,112,500</u>	<u>376,667,890</u>	<u>37,555,390</u>	<u>354,664,034</u>	<u>392,219,424</u>

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 April 3, 2020, the stockholders approved the 2019 financial statements and approved the transfer of net income reported therein in the amount of \$1,980,109 to “Result from previous years”.

As of September 30, 2020 and December 31, 2019, 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 339,112,500 Unique Series, Class II ordinary, no par value shares. on January 27, 2020 the entity decreases the variable shares, Class II ordinary.

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 September 30, 2020 and December 31, 2019 the amount of repurchased shares is \$81,676 and \$140,467 equivalent to 7,458,977 and 5,884,677 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 September 30, 2020 and December 31, 2019, 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	Distributed earnings	Reinvested earnings
2017	<u>\$ 96,800</u>	<u>\$ 96,800</u>
2018	<u>\$ 193,436</u>	<u>\$ 193,436</u>
2019	<u>\$ 265,768</u>	<u>\$ 265,768</u>
2020	<u>\$ -</u>	<u>\$ -</u>

11. Balances and transactions in foreign currencies (In thousands of USD)

- a. The monetary position of foreign currencies as of September 30, 2020 and December 31, 2019 is:

	September 30, 2020	December 31, 2019
U.S. Dollars:		
Monetary assets	584,797	620,638
Monetary liabilities	<u>(329,002)</u>	<u>(366,327)</u>
Long position	<u>255,795</u>	<u>254,310</u>
Equivalent in Mexican pesos	<u>\$ 5,664,276</u>	<u>\$ 4,797,367</u>

- b. Transactions in foreign currencies were as follows as of June 30, 2018 and 2017 is:

	September 30, 2020 (U.S. Dollars)	September 30, 2019 (U.S. Dollars)
Interest expenses	<u>(27,712)</u>	<u>(26,066)</u>
Interest income	<u>143,640</u>	<u>132,110</u>

- 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:

	September 30, 2020	December 31, 2019	September 30, 2019
U.S. dollar	<u>\$ 22.1438</u>	<u>\$ 18.8642</u>	<u>\$ 19.7345</u>

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 Entity 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 Entity 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 Entity 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 Entity in 2007.

On August 17, 2018, the Entity 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 Entity in 2007.

On February 5, 2020, the First Metropolitan Regional Chamber of the Federal Court of Justice issued a judgment in compliance with what was ordered by the Eighteenth Collegiate Court on Administrative Matters in Mexico City

On August 14, 2020, the Central Administration of Litigation of Big Taxpayers of the Tax Administration Service filed an appeal for review against the final judgments of the Chambers of the Federal Administrative Court of Justice issued in the judgment of February 5, 2020.

Additionally, it is important to mention that the Entity has a guarantee that was offered and accepted by the authority on August 14, 2020 in response to the official letter 400-73-00-02-2020-8003 dated July 21, 2020 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.

Review of income and deductions for fiscal year 2017

On September 18, 2020, the Entity was notified of the official letter number 900-02-00-00-00-2020-80807 dated September 18, 2020 through which the General Administration of Big Taxpayers requests reports, data and documents to the Entity in order to review some income and deductions for the fiscal year 2017.

In this process we are in the first stage so the process will continue and will be carried out in accordance with current tax provisions.

13. Comparative table of main asset and liability maturities

Main asset and liability maturities at September 30, 2020 are as follows:

	Until 6 months	From 6 months to 1 year	From 1 year 5 years	More than 5 years	Total
Cash and cash equivalents	\$ 399,572	\$ -	\$ -	\$ -	\$ 399,572
Investment in securities	2,077,630	66,719	-	-	2,144,349
Derivative financial instrument	-	-	3,101,711	2,145,127	5,246,838
Loan portfolio, net	12,596,739	9,010,305	25,060,441	-	46,667,485
Other accounts receivable, net	<u>9,482,322</u>	<u>8,321</u>	<u>-</u>	<u>-</u>	<u>9,490,643</u>
Total assets	<u>\$24,556,264</u>	<u>\$ 9,085,344</u>	<u>\$28,162,152</u>	<u>\$ 2,145,127</u>	<u>\$63,948,887</u>
	Until 6 months	From 6 months to 1 year	From 1 year to 5 years		Total
Notes Payable and Senior Notes	\$ 280,692	\$ 25,359	\$30,649,631	\$ -	\$30,955,682
Bank loans	6,051,745	6,152,580	9,273,680	-	21,478,003
Other accounts payable	<u>1,274,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,454</u>
Total liabilities	<u>7,606,889</u>	<u>6,177,939</u>	<u>39,923,311</u>	<u>\$ -</u>	<u>53,708,139</u>
Net	<u>\$16,949,375</u>	<u>\$ 2,907,405</u>	<u>(\$11,761,159)</u>	<u>\$ 2,145,127</u>	<u>\$10,240,748</u>

14. Commitments

The Entity at September 30 2020, has its own commitments and the operation mentioned in Note 8 "Indebtedness" and Note 9 "Bank Loans and other loans".

15. Subsequent events

On December 2, the entity contracted a line of credit with Credit Suisse for 25.5 million dollars and with a maturity of February 21, 2023

On December 9, 2020, Crédito Real and two capital investment funds managed by each of Promecap and Credit Suisse agreed to purchase a payroll-backed loan portfolio that was originated by Banco Ahorro Famsa (Bafamsa), a Mexican banking institution undergoing liquidation. The transaction has been approved by the Mexican regulatory and antitrust authorities and is scheduled to close on January 4th, 2021

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.

	September 30, 2020			
	Mexico	USA	Central America	Total
Payroll loans	\$ 28,509,937	\$ -	\$ 6,289,972	\$ 34,799,909
Group loans	604,042	-	-	604,042
Durable goods loans	139,317	-	-	139,317
Small business loans	7,357,246	-	-	7,357,246
Used car loans	<u>1,347,548</u>	<u>4,267,249</u>	<u>-</u>	<u>5,614,797</u>
Total	<u>\$ 37,958,091</u>	<u>\$ 4,267,249</u>	<u>\$ 6,289,972</u>	<u>\$ 48,515,311</u>
	December 31, 2019			
	Mexico	USA	Central America	Total
Payroll loans	\$ 27,405,184	\$ -	\$ 5,755,105	\$ 33,160,289
Group loans	622,406	-	-	622,406
Durable goods loans	273,526	-	-	273,526
Small business loans	7,419,660	-	-	7,419,660
Used car loans	<u>1,401,031</u>	<u>4,081,507</u>	<u>-</u>	<u>5,482,538</u>
Total	<u>\$ 37,121,807</u>	<u>\$ 4,081,507</u>	<u>\$ 5,755,105</u>	<u>\$ 46,958,420</u>

17. New accounting principles

As of December 31, 2019 the CINIF has issued the following NIF and Improvements to NIF which may affect the unaudited condensed consolidated financial statements of the Entity:

Improvements to NIF that generate accounting changes:

NIF C-16 *Impairment of receivable financial instruments* - Clarifies the effective interest rate to be utilized when renegotiating a financial instrument to collect principal and interest (IFCPI).

NIF C-19 *Financial instruments payable*, and NIF C-20 *Financial instruments for collecting principal and interest* - Specify that the effective interest rate need not be periodically recalculated when its amortization does not generate material effects.

NIF D-4 *Income taxes*, and NIF D-3 *Employee benefits* - Paragraphs have been included regarding uncertain tax treatments when considering the bases used to determine ISR and PTU, while also evaluating the probability whereby the tax or legal authority will accept or reject an uncertain tax treatment.

NIF D-4 *Income taxes* - Clarifies the accounting recognition of income taxes incurred by the distribution of dividends in relation to the transactions that generated distributable profits.

NIF D-5 *Leases* - a) Given the complexity that may arise when determining the discount rate, this NIF establishes the possibility of utilizing a risk-free rate to discount future lease payments and recognize the lessee's lease liability, and b) the use of a practical expedient to exclude material and identifiable components other than leases from the asset usage right measurement and lease liabilities was restricted.

Likewise, other improvements to NIF that do not generate accounting changes were also included and essentially clarify the purpose of each standard.

Homologation of Accounting Criteria by the Commission

On April 8, 2020, the National Banking and Securities Commission issued, through the Federal Official Gazette, a resolution modifying the Provisions published in the Federal Official Gazette on November 15, 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, 2022."

* * * * *



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

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

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

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

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

An investment in notes issued under the Program involves certain risks. For a discussion of these risks, see “Risk Factors” beginning on page 29.

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

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

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

Arrangers

BNP PARIBAS

SMBC Nikko

Dealers

BNP PARIBAS

SMBC Nikko

The date of this Offering Memorandum is April 20, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTICES TO INVESTORS

Notice to Persons in the United States

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

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

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

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

Notice to Persons in the United Kingdom

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

Prohibition on Sales to EEA Retail Investors

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

MiFID II Product Governance / Target Market

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

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

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

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

AVAILABLE INFORMATION

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

Rule 144 Information

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

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

Principal Executive Offices

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

Listing

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

Authorization

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

No Material Adverse Change

Other than as disclosed in this Offering Memorandum, there has been no material adverse change in our prospects since December 31, 2019, and there has been no significant change in our financial or trading position since December 31, 2019.

No Material Litigation

See “Business—Litigation.”

Company Registration

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

- general economic conditions in the countries in which we conduct our business and globally, and any significant economic, trade, political, health-related or social instability and other developments in those countries, and globally;
- our ability to implement our operating strategy and business plan;
- our ability to freely determine the interest rates we charge 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;
- possible disruptions to commercial activities due to natural and human-induced disasters, such as weather conditions, earthquakes, terrorist activities, social unrest and violence, armed conflicts and health epidemics and pandemics, including the current COVID-19 virus, or coronavirus, outbreak;
- our ability to collect on our loans, including as a result of the inability of our customers to repay their 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, including as a result of cyber-attacks, and the impact of such interruptions or failures on our reputation, operations and results;
- difficulties, uncertainties, liabilities and regulations related to mergers, acquisitions or joint ventures;
- actions taken by the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*) or the CNBV or the CONDUSEF with respect to our business and the Mexican financial industry, generally;
- trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from, free trade agreements (including the North American Free Trade Agreement (“NAFTA”), to which Mexico is a party, and the 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, 2019, 2018, and 2017 and for the years then ended, together with the notes thereto (which we refer to as the “audited financial statements”).

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

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

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

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

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

See “Business—Overview—History and Development.”

Non-GAAP Financial Measures

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

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

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

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

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

	Year Ended December 31,		
	2017	2018	2019
	(In millions of pesos)		
Net income attributable to controlling interests	1,661.1	1,955.4	1,980.1
Average stockholders’ equity.....	10,475.1	15,170.8	16,132.0
Subordinated Perpetual Notes ⁽¹⁾	4,206.7	4,206.7	4,206.7
Net income attributable to controlling interests / Average stockholders’ equity - Subordinated Perpetual Notes⁽²⁾.....	17.6%	17.8%	16.6%

(1) Subordinated Perpetual Notes issued in November 2017.

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

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

	Year Ended December 31,		
	2017	2018	2019
	(In millions of pesos)		
Net income attributable to controlling interests	1,661.1	1,955.4	1,980.1
Average stockholders’ equity.....	10,475.1	15,170.8	16,132.0

	Year Ended December 31,		
	2017	2018	2019
	(In millions of pesos)		
Net income attributable to controlling interests / Average stockholders' equity ⁽¹⁾	15.9%	12.9%	12.3

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

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

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

	Year Ended December 31,		
	2017	2018	2019
	(In millions of pesos)		
Total debt	23,584.5	30,646.7	41,511.2
Total stockholder's equity	14,768.4	15,935.6	16,063.9
Subordinated Perpetual Notes ⁽¹⁾	4,206.7	4,206.7	4,206.7
Total debt / Total stockholder's equity - Subordinated Perpetual Notes ⁽²⁾	2.2	2.6	3.5

(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,		
	2017	2018	2019
	(In millions of pesos)		
Total debt	23,584.5	30,646.7	41,511.2
Total stockholder's equity	14,768.4	15,935.6	16,063.9
Total debt / Total stockholder's equity ⁽¹⁾	1.6	1.9	2.6

(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,		
	2017	2018	2019
	(In millions of pesos)		
Total stockholder's equity.....	14,768.4	15,935.6	16,063.9
Subordinated Perpetual Notes ⁽¹⁾	4,206.7	4,206.7	4,206.7
Total loan portfolio	<u>29,015.0</u>	<u>36,319.1</u>	<u>46,958.4</u>
Total stockholder's equity - Subordinated Perpetual Notes / Total loan portfolio ⁽²⁾.....	36.4%	32.3%	25.3%

(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,		
	2017	2018	2019
	(In millions of pesos)		
Total stockholder's equity.....	14,768.4	15,935.6	16,063.91
Total loan portfolio	29,015.0	36,319.1	46,958.4
Total stockholder's equity / Total loan portfolio.....	50.9%	43.9%	34.2%

- *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 and we decreased our participation in such entity to a minority stake on December 2019.

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

	Year Ended December 31,		
	2017	2018	2019
	(In millions of pesos)		
Administrative and marketing expense⁽ⁱ⁾			
Administrative and marketing expense Crédito Real	3,417.5	3,483.1	3,607.0
Less: Administrative and marketing expense Reparadora RTD	476.0	592.9	569.7
	2,941.5	3,423.9	3,037.3
Financial margin⁽ⁱⁱ⁾			
Financial margin Crédito Real	5,831.3	7,080.2	7,261.9
Less: Financial margin Reparadora RTD.....	8.6	1.7	17.0
	5,822.6	7,078.5	7,278.9
Commissions and fees income^(a)			
Commissions and fees income Crédito Real.....	826.4	564.1	515.7
Less: Commissions and fees income Reparadora RTD	500.7	567.6	511.1
	325.7	(3.4)	4.6
Commissions and fees paid^(b)			
Commissions and fees paid Crédito Real.....	234.6	256.0	373.4
Less: Commissions and fees paid Reparadora RTD	2.7	2.8	2.1
	231.9	253.1	371.3
Efficiency ratio excluding Reparadora RTD⁽¹⁾	49.7%	42.4%	43.9

- (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,		
	2017	2018	2019
	(In millions of pesos)		
Administrative and marketing expense ⁽ⁱ⁾	3,417.5	3,483.1	3,607.0
Financial margin ⁽ⁱⁱ⁾	5,831.3	7,080.2	7,261.9
Commissions and fees income ^(a)	826.4	564.1	515.7
Commissions and fees paid ^(b)	234.6	256.0	373.4
Efficiency ratio⁽¹⁾	53.2%	47.1%	48.7%

- (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.18.8642 per U.S. dollar, the exchange rate determined by Banco de México on December 31, 2019 and published in the Official Gazette of the Federation (*Diario Oficial de la Federación*, or the “Official Gazette”) on January 2, 2020.

Rounding

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

Industry and Market Data

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

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

SUMMARY

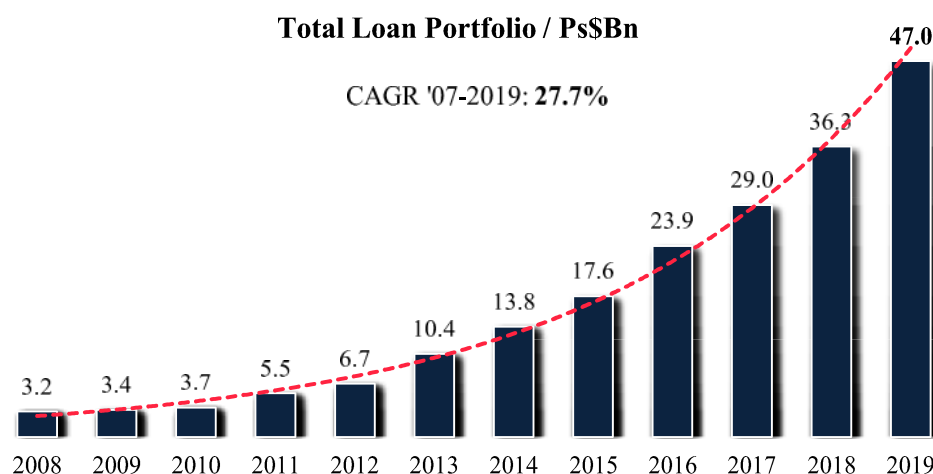
This summary highlights certain information contained in this Offering Memorandum and may not include all the information relevant to you. For a more complete understanding of our business, you should read the following summary together with the more detailed information appearing elsewhere in this Offering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

Our Company

We are a leading specialty finance company with operations in Mexico, the United States, Costa Rica, Honduras, Nicaragua and Panama. We offer innovative financial solutions to segments generally underserved by the traditional banking system. As a result of more than 26 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”), and (iv) SME 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.



Our open-ended platform allows us to enter into new credit products and new regions to support our future expansion. We currently offer our payroll loans to unionized government employees through our distributors, which include Directodo (which operates under the brand name Kondinero), Publiseg (which operates under the brand name Credifiel), GEMA (which operates under the brand name Crédito Maestro) and other distributors. We believe our network of distributors and promoters offering credit products to the low- and lower middle-income segments of the population gives us a significant competitive advantage to access a large number of potential customers. We have entered into financial factoring agreements with 15 distributors who originate payroll loans and manage loan collection. We have a 99.99% interest in Directodo, and a 49% interest in each of Publiseg and GEMA, which are three of the leading payroll loan distributors in Mexico in terms of number of clients and loan origination, as well as

exclusivity in the origination of loans from these distributors, creating a network of 303 branches. Our payroll loan distributors have access to workers and unions in federal, state and local governments and other public-sector employers in most states in Mexico, as well as to pensioners from the Mexican Social Security Institute (“IMSS”).

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 fast 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).

Used car loans in Mexico are originated through contracts with companies that sell pre-certified used cars. As of December 31, 2019, we had five alliances with distributors. Additionally, in Mexico we have a partnership with 20 branches and 506 agreements with agencies located in all states in Mexico, which provide secured financing for cars and commercial vehicles.

Regarding the used car loans business in the United States, we have one strategic alliance, with CRUSA Finance. As of December 31, 2019, CRUSA Finance had agreements with over 1,388 car dealers in 26 states of the United States. Our products in the United States are primarily focused on serving the Hispanic market segment with limited credit history in the United States.

For our SME loans, 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. 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.

Our group loans are originated by two distributors, through a joint network of 1,561 promoters and 203 branches. The promoters are familiar with the specific needs of small business owners and self-employed individuals.

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

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

We strive to enhance the social well-being of our clients through our loans, which we believe provide them with the opportunity to access funds that would otherwise not be easily obtained, given the limited or nonexistent credit records of 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 December 31, 2019 was 27.5%. During the more than 26 years that we have been in business, we have disbursed approximately 5.4 million loans to over 2.7 million customers based on our estimates.

From 2017 through 2019, our loan portfolio and interest income have increased at a CAGR of 27.2% and 18.1%, respectively, driven by the expansion of our used car loans, SME loans, payroll loans and consumer loans.

For the year ended December 31, 2019, we had an interest income of Ps.11,933.0 million, a net financial margin of Ps.7,261.9 million and a net income attributable to controlling interest of Ps.1,980.1 million. As of December 31, 2019, we had 916,320 customers and a Ps.46,958.4 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,					
	2017		2018		2019	
			(In millions of pesos)			
Interest Income						
Payroll loans	5,177.4	60.5%	6,256.4	60.8%	6,989.3	58.6%
Consumer loans (Instacredit)	2,100.0	24.5%	2,538.3	24.7%	2,881.2	24.1%
Used cars loans	232.7	2.7%	422.2	4.1%	426.7	3.6%
CR USA.....	588.2	6.9%	506.5	4.9%	700.8	5.9%
Small business loans.....	357.6	4.2%	476.1	4.6%	836.6	7.0%
Group loans	35.7	0.4%	15.6	0.2%	59.3	0.5%
Durable Goods loans and Other.....	65.8	0.8%	72.5	0.7%	39.0	0.3%
Total.....	8,557.3	100.0%	10,287.6	100.0%	11,933.0	100.0%
Loan Portfolio						
Payroll loans	19,307.8	66.5%	24,807.4	68.3%	28,242.3	60.1%
Consumer loans (Instacredit)	4,612.7	15.9%	4,462.7	12.3%	4,918.0	10.5%
Used cars loans	613.6	2.1%	917.7	2.5%	1,401.0	3.0%
CR USA.....	2,100.4	7.2%	2,030.5	5.6%	4,081.5	8.7%
Small business loans.....	1,746.1	6.0%	3,676.7	10.1%	7,419.7	15.8%
Group loans	230.0	0.8%	70.5	0.2%	622.4	1.3%
Durable Goods loans and Other.....	404.5	1.4%	353.6	1.0%	273.5	0.6%
Total.....	29,015.0	100.0%	36,319.1	100.0%	46,958.4	100.0%
Clients						
Payroll loans	379,533	45.6%	404,066	47.4%	432,173	47.2%
Consumer loans (Instacredit)	181,314	21.8%	173,974	20.4%	172,628	18.8%
Used cars loans	5,812	0.7%	8,132	1.0%	11,360	1.2%
CR USA.....	8,342	1.0%	8,412	1.0%	12,280	1.3%
Small business loans.....	360	0.0%	575	0.1%	730	0.1%
Group loans	215,139	25.8%	208,956	24.5%	246,029	26.8%
Durable Goods loans and Other.....	42,342	5.1%	47,754	5.6%	41,120	4.5%
Total.....	832,842	100.0%	851,869	100.0%	916,320	100.0%
Origination⁽¹⁾						
Payroll loans	5,758.2	30.6%	6,523.4	27.1%	5,528.5	18.0%
Consumer loans (Instacredit)	3,322.5	17.6%	2,992.1	12.4%	3,312.8	10.8%
Used cars loans	567.3	3.0%	1,475.0	6.1%	1,355.2	4.4%
CR USA.....	1,252.5	6.6%	2,040.9	8.5%	3,395.2	11.1%
Small business loans.....	2,783.3	14.8%	5,434.3	22.6%	10,481.8	34.1%
Group loans	4,976.9	26.4%	5,318.2	22.1%	6,365.3	20.7%
Durable Goods loans and Other.....	175.0	0.9%	254.4	1.1%	281.8	0.9%
Total.....	18,835.6	100.0%	24,038.3	100.0%	30,720.5	100.0%

(1) 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, 2017, 2018 and 2019, we had capitalization ratios of 36.4%, 32.3% and 25.3% (34.2% including the Subordinated Perpetual Notes), respectively. Our efficiency ratio (excluding Reparadora RTD) was 43.9% for the year ended December 31, 2019 compared to 42.4% for the year ended December 31, 2018, reflecting our ongoing generation of synergies and greater efficiencies in both structure and commercial outreach. In addition, our return on average stockholders' equity (including the Subordinated Perpetual Notes) for the year ended December 31, 2019 and December 31, 2018 was 12.3% and 12.9%, respectively. As of December 31, 2019, our non-performing loans ("NPL") were 1.3% of our total loan portfolio. As of December 31, 2019, our capitalization ratio was 25.3% (34.2% including the Subordinated Perpetual Notes).

For the year ended December 31, 2019, 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.903.6 million. As of December 31, 2019, the Company (on a standalone basis) and its Restricted Subsidiaries, on a combined basis contributed to 94.5% of the total consolidated assets of the Company and its subsidiaries (including Unrestricted Subsidiaries (as such terms are defined in "Description of the Notes")). As of December 31, 2019, the consolidated net worth of the Company (on a standalone basis) and its Restricted Subsidiaries was Ps.15,152.2 million (US\$803.2 million).

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 303 branches nationwide and a sales force of more than 3,900 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 December 31, 2019, our average payroll loan had a principal amount of Ps.65,350, 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 55.0% and an average annual yield of 26.4%, net of risk and profit sharing with our distributors. As of December 31, 2019, we had 432,173 payroll loans outstanding and a Ps.28,242.3 million payroll loan portfolio, which represented an estimated customer market share of 42% based on our internal

estimates, with an average delinquency rate of 1.0%. For the year ended December 31, 2019, our payroll loan portfolio generated interest income of Ps.6,989.3 million, or 58.6% of our total interest income.

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

As of December 31, 2019, Instacredit represented Ps.4,918 million, or 10.5% of our loan portfolio. Instacredit has a well-recognized brand with a multi-product platform, over 19 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 year ended December 31, 2019, our Instacredit portfolio generated interest income of Ps.2,881.2 million, or 24.1% of our total interest income.

- *Used Car Loans Mexico.* Our used car loan business is mainly focused on financing semi-new and used cars through strategic alliances with a network of distributors that use their own sales force to promote our loans.

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 December 31, 2019, CR Fact distribution network consisted of 20 branches and 506 agreements with agencies located in all states in Mexico. The average term of this product is 42 months with an annual interest rate of 38%. We also 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.

- *Crédito Real USA*

In the United States, we mainly provide used car loans and SMEs loans to the Hispanic market segment with limited credit history or access to credit through three companies that operate under our subsidiaries CRUSA Finance, Credito Real USA Business Capital, and Camino Financial. As of December 31, 2019, the distribution network in the United States had licenses to operate in 26 states in the United States with 1,388 car dealers.

As of December 31, 2019, our loan portfolio in the United States was Ps.4,081.5 million with a total of 12,280 customers with an average delinquency rate of 0.9%. For the year ended December 31, 2019, our loan portfolio generated interest income of Ps.700.8 million, or 5.9% 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 10.2 million with an average term of 37 months. We believe this market represents a great opportunity because of the large number of small businesses in Mexico.

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.

As of December 31, 2019, the size of the SME loan portfolio was Ps.7,419.7 million with 730 clients and a delinquency rate of 0.5%. For the year ended December 31, 2019, our SME loan portfolio generated interest income of Ps.836.6 million, or 7.0% 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 December 31, 2019, we offered group loans through a network of 203 branches and 1,561 full time promoters, reaching 246,029 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 December 31, 2019, 99.0% of our customers had acquired this insurance policy.

As of December 31, 2019, we had a Ps.622.4 million group loan portfolio with an average delinquency rate of 2.3%. As of December 31, 2019, the average group loan of our distributors had a principal amount of Ps.3,979 per group member, an average term of four months, and an average annual yield of 107.8% (taking into account the aggregate portfolio of our distributors). For the year ended December 31, 2019, our group loan portfolio generated interest income of Ps.59.3 million, or 0.5% 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.

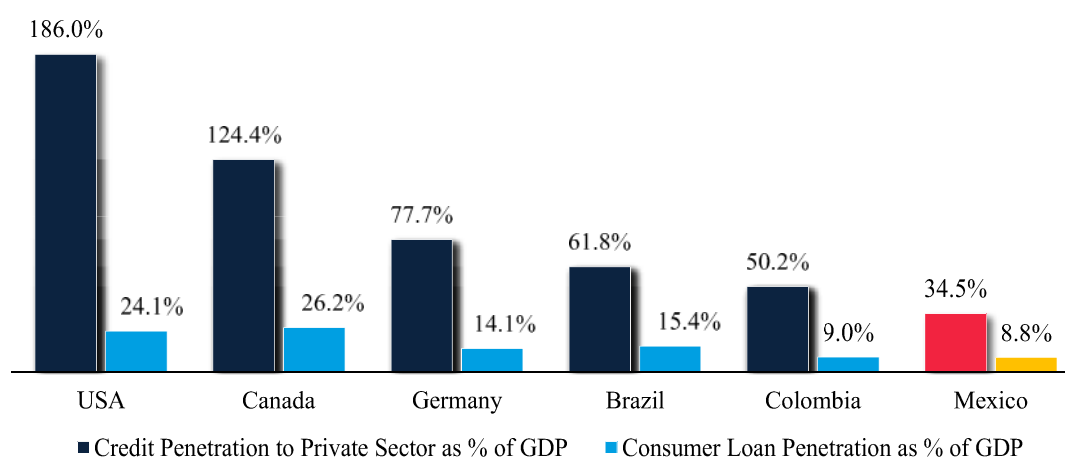
As of December 31, 2019, we had 41,120 clients for durable goods and other loans (including our Resuelve customers) and an outstanding portfolio of Ps.273.5 million. For the year ended December 31, 2019, our durable goods and other portfolio generated interest income of Ps.39.0 million, or 0.3% of our 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 December 31, 2019, Resuelve had 41,042 customers in Mexico, managing Ps.4,412.9 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.2,349.0 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. Following Crédito Real's approach to value creation, during December 2019, the Company decreased its equity participation in Resuelve with the objective of focusing on strategic assets and boosting the growth of its most profitable businesses. As of December 31, 2019, Crédito Real had a 36.0% equity interest in CAT 60, S.A.P.I. de C.V., the holding company of Resuelve.

Our Target Markets

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

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

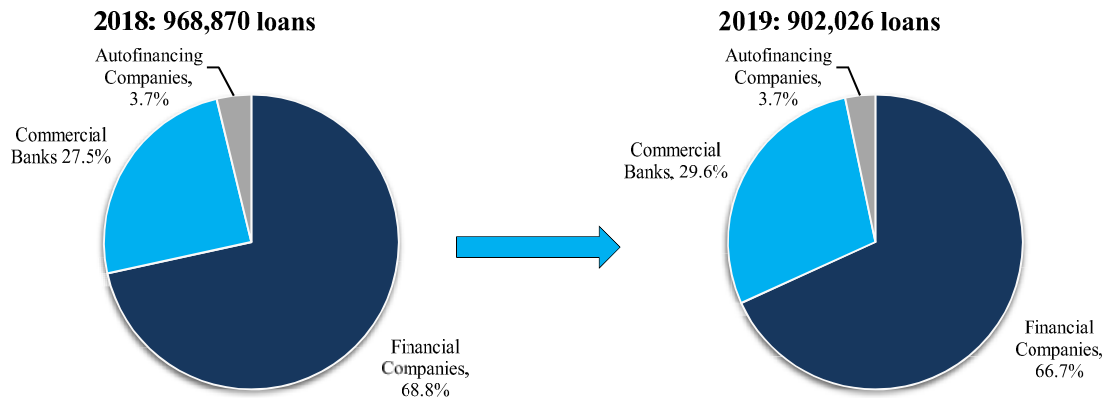


Source: World Bank and Euromonitor with information as of 2018, except Credit Penetration to Private Sector as % of GDP of Canada, which show figures as of 2008.

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 432,173 active clients out of approximately 8.4 million potential payroll loan clients throughout the country according to our internal estimates.
- **U.S. Loans.** There were 10.4 million vehicles sold in the retail used car market as of the third quarter 2019, an increase of 0.1% compared to the third quarter 2018, when the figure stood at 10.3 million. With high sales, lenders are looking to finance purchases of used vehicles. We mainly target the Hispanic population, which the U.S. Census Bureau estimated in July of 2018 to represent the largest ethnic minority in the United States, with 59.8 million people, or 18.3% of the total population.
- **Auto Loans in Mexico.** The total number of auto loans in Mexico showed a CAGR of 7.1% from 2013 to 2019. The auto loan industry decreased from 968,870 loans in 2018 to 902,026 loans in 2019, representing a

6.9% decrease. Of the total number of loans in 2018, 68.8% were financed by non-commercial bank companies, while in 2019 that proportion remained at 66.7%. 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 17.6% market share, GM Financial de México, S.A. de C.V., SOFOM, E.N.R. (“GM Financial”) with a 14.1% market share, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (“BBVA”) with a 12.9% market share, and Volkswagen Bank, S.A., Institución de Banca Múltiple (“VW Financial Services”) with a 11.5% market share.



Source: Mexican Automobile Distributors' Association (*Asociación Mexicana de Distribuidores Automotores*), as of December 2019.

- 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.19.2 million as of December 31, 2019. According to the Mexican Commission for the Protection of Financial Services Users (*Comisión Nacional para la Defensa y Protección de Usuarios de Servicios Financieros*, or “CONDUSEF”) as of 2015, this group was made up of more than 4.1 million business entities in Mexico, accounting for 41.8% of total employment. The market leaders are HSBC under the brand Estímulo HSBC, BBVA under the brand Crédito Simple, Citibanamex under the brand Crédito Negocios and Banorte under the brand Crediactivo. According to Banco de México, 21% of all SME loans are financed by non-bank financial institutions, of which 67% are organized as non-regulated financial entities. The market is highly fragmented, as most of these institutions target microfinancing with an average loan equivalent to US\$500.
- 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.

Market segments ⁽¹⁾	Percentage of total population	Players	CREAL ⁽²⁾
A & B	6%	 BANORTE banregio	CRÉDITO REAL PYMES
C+	11%	 Banco Famsa	
C & C-	27%	 	
D and E	56%	 	

- 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.

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

As of December 31, 2019, we had 432,173 payroll loan clients, which represented a loan portfolio of Ps.28,242.3 million, equal to 60.1% of our total loan portfolio. In consumer loans, as of December 31, 2019, we had 172,628 clients and a loan portfolio of Ps.4,918.0 million, representing 10.5% of our total loan portfolio. In the SME loans segment, as of December 31, 2019, we had 730 clients and a loan portfolio of Ps.7,419.7 million, representing 15.8% of our total loan portfolio. In the used car loans segment in Mexico, as of December 31, 2019, we had 11,360 clients and a loan portfolio of Ps.1,401.0 million, representing 3.0% of our total loan portfolio. As of the same date, we also

had 12,280 customers in Crédito Real USA and a loan portfolio of Ps. 4,081.5 million, accounting for 8.7% of our total loan portfolio. Meanwhile, we reported 246,029 group loan clients and a loan portfolio of Ps.622.4 million, accounting for 1.3% of our total loan portfolio. Finally, in the durable goods and other loans segment, as of December 31, 2019, we had 41,120 clients and an outstanding portfolio of durable goods and other loans of Ps.273.5 million, representing 0.6% 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 December 31, 2019, our NPLs were 1.3% 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.

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

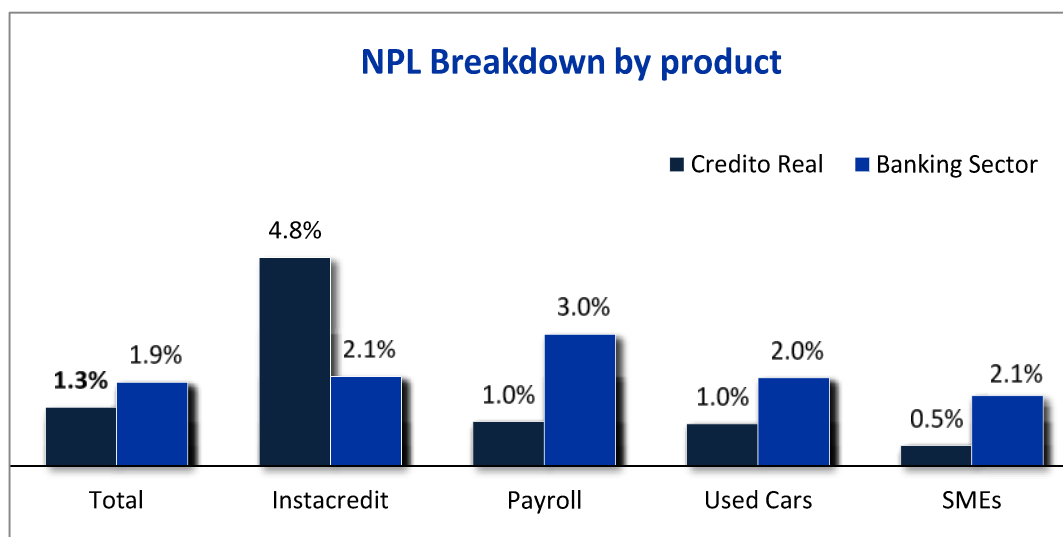
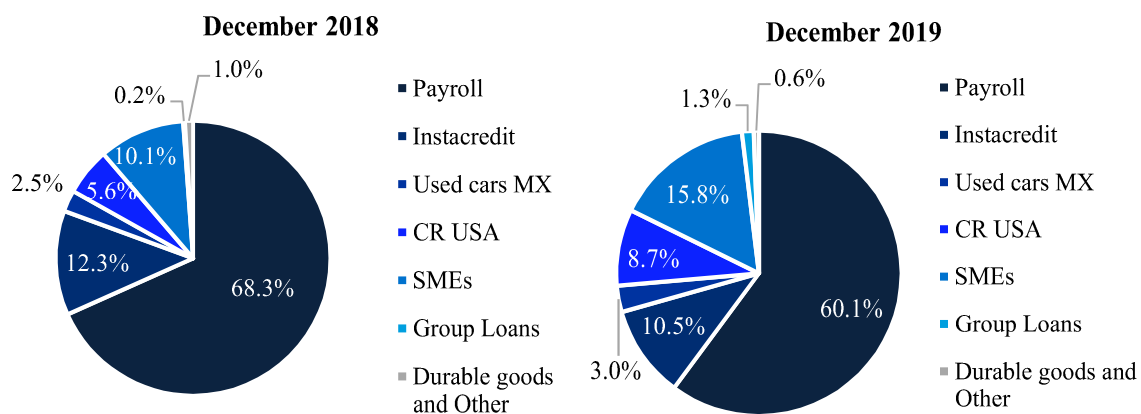
For our used car loans, the car secures the loan and it is insured. In addition, we believe our standardized and proven collection process, which allows for the continuous monitoring of client repayment dynamics and the implementation of early action in the case of delayed payments, has allowed us to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

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

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.

We believe our NPL ratio of 1.3% is one of the lowest among our peers with respect to each of our loan products as of December 31, 2019.

The charts below illustrate the diversification of our loan portfolio as of December 31, 2019, as compared to December 31, 2018:



We believe that our profitability, the quality of our assets and our efficiency ratio and capitalization ratio compare favorably with banking and other players in Mexico. The following table shows relevant statistics of selected financial services companies in Mexico and Latin America as of December 31, 2019:

Name	Return on Average	Consumer Loan	Efficiency Ratio ⁽³⁾	Capitalization
	Equity ⁽¹⁾	Portfolio NPL Ratio ⁽²⁾		Ratio ⁽⁴⁾⁽⁵⁾
Microfinance and Personal Consumer Companies				
Crédito Real	12.3%	1.3%	43.9%	34.2%
Banco Ahorro Famsa...	0.5%	14.7%	57.7%	21.9%
Banco Azteca.....	10.1%	3.7%	85.7%	23.0%
BanCoppel	21.2%	9.6%	44.7%	47.8%
Compartamos.....	16.7%	2.8%	64.0%	49.2%
Consubanco	9.4%	3.9%	43.3%	53.4%
Financiera				
Independencia.....	7.6%	5.9%	66.1%	49.1%
Unifin	19.6%	4.1%	37.9%	18.2%
Banks				
Citibanamex.....	16.8%	2.2%	56.0%	14.4%
Banorte	19.6%	1.6%	43.0%	25.2%
Banregio	20.1%	1.8%	51.3%	18.2%
HSBC	12.5%	2.0%	65.9%	16.2%
Inbursa	8.8%	2.1%	32.8%	59.4%
Santander	15.7%	2.3%	46.1%	19.4%

Source: Company filings presented to CNBV as of December 31, 2019, except Citibanamex and HSBC which were obtained from public filings. Includes all subsidiaries.

(1) Public information (2019 net income / total equity average during 2019).

(2) Calculated as consumer non-performing loans divided by total consumer loans as of December 31, 2019.

(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, 2019 divided by total gross portfolio as of December 31, 2019.

(5) After giving effect to the offering of the Subordinated Perpetual Notes.

Strong and Diversified Origination Platform

We have an open-ended platform with flexibility to develop, promote, underwrite and collect a wide variety of consumer loan products and support the expansion of our diversified business model. In the payroll loans business line, we own a 99.99% interest in Directodo and a 49% interest in Publiseg and GEMA, which are three of our main distributors. We also have financial factoring agreements with twelve other independent distributors, through which we provide national coverage for loan origination. Our used cars loans in Mexico are originated through five distributors, one partnership with 20 branches and 506 agreements with agencies in all states in Mexico. On the other hand, our businesses in the United States are originated through three strategic alliances and agreements with over 1,388 car dealers in 26 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 203 branches and over 1,561 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 29.3% as of December 31, 2019, as compared to December 31, 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 four (4) to sixty-six (66) 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.65,350 for payroll loans, Ps.28,489 for consumer loans, Ps.123,330 for used car loans in Mexico, Ps. 332,370 for Crédito Real USA, Ps.10.2 million for SME loans, Ps.3,979 per participant for group loans, and Ps.6,652 for durable goods and other loans resulting in our credit risk being dispersed among 916,320 customers as of December 31, 2019.

Proprietary Platform Tailored for the Segments We Serve

With more than 26 years of experience, we have developed and refined our proprietary underwriting standards and a digitalized credit review system, which help ensure consistency in the quality of our loans and efficiency in our credit approval process. As part of our credit review process, we evaluate both quantitative and qualitative aspects of each credit application, allowing us to leverage our customer knowledge and prior experience to better assess credit risk on a case-by-case basis. Traditional credit providers, such as banks, typically have relatively low approval rates for customers in the market segments we serve, in part because many customers have limited or no credit records. We believe our lean and efficient operation allows us to service and monitor loans that would typically be unprofitable for large traditional banks. We believe our risk analysis systems allow us to make better credit decisions when evaluating credit applications in the segments we target. As a result of our credit underwriting procedures and analysis, we have been able to maintain low delinquency rates in our loan portfolio. As of December 31, 2019, our NPLs were 1.3% 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.

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 December 31, 2019, our payroll loans, consumer loans, used car loans in Mexico, Crédito Real USA, SME loans, and group loans had annual yields averaging 26.4%, 61.3%, 35.1%, 18.8%, 15.6% and 107.8% respectively, and had average terms of 41 months, 44 months, 42 months, 66 months, 37 months and 4 months, respectively. The average yield of our portfolio, the frequency of collections and the relatively short-term nature of our loans result in a strong and steady cash flow. As of December 31, 2019, we collected principal and interest payments of Ps.27,829.2 million, representing 65.6% 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 December 31, 2018 to December 31, 2019, we increased our funding sources by entering into four new credit agreements and three amended credit agreements for a total aggregate principal amount of Ps. 4,807.8 million with six domestic and foreign financial institutions. In addition, between December 31, 2018 and December 31, 2019, we raised US\$400 million in Senior Notes due 2026 in the international capital markets, with an initial annual interest rate of 9.50% (“Senior Notes 2026”), and in October 2019 we raised €350 million in Senior Notes due 2027 in the international capital markets, with an initial annual interest rate of 5.0% (the “Euro Notes”). As part of our strategy, we continue to evaluate other financing sources, such as additional securitization of portions of our loan portfolio, additional issuances of debt securities in jurisdictions other than Mexico and additional credit lines. We believe that our cash flow from operations and funding sources provide us with the financial flexibility to meet our liquidity requirements, including our expected loan originations, and to continue growing our business, representing a competitive advantage in comparison with competitors who operate in the same market segments.

As of December 31, 2019, the unused portion of our uncommitted bank credit lines totaled Ps.1,112.2 million and the authorized, unissued amount under our securitized certificates program totaled Ps.8,472.2 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, 2017, 2018 and 2019, our capitalization ratio was 50.9%, 43.9% and 34.2%, respectively. To further strengthen our capital structure for future growth, in 2017 we issued the Subordinated Perpetual Notes. As of December 31, 2018, and 2019, excluding the Subordinated Perpetual Notes our capitalization ratio was 32.3% and 25.3%, respectively.

Experienced Management with Proven Track Record and Shareholder Support

Our management team consists of experienced professionals who have an average of 13 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, and used car loan segments in Mexico and to strengthen our diversified product mix in countries outside of Mexico, such as the United States and Central America. We intend to strengthen our presence in markets in which we already operate and to continue our geographic expansion by finding new partners already operating in untapped markets. We also intend to improve our operational efficiency by reducing our operating expenses as well as our cost of funding while maintaining high levels of market share and customer satisfaction. The following are the key elements on which our strategy is based:

- **Grow Our Payroll Loan Business.** We plan to continue growing our payroll loan business by increasing the number of government agencies and labor unions we serve, in addition to increasing our penetration among the employees of those agencies and members of those unions with which we already have established payroll lending relationships through our distributors. Additionally, we are making greater efforts to penetrate new markets, which now represent an important part of our origination. As of December 31, 2019, we believe we had a market share of approximately 42% of the government-agency and labor-union markets we serve, and we believe this level of penetration will allow for future growth. We believe the overall payroll loan business represents a market opportunity of more than 8.4 million people, which represents a significant growth opportunity for our payroll loan portfolio over the next several years. We frequently evaluate the inclusion of new distributors in our network in order to expand our geographic presence and grow in this market segment. Additionally, we will continue to consider strategic opportunities to vertically integrate our payroll loan business in order to further expand and improve our profitability. We believe these strategic opportunities will allow us to further consolidate and define the growth of our loan origination through distributors. We believe another area of opportunity is to increase the renewal rate of our loans, given that historically, approximately 30% of our payroll customers have renewed their loans.
- **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 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 December 31, 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 December 31, 2019, the distribution network of CR Fact consisted of 20 branches and 506 agreements with agencies located in all states in Mexico. Regarding Drive & Cash, commercial and operational strategies revolve around branch performance. CR Fact frequently evaluates results from each branch to maintain profitability standards and is always on the lookout for high potential markets for expansion. For Toma Uno, CR Fact is looking to capitalize its current alliances with original equipment manufacturers (“OEMs”) and create new ones enabling an expansion of brand recognition, geographical footprint and product penetration.

- **Expand Our Business in the United States.** In the United States, we mainly provide used car and SME loans to the Hispanic market segment with limited credit history or access to credit through three companies that operate under the CRUSA Finance, Credito Real USA Business Capital and Camino Financial brands. As of December 31, 2019, CRUSA Finance had licenses to operate in 26 states in the United States with over 1,388

car dealers. In 2015, we ventured for the first time into the used car loans segment through the acquisition of a controlling interest in CRUSA Finance. In 2017, we further expanded our used car loans business in the United States through the acquisition, together with a business partner, of Crédito Real USA Business Capital, a company that focuses on helping contractors and small businesses get access to capital and equipment financing, and finally we partnered with Camino Financial a company that provides financing to small business from Hispanics. CRUSA Finance is currently focused on growing the base of dealerships submitting applications and in increasing the loans granted per month whilst the other businesses are continuing to penetrate the Small and Medium Enterprises of the Hispanic population.

- **Expansion in Central America.** 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
- **Expand Our Group Loan Business.** We are expanding our group loan business by, among other things, increasing the number of branches and 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 medium-term.
- **Capitalize on the Growth Potential of Underserved Markets.** We believe that growth opportunities for consumer credit financing continue to be substantial in light of a growing demand for consumer credit from a large portion of the population that has no or limited access to traditional financial services. We believe that given our leading market position and recognition, as well as our understanding of the customer segments we serve, we are well positioned to capitalize on the growth potential of non-traditional financial services in Mexico, including segments in which we do not currently operate. Our aim is to target these underserved markets with our various products. We plan to continue evaluating strategic opportunities to take advantage of the scalability and standardization of our business model, including our capacity for loan analysis and risk management in the markets in which we operate.
- **Preserve Our Diversified Sources of Funding and Strong Capital Base.** Throughout our history of growth, we have maintained a strong equity base, which we believe reflects solid and prudent capital management. As of December 31, 2017, 2018 and 2019, our capitalization ratio was 50.9%, 43.9% and 34.2%, 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 amount was prepaid with the proceeds of our US\$400 million debt offering in 2019. In February 2017, we succeeded in refinancing our syndicated credit line with Credit Suisse for an aggregate amount of US\$110 million. In 2017, we issued Subordinated Perpetual Notes in the international capital markets in a principal amount of US\$230 million, improving our capital structure since they are deemed as 100% equity under Sofom GAAP and under IFRS. The issuance of these perpetual notes enhanced our capitalization ratio. Additionally, in January 2018, we issued CHF\$170 million unsecured bonds due 2022 in the Swiss market. In February 2019, we issued US\$400 million senior notes due 2026 and finally, in October 2019, we issued €350 million Euro Notes due 2027, part of the proceeds of which were used to prepay a portion of our US\$625 million due in 2023. As of December 31, 2019, debt securities represented 64.3% of our total debt (excluding accrued interest and mark-to-market), and the remaining 35.7% was represented by bank loans. As of December 31, 2019, we had uncommitted credit lines with various financial institutions totaling Ps. 18,722.0 million, of which the unused portion represented Ps.1,112.2 million. In terms of maturity profile, 17.9% of our debt (excluding accrued interest and mark-to-market) is scheduled to mature by December 31, 2020, and the remaining 82.1% will mature by January 2021 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

Offering of Euro Denominated Notes and Tender Offer

On October 14, 2019, we issued €350 million aggregate principal amount of 5.000% senior notes due 2027 in a Rule 144A/Regulation S offering, which are unconditionally guaranteed by Crédito Real, S.A. and Creal Nómina S.A. de C.V., the proceeds of which were used to pay fees and expenses incurred in connection with such offering and the Tender Offer (as defined below), and for general corporate purposes.

Concurrently with the offering of the Euro Notes, we launched a tender offer (the “Tender Offer”) to purchase for cash up to US\$300 million 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 expired at 11:59 p.m., New York City time, on October 9, 2019.

At the closing of the Tender Offer we accepted for purchase and paid for all the 2023 Senior Notes validly tendered (and not validly withdrawn) in the Tender Offer in an aggregate principal amount equal to US\$198,097,000.

Issuance under our Loan Portfolio Securitization Program

On October 24, 2019, we issued a new bond (*certificados bursátiles*) in Mexico for an aggregate principal amount of Ps.750 million and 5-year term under our Ps.10,000 million credit loan portfolio securitization program approved by the CNBV. Pursuant to the terms of the offer, these bonds are backed by a portion of our payroll loan portfolio, bear interest at an annual floating rate of TIIE plus 2.15% and mature on October 24, 2024. The proceeds from this offer were used to fund our portfolio growth and other corporate purposes. These bonds were placed in Mexican market, and listed in Mexico through BIVA, a relatively newly created stock exchange that is expected to support the growth of the Mexican securities market through innovation, state-of-the-art technology and accessibility. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Securitization Programs.”

IDB Facility

On November 26, 2019, we entered into a credit facility with IDB Invest, member of Inter-American Development Bank (IDB) Group (“IDB Invest”) with a maximum aggregate principal amount of Ps.968.8 million, in line with our funding strategy focused on the achievement of alternative funding sources under better credit terms.

The proceeds from this transaction will be used to boost our loans to women-led SME’s business line, with the aim of further enhancing our market position in this segment and to become the go-to non-bank financial institution for female entrepreneurs.

Furthermore, this operation strongly contributes to four of the United Nations Sustainable Development Goals: Gender equality (SDG 5), Decent work and economic growth (SDG 8), Industry, innovation and infrastructure (SDG 9) and Reduced inequalities (SDG 10), reflecting our high-level of commitment with gender equality.

Loan Agreement with Santander

On March 17, 2020, we entered into a revolving credit facility with Banco Santander Mexico, S.A., Institucion de Banca Multiple, Grupo Financiero Santander Mexico (“Santander”), providing for loans with a maximum aggregate principal amount equal to Ps.200.0 million. This credit facility will mature on March 17, 2021. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin. On the closing date thereof we requested the disbursement of loans for the maximum aggregate principal amount under this

credit facility, which loans remain outstanding as of the date of this Offering Memorandum. The proceeds from these loans were used for general corporate purposes and to repay debt, including loans under the credit agreement with Santander dated February 23, 2018.

Credit Suisse Syndicated Loan Agreement

On February 19, 2020, we and our subsidiary Marevalley Corporation entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million (the “Credit Suisse Syndicated Loan Agreement”). This credit facility has two tranches, one of which will mature on February 21, 2023 and the other on February 21, 2025. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 3.75% and 4.0%, respectively. On the closing date thereof we requested the disbursement of loans for the maximum aggregate principal amount under this credit facility, which loans remain outstanding as of the date of this Offering Memorandum. The proceeds from these loans were used for general corporate purposes and to repay debt, including the First Loan Agreement with Credit Suisse (as defined below). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Loan Agreements—Credit Suisse Syndicated Loan Agreement.”

Coronavirus Outbreak

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

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

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

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

Company Information

We were incorporated under the laws of Mexico on February 12, 1993. Our corporate offices are located at Avenida Insurgentes Sur No. 730, 20th Floor, Colonia del Valle Norte, Alcaldía Benito Juárez, 03103, Mexico City,

Mexico, and our telephone number is +52 (55) 5340-5200. Our web site address is www.creal.mx. The information on our web site is not a part of, and is not incorporated by reference into, this Offering Memorandum.

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

Summary of the Program

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

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

Status of the Notes:

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

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

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

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

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

Use of Proceeds:

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

Issue Price:

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

Form of Notes:	Notes will be issued in registered form in the nominal amount of a specified denomination as provided in the applicable Pricing Supplement. Notes offered and sold in offshore transactions in reliance on Regulation S to persons which are non-U.S. persons will be represented by one or more global notes in registered form (each, a “Regulation S Global Note”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each issuance of notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through DTC, Euroclear or Clearstream, and such Regulation S Global Note will bear a legend regarding such restrictions on transfer. Notes offered and sold to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act will be represented by one or more global notes in registered form (each, a “Rule 144A Global Note”) and, together with each Regulation S Global Note, the “Global Notes”). We will not offer notes under the Program in bearer form.
Deposit:	Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”) or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear, Clearstream or any other clearance system, as specified in the applicable Pricing Supplement. No beneficial owner of an interest in a note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable.
Fixed Rate Notes:	The Issuer will pay interest on notes that are Fixed Rate Notes on the dates specified in the applicable Pricing Supplement.
Fixed Reset Notes:	The Issuer will pay interest on notes that are Fixed Reset Notes on the dates specified in the applicable Pricing Supplement. The interest rate on Fixed Reset Notes will reset on each Fixed Reset Date by reference to the relevant Reset Margin and Reset Reference Rate.
Floating Rate Notes:	The Issuer will pay interest on Floating Rate Notes on the dates and for the periods specified in the applicable Pricing Supplement. Each series of Floating Rate Notes will have one or more interest rate bases as indicated in the applicable Pricing Supplement. The interest rate on each Floating Rate Note for each interest period will be determined by reference to the applicable interest rate bases specified in the applicable Pricing Supplement for that interest period, plus or minus the applicable spread, if any, and/or multiplied by the applicable spread multiplier, if any. The applicable Pricing Supplement will also specify the maximum or minimum interest rate, if any, and certain additional terms. Interest on Floating Rate Notes will be computed in the manner described under the section entitled “Description of the Notes—Floating Rate Notes.” Interest on Floating Rate Notes will be calculated on the basis of the Floating Day Count Fraction (as defined under “Description of the Notes—Floating Rate Notes—How Interest Is Calculated”) as may be set forth in the applicable Pricing Supplement.

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

Additional Amounts:	All payments made by or on the Issuer's behalf in respect of the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico, the United States, or any other Relevant Jurisdiction or any authority or agency therein or thereof having power to tax (collectively, " Relevant Tax ") unless the withholding or deduction of such Relevant Tax is required by law or by regulation or governmental policy having the force of law or by the interpretation or administration thereof. In that event, the Issuer will pay additional amounts as described in "Description of the Notes—Other Terms and Conditions Applicable to the Senior and Subordinated Notes—Payment of Additional Amounts," or as otherwise provided in the applicable Pricing Supplement.
Rating:	The Notes of each Series issued under the Program may be rated or unrated. Where the Notes of a Series are rated, such rating will be set out in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Admission to Trading:	Application may be made to Luxembourg Stock Exchange to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market, application may also be made to list a Series of notes on another exchange or a series of notes may be unlisted, in each case as specified in the applicable Pricing Supplement.
Governing Law:	The Indentures and the notes will be governed by, and construed in accordance with, the law of the State of New York. See "Description of the Notes—Governing Law; Consent to Jurisdiction." The Issuer will consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan. See "Description of the Notes—Governing Law; Consent to Jurisdiction."
Transfer Restrictions:	The notes have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available. Notes sold pursuant to Rule 144A or in reliance on Regulation S under the Securities Act are subject to the selling restrictions described under "Plan of Distribution" and "Transfer Restrictions."
Risk Factors:	You should carefully consider all of the information contained in this Offering Memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under "Risk Factors" beginning on page 29 for a discussion of the risks and uncertainties relating to us, our business, the Mexican financial industry, our stockholders, Mexico and the notes.

Summary Financial Information

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

The following tables present summary financial information and other data as of December 31, 2017, 2018, and 2019. Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be the exact arithmetic results of their components as shown herein.

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

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

The consolidated financial statements as of December 31, 2019 include the impact related to the adoption of NIF D-5 Leases, described in the accompanying Note 10 to the audited financial statements. The NIF D-5 states that the accounting recognition defined for the leaseholder establishes a sole lease recognition model that limitates the classification of leases as operating or capital. Accordingly, assets and liabilities are recognized for all leases with a duration of more than 12 months (unless the underlying asset is of low value). Consequently, the most significant effect to the consolidated balance sheet was the recognition of the usage rights of leased assets and the financial liabilities resulting from leased assets that reflect payment obligations at present value.

Income Statement

	Year Ended December 31,			
	2017	2018	2019	2019 ⁽¹³⁾
	<i>(In millions of pesos)</i>			<i>(In millions of dollars)</i>
Interest income	8,557.3	10,287.6	11,933.0	632.6
Interest expense	(2,726.1)	(3,207.4)	(4,671.1)	(247.6)
Financial margin	5,831.3	7,080.2	7,261.9	385.0
Provision for loan losses	(1,081.1)	(1,540.3)	(1,306.6)	(69.3)
Financial margin after provisions for loan losses	4,750.1	5,539.9	5,955.2	315.7
Commissions and fees income	826.4	564.1	515.7	27.3
Commissions and fees paid	(234.6)	(256.0)	(373.4)	(19.8)
Intermediation income	152.9	(20.8)	156.2	8.3
Other operating income	88.2	164.7	126.6	6.7
Administrative and marketing expense	(3,417.5)	(3,483.1)	(3,607.0)	(191.2)
Operating result	2,165.5	2,508.8	2,773.3	147.0
Equity in income of associates	177.7	154.7	63.2	3.4
Income before income taxes	2,343.3	2,663.5	2,836.5	150.4
Current income taxes	(92.7)	(355.3)	(587.7)	(31.2)
Deferred income taxes	(435.6)	(295.3)	(148.2)	(7.9)
Income taxes	(528.3)	(650.6)	(735.9)	(39.0)
Net income	1,815.0	2,012.9	2,100.6	111.4
Non-controlling interest	(153.8)	(57.6)	(120.5)	(6.4)
Net income attributable to controlling interest	1,661.1	1,955.4	1,980.1	105.0

Balance Sheet

	As of December 31,			
	2017	2018	2019	2019 ⁽¹³⁾
	(In millions of pesos)			(In millions of dollars)
Assets:				
Cash and cash equivalents	810.6	575.7	1,180.9	62.6
Investments in securities	529.8	940.9	1,294.4	68.6
Derivatives	1,920.9	1,028.0	-	-
Performing loan portfolio:				
Commercial loans	20,903.9	26,090.6	34,620.0	1,835.2
Consumer loans	7,505.9	9,610.9	11,705.7	620.5
Total performing loan portfolio	28,409.8	35,701.6	46,325.7	2,455.7
Non-performing loan portfolio:				
Commercial loans	331.4	307.6	343.8	18.2
Consumer loans	273.8	310.0	288.9	15.3
Total non-performing loan portfolio	605.2	617.6	632.7	33.5
Loan portfolio	29,015.0	36,319.1	46,958.4	2,489.3
Less: allowance for loan losses	(1,067.5)	(1,067.9)	(1,390.0)	(73.7)
Loan portfolio, net	27,947.5	35,251.2	45,568.4	2,415.6
Other accounts receivables, net	4,629.7	5,378.8	6,796.9	360.3
Foreclosed assets, net	3.3	10.5	10.8	0.6
Property, furniture and fixtures, net	342.2	341.5	625.3	33.1
Long-term investments in shares	1,265.3	1,193.4	1,273.6	67.5
Deferred taxes	-	-	-	-
Other assets, net:				
Deferred charges, advance payments and intangibles	4,130.9	4,793.7	4,590.6	243.3
Other short and long term assets	327.6	48.8	250.9	13.3
Total assets	41,907.7	49,562.5	61,591.7	3,265.0
Liabilities:				
Notes payable (Securitized Certificates)	1,000.0	1,463.5	1,261.0	66.8
Senior notes payable	13,543.9	17,018.8	24,636.7	1,306.0
Bank loans and borrowings from other entities:				
Short-term	2,927.9	7,359.7	7,597.6	402.8
Long-term	6,112.8	4,804.7	8,015.9	424.9
	9,040.6	12,164.4	15,613.5	827.7
Derivatives	137.6	-	765.3	40.6
Income taxes payable	390.9	264.0	313.6	16.6
Employee profit sharing payable	16.2	18.3	16.9	0.9
Accrued liabilities and other accounts payable	1,229.1	439.1	513.7	27.2
Deferred taxes, net	1,781.0	2,258.8	2,407.1	127.6
Total liabilities	27,139.4	33,626.9	45,527.8	2,413.5
Stockholders' equity:				
Capital stock	660.2	660.2	660.2	35.0
Share subscription premium	1,462.6	1,407.5	1,192.3	63.2
Subordinated obligations in circulation	4,206.7	4,206.7	4,206.7	223.0
Earned capital:				
Legal reserve	132.0	132.0	132.0	7.0
Accumulated results from prior years	5,442.4	6,561.1	7,664.4	406.3

	As of December 31,			
	2017	2018	2019	2019 ⁽¹³⁾
	(In millions of pesos)			(In millions of dollars)
Result from valuation of cash flow hedges, net ...	359.7	128.6	(708.2)	(37.5)
Cumulative translation adjustment	93.7	(30.1)	5.5	0.3
Re-measurements of employee defined benefits ..	1.1	5.6	(18.2)	(1.0)
Non-controlling interest	748.9	908.5	949.1	50.3
Net income attributable to controlling interest	1,661.1	1,955.4	1,980.1	105.0
Total stockholders' equity	14,768.4	15,935.6	16,063.9	851.6
Total liabilities and stockholders' equity	41,907.7	49,562.5	61,591.7	3,265.0

Other Financial Data and Ratios

	As of and for the Year Ended December 31,		
	2017	2018	2019
Net income margin ⁽¹⁾	22.2%	20.8%	17.1%
Return on average loan portfolio ⁽²⁾	6.3%	5.7%	4.7%
ROA: Return on average total assets ⁽³⁾	4.5%	4.2%	3.5%
ROE: Return on average stockholders' equity ⁽⁴⁾	15.9%	12.9%	12.3%
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes) ⁽⁵⁾	17.6%	17.8%	16.6%
Debt to equity ratio ⁽⁶⁾	1.6x	1.9x	2.6x
Debt to equity ratio (excluding Subordinated Perpetual Notes) ⁽⁷⁾	2.2x	2.6x	3.5x
Yield ⁽⁸⁾	32.6%	30.2%	28.1%
Average cost of funds ⁽⁹⁾	11.6%	11.4%	12.8%
Efficiency ratio ⁽¹⁰⁾	49.7%	42.4%	43.9%
Capitalization ratio ⁽¹¹⁾	50.9%	43.9%	34.2%
Capitalization ratio (excluding Subordinated Perpetual Notes) ⁽¹²⁾	36.4%	32.3%	25.3%
Credit Quality Ratios			
Provisions for loan losses as a percentage of total loan portfolio .	3.7%	4.2%	2.8%
Allowance for loan losses as a percentage of total past-due loan portfolio	176.4%	172.9%	219.7%
Total past-due loan portfolio as a percentage of total loan portfolio	2.1%	1.7%	1.3%

- (1) Net income margin is calculated by dividing the financial margin of the period by the average quarterly loan portfolio. For quarterly figures, cumulative financial margin is annualized by multiplying the amounts by four.
- (2) Return on average loan portfolio consists of net income attributable to controlling interest for the period divided by the average quarterly loan portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (3) Return on average total assets consists of net income attributable to controlling interest for the period divided by the average quarterly total assets. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (4) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (5) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity excluding the Subordinated Perpetual Notes. For quarterly figures, cumulative income is annualized by multiplying the amounts by four.

- (6) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity at the end of the period.
- (7) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity excluding the Subordinated Perpetual Notes at the end of the period.
- (8) 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. 18.8642 per U.S. dollar, the exchange rate determined by Banco de México on December 31, 2019 and published in the Official Gazette on January 2, 2020. 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

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

Risks Relating to our Business

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

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

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

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

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

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

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

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

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

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

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

We may not be able to effectively control the level of non-performing loans in our total 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 December 31, 2019, we had total outstanding indebtedness of Ps.43,838.0 million (US\$2,323.9 million), excluding accrued interest. Of our indebtedness outstanding as of December 31, 2019, Ps.7,847.8 million (US\$416.0 million), or 17.9%, consisted of indebtedness due to mature in 2020, while the remaining Ps.35,990.2 million (US\$1,907.9 million), equal to 82.1% of our total outstanding indebtedness, consisted of indebtedness due to mature after 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.

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

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

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

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

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

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

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

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

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

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

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

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

Mexican financial authorities have broad authority in certain areas.

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

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

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

As of December 31, 2019, 75.7% 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 December 31, 2019, 24.6% 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. For the used car loans business in Mexico, the distributor CR Fact originated 60.6% of the used car loan portfolio as of December 31, 2019. On the other hand, the used car loans business in the United States under the brand CRUSA Finance originated 53.4% of the loan portfolio. As of December 31, 2019, 100% of the origination of group loans was attributed to Contigo and Somos Uno distributors, in which the Company owns equity. If any of our distributors terminate or decrease the amount of loans they originate, the size of our total 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 211 public sector employers or employee labor unions in all of the States in Mexico, and it is through these relationships that our distributors promote our payroll loan products. Some of these distributors depend, in turn, on the services of public relations firms in order to obtain and maintain contacts with government entities and labor unions. In some instances, the cooperation agreements provide for the payment of a fee by the distributor to the labor unions or government entities based on a percentage of the loans originated through the particular cooperation agreement. In some cases, the cooperation agreements provide for the payment of consideration to the labor unions, for the benefit of their members. These cooperation agreements can be terminated at any time by any party thereof through a notice. In the event that (i) our distributors are not able to maintain the existing agreements with these entities or with other federal, state and local governments or labor unions, (ii) our distributors, including Directodo, Publiseg and GEMA, are not able to maintain their existing agreements with public relations firms or (iii) the public relations firms are unable to maintain their contacts with federal, state and local governments or labor unions, our distributors' ability to originate new payroll

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be subject to penalties due to our advertising.

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

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

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

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

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

Natural disasters and weather conditions may adversely affect us.

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

Risks Relating to Mexico

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

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

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

Political events in Mexico may significantly affect Mexican economic policy and, consequently, our operations. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the energy sector, could have a significant effect on us and on market conditions in Mexico. The Mexican president influences new policies and governmental actions regarding the Mexican economy, and the current administration of

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

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

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

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

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

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

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

In response, governments have implemented various measures to increase public security and have strengthened police and military activities. Despite these continued efforts, organized crime (especially drug gangs) continues to generate significant instability in the countries where we operate. The social and political situations in

the countries where we operate could adversely affect the economy of such countries, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the peso and the imposition of substantial government controls over exchange rates and prices. The annual rate of inflation for the last three years, as measured by changes in the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), as provided by INEGI and as published by Banco de México, was 6.77% in 2017, 4.83% in 2018 and 2.83% in 2019. Although inflation is less of an issue today than in past years, we cannot assure you that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States.

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

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

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

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

The peso has been subject to significant devaluations against the U.S. dollar and may be subject to significant fluctuations in the future. In 2008, as a result of the negative economic conditions in the United States and in other parts of the world, local and international markets experienced high volatility, which contributed to the devaluation of the peso. In 2015 and 2016, the Mexican peso experienced one of its most significant depreciations as a result of the global negative market conditions. The Mexican government has implemented a series of measures to limit the devaluation of the peso and stabilize the local economy, and the peso appreciated against the dollar in the year ended December 31, 2019. However, we cannot assure you that such measures will be effective or ongoing or predict how they will impact the Mexican economy. In March 2020, after the failure by the members of the Organization of the Petroleum Exporting Countries (“OPEC”) and Russia to reach an agreement to stabilize the oil market, Saudi Arabia decided to increase its oil production, flooding the market and launching a price war. This decision, at a time when global demand for oil is falling due to the impact of the coronavirus on global trading and the economy, triggered a 30% decline in the price of oil, representing the most significant decline since 1991. This drop in the international prices of oil and its derivatives added to the already fragile economic environment in Mexico, which in 2019 entered into a recession as a result of various factors including uncertainty regarding the productivity and development of the country and which coincided with a period of elevated volatility in the exchange rate of the Mexican peso and the U.S. dollar. Rating agencies cut Mexico’s sovereign rating and Pemex’s stand-alone rating as Pemex’s creditworthiness

has been under pressure due to debt burdens, depressed oil prices and the extraordinary need of proactive government support.

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

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

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

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

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

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

The extent to which coronavirus may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic,

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

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

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

The policies of the 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 October 1, 2018, the United States, Canada and Mexico formally agreed to renegotiate the terms and conditions of NAFTA, under a new treaty among Mexico, the United States and Canada (the "USMCA"). Unlike NAFTA, the USMCA includes a sunset clause that requires the USMCA to be analyzed and modified, if applicable, after six years and after 16 years shall be renegotiated and restated. This treaty also includes amendments to the rules of origin in practically all sectors in order to certify a product as originating in the region, rules to deter artificial changes to exchange rates to obtain commercial advantages, additional intellectual property protections, as well as amendments in labor matters and information technologies, among other provisions. On November 30, 2018, in Buenos Aires, Mexico, Canada and the United States entered into a protocol to substitute the NAFTA for the USMCA. On June 19, 2019 the Mexican Senate ratified the USMCA and, on December 13, 2019, the amending protocol of the USMCA was approved by the Mexican Senate, which includes relevant amendments in labor, steel, pharmaceutical, intellectual property and environmental matters. In addition, on January 16, 2020, the United States Senate approved the USMCA, which was signed on January 29, 2020 by President Donald Trump. In addition, on that same date, the Prime Minister of Canada presented to the House of Commons of the Canadian government, the final text of the USMCA for approval, and it was approved by the Canadian Senate on March 13, 2020. The USMCA will enter into force three months after the last notice of approval is submitted by the parties. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition or results of operations. Uncertainties surrounding the policies of the current U.S. administration, particularly with respect to matters of importance to Mexico and its economy such as trade (including the results of the implementation of the USMCA) and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

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

the government of Mexico. Any such developments could have a material adverse effect on our business, results of operations, financial condition or prospects.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty, which triggered a two-year negotiation process to determine the terms of the United Kingdom's relationship with the European Union. United Kingdom government and the EU Council have concluded a withdrawal agreement (the "Withdrawal Agreement") setting out the terms on which the United Kingdom will leave the European Union. The United Kingdom left the European Union on January 31, 2020 on the terms of the Withdrawal Agreement. The Withdrawal Agreement allows for a transition period during which the United Kingdom's trading relationship with the European Union will remain largely unchanged, as it will continue abiding the rules and regulations of the European Union. This transition period is due to end on December 31, 2020. Uncertainty remains over the United Kingdom's future relationship with the European Union after 2020. 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.

On 3 January 2020, a United States drone strike near Baghdad International Airport targeted and killed Iranian major general Qasem Soleimani. This decision represented a grave escalations in hostilities between the United States and Iran. While both sides have signaled a desire to pull back since these strikes, there is no assurance that future hostilities will not have an adverse effect on the global economy.

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

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

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

Risks Relating to the Notes in General

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant notes, the merits and risks of investing in such notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement;

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

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

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

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

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

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

An investment in notes that are denominated in, or the payment of which is to be or may be made in or related to the value of, a currency or composite currency other than the currency of the country in which the purchaser is a resident or the currency in which the purchaser conducts its business or activities (the "home currency") entails significant risks that are not associated with a similar investment in a security denominated in the home currency. Such risks include the possibility of significant changes in rates of exchange between the home currency and the various foreign currencies (or composite currencies) after the issuance of such note and the possibility of the imposition or modification of foreign exchange controls by governments. Such risks generally depend on economic and political events over which the Company has no control. In recent years, rates of exchange between certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any note. Depreciation of the currency in which a note is denominated against the relevant home currency would result in a decrease in the effective yield of such note below its coupon rate and, in

certain circumstances, could result in a loss to the investor on a home currency basis. In addition, depending on the specific terms of a currency linked Indexed note, changes in exchange rates relating to any of the currencies involved may result in a decrease in the effective yield of such currency linked Indexed note and, in certain circumstances, could result in a loss of all or a substantial portion of the principal of a currency linked Indexed note to the investor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Any rating of the notes addresses the likelihood of payment of principal at their maturity. Such rating also addresses the timely payment of interest on each payment date. Any rating of the notes is not a recommendation to purchase, hold or sell the notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that a rating of the notes will remain for any given period of time or that the rating will not be lowered or withdrawn. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency’s assessment of our financial strength, as well as its assessment of Mexican sovereign risk generally. See “—Reductions in our credit ratings or those of any of our subsidiaries could increase our cost of borrowing funds and make our ability to raise new funds, attract deposits or renew maturing debt more difficult.”

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

One or more independent credit rating agencies may assign credit ratings to the notes. Where a series of notes is rated, such rating will not necessarily be the same as the rating assigned to the notes to be issued under the Program.

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

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

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

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

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

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

The notes are subject to certain transfer restrictions.

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

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

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

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

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

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

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

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

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

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

Under Mexico’s Law on Mercantile Reorganization (*Ley de Concursos Mercantiles*, or “Mexican Bankruptcy Law”), if we are or any Mexican subsidiary guarantor is declared bankrupt or became subject to a reorganization proceeding (*concurso mercantil*), our and the obligations of the subsidiary guarantors under the notes (i) foreign currency-denominated obligations would be converted into pesos at the prevailing exchange rate at that time and location, not reflecting any devaluation of the peso after such conversion, but thereafter the pesos would be converted into inflation-adjusted units (*unidades de inversión*, known as UDIs), which do reflect the devaluation of the peso; (ii) would be satisfied at the time claims of all our creditors are satisfied; (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, which differ from those in other jurisdictions such as the United States; (iv) would cease to accrue interest from the date the *concurso mercantil* is declared; (v) would not be adjusted to take into account any depreciation of the peso against any foreign currency occurring after such declaration; and (vi) would be subject to certain statutory preferences, including tax, social security and labor claims, and claims

of secured creditors (up to the value of the collateral provided to such creditors). As a result, the ability of the holders of the notes to effectively collect payments due under the notes may be compromised or subject to delay.

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

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

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

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

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

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

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

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

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

Reliance on DTC, Euroclear and Clearstream procedures.

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

notes are represented by a global note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

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

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

Risks Related to Subordinated Notes

Subordinated Notes present, among others, the following risks:

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

Subordinated Notes will constitute our subordinated preferred indebtedness (*obligaciones subordinadas preferentes*), will be subordinated and junior in right of payment and in liquidation to all of our senior indebtedness, and will rank *pari passu* without preference among themselves with all our other subordinated preferred indebtedness. No payment of principal (including redemption payments), premium, if any, or interest on the Subordinated Notes may be made at any time when (i) any senior indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (ii) the maturity of any senior indebtedness has been accelerated because of a default. By reason of the subordination of the Subordinated Notes, in the case of certain events involving bankruptcy, liquidation or dissolution, although the Subordinated Notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our senior indebtedness have been paid in full. As of December 31, 2019, we had, on a consolidated basis, an aggregate of Ps. 24,636.7. million of senior long-term indebtedness outstanding. The Subordinated Notes Indentures will not limit our ability to incur additional senior indebtedness and subordinated preferred indebtedness from time to time. See “Description of the Notes—Certain Terms and Conditions Applicable to Subordinated Notes.”

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to the Structure of a Particular Issue of notes

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

Notes may be subject to optional redemption by the Issuer.

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

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

Variable rate notes with a multiplier or other leverage factor.

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

Inverse floating rate notes.

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

Fixed/Floating rate notes.

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

Indexed notes.

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

Additionally, if the formula used to determine the principal amount or interest payable with respect to such indexed notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity, interest rate or other index may be increased. The historical experience of the relevant currencies, commodities, interest rate or other indices should not be taken as an indication of future performance of such currencies, commodities, interest rate or other indices during the term of any indexed note. Accordingly, prospective investors

should consult their own financial and legal advisors as to the risks entailed by an investment in indexed notes and the suitability of indexed notes in light of their particular circumstances.

Notes issued at a substantial discount.

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

USE OF PROCEEDS

Unless otherwise specified in the applicable Pricing Supplement, the net proceeds from each issue of notes will be used for the general corporate purposes of the Company and its subsidiaries. If there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2019 on an actual historical basis.

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, peso amounts appearing in the table below have been translated to U.S. dollar amounts at the exchange rate of Ps.18.8642 per U.S. dollar, the exchange rate determined by Banco de México on December 31, 2019 and published in the Official Gazette on January 2, 2020, based on information from the International Monetary Fund.

	As of December 31, 2019	
	Actual	
	<i>(Unaudited)</i>	
	<i>(In millions of pesos)</i>	<i>(In millions of dollars)</i>
Cash and cash equivalents.....	1,180.9	62.6
Short-term debt:		
Notes payable.....	1,261.0	66.8
Bank loans and borrowings from other entities	7,597.6	402.8
Long-term debt:		
Bank loans and borrowings from other entities	8,015.9	424.9
Senior Notes.....	24,636.7	1,306.0
Notes issued hereby		
Total debt.....	41,511.2	2,200.5
Stockholders’ equity:		
Paid-in capital	1,852.4	98.2
Perpetual Notes	4,206.7	223.0
Earned capital.....	10,004.8	530.4
Total stockholders’ equity	16,063.9	851.6
Total capitalization	57,575.1	3,052.1

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The financial information for the years ended December 31, 2017, 2018, and 2019 has been derived from our audited financial statements included elsewhere in this Offering Memorandum, together with the notes thereto.

The following tables present selected financial information and other data as of December 31, 2017, 2018, and 2019 and for years then ended, as reported in our financial statements included elsewhere in this Offering Memorandum. Certain amounts and percentages included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be the exact arithmetic results of their components as shown herein.

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

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

The consolidated financial statements as of December 31, 2019 include the impact related to the adoption of NIF D-5 Leases, described in the accompanying Note 10 to the audited financial statements. The NIF D-5 states that the accounting recognition defined for the leaseholder establishes a sole lease recognition model that limitates the classification of leases as operating or capital. Accordingly, assets and liabilities are recognized for all leases with a duration of more than 12 months (unless the underlying asset is of low value). Consequently, the most significant effect to the consolidated balance sheet was the recognition of the usage rights of leased assets and the financial liabilities resulting from leased assets that reflect payment obligations at present value.

Income Statement

	Year Ended December 31,			
	2017	2018	2019	2019 ⁽¹³⁾
	<i>(In millions of pesos)</i>			<i>(In millions of dollars)</i>
Interest income	8,557.3	10,287.6	11,933.0	632.6
Interest expense	(2,726.1)	(3,207.4)	(4,671.1)	(247.6)
Financial margin	5,831.3	7,080.2	7,261.9	385.0
Provision for loan losses	(1,081.1)	(1,540.3)	(1,306.6)	(69.3)
Financial margin after provisions for loan losses	4,750.1	5,539.9	5,955.2	315.7
Commissions and fees income	826.4	564.1	515.7	27.3
Commissions and fees paid	(234.6)	(256.0)	(373.4)	(19.8)
Intermediation income	152.9	(20.8)	156.2	8.3
Other operating income	88.2	164.7	126.6	6.7
Administrative and marketing expense	(3,417.5)	(3,483.1)	(3,607.0)	(191.2)
Operating result	2,165.5	2,508.8	2,773.3	147.0
Equity in income of associates	177.7	154.7	63.2	3.4
Income before income taxes	2,343.3	2,663.5	2,836.5	150.4
Current income taxes	(92.7)	(355.3)	(587.7)	(31.2)
Deferred income taxes	(435.6)	(295.3)	(148.2)	(7.9)
Income taxes	(528.3)	(650.6)	(735.9)	(39.0)

	Year Ended December 31,			
	2017	2018	2019	2019 ⁽¹³⁾
	(In millions of pesos)			(In millions of dollars)
Net income	1,815.0	2,012.9	2,100.6	111.4
Non-controlling interest.....	(153.8)	(57.6)	(120.5)	(6.4)
Net income attributable to controlling interest	1,661.1	1,955.4	1,980.1	105.0

Balance Sheet

	As of December 31,			
	2017	2018	2019	2019 ⁽¹³⁾
	(In millions of pesos)			(In millions of dollars)
Assets:				
Cash and cash equivalents	810.6	575.7	1,180.9	62.6
Investments in securities.....	529.8	940.9	1,294.4	68.6
Derivatives.....	1,920.9	1,028.0	-	-
Performing loan portfolio:				
Commercial loans	20,903.9	26,090.6	34,620.0	1,835.2
Consumer loans.....	7,505.9	9,610.9	11,705.7	620.5
Total performing loan portfolio	28,409.8	35,701.6	46,325.7	2,455.7
Non-performing loan portfolio:				
Commercial loans	331.4	307.6	343.8	18.2
Consumer loans.....	273.8	310.0	288.9	15.3
Total non-performing loan portfolio.....	605.2	617.6	632.7	33.5
Loan portfolio	29,015.0	36,319.1	46,958.4	2,489.3
Less: allowance for loan losses	(1,067.5)	(1,067.9)	(1,390.0)	(73.7)
Loan portfolio, net	27,947.5	35,251.2	45,568.4	2,415.6
Other accounts receivables, net....	4,629.7	5,378.8	6,796.9	360.3
Foreclosed assets, net	3.3	10.5	10.8	0.6
Property, furniture and fixtures, net.	342.2	341.5	625.3	33.1
Long-term investments in shares	1,265.3	1,193.4	1,273.6	67.5
Deferred taxes		-	-	-
Other assets, net:				
Deferred charges, advance payments and intangibles	4,130.9	4,793.7	4,590.6	243.3
Other short and long term assets ..	327.6	48.8	250.9	13.3
Total assets	41,907.7	49,562.5	61,591.7	3,265.0
Liabilities:				
Notes payable (Securitized Certificates)	1,000.0	1,463.5	1,261.0	66.8
Senior notes payable	13,543.9	17,018.8	24,636.7	1,306.0

	As of December 31,			
	2017	2018	2019	2019 ⁽¹³⁾
	(In millions of pesos)			(In millions of dollars)
Bank loans and borrowings from other entities:				
Short-term	2,927.9	7,359.7	7,597.6	402.8
Long-term	6,112.8	4,804.7	8,015.9	424.9
	9,040.6	12,164.4	15,613.5	827.7
Derivatives.....	137.6	-	765.3	40.6
Income taxes payable	390.9	264.0	313.6	16.6
Employee profit sharing payable....	16.2	18.3	16.9	0.9
Accrued liabilities and other accounts payable	1,229.1	439.1	513.7	27.2
Deferred taxes, net.....	1,781.0	2,258.8	2,407.1	127.6
Total liabilities	27,139.4	33,626.9	45,527.8	2,413.5
Stockholders' equity:				-
Capital stock	660.2	660.2	660.2	35.0
Share subscription premium	1,462.6	1,407.5	1,192.3	63.2
Subordinated obligations in circulation.....	4,206.7	4,206.7	4,206.7	223.0
Earned capital:				
Legal reserve.....	132.0	132.0	132.0	7.0
Accumulated results from prior years	5,442.4	6,561.1	7,664.4	406.3
Result from valuation of cash flow hedges, net.....	359.7	128.6	(708.2)	(37.5)
Cumulative translation adjustment	93.7	(30.1)	5.5	0.3
Re-measurements of employee defined benefits	1.1	5.6	(18.2)	(1.0)
Non-controlling interest.....	748.9	908.5	949.1	50.3
Net income attributable to controlling interest.....	1,661.1	1,955.4	1,980.1	105.0
Total stockholders' equity	14,768.4	15,935.6	16,063.9	851.6
Total liabilities and stockholders' equity	41,907.7	49,562.5	61,591.7	3,265.0

Other Financial Data and Ratios

	As of and for the Year Ended December 31,		
	2017	2018	2019
Net income margin ⁽¹⁾	22.2%	20.8%	17.1%
Return on average loan portfolio ⁽²⁾	6.3%	5.7%	4.7%
ROA: Return on average total assets ⁽³⁾	4.5%	4.2%	3.5%
ROE: Return on average stockholders' equity ⁽⁴⁾	15.9%	12.9%	12.3%

	As of and for the Year Ended December 31,		
	2017	2018	2019
ROE: Return on average stockholders' equity (excluding Subordinated Perpetual Notes) ⁽⁵⁾	17.6%	17.8%	16.6%
Debt to equity ratio ⁽⁶⁾	1.6x	1.9x	2.6x
Debt to equity ratio (excluding Subordinated Perpetual Notes) ⁽⁷⁾ ..	2.2x	2.6x	3.5x
Yield ⁽⁸⁾	32.6%	30.2%	28.1%
Average cost of funds ⁽⁹⁾	11.6%	11.4%	12.8%
Efficiency ratio ⁽¹⁰⁾	49.7%	42.4%	43.9%
Capitalization ratio ⁽¹¹⁾	50.9%	43.9%	34.2%
Capitalization ratio (excluding Subordinated Perpetual Notes) ⁽¹²⁾ .	36.4%	32.3%	25.3%

Credit Quality Ratios

Provisions for loan losses as a percentage of total loan portfolio ...	3.7%	4.2%	2.8%
Allowance for loan losses as a percentage of total past-due loan portfolio	176.4%	172.9%	219.7%
Total past-due loan portfolio as a percentage of total loan portfolio	2.1%	1.7%	1.3%

- (1) Net Income Margin is calculated by dividing the financial margin of the period by the average quarterly loan portfolio. For quarterly figures, cumulative financial margin is annualized by multiplying the amounts by four.
- (2) Return on average loan portfolio consists of net income attributable to controlling interest for the period divided by the average quarterly loan portfolio amounts. For quarterly figures, cumulative income is annualized by multiplying the amounts by four.
- (3) Return on average total assets consists of net income attributable to controlling interest for the period divided by the average quarterly total assets. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (4) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity. For quarterly figures, cumulative income is annualized by multiplying the quarterly amounts by four.
- (5) Return on average stockholders' equity consists of net income attributable to controlling interest for the period divided by average quarterly stockholders' equity excluding the Subordinated Perpetual Notes. For quarterly figures, cumulative income is annualized by multiplying the amounts by four.
- (6) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity at the end of the period.
- (7) Debt to equity ratio consists of total debt at the end of the period divided by total stockholders' equity excluding the Subordinated Perpetual Notes at the end of the period.
- (8) 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.18.8642 per U.S. dollar, the exchange rate determined by Banco de México on December 31, 2019 and published in the Official Gazette on January 2, 2020. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all. See "Exchange Rates" in this offering memorandum.

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

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

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

Mexican Economic Environment

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

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

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

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

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

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

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

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

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

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

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

Effect of Tax Legislation

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

The 2020 Tax Reform is intended to:

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

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

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

Interest Rate Fluctuations

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

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

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

	TIIE ⁽¹⁾			
	High	Low	Average	End of Period
2012.....	4.8562%	4.7175%	4.7896%	4.8450%
2013.....	4.8475%	3.7765%	4.2807%	3.7900%
2014.....	3.8171%	3.2741%	3.5092%	3.3110%
2015.....	3.5525%	3.2780%	3.3167%	3.5475%
2016.....	6.1100%	3.5476%	4.4739%	6.1066%
2017.....	7.6250%	6.1100%	7.0541%	7.6241%
2018.....	8.5956%	7.6250%	7.9960%	8.5956%
2019	8.6000%	7.5555%	8.3175%	7.5555%
Through February 25, 2020	7.5550%	7.3012%	7.4789%	7.3015%

(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 December 31, 2019, the TIIE was 7.6%.

In addition, the fixed interest rates we charge on each of our loan products have historically been significantly higher than the variable rates we pay on our interest-bearing liabilities, resulting in favorable net interest margin. For example, our average interest rate earned on interest-earning assets (yield) for the year ended December 31, 2019 was 28.1% and our average interest rate paid on the portfolio for the same period was 11.0%, resulting in a net interest margin of 17.1%. 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 and 2019 on a quarterly basis. Collections include both principal and interest payments.

Period	Value	Payroll Loans	Used Cars MX	CR USA	Small Business Loans	Durable Goods ⁽¹⁾	Group Loans	Consumer Loans (Instacredit)	Total
2017	Average								
	Portfolio.....	14,853.8	465.5	2,177.2	1,473.1	317.1	361.5	2,106.3	26,280.3
	Collections.....	1,568.3	77.1	250.1	740.3	307.4	549.3	1,046.1	17,370.7
	Collections as percentage of Average portfolio.....	42.2%	66.2%	46.0%	201.0%	96.9%	607.9%	198.7%	66.1%
2018									
Q1:	Average								
	Portfolio.....	20,267.2	680.1	2,072.0	2,052.2	409.6	194.8	4,509.5	30,185.5
	Collections.....	1,852.8	246.2	422.5	607.3	61.9	351.4	1,028.9	4,571.0
	Collections as percentage of Average portfolio.....	36.6%	144.8%	81.6%	118.4%	60.5%	721.6%	91.3%	60.6%
Q2:	Average								
	Portfolio.....	21,965.2	770.9	2,033.3	2,618.4	389.1	188.4	4,542.6	32,508.0
	Collections.....	2,316.1	284.7	548.6	687.2	60.6	379.3	1,065.3	5,341.8
	Collections as percentage of Average portfolio.....	42.2%	147.8%	107.9%	105.0%	62.3%	805.2%	93.8%	65.7%
Q3:	Average								
	Portfolio.....	23,449.4	820.9	1,948.6	3,046.5	355.4	142.9	4,539.4	34,303.2
	Collections.....	2,515.7	203.9	1,252.1	1,009.2	88.8	469.5	1,049.1	6,588.3
	Collections as percentage of Average portfolio.....	42.9%	99.3%	257.0%	132.5%	99.9%	1314.0%	92.4%	76.8%
Q4:	Average								
	Portfolio.....	24,501.2	882.2	1,952.3	3,445.6	350.4	69.6	4,431.4	35,632.8
	Collections.....	2,739.4	220.2	511.7	1,108.0	63.4	137.2	1,061.6	5,841.5
	Collections as percentage of Average portfolio.....	44.7%	99.8%	104.8%	128.6%	72.4%	789.0%	95.8%	65.6%
FY:	Average								
	Portfolio.....	23,233.2	826.5	1,992.8	3,032.0	369.8	129.0	4,487.0	34,070.4
	Collections.....	9,423.9	955.0	2,734.9	3,411.7	274.8	1,337.4	4,204.8	22,342.6
	Collections as percentage of Average portfolio.....	40.6%	115.5%	137.2%	112.5%	74.3%	1036.8%	93.7%	65.6%
2019									
Q1:	Average								
	Portfolio.....	25,140.0	1,051.9	2,036.3	4,048.4	371.0	174.5	4,476.1	37,298.3
	Collections.....	2,152.9	224.3	763.4	974.8	123.3	226.6	1,042.6	5,507.8
	Collections as percentage of Average portfolio.....	34.3%	85.3%	149.9%	96.3%	132.9%	519.4%	93.2%	59.1%
Q2:	Average								
	Portfolio.....	26,068.6	1,219.4	2,238.5	4,834.5	367.3	361.9	4,590.9	39,681.1
	Collections.....	2,646.7	272.8	603.8	1,436.5	66.6	405.2	1,065.9	6,497.5
	Collections as percentage of	40.6%	89.5%	107.9%	118.8%	72.5%	447.8%	92.9%	65.5%

Period	Value	Payroll Loans	Used Cars MX	CR USA	Small Business Loans	Durable Goods ⁽¹⁾	Group Loans	Consumer Loans (Instacredit)	Total
	Average portfolio.....								
Q3:	Average Portfolio.....	26,824.5	1,280.3	2,889.0	5,617.9		488.2	4,824.0	
	Collections.....	2,682.0	298.2	806.6	1,410.3	354.6	705.8	1,124.0	42,278.6
	Collections as percentage of Average portfolio.....	40.0%	93.2%	111.7%	100.4%	23.9	578.2%	93.2%	7,037.8
Q4:	Average Portfolio.....	27,613.4	1,354.5	3,712.4	6,703.3	26.9%	576.8	4,936.8	66.6%
	Collections.....	3,147.4	289.0	923.3	2,188.8		840.6	1,150.6	
	Collections as percentage of Average portfolio.....	45.6%	85.3%	99.5%	130.6%	318.2	582.9%	93.2%	45,215.4
FY:	Average Portfolio.....	26,841.0	1,287.0	2,975.4	5,768.9	233.6	469.3	4,763.8	8,773.2
	Collections.....	10,629.0	1,084.4	3,097.1	6,010.3	293.6%	2,178.1	4,383.1	77.6%
	Collections as percentage of Average portfolio.....	39.6%	84.3%	104.1%	104.2%		464.1%	92.0%	

(1) Includes collections from Resuelve's business.

Key Factors Affecting our Financial Condition and Results of Operations

Loan Portfolio Performance

The performance of our loan portfolio depends on our ability to collect each expected installment payment on a timely basis, which in turn depends, in part, on the strength of our origination and credit approval processes. Since our incorporation in 1993, we have developed and improved our proprietary underwriting standards and credit review system and have built an infrastructure to support the implementation of our credit review process for each of our loan portfolios. For further explanation of the credit review process in each of our loan portfolios, see “Business—Our Loan Products—Payroll Loans—Credit Application and Review Process”; “Business—Our Loan Products—SME Loans—Distribution and Origination”; “Business—Our Loan Products—Used Car Loans—Credit Application and Approval Process”; and “Business—Our Loan Products—Consumer Loans—Credit Application and Approval Process”. Our proprietary credit review process has, in part, enabled us to maintain low and stable NPL ratios in our loan portfolio, including through the economic downturn in 2008 and 2009. Our NPL ratios were 2.1%, 1.7% and 1.3% as of December 31, 2017, 2018, and 2019, respectively.

As of December 31, 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. Moreover, the low penetration of financial institutions in the SME market along with the potential size of the SME market, represents a good business opportunity for us in our traditional SME lending and leasing business. Likewise, we believe that the used car loan market in Mexico represents a good opportunity for us, we are frequently evaluating results from each branch to maintain profitability standards and we are always on the lookout for high potential markets to expand into. Also, we

are looking to capitalize our current alliances with OEMs and create new ones enabling an expansion of brand recognition, geographical footprint and product penetration. We believe that our SME loan and used car loan businesses offer the greatest potential for growth in the Mexican and the United States market over the next several years. Furthermore, we believe that our efforts to grow successfully beyond our core business across regions will enable us to strengthen our profitability and continue adding value to the overall Company.

Critical Accounting Estimates

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

Allowance for Loan Losses

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

Overdue balances of borrowers are recorded in the non-performing portfolio in the event of non-compliance with payment terms in which a loan installment or payment is past-due for specified periods. Loans are generally recorded as non-performing after 90 days of billing periods reporting non-compliance, at which time the accrual of interest is suspended. Pursuant to our financing and other agreements with our distributors, our distributors are severally liable for the unpaid amount of the loan, along with the borrowers. A distributor's total liability is equal to the percentages of unpaid loan amounts determined within each promotion. As of December 31, 2019, the aforementioned contracts established a percentage of unpaid loan amounts of 1.3%. Joint and several liability is based on the percentage of shared risk agreed upon with each distributor on a case-by-case basis and is calculated over the unpaid amount of those loans which are more than 90 days past due.

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

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

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

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

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

Methodology for commercial loan portfolio

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

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

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

Where:

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

PI_i = Probability of default of the nth credit.

SP_i = Severity of loss of the nth credit.

EI_i = Exposure to default of the nth credit.

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

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

For purposes of the above:

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

$$\text{Total Credit Score}_i = \alpha \times (\text{Quantitative Credit Score}_i) + (1 - \alpha) \times (\text{Qualitative Credit Score}_i)$$

Where:

$\text{Quantitative Credit Score}_i$ = is the score obtained for the nth borrower when evaluating the risk factors.

$\text{Qualitative Credit Score}_i$ = is the score obtained for the nth borrower when evaluating the risk factors.

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

Unsecured loans

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

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

The Exposure to Default of each loan (EI_i) 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:

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

Where:

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

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

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

Consumer loan portfolio

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

Methodology for consumer loan portfolio

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

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

The following numbers are determined for each credit operation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Where:

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

PI_i = Probability of Default on the nth credit.

SP_i = Severity of the Loss on the nth credit.

EI_i = Exposure to Default of the nth credit.

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

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

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

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

Where:

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

ATR_i^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).

Income Taxes

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

Employee Retirement Obligations

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

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

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

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

Interest Income

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

	Years Ended December 31,	
	2018	2019
	<i>(In millions of pesos)</i>	
Interest income from payroll loans	6,256.4	6,989.3

	Years Ended December 31,	
	2018	2019
	<i>(In millions of pesos)</i>	
Interest income from Instacredit.....	2,538.3	2,881.2
Interest income from used cars MX	422.2	426.7
Interest income from CR USA	506.5	700.8
Interest income from small business loans	476.1	836.6
Interest income from group loans	15.6	59.3
Interest income from durable goods and other loans	72.5	39.0
Total interest income	10,287.6	11,933.0

For the year ended December 31, 2019, we had total interest income of Ps.11,933.0 million, reflecting an increase of Ps.1,645 million, or 16.0%, compared to Ps. 10,287.6 million for the same period in 2018. Interest income earned on our Payroll loans, Instacredit loans, Used Cars MX, CR USA loans, SME loans, and group loans increased 11.7%, 13.5%, 1.1%, 38.4%, 75.7% and 279.6%, respectively. While the interest income earned on our durable goods and other loans decreased 46.2%, during the same period. The average balance of our total loan portfolio during the year ended December 31, 2019 was Ps. 42,448.3 million, an increase of Ps. 8,377.9 million or 24.6% from the Ps. 34,070.4 million average balance during the year ended December 31, 2018. The increase in interest income resulted from the meaningful contribution of each business unit, particularly SMEs, Payroll and our businesses in the United States.

Interest Expense

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

Our average balance of interest-bearing liabilities debt portfolio increased from Ps. 22,818.13 million for the year ended December 31, 2018 to Ps. 30,960.1 million for the year ended December 31, 2019, reflecting an increase of Ps. 8,141.97 million, or 35.7 %.

Financial Margin

Our financial margin increased by Ps.181.7 million, or 2.6%, to Ps. 7,261.9 million for the year ended December 31, 2019, compared to Ps. 7,080.2 million for the year ended December 31, 2018, where the substantial increase in the cost of funding was offset by interest income growth.

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

Net provisions for Loan Losses

Provisions for loan losses, the estimated reserve amount reserved for the contingency of unrecoverable loans net of charge-off accounts, decreased by Ps. 233.7 million, or 27.4%, to Ps. 1,306.6 million for the year ended December 31, 2019, from Ps. 1,540.3 million for the year ended December 31, 2018. In the year ended December 31, 2019, the decreased in provisions was attributable to a better performance of each segment's loan portfolio which resulted in a decrease in delinquency rates. Excluding recovery of charge-off accounts, as presented in previous years, provision for loan losses was Ps. 1,575.5 million during 2019, compared to Ps. 1,800.7 million in 2018.

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

Commissions and Fees Income

Total commissions and fees received was Ps. 515.7 million for the year ended December 31, 2019, compared to Ps. 564.1 for the year ended December 31, 2018, primarily as a result of the implementation of 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. Consequently, for the year ended December 31, 2019, commissions collected from Instacredit have been recognized as interest income and this line item only represents the income generated by Resuelve.

Commissions and Fees Paid

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

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

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

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

Total commissions and fees paid increased by Ps. 117.5 million, or 45.9%, to Ps. 373.4 million for the year ended December 31, 2019, compared to Ps. 256.0 million for the year ended December 31, 2018. This increase primarily resulted from higher commissions being paid in connection with our debt issuances and from a non-recurring effect associated with the tender offer to purchase the Senior Notes 2019.

Administrative and Marketing Expense

Administrative and marketing expense, which consist primarily of personnel remuneration and benefits expenses, including expenses incurred for wages, year-end bonuses and vacation premiums, as well as expenditures related to our information technology systems and rents under our office lease agreements, increased by Ps. 123.9 million to Ps. 3,607 million for the year ended December 31, 2019, compared to Ps. 3,483.1 million for the year ended December 31, 2018. The increase was primarily attributed to the growth in Mexico’s administrative expenses associated with the loan portfolio expansion and to debt issuance expenses.

Operating Result

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

Equity in Income of Associates

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

Income Taxes

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

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

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

The increase in current tax of Ps. 232.4 million for the year ended December 31, 2019 primarily reflects the unwinding of the financial derivative instrument that hedged the 2019 Senior Notes and increases in collections across various business lines.

The decrease of Ps. 147.1 million in deferred tax for the year ended December 31, 2019 is primarily due to the effect of terminating the abovementioned derivatives, which were registered as a deferred tax in our balance sheet for the year ended December 31, 2018 while the transaction itself was recognized as current taxes.

Non-controlling Interest

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

Net Income Attributable to Controlling Interest

Net income attributable to controlling interest increased by Ps. 24.8 million, or 1.3%, to Ps. 1,980.1 million for the year ended December 31, 2019, compared to Ps. 1,955.4 million for the year ended December 31, 2018. The increase in net income reflects the consistent growth across all business lines, along with the benefits associated with the implementation of strict risk-related strategies and the operational efficiencies generated during the quarter.

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,	
	<i>(In millions of pesos)</i>	
	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 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.

For the year ended December 31, 2018, the average interest rate earned from the average interest-earning assets was 30.2% compared to 32.6% for the year ended December 31, 2017, and the average interest rate paid on the debt was 11.4% compared to 10.4% for the year ended December 31, 2017, resulting in a net interest margin of 20.8% compared to 22.2% for the year ended December 31, 2017.

Provisions for Loan Losses

Provisions for loan losses increased by Ps.459.2 million, or 34.1%, reflecting an increase to Ps.1,540.3 million for the year ended December 31, 2018 from Ps.1,081.1 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
	<i>(in millions of pesos)</i>	
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 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
	<i>(In millions of pesos)</i>	
ISR:		
Current.....	(92.7)	(355.3)
ISR:		
Deferred.....	(435.6)	(295.3)
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.

Liquidity and Capital Resources

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

The funds maintained in investments have been established during each quarter with the objective of providing the resources needed to fulfill our funding requirements. Short-term investments will serve to maximize value lost by maintaining these funds. If we have excess liquidity that will not be used in the short-term, we will analyze possible long-term investment opportunities, including in foreign currency. Investment proposals must include a certain combination of risk, yield, and financial instruments. We prioritize those investments that can be exchanged immediately for liquid capital.

As of December 31, 2019, we held Ps. 1,180.9 million of cash and cash equivalents. Similarly, as of December 31, 2019, we had investments in securities valued at Ps. 1,294.4 million, of which Ps.93.3 million were invested in financial instruments denominated in U.S. dollars, while the remaining Ps.1,201.1 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 2027 Euro 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.12,447.0 million, or 39.7%, from Ps.31,391.0 million as of December 31, 2018 to Ps.43,838.0 million as of December 31, 2019.

As of December 31, 2019, Ps.7,847.8 million, or 17.9%, of our total indebtedness (excluding accrued interest) consisted of long-term notes and outstanding bank credit lines due to mature by December 2020. The remaining Ps.35,990.2 million, or 82.1%, of our total indebtedness (excluding accrued interest) consisted of both long-term notes and outstanding bank credit lines due to mature after January 2021. As of December 31, 2019, excluding the Subordinated Perpetual Notes we had a debt-to-equity ratio of 2.6to 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 impact of the coronavirus in the financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain hedges or financing in a timely manner, on acceptable terms or at all. In addition, the slowdown in the economic activity caused by the coronavirus and other internal factors may result in a decrease in the demand of our financial products and services, may cause an increase in business failures among small- and mid-sized businesses that we serve and may adversely affect the ability of our clients to repay past or future loans (including as a result of lay-offs, which may have a significant adverse effect in our income and collections), which could adversely affect the quality of our portfolio, our capacity to repay our debt or comply with the covenants (including financial ratios) of our debt instruments.

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

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

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

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

The following tables present our total indebtedness (excluding accrued interest) as of December 31, 2017, 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, Euro Notes (assuming such Euro Notes were issued on September 30, 2019) and Senior Trust bonds:

	As of December 31,					
	2017		2018		2019	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	<i>(In millions of pesos, except percentages)</i>					
At period end ⁽¹⁾	5,989.2	9.2%	9,648.9	9.6%	11,717.4	10.1%
Average during period ⁽²⁾	5,971.2	9.6%	7,756.8	9.7%	9,328.1	10.3%
Maximum month-end balance	7,125.9	10.0%	9,648.9	9.6%	11,717.4	10.7%
Bond Issuances						
At period end ⁽¹⁾	1,000.0	9.9%	0.0	0.0%	0.0	0.0%
Average during period ⁽²⁾	2,820.8	8.3%	0.0	0.0%	0.0	0.0%
Maximum month-end balance	3,500.0	7.9%	0.0	0.0%	0.0	0.0%
Senior notes						
At period end ⁽¹⁾	13,819.6	11.9%	14,147.9	12.1%	23,246.6	12.7%
Average during period ⁽²⁾	13,759.8	11.6%	13,816.2	11.8%	20,218.3	13.4%
Maximum month-end balance	13,891.3	10.9%	14,147.9	12.1%	23,333.2	14.0%
Swiss Notes						
At period end ⁽¹⁾	-	-	3,416.6	10.7%	3,404.5	11.6%
Average during period ⁽²⁾	-	-	3,114.7	10.2%	3,404.2	11.4%
Maximum month-end balance	-	-	3,426.1	10.7%	3,404.5	11.6%
Senior trust bonds						
At period end ⁽¹⁾	-	-	1,415.0	10.8%	1,527.8	9.8%
Average during period ⁽²⁾	-	-	902.5	9.7%	1,344.4	10.5%
Maximum month-end balance	-	-	1,415.0	10.8%	1,550.0	10.8%
Total borrowings, at period end (excluding accrued interest)	20,808.8	11.0%	28,628.4	11.1%	39,896.3	11.7%

The following table presents, as of December 31, 2019 the indebtedness of our affiliates (excluding accrued interest):

	As of December 31, 2019					
	CR USA FIN		Instacredit		CRFED	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
Bank Financings	<i>(In millions of pesos, except percentages)</i>					
At period end	1,565.5	4.45%	2,191.3	12.90%	184.9	5.75%
Average during period	1,096.1	12.94%	2,133.3	12.94%	98.9	5.99%
Maximum month-end balance	1,565.5	6.00%	2,210.7	13.63%	193.4	6.75%

Total	1,565.5	4.45%	2,191.3	12.90%	184.9	5.75%

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

The table below presents our projected collections of principal and interest on outstanding loans in our loan portfolio (Collections) and our projected obligations under our outstanding indebtedness, as of December 31, 2019, including interest payments and the repayment of principal at maturity (Obligations), during the first, second, third and fourth quarters of 2020, on a quarterly basis and in an aggregate amount over those periods. As set forth in the table, our collections, assuming no material change in the default rate of our loan portfolio, are expected to exceed our financial obligations during each quarter.

	2020				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	<i>(In millions of pesos)</i>				
Collections	5,017.2	5,525.4	4,638.4	4,986.9	20,167.9
Obligations	3,838.4	4,215.4	2,583.5	1,697.2	12,334.5

Contractual Obligations

The table below sets forth information of our contractual obligations (excluding accrued interest) as of December 31, 2019.

	As of December 31, 2019				
	2020	2021	2022	2023 and Thereafter	Total
	<i>(in millions of pesos)</i>				
Debt (excluding accrued interest and mark-to-market) ⁽¹⁾⁽²⁾ :					
Short-term debt	7,847.8	- -	- -	-	7,847.8
Current portion of long-term debt	-	- -	- -	-	-
Long-term debt	-	5,006.5	5,258.8	25,724.9	35,990.2
Total contractual obligations (excluding accrued interest and mark-to-market)	7,847.8	5,006.5	5,258.8	25,724.9	43,838.0

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

(2) At December 31, 2019, the Company has short-term lease liabilities, together with long-term lease liabilities. The Company's asset leasing activities include assets utilized for placements and to manage financing. According to the lease contracts recorded at December 31, 2019, the Company has no future cash disbursements derived from residual value guarantees, extension options and contract terminations, restrictions imposed by leaseholders or sales transactions subject to leaseback agreements.

As of December 31, 2019, our weighted debt maturity is 3.8 years. In contrast, our weighted debt maturity was 3.3 years as of December 31, 2017, and 2.7 years as of December 31, 2018.

As of December 31, 2019, Ps. 10,733.7 million, or 24.5%, of our outstanding indebtedness (excluding accrued interest) was secured by collateral.

As of December 31, 2019, our contractual obligations denominated in U.S. dollars represented US\$1,011.3 million aggregate principal amount of US\$400.0 million of our 2026 Senior Notes issued in 2019, US\$426.9 million of our 2023 Senior Notes issued in 2016, US\$15.4 million of our two syndicated credit lines and US\$30.0 million of our credit line.

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

However, except for US\$100.0 million relating to the 2026 Senior Notes, US\$1.9 million relating to the 2023 Senior Notes, US\$30.0 million relating to a credit line, and €50 million relating to the 2027 Euro Notes, the principal and interest payments related to these obligations are fully hedged, mainly through cross-currency swaps, which in some cases employ exchange rate caps. As of December 31, 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. Immediately below is a brief description of the principal terms of such instruments.

Indenture Governing our 2027 Senior Notes

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

Indenture Governing our 2026 Senior Notes

On February 7, 2019, we entered into an indenture pursuant to which we issued and sold US\$400 million aggregate principal amount of 2026 Senior Notes. The 2026 Senior Notes will mature on February 7, 2026. As of December 31, 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 December 31, 2019, we had US\$426.9 million of indebtedness outstanding under this indenture. On September 12, 2019 we launched the Tender Offer to purchase for cash up to US\$300 million of the 2023 Senior Notes. At the closing of the Tender Offer we purchased 2023 Senior Notes in an aggregate principal amount equal to US\$198.1 million. The indenture governing the 2023 Senior Notes contains covenants that limit the creation of liens by us and any of our subsidiaries, and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the indenture (as amended or supplemented from time to time) governing the 2023 Senior Notes limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, secure our indebtedness and the indebtedness of our subsidiaries, guarantee debts and sell assets.

Purchase Agreement Governing our 2022 Swiss Notes

On February 7, 2018, we entered into a bond purchase agreement pursuant to which we issued and sold CHF170.0 million aggregate principal amount which will mature on February 9, 2022. As of December 31, 2019, we had CHF170.0 million of indebtedness outstanding under this agreement. The agreement governing the 2022 Swiss Notes contains covenants that limit the creation of liens by us and any of our subsidiaries and will permit us and any subsidiaries to consolidate or merge with, or transfer all or substantially all of our assets, only if any such transaction complies with certain requirements. In addition, subject to a number of important exceptions and qualifications, the agreement limits our ability and the ability of any of our subsidiaries to incur additional indebtedness, pay dividends or redeem capital stock, make restricted payments, enter into certain transactions with shareholders and affiliates, guarantee debts and sell assets.

Loan Agreements

We have access to bank credit lines in an aggregate amount of Ps.18,722.0 million as of December 31, 2019. As of December 31, 2019, an aggregate amount of Ps15,569.1 million is outstanding from such bank credit lines. As of December 31, 2019, 10,733.7 million, or 24.5%, of our loan portfolio was pledged to secure our obligations under certain of our credit facilities. As of December 31, 2019, Ps. 1,112.2 million remains available under our bank credit lines.

Loan Agreement with NAFIN

On March 18, 2005, we entered into a term credit facility with NAFIN (as amended and supplemented on March 14, 2006, October 7, 2008, March 10, 2009, April 24, 2009, September 3, 2010, September 27, 2011, January 8, 2013, August 30, 2013, November 7, 2014 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 December 31, 2019, the amount outstanding under this credit facility was Ps. 1,414.3 million. This agreement does not have a maturity date. We are subject to certain restrictive covenants under the terms of this credit facility that, among other things, limit our ability to sell or assign the accounts receivable we originate and fund with the proceeds of this loan.

Loan Agreements with Banco Invex

On March 29, 2017, we entered into a secured term credit facility with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero (“Banco Invex”). This credit facility was refinanced on July 31, 2019 pursuant to an equivalent secured term credit facility with Banco Invex, for an aggregate principal amount of up to Ps.300.0 million. This credit facility will mature on July 29, 2020 and bears interest at a rate equal to TIIE plus an applicable margin. As of December 31, 2019, the amount outstanding under this credit facility was Ps. 250.0 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.350.0 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 these 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 December 31, 2019, the amount outstanding under this credit facility was Ps.253.4 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets, (2) provide collateral to lenders, (3) reduce our capital stock and (4) modify our capital structure. This credit facility is secured by a pledge of a portion of our accounts receivable. Additionally, this credit facility may be terminated prior to the

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

Loan Agreements with BBVA

On May 6, 2016, we entered into a secured revolving credit facility with BBVA (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 December 31, 2019, the amount outstanding under this credit facility was Ps. 600.0 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets; (2) provide collateral to lenders; (3) incur additional indebtedness, as well as require us to maintain (A) a ratio of non-performing loans to total loans less than or equal to 5%, and (B) a coverage ratio of non-performing loans greater than or equal to 1.2x.

This credit facility is secured by a pledge of a portion of our accounts receivable. On May 29, 2018, we entered into another secured revolving credit facility with BBVA for an aggregate principal amount of Ps.100.0 million. 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 December 31, 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 December 31, 2019, the amount outstanding under this credit facility was Ps.490.0 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 (“Banco del Bajío”) (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 December 31, 2019, the amount outstanding under this credit facility was Ps.381.9 million. This credit facility requires us to comply with certain covenants that, among other things, limit our ability to: (1) provide collateral to lenders, (2) reduce our capital stock, (3) conduct mergers or spin-offs and (4) modify our corporate structure. Additionally, this credit facility contains certain early termination events, such as (1) changes in our corporate name or purposes, (2) labor conflicts affecting our payment capabilities, (3) the occurrence of a cross-default of another credit facility entered by us with Banco del Bajío, and (4) if the collateral does accomplish with the “aforo”. This credit facility is secured by a pledge of a portion of our accounts receivable.

Loan Agreements with Multiva

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

First Loan Agreement with Credit Suisse

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

Second Loan Agreement with Credit Suisse

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

Credit Suisse Syndicated Loan Agreement

On February 19, 2020, we and our subsidiary Marevalley Corporation entered into a term loan facility with several lenders party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent, for a maximum aggregate principal amount of US\$110.0 million. This credit facility has two tranches, one of which will mature on February 21, 2023 and the other on February 21, 2025. The loans under this credit facility bear interest at a variable rate equal to LIBOR plus 3.75% and 4.0%, respectively. On the closing date thereof we requested the disbursement of loans for the maximum aggregate principal amount under such facility, which loans remain outstanding as of the date of this Offering Memorandum. The proceeds from this loan were used for general corporate purposes and to repay in full the First Loan Agreement with Credit Suisse. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; and (4) create or permit to be created any lien, except for permitted liens thereunder, as well as requires us to maintain (A) a capitalization ratio equal to or greater than 0.135:1.00; (B) a delinquency ratio equal to or lower than 0.04:1.00; (C) a risk coverage ratio equal to or greater than 1.00:1.00; (D) a leverage ratio equal to or lower than 3.5:1.00; and (E) a minimum liquidity ratio equal to or greater than 1.10:1.00.

Loan Agreements with Banorte

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

On September 27, 2018, we entered into a new revolving credit agreement with Banorte, maturing on September 26, 2020, with a maximum aggregate principal amount of up to Ps.1,000.0 million taking into consideration both the term facility and the revolving facility. 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 loans under the term and the revolving credit agreements are secured by pledges on a portion of our portfolio. As of December 31, 2019, the outstanding amount under this credit facility was Ps. 650.0 million, of which Ps.283.3 million are term loans and Ps.366.7 million are revolving loans. 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 December 31, 2019, the amount outstanding under this credit facility was Ps.388.9 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell assets, (2) provide collateral to lenders, (3) conduct mergers or spin-offs, (4) reduce our capital stock and (5) modify our capital structure; as well as requires us to maintain (A) a capitalization ratio equal to or greater than 13.5%, (B) a leverage ratio equal to or lower than 3.5:1.0, (C) maintain a ratio of non-performing loans to total loans less than or equal to 5%, (D) minimum liquidity ratio equal to or greater than 1.1:1.0 and (E) a risk coverage ratio equal to or greater than 100%. In the event of a default of any obligation under any other loan agreement (cross-default) for an amount equal to US\$10 million, Bladex can accelerate this loan agreement.

Loan Agreement with SMBC

On January 27, 2016, we entered into a term loan facility secured by a pledge with SMBC, S.A.P.I. de C.V., SOFOM, E.N.R. (as amended on September 12, 2017) with a maximum aggregate principal amount of Ps.700.0 million. This credit facility 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 December 31, 2019, the amount outstanding under this credit facility was Ps.262.5million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs; (2) amend or modify our bylaws; (3) pay dividends except as permitted thereunder; and (4) create or permit to be created any lien, except for permitted liens thereunder, as well as require us to maintain (A) a capitalization ratio equal to or greater than 13.5%; (B) a ratio of non-performing loans to total loans less than or equal to 4%, (C) a risk coverage ratio equal to or greater than 100%, (D) a collateral coverage ratio equal to or less than 65% and (E) a minimum liquidity ratio equal to or greater than 1.1:1.0.

Loan Agreement with Mifel

On August 2, 2019, we entered into a loan revolving facility secured by a pledge with Banca Mifel, S.A., Institución de Banca Múltiple, Grupo Financiero Mifel (“Mifel”), for an aggregate principal amount of up to Ps.100.0

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

Loan Agreement with Citibanamex

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

Loan Agreement with Santander

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

Loan Agreement with BNP Paribas

On April 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 26, 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 December 31, 2019, the amount outstanding under this credit facility was Ps.565.9 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) conduct mergers or spin-offs except as permitted thereunder; (2) sell, lease or otherwise transfer assets, except as permitted thereunder; (3) pay dividends; (4) create or permit to be created any lien, except for liens permitted thereunder; and (5) incur additional indebtedness. In addition, this credit facility requires us to maintain: (A) a capitalization ratio equal to or greater than 0.135:1.00; (B) a delinquency ratio equal to or lower than 0.04:1.00; (C) a risk coverage ratio equal to or greater than 1.00:1.00; and (D) a leverage ratio equal to or lower than 3.5:1.00.

Loan Agreement with Bank of Tokyo

On November 11, 2019, we entered into a term loan facility secured by a pledge with Bank of Tokyo Finance México, with a maximum aggregate principal amount of Ps.50.0 million. This credit facility will mature on November 19, 2023. The loans under this credit facility bear interest at a variable rate equal to TIIE plus an applicable margin set forth in the promissory notes that evidence each disbursement. As of December 31, 2019, the amount outstanding under this credit facility was Ps.48.9 million. This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to (1) conduct mergers or spin-offs, (2) amend or modify our bylaws, (3) pay dividends except as permitted thereunder and (4) sell, lease or otherwise transfer assets, except as permitted thereunder.

Loan Agreement with IDB Invest

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

Loan Agreement with Wells Fargo (CRUSA Finance)

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

Loan Agreements of Instacredit

Our subsidiary Instacredit is the borrower under 13 credit facilities (the "Facilities"), nine of which are revolving. The creditors under these Facilities are Banco de Costa Rica, Banco Nacional de Costa Rica, Banco BCT, S.A., BCT Bank, Intl., Prival Bank (Costa Rica), (previously known as Banco de Soluciones Bansol de Costa Rica, S.A.), Banco Davivienda (Costa Rica), S.A., Banco Cathay de Costa Rica S.A., Banco Promerica de Costa Rica, S.A., Banco Lafise, S.A., Banco Improsa, S.A., MMG Bank Corporation, Republic Bank Limited and Scotiabank. The total amount of the Facilities is US\$116.1 million. Of the Facilities, three mature in 2020, three in 2021 and seven in 2022. Eleven of the Facilities bear interest at a variable annual interest rate and two have fixed annual rates which range between 8% and 15%. As of December 31, 2019, the amount outstanding under these credit facilities was Ps.2,191.3 million. Payment obligations under the Facilities are secured by security trusts and/or personal guarantees. The Facilities require us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) sell or impose a lien over assets, (2) provide collateral to lenders, (3) conduct mergers, transformations or spin-offs, (4) transfer the shares that represent its capital stock (5) pay dividends and (6) grant loans, as well as require Instacredit to maintain the following: (A) a ratio of floating assets to current liabilities greater than 1:1; (B) a ratio of total debt to total assets equal to or less than 80%; (C) an interest coverage ratio greater than 1:1; and (D) a minimum cash flow as required by each respective lender.

Securitization Programs

On October 30, 2017, the CNBV authorized the registration on the RNV of a revolving, long-term securitized trust bonds program, for a maximum aggregate principal amount of Ps.10,000 million. This securitization structure involves the transfer of certain accounts receivable to various trusts established or to be established by the Company (each, an “Issuing Trust”), which main purpose is to manage such accounts receivables and issue securities backed by the assets of the relevant Issuing Trust. Payment of principal of and interest on the securities issued by each Issuing Trust is made out of the amounts collected from the accounts receivable contributed by the Company to such Issuing Trust. On November 3, 2017, the first Issuing Trust participated in a local Ps.800 million bond issuances. Pursuant to the terms of the offer, the principal amount of the bonds will be partially covered through equal monthly installments beginning on December 3, 2019, until their maturity date on November 3, 2022. The bonds bear interest at an annual floating rate of TIIE plus 2.25%. As of December 31, 2019, the outstanding principal amount was Ps.777.8 million.

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

Off Balance Sheet Arrangements

As of December 31, 2019, we did not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

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

Credit Risk

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

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

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

Inflation Risk

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

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

Fluctuations in Exchange Rates Between the Mexican peso and other currencies

We are exposed to foreign currency exchange rate risk as a result of our obligations contracted in U.S. dollars, Euros and Swiss Francs. Except for US\$101.9 million relating to our Senior Notes, and US\$30.0 million relating to a credit line, the principal and interest payments of the rest of the obligations contracted in U.S. dollars were swapped to pesos and have a natural hedge from our portfolios originated in the businesses in the United States.

Of the total aggregate amount of CHF170.0 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 CHF20 million.

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

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

Any appreciation of the peso with respect to the U.S. dollar during the term of the debt may result in 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 December 31, 2019, we have of Ps.230.8 million (US\$12.2 million) posted as collateral to satisfy margin calls with the different counterparties.

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

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

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

The hedge is considered effective if both tests are in the range between 80% and 125%. As of December 31, 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 our 2023 Senior Notes; this instrument changes the US\$286.7 million interest profile from a fixed rate in dollars to a fixed rate in pesos, which results in an obligation of the Company to pay interest calculated at a fixed rate in pesos to the counterparty every 28 days and an obligation of the counterparty to pay interest calculated at a fixed rate and in U.S. dollars to us every six months. For the remaining amount of US\$138.2 million, we are obligated to pay interest calculated at a TIIE plus an applicable margin to the counterparty every 28 days. For the remaining amount of US\$1.9 million of our 2023 Senior Notes, we deliver interest calculated at a fixed rate in U.S. dollars to us every six months.

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

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

amount of CHF20.0 million, the participating swap changes the interest profile from a fixed rate in CHF to a fixed rate in pesos.

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

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

Considering all the contracted hedges by us, such as the cross-currency swaps and the interest rate swaps, 62.3% of our total debt (excluding accrued interests and mark-to-market) has fixed rates as of December 31, 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, 2017, 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, 2017, 2018 and 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,								
	2017			2018			2019		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	<i>(In millions of pesos, except percentages)</i>								
Investment in securities									
Pesos.....	458.2	34.2	7.5%	849.8	113.5	13.4%	802.8	421.4	52.5%
Dollars	74.4	-	-	81.4	-	-	87.6	-	-
Sub-total.	532.5	34.2	6.4%	931.2	113.5	12.2%	890.4	421.4	47.3%
Loans									
Pesos.....	19,748.8	5,900.8	29.9%	27,129.1	6,962.7	25.7%	34,401.6	7,818.0	22.7%
Dollars	6,529.8	2,622.3	40.2%	6,941.3	3,211.4	46.3%	8,046.7	3,693.5	45.9%
Sub-total.	26,278.6	8,523.1	32.4%	34,070.4	10,174.1	29.9%	42,448.3	11,511.5	27.1%
Total interest earning assets									
Pesos.....	20,206.9	5,935.0	29.4%	27,978.9	7,076.2	25.3%	35,204.4	8,239.4	23.4%
Dollars	6,604.2	2,622.3	39.7%	7,022.7	3,211.4	45.7%	8,134.3	3,693.5	45.4%
Sub-total.	26,811.1	8,557.3	31.9%	35,001.6	10,287.6	29.4%	43,338.7	11,933.0	27.5%
Cash and cash equivalents									
Pesos.....	382.1	-	-	136.4	-	-	302.5	-	-
Dollars	262.5	-	-	314.1	-	-	387.8	-	-
Sub-total.	644.7	-	-	450.5	-	-	690.2	-	-

For the year ended December 31,									

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,								
	2017			2018			2019		
	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	5,479.7	447.0	8.2%	5,265.5	232.1	4.4%	7,378.9	66.3	0.9%
Dollars	3,358.7	195.9	5.8%	4,738.3	522.0	11.0%	5,458.6	748.7	13.7%
Sub-total	8,838.4	642.9	7.3%	10,003.8	754.1	7.5%	12,837.5	815.0	6.3%
Notes payable and Senior Notes Payable:									
Pesos	15,261.2	2,083.1	13.6%	17,552.8	2,453.3	14.0%	23,581.2	3,856.1	16.4%
Dollars	(513.9)	-	-	-	-	-	0.0	-	-

For the year ended December 31,									
	2017			2018			2019		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
<i>(In millions of pesos, except percentages)</i>									
Sub-total	14,747.3	2,083.1	14.1%	17,552.8	2,453.3	14.0%	23,581.2	3,856.1	16.4%
Total interest-bearing liabilities:									
Pesos	20,740.9	2,530.2	12.2%	22,818.3	2,685.4	11.8%	30,960.1	3,922.4	12.7%
Dollars	2,844.8	195.9	6.9%	4,738.3	522.0	11.0%	5,458.6	748.7	13.7%
Sub-total	23,585.7	2,726.1	11.6 %	27,556.5	3,207.4	11.6%	36,418.7	4,671.1	12.8%
Non-interest-bearing liabilities:									
Pesos	2,150.3	-	-	2,671.8	-	-	2,832.8	-	-
Dollars	429.4	-	-	889.5	-	-	729.5	-	-
Sub-total	2,579.7	-	-	2,561.2	-	-	3,562.4	-	-
Stockholders' equity:									
Pesos	7,538.0	-	-	11,640.4	-	-	11,665.2	-	-
Dollars	2,937.0	-	-	3,530.4	-	-	4,466.8	-	-
Sub-total	10,475.1	-	-	15,170.8	-	-	16,132.0	-	-
Total liabilities and Stockholders' equity:									
Pesos	30,429.3	2,530.2	8.3%	37,130.4	2,685.4	7.2%	45,458.1	3,922.4	8.6%
Dollars	6,211.2	195.9	3.2%	9,158.2	522.0	5.7%	10,654.9	748.7	7.0%
Total	36,640.5	2,726.1	7.4%	46,288.6	3,207.4	6.9%	56,113.0	4,671.1	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 and for the year ended December 31, 2019 compared to the year ended December 31, 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.

	2018/2017			2019/2018		
	Increase (decrease) due to changes in interest			Increase (decrease) due to changes in interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
<i>(In millions of pesos)</i>						
Interest earning assets						
Investments in securities						
Pesos	29.2	50.0	79.3	(6.3)	314.2	307.9
Dollars	-	-	-	-	-	-
Sub-total	29.2	50.0	79.3	(6.3)	314.2	307.9
Loans						
Pesos	2,205.2	(1,143.3)	1,061.9	1,866.5	(1,011.2)	855.3
Dollars	165.2	423.9	589.1	511.4	(29.3)	482.1
Sub-total	2,370.4	(719.5)	1,651.0	2,377.9	(1,040.5)	1,337.4
Total interest-earning assets						
Pesos	2,234.4	(1,093.3)	1,141.2	1,860.2	(697.0)	1,163.2
Dollars	165.2	423.9	589.1	511.4	(29.3)	482.1
Total	2,399.7	(669.4)	1,730.2	2,371.6	(726.3)	1,645.4

Interest-Bearing Liabilities

Bank loans						
Pesos.....	(17.5)	(197.5)	(215.0)	93.1	(258.9)	(165.8)
Dollars.....	80.5	245.6	326.1	79.4	147.4	226.7
Sub-total.....	63.0	48.1	111.1	172.5	(111.6)	60.9
Notes payable and Senior Notes						
Payable						
Pesos.....	312.8	57.4	370.2	842.6	560.2	1,402.7
Dollars.....	-	-	-	-	-	-
Sub-total.....	312.8	57.4	370.2	842.6	560.2	1,402.7
Total interest-bearing liabilities						
Pesos.....	295.3	(140.1)	155.2	935.7	301.3	1,237.0
Dollars.....	80.5	245.6	326.1	79.4	147.4	226.7
Total.....	375.8	105.5	481.3	1,015.1	448.6	1,463.7

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,		
	2017	2018	2019
	(In millions of pesos, except percentages)		
Total average earning assets			
Pesos	20,206.9	27,978.9	35,204.4
Dollars.....	6,604.2	7,022.7	8,134.3
Total.....	26,811.1	35,001.6	43,338.7
Historical financial margin⁽¹⁾			
Pesos	3,404.8	4,390.8	4,317.0
Dollars.....	2,426.4	2,689.4	2,944.8
Total.....	5,831.3	7,080.2	7,261.9
Gross yield ⁽²⁾			
Pesos	29.4%	25.3%	23.4%
Dollars.....	39.7%	45.7%	45.4%
Weighted-average rate	31.9%	29.4%	27.5%
Net yield ⁽³⁾			
Pesos	16.8%	15.7%	12.3%
Dollars.....	36.7%	38.3%	36.2%
Weighted-average rate	21.7%	20.2%	16.8%
Yield spread ⁽⁴⁾			
Pesos	12.5%	9.6%	11.1%
Dollars.....	3.0%	7.4%	9.2%
Weighted-average rate	10.2%	9.2%	10.8%

(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,		
	2017	2018	2019
	<i>(In millions of pesos, except percentages)</i>		
Net income	1,661.1	1,955.4	1,980.1
Average total assets	36,640.5	46,288.6	56,113.0
Average stockholders' equity	10,475.1	15,170.8	16,132.0
Net income, as a percentage of:			
Average total assets.....	4.5%	4.2%	3.5%
Average stockholders' equity.....	15.9%	12.9%	12.3%
Average stockholders' equity, as a percentage of the average total assets...	28.6%	32.8%	28.7%
Dividends payout ratio	5.6%	9.9%	13.6%

Interest Rate Sensitivity of Assets and Liabilities

Our operations do not currently involve the granting of loans with floating interest rates. Additionally, our loans are denominated mainly in pesos. Bank loans and other contractual obligations are contracted at both fixed and floating rates and are denominated in pesos, with the exception of our 2023 Senior Notes, the 2026 Senior Notes, the Euro Notes, the CHF Notes, two syndicated loans, a credit line and certain indebtedness that we assumed in connection with the acquisition of CRUSA Finance and Instacredit, which are denominated in U.S. dollars, and certain indebtedness that we assumed in connection with the acquisition of Instacredit, which is denominated in colones. In order to mitigate mismatches between active and passive rates, during 2019, we converted certain of our indebtedness that had floating rates to fixed rate indebtedness. As of December 31, 2019, 62.3% 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, 2019 and as of December 31, 2018. Fixed-rate instruments were classified in this table according to their contractual maturity.

	As of December 31, 2019						Total
	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	
	<i>(In millions of pesos)</i>						
Assets							
Cash and cash equivalents	1,180.9	-	-	-	-	-	1,180.9
Fixed-rate performing loans	1,516.5	3,199.3	5,734.5	8,669.5	27,205.9	-	46,325.8
Investments in securities	1,155.1	10.0	19.1	110.1	-	-	1,294.3
Total interest-earning assets	2,671.6	3,209.3	5,753.6	8,779.6	27,205.9	-	47,620.1
Other non-interest-earning assets	-	-	-	-	-	13,548.1	13,548.1
Non-performing loans	-	-	-	-	-	632.7	632.7
Less: Allowance for loans losses	-	-	-	-	-	1,390.0	1,390.0
Total assets	3,852.5	3,209.3	5,753.6	8,779.6	27,205.9	12,790.8	61,591.7

As of December 31, 2019							
	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	Total
Liabilities and stockholders' equity:							
Notes Payable	14.2	28.5	42.7	85.5	1,090.1	-	1,261.0
Senior Notes Payable	53.0				24,583.8	-	24,636.7
Bank loans and borrowings from other entities	235.2	2,365.5	3,013.7	1,983.2	8,015.9	-	15,613.5
Total interest-bearing liabilities	302.4	2,393.9	3,056.4	2,068.7	33,689.7	-	41,511.2
Other non-interest bearing liabilities	-	-	-	-	-	4,016.6	4,016.6
Stockholders' equity	-	-	-	-	-	16,063.9	16,063.9
Total liabilities and stockholders' equity	302.4	2,393.9	3,056.4	2,068.7	33,689.7	20,080.5	61,591.7
Interest rate sensitivity gap	3,550.0	815.4	2,697.2	6,710.9	(6,483.8)	(7,289.8)	-
Cumulative interest rate sensitivity gap	3,550.0	4,365.4	7,062.6	13,773.5	7,289.7	-	-
Cumulative gap as percentage of total interest-earning assets	7.5%	9.2%	14.8%	28.9%	15.3%	-	-

As of December 31, 2018							
	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	Total
<i>(In millions of pesos)</i>							
Assets							
Cash and cash equivalents		575.7	-	-	-	-	575.7
Fixed-rate performing loans		711.1	1,383.7	1,792.2	3,194.7	28,619.8	35,701.5
Investments in securities		940.9	-	-	-	-	940.9
Total interest-earning assets		1,652.0	1,383.7	1,792.2	3,194.7	28,619.8	37,218.1
Other non-interest-earning assets		-	-	-	-	-	12,794.7
Non-performing loans		-	-	-	-	-	617.6
Less: Allowance for loans losses		-	-	-	-	-	1,067.9
Total assets		2,227.7	1,383.7	1,792.2	3,194.7	28,619.8	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
Stockholders' equity		-	-	-	-	-	15,935.6
Total liabilities and stockholders' equity		458.6	2,552.2	2,253.3	4,445.8	20,936.8	49,562.5
Interest rate sensitivity gap		1,769.1	(1,168.5)	(461.1)	(1,251.1)	7,683.0	-

	As of December 31, 2018						Total
	0-30 days	31-89 days	90-179 days	180-365 days	Over 366 days	Non-Rate Sensitive or Over One Year	
Cumulative interest rate sensitivity gap	1,769.1	600.6	139.5	-1,111.6	6,571.4	-	-
Cumulative gap as percentage of total interest-earning assets	4.8%	1.6%	0.4%	-3.0%	17.7%	-	-

As of December 31, 2019, interest-earning assets totaled Ps.47,620.1 million. Of these assets, 5.6% amortize periodically every 30 days or less. Such assets are integrated as follows: 97.8% by our performing loan portfolio and 2.1% by investments in securities. Of our total loans, most are fixed-rate loans.

Of our interest-bearing liabilities as of December 31, 2019, 100% consisted of loans from banks and other entities and totaled Ps.41,511.2 million. Of our total interest-bearing liabilities, 0.73% amortize every 30 days or less, as shown in our interest rate sensitivity table.

Cash and Cash Equivalents

We held cash in the amount of Ps.1,180.9 million as of December 31, 2019, representing 1.9% 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,					
	2017		2018		2019	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
<i>(In millions of pesos, except percentages)</i>						
Bank Financings						
At period end ⁽¹⁾	5,989.2	9.2%	9,648.9	9.6%	11,717.4	10.1%
Average during period ⁽²⁾	5,971.2	9.6%	7,756.8	9.7%	9,328.1	10.3%
Maximum month-end balance	7,125.9	10.0%	9,648.9	9.6%	11,717.4	10.7%
Bond Issuances						
At period end ⁽¹⁾	1,000.0	9.9%	0.0	0.0%	0.0%	0.0%
Average during period ⁽²⁾	2,820.8	8.3%	0.0	0.0%	0.0%	0.0%
Maximum month-end balance	3,500.0	7.9%	0.0	0.0%	0.0%	0.0%
Senior notes						
At period end ⁽¹⁾	13,819.6	11.9%	14,147.9	12.1%	23,246.6	12.7%
Average during period ⁽²⁾	13,759.8	11.6%	13,816.2	11.8%	20,218.3	13.4%
Maximum month-end balance	13,891.3	10.9%	14,147.9	12.1%	23,333.2	14.0%
Swiss Notes						
At period end ⁽¹⁾	-	-	3,416.6	10.7%	3,404.5	11.6%
Average during period ⁽²⁾	-	-	3,114.7	10.2%	3,404.2	11.4%
Maximum month-end balance	-	-	3,426.1	10.7%	3,404.5	11.6%
Senior trust bonds						
At period end ⁽¹⁾	-	-	1,415.0	10.8%	1,527.8	9.8%
Average during period ⁽²⁾	-	-	902.5	9.7%	1,344.4	10.5%

	As of December 31,					
	2017		2018		2019	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
	<i>(In millions of pesos, except percentages)</i>					
Maximum month-end balance	-	-	1,415.0	10.8%	1,550.0	10.8%
Total borrowings, at period end (excluding accrued interest) ..	20,808.8	11.0%	28,628.4	11.1%	39,896.3	11.7%

(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 December 31, 2019 and December 31, 2018 amounted to Ps.46,958.4 million and Ps.36,319.1 million, respectively. These changes represent an increase of 29.3% 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, 2017, 2018 and 2019.

	As of December 31,					
	2017		2018		2019	
	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio
	<i>(In millions of pesos, except percentages)</i>					
Performing loan portfolio	28,409.8	97.9%	35,701.6	98.3%	46,325.7	98.7
Non-performing loan portfolio	605.2	2.1%	617.6	1.7%	632.7	1.3
Total loan portfolio⁽¹⁾	29,015.0	100.0%	36,319.1	100.0%	46,958.4	100.0%

(1) Loans amounts include accrued interest

Performing Loan Portfolio by Product

Our total performing loan portfolio increased 29.8% as of December 31, 2019 compared to December 31, 2018. See “Business—Our Loan Products.”

Our performing payroll loan portfolio totaled Ps.27,954.5 million as of December 31, 2019, reflecting an increase of Ps.3,417.2 million, or 13.9%, compared to Ps.24,537.3 as of December 31, 2018, which increase was primarily the result of our continuing expansion in our targeted segments, such as public employees and pensioners. Our performing payroll loan portfolio as a percentage of our total performing loan portfolio was 60.1% as of December 31, 2019, compared to 68.3% as of December 30, 2018.

Our performing loan portfolio of consumer loans totaled Ps.4,681.2 million as of December 31, 2019, an increase of Ps.489.5, or 11.7%, compared to Ps. 4,462.7 million as of December 31, 2018, which increase was primarily the result of an expansion in Costa Rica and stabilization in Nicaragua. Our performing loan portfolio of consumer loans as a percentage of our total performing loan portfolio was 10.1% as of December 31, 2019 and 11.7% as of December 31, 2018.

Our performing SME loan portfolio totaled Ps. 7,385.5 million as of December 31, 2019, an increase of Ps.3,734.3, or 102.3%, compared to Ps.3,651.2 million as of December 31, 2018, which increase was primarily the result of cross-selling opportunities through offering leasing to our customer base. Our performing SME loan portfolio as a percentage of our total performing loan portfolio was 15.9%. 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 used car loan portfolio in Mexico totaled Ps. 1,387.5 million as of December 31, 2019, an increase of Ps.472.6, or 51.7%, compared to December 31, 2018, which increase was primarily the result of the expansion of our distribution network through alliances with car dealerships. Our performing Used Car loan portfolio in Mexico as a percentage of our total performing loan portfolio was 3.0% as of December 31, 2019.

Our performing loan portfolio in CR USA totaled Ps.4,046.8 million as of December 31, 2019, an increase of Ps.2,038.7, or 101.5%, compared to Ps.2,008.1 as of December 31, 2018, which increase was primarily the result of the expansion of our used cars operations as well as the incorporation of SMEs products to continue offering financial services to the Hispanic market. Our performing loan portfolio in CR USA as a percentage of our total performing loan portfolio was 8.7 % as of December 31, 2019.

Our performing group loan portfolio totaled Ps.622.4 million as of December 31, 2019, reflecting an increase of Ps.551.9 million, or 782.5%, compared to Ps.70.5 as of December 31, 2018, which increase was primarily the result of expanding the product offering and distribution network. Our performing group loan portfolio as a percentage of our total performing loan portfolio was 1.3% as of December 31, 2019, compared to 0.2% as of December 31, 2018.

Our performing durable goods and other loans portfolio totaled Ps.247.8 million as of December 31, 2019, a decrease of Ps.80.0, or 24.4%, compared to Ps.327.8 million as of December 31, 2018, which decrease was primarily the result of the exit process we are performing since 4Q16 with respect to the durable goods segment. Our performing durable goods and other loan portfolio as a percentage of our total performing loan portfolio was 0.5% as of December 31, 2019 and 0.9% as of December 31, 2018.

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

	As of December 31,		
	2017	2018	2019
		<i>(In millions of pesos)</i>	
Payroll Loans	19,075.3	24,537.3	27,954.5
Consumer Loans.....	4,373.0	4,191.7	4,681.2
Used Cars MX.....	610.3	914.9	1,387.5
CR USA	2,074.4	2,008.1	4,046.8
Small Business Loans	1,722.6	3,651.2	7,385.5
Group Loans.....	230.0	70.5	622.4
Durable Goods Loans.....	324.3	327.8	247.8
Total performing loan portfolio.....	28,409.8	35,701.6	46,325.7

Loans by Geographic Concentration

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

Mexican federal entity	As of December 31,					
	2017		2018		2019	
	Loan Amount ¹	% of Portfolio ²	Loan Amount ¹	% of Portfolio ²	Loan Amount ¹	% of Portfolio ²
	<i>(In millions of pesos, except percentages)</i>					
Aguascalientes	187.0	0.6%	236.8	0.7%	245.8	0.5%
Baja California Norte.....	221.8	0.8%	360.4	1.0%	415.0	0.9%
Baja California Sur	125.8	0.4%	221.0	0.6%	300.3	0.6%
Campeche	228.8	0.8%	274.8	0.8%	288.8	0.6%
Chiapas	721.6	2.5%	811.6	2.2%	1,170.6	2.5%
Chihuahua.....	236.9	0.8%	369.0	1.0%	311.2	0.7%
Coahuila	290.5	1.0%	496.0	1.4%	557.5	1.2%
Colima	103.4	0.4%	135.6	0.4%	134.9	0.3%
Mexico City	4,719.2	16.3%	8,752.0	24.1%	14,552.8	31.0%
Durango.....	161.0	0.6%	271.4	0.7%	315.2	0.7%
State of Mexico.....	1,999.5	6.9%	3,069.1	8.5%	3,324.9	7.1%
Guanajuato.....	555.4	1.9%	677.5	1.9%	622.9	1.3%
Guerrero.....	915.4	3.2%	1,119.1	3.1%	1,183.4	2.5%
Hidalgo	339.7	1.2%	443.9	1.2%	467.6	1.0%
Jalisco	601.4	2.1%	926.1	2.5%	930.7	2.0%
Michoacan	454.7	1.6%	589.7	1.6%	706.6	1.5%
Morelos.....	207.3	0.7%	271.1	0.7%	251.1	0.5%
Nayarit.....	147.2	0.5%	192.6	0.5%	192.5	0.4%
Nuevo León	496.8	1.7%	912.5	2.5%	1,052.3	2.2%
Oaxaca	1,581.7	5.5%	1,899.8	5.2%	1,916.0	4.1%
Puebla	421.0	1.5%	731.8	2.0%	845.6	1.8%
Querétaro	134.7	0.5%	168.6	0.5%	201.4	0.4%
Quintana Roo.....	104.6	0.4%	170.3	0.5%	197.3	0.4%
San Luis Potosi	402.7	1.4%	556.7	1.5%	636.3	1.4%
Sinaloa.....	403.7	1.4%	582.7	1.6%	602.5	1.3%
Sonora.....	542.7	1.9%	781.2	2.2%	872.8	1.9%
Tabasco.....	443.2	1.5%	525.0	1.4%	529.6	1.1%
Tamaulipas	328.1	1.1%	475.9	1.3%	529.9	1.1%
Tlaxcala	96.0	0.3%	124.5	0.3%	110.7	0.2%
Veracruz	1,716.6	5.9%	2,701.2	7.4%	3,254.1	6.9%
Yucatan.....	187.4	0.6%	304.0	0.8%	309.3	0.7%
Zacatecas	75.2	0.3%	89.7	0.2%	92.5	0.2%
Others ⁽³⁾	189.7	0.7%	1.0	0.0%	-	0.0%
Mexico.....	19,340.9	66.7%	29,242.7	80.5%	37,121.8	79.1%
United States.....	2,841.0	9.8%	2,030.5	5.6%	4,081.5	8.7%
Central America....	6,833.1	23.6%	5,045.9	13.9%	5,755.1	12.3%
Total.....	29,015.0	100.0%	36,319.1	100.0%	46,958.4	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.

As of December 31,					
2017		2018		2019	
Loan Amount	% of the Portfolio	Loan Amount	% of the Portfolio	Loan Amount	% of the Portfolio

Original principal amount		<i>(In millions of pesos, except percentages)</i>				
Less than Ps.3,000	27.2	0.1%	37.4	0.1%	45.3	0.1%
Between Ps.3,001 and Ps.5,000	176.9	0.6%	197.4	0.6%	217.8	0.5%
Between Ps.5,001 and Ps.10,000	1,124.3	4.0%	1,138.2	3.2%	1,267.7	2.7%
Between Ps.10,001 and Ps.15,000	1,749.6	6.2%	1,752.2	4.9%	1,864.3	4.0%
Between Ps.15,001 and Ps.20,000	1,881.5	6.6%	1,872.3	5.2%	1,971.7	4.3%
Over Ps.20,001	23,450.3	82.5%	30,704.0	86.0%	40,959.0	88.4%
Total loan portfolio	<u>28,409.8</u>	<u>100.0%</u>	<u>35,701.6</u>	<u>100.0%</u>	<u>46,325.7</u>	<u>100.0%</u>

Non-Performing Loan Portfolio

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

Overdue balances of borrowers are recorded in the non-performing portfolio in the event of non-compliance with payment terms in which a loan installment or payment is past-due for specified periods. Loans are generally recorded as non-performing after 90 days of billing periods reporting non-compliance, at which time the accrual of interest is suspended. Pursuant to our financing and other agreements with our distributors, our distributors are severally liable for the unpaid amount of the loan, along with the borrowers. A distributor's total liability is equal to the percentages of unpaid loan amounts determined within each promotion. As of December 31, 2019, the aforementioned contracts established a percentage of unpaid loan amounts of 1.3%. Joint and several liability is based on the percentage of shared risk agreed upon with each distributor on a case-by-case basis and is calculated over the unpaid amount of those loans which are more than 90 days past due.

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

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

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

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

As of December 31, 2019, our total non-performing loan portfolio was Ps.632.7 million, or 1.3% of our total loan portfolio. Our total non-performing loan portfolio increased by Ps.15.2 million, or 2.5%, as compared to December 31, 2018, which, together with the loan portfolio expansion, reflects improved performance of our businesses and a recovery of our Instacredit portfolio.

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

	As of December 31,		
	<i>(In millions of pesos)</i>		
	2017	2018	2019
Payroll Loans.....	232.5	270.1	287.8
Consumer Loans.....	239.7	271.0	236.8
Used Cars MX.....	3.3	2.8	13.5
CR USA	26.0	22.4	34.7
Small Business Loans.....	23.5	25.5	34.1
Group Loans	-	0.0	0.0
Durable Goods Loans.....	80.2	25.8	25.8
Total non-performing loan portfolio.....	605.2	617.6	632.7

Allowance for Loan Losses

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

	As of December 31,					
	<i>(In millions of pesos)</i>					
	2017		2018		2019	
	Loans by Product	Allowances for Loan Losses	Loans by Product	Allowances for Loan Losses	Loans by Product	Allowances for Loan Losses
	<i>(In millions of pesos)</i>					
Payroll Loans.....	19,307.8	(223.6)	24,807.4	(535.2)	28,242.3	(479.9)
Consumer Loans.....	4,612.7	(442.7)	4,462.7	(373.6)	4,918.0	(657.6)
Used cars MX.....	613.6	(22.1)	917.7	(35.5)	1,401.0	(60.7)
CR USA	2,100.4	(212.5)	2,030.5	(9.4)	4,081.5	40.7
Small Business Loans	1,746.1	(79.6)	3,676.7	(73.1)	7,419.7	(211.2)
Group Loans	230.0	(15.7)	70.5	(0.6)	622.4	(35.2)
Durable Goods Loans..	404.5	(71.3)	353.6	(40.6)	273.5	13.8
Total loan portfolio plus allowances	29,015.0	(1,067.5)	36,319.1	(1,067.9)	46,958.4	(1,390.0)

Analysis of Allowance for Loan Losses

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

	For the year ended December 31,		
	2017	2018	2019
	<i>(In millions of pesos)</i>		
Balance at beginning of year	767.5	1,067.5	1,067.9
Plus:			
Increase to the allowance for loan losses.....	1,343.1	1,753.3	1,575.5
Recovery of charged-off accounts	262.0	260.4	268.9

Net allowances for loan losses	1,081.1	1,492.9	1,306.6
Consolidation adjustment	242.1		
Sub-total	2,352.7	2,820.8	2,643.4
Less:			
Loan write-offs	1,285.2	1,752.9	1,253.4
Methodology change adjustment			
Balance at the end of the year.....	1,067.5	1,067.9	1,390.0

- (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 December 31, 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.499.5 million from December 31, 2018 to December 31, 2019 was primarily due to the signs of recovery in Instacredit portfolio and better performance in the other business lines.

Workout and Credit Recovery

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

As of December 31, 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.

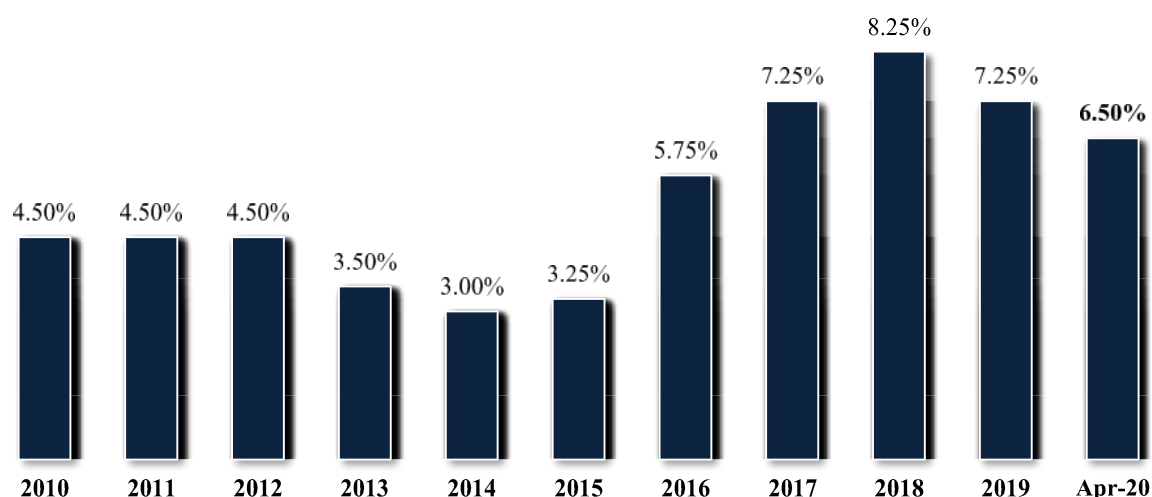
THE MEXICAN PAYROLL LENDING, SME LOANS, GROUP LOANS AND AUTO FINANCING MARKETS AND UNITED STATES AUTO FINANCING MARKET

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 13.4% from 2010 to 2019.

In addition, since the beginning of 2018, Banco de México increased the target rate for overnight interbank interest on four occasions, increasing from a rate of 7.25% at the beginning of 2018 to 8.25% at the end of 2018 and then subsequently decreasing it. In March 2020, Banco de México outlined measures to provide liquidity and improve the functioning of financial markets roiled by the coronavirus outbreak that has adversely affected growth prospects for Mexico and the global economy. Among others, the measures announced include an interest rate cut of 50 basis points, from 7.0% to 6.5%, making it the biggest out-of-cycle interest rate cut in six years.

Banxico Interest Rate



Source: Banco de México, as of April 2020.

As an independent entity, Banco de México has maintained a sound monetary policy that has generated little inflation, as the average annual inflation rate for the period since 2001 has been 4.4%. However, depreciation of the Mexican peso against the U.S. dollar has affected recent inflation levels. It reached 6.3% in June 2017, the highest level reported since December 2008. As for December 31, 2019, the inflation rate reached 2.83%.

Historical Inflation



Source: INEGI, as of December 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 3.5% in 2019.

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 December 31, 2019, the exchange rate was Ps.18.8642 per U.S. dollar determined by Banco de México and published in the Official Gazette on January 2, 2020.

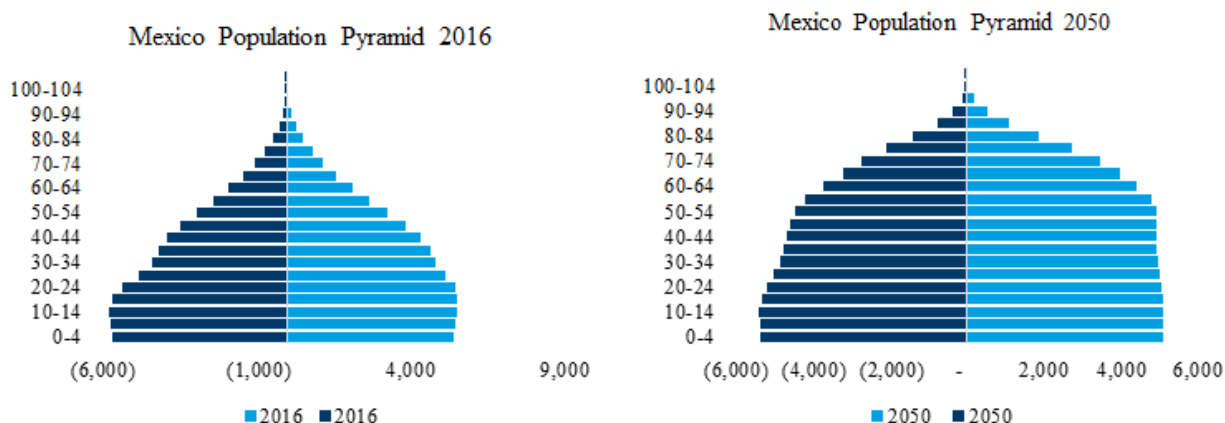
US dollar vs. Mexican Peso Exchange Rate



Source: Banco de México, as of January 30, 2020.

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



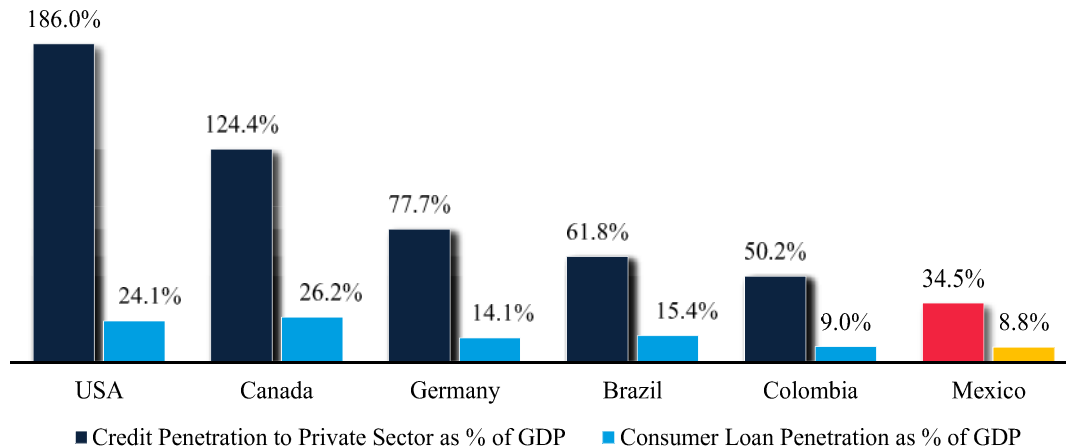
Overview of Credit to the Private Sector in Mexico

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 11.5% from December 2010 to December 2019. As of December 2019, the total bank loan portfolio to the private sector was Ps.4,847.0 billion, representing an increase of 4.3% compared to December 2018. 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 2019, commercial lending represented 58.7% of the total bank loans to the private sector portfolio, followed by consumer lending at 22.5% and mortgage lending at 18.8%.

Consumer loans, in particular, had a CAGR of 11.8% from 2010 through 2019, 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 2.20% and 2.11% as of December 2019 and December 2018 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 United States. Such low penetration is largely driven by the large fraction of the Mexican population that remains without access to financial services. According to 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)

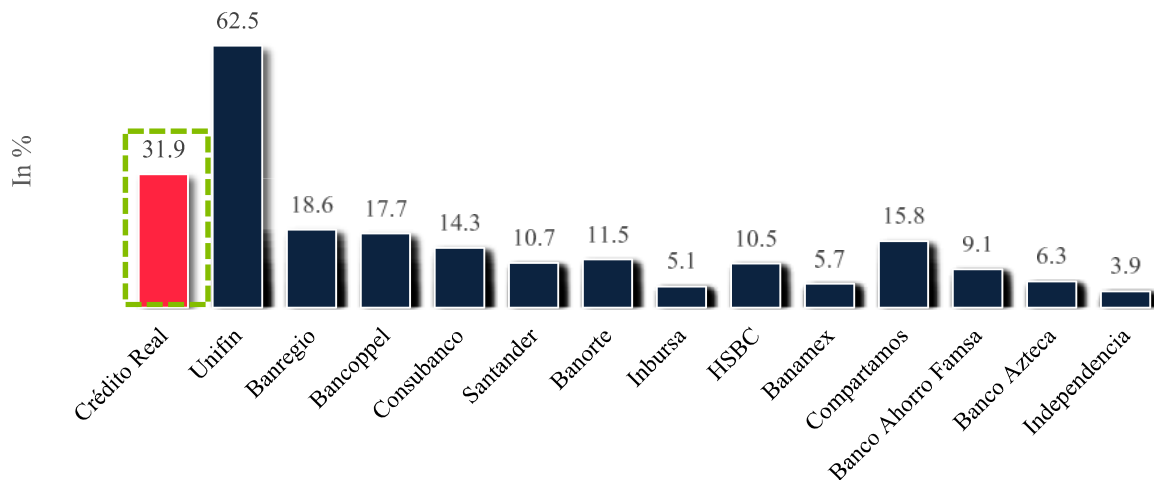


Source: World Bank and Euromonitor with information as of December 2018, except Credit Penetration to Private Sector as 9% of GDP of Canada, which show figures as of 2008.

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 1,662 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 2019 in the total loan portfolio of selected commercial banks in Mexico and of selected nonbank financial institutions and consumer-focused banks.

Loan Portfolio CAGR '12-'19



Source: Company filings presented to CNBV as of December 31, 2019, except HSBC, Banamex and Banco Famsa 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.

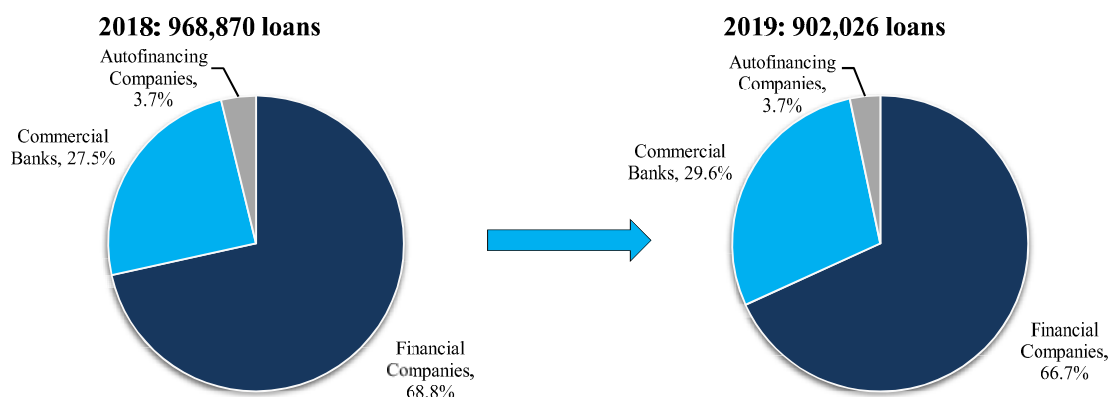
As of 2015, according to IMSS and ISSSTE, the number of government and government-dependent employees in Mexico, including municipal, federal and state government employees, public education and public health workers, employees of quasi-sovereign organizations affiliated with ISSSTE and pensioners of 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 7.1% from 2013 to 2019. 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 968,870 loans in 2018 to 902,026 loans in 2019, representing a 6.9% decrease. Of the total number of loans in 2018, 68.80% were financed by non-commercial bank companies, while in 2019 that proportion decreased to 66.68%, 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 17.6% market share, GM Financial with 14.1% market share, BBVA with 12.9% market share, VW Financial Services with 11.5% market share, and Banorte with 6.9% market share.

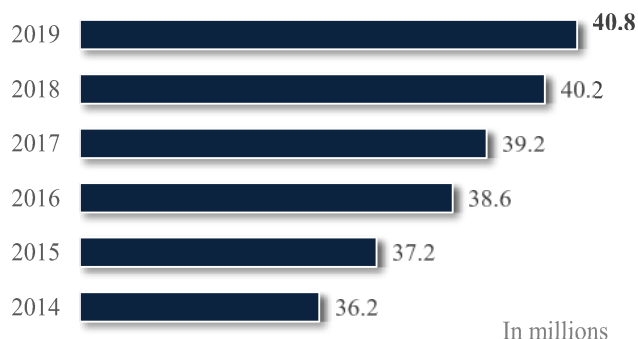


Source: Mexican Automobile Distributors' Association (Asociación Mexicana de Distribuidores Automotores), as of December 2019.

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

The National Auto Auction Association estimates that sales of used cars finished near 40.8 million units in 2019, up 1.4% from the same period in the previous year. Used car demand has been steady and is growing with the increase in supply. In 2019, 40.8 million vehicles were sold in the retail used market, which practically remained flat when compared to 2018, when the figure stood at 40.2 million.

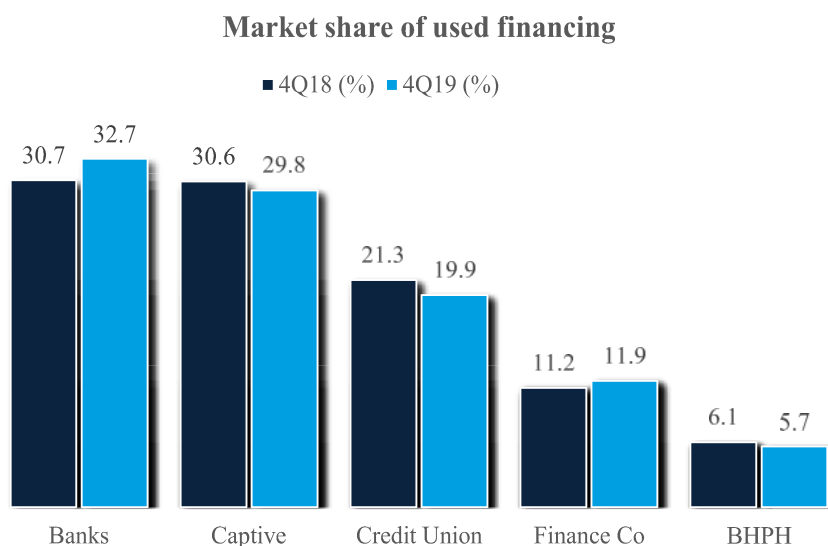
Sale of Used Vehicles in the U.S.



In millions

Source: Edmunds, Full-year 2019 Used Vehicle Report

As sales continue to rise, lenders are looking to finance more consumer purchasing of used vehicles. As of 2019, 32.7% of used car loans were financed by banks, followed by 29.7% by Captive, 19.9% by Credit unions, 11.9% by Finance companies, and the remaining 5.7% by Buy Here Pay Here dealerships. As of 2019, 54.6% of all used vehicles were financed by auto loans compared to 53.6% in the same period 2018.



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

Overview of the Small and Medium-Sized Enterprises Market in México

According to Banco de México, a company is identified as a SME if it meets each of the following three conditions: (i) employs up to 100 people if its main activity is related to services; (ii) has annual sales of no more than Ps.250 million; and (iii) has an indebtedness level of less than or equal to 3 million investment units (unidades de inversión, or “UDIs”), equivalent to Ps.18.8 million as of December 31, 2018. According to the Mexican Commission for the Protection of Financial Services Users (Comisión Nacional para la Defensa y Protección de Usuarios de Servicios Financieros, or “CONDUSEF”) as of 2015, this group was made up of more than 4.1 million business entities in Mexico and the share of people employed by such entities was 41.8% of the total employed population. The market leaders in terms of loans to SMEs are HSBC, under the brand Estímulo HSBC, BBVA, under the brand Crédito Simple, Citibanamex, under the brand Crédito Negocios and Banorte, under the brand Crediactivo. According to Banco de México, 21% of all SME loans are financed by non-bank financial institutions, of which 67% are organized as non-regulated financial entities. The market is highly fragmented, as most of these institutions target microfinancing with an average loan equivalent to US\$500.

Overview of the Group Loan Market in Mexico

Microfinance includes a diverse set of small-scale financial services, such as group loans, micro insurance and micro savings, that are provided principally to the low-income segment of the population in need of capital for funding a business, protection against risks, or safe and dependable savings and money transfer vehicles. Other financing alternatives available to the low-income segments, such as saving clubs, pawn shops, rotating savings, credit associations and other informal money-lenders do not offer the security, terms and stability that MFIs offer.

There are more than seven million microfinance borrowers in Mexico, the largest number of borrowers in the region.

Group loans in Mexico are predominately targeted at low-income women, who represent 95% of total customers, as well as pensioners, small-scale farmers and micro-entrepreneurs. As December 31, 2019, group loans had an average loan amount of approximately Ps.3,979.

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 Financing Markets in Mexico

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

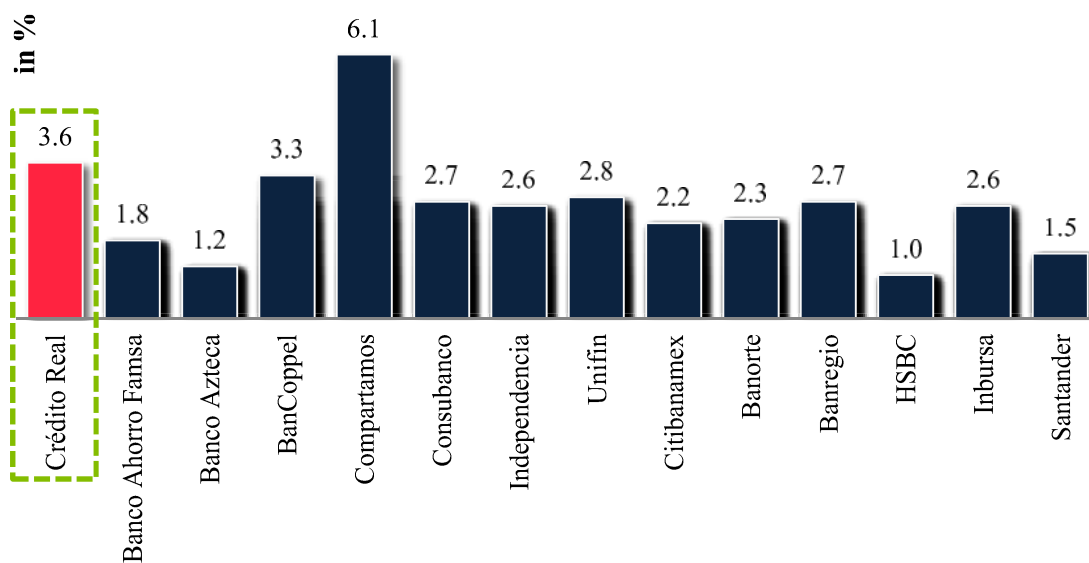
Institution	Crédito Real Competing Product (In millions of pesos)	Gross Consumer Loan Portfolio (2019)	Consumer Portfolio NPL Ratio (2019)
Microfinance and Personal Consumer Companies			
Crédito Real⁽¹⁾		46,958	1.3%
Banco Ahorro Famsa	Durable Goods Loans	25,205	14.7%
Banco Azteca	Durable Goods Loans	93,253	3.7%
BanCoppel	Durable Goods Loans	25,355	9.6%
Compartamos	Group Loans	41,692	2.8%
Consubanco	Payroll Loans	7,212	3.9%
Financiera Independencia ⁽¹⁾	Payroll Loans	8,785	5.9%
Commercial Banks			
Citibanamex		655,327	2.2%
Banorte		777,049	1.6%
Banregio		107,933	1.8%
BanBajío		180,208	0.9%
HSBC		400,531	2.0%
Inbursa		248,867	2.1%
Santander		713,680	2.3%

Source: Company filings presented to CNBV as of December 31, 2019, except Citibanamex, HSBC and Banco Ahorro Famsa which were obtained from public filings.

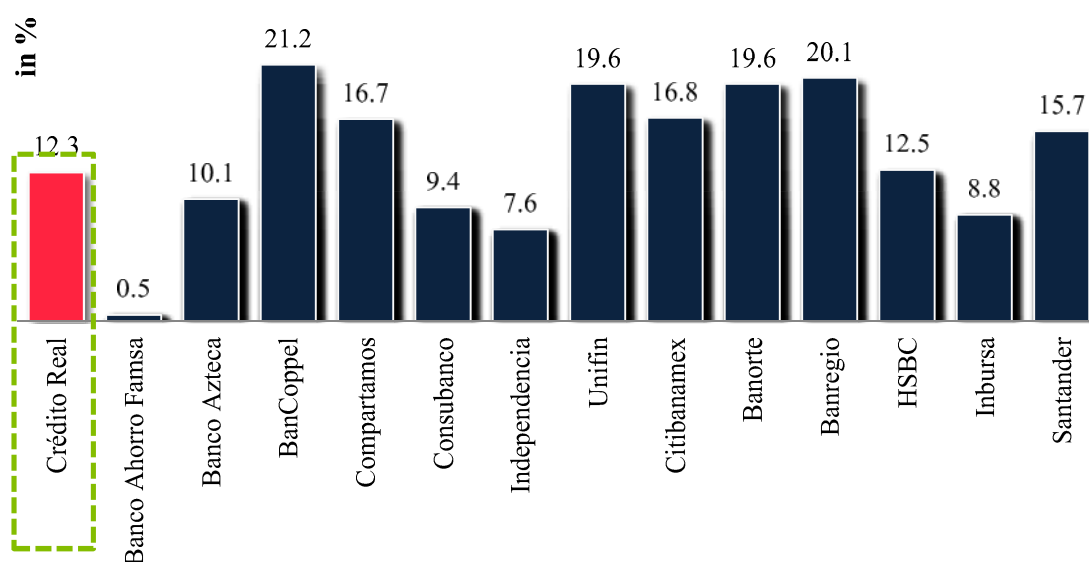
(1) Our NPL was 3.4%, 1.6%, 1.9% 2.2%, 1.7% and 1.3% for the years ended December 31, 2010, 2012, 2014, 2016, 2018 and 2019, respectively.

The following chart presents the ROAA, ROAE and NPL Ratio for the Company and select competitors as of December 31, 2019:

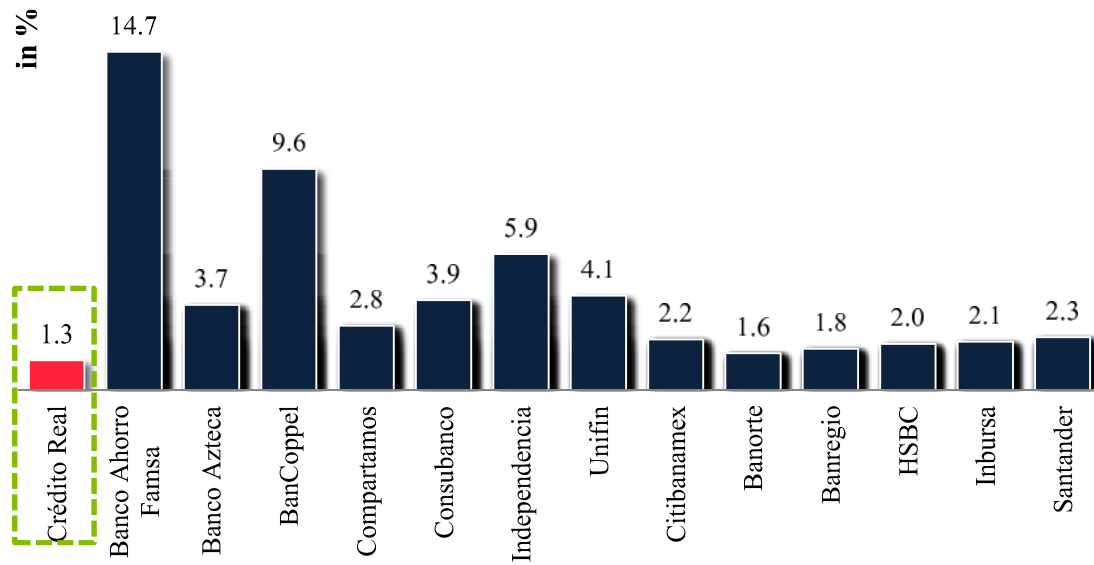
2019 ROAA



2019 ROAE



2019 NPL Ratio



Source: As reported by the CNBV as of December 31, 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 December 31, 2019, 19.2% 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 variable*).

During 2013, we continued to expand through the acquisition of a portfolio of SME loans and entered into an alliance with Fondo H, S.A. de C.V., SOFOM, E.N.R. thereby strengthening our presence in the SME loans market. We also continued our expansion into auto loans, which accounted for 3% of our loan portfolio as of December 31, 2014 and in order to strengthen growth in that product, in 2014, we acquired 51% of CR Fact, S.A.P.I. de C.V.

During 2014, we partnered with CEGE Capital, S.A.P.I., SOFOM, E.N.R., by acquiring 37.98% of its capital. This partner grants group loans under the “Contigo” brand. We also partnered with Bluestream Capital, S.A.P.I. de C.V., by acquiring 23% of its capital. This partner also grants group loans under the “Somos Uno” brand.

In order to strengthen the distribution for used car loans in the United States, in October 2015, we acquired 65% of the capital of CRUSA Finance. CRUSA Finance is a financial institution focused on providing loans for the purchase of used cars in the United States, with a presence in 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.

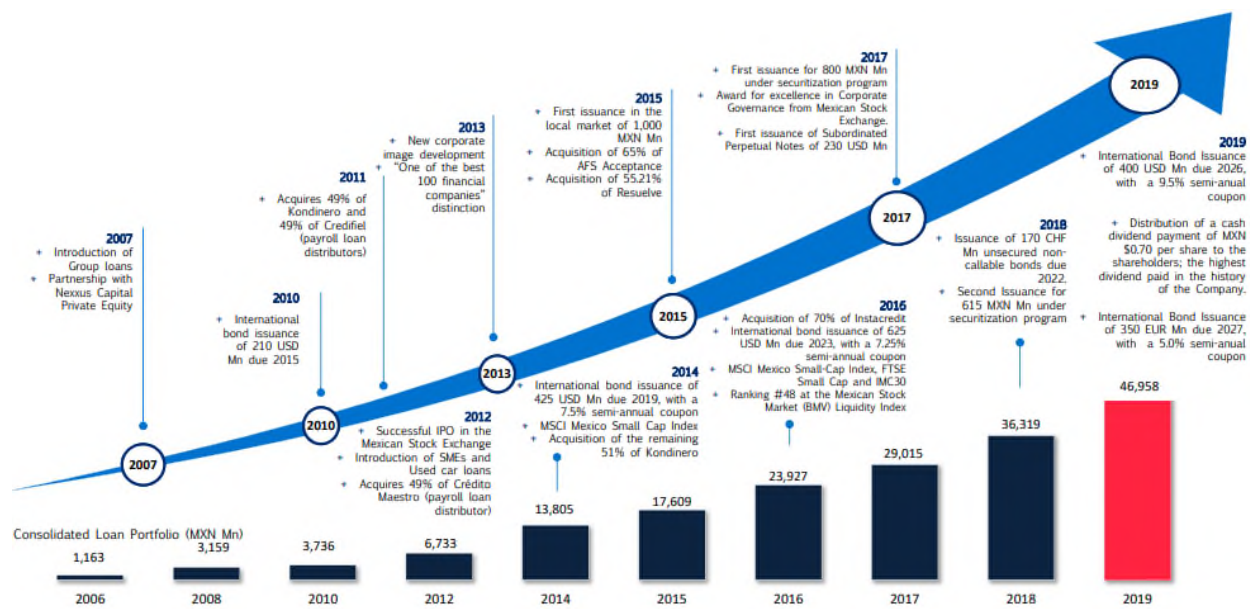
In February 2016, we acquired 70% of the equity interests issued by Marevalley Corporation, S.A., which is a holding company with several entities in Costa Rica, Nicaragua and Panama operating under the “Instacredit” commercial name. This transaction contributed to our business diversification.

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.

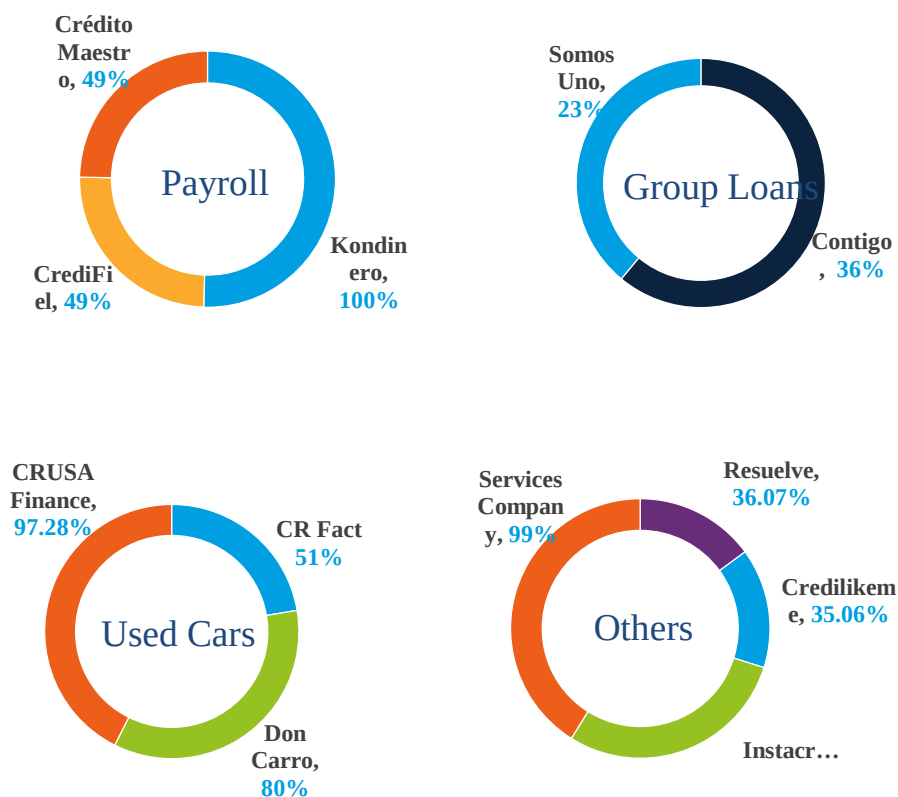
On January 30, 2018, the Company filed a request with the CNBV to cancel the registries with the RNV of all its then existing debt issuing programs under which the Company was allowed to issue and publicly offer *certificados bursátiles* in Mexico on a regular basis. The registries were cancelled on 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.

In December 2019, the Company decreased its equity participation in Resuelve with the objective of focusing on strategic assets and boosting the growth of its most profitable businesses.

From December 31, 2017 to December 31, 2019, our loan portfolio increased at a CAGR of 27.2%, from Ps. 29,015.0 million to Ps. 46,958.4 million. During the more than 26 years that we have been in business, we have disbursed approximately 5.4 million loans to more than 2.7 million customers.



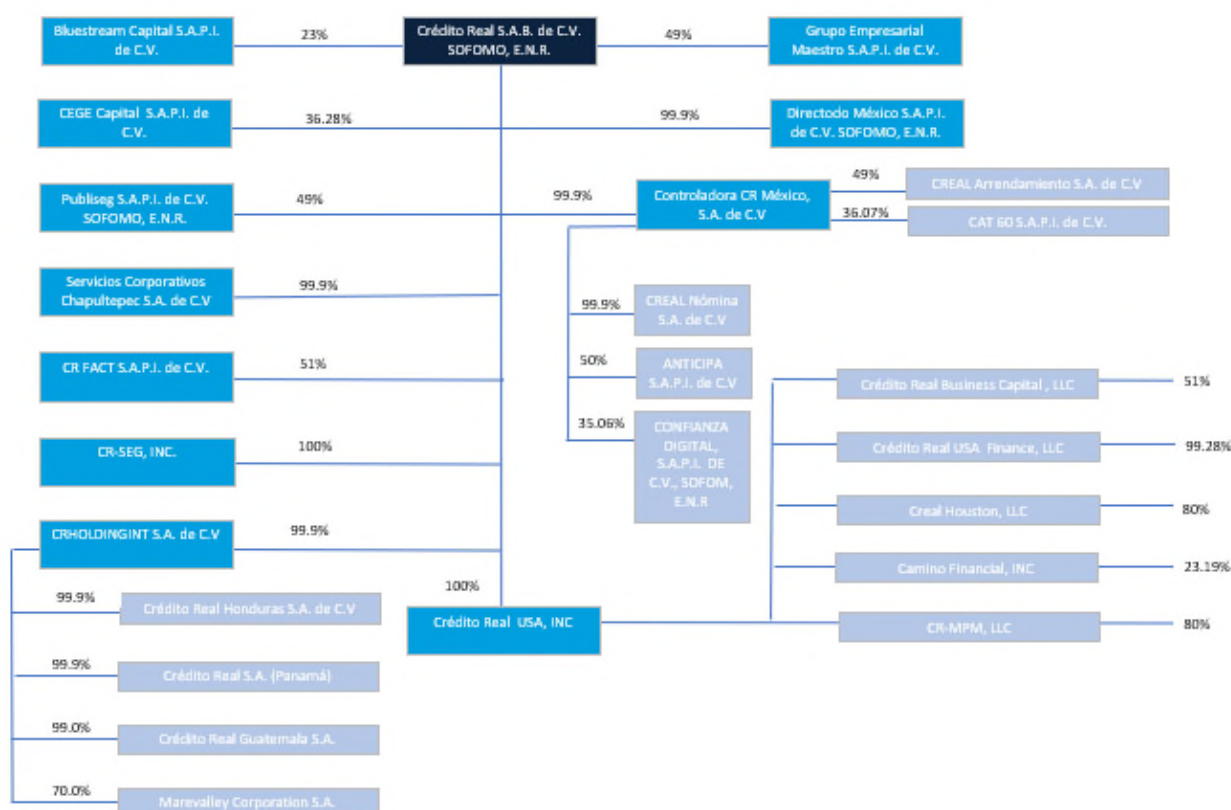
The following chart shows a breakdown of our subsidiaries by business line as of December 31, 2019:



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 26 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 AMAI, as of December 31, 2018 these segments account for approximately 82.0% of the total working population, which represents approximately 47.3 million potential customers in Mexico.

According to the U.S.Census Bureau, as of July 2018 there were 59.8 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 the World Bank, as of 2018, the countries in Central America where we operate have a lower credit penetration compared to other countries in the world. In terms of domestic credit provided by the financial sector, Costa Rica (71.5%), Nicaragua (47.2%), Panama (82.3%) and Honduras (6.3%) are below the world average

(132.6%). Costa Rica has a population of 5.1 million, Nicaragua of 6.6 million, Panama of 4.3 million and Honduras of 9.6 million.

All loans made or purchased by us are denominated in pesos, U.S. dollars, colones, Nicaraguan cordobas, or Honduran lempiras, bear interest at fixed rates and are amortized in more than one periodic 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, 2017, 2018 and 2019, we had capitalization ratios of 50.9%, 43.9% and 34.2% (excluding the Subordinated Perpetual Notes, 25.3%), respectively.

We strive to deliver economic value to our shareholders by enhancing the social well-being of our clients through our loans, which provide them with the opportunity to access funds that would otherwise not be easily obtainable, given the limited or nonexistent credit histories of the majority of the individuals we serve.

Our Loan Products

Overview

Our typical customer has historically had limited access to financing from banks and other traditional credit providers. Most of our customers have limited or no credit histories and are thus generally unable to meet the minimal lending standards of banks and traditional financial institutions. The interest rates we charge on our loans reflect the additional risks posed by lending to the customers we target, the difficulties in reaching such customers and the expenses involved in developing tailored consumer credit products to meet their needs, as well as in originating, servicing and monitoring small loans.

The following table sets forth the typical characteristics and terms of our products as of December 31, 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 MX	Used Cars Loans USA	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	Alliances with 5 distributors. One partnership with 20 branches in 32 states in Mexico.	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	65,350	28,489	123,330	332,370	10,163,918	3,979	6,652
Payment frequency	Every 2 weeks	Monthly	Monthly	Monthly	Monthly	Weekly	Monthly
Average term	41 months	44 months	42 months	66 months	37 months	4 months	12 months
Average interest rate	55.0%	56.7%	38.0%	23.1%	18.9%	97.0%	N.A.

Loan Product							
	Payroll Loans	Consumer Loans (Instacredit)	Used Cars Loans MX	Used Cars Loans USA	Small Business Loans	Group Loans	Durable Goods
Origination channel (distribution)	15 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). 362 sales reps all-around.	Alliances with 5 distributors. One partnership with 20 branches and 506 agreements with agencies in 32 states in Mexico.	One strategic alliance in USA, CR USA FIN with over 1,388 car dealers in 26 states of the United States.	Alliance with Fondo H.	Two partnerships. 203 branches and 1,561 promoters	Divesting. There is non origination since 4Q'16.
Average yield	26.4%	61.3%	35.1%	32.5%	15.6%	107.8%	11.3%
Risk & profit sharing	Include sharing risk with the distributors	Equity participation	Sharing 50% of interest income.	Include sharing risk with the distributors	Some loans include sharing risk with the distributor	Not applicable	Some products include sharing risk with the specialized retail chains
Percentage of loan portfolio	60.1%	10.5%	3.0%	8.7%	15.8%	1.3%	0.6%
Delinquency rate	1.0%	4.8%	1.0%	0.9%	0.5%	2.3%	9.4%
Clients	432,173	172,628	11,360	12,280	730	246,029	41,120
Target market	C+, C-, D+	C+,C,D	C+, 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, 2017 and December 31, 2019, our total loan portfolio grew by a CAGR of 27.2%. This growth increased our profitability as we took advantage of our operating and financial leverage.

Markets for Our Products

We provide our loan products throughout Mexico, including in several major metropolitan areas, such as Mexico City, and other large cities in the states of Guerrero, Morelos, Nuevo Leon, Puebla, Veracruz and Yucatan, among others. Our payroll loan businesses, which is our oldest business line, has presence in every state in Mexico, while currently our SMEs business operates in all of the states in Mexico.

The following table shows the percentage breakdown of our loan portfolio in each of our main loan product categories by state as of December 31, 2019.

Business Line	Payroll Loans	SME Loans	Consumer Loans	Used Cars MX	CR USA	Group Loans	Durable Goods Loans	Total
Aguascalientes	1.1%	0.0%	0.0%	0.3%	0.0%	0.3%	0.0%	0.5%
Baja California	1.8%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	0.9%
Baja California Sur	1.1%	0.0%	0.0%	0.4%	0.0%	2.3%	0.0%	0.6%
Campeche	1.3%	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.6%
Chiapas	4.9%	0.0%	0.0%	0.9%	0.0%	3.3%	0.0%	2.5%
Chihuahua	1.3%	0.0%	0.0%	0.5%	0.0%	0.7%	0.0%	0.7%
Coahuila	2.2%	0.0%	0.0%	0.7%	0.0%	2.7%	0.0%	1.2%
Colima	0.5%	0.0%	0.0%	0.8%	0.0%	1.3%	0.0%	0.3%
Mexico City	7.2%	97.5%	0.0%	40.4%	0.0%	9.8%	100.0%	31.0%
Durango	1.2%	0.0%	0.0%	0.2%	0.0%	2.2%	0.0%	0.7%
State of Mexico	12.4%	1.9%	0.0%	9.7%	0.0%	10.9%	0.0%	7.1%
Guanajuato	2.3%	0.0%	0.0%	2.3%	0.0%	4.7%	0.0%	1.3%
Guerrero	4.7%	0.0%	0.0%	0.3%	0.0%	6.6%	0.0%	2.5%
Hidalgo	1.9%	0.0%	0.0%	0.4%	0.0%	2.0%	0.0%	1.0%
Jalisco	3.0%	0.0%	0.0%	12.1%	0.0%	6.6%	0.0%	2.0%
Michoacan	2.2%	0.0%	0.0%	0.7%	0.0%	10.5%	0.0%	1.5%
Morelos	0.9%	0.0%	0.0%	0.7%	0.0%	2.1%	0.0%	0.5%
Nayarit	0.7%	0.0%	0.0%	1.4%	0.0%	1.2%	0.0%	0.4%
Nuevo Leon	4.1%	0.0%	0.0%	6.6%	0.0%	3.3%	0.0%	2.2%
Oaxaca	8.4%	0.0%	0.0%	0.0%	0.0%	2.7%	0.0%	4.1%
Puebla	3.4%	0.0%	0.0%	2.9%	0.0%	3.1%	0.0%	1.8%
Querétaro	0.7%	0.0%	0.0%	2.8%	0.0%	1.1%	0.0%	0.4%
Quintana Roo	0.9%	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.4%
San Luis Potosi	2.5%	0.0%	0.0%	1.4%	0.0%	3.2%	0.0%	1.4%
Sinaloa	2.3%	0.0%	0.0%	1.5%	0.0%	3.7%	0.0%	1.3%

Business Line	Payroll Loans	SME Loans	Consumer Loans	Used Cars MX	CR USA	Group Loans	Durable Goods Loans	Total
Sonora	3.6%	0.0%	0.0%	1.1%	0.0%	3.5%	0.0%	1.9%
Tabasco	2.0%	0.0%	0.0%	2.6%	0.0%	2.9%	0.0%	1.1%
Tamaulipas	2.3%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	1.1%
Tlaxcala	0.4%	0.0%	0.0%	0.2%	0.0%	0.7%	0.0%	0.2%
Veracruz	13.4%	0.6%	0.0%	3.4%	0.0%	8.0%	0.0%	6.9%
Yucatan	1.4%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	0.7%
Zacatecas	0.3%	0.0%	0.0%	0.3%	0.0%	0.7%	0.0%	0.2%
Others(1)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mexico	96.2%	100.0%	0.0%	100.0%	0.0%	100.0%	100.0%	79.1%
United States of America	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	8.7%
Central America	3.8%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	12.3%
Total	100%	100%	100%	100%	100%	100%	100%	100%

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

As of December 31, 2019, our payroll loan portfolio was concentrated primarily in Veracruz (13.4%), the State of Mexico (12.4%), Oaxaca (8.4%) and Mexico City (7.2%). These concentrations are the result of the strong presence our payroll loan distributors have in those states and of the high population density of those areas.

As of December 31, 2019, our SME loan portfolio was concentrated in Mexico City and the State of Mexico. This concentration results from the fact that we launched this new business line in Mexico City with plans to broaden the geographic span of this portfolio in the future.

As of December 31, 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. As of December 31, 2019, our used car loan portfolio was concentrated in Mexico City (40.4%), Jalisco (12.1%) and the State of Mexico (9.7%).

As of December 31, 2019, our loan portfolio in CRUSA Finance was concentrated in the United States with 100% of the loans located in that region, primarily in Texas, Florida and California.

As of December 31, 2019, our group loan portfolio was concentrated in the states of the State of Mexico (10.9%), Michoacán (10.5%), Mexico City (9.8%) and Veracruz (8.0%). These are the states in which our group loan business has been active for the longest period of time, and as a result, where our promoters have the most developed relationships with existing and potential borrowers.

Finally, as of December 31, 2019, our durable goods and other loans portfolio was concentrated in Mexico City with 100% of the loans located in that region.

We believe that our efforts to consolidate our payroll business, expand 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.9,303.0 million throughout Mexico as of December 31, 2019.

On December 31, 2019, Directodo had 74 cooperation agreements with government agencies, operated 144 branches in all states in Mexico and had 1,140 employees (including 860 sales executives and 22 telephone operators).

The acquisition of Directodo was structured through the merger of Rasteroz, a subsidiary of Grupo Kon holding 49% of Directodo's shares, into Crédito Real. As a result of the merger, the shareholder of Rasteroz, Venlo Resources Pte. Ltd. (a member of Grupo Kon), received 18.8% of our outstanding shares. As part of the transaction, Directodo entered into an exclusivity agreement with us and Rasteroz entered into an agreement not to compete with Directodo and their directors and shareholders for the benefit of Crédito Real. These agreements include all of their loan origination activities and give us the right to fund 100% of the payroll loans originated by Directodo. At the end of 2014, aiming to consolidate our leading market share in payroll loans, we exercised the option to acquire the remaining 51% of Directodo (which operates its loan origination business under the brand name and trademark Kondinero). The merger took effect in November 2014 and currently we own 99.99% of Directodo.

Following the same strategy of vertical integration, on November 18, 2011, we acquired a participation equivalent to 49% of the capital of Publiseg, which operates under the brand Credifiel, and is one of the largest distributors of payroll loans in Mexico in terms of origination capacity. We also were granted an option to acquire the remaining 51% of the capital stock of the company. As of December 31, 2019, Publiseg was the third largest originator of payroll loans for us, with Ps.1,145.7 million originated during the year ended December 31, 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 84 branches located in all the states in Mexico with a sales force of over 1,479 developers. As of December 31, 2019, Publiseg had 69 cooperation agreements.

Similarly, in August 2012, as part of our strategy to consolidate our position in the payroll loan market, we entered into an agreement to acquire a minority interest in the capital stock of GEMA. The negotiation with GEMA's shareholders for the acquisition of an interest in GEMA included exclusivity and non-competition agreements with GEMA and its managers and shareholders for our benefit. We initially acquired a 40.8% ownership interest, and during the first quarter of 2013, we exercised an option to increase our ownership interest to 49%. Additionally, the agreement provides options for us to acquire and for the current shareholders of GEMA to sell the remaining 51% interest in GEMA in 2017 and 2018. On September 28, 2012, we were notified that the Mexican Antitrust Commission (*Comisión Federal de Competencia*) approved the consummation of this acquisition. The initial transaction was completed on October 4, 2012.

GEMA, which operates under the brand name Crédito Maestro, is one of the main payroll loan distributors in Mexico. As is the case for our investments in Kondinero and Credifiel, our investment in Crédito Maestro will be accounted for using the equity method. This transaction continues our strategy of vertical integration and should help us further operating synergies and increases in our net margin.

As of December 31, 2019, Crédito Maestro had cooperation agreements with 34 government agencies, and operated 84 branches in all of the states in Mexico. As of December 31, 2019, Crédito Maestro had 1,727 employees, including approximately 1,479 sales executives.

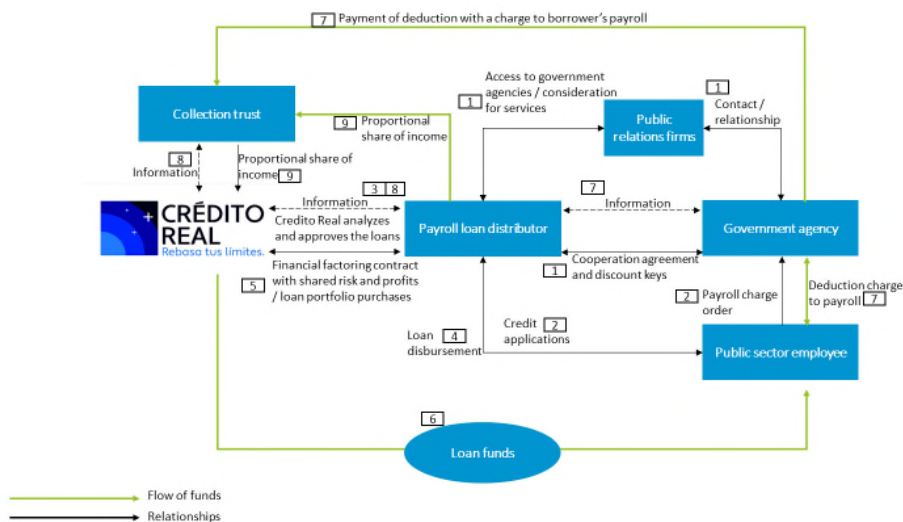
Currently, our payroll loans are originated by Directodo, Publiseg and GEMA under the Kondinero, Credifiel and Crédito Maestro brands, respectively, as well as by 12 other independent distributors. However, we review and analyze each credit application and approve loans according to our own lending policies and procedures, with the aim of ensuring that all of our loans meet the same quality standards. We share with each distributor the credit risk and the income generated by the loans it originates; however, each distributor retains responsibility for servicing and absorbing all operating costs relating to the loans. Government agencies transfer employees' loan payments directly to us or to

a trust controlled by us, and we then transfer to each distributor its respective share of income net of any deductions related to non-performing loans.

Payroll loans have become an attractive alternative source of unsecured credit for Mexican consumers. Due to the method for repayment, borrowers find it easier to service and qualify for payroll loans compared to other forms of consumer financing. For the same reason, lenders tend to view payroll loans as a more attractive risk compared to other forms of consumer financing.

As of December 31, 2019, our average payroll loan had a principal amount of Ps.65,350, a term of 41 months and was payable in bi-weekly fixed installments of interest and principal, with an average annual interest rate of 55.0% and an average annual yield of 26.4%, net of risk and profit sharing with our distributors. As of December 31, 2019, we had 432,173 payroll loans outstanding and a Ps.28,242.3 million payroll loan portfolio, which represented an estimated customer market share of 42% based on our internal estimates, with an average delinquency rate of 1.0%. For the year ended December 31, 2019, our payroll loan portfolio generated interest income of Ps.6,989.3 million, or 58.6% 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 15 distributors. These distributors in turn have cooperation agreements with public sector employers or employee labor unions in 177 governmental agencies across all states in Mexico, through which they promote our payroll loan products.

Loan origination occurs through a distributor, subject to our lending standards, our loan terms and our approval. Many of our distributors depend upon the services of public relations firms to provide contacts and lobby for contracts with public sector employers and/or labor unions. The fees paid to these public relations firms by our distributors or by us generally depend on the number of loans that originated from the specific public sector employer or labor union, and the collection of such loans.

Borrowers must be employees of a government agency or members of a labor union that has entered into a cooperation agreement with one of our distributors and must prove employment by producing pay stubs. We are responsible for verifying a borrower's identity, employment and repayment capacity based on our credit policies. When loans are being originated, distributors are responsible only for collecting information. Borrowers can withdraw the proceeds of the loan against our account at any local bank. Depending on the distributor, loan disbursement can occur either by a deposit in the customer's bank account, by check or by automated loan disbursement (*dispersion automática de pagos*, or "DAP"), with DAP being the most common. We serve as custodian for all credit

documentation, including the irrevocable instructions from creditors for the deductions to be made from their paychecks.

Except for Directodo, Publiseg and GEMA, neither we nor any of our shareholders has an ownership interest in any of the distributors with which we operate. Aside from the acquisitions of 99.99% of Directodo and 49% of Publiseg and GEMA described above, we currently have no intention of acquiring another payroll loan distributor.

Credit Application and Review Process

The credit application process for our payroll loans depends partially on our distributors. They are responsible for collecting the information and sending it to us for our review. Our proprietary credit review and approval process includes both quantitative and qualitative features. Upon receiving a loan application, our credit department first evaluates the electronic credit application and supporting information provided by the distributor and processes the loan application on an individual basis. The credit decision is supported by automated processes through a central computer system using scoring tables and algorithms to evaluate the payment capacity of the applicant. The qualitative aspects of the loan request are evaluated by our credit analysts. Individualized scoring models are developed for our main specialized retail chains and generic scoring models are used with other specialized retail chains. Our ability to develop a tailored scoring model for a particular specialized retail chain depends on the amount and quality of the information we have on the risk profile of the specialized retail chain's customer. Our business model does not include the possibility of pre-approval of payroll loans.

Loan Servicing and Collection

In Mexico, certain unionized employees receive their paychecks directly from their employers; others receive paychecks from their employers through the labor unions to which they belong. Each distributor registers each payroll loan it originates with the borrower's employer or the borrower's union, according to the entity from which the borrower receives his or her paycheck. The distributor submits signed instructions from the borrower to the borrower's employer or union to make direct installment payments to the lender from the borrower's paycheck.

Every two weeks, we collect from employers or unions of our borrowers, prior to the disbursement of paychecks, an amount equal to the total installment payments of our payroll loan borrowers; this amount is sent to a trust in which we are a trustor, and in which Crédito Real and our distributors are beneficiaries of the payroll loan collections received. Each distributor verifies the loan payments and sends an electronic file to us with the necessary information for the correct application of the payment in our management system. We then transfer to each distributor its respective share of income net of any deductions related to non-performing loans. This agreed-upon income percentage given to the distributor is treated as a bonus to the discount with which we acquired the loans from the distributor. On occasions, due to netting and compensation, we directly transfer to the distributor its share of income.

Loan Documentation

Payroll loans acquired from our distributors are documented through the execution of loan contracts and promissory notes. We store the loan contracts and original promissory notes in digital format, as well as by safekeeping signals.

There is no priority of payment for cases where a borrower has more than one loan with different lenders.

The payroll loan contracts do not allow for the payment of additional amounts in favor of the borrowers, such as interest. Some payroll loan contracts may establish penalties for voluntary prepayment by the borrowers. However, the borrowers have the option of making direct payments to the account specified in the contract pursuant to the terms and conditions established in said loan contracts.

Target Market

Our target market for payroll loans consists of unionized employees of federal and state governments and other public agencies with monthly gross income ranging from Ps.10,000 to Ps.30,000. As of December 31, 2019, approximately 50% of the payroll loans we acquired were made to current employees of the state and federal public

school systems. Public healthcare professionals represent 6.0% of our loan originations and IMSS employees represent 34.0%, while other government employees account for the remaining 10%.

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 December 31, 2019, loans to pensioners amounted to 34.0% of our total payroll loan portfolio.

Consumer Loans

On February 22, 2016, we acquired a 70% equity interest in Instacredit. As of 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 well-recognized consumer loan-based company with over 19 years of experience and 65 branches located throughout Costa Rica, Nicaragua and Panama. Instacredit started its business in April 2000 in San José, Costa Rica and since 2007 started expanding into other Central American countries.

Instacredit primarily offers consumer loans, car loans, SME loans and home equity loans. For the year ended December 31, 2019, our consumer loan portfolio generated interest income of Ps.2,881.2 million, or 24.1% of our total interest income.

As of December 31, 2019, Instacredit represented Ps.4,918.0 million, or 10.5%, of our loan portfolio.

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 62.0%, 63.6% in Nicaragua and 60.7% in Panama, with an average duration of 40 months. All consumer loans represent 54.7% of the Instacredit's loan portfolio as of December 31, 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, as a result of which 100% of the auto loans are secured.

As of December 31, 2019, auto loans represented 33.0% of Instacredit's active loan portfolio with an average interest rate of 50.0% in Costa Rica, 50.5% in Nicaragua and 44.7% in Panama.

SME Loans

SME loans are granted to small and medium enterprises (defined as enterprises with at least 2-5 employees) that can provide evidence of having a physical space where they conduct their business on a daily basis. These loans are generally originated in the branches since one of the loan eligibility requirements is a site visit to the prospective client's business.

Pursuant to underwriting procedures, the SME must present valid bills, financial statements or alternative documentation to prove financial capability to make the monthly payments on the loan. SME loans are collateralized with assets that the analyst considers valuable enough, such as trucks, cars, real estate or any other personal property.

As of December 31, 2019, SME loans represented 9.8% of the active loan portfolio with an average interest rate of 55.8% in Costa Rica, 59.7% in Nicaragua and 63.0% in Panama.

Home Equity Loans

Home equity loans are loans granted to clients that are looking to renovate their home and are willing to use their house as collateral. In order for the house to be approved as collateral, the house may not be subject to any mortgages. The size of the loan is subject to the valuation of the asset, which valuation is performed by an authorized appraisal agent. The average loan-to-value for this product is 30% to 60%.

Home equity loans represent 2.6% of Instacredit's loan portfolio with an average interest rate of 52.1% in Costa Rica and 46.5% in Panama as of December 31, 2019.

General Underwriting Procedure

The general underwriting procedure is similar across the four loan types offered to Instacredit clients and includes the following steps:

- (1) Request form: A request form must be filled to verify the potential client's identity, address, income and employment. The request form can be completed in a branch, with the sales call center or in a dealership. This process usually takes ten minutes or less.
- (2) Data verification: Once the request form is completed by the potential client, it is then sent to a credit analyst where a financial background check is conducted using at least one of the credit bureau databases. In the case of SME loans, a site visit is required.
- (3) Credit evaluation: The credit analyst reviews the credit bureau report and determines the income to expense ratio to determine the indebtedness capability of the potential client; such ratio may not exceed 50%. The analyst will also examine the income sources provided by the potential client to determine the maximum loan amount that can be offered to the client. The data verification and the credit evaluation process for a consumer loan will usually take 20 minutes or less.
- (4) Approval: All loans must be approved by a branch manager or regional manager depending on the size of the loan. Once the loan has been approved by the manager, the loan may be disbursed. The disbursement can be done directly in the branch in cash, by check or through a wire transfer, as per the client's request.

Collections

In order to create an easy to pay experience to clients, Instacredit provides them with the opportunity to pay their installments in its branches, in any bank, or in one of the Instacredit partners.

On average, Instacredit's branches collect approximately 64%, banks collect 23%, 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 December 31, 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
	Costa Rica	Personal loans	2	24 hours
	Costa Rica	Personal and credit cards	1	24 hours

Company	Country	Loan Type	# Branches	Response Time
	Panama	Personal loans	52	2 hours
	Panama	Personal loans	14	24 hours

Competitive Strengths

Instacredit's branch-based business model provides clients in Costa Rica, Nicaragua and Panama access to financial solutions in less than 30 minutes. The partnerships held by Instacredit with different country-wide chains permit its clients to pay their installments anywhere in the country as late as midnight.

In addition, Instacredit's over 16 years of experience, technological platform, strong brand positioning and expertise has allowed it to create an operational model highly developed to best fit potential and actual customer needs. Instacredit also has a permanent marketing campaign, market research and customer service evaluation across all its branches and call centers.

Used Car Loans Mexico

Our used car loan business is mainly focused on financing semi-new and used cars through strategic alliances with a network of distributors that use their own sales force to promote our loans. The cars have a life range of three to ten years. The average term of a used car loan is 42 months with an average interest rate of 38% as of December 31, 2019. Additionally, all cars are insured and have a GPS system that allows us to know in real-time where the car is at all times.

During the first quarter of 2014, we acquired a 51% interest in a company, CR Fact, operating under the brand name Drive & Cash, which specializes in providing secured financing for privately owned cars and commercial vehicles. In 2017, CR Fact participated in the subprime auto loan business under the brand name Toma Uno, which offers car-leasing to people with limited credit histories and those who do not qualify for financing under car dealerships' credit policies. As of December 31, 2019, the CR Fact distribution network consisted of 20 branches and 506 agreements with agencies located in all of the states in Mexico. The average term of this product is 42 months with an annual interest rate of 38.0%.

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.

Competition

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

- Banks;
- Local financial companies; and
- Small car dealers that offer in-house loans.

Competitive Strengths

Our principal competitive strength is the flexibility of our financing program, our capability to do tailor financing programs that meet our clients' needs and credit profile and the efficiency in the overall loan process.

Distribution and Origination

We have an internal sales force and direct agreements with five commercial distributors, which as of December 31, 2019, represented 100.0% of the total origination of our local cars business. The year-end strategy of the Company for this business line is to originate only through the aforementioned channels. Loans are originated at the point of sale. The borrower must complete a credit application in the store and a commercial advisor sends it to Crédito Real with copies of the customer's identification and income statements. The information is sent to the company through our digital platform.

Credit Application and Approval Process

Our proprietary credit review and approval process includes both quantitative and qualitative features. Upon receiving a loan application, our credit department first evaluates the electronic credit application and supporting information provided by our distributors and processes the loan application on an individual basis. The credit decision is supported by automated processes through a central computer system using scoring tables and algorithms to evaluate the payment capacity of the applicant. Quantitative information regarding payment capacity is determined based in part on proprietary industry data, in part on individualized payment history (if the applicant is a repeat customer) and in part based on information obtained from third-party credit bureaus.

For the used car loans applications that lack detailed credit histories, the qualitative portion of our proprietary credit review and approval process becomes paramount. This process, which typically takes approximately 24 hours to complete, involves individualized investigations into the creditworthiness of a potential borrower, including personal contact, typically by telephone, between our credit department and the borrowers' employer and other references that the borrower provides.

Loan Servicing and Collection

Repayment of our used car loans by our customers is typically accomplished through monthly payments to us through a local bank. All of our cars have a GPS that allows us to know in real time where each vehicle is at all times. We have implemented preventive collection procedures, including telephone calls to inform customers that a payment is coming due or has become overdue. Any loan that has two consecutive overdue payments is placed in a field collection process, and we may eventually pursue legal action for collection and repossession of the vehicle. Our used car loans are secured by a non-possessory pledge (*prenda sin transmisión de posesión*) on the car invoices of the purchased car (property title), which is endorsed by a guarantee in favor of us and is kept in a secure vault at the company. However, for purposes of enforcing our rights in collection procedures, we use only the promissory note that evidences the corresponding loan.

Competitive Strengths

Our principal competitive strength is the flexibility of our financing program, our capability to do tailor financing programs that meet our clients' needs and credit profile and the efficiency in the overall loan process.

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.10.2 million with an average term of 37 months. During 2018, Crédito 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.1,746.1 million at the end of 2017 to Ps.3,676.7 million at the end of 2018 and Ps. 7,419.7 million at the end of 2019. This growth is equivalent to a CAGR of 106.1% 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 December 31, 2019, the size of the SME loan portfolio was Ps.7,419.7 million with 730 clients and a delinquency rate of 0.5%. For the year ended December 31, 2019, our SME loan portfolio generated interest income of Ps.836.6 million, or 7.0% 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.

Our primary competitors in the SMEs loan market are the following companies:

- Banks; and
- Non-banking financial institutions;

Competitive Strengths

Our main competitive strengths are our credit risk assessments that enable us to give a quick response time and to perform tailor financing and personal and direct service. Our competitive advantage within the industry is the relationship we have with our customers and the personal customer service we can provide to them. We believe that by building a strong customer relationship we will be able to continue being a reliable source of funding within the SMEs businesses. Our efforts to become a reliable source of funding are paying off and our customers have been reaching us for different ways of financing. We are taking advantage of this opportunity to pursue complementary services that will allow us to better serve our target market and strengthen our operations profitability.

CR USA Business

Used car loans in USA

In the United States, we mainly provide used car loans to the Hispanic market segment with limited credit history or access to credit through 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 December 31, 2019, CRUSA Finance had licenses to operate in 26 states in the United States with over 1,388 car dealers and one strategic alliance.

As of December 31, 2019, our used car loan portfolio was Ps.2,136.0 million with a total of 10,080 customers with an average delinquency rate of 1.3%. For the year ended December 31, 2019, our used car loan portfolio generated interest income of Ps.239.6 million, or 2.0% of our total interest income.

Competition

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.

SME Loans in USA

In the United States, we provide SME loans to the Hispanic market segment with limited credit history or access to credit through our subsidiaries Camino Financial in Los Angeles, in which we have 26.9% of participation and CR FED in Florida, which we have 51% of participation, that provides factoring (mainly in the construction industry for the purpose of short-term liquidity and working capital), leasing and asset return loans services.

As of December 31, 2019, our SME loan portfolio was Ps.1,945.5 million with a total of 2,200 customers and an average delinquency rate of 0.3%. For the year ended December 31, 2019, our SME loan portfolio generated interest income of Ps.461.2 million, or 3.9% of our total interest income.

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 1,561 promoters and a network comprising 203 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 December 31, 2019, we offered group loans through a network of 203 branches and 1,1561 full-time promoters, reaching 246,029 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 December 31, 2019, 99.0% of our customers had acquired this insurance policy and we expect this trend to continue.

As of December 31, 2019, we had a Ps.622.4 million group loan portfolio with an average delinquency rate of 2.3%. As of December 31, 2019, the average group loan of our distributors had a principal amount of Ps.3,979 per group member, an average term of four months, and an average annual yield of 107.8% (taking into account the aggregate portfolio of our distributors). For the year ended December 31, 2019, our group loan portfolio generated interest income of Ps.59.3 million, or 0.5% 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 December 31, 2019, we had 1,561 promoters across 203 branches within Mexico.

A key element in the development and maintenance is the formation and maintenance of our staff of promoters. We typically recruit candidates to become promoters from the local area. Our promoters play a key role in our group loan business, and we place a high priority on their training. Each promoter receives two months of training before starting work, which includes both classroom sessions and on-the-job training. This intensive training program is intended to familiarize our promoters with marketing and group formation strategies and with our detailed credit review process and to allow our promoters to develop a thorough understanding of the local market. Our promoters are supervised and evaluated on an ongoing basis by senior personnel and receive periodic training focused on innovations in our business and personal development. A significant portion of the costs involved in expanding our group loan business relate to the recruiting, training and oversight of promoters. The historically high turnover rate of promoters in this business, which requires us to continuously recruit and train new promoters, contributes to these costs.

We believe that a key differentiator of our business model is our innovative origination and collection methodology for group loans and the level of discipline we maintain in the execution of such methodology. We have implemented a number of policies and procedures that we believe have enabled us to maintain low delinquency rates on group loans, including the following requirements: (i) weekly group meetings coordinated by promoter at which loan payments are collected; (ii) each borrowing group member must live within a 15-minute walking distance from the weekly meeting point; (iii) no more than two members of the same family are allowed to be part of a given borrowing group; and (iv) no loan disbursements may be made to the group unless all group members are physically present at the disbursement meeting. Loans are disbursed by DAP.

Credit Application and Review Process

Because many of our group loan customers have limited or no credit history, the documentation review process for these loans is generally limited to verifying the identities of the borrowers and their sources of income. Our promoters also play a significant role in the credit review process by personally investigating and evaluating prospective borrowers and working to organize effective and efficient borrowing groups. In addition, although our group loans are reviewed and approved by our branches, our central operations department continuously monitors the local credit review process to ensure that our credit review methodologies are applied appropriately.

Loan Servicing and Collection

Each member of a borrower group is required to attend a weekly meeting with the promoter that recruited the group. During this meeting, each member of the group makes the payment due on his or her portion of the loan. If any group member is short of funds or does not attend the meeting to make his or her respective payment, the other members of the group assume responsibility for making up the difference. Each group is led by a committee of three members (a president, a leader and a secretary, all of whom are elected by the group), who are responsible for collecting and verifying loan payments by each member of their group. The promoter is responsible for verifying the collection of payments and ensuring that the total amount of funds received is correct, but promoters do not receive or manage cash payments made by our customers. Instead, the group's committee is responsible for depositing the payment at an authorized bank branch or at certain convenience store chains with which we have collection agreements. Each group's committee keeps all receipts of its bank deposits in order to verify that payments have been made correctly.

As a principal measure for the enforcement of loan payments, we measure delinquency rates using a four-day late payment metric. Our promoters' monthly bonus is tied to their ability to maintain an average delinquency rate below 3.5%, as measured by our four-day metric. In addition, each promoter is required to attend every collection and payment meeting of their borrowing groups to ensure that borrowing groups have collected the total amount of their weekly due payments. Our central offices send to each branch manager the details of all loans that are in default for their timely follow-up on a daily basis.

Target Market

Our group loans are targeted at groups of individuals, primarily women, who own and operate small commercial enterprises but who do not have access to credit from traditional banks. These individuals generally have monthly incomes ranging from Ps.2,000 to Ps.5,000. The average loan balance for our group loans is Ps.3,979.0 per group member, has an average term of four months and carries an average annual interest rate of 97.0%.

Competition

As a whole, we are one of the principal financial companies in Mexico. Our principal competitors at the national level are Banco Compartamos, S.A., Institución de Banca Múltiple, Financiera Independencia, S.A.B. de C.V., SOFOM, E.N.R. and Centro de Apoyo al Microempresario Fundación Integral Comunitaria. We also face competition from regional microlenders and the other players like pawn shops. We compete with these various firms primarily on credit terms and customer service. In addition to other microlenders, we also face competition to a lesser extent from more traditional financing sources. In particular, credit cards have become more widely available in Mexico in recent years, and borrowers who currently rely on loans may be able to secure other sources of financing in the future.

Despite the intense competition, we believe that market penetration of microfinance in Mexico remains low. Our research and discussions with our group loan customers indicate that a significant portion of our group loan borrowers has never had contact with other lenders.

Competitive Strengths

We believe that the primary competitive strengths of our group loan business are our business model, our human resources and our customer service. We believe one of the most distinctive aspects of our business model is the level of discipline which we exercise in the implementation of our group lending methodology described above.

We believe that our group loan customers value personal interaction in business relationships, and that our trained staff of promoters, who regularly meet with borrower groups throughout the term of their loan, are essential to cultivating these relationships. Many of our promoters hail from the same cities and regions of Mexico that they serve and can use local relationships to identify and source new customers for our group loans. In addition, we believe that we have designed adequate training programs and compensation schemes that enable and encourage our promoters to deliver a superior customer service. We believe our staff of promoters will be our most important asset in consolidating and growing our group loan business.

Durable Goods and Other Loans

We are in the process of exiting the traditional durable goods loan business, which is why origination has ceased and our durable goods loan activity will cease once the remaining portfolio is repaid or sold.

As of December 31, 2019, we had 41,120 clients for our durable goods and other loans segment (including our Resuelve customers) and an outstanding portfolio of Ps.273.5 million. For the year ended December 31, 2019, our durable goods and other portfolio generated interest income of Ps.39.0 million, or 0.3% 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 December 31, 2019, Resuelve had 41,042 customers in Mexico, managing Ps.4,412.9 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 35.06%. Credilikeme allows clients to obtain same-day consumer loans with an average principal amount of Ps.2,349.0 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. During December 2019, the Company decreased its equity participation in Resuelve with the objective of focusing on strategic assets and boosting the growth of its most profitable businesses.

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 December 31, 2019, there were a total of 622 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	528
Managers	82

Our operational and administrative personnel belong to the National Union of Workers of Financial and Banking Institutions, Organizations and Auxiliary Credit Activities, Office Employees, and Similar of Mexico (*Sindicato Nacional de Trabajadores de Instituciones Financieras, Bancarias, Organizaciones y Actividades Auxiliares de Crédito, Empleados de Oficina, Similares y Conexos de la República Mexicana*), which are subject to a collective bargaining agreement dated May 1, 2010. Salaries are negotiated with unions on a yearly basis, whereas other benefits are negotiated on a bi-annual basis. As of the date of this offering memorandum, we had a good relationship with our employees and their unions. Of the total number of our employees, 99% are non-union managerial employees (*empleados de confianza*), while 1% are unionized.

Properties and Leases

Our executive offices in Mexico City are located on leased premises. Our main fixed assets consist of computers, and office furniture and equipment.

Intellectual Property

In addition to other intellectual property rights and licenses, we own the following trademarks: *Crédito Real*, *Crediplus*, *CR Crédito Real*, *Pasión por crecer*, *AXEDES*, *Tu AXEDES*, *CR Crédito Real entidad financiera que te respalda tu AXEDES*, *CR Crédito Real tu Axedes*, *C+R*, *Carmas*, *Creal US*, *Credipoly*, *Creal*, *Crealfunding* and *C MAS R*, all of which are registered with the Mexican Institute of Industrial Property Office (*Instituto Mexicano de la Propiedad Industrial*).

Litigation

We are from time to time involved in certain legal proceedings that are incidental to the normal conduct of our business. We do not believe that the outcome of any such proceedings, if decided adversely to our interests, would have a material adverse effect on our business, financial condition, cash flows or results of operations.

MANAGEMENT

Board of Directors

The administration of our business is entrusted to our board of directors.

The board of directors is comprised of a maximum of 21 regular members determined by the general shareholders' meeting, of which at least 25% must be independent in accordance with the Securities Market Law (*Ley del Mercado de Valores*). Each regular member may have an alternate, and alternates for independent members must be independent as well.

Currently, the board of directors consists of 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	53
Eduardo Berrondo Avalos	Member	62
Jose Luis Berrondo Avalos.....	Member	69
Moises Rabinovitz Ohrenstein (*).....	Member	63
Isser Rabinovitz Stern (*).....	Member	37
Allan Cherem Mizrahi	Member	39
Gerardo Ciuk Diaz.....	Member	57
Juan Pablo Zorilla Saavedra	Member	39
Jose Eduardo Esteve Recolons (*).....	Member	54
Gilbert Sonnerly Garreau-Dombasle (*).....	Member	67
Raul Alberto Farias Reyes (*)	Member	36
Enrique Alejandro Castillo Badia (*)	Member	41

The following individuals are alternate directors:

Name	Title	Age
Luis Berrondo Barroso	Alternate	38
Aby Litjszain Chernizky (*)	Alternate	42
Marcos Shemaria Zlotorynski (*).....	Alternate	59
Francisco Javier Velasquez Lopez.....	Alternate	38
Jorge Esteve Recolons (*)	Alternate	52
Enrique Saiz Fernandez (*)	Alternate	72

(*) Independent directors.

Since December 2013, Guillermo Javier Solórzano Leiro was designated as Secretary of our board of directors and ratified during our ordinary shareholders' meeting held on April 8, 2019. Jorge Alberto Labastida Martínez was designated as Pro Secretary of our board of directors during our ordinary shareholders' meeting held on January 27, 2020.

Below are brief biographical descriptions of our directors:

Ángel Francisco Romanos Berrondo. Mr. Romanos is our Chief Executive Officer and Chairman of the board. He was Treasurer of Mabe, S.A. de C.V., from 1987 through 1993 and Manager of International Business of CB Capitaes, S.A. from 1994 through 1996. Mr. Romanos is also a member of the board of directors of Controladora

Mabe, S.A. de C.V. He holds a Master in Business Administration (“MBA”) with a specialty in finance and statistics from the Wharton School of Business.

José Luis Berrondo Avalos. Mr. Berrondo was Co-Chief Executive Officer of Mabe, S.A. de C.V. from 1984 through 1993. Since 2003, he has served as the sole Chief Executive Officer of Mabe, S.A. de C.V. Mr. Berrondo is currently Chairman of the board of directors of Mabe, S.A. de C.V., and a member of the board of directors of HSBC Grupo Financiero HSBC S.A. de C.V., and HSBC México S.A., Institución de Banca Múltiple. Mr. Berrondo holds an MBA from the Instituto Panamericano de Alta Dirección de Empresas (“IPADE”).

Eduardo Berrondo Ávalos. Mr. Eduardo Berrondo Ávalos is Chairman of the Board of Copri S.A. de C.V., and an Independent Director at Grupo Financiero Multiva S.A.B. de C.V. Additionally, he is on the board of directors at Grupo Financiero Multiva S.A.B. de C.V., CMR S.A.B. de C.V., Grupo Real Turismo S.A. de C.V., Industrias Mabe and MVS. Mr. Berrondo Avalos was previously CEO of Banco Bital S.A. and employed as Independent Director by Invex Controladora S.A.B. de C.V. He received his Industrial Engineering undergraduate degree from Universidad Iberoamericana and an MBA from Claremont Graduate School. Mr. Berrondo also has a business certification (*Programa de Alta Dirección, AD-2*) from the IPADE.

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 Instituto Tecnológico y de Estudios Superiores de Occidente.

Iser Rabinovitz Stern. Mr. Rabinovitz has been General Director of Directodo since its foundation in 2006. He has been General Director of Grupo Kon and its subsidiaries since 2007. He is an advisor to Meor Real Estate. He holds a degree in business administration from the Instituto Tecnológico de Estudios Superiores de Monterrey.

Allan Cherem Mizrahi. Mr. Cherem is the Founder, Chief Executive Officer and a member of the board of directors of Fondo H and CEGE Capital. Mr. Cherem has worked in the manufacture, real estate and financial industries in Mexico. In 2008, Mr. Cherem founded Dinero Mágico, which was sold in 2012 to an international public company. Mr. Cherem is also involved in philanthropic activities. Mr. Cherem holds an Architecture degree from Universidad Anáhuac del Norte and a MBA from Babson College with a specialty in entrepreneurship.

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 MBA from Stanford.

José Eduardo Esteve Recolons. Independent Director. 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 MBA from Southern Methodist University.

Gilbert Sonnery Garreau-Dombasle. Independent Director. Mr. Sonnery is member of the board of directors of JB Martin Company, Inc. (U.S.A) and of Edoardos Martin, S.A.B. de C.V. (Mexico). Mr. Sonnery was the General Director of the subsidiary JB Martin del Grupo, and also was the President of the board of directors and General Director of JB Martin, Limited (Canada); and advisor of MRM Holding, S.A. (France). Mr. Sonnery studied business administration in the United States of America and Textile Engineering in France. Mr. Sonnery also has a business certification (*Programa de Alta Dirección, AD-2*) from the IPADE.

Raúl Alberto Farías Reyes. Independent Director. Mr. Farías has comprehensive experience in the micro finance and finance industries, both domestic and foreign. Mr. Farías expertise includes banking and financial operations as well as M&A of financial institutions. Mr. Farías has advised several financial institutions and corporate clients operating in the financial services industry. Mr. Farías worked for more than ten years at Jones Day (Mexico City and New York) and currently leads the international M&A and financing activities of a Fortune 500 company in the United States. Mr. Farías holds a law degree from Escuela Libre de Derecho, a Master’s Degree from the National University of Singapore and a Master of Laws from New York University.

Enrique Alejandro Castillo Cantú. Independent Director. Mr. Castillo has comprehensive experience in private equity and financial services. Mr. Castillo was a Managing Director at H.I.G. Capital in Mexico. Previously, Mr. Castillo was a Managing Partner at Nexxus Capital, where he led investments in healthcare, financial services, retail, education and real estate. Mr. Castillo also founded Ictus Capital, a boutique private equity and advisory firm. Mr. Castillo has served on the board of directors of several companies including Olab Diagnosticos Medicos, Harmon Hall and Modatelas. He also served as a member of the investment committee of Infonavit’s Housing Savings Fund. Mr. Castillo received an MBA from the INSEAD and graduated with academic excellence from the Universidad Iberoamericana with a degree in Industrial Engineering.

Executive Officers

The following table lists the names, positions and years of service of our executive officers:

Name	Position	Years with Credito Real
Ángel Francisco Romanos Berrondo	Chief Executive Officer	26
Carlos Enrique Ochoa Valdés	Deputy Chief Executive Officer / Chief Financial Officer	25
Luis Carlos Aguilar Castillo	Commercial Officer for Payroll Loans	26
Claudia Patricia Jolly Zarazúa	Treasurer	24
Luis Calixto López Lozano	General Counsel	21
Adalberto Robles Rábago	Human Resources Officer	14
José Juan Gonzalez Abundis	Chief Operations Officer	13
Luis Arturo Magallanes Mantecon	Chief Marketing Officer	9
Luis Berrondo Barroso	M&A Officer	7
Pablo Federico Bustamante González	Controller	4
Felipe Guelfi Regules	Business Officer	4
Héctor Antonio Huelgas Lamas	Internal Audit Officer	4

Below are brief biographical descriptions of our executive officers.

Ángel Francisco Romanos Berrondo. Mr. Romanos is our Chief Executive Officer. He has served in our board since our incorporation. He was also Treasurer of Mabe, S.A. de C.V., from 1987 through 1993 and Manager of International Business of CB Capitaes, S.A., from 1994 through 1996. Mr. Romanos sits on the board of Mabe, S.A. de C.V. and holds an MBA with a specialty in finance and statistics from the Wharton School of Business.

Carlos Enrique Ochoa Valdés. Mr. Ochoa has been our Chief Financial Officer since April 2015 and our Deputy Chief Executive officer since 2016. Mr. Ochoa was Crédito Real’s Chief Operating Officer from 2003 to 2015. Prior to that, he was our planning manager from 1997 to 2000 and our North Zone Operations Officer from 2000 to 2003. Mr. Ochoa holds a master’s degree in finance from the Bristol University in the United Kingdom and a master’s in economics from Instituto Tecnológico Autónomo de México (“ITAM”).

Luis Carlos Aguilar Castillo. Mr. Aguilar has been our Payroll Loans Commercial Officer since 2008, and previously served as our Chief Financial Officer between 1995 and 2008. Prior to that, he served as the Financial Audit Manager of Bital. Mr. Aguilar holds an MBA from the IPADE.

Claudia Patricia Jolly Zarazúa. Mrs. Jolly joined Crédito Real in 1998 and since then she has held different positions such as Used Cars Officer and Treasury Manager. She has worked in management positions in numerous

financial departments including Televisa, Citibank and Monroy Petersen. Mrs. Jolly holds a degree in Business Administration and has an MBA and a Diploma in Financial Derivatives all from the ITAM. She also has a business certification (*Programa de Alta Dirección, AD-1*) from the IPADE.

Luis Calixto López Lozano. Mr. López has been our General Counsel since 2005. Prior to that, he was the Supervisor of our Legal Department from 1998 to 2000 and our Corporate Counsel from 2000 to 2004. From 2004 to 2005, he served as our external Corporate Counsel. Mr. López holds degrees in corporate law, anti-money laundering and terrorism financing and banking and financial law from the ITAM, and holds a Master's Degree from the Universidad Panamericana.

José Juan Gonzalez Abundis. Mr. Gonzalez has been our Chief Operating Officer since September 2017. Mr. Gonzalez brings unique expertise to his new role at Crédito Real after having served more than nine years as a senior executive in Kondinero. He previously was its Chief Operating Officer, where he significantly contributed to the Crédito Real-Kondinero merger. Prior to this role, he was involved in different departments within the organization, serving as Human Resources Director and Purchase Manager. Mr. Gonzalez holds a degree in Industrial Engineering and a Master's Degree from the Instituto Tecnológico de Monterrey.

Adalberto Robles Rábago. Mr. Robles has been our Human Resources Officer since 2008. Prior to that, he was the Human Resources Manager for Mabe, S.A. de C.V. from 2000 to 2008 and the Head of Human Resources at Grupo Desk from 1996 to 2000. Mr. Robles holds a leadership coach certification from Leadership International Management.

Luis 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 M&A Officer since 2015. Mr. Berrondo has comprehensive experience in finance, specializing in private equity and venture capital. Mr. Berrondo was the High-End Business General Manager at Mabe from 2010 to 2013. Additionally, Mr. Berrondo was Managing Director of VARIV Capital from 2014 to 2015. Mr. Berrondo holds an MBA from London Business School.

Pablo Federico Bustamante González. Mr. Bustamante is a licensed Public Accountant with an accounting degree from Universidad La Salle, where he also obtained a master's degree in finance. Additionally, in 2007, Mr. Bustamante received an MBA from the University of Quebec. He has a solid and extensive financial accounting experience. Mr. Bustamante was the Chief Financial Officer at Crédito Familiar, where he started in 2012 as Planning and Budget Manager. He was the comptroller for the Principal Financial Group and was the Manager of Reporting and Accounting in Garante Afore at Citigroup from 1996 to 2002.

Felipe Guelfi Regules. Mr. Guelfi has served as our Business Officer since 2016. Mr. Guelfi has extensive experience in the development of financial products. Mr. Guelfi has worked as an investment adviser and as Chief Financial Officer in financial institutions such as GE Money, and as a partner and Chief Executive Officer at Global Lending Corporation. Mr. Guelfi holds a degree in Industrial Engineering from Worcester Polytechnic Institute and a postgraduate degree in Investment Advising from the University of Montevideo.

Héctor Antonio Huelgas Lamas. Mr. Lamas is a Public Accountant who graduated from the Universidad Nacional Autónoma de México. Mr. Huelgas has worked at J.P. Morgan Bank Mexico, Bank of America and HSBC. He has more than 17 years of experience in audit services. He has managed various auditing teams, has participated in committees, and has been a Team Leader for activities including global markets, private banking and investment banking.

Audit Committee

The Audit Committee is made up of three members: Mssrs. José Eduardo Esteve Recolons, Gilbert Sonnery Garreau-Dombasle and 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: Mssrs. Gilbert Sonnery Garreau-Dombasle, 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 made up of six members: Mssrs. Ángel Francisco Romanos Berrondo, José Luis Berrondo Ávalos, Eduardo Berrondo Ávalos, Luis Berrondo Barroso, Moisés Ravinovitz Ohrenstein e Iser Ravinovitz Stern, who were ratified members of the corporate Executive Committee by the ordinary shareholders' meeting held on April 8, 2019.

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 December 31, 2019, the aggregate compensation paid to our directors and executive officers was Ps.70.0 million

On April 8, 2019, the general shareholder's meeting adopted a resolution approving a payment of Ps.26,2500 to certain independent board members for their attendance at every meeting of the board of directors.

We do not pay any type of compensation to any other persons related to us, other than our officers and directors.

Neither we nor our subsidiaries have a retirement or pension plan in place for any of the aforementioned individuals.

Stock Option and Share Compensation Plans

Our share compensation plan for officers and employees was approved during the ordinary shareholders' meeting held on November 30, 2015, up to an amount equal to 2% of stockholders' equity. The board of directors, in consultation with the Corporate Practices Committee, implements, develops and administers this compensation plan.

Share Ownership

See "Principal Shareholders" for a description of the current ownership of our common stock by directors and executive officers.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the ownership of our capital structure as of December 31, 2019.

Shareholder	Number of shares	Percentage
Founding Shareholders ⁽¹⁾	117,290,482	30.9%
Free Float	262,377,408	69.1%
Total	379,667,890	100.00%

(2) Consisting of members of the Berrondo, Saiz and Esteve families.

All of the shares representing our capital stock are fully paid.

No individual, entity or foreign government exercises control, significant influence or power over the Company. The members of the Berrondo family, as a group, could exercise significant influence over the Company. José Luis Berrondo Avalos is the main shareholder from this group and is also member of our board of directors.

José Luis Berrondo has an individual share ownership greater than 2% and less than 10% of the issued and outstanding shares of the Company and eight other members of the Berrondo family each have more than 2% and less than 5% of the issued and outstanding shares of the Company. Approximately 30% of our outstanding shares are owned by various members of the Berrondo, Saiz and Esteve families. If these individuals were to act in a coordinated manner, they could be deemed to control the Company.

The Company has no knowledge of any commitment that may result in a change of control of its shares. 101,029,081 shares of the Company were offered in the initial public offering of the Company carried out on October 17, 2012, out of which: (i) 73,542,309 shares were subscribed and paid by the public and (ii) 27,486,772 shares were sold by the selling shareholders through a secondary offering.

RELATED PARTY TRANSACTIONS

Historically, our commercial operations with related parties have been subject to review by our independent advisors and the Corporate Practices Committee.

The following is a description of certain arrangements between us and related parties that are currently in effect.

Service Contract with Servicios Chapultepec

On November 12, 2001, Servicios Chapultepec, S.A. de C.V. ("Servicios Chapultepec"), an affiliate of Crédito Real controlled by Futu-Iem, executed a service contract with Crediplus for the provision of certain key personnel. In June 2007, Crediplus merged with Crédito Real, as a result of which, we assumed Crediplus' obligations under said service contract. Pursuant to this contract, we paid Servicios Chapultepec an amount equal to the salaries and compensations of the commercial personnel, plus a monthly commission equal to 5% of said amount. In 2017, 2018 and 2019, we paid Chapultepec a total of Ps.2.9 million, Ps.5.1 million and Ps.9.2 million respectively.

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

Origination Transactions with Directodo, Publiseg and GEMA

As a result of the acquisition of 99.99% of the capital stock of Directodo and 49% of the capital stock of Publiseg and GEMA by Crédito Real, all the loan origination transactions between Crédito Real and Directodo, Publiseg and GEMA will be considered related party transactions.

All of our commercial operations with related parties have been carried out under market terms. In order to confirm this, as well as verify that these operations comply with relevant tax regulations, we have hired external auditors who are specialists in the development of studies on transfer pricing for the years ended December 31, 2016, 2017, and 2018 and 2019.

The following table summarizes our related party transactions in the years ended December 31, 2017, 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.

Related Party	Type of Transaction	Amounts Paid		
		Year Ended December 31,		
		2017	2018	2019
		(in pesos)		
Autos Latitud 25	Accrued Interest For	-	-	-
Bluestream Capital, S.A. de C.V.	Accrued Interest For	9,110,179	7,434,040	9,236,629
CAT 60, S.A.P.I. de C.V.	Accrued Interest For	-	14,525,694	23,575,695
CEGE Capital, S.A.P.I. de C.V., SOFOM E.N.R.	Accrued Interest For	28,268,021	9,907,660	48,109,682
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	2,528	-	-
Creal Arrendamiento, S.A. de C.V.	Accrued Interest For	36,528,190	153,893,183	437,288,084
Creal Dallas, LLC	Accrued Interest For	-	-	-
Crédito Real USA Finance	Accrued Interest For	17,656,069	12,286,058	47,872,293
CR-Fact, S.A.P.I. de C.V.	Accrued Interest For	43,028,462	75,992,004	115,427,640
CR MPM, LLC	Accrued Interest For	-	88,904,890	39,959,317
Grupo Empresarial Maestro S.A. de C.V.	Accrued Interest For	-	-	-
H Financieros S.A. de C.V., SOFOM, E.N.R.	Accrued Interest For	-	-	-
Instacredit, S.A. (Costa Rica)	Accrued Interest For	-	-	-
Instacredit, S.A. (Nicaragua)	Accrued Interest For	-	-	-
Marevalley Corporation, S.A.	Accrued Interest For	96,445,340	115,592,189	87,957,272
OFEM D.F., S.A. DE C.V.	Accrued Interest For	875,000	-	14,395,843
Servicios Adquiridos, S.A. de C.V.	Accrued Interest For	15,642,125	-	-
Publiseg, S.A.P.I. de C.V., SOFOM, E.N.R.	Accrued Interest For	-	-	28,065,972
CR-Fact, S.A.P.I. de C.V.	Assignment Of Portfolio	-	-	-
Directodo México, S.A.P.I. de C.V.	Assignment Of Portfolio	1,283,408,588	1,258,497,589	1,773,427,839
OFEM D.F., S.A. DE C.V. (antes “Grupo Empresarial Maestro S.A. de C.V.”)	Assignment Of Portfolio	1,515,304,446	1,533,887,405	1,073,418,289
CEGE Capital, S.A.P.I. de C.V., SOFOM E.N.R.	Assignment Of Portfolio	-	-	-
H Financieros S.A. de C.V., SOFOM, E.N.R.	Assignment Of Portfolio	156,178,865	130,318,563	125,304,996
Bluestream Capital, S.A. de C.V.	Assignment Of Portfolio	-	-	-
OFEM D.F., S.A. DE C.V.	Assignment Of Portfolio	-	-	-
Publiseg, S.A.P.I. de C.V., SOFOM, E.N.R.	Assignment Of Portfolio	531,253,115	732,485,525	492,570,181
CR MPM, LLC	Assignment Of Portfolio	-	-	-
Aventuras y Expediciones de Los Cabos, S.A. de C.V.	Financial Leasing	595,753	-	-
Bluestream Capital, S.A. de C.V.	Financial Leasing	171,742	140,046	79,145
Coco Colima, S.A. de C.V.	Financial Leasing	363,614	580,149	720,263
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	685,034
OFEM D.F., S.A. DE C.V.	Financial Leasing	2,817,072	3,291,332	251,470
CR MPM, LLC	Income Services	2,463,018	-	-
Directodo México, S.A.P.I. de C.V.	Income Services	44,868,867	81,610,396	95,804,475

Related Party	Type of Transaction	Amounts Paid		
		Year Ended December 31,		
		2017	2018	2019
		(in pesos)		
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, E.N.R.	Marketing Services	-	-	-
Reparadora RTD, S.A. de C.V.	Marketing Services	-	-	-
CEGE Capital, S.A.P.I. de C.V., SOFOM ENR	Payroll Services	10,031,487	9,907,660	-
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	-	-	-
Servicios Corporativos Chapultepec, S.A. de C.V.	Payroll Services	2,918,316	5,109,469	9,173,229
Servej, S.A. de C.V.	Personal Services	1,432,065	-	-

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

SUPERVISION AND REGULATION OF THE MEXICAN FINANCIAL INDUSTRY

General

Mexico's financial industry is currently comprised of commercial banks, national development banks, broker-dealers and other non-bank institutions, such as insurance and reinsurance companies, bonding companies, credit unions, popular savings and loans companies, foreign exchange houses, bonded warehouses, mutual fund companies, pension fund management companies and *Sofomes*. On January 10, 2014 the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) was published as part of the Financial Reforms. This Financial Groups Law, as its predecessor, aims to achieve the benefits of universal banking, improve governance of holding companies, and tighten up controls of financial services companies that operate under a single financial group holding company. Most major Mexican financial institutions are members of financial groups.

The principal financial authorities that regulate financial institutions are the SHCP, Banco de México, the CNBV, the National Commission for Retirement Savings (*Comisión Nacional del Sistema de Ahorro para el Retiro*), the National Insurance and Bonds Commission (*Comisión Nacional de Seguros y Fianzas*), the Bank Savings Protection Institute (*Instituto para la Protección al Ahorro Bancario*) and the CONDUSEF.

Our operations are primarily regulated by the General Law on Negotiable Instruments and Credit Transactions (*Ley General de Títulos y Operaciones de Crédito*), the LGOAC, certain regulations of the Banco de México, the Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*), the Law for the Transparency and Ordering of Financial Services (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*), the regulations issued by CONDUSEF, the General Provisions Applicable to Public Bonded Warehouses, Exchange Houses, Credit Unions, and Regulated Multipurpose Financial Institutions (*Disposiciones de Carácter General Aplicables a los Almacenes Generales de Depósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas*), the General Provisions Applicable to Securities Issuers and other Securities Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y otros Participantes del Mercado de Valores*) and other regulations issued by the CNBV.

Under the provisions of the General Law of Auxiliary Credit Organizations and Credit Activities, *Sofomes* are entitled to conduct lending, engage in financial leasing activities (*arrendamiento financiero*) and/or perform factoring (*factoraje financiero*) transactions in a professional and customary manner. Such activities do not require a license from any Mexican governmental authority. *Sofomes* are deemed to be financial entities.

As a *Sofom E.N.R.*, we are under the supervision of the CNBV and subject to the CNBV's accounting rules and to general provisions issued by the CNBV in connection with prevention of transactions with illegal funds.

Pursuant to the General Provisions Applicable to Securities Issuers and other Securities Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y otros Participantes del Mercado de Valores*), the Company, as a *Sofom* that issues securities in the public markets, has to prepare and audit its financial statements under *Sofom GAAP*. *Sofom GAAP* adheres to Mexican Financial Reporting Standards, which are individually referred to as Financial Reporting Standards (*Normas de Información Financiera*), as established by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.*), modified in certain areas based on the judgment of the CNBV in order to take into consideration the specialized operations of financial institutions.

In connection with external auditors and external audit services, we are subject to the CUAE recently issued by the CNBV.

General Law of Auxiliary Credit Organizations and Credit Activities

Under the LGOAC, *Sofomes* are required to be registered with CONDUSEF to conduct their activities, and may only conduct lending, financial leasing and factoring activities. Furthermore, the CNBV is required to approve their systems and manuals relating to anti-money laundering to conduct any such activities.

Sofomes are required to provide periodic reports to each of CNBV and CONDUSEF and are required to be users of credit bureaus and to provide periodic information to such bureaus. Regulated *sofomes* are required to satisfy certain requirements such as capital adequacy, classifying loans (and creating reserves), complying with accounting standards and complying with anti-money laundering statutes. If certain requirements are satisfied, *sofomes* may act as trustees under trust agreements.

Law for the Protection and Defense of Financial Service Users

The Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) became effective in April 1999 and was modified pursuant to the Financial Reforms. The purpose of this law is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services. CONDUSEF acts as an arbitrator with respect to disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the financial institutions; CONDUSEF may initiate class actions for the benefit of consumers. As a Sofom, we must submit to CONDUSEF's jurisdiction in all conciliation proceedings and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it. Once the respective conciliation hearings are concluded, and in the case of a disagreement between the parties, we may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. We may also be subject to recommendations by CONDUSEF regarding our standard agreements or information used to provide our services. We may be subject to coercive measures or sanctions imposed by CONDUSEF.

The Law for the Protection and Defense of Financial Service Users requires Sofomes, such as us, to maintain an internal unit (*unidad especializada*) designated to resolve any and all controversies submitted by our clients. We maintain such a unit. CONDUSEF also maintains a Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*), in which all providers of financial services must be registered, and such registry assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including interest rates. To satisfy this duty, CONDUSEF has wide authority to request any and all necessary information from financial entities. All Sofomes, including regulated *Sofomes*, are required to register their standard form of agreements (*contratos de adhesión*) in the Registry for Standard Forms of Agreements (*Registro de Contratos de Adhesión*), which is managed by CONDUSEF, provided that the registration does not constitute a certification as to compliance of the laws and regulations for protection and defense of financial users and therefore, CONDUSEF may, at any moment, order a financial institution to modify its standard form of agreement for purposes of complying with the laws and regulations for protection and defense of financial users. CONDUSEF is empowered to initiate class action lawsuits related to financial services institutions. All of our standard forms of agreements have been registered before CONDUSEF. All Sofomes, including non-regulated Sofomes, are required to register in the Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*) managed by CONDUSEF. We are currently registered as a regulated Sofom in this registry.

Law for the Transparency and Ordering of Financial Services

The Law for the Transparency and Ordering of Financial Services became effective in June 2007 and was modified pursuant to the Financial Reforms. The purpose of this law is to regulate (1) the fees charged to clients of financial entities for the use and/or acceptance of financial services; (2) the fees that financial entities charge to each other for the use of any payment system; and (3) other aspects related to financial services, in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants Banco de México and CONDUSEF the authority to regulate certain fees and to establish general guidelines and requirements relating to payment devices and credit card account statements. It also grants to CONDUSEF the authority to regulate the requirements that need to be satisfied by the standard forms of agreement used by financial entities, the statements of account that are delivered by financial entities to their clients and the advertisement conducted by financial entities.

The Law for the Transparency and Ordering of Financial Services also grants Banco de México the authority to specify the basis upon which each financial entity must calculate its aggregate annual cost (*costo anual total*) charged in respect of loans and other services, which is comprised of the interest rates and fees on an aggregate basis. The aggregate annual cost must be publicly included by a *Sofom* in its standard forms of agreement and disclosed in its statements of account and advertisements.

Rules on Interest Rates

The rules of the Law for the Transparency and Ordering of Financial Services which is applicable to *Sofomes* provide that the standard forms of agreement are required to contain clauses that provide that (1) the applicable ordinary and default interest rates are expressed in annual terms and contain the applicable methodology for purposes of calculating such interest rates; (2) if interest accrues based on a reference rate, the standard form of agreement must include at least one replacement reference rate, which will only be applicable if the original reference rate is discontinued; and (3) interest may not be charged by financial entities in advance and may only be charged after the corresponding interest period has elapsed. Banco de México has issued rules that limit the number of reference rates that may be used by some financial institutions.

Mexican law does not currently impose any limit on the interest rate or fees that a regulated *Sofom* may charge to its clients. However, this possibility has been the subject of recent discussions and may be modified.

The Mexican Supreme Court of Justice has ruled that Mexican judges have the authority to reduce an interest rate if they determine it to be an unfair interest rate, on the grounds of basic human rights being violated, even if such reduction has not been requested by the debtor.

Fees

Under Banco de México regulations, Mexican banks, and *Sofomes* may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (1) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (*costo anual total*), (2) charge alternative fees, except if the fee charged is the lower fee, or (3) charge fees for the cancellation of credit cards issued. In addition, the Law for the Transparency and Ordering of Financial Services contemplates certain restrictions for *Sofomes*, such as the prohibitions on: (1) charging fees different from those in connection with the services provided; (2) charging more than one fee for the same service or item; (3) charging fees with to prevent the client from transferring to a different financial institution; (4) charging fees for receiving payments made by users or clients in connection with loans granted by other financial institutions.

Banco de México, on its own initiative or as per request from CONDUSEF may assess whether reasonable competitive conditions exist in connection with fees charged by financial entities in performing financial operations. Banco de México must obtain the opinion of the Federal Competition Commission (*Comisión Federal de Competencia Económica*) in carrying out this assessment. Banco de México may take measures to address these issues.

Law for the Protection of Personal Data

On July 5, 2010, the Federal Law for Protection of Personal Data held by Private Parties (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*, or “LFPDPPP”), was published and it became effective on the next day. The purpose of the LFPDPPP is to protect personal data collected, held or to be used by individuals and private entities and to enforce controlled and informed processing of personal data in order to ensure data subjects’ privacy and the right to consent with respect to the use of protected information.

The LFPDPPP requires individuals and private entities to inform data subjects about the information being collected, used, disclosed or stored and the purpose of such collection, use, disclosure or storage via a privacy notice and provides special requirements for processing sensitive personal data (which is defined as data relating to race, physical condition, religious, moral or political affiliation, and sexual preferences). The LFPDPPP gives data subjects the right to: (1) access their data, (2) have inaccuracies in their data corrected or completed, (3) deny transfers of their data, and (4) oppose use of their data or have it deleted from a company’s system (other than in certain circumstances expressly set forth in the LFPDPPP, such as the exercise of a right or holding information required under applicable law). The LFPDPPP requires that, if disclosure of data is permitted, the transferee agrees to the same restrictions as those set forth in the privacy notice permits the original receipt and subsequent disclosure of information. The LFPDPPP also provides that data may be disclosed without the consent of the data subject in certain circumstances, including: (1) a law requires or permits disclosure; (2) disclosure is required in connection with medical treatment or (3) disclosure is required for public policy reasons or in connection with a legal action. The LFPDPPP requires immediate notice to a data subject of any security breach that significantly affects his/her property or moral rights.

The National Institute of Transparency, Access to Information and Data Protection, or the “Institute”, is authorized to monitor and enforce compliance with the LFPDPPP by private parties processing personal data. Such entities will be held liable for interfering with a data subjects’ exercise of their rights under the LFPDPPP and for failing to safeguard their personal data. Data subjects who believe that a party is not processing their personal data in accordance with the LFPDPPP may request an investigation by the Institute. Following an investigation, the Institute may: (i) dismiss the data subject’s claim or (ii) affirm, reject or modify an individual or private entity’s answer to a data subject’s claim. Penalties for repeat violation of the LFPDPPP’s provisions include a fine equivalent of up to Ps.23.3 million (approximately US\$1.2 million), a prison sentence of up to five years or double the applicable fine or sentence for violations related to sensitive personal data.

Anti-Money Laundering Provisions

On March 17, 2011, the SHCP issued the General Provisions Applicable to *Sofomes* (*Disposiciones de Carácter General a que se refieren los artículos 115 de la Ley de Instituciones de Crédito, en relación con el 87-D de la Ley General de Organizaciones y Actividades del Crédito 95-Bis de este último ordenamiento, aplicables a las sociedades financieras de objeto múltiple*), or the Anti-Money Laundering General Provisions. The purposes of such General Provisions are to establish anti-money laundering and counter-terrorism rules and guidelines.

The Anti-Money Laundering General Provisions applicable to *Sofomes*, which are subject to the supervision of the CNBV, require that they among other things, (1) establish identification (“know-your-client”) policies and guidelines similar to those imposed on Mexican banks and other regulated financial entities, subject to strict identification methods and controls on clients and users of the *Sofomes* services; (2) record and keep information on clients and on money transfer and exchange transactions, and other kind of operations; and (3) report to authorities on relevant, unusual and suspicious internal transactions, and any other suspicious transaction, among other obligations.

Creditors’ Rights and Remedies

Collateral Mechanisms

Mexican laws regarding the perfection and enforcement of security interests contemplate pledging assets without transferring possession (*prenda sin transmisión de posesión*), as well as a common security arrangement known in Mexico as the security trust (*fideicomiso de garantía*). The purpose of such mechanisms is to provide an improved legal framework for secured lending and to encourage banks to increase their lending activities. The pledging of personal property being used in a debtor’s main business activity by making only a generic description of such property and perfecting a security interest in such personal property by filing in a centralized Federal electronic registry, is a structure frequently used. Provisions regulating security trusts are similar to those governing pledges of personal property, except they provide that title to the collateral must be held by the trustee. Security trusts permit enforcement without any judicial action (by following certain de minimis due process rights), which is an alternative that has enhanced lending activities and expedited restructurings.

Bankruptcy Law

Mexico’s current Bankruptcy Law (*Ley de Concursos Mercantiles*) was published on May 12, 2000 and amended on January 10, 2014, and has been frequently used as a means to conclude complex insolvency situations affecting Mexican companies by providing expedited and clear procedures, while at the same time granting creditors and other participants the certainty of an in-court solution. The law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor and bankruptcy phase.

The Bankruptcy Law establishes precise rules that determine when a debtor is in general default on its payment obligations. The principal indications are failure by a debtor to comply with its payment obligations in respect of two or more creditors and the existence of the following two conditions: (1) 35% or more of a debtor’s outstanding liabilities are 30 days past-due; and (2) the debtor fails to have certain specifically defined liquid assets and receivables to support at least 80% of its obligations which are due and payable. The bankruptcy law was amended to include the ability of a debtor to request the *concurso mercantil* prior to being generally in default with respect to its payment obligations, when such situation is expected to occur inevitably within the following 90 days. Furthermore, the

Bankruptcy Law now allows the consolidation of concurso mercantil proceedings of companies that are part of the same corporate group.

The law provides for the use and training of experts in the field of insolvency and the creation of an entity to coordinate their efforts. Such experts include the intervenor (*interventor*), conciliator (*conciliador*) and receiver (*síndico*).

On the date the insolvency judgment is entered, all peso-denominated obligations are converted into UDIs, and foreign currency-denominated obligations are converted into pesos at the rate of exchange for that time and location and then converted into UDIs. Only loans with a perfected security interest (*i.e.*, mortgage, pledge or security trust) continue to accrue interest as stipulated in the corresponding agreements and maintain their original currency or unit. The Bankruptcy Law mandates the netting of derivative transactions upon the declaration of insolvency.

The Bankruptcy Law provides for a general rule as to the period when transactions may be scrutinized by the judge in order to determine if they were entered into for fraudulent purposes, which is, generally, 270 calendar days prior to the judgment declaring insolvency. This period is referred to as the retroactive period. Nevertheless, upon the reasoned request of the conciliator, the intervenors, who may be appointed by the creditors to oversee the process, or any creditor, the judge may set a longer period. As a result of recent reforms, the retroactive period was lengthened to 540 calendar days with respect to transactions entered into with inter-company creditors.

A restructuring agreement must be subscribed to by the debtor, as well as recognized creditors representing more than 50% of (i) the sum of the total recognized amount corresponding to common creditors and subordinated creditors; and (ii) the total recognized amount corresponding to secured or privileged creditors subscribing to the agreement. Related party creditors may only vote up to 25% of the aggregate outstanding indebtedness, even if their loans exceed such percentage. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

The Bankruptcy Law incorporates provisions relating to pre-agreed procedures, frequently used in jurisdictions outside Mexico, that permit debtors and creditors to agree upon the terms of a restructuring and thereafter file, as a means to obtain the judicial recognition of a restructuring reached on an out-of-court basis. This also provides protection against dissident minority creditors.

DESCRIPTION OF THE NOTES

The following summary of certain provisions of the notes does not purport to be complete and is subject to completion, amendment and supplement in accordance with the provisions of the relevant indenture and the notes. The terms and conditions stated below will apply to each note, as applicable, unless otherwise specified in the applicable indenture and pricing supplement. The terms of the notes described in this Offering Memorandum, including the maturities and interest rates, may differ from one note to another. The terms of a Series of notes, as defined below, will be specified in a pricing supplement, substantially in the form of “Annex B—Form of Pricing Supplement.” The pricing supplement, and any other supplement to this Offering Memorandum, may also add to, update or change information contained in this summary. In case of any conflict regarding the rights and obligations of the holders of the notes under the relevant indenture, the relevant pricing supplement, the notes and this Offering Memorandum, the terms of the relevant indenture, the relevant pricing supplement and the notes will prevail. You may obtain a copy of the relevant indenture and the forms of the notes by contacting the Trustee at the address indicated in this Offering Memorandum or the applicable pricing supplement. References in this “Description of the Notes” to “we,” “us,” “our” and “the Issuer” are to Crédito Real, S.A.B. de C.V., Sociedad Financiera De Objeto Múltiple, Entidad No Regulada and not to any of its subsidiaries or affiliates. It is important for you to consider the information contained in this Offering Memorandum and the applicable pricing supplement in making your investment decision.

General

We may issue up to an aggregate principal amount of US\$1,500,000,000 (or, at our option if so specified in the relevant pricing supplement, the equivalent of this amount in any other currency or composite currency) of our medium-term notes (the “**notes**”) outstanding from time to time under the Program. The Issuer may at any time increase the maximum aggregate principal amount of notes that may be issued or outstanding under the Program at any one time without the consent of the holders of notes. The notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Unless otherwise specified in the applicable pricing supplement (each, a “**Pricing Supplement**”), the notes will have the terms described below, except that references to interest payments and interest-related information will not apply to certain Original Issue Discount Notes (as defined below). The notes will be issued pursuant to an authorization by our Board of Directors (as defined below) and shareholders.

THE NOTES WILL BE UNSECURED AND WILL CONSTITUTE EITHER SENIOR NOTES OR SUBORDINATED DEBT OBLIGATIONS. THE NOTES WILL NOT BE CONVERTIBLE, BY THEIR TERMS, INTO ANY OF THE ISSUER’S SHARES OR ANY OF THE ISSUER’S EQUITY CAPITAL OR ANY DEBT SECURITIES, SHARES OR EQUITY CAPITAL OF ANY OF THE ISSUER’S SUBSIDIARIES OR AFFILIATES.

Senior Notes Indenture

Any Series of notes that are unsubordinated debt obligations (the “**Senior Notes**”) of the Issuer are to be issued under a senior notes indenture dated as of April 20, 2020, between the Issuer and The Bank of New York Mellon, as trustee (in such capacity, the “**Trustee**”), registrar, paying agent and transfer agent (as amended and supplemented from time to time, the “**Senior Notes Indenture**”), and will be issued in registered form as provided in the applicable Pricing Supplement. This “Description of the Notes” includes a description of certain provisions of the Senior Notes Indenture. Such description does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all the provisions of the Senior Notes Indenture, including the definitions therein of certain terms. The terms of the Senior Notes include those expressly stated in the Senior Notes Indenture and those made a part of the Senior Notes Indenture by reference to the Trust Indenture Act of 1939 (the “**TIA**”). The Senior Notes 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 urge you to read the Senior Notes Indenture because it, and not this description, defines your rights. You can obtain a copy of the Senior Notes Indenture in the manner described under “Additional Information.”

The Senior Notes will (i) rank equal in right of payment with all other existing and future Senior Indebtedness (as defined below) of the Issuer (subject to certain obligations for which preferential treatment is given under applicable laws, including tax, labor and social security), (ii) rank senior in right of payment to all existing and future Subordinated Indebtedness (as defined below) of the Issuer, if any, (iii) be effectively subordinated to all existing and future Secured Indebtedness (as defined below) of the Issuer to the extent of the value of the assets securing such Indebtedness (as defined below), and (iv) be structurally subordinated to all existing and future Indebtedness and trade payables of the Issuer's Subsidiaries (as defined below) that are not Guarantors (as defined below). See “—Certain Terms and Conditions Applicable to Senior Notes—Ranking” below.

Subordinated Notes Indenture

Any Series of notes that are subordinated debt obligations (the “**Subordinated Notes**”) of the Issuer will be issued under a subordinated notes indenture for such Series between the Issuer and The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent (as amended and supplemented from time to time, the “**Subordinated Notes Indenture**”), the terms of which are described in this Offering Memorandum, and will be issued in registered form as provided in the applicable Pricing Supplement. This “Description of the Notes” includes a description of certain provisions of the Subordinated Notes Indenture. Such description does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all the provisions of the Subordinated Notes Indenture, including the definitions therein of certain terms. The terms of the Subordinated Notes include those expressly stated in the Subordinated Notes Indenture and those made a part of the Subordinated Notes Indenture by reference to the TIA. The Subordinated Notes 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 urge you to read the Subordinated Notes Indenture because it, and not this description, defines your rights. You can obtain a copy of the Subordinated Notes Indenture in the manner described under “Additional Information.”

The Subordinated Notes will rank (i) junior to all existing and future Senior Indebtedness (as defined below), (ii) equal in right of payment with all other existing and future Subordinated Indebtedness of the Issuer, and (iii) senior to all existing and future classes of our Share Capital (as defined below), as specified in the relevant Subordinated Notes Indenture, the Subordinated Notes, this Offering Memorandum and the applicable Pricing Supplement. The following description of certain provisions of the Subordinated Notes Indenture does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all the provisions of the relevant Subordinated Notes Indenture, including the definitions therein of certain terms. See “—Certain Terms and Conditions Applicable to Subordinated Notes—Ranking” below.

The Senior Notes Indenture and each Subordinated Notes Indenture are referred to herein as the “**Indentures**.”

Further Issuances

Unless otherwise specified in the applicable Pricing Supplement under “Additional Notes,” the Issuer may, from time to time, without providing notice to or obtaining the consent of the holders of the notes of any Series of notes, create and issue an unlimited principal amount of either additional Senior Notes or Subordinated Notes, respectively, of a Series with identical terms (but excluding the Original Issue Date (as defined below), the Original Issue Price (as defined below) and, possibly, the date upon which interest will begin to accrue and first be paid) as, and ranking equally and ratably with, the original Senior Notes or Subordinated Notes, respectively, of that Series issued on an earlier date (the “**Additional Notes**”); *provided* that such Additional Notes will be issued under a separate CUSIP, Common Code and/or ISIN number unless the Additional Notes are issued pursuant to a “qualified reopening” of the original Senior Notes or Subordinated Notes, respectively, are otherwise treated as part of the same “issue” of debt instruments as the original Senior Notes or Subordinated Notes, respectively, or are issued with no more than a de minimis amount of original issue discount, in each case for U.S. federal income tax purposes. Additional Notes will increase the aggregate principal amount of, and will vote together, be consolidated and form a single Series with the original Senior Notes or Subordinated Notes, respectively, of that Series.

Additional Information in the Applicable Pricing Supplement

The specific financial, legal and other terms particular to a Series of notes will be contained in the relevant Indenture and the notes for such Series and will be described in the applicable Pricing Supplement relating to that Series. The Pricing Supplement relating to a Series of notes will describe the following terms:

- the title of the Series;
- whether such notes are Senior Notes or Subordinated Notes and, if Subordinated Notes, the terms of the subordination;
- with respect to Senior Notes, the date on which such notes will mature (the “**Maturity Date**”);
- the currency or composite currency (each such currency or composite currency, a “**Specified Currency**” and, if the Specified Currency of a Series of notes is other than U.S. dollars the “**Foreign Currency Notes**”) in which (i) the notes of such Series will be denominated, (ii) the purchase price of such notes is to be paid by the purchaser, and (iii) the principal at maturity or earlier redemption, premium, if any, and interest, if any, with respect to such notes may be paid, if applicable; along with any other terms relating to the Specified Currency;
- whether such notes are Fixed Rate Notes or Floating Rate Notes (including whether such notes are Regular Floating Rate Notes, Fixed/Floating Rate Notes, Floating/Fixed Rate Notes or Inverse Floating Rate Notes, each as defined below);
- the price at which such notes will be issued (the “**Original Issue Price**”);
- the date on which such notes will be issued (the “**Original Issue Date**”);
- if such notes are Fixed Rate Notes, the rate per annum at which such notes will bear interest, if any, and the dates on which such interest shall be payable on such Fixed Rate Notes (each, an “**Interest Payment Date**”);
- if such notes are Fixed Reset Notes, the Initial Fixed Reset Interest Rate, the Fixed Reset Date, the Subsequent Reset Date (if any), the Reset Reference Rate, the Reset Margin (each as defined below), the Interest Payment Dates, the initial calculation agent therefor and any other terms relating to the particular method of calculating the interest rate for such Fixed Reset Notes;
- if such notes are Floating Rate Notes, the base rate, the initial interest rate (the “**Initial Interest Rate**”), the Minimum Interest Rate and/or the Maximum Interest Rate (if any), the Interest Payment Dates, the period to maturity of the instrument, obligation or index with respect to which the calculation agent will calculate the interest rate basis or bases (the “**Index Maturity**”), the Spread and/or Spread Multiplier, if any (each as defined below), the initial calculation agent therefor and any other terms relating to the particular method of calculating the interest rate for such Floating Rate Notes;
- if such notes are Indexed Notes, Extendible Notes or Dual Currency Notes (each as defined below), the terms relating to the particular notes;
- if such notes are Amortizing Notes (as defined below), the amortization schedule and any other terms relating to the particular notes;
- whether such notes may be redeemed at the option of the Issuer, or repaid at the option of the holder, prior to its stated maturity as described under “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes—Redemption; Repurchases at the Issuer’s Option” below and, if so, the

provisions relating to such redemption or repayment, including, in the case of any Original Issue Discount Notes, the information necessary to determine the amount due upon redemption or repayment;

- any relevant tax consequences associated with the terms of the notes, which have not been described under “Taxation—United States Taxation” in this Offering Memorandum;
- if such notes are Additional Notes, a description of the Original Issue Date and aggregate principal amount of the prior Series of Senior Notes or Subordinated Notes, respectively, having terms (other than the Original Issue Date and Original Issue Price and, possibly, the date upon which interest will begin to accrue and first be paid) identical to such Additional Notes;
- whether the purpose of the issuance is for green, social or sustainability purposes as described under “Use of Proceeds” in this Offering Memorandum;
- the denomination or denominations in which the notes shall be issuable;
- any deletions from, modifications of or additions to the Events of Default (as defined below) or covenants, financial or otherwise, of us with respect to such notes;
- any initial trustees and any agents with respect to such notes if different from those identified in this “Description of the Notes” and the identity of any initial calculation agent or other applicable agent;
- the form of the notes, if such notes shall be global notes, and the depository for such notes; and
- any other terms and conditions of such notes.

In addition, each Pricing Supplement with respect to a Series of notes will identify the Dealer(s) participating in the distribution of such notes. Each Pricing Supplement relating to notes will be in, or substantially in, the relevant forms included under “Annex B—Form of Pricing Supplement.”

Unless otherwise specified in the applicable Pricing Supplement, with respect to Foreign Currency Notes, the “principal financial center” of any country shall be as provided in the 2006 ISDA Definitions, and as amended and updated from time to time, published by the International Swaps and Derivatives Association, Inc.

Principal and Interest

Interest

Subject to, in the case of each Series of Subordinated Notes, our right to defer payment of interest, and in the case of each Series of Senior Notes and Subordinated Notes, an earlier redemption date, unless otherwise specified in the applicable Pricing Supplement, each note shall bear interest from (and including) its Original Issue Date or such other date specified in the applicable Pricing Supplement (the “**Interest Commencement Date**”) or from the most recent Interest Payment Date (or, if such note is a Floating Rate Note and the Interest Reset Period is daily or weekly, from the day following the most recent Regular Record Date) (as each such term is defined below) to (but excluding) the next Interest Payment Date; *provided, however*, that the first payment of interest on any note with an Original Issue Date falling between a Regular Record Date and the Interest Payment Date immediately following such Regular Record Date will be made on the second Interest Payment Date following such Original Issue Date. Such interest will be payable by the Issuer to the registered owner on such next Regular Record Date. Interest will accrue on a note until the principal thereof is paid or made available for payment.

Subject to, in the case of each Series of Subordinated Notes, our right to defer payment of interest, and, in the case of each Series of Senior Notes and Subordinated Notes, an earlier redemption date, interest will be payable on a note on each Interest Payment Date to the person in whose name such note is registered as of the applicable Regular Record Date; *provided, however*, that any interest not punctually paid or duly provided for, or defaulted interest, will cease to be payable to the holder of a note at the close of business on the applicable Regular Record Date.

The defaulted interest will instead be payable to the person in whose name the note is registered at the close of business on a special record date for the payment of the defaulted interest, fixed by the applicable Trustee at the written direction of the Issuer. The Trustee will give notice of the payment of the defaulted interest to the holder of the note in the manner specified under “Notices” not less than 15 days prior to the special record date.

Payment upon Maturity

Unless the applicable Series of Senior Notes has been redeemed prior thereto, the then-outstanding principal amount of the applicable Series of Senior Notes will be repaid on the Maturity Date, together with any accrued and unpaid interest thereon to (but excluding) the Maturity Date and any other amounts, including Additional Amounts, due thereunder, in each case as provided in this Offering Memorandum. The notes will not be entitled to the benefit of any mandatory sinking fund.

The Subordinated Notes are perpetual securities with no fixed final maturity date or mandatory redemption date. We may redeem the Subordinated Notes in accordance with the provisions described under “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes— Redemption; Repurchases at the Issuer’s Option.” The Subordinated Notes will not be subject to redemption or repayment at the option of the holders.

Interest Rates

Unless otherwise specified in the applicable Pricing Supplement, each note will bear interest at either:

- (a) a fixed rate; and/or
- (b) a floating rate determined by reference to an interest rate basis, which may be adjusted by a Spread and/or Spread Multiplier (each as defined below). Any Floating Rate Note may also have either or both of the following:
 - (i) a maximum interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period (the “**Maximum Interest Rate**”); and
 - (ii) a minimum interest rate limitation, or floor, on the rate at which interest may accrue during any interest period (the “**Minimum Interest Rate**”); *provided* that if no Minimum Interest Rate is specified or if the Pricing Supplement indicates that the Minimum Interest Rate is “not applicable,” then the Minimum Interest Rate shall be zero.

The applicable Pricing Supplement may specify that the interest rate on the notes will convert from a fixed rate to a floating rate (a “**Fixed/Floating Rate Note**”), or from a floating rate to a fixed rate (a “**Floating/Fixed Rate Note**”). See “—Floating Rate Notes—Regular Floating Rate Note; Fixed/Floating Rate Note; Floating/Fixed Rate Note; Inverse Floating Rate Note—Fixed/Floating Rate Note” and “—Floating Rate Notes—Regular Floating Rate Note; Fixed/Floating Rate Note; Floating/Fixed Rate Note; Inverse Floating Rate Note—Floating/Fixed Rate Note.” The “**Spread**” is the number of basis points, expressed as a percentage (one basis point equals one-hundredth of a percentage point), specified in the relevant Pricing Supplement that the calculation agent will add or subtract from the related interest rate basis or bases applicable to a Floating Rate Note. The “**Spread Multiplier**” is the percentage, specified in the relevant Pricing Supplement, by which the calculation agent will multiply the interest rate basis or bases for a Floating Rate Note to determine the applicable interest rate on such Floating Rate Note.

The applicable Pricing Supplement will designate:

- (a) a fixed rate per annum, in which case such notes will be “**Fixed Rate Notes**,”
- (b) a fixed rate per annum, which resets on the Fixed Reset Date (as defined in “—Fixed Reset Notes—General”), in which case such notes will be “**Fixed Reset Notes**,” or

- (c) one or more of the following interest rate bases as applicable to such notes, in which case such notes will be **“Floating Rate Notes”**:
 - (i) the CD Rate, in which case such notes will be **“CD Rate Notes;”**
 - (ii) the Commercial Paper Rate, in which case such notes will be **“Commercial Paper Rate Notes;”**
 - (iii) the CMT Rate, in which case such notes will be **“CMT Rate Notes;”**
 - (iv) the Federal Funds Rate, in which case such notes will be **“Federal Funds Rate Notes;”**
 - (v) LIBOR, in which case such notes will be **“LIBOR Notes;”**
 - (vi) EURIBOR, in which case such notes will be **“EURIBOR Notes;”**
 - (vii) the Treasury Rate, in which case such notes will be **“Treasury Rate Notes;”**
 - (viii) the Prime Rate, in which case such notes will be **“Prime Rate Notes;”** or
 - (ix) such other interest rate basis or formula as is set forth in such Pricing Supplement.

The notes may be issued as Original Issue Discount Notes. **“Original Issue Discount Notes”** are notes issued at more than a de minimis discount from the principal amount payable at maturity. Certain additional considerations relating to Original Issue Discount Notes may be described in the applicable Pricing Supplement relating thereto.

Unless otherwise indicated in the applicable Pricing Supplement, interest will be payable on a note on each Interest Payment Date to the person in whose name such note is registered as of the close of business on (each, a **“Regular Record Date”**):

- (a) for Fixed Rate Notes or Fixed Reset Notes, the date fifteen calendar days prior to such Interest Payment Date (whether or not a Business Day (as defined below)); and
- (b) for Floating Rate Notes, the calendar day immediately preceding such Interest Payment Date (whether or not a Business Day).

“Business Day” means, unless otherwise specified in the applicable Pricing Supplement, any day other than a Saturday or Sunday or any other day on which banking institutions are generally authorized or obligated by law or regulation to close or a day on which banking institutions in The City of New York, New York or Mexico City, Mexico are authorized or required by law or executive order to remain closed.

Fixed Rate Notes

General

Each Fixed Rate Note will bear interest at the annual rate specified in the note and in the applicable Pricing Supplement (the **“Fixed Rate of Interest”**). Interest on the Fixed Rate Notes will be paid on the Interest Payment Dates specified in the applicable Pricing Supplement. In the event that any Interest Payment Date or Maturity Date for any Fixed Rate Note (including, in the case of a Fixed/Floating Rate Note or a Floating/Fixed Rate Note, an Interest Payment Date during the “Floating Rate Period,” but excluding an Interest Payment Date during the “Floating Rate Period”) is not a Business Day, interest on such Fixed Rate Note need not be made on such Interest Payment Date or Maturity Date, but shall be made on the next succeeding Business Day with the same force and effect as if made on the applicable Interest Payment Date or Maturity Date; *provided* that no interest shall accrue for the period from and after such Interest Payment Date or Maturity Date, as the case may be, on account of such postponement. If interest is required to be calculated for a period other than a Fixed Interest Period (as defined below), such interest shall be

calculated by applying the Fixed Rate of Interest to the principal amount of the Fixed Rate Notes of such Series, multiplying such sum by the applicable Fixed Day Count Fraction (rounding the resulting figure if necessary to the fifth decimal place of the relevant Specified Currency, with 0.000005 being rounded upwards).

Day Count Fraction

Unless otherwise indicated in the applicable Pricing Supplement, “**Fixed Day Count Fraction**” means:

- (a) in the case of notes denominated in a currency other than U.S. dollars, “Actual/Actual (ICMA)” meaning:
 - (i) in the case of notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date specified in the applicable Pricing Supplement) to (but excluding) the relevant payment date (the “**Calculation Period**”) is equal to or shorter than the Determination Period (as defined below) during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of determination dates (each, a “**Day Count Determination Date**”) (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
 - i. the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Day Count Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
 - ii. the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Day Count Determination Dates that would occur in one calendar year; and
- (b) in the case of notes denominated in U.S. dollars, “30/360,” meaning the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Pricing Supplement)) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

Where:

“**Determination Period**” means the period from (and including) a Day Count Determination Date to (but excluding) the next Day Count Determination Date (including where either the Interest Commencement Date (as specified in the applicable Pricing Supplement) or the final Interest Payment Date is not a Day Count Determination Date, the period commencing on the first Day Count Determination Date prior to, and ending on the first Day Count Determination Date falling after, such date).

“**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Pricing Supplement)) to (but excluding) the next (or first) Interest Payment Date.

“**sub-unit**” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

Fixed Reset Notes

General

Unless otherwise indicated in the applicable Pricing Supplement, each Fixed Reset Note will bear interest from (and including):

- (a) the Interest Commencement Date to (but excluding) the fixed reset date specified in the applicable Pricing Supplement (the “**Fixed Reset Date**”) at the rate per annum equal to the initial interest rate, each as specified in the applicable Pricing Supplement (such rate is hereinafter referred to as the “**Initial Fixed Reset Interest Rate**” and such period is hereinafter referred to as the “**Initial Fixed Reset Interest Period**”), and
- (b) the Fixed Reset Date to (but excluding) either (1) the Maturity Date or (2) if applicable, the first subsequent reset date specified in the applicable Pricing Supplement (the “**Subsequent Reset Date**”) and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any) (each period in (1) and (2), a “**Subsequent Fixed Reset Interest Period**”), in each case at the rate per annum equal to the relevant Subsequent Reset Rate, as defined below,

(in each case rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) payable, in each case, in arrears on the applicable Interest Payment Date(s) in each year up to and including the Maturity Date.

Once the Subsequent Reset Rate is determined for a Subsequent Fixed Reset Interest Period, the provisions applicable to Fixed Rate Notes shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.

Rate of Interest

Each Fixed Reset Note will bear interest during the Initial Fixed Reset Interest Period at the Initial Fixed Reset Interest Rate. Each Fixed Reset Note will bear interest during the Subsequent Fixed Reset Interest Period at the rate that is equal to the sum of the reset reference rate specified in the applicable Pricing Supplement (the “**Reset Reference Rate**”) and the reset margin specified in the applicable Pricing Supplement (the “**Reset Margin**,” and the sum of the Reset Reference Rate and the Reset Margin, the “**Subsequent Reset Rate**”). Unless otherwise specified in the applicable Pricing Supplement, the Subsequent Reset Rate will be determined on the second Business Day immediately preceding the Fixed Reset Date and each Subsequent Reset Date (if any) (the “**Reset Determination Date**”).

For the purposes of each Series of Fixed Reset Notes, if “Treasury Yield” is specified in the applicable Pricing Supplement as the “Reset Reference Rate,” the following definitions apply:

“**Treasury Yield**” will be defined in the applicable Indenture to mean, as of any date of determination, an interest rate (expressed as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Maturity Date for the relevant notes, and trading in the public securities markets either as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Maturity Date for such notes, and (B) the other maturing as close as possible to, but later than the Maturity Date for such notes, in each case as published in the most recent H.15 (519) or, if a weekly average yield to maturity for United States Treasury securities maturing on the Maturity Date for such notes is published in the most recent H.15 (519), such weekly average yield to maturity as published in such H.15 (519); and

“**H.15 (519)**” will be defined in the applicable Indenture to mean the statistical release designated “Statistical Release H.15(519), Selected Interest Rates,” or any successor publication, published by the

Board of Governors of the Federal Reserve System and most recent H.15 (519) means the H.15 (519) published prior to the applicable Reset Determination Date.

Unless we have validly called all outstanding Fixed Reset Notes of the applicable Series for redemption on or prior to the applicable Fixed Reset Date, we will appoint a calculation agent with respect to such Series of notes prior to the Reset Determination Date preceding the Fixed Reset Date. The applicable Subsequent Reset Rate for each Subsequent Fixed Reset Interest Period will be determined by the calculation agent, as of the applicable Reset Determination Date. Promptly upon such determination, the calculation agent will notify us of the Subsequent Reset Rate for such Subsequent Fixed Reset Interest Period. The calculation agent's determination of any Subsequent Reset Rate beginning on or after the Fixed Reset Date will be on file at our principal offices, will be made available to any holder of notes of such Series upon request and will be final and binding in the absence of manifest error.

Floating Rate Notes

General

Floating Rate Notes generally will be issued as described below. Each applicable Pricing Supplement will specify certain terms with respect to which such Floating Rate Note is being delivered, including:

- (a) whether such Floating Rate Note is a Regular Floating Rate Note, a Fixed/Floating Rate Note, a Floating/Fixed Rate Note or an Inverse Floating Rate Note, each as defined below;
- (b) the interest rate basis or bases, Initial Interest Rate, Interest Reset Dates, Interest Reset Period, redemption date and terms (if any), Regular Record Dates (if any) and Interest Payment Dates;
- (c) the Index Maturity;
- (d) the Spread and/or Spread Multiplier, if any;
- (e) the Maximum Interest Rate and Minimum Interest Rate, if any; *provided* that if no Minimum Interest Rate is specified or if the Pricing Supplement indicates that the Minimum Interest Rate is "not applicable," then the Minimum Interest Rate shall be zero; and
- (f) the Designated LIBOR Currency, if one or more of the specified interest rate bases is LIBOR.

The Issuer may change the Spread, Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Notes from time to time. However, no such change will affect any Floating Rate Note previously issued or as to which an offer has been accepted by the Issuer.

The interest rate in effect on each day shall be:

- (a) if such day is an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding such Interest Reset Date; or
- (b) if such day is not an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding the next preceding Interest Reset Date.

The "**Interest Determination Date**" is the date that the calculation agent will refer to when determining the new interest rate at which a floating rate applicable to a Floating Rate Note will reset. Unless otherwise specified in the applicable Pricing Supplement, the Interest Determination Date for any Interest Reset Date will be:

- (a) for CD Rate Notes, Commercial Paper Rate Notes, CMT Rate Notes and Prime Rate Notes, the second Business Day before the Interest Reset Date;

- (b) for Federal Funds Rate Notes, the Business Day immediately preceding the related Interest Reset Date;
- (c) for LIBOR Notes, the second London business day before the Interest Reset Date;
- (d) for EURIBOR Notes, the second Target Business Day before the Interest Reset Date. “**Target Business Day**” means any day on which TARGET2 (Trans-European Automated Real-Time Gross Settlement Express Transfer payment system) is open for the settlement of payments in Euro; and
- (e) for Treasury Rate Notes, the day of the week in which the Interest Reset Date falls and on which Treasury bills would normally be auctioned.

Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, but the auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is held on the preceding Friday, that Friday will be the Interest Determination Date for the Interest Reset Date for Treasury Rate Notes occurring in the next week. If an auction falls on a day that is an Interest Reset Date for a Treasury Rate Note, the Interest Reset Date will be the Business Day immediately following the auction date.

The Interest Determination Date for a Floating Rate Note for which the interest rate is determined by two or more interest rate bases, will be the latest Business Day that is at least two Business Days prior to the Interest Reset Date for the Floating Rate Note on which each interest rate basis can be determined.

Regular Floating Rate Note; Fixed/Floating Rate Note; Floating/Fixed Rate Note; Inverse Floating Rate Note

The interest rate basis applicable to each Regular Floating Rate Note, Fixed/Floating Rate Note, Floating/Fixed Rate Note and Inverse Floating Rate Note may be subject to a Spread and/or Spread Multiplier; *provided* that the interest rate on any such note will not be less than zero. If a Floating Rate Note is designated as having an “Addendum” attached as specified on the face thereof, the Floating Rate Note shall bear interest in accordance with the terms described in such Addendum and the applicable Pricing Supplement. See “—Other Provisions” below.

Regular Floating Rate Note. A “**Regular Floating Rate Note**” will bear interest at the rate determined by reference to the applicable interest rate basis or interest rate bases (a) plus or minus the applicable Spread (if any) and/or (b) multiplied by the applicable Spread Multiplier (if any). The rate at which interest shall be payable on such Regular Floating Rate Note shall be reset as of each Interest Reset Date commencing on the initial Interest Reset Date. However:

- (a) the interest rate in effect for the period from the Original Issue Date to the initial Interest Reset Date will be the Initial Interest Rate; and
- (b) the interest rate in effect for the ten calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Pricing Supplement.

Fixed/Floating Rate Note. A “**Fixed/Floating Rate Note**” will initially, and during the “Fixed Rate Period” specified in the applicable Pricing Supplement, bear interest at a fixed rate. During the “Floating Rate Period” specified in the applicable Pricing Supplement, such note will bear interest at the rate determined by reference to the applicable interest rate basis or bases (a) plus or minus the applicable Spread (if any), and/or (b) multiplied by the applicable Spread Multiplier (if any). The rate at which interest shall be payable on such Fixed/Floating Rate Note during the “Floating Rate Period” shall be reset as of each Interest Reset Date commencing with the date the floating rate commences.

Floating/Fixed Rate Note. A “**Floating/Fixed Rate Note**” will initially, and during the “Floating Rate Period” specified in the applicable Pricing Supplement, bear interest at the rate determined by reference to the

applicable interest rate basis (a) plus or minus the applicable Spread (if any) and/or (b) multiplied by the applicable Spread Multiplier (if any). During the “Fixed Rate Period” specified in the applicable Pricing Supplement, such Floating/Fixed Rate Note will bear interest at a fixed rate. The rate at which interest shall be payable on such Floating/Fixed Rate Note shall be reset as of each Interest Reset Date commencing on the initial Interest Reset Date. However:

- (a) the interest rate in effect for the period from the Original Issue Date to the initial Interest Reset Date will be the Initial Interest Rate;
- (b) the interest rate in effect for the ten calendar days immediately prior to the fixed rate commencement date shall be that in effect on the tenth calendar day preceding the fixed rate commencement date, unless otherwise specified in the applicable Pricing Supplement; and
- (c) the interest rate in effect commencing on, and including, the fixed rate commencement date to the Maturity Date shall be the fixed interest rate, if such rate is specified in the applicable Pricing Supplement, or if no such fixed interest rate is so specified and the Floating/Fixed Rate Note is still outstanding on such day, the interest rate in effect thereon on the day immediately preceding the fixed rate commencement date.

Inverse Floating Rate Note. An “**Inverse Floating Rate Note**” will bear interest at a rate equal to the fixed interest rate specified in the relevant Pricing Supplement minus the rate determined by reference to the interest rate basis (a) plus or minus the applicable Spread (if any) and/or (b) multiplied by the applicable Spread Multiplier (if any). The rate at which interest is payable shall be reset as of each Interest Reset Date commencing on the initial Interest Reset Date. However:

- (a) the interest rate in effect for the period from the Original Issue Date to the initial Interest Reset Date will be the Initial Interest Rate; and
- (b) the interest rate in effect for the ten calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Pricing Supplement.

Interest Rate Bases

Each Floating Rate Note will have one or more of the following interest rate bases:

- (a) the CD Rate;
- (b) the Commercial Paper Rate;
- (c) the CMT Rate;
- (d) the Federal Funds Rate;
- (e) LIBOR;
- (f) EURIBOR;
- (g) the Treasury Rate;
- (h) the Prime Rate;
- (i) the lowest of two or more interest rate bases; or
- (j) such other rate specified in the applicable Pricing Supplement.

Date of Interest Rate Change

The interest rate on each Floating Rate Note may be reset daily, weekly, monthly, quarterly, semi-annually or annually, as specified in the applicable Pricing Supplement (such period, the “**Interest Reset Period**” and the first day of each Interest Reset Period, the “**Interest Reset Date**”).

If an Interest Reset Date for any Floating Rate Note falls on a day that is not a Business Day, such Interest Reset Date will be postponed to the immediately following Business Day, except that if that Business Day is in the next calendar month, the Interest Reset Date will be the immediately preceding Business Day.

How Interest Is Calculated

General

The Issuer will appoint a calculation agent to calculate interest rates on the Floating Rate Notes, which initially will be specified in the applicable Pricing Supplement. Floating Rate Notes will accrue interest from and including the Original Issue Date or the last date to which the Issuer has paid or provided for interest, to (but excluding) the applicable Interest Payment Date, as described below, or the Maturity Date, as the case may be. However, unless otherwise specified in the applicable Pricing Supplement, for Floating Rate Notes for which the interest rate is reset daily or weekly, each interest payment will include interest accrued from (and including) the date of issue or from (but excluding) the last Regular Record Date to which interest has been paid, through and including the Regular Record Date next preceding the applicable Interest Payment Date. Interest payments on Floating Rate Notes made on the Maturity Date will include interest accrued to (but excluding) such Maturity Date.

So long as any Floating Rate Notes are listed on or by any exchange, competent authority and/or market, and the rules of such exchange(s), competent authority(ies) and/or market(s) so require, the Issuer will maintain a calculation agent for the Floating Rate Notes, and the Issuer will notify the holders of its Floating Rate Notes in the manner specified under “Notices” in the event that the Issuer appoints a calculation agent with respect to such Floating Rate Notes other than the calculation agent designated as such in the applicable Pricing Supplement.

Day Count Fraction

The amount of interest (the “**Interest Amount**”) payable on any Series of Floating Rate Notes shall be calculated with respect to the principal of the Floating Rate Notes of such Series for the relevant Interest Reset Period. Each Interest Amount shall be calculated by applying the relevant interest rate basis and Spread and/or Spread Multiplier, if any, to the principal amount thereof, multiplying such sum by the applicable Floating Day Count Fraction.

“**Floating Day Count Fraction**” means, in respect of the calculation of the Interest Amount for any Interest Reset Period:

- (a) if “Actual/Actual” or “Actual/Actual (ISDA)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 365 (or, if any portion of that Interest Reset Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Reset Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Reset Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 365;
- (c) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 360;
- (d) if “30/360,” “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Floating Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Reset Period, unless such number is 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (e) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Reset Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless such number would be 31, in which case D2 will be 30; and

- (f) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Reset Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

Unless otherwise specified in the applicable Pricing Supplement, the Floating Day Count Fraction in respect of the calculation of the Interest Amount on any Floating Rate Note will (a) in the case of a note denominated in U.S. dollars, be Actual/360 or (b) in the case of a note denominated in any other Specified Currency, be Actual/Actual. Notes for which the interest rate may be calculated with reference to two or more interest rate bases will be calculated in each period by selecting one such interest rate basis for such period. For these calculations, the interest rate in effect on any Interest Reset Date will be the new reset rate.

The calculation agent will round all percentages resulting from any calculation of the rate of interest on a Floating Rate Note to the nearest 1/100,000 of 1% (0.0000001), with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)) and the calculation agent will round all currency amounts used in or resulting from any calculation to the nearest one-hundredth of a unit (with 0.005 of a unit being rounded upwards).

The calculation agent will promptly, and no later than the fourth Business Day of the relevant Interest Reset Period, notify the applicable Trustee, the applicable paying agent and the Issuer in writing of each determination of the interest rate. The calculation agent will also notify the applicable Trustee, the Issuer and the relevant paying agents of the interest rate, the Interest Amount, the interest period and the Interest Payment Date related to each Interest Reset Date as soon as such information is available, and no later than the first Business Day of the relevant Interest Reset Period. The relevant paying agents will make such information available to the holders of notes. The applicable Trustee will, upon the request of the holder of any Floating Rate Note, provide the interest rate then in effect and, if determined, the interest rate which will become effective as a result of a determination made with respect to the most recent Interest Determination Date relating to such note. In no event shall the Trustee or any paying agent be responsible for the calculation of any interest or the Floating Rate Notes, or for the validity or accuracy of any calculation of interest on the Floating Rate Notes.

When Interest Is Paid

The Issuer will pay interest on Floating Rate Notes on the Interest Payment Dates specified in the applicable Pricing Supplement. The Issuer will also pay interest on the relevant Floating Rate Notes at the Maturity Date.

If any Interest Payment Date (other than the Maturity Date) for Floating Rate Notes (including, in the case of a Fixed/Floating Rate Note or a Floating/Fixed Rate Note, an Interest Payment Date during the “Floating Rate Period,” but excluding an Interest Payment Date during the “Fixed Rate Period” specified in the applicable Pricing

Supplement) falls on a day that is not a Business Day, the Issuer will postpone payment of interest to the following Business Day at which time the Issuer will pay additional interest that has accrued up to (but excluding) such following Business Day, except that if that Business Day would fall in the next calendar month, the Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date for a Floating Rate Note falls on a day that is not a Business Day, the Issuer will make the payment on the next Business Day. No additional interest shall accrue for the period from and after the applicable Interest Payment Date or Maturity Date, as the case may be, on account of any such postponement.

Date of Interest Rate Determination

The interest rate for each Interest Reset Period commencing on the Interest Reset Date will be the rate determined on the relevant Interest Determination Date for such Interest Reset Date for the relevant type of Floating Rate Note, as set forth in the relevant Pricing Supplement.

Types of Floating Rate Notes

CD Rate Notes

Each CD Rate Note will bear interest at a specified rate that will be reset periodically based on the CD Rate and the Spread and/or Spread Multiplier, if any, specified in the CD Rate Note and in the applicable Pricing Supplement. CD Rate Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, “**CD Rate**” means, with respect to any Interest Determination Date, the rate on that Interest Determination Date for negotiable U.S. dollar certificates of deposit having the specified Index Maturity as published in H.15 (519) under the heading “CDs (Secondary Market).”

The following procedures will apply if the CD Rate cannot be determined as described above:

- (a) If the rate described above is not published in H.15 (519) prior to 3:00 p.m., New York City time, on the relevant Interest Determination Date, then the CD Rate will be the rate on that Interest Determination Date for negotiable U.S. dollar certificates of deposit having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “CDs (Secondary Market).”
- (b) If the rate is not published in H.15 (519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the CD Rate will be the average of the secondary market offered rates as of 10:00 a.m., New York City time, on that Interest Determination Date of three leading non-bank dealers of negotiable U.S. dollar certificates of deposit in The City of New York (which may include one or more of the Dealers or their affiliates) selected by the Issuer and identified to the calculation agent, for negotiable U.S. dollar certificates of deposit of major U.S. money market banks for negotiable certificates of deposit with a remaining maturity closest to the specified Index Maturity in an amount that is representative for a single transaction in that market at that time.
- (c) If fewer than three dealers are providing quotes, the rate will be (i) except as provided in clause (ii), the CD Rate in effect for the immediately preceding Interest Reset Period, or (ii) for a Fixed/Floating Rate Note, if there was no preceding Interest Reset Period, then the rate of interest payable will be the rate for negotiable U.S. dollar certificates of deposit having the specified Index Maturity that was last published in H.15 (519) under the heading “CDs (Secondary Market)” as determined by the calculation agent.

“**H.15 Daily Update**” means the daily update of H.15 (519), available through the website of the Federal Reserve at <https://www.federalreserve.gov/releases/h15/> or any successor service.

Commercial Paper Rate Notes

Each Commercial Paper Rate Note will bear interest at a specified rate that will be reset periodically based on the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any, specified in the Commercial Paper Rate Note and in the applicable Pricing Supplement. Commercial Paper Rate Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, “**Commercial Paper Rate**” means, with respect to any Interest Determination Date, the Money Market Yield of the rate on that Interest Determination Date for commercial paper having the specified Index Maturity as published in H.15 (519) under the heading “Commercial Paper Nonfinancial.”

Unless otherwise specified in the applicable Pricing Supplement, the following procedures will apply if the rate cannot be set as described above:

- (a) If the rate described above is not published in H.15 (519) prior to 3:00 p.m., New York City time, on the relevant Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate on that Interest Determination Date for commercial paper having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Commercial Paper Nonfinancial.”
- (b) If the rate is not published in H.15 (519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, then the calculation agent will determine the Commercial Paper Rate to be the Money Market Yield of the average for the offered rates as of 11:00 a.m., New York City time, on that Interest Determination Date, of three leading dealers (which may include one or more of the Dealers or their affiliates) of commercial paper in The City of New York, selected by the Issuer and identified to the calculation agent, for commercial paper having the specified Index Maturity placed for an industrial issuer whose bond rating is “AA,” or the equivalent, by a nationally recognized statistical rating agency.
- (c) If fewer than three dealers are providing quotes, the rate will be (i) except as provided in clause (ii), the Commercial Paper Rate in effect for the immediately preceding Interest Reset Period, or (ii) for a Fixed/Floating Rate Note, if there was no preceding Interest Reset Period, then the rate of interest payable will be the rate for commercial paper having the specified Index Maturity that was last published in H.15 (519) under the heading “Commercial Paper Nonfinancial” as determined by the calculation agent.

“**Money Market Yield**” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and “M” refers to the actual number of days in the period for which interest is being calculated.

Constant Maturity Treasury (CMT) Rate Notes

Each CMT Rate Note will bear interest at a specified rate that will be reset periodically based on the CMT Rate and the Spread and/or Spread Multiplier, if any, specified in the CMT Rate Notes and in the applicable Pricing Supplement. CMT Rate Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, “**CMT Rate**” means, with respect to any Interest Determination Date relating to a CMT Rate Note:

- (a) If “Reuters Page FRBCMT” is the specified CMT Reuters Page in the applicable Pricing Supplement, the CMT Rate on the Interest Determination Date shall be a percentage equal to the yield for U.S. Treasury securities at “constant maturity” having the index maturity specified in the applicable Pricing Supplement as set forth in H.15 (519) (as defined below) under the caption “Treasury Constant Maturities,” as such yield is displayed on Reuters (or any successor service) on page FRBCMT (or any other page as may replace such page on such service) (“**Reuters Page FRBCMT**”) for such Interest Determination Date. Unless otherwise specified in the applicable Pricing Supplement, the following procedures will apply if the rate cannot be set as described above:
- (i) If such rate does not appear on Reuters Page FRBCMT, the CMT Rate on such Interest Determination Date shall be a percentage equal to the yield for U.S. Treasury securities at “constant maturity” having the index maturity specified in the applicable Pricing Supplement and for such Interest Determination Date as set forth in H.15 (519) under the caption “Treasury Constant Maturities.”
 - (ii) If such rate does not appear in H.15 (519), the CMT Rate on such Interest Determination Date shall be the rate for the period of the index maturity specified in the applicable Pricing Supplement as may then be published by either the Federal Reserve or the U.S. Department of the Treasury that the calculation agent determines to be comparable to the rate that would otherwise have been published in H.15 (519).
 - (iii) If the Federal Reserve or the U.S. Department of the Treasury does not publish a yield on U.S. Treasury securities at “constant maturity” having the index maturity specified in the applicable Pricing Supplement for such Interest Determination Date, the CMT Rate on such Interest Determination Date shall be calculated by the calculation agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such Interest Determination Date of three leading primary U.S. government securities dealers in New York City (which may include one or more of the Dealers or their affiliates) (each, a “**reference dealer**”) selected by the Issuer and identified to the calculation agent (from five such reference dealers selected by the Issuer and identified to the calculation agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an original maturity equal to the specified Index Maturity, a remaining term to maturity no more than one year shorter than such Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time.
 - (iv) If fewer than five but more than two such prices are provided as requested, the CMT Rate on such Interest Determination Date shall be calculated by the calculation agent and shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations shall be eliminated. If fewer than three prices are provided as requested, the CMT Rate on such Interest Determination Date shall be calculated by the calculation agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on such Interest Determination Date of three reference dealers selected by the Issuer and identified to the calculation agent (from five such reference dealers selected by the Issuer and identified to the calculation agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an original maturity greater than the index maturity specified in the applicable Pricing Supplement, a remaining term to maturity closest to such index maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time.
 - (v) If fewer than five but more than two such prices are provided as requested, the CMT Rate on such Interest Determination Date shall be calculated by the calculation agent and shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the

lowest of such quotations shall be eliminated; *provided, however*, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such Interest Determination Date shall be the CMT Rate in effect on such Interest Determination Date. If two such U.S. Treasury securities with an original maturity greater than the index maturity specified in the applicable Pricing Supplement have remaining terms to maturity equally close to such index maturity, the quotes for the U.S. Treasury security with the shorter original term to maturity will be used.

- (b) If “Reuters Page FEDCMT” is the specified CMT Reuters Page in the applicable Pricing Supplement, the CMT Rate on the Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified in the applicable Pricing Supplement, average yield for U.S. Treasury securities at “constant maturity” having the index maturity specified in the applicable Pricing Supplement as set forth in H.15 (519) opposite the caption “Treasury Constant Maturities,” as such yield is displayed on Reuters on page FEDCMT (or any other page as may replace such page on such service) (“**Reuters Page FEDCMT**”) for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such Interest Determination Date falls. If such rate does not appear on Reuters Page FEDCMT, the CMT Rate on such Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified in the applicable Pricing Supplement, average yield for U.S. Treasury securities at “constant maturity” having the index maturity specified in the applicable Pricing Supplement for the week or month, as applicable, preceding such Interest Determination Date as set forth in H.15 (519) opposite the caption “Treasury Constant Maturities.” Unless otherwise specified in the applicable Pricing Supplement, the following procedures will apply if the rate cannot be set as described above:
- (i) If such rate does not appear in H.15 (519), the CMT Rate on such Interest Determination Date shall be the one-week or one-month, as specified in the applicable Pricing Supplement, average yield for U.S. Treasury securities at “constant maturity” having the index maturity specified in the applicable Pricing Supplement as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such Interest Determination Date falls.
 - (ii) If the Federal Reserve Bank of New York does not publish a one-week or one-month, as specified in the applicable Pricing Supplement, average yield on U.S. Treasury securities at “constant maturity” having the index maturity specified in the applicable Pricing Supplement for the applicable week or month, the CMT Rate on such Interest Determination Date shall be calculated by the calculation agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such Interest Determination Date of three reference dealers selected by the Issuer and identified to the calculation agent (from five such reference dealers selected by the Issuer and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an original maturity equal to the index maturity specified in the applicable Pricing Supplement, a remaining term to maturity of no more than one year shorter than such index maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time.
 - (iii) If fewer than five but more than two such prices are provided as requested, the CMT Rate on such Interest Determination Date shall be the rate on the Interest Determination Date calculated by the calculation agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotation shall be eliminated.
 - (iv) If fewer than three prices are provided as requested, the CMT Rate on such Interest Determination Date shall be calculated by the calculation agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on such Interest Determination Date of

three reference dealers selected by the Issuer and identified to the calculation agent (from five such reference dealers selected by the Issuer and identified to the calculation agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for U.S. Treasury securities with an original maturity longer than the index maturity specified in the applicable Pricing Supplement, a remaining term to maturity closest to such index maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time.

- (v) If fewer than five but more than two such prices are provided as requested, the CMT Rate on such Interest Determination Date shall be the rate on the Interest Determination Date calculated by the calculation agent based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated; *provided, however,* that if fewer than three such prices are provided as requested, the CMT Rate determined as of such CMT Rate determination date shall be the CMT Rate in effect on such Interest Determination Date. If two U.S. Treasury securities with an original maturity greater than the index maturity specified in the applicable Pricing Supplement have remaining terms to maturity equally close to such index maturity, the quotes for the U.S. Treasury security with the shorter original term to maturity will be used.

Federal Funds Rate Notes

Each Federal Funds Rate Note will bear interest at a specified rate that will be reset periodically based on the Federal Funds Rate and the Spread and/or Spread Multiplier, if any, specified in the Federal Funds Rate Note and in the applicable Pricing Supplement. Federal Funds Rate Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, “**Federal Funds Rate**” means, with respect to any Interest Determination Date, the rate on specified dates for federal funds published in H.15 (519) prior to 3:00 p.m., New York City time, under the heading “Federal Funds Effective,” as such rate is displayed on Reuters Screen FEDFUNDS1 Page (or any such other page as specified in the applicable Pricing Supplement).

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate described above does not appear on Reuters Screen FEDFUNDS1 Page (or any other pages as may replace such pages on such service) or is not published in H.15 (519) prior to 3:00 p.m., New York City time, on the Interest Determination Date, then the Federal Funds Rate will be the rate on such Interest Determination Date published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Federal Funds (Effective).”
- (b) If the rate does not appear on Reuters Screen FEDFUNDS1 Page (or any other pages as may replace such pages on such service) or is not published in H.15 (519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the Federal Funds Rate will be calculated by the calculation agent and will be the average of the rates on that Interest Determination Date for the last transaction in overnight U.S. dollar federal funds arranged by three leading brokers of U.S. dollar federal funds transactions in The City of New York (which may include one or more of the Dealers or their affiliates) selected by the Issuer and identified to the calculation agent, prior to 9:00 a.m., New York City time, on the Business Day following such Interest Determination Date.
- (c) If fewer than three brokers are providing quotes, the Federal Funds Rate will be (i) except as provided in clause (ii), the Federal Funds Rate in effect on such Interest Determination Date, and (ii) for a Fixed/Floating Rate Note, if there was no preceding Interest Reset Date, the rate for U.S. dollar federal funds as published in H.15 (519) opposite the caption “Federal Funds (Effective),” as

such rate was last displayed on Reuters Screen FEDFUNDS1 Page as determined by the calculation agent.

LIBOR Notes

Each LIBOR Note will bear interest at a specified rate that will be reset periodically based on LIBOR and the Spread and/or Spread Multiplier, if any, specified on the face of the LIBOR Note and in the applicable Pricing Supplement. LIBOR Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, the calculation agent will determine the London Interbank Offered Rate (“**LIBOR**”) on each Interest Determination Date relating to a LIBOR Note as follows:

- (a) The rate for deposits in the Designated LIBOR Currency (as defined below) having the specified Index Maturity as such rate is displayed on Bloomberg on page BBAM1 (or any other page as may replace such page on such service or any successor service for the purpose of displaying LIBOR of major banks for the Designated LIBOR Currency) (“**Bloomberg BBAM1**”) as of 11:00 a.m., London time, on such Interest Determination Date. If no such rate so appears, LIBOR on such Interest Determination Date will be determined in accordance with the provisions described in clause (b) or (c) below.
- (b) With respect to an Interest Determination Date on which no rate is displayed on Bloomberg BBAM1 as specified in clause (a) above, the calculation agent shall request the principal London offices of each of four major reference banks (which may include affiliates of the Dealers) in the London interbank market, as selected by the Issuer, and identified to the calculation agent, to provide the calculation agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the specified Index Maturity, commencing on the related Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean calculated by the calculation agent of such quotations. If fewer than two such quotations are so provided, then LIBOR on such Interest Determination Date will be the arithmetic mean calculated by the calculation agent of the rates quoted at approximately 11:00 a.m., in the applicable Principal Financial Center (as defined below), on such Interest Determination Date by three major banks (which may include affiliates of the Dealers) in such Principal Financial Center selected by the Issuer, and identified to the calculation agent, for loans in the Designated LIBOR Currency to leading European banks, having the specified Index Maturity and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; *provided, however*, that (i) except as provided in this clause (b), if the banks so selected by the Issuer are not quoting as mentioned in this sentence, LIBOR determined as of such Interest Determination Date shall be LIBOR in effect on such Interest Determination Date, and (ii) for a Fixed/Floating Rate Note, if there was no preceding Interest Reset Date, LIBOR will be equal to LIBOR for deposits in the Designated LIBOR Currency having the specified Index Maturity that was last available on the Bloomberg BBAM1 page as determined by the calculation agent.
- (c) Notwithstanding clauses (a) and (b) above, if the Issuer, in its sole discretion (acting in good faith and in a commercially reasonable manner), determines that LIBOR has been permanently discontinued or is no longer viewed as an acceptable benchmark for debt securities like the LIBOR Note, and the Issuer has notified the calculation agent of such determination (a “**LIBOR Event**”), the calculation agent will use, as directed by the Issuer (acting in good faith and in a commercially reasonable manner), as a substitute for LIBOR (the “**Alternative Rate**”) for each future Interest Determination Date, the alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) that is consistent with market practice regarding a substitute for debt securities like the LIBOR Notes. As part of such substitution, the calculation agent will, as directed by the Issuer (acting in good faith and in a commercially reasonable manner), make such adjustments to the Alternative

Rate or the spread thereon, as well as the business day convention, Interest Determination Dates and related provisions and definitions (“**Adjustments**”), in each case that are consistent with market practice for the use of such Alternative Rate for debt securities like the LIBOR Notes. Notwithstanding the foregoing, if the Issuer determines that there is no alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) that is consistent with market practice regarding a substitute for debt securities like the LIBOR Notes, the Issuer may, in its sole discretion (acting in good faith and in a commercially reasonable manner), appoint an independent financial advisor (which may be an unaffiliated investment bank or other independent financial adviser experienced in the international debt capital markets and of internationally recognized standing) (“**IFA**”) to determine an appropriate Alternative Rate and any Adjustments, and the decision of the IFA will be binding on the Issuer, the calculation agent, the paying agent and the noteholders. If a LIBOR Event has occurred, but for any reason an Alternative Rate has not been determined or there is no such market practice for the use of such Alternative Rate (and, in each case, an IFA has not determined an appropriate Alternative Rate and Adjustments or an IFA has not been appointed), LIBOR determined as of an Interest Determination Date shall be LIBOR in effect on such Interest Determination Date; *provided, however*, that, with respect to a Fixed/Floating Rate Note, if this sentence is applicable to the first Interest Determination Date related to the “Floating Rate Period,” LIBOR will be equal to LIBOR for deposits in the Designated LIBOR Currency having the specified Index Maturity that was last available on Bloomberg BBAM1, as determined by the calculation agent.

The establishment of LIBOR for each Interest Determination Date by the calculation agent (including, for the avoidance of doubt, at the direction of the Issuer in the case of clause (c)) or the IFA, as applicable, shall (in the absence of manifest error) be final and binding. For the purposes of determining any Alternative Rate and/or any Adjustments and their consistency with market practice pursuant to clause (c), the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets. For the avoidance of doubt, any Adjustments made pursuant to clause (c) of the definition of LIBOR shall not be subject to the consent of the holders.

“**Designated LIBOR Currency**” means the currency (including composite currencies and Euro) specified in the Pricing Supplement as to which LIBOR shall be calculated. If no such currency is specified in the Pricing Supplement, the Designated LIBOR Currency shall be U.S. dollars.

“**Principal Financial Center**” means (i) the capital city of the country issuing the specified currency or (ii) the capital city of the country to which the Designated LIBOR Currency, if applicable, relates, except, in each case, that with respect to U.S. dollars, Australian dollars, Canadian dollars, Euro, New Zealand dollars, South African rand and Swiss francs, the “Principal Financial Center” shall be New York City, Sydney, Toronto, London (solely in the case of the Designated LIBOR Currency), Wellington, Johannesburg and Zurich, respectively.

EURIBOR Notes

Each EURIBOR Note will bear interest at a specified rate that will be reset periodically based on EURIBOR and the Spread and/or Spread Multiplier, if any, specified on the face of the EURIBOR Note and in the applicable Pricing Supplement. EURIBOR Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, “**EURIBOR**” means the European Interbank Offered Rate and, with respect to each Interest Determination Date relating to a EURIBOR Note will be the rate for deposits in Euro having the Index Maturity, beginning on the second Target Business Day after the relevant Interest Determination Date, as that rate appears on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on that Interest Determination Date.

The following procedures will apply if the rate cannot be set as described above:

- (a) If such rate does not appear on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on the relevant Interest Determination Date, then EURIBOR will be determined on the basis of the rates, at approximately 11:00 a.m., Brussels time, on that Interest Determination Date, at which deposits in Euro having the specified Index Maturity, beginning on the relevant Interest Reset Date and in a representative amount are offered to prime banks in the European Economic Area interbank market by the principal European Economic Area offices of four major banks (one of which may be an affiliate of the calculation agent) in the European Economic Area selected by the Issuer. If at least two quotations are provided, EURIBOR for that Interest Determination Date will be the average (rounded upwards, if necessary) of the quotations.
- (b) If fewer than two quotations are provided, EURIBOR for the relevant Interest Determination Date will be the average (rounded upwards, if necessary) of the rates quoted by three major banks (which may include an affiliate of the calculation agent) in the European Economic Area, selected by the Issuer and identified to the calculation agent, at approximately 11:00 a.m., Brussels time, on that Interest Determination Date for loans in Euro to leading European banks for a period of time corresponding to the Index Maturity beginning on the relevant Interest Reset Date and in a representative amount.
- (c) If fewer than three banks are quoting such rates as described above, EURIBOR for such Interest Determination Date will be (i) except as provided in clause (ii), EURIBOR in effect on such Interest Determination Date, and (ii) for a Fixed/Floating Rate Note, if there was no preceding Interest Reset Date, EURIBOR will be equal to EURIBOR for deposits in Euro having the specified Index Maturity that was last available on the Designated EURIBOR Page as determined by the calculation agent.

“Designated EURIBOR Page” means Reuters Page EURIBOR01, or any other page as may replace such page on such service.

Treasury Rate Notes

Each Treasury Rate Note will bear interest at a specified rate that will be revised periodically based on the Treasury Rate and the Spread and/or Spread Multiplier, if any, specified on the face of the Treasury Rate Note and in the applicable Pricing Supplement. Treasury Rate Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, **“Treasury Rate”** means, with respect to any Interest Determination Date, the rate for the most recent auction of direct obligations of the United States (**“Treasury bills”**) having the specified Index Maturity as it appears under the caption “INVEST RATE” on either Reuters Screen USAUCTION10 Page or Reuters Screen USAUCTION11 Page (or any other pages as may replace such pages on such service).

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate is not so published by 3:00 p.m., New York City time, on the Interest Determination Date, the rate will be the auction average rate for such Treasury bills (expressed as a bond equivalent, on the basis of a year of 365 or 366 days as applicable, and applied on a daily basis) for such auction as otherwise announced by the U.S. Department of the Treasury.
- (b) If the results of the auction of Treasury bills are not so published by 3:00 p.m., New York City time, on the Interest Determination Date, or if no such auction is held, the Treasury Rate will be the rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) on such Interest Determination Date of such Treasury bills having the specified Index Maturity as published in H.15 (519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.”

- (c) If such rate is not so published in H.15 (519) by 3:00 p.m., New York City time, on the related Interest Determination Date, the rate on such Interest Determination Date of such Treasury bills will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.”
- (d) If such rate is not yet published in H.15 (519), H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the average of the secondary market bid rates as of approximately 3:30 p.m., New York City time, on the Interest Determination Date, of three leading primary U.S. government securities dealers in The City of New York selected by the Issuer and identified to the calculation agent for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity.
- (e) If fewer than three dealers are providing quotes, the Treasury Rate will be (i) except as provided in clause (ii), the Treasury Rate in effect on such Interest Determination Date, and (ii) for a Fixed/Floating Rate Note, if there was no preceding Interest Reset Date, the rate from the latest auction of Treasury bills having the specified Index Maturity, as such rate was last displayed under the caption “INVEST RATE” on either Reuters Screen USAUCTION10 Page or Reuters Screen USAUCTION11 Page (or any other pages as may replace such pages on such service).

Prime Rate Notes

Each Prime Rate Note will bear interest at a specified rate that will be reset periodically based on the Prime Rate and the Spread and/or Spread Multiplier, if any, specified on the face of the Prime Rate Note and in the applicable Pricing Supplement. Prime Rate Notes will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

Unless otherwise specified in the applicable Pricing Supplement, “**Prime Rate**” means, with respect to any Interest Determination Date, the rate set forth on that Interest Determination Date in H.15 (519) under the heading “Bank Prime Loan.”

The following procedures will apply if the rate cannot be set as described above:

- (a) If the rate described above is not published in H.15 (519) by 3:00 p.m., New York City time, on the relevant Interest Determination Date, then the Prime Rate for that Interest Determination Date will be the rate as published on such Interest Determination Date in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Bank Prime Loan.”
- (b) If the rate is not published in H.15 (519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, then the Prime Rate will be the average (rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) calculated by the calculation agent of the rates publicly announced by each bank on the Reuters Screen USPRIME1 Page as its prime rate or base lending rate for that Interest Determination Date.
- (c) If fewer than four, but more than one, rates appear on the Reuters Screen USPRIME1 Page, the Prime Rate will be the average of the prime rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on the Interest Determination Date by four major money center banks (which may include one or more of the Dealers or their affiliates) in The City of New York selected by the Issuer and identified to the calculation agent.
- (d) If fewer than two rates appear, the Prime Rate will be determined based on the rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized

and doing business under the laws of the United States, or any state thereof, having total equity capital of at least US\$500 million and being subject to supervision or examination by a federal or state authority, as selected by the Issuer and identified to the calculation agent.

- (e) If no banks are providing quotes, the Prime Rate will be (i) except as provided in clause (ii), the Prime Rate in effect on such Interest Determination Date, and (ii) for a Fixed/Floating Rate Note, if there was no preceding Interest Reset Date, the rate that was last published in H.15 (519) under the caption “Bank Prime Loan” as determined by the calculation agent.

Other Types of Notes

Indexed Notes

Notes also may be issued with the principal amount payable on the Maturity Date or interest to be paid thereon, or both, to be determined with reference to the price or prices of specified commodities or securities, baskets of securities, indices of securities, stocks, the exchange rate of one or more specified currencies relative to an indexed currency or other formulae, assets or bases of reference, as may be specified in such note and the applicable Pricing Supplement (“**Indexed Notes**”).

Holders of such Indexed Notes may receive a principal amount on the Maturity Date that is greater than or less than the face amount of the Indexed Notes, or an interest rate that is greater than or less than the stated interest rate on the Indexed Notes, or both, depending upon the structure of the Indexed Note and the relative value on the Maturity Date or at the relevant Interest Payment Date, as the case may be, of the specified index or indexed item. Information as to the method for determining the principal amount payable on the Maturity Date, the currency base rate, the manner of determining the interest rate, the determination agent, certain historical information with respect to the specified indexed item and tax considerations associated with an investment in Indexed Notes will be set forth in the applicable Pricing Supplement.

A separate prospectus comprising the relevant note and a summary document (as the case may be) will be used for the documentation of an issuance of Indexed Notes, including, but not limited to, a discussion of market and settlement disruptions and adjustments.

An investment in Indexed Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. For further information regarding certain risks inherent in Indexed Notes, see “Risk Factors—Risks Related to the Structure of a Particular Issue of notes—Indexed notes” in this Offering Memorandum.

Extendible Notes

Notes may be issued with an initial Maturity Date (the “**Initial Maturity Date**”) which may be extended from time to time upon the election of the holders on specified dates (each, an “**Election Date**”) up to a final Maturity Date (the “**Final Maturity Date**”) as set forth in the applicable Pricing Supplement (“**Extendible Notes**”). The Pricing Supplement relating to each issue of Extendible Notes will set forth the terms of such notes, including the Initial Maturity Date, the Final Maturity Date and the Election Dates, and will also describe certain tax considerations associated with an investment in Extendible Notes, the manner in which holders may elect to extend the notes and such other terms and conditions as may apply to such issue.

Dual Currency Notes

“**Dual Currency Notes**” are notes for which the Issuer is permitted under certain specified circumstances to pay principal, premium (if any) and/or interest in more than one Specified Currency. In general, the Issuer will have the option of making each scheduled payment of principal and interest due on the notes in either (i) the currency in which the face amount of the note is specified in the applicable Pricing Supplement (“**Face Amount Currency**”) or (ii) another currency specified in the applicable Pricing Supplement (“**Optional Payment Currency**”). If the Issuer chooses to make a payment in the Optional Payment Currency, the amount payable in the Optional Payment Currency

will be determined by the person specified in the applicable Pricing Supplement using the exchange rate specified in such Pricing Supplement (the “**Designated Exchange Rate**”). The terms of any Dual Currency Notes will be as set forth in the applicable Pricing Supplement related to any such notes, including the Face Amount Currency, the option value calculation agent, the Optional Payment Currency, the option election date(s) and the Designated Exchange Rate.

For further information regarding certain risks inherent in notes denominated in currencies other than U.S. dollars, see “Risk Factors—Risks Relating to the Notes in General—There is exchange rate risk and risk of exchange controls associated with an investment in the notes” in this Offering Memorandum.

Amortizing Notes

“**Amortizing Notes**” are Fixed Rate Notes for which payments combining principal and interest are made in installments over the life of the note. Unless otherwise specified in the applicable Pricing Supplement, interest on each Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and conditions of any issue of Amortizing Notes, including the amortization schedule, will be provided in the applicable Pricing Supplement. A table setting forth repayment information in respect of each Amortizing Note will be included in the applicable Pricing Supplement and set forth on such notes.

Original Issue Discount Notes

A Series of notes may be issued as Original Issue Discount Notes. Certain additional considerations relating to a Series of Original Issue Discount Notes may be described in the applicable Pricing Supplement relating thereto.

Other Provisions

Any provisions with respect to notes, including the determination of an interest rate basis, the specification of an interest rate basis, the calculation of the interest rate applicable to a Floating Rate Note, the Interest Payment Dates or any other matter relating thereto, may be modified by the terms specified in the applicable Pricing Supplement.

Certain Terms and Conditions Applicable to Senior Notes

Unless otherwise stated in the applicable Pricing Supplement, the following terms will apply to each Series of Senior Notes.

Guarantees

The Senior Notes will be initially guaranteed by our Restricted Subsidiaries, Crédito Real, S.A. and Creal Nómina, S.A. de C.V. As of the date of this Offering Memorandum, all other Subsidiaries of the Issuer will be Unrestricted Subsidiaries. The Guarantors will, subject to applicable law, fully, irrevocably 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 Issuer in respect of the Senior Notes and under the relevant Senior Notes Indenture (a “**Senior Note Guarantee**”). The Senior Notes Guarantees will provide that the Guarantors will immediately pay any amount that the Issuer fails to punctually pay but is required to pay pursuant to the terms of the Senior Notes and/or the relevant Senior Notes Indenture.

Not all of our future Restricted Subsidiaries will guarantee the Senior Notes. The Senior 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 Senior Note Guarantees, holders of the Senior Notes would be unsecured creditors of the Guarantors. The Senior Note Guarantees will not be subordinated to any of the Issuer’s or the Guarantors’ other unsecured debt obligations.

If, after the date of the relevant Senior Notes Indenture, the Issuer 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 Issuer must cause such Eligible Subsidiary to provide a Senior Note Guarantee.

Each Senior 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 Senior Note Guarantee could be significantly less than amounts payable with respect to the Senior Notes, or a Guarantor may have effectively no obligation under its Senior Note Guarantee.

The Senior 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 Issuer or a Restricted Subsidiary) otherwise permitted by the relevant Senior Notes Indenture, (2) if the Senior Note Guarantee was required pursuant to the terms of the Senior Notes Indenture, the cessation of the circumstances requiring the Senior Note Guarantee, (3) the designation in accordance with the relevant Senior Notes Indenture of the Guarantor as an Unrestricted Subsidiary, or (4) defeasance or discharge of the Senior Notes, as provided in "—Legal Defeasance and Covenant Defeasance."

In the event of a bankruptcy, liquidation, *concurso mercantil*, *quiebra* 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 Issuer depending on the terms of the equity interests. See "Risk Factors—Risks Relating to the Notes in General—The non-payment of funds by any of our subsidiaries could have a material adverse effect on our ability to pay amounts due in respect of our debt, including the notes." in this Offering Memorandum.

"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.

"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 Original Issue Date or issued after the Original Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"Eligible Subsidiary" means a Restricted Subsidiary that is a Wholly Owned Subsidiary of the Issuer or of a Guarantor but excluding any Subsidiary (i) that is contractually restricted from acting as a Guarantor of the Senior Notes pursuant to an agreement in effect on the relevant Original Issue Date or (ii) the net assets of which are less than US\$5.0 million.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"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 Senior Note Guarantee pursuant to the Indenture unless and until such Guarantor is released from its Senior Note Guarantee pursuant to the Indenture.

“**Person**” and “**Group**” will have the meanings for “person” and “group” as used in Sections 13(d) and 14(d) of the Exchange Act.

“**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.

“**Restricted Subsidiary**” means any Subsidiary of the Issuer, which at the time of determination is not an Unrestricted Subsidiary.

“**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.

“**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 Issuer Designated as an Unrestricted Subsidiary pursuant to “—Certain Covenants Applicable to Senior Notes —Limitation on Designation of Unrestricted Subsidiaries.” Any such Designation may be revoked by a certificate of the Chief Financial Officer of the Issuer, subject to the provisions of such covenant.

“**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.

“**Wholly Owned Subsidiary**” means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Issuer) 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).

Ranking

The Senior Notes will:

- rank equal in right of payment with all of our and the Guarantor’s other existing and future Senior Indebtedness (subject to certain obligations for which preferential treatment is given under applicable laws, including tax, labor and social security);
- rank senior in right of payment to all of our and the Guarantor’s existing and future Subordinated Indebtedness, if any;

- be effectively subordinated to all existing and future Secured Indebtedness of the Issuer 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 Issuer's Subsidiaries that are not Guarantors.

Unless otherwise stated in the applicable Pricing Supplement, the Senior Notes Indenture will provide that:

- (a) The term “**Senior Indebtedness**” means the Senior Notes (and any Senior Note Guarantee thereof) and any other Indebtedness of the Issuer or a Guarantor that is not, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the Senior Notes, or the relevant Senior Note Guarantee.
- (b) The term “**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 (as defined below) 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 (as defined below) on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value (as defined below) of such property or asset or the amount of the Indebtedness so secured;
 - (8) all obligations under Hedging Obligations (as defined below) 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 (as defined below) 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 (as defined below); and
 - (10) all Disqualified Capital Stock (as defined below) issued by such Person.
- (c) The term “**Subordinated Indebtedness**” means, with respect to the Issuer or a Guarantor, any Indebtedness of the Issuer or a Guarantor that is, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the Senior Notes, the relevant Senior Note Guarantee or any other Senior Indebtedness, as the case may be; and

- (d) The term “**Secured Indebtedness**” means any Indebtedness secured by a Lien upon the property or assets of the Issuer and/or its Restricted Subsidiaries.

Certain Covenants Applicable to Senior Notes

We have agreed to restrictions on our activities for the benefit of holders of each Series of Senior Notes. Unless otherwise specified in the applicable Pricing Supplement under “Additional Covenants,” the following restrictions will apply separately to each Series of Senior Notes:

Suspension of Covenants

During any period of time that (i) any Series of Senior Notes have Investment Grade Ratings from both Rating Agencies and (ii) no Default or Senior Notes Event of Default has occurred and is continuing with respect to such Series of Senior Notes (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 Issuer and its Restricted Subsidiaries will not, with respect to such Series of Senior Notes, be subject to the provisions of the Senior Notes 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;”
- “—Limitation on Transactions with Affiliates;”
- clause (b) of “—Limitation on Merger, Consolidation and Sale of Assets;” and
- “—Conduct of Business” (collectively, the “**Suspended Covenants**”).

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants with respect to a Series of Senior Notes 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 respective Senior Notes below an Investment Grade Rating, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants with respect to such Series of Senior Notes. 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 Senior Notes 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 (a) of “—Limitation on Incurrence of Additional Indebtedness” below or one of the clauses set forth in clause (b) 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 Original Issue Date. 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 Original Issue Date and throughout the Suspension Period. The Issuer 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.

“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 a Series of Senior Notes for reasons outside of the control of the Issuer, the equivalent investment grade credit rating from any other Rating Agency.

Limitation on Incurrence of Additional Indebtedness

- (a) The Issuer 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 Issuer 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 Issuer is greater than 13.50%.
- (b) Notwithstanding clause (a) above, the Issuer and its Restricted Subsidiaries, as applicable, may Incur the following Indebtedness (“**Permitted Indebtedness**”):
 - (i) Guarantees by any Restricted Subsidiary of Indebtedness of the Issuer 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 Senior 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 Senior Note Guarantee and become a Guarantor;
 - (ii) Hedging Obligations entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes, including, without limitation, Hedging Obligations in respect of Senior Notes of each Series;
 - (iii) intercompany Indebtedness between the Issuer and any Restricted Subsidiary or between any Restricted Subsidiaries; *provided* that:
 - i. if the Issuer 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 Senior Notes of each Series and the Senior Notes Indenture, in the case of the Issuer, or such Guarantor’s Senior Note Guarantee, in the case of any such Guarantor; *provided* that the Issuer, 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 Senior Notes of the applicable Series and other unaffiliated creditors of the same class as the Senior Notes of such Series, and
 - ii. in the event that at any time any such Indebtedness ceases to be held by the Issuer or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (iii) at the time such event occurs;
 - (iv) Indebtedness of the Issuer 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;
 - (v) Indebtedness of the Issuer or any of its Restricted Subsidiaries represented by letters of credit for the account of the Issuer 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;

(vi) Indebtedness in respect of bid, performance, surety bonds or *fianzas* in the ordinary course of business for the account of the Issuer or any of its Restricted Subsidiaries, including Guarantees or obligations of the Issuer 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);

(vii) Refinancing Indebtedness in respect of:

- i. Indebtedness (other than Indebtedness owed to the Issuer or any Subsidiary of the Issuer) Incurred pursuant to clause (a) of this covenant (it being understood that no Indebtedness outstanding on the Original Issue Date of such Series of Senior Notes is Incurred pursuant to such clause (a)), or
- ii. Indebtedness Incurred pursuant to clause (b)(ix) of this covenant and other Indebtedness of the Issuer and its Restricted Subsidiaries outstanding on the Original Issue Date of such Series of Senior Notes, other than Indebtedness otherwise specified under any of the other clauses of this definition of Permitted Indebtedness;

(viii) Capitalized Lease Obligations and Purchase Money Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount not to exceed US\$10.0 million (or the equivalent in other currencies) at any one time outstanding;

(ix) Permitted Acquisition Indebtedness;

(x) (1) Capital Securities and (2) 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;

(xi) 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 Issuer 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 Issuer or any Restricted Subsidiary shall not be permitted under this clause (xi) and (2) in the case of a disposition, the maximum aggregate liability in respect of all such obligations outstanding under this clause (xi) shall at no time exceed the gross proceeds actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition; and

(xii) additional Indebtedness of the Issuer 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 Issuer and its Restricted Subsidiaries at any time outstanding.

(c) 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 (b) 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 (b)(i) through (b)(xii) above, or is entitled to be incurred pursuant to clause (a) of this covenant, the Issuer 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 Issuer 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 Issuer 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 Issuer and its Restricted Subsidiaries outstanding on the Original Issue Date is deemed not to be Incurred.

- (d) 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 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.

“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 Issuer 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 Issuer or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

“Asset Acquisition” means:

- (1) an Investment by the Issuer 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 Issuer or any Restricted Subsidiary;
- (2) the acquisition by the Issuer or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Issuer) 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.

“Capital Securities” means, with respect to the Issuer, any bonds, debentures, notes or other similar instruments of the Issuer (i) which are expressly subordinated in right of payment and in insolvency to the prior payment in full of the applicable Series of Senior Notes 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 Original 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 the applicable Series of Senior Notes and any other Senior Indebtedness, (iv) the principal of which may not be accelerated so long as Senior Notes of the applicable Series remain outstanding (except pursuant to a customary bankruptcy event of default with respect to the Issuer), (v) are senior only to Capital Stock of the Issuer, (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.

“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, and the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP; *provided, however*, that all obligations of any Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance by the International Accounting Standards Board in January 2016 of IFRS 16 (*Leases*) (or an equivalent accounting standard under applicable GAAP) shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purpose of the Senior Notes Indenture (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with GAAP (on a prospective or retroactive basis or otherwise) to be treated as a Capitalized Lease Obligation in the financial statements of the Issuer.

“CNBV” means, the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*).

“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 Issuer) 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 Issuer).

“Credit Ratings Downgrade” means the rating of the Issuer’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.

“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 applicable Series of Senior Notes; *provided, however*, that (x) Capital Stock representing the *parte variable* (variable portion) thereof, shall not be deemed as Disqualified Capital Stock, and (y) any Capital Stock that would not constitute Disqualified Capital 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 Date of the applicable Series of Senior Notes shall not constitute Disqualified Capital 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 relevant Series of Senior Notes and described under “—Certain Covenants Applicable to Senior Notes—Limitation on Asset Sales and Sales of Subsidiary Stock” and “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes—Change of Control—Redemption of Senior Notes upon a Change of Control Triggering Event;” and

(2) any such requirement only becomes operative after compliance with such terms applicable to the relevant Series of Senior Notes, including the purchase of any Senior Notes of such Series 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 Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Capital Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Capital 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 Capital Stock as reflected in the most recent financial statements of such Person.

“GAAP” means (i) *Sofom* GAAP, (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 applicable to the Issuer and as in effect from time to time; *provided* that, with respect to each Series of notes, unless the applicable Pricing Supplement states otherwise, references to GAAP under the provisions of the Senior Notes Indenture described under the heading “Certain Terms and Conditions Applicable to Senior Notes—Certain Covenants Applicable to Senior Notes” and the definitions of certain terms as used therein, shall be deemed to refer to GAAP as in effect on the Original Issue Date of such Series.

“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).

“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 Issuer 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 Issuer 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 Issuer 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 Issuer, the Issuer 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 Issuer 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 Issuer or any Restricted Subsidiary or owed to the Issuer or any other Restricted Subsidiary immediately following such sale or other disposition.

“**Mexican Restructuring**” means any case or other proceeding against the Issuer 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*, *síndico*, liquidator, custodian or other similar official of it or any substantial part of its property.

“**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 Issuer) as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with GAAP.

“**Permitted Acquisition Indebtedness**” means Indebtedness of the Issuer 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 Issuer, or

(iii) Indebtedness 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 Issuer or assumed in connection with an Asset Acquisition, as applicable, after giving pro forma effect thereto, (a) the Issuer would be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to clause (a) under “—Certain Covenants Applicable to Senior Notes—Limitation on Incurrence of Additional Indebtedness,” or (b) the Capitalization Ratio of the Issuer and its Restricted Subsidiaries would be equal to or greater than the Capitalization Ratio of the Issuer and its Restricted Subsidiaries immediately prior to such transaction.

“**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.

“Sofom GAAP” means 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 Depósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas*).

“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 Issuer or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Issuer 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 Issuer 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 greater than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to Senior Indebtedness, 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.

“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 Applicable to Senior Notes—Limitation on Incurrence of Additional Indebtedness,” whenever it is necessary to determine whether the Issuer has complied with any covenant in the Senior Notes 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.

“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.

Limitation on Guarantees

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

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

- (a) there is a Legal Defeasance or a Covenant Defeasance of the Senior Notes of such Series;
- (b) 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 Issuer; or
- (c) 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 Senior Notes Indenture.

Limitation on Restricted Payments

The Issuer 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 Issuer or any Restricted Subsidiary to holders of such Capital Stock, other than:
 - (i) dividends or distributions payable in Qualified Capital Stock of the Issuer;
 - (ii) dividends or distributions payable to the Issuer and/or a Restricted Subsidiary; or
 - (iii) dividends, distributions or returns of capital made on a pro rata basis to the Issuer 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:
 - (i) any Capital Stock of the Issuer; or
 - (ii) any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Issuer (other than a Restricted Subsidiary) or any Preferred Stock of a Restricted Subsidiary, except for Capital Stock held by the Issuer or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a pro rata basis from the Issuer 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 Issuer 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 applicable Series of Senior 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:

- (i) a Default or a Senior Notes Event of Default shall have occurred and be continuing;
- (ii) the Issuer is not able to Incur at least US\$1.00 of additional Indebtedness pursuant to clause (a) of “—Limitation on Incurrence of Additional Indebtedness;” or
- (iii) 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 Original Issue Date up to the date thereof, shall exceed the sum of:
 - i. 50.0% of cumulative Consolidated Net Income of the Issuer or, if such cumulative Consolidated Net Income of the Issuer 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 Original Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Issuer is available; *plus*
 - ii. 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 Issuer from any Person from any:
 - 1. contribution to the equity capital of the Issuer not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Issuer, in each case, subsequent to the Original Issue Date;
 - 2. issuance and sale subsequent to the Original 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 Issuer or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Issuer; or
 - 3. issuance and sale subsequent to the Original Issue Date of any Capital Securities,

excluding, in each case, any net proceeds:

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

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

(iv) any Investment Return; *plus*

(v) US\$30.0 million.

Notwithstanding the preceding paragraph, this covenant does not prohibit:

- (a) 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;
- (b) the making of any Restricted Payment,
 - (i) in the form of Qualified Capital Stock of the Issuer,
 - (ii) through the application of the net proceeds received by the Issuer from a substantially concurrent sale of Qualified Capital Stock of the Issuer or a contribution to the equity capital of the Issuer not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Issuer, or
 - (iii) through the application of the net proceeds received by the Issuer 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 (b) shall be excluded from clause (b)(ii) of the first paragraph of this covenant;

- (c) 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 Issuer, 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 Issuer, of Indebtedness Incurred pursuant to clause (a) of “—Limitation on Incurrence of Additional Indebtedness;” *provided* that, with respect to this clause (x), (i) no Default or Senior Notes 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 Issuer, of Indebtedness Incurred pursuant to clause (b)(x) of “—Limitation on Incurrence of Additional Indebtedness;” *provided* that, with respect to this clause (y), no Default or Senior Notes 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 Senior Notes 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.
- (d) repurchases by the Issuer of Common Stock of the Issuer or options, warrants or other securities exercisable or convertible into Common Stock of the Issuer from any current or former employees, officers, directors or consultants of the Issuer 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 or 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 Issuer and its Restricted Subsidiaries;

- (e) 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;
- (f) if no Default or Senior Notes 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 Issuer or any Restricted Subsidiary issued on or after the Original Issue Date in accordance with the covenant “—Limitation on Incurrence of Additional Indebtedness;”
- (g) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Issuer 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 Senior Notes Indenture; *provided* that the Issuer (or another Person) has repurchased all Senior Notes of the applicable Series required to be repurchased by the Issuer under the caption “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes—Change of Control— Redemption of Senior Notes upon a 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;
- (h) if no Default or Senior Notes Event of Default shall have occurred and be continuing, the purchase by the Issuer 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
- (i) if no Default or Senior Notes 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 Original Issue Date, amounts expended pursuant to clauses (a) (without duplication for the declaration of the relevant dividend), (c) (z), (d), (f) and (h) above shall be included in such calculation and amounts expended pursuant to clauses (b), (c) (with the exception of (c) (z)), (e), (g) and (i) above shall not be included in such calculation.

“**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.

“**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 the second paragraph of that definition.

“**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 Issuer); except that, solely for purposes of calculating Consolidated Net Income pursuant to clause (iii) of the first paragraph of “—Certain Covenants Applicable to Senior Notes — Limitation on Restricted Payments” only, Consolidated Net Income of the Issuer will include the Issuer’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 Issuer or any Restricted Subsidiary; or
 - (b) a Surviving Entity prior to assuming the Issuer’s obligations under the Senior Notes Indenture and the applicable Series of Senior Notes pursuant to “—Certain Covenants Applicable to Senior Notes —Limitation on Merger, Consolidation and Sale of Assets;”
- (4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Issuer) 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 Issuer) 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 Issuer);
- (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.

“**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 Issuer acting in good faith.

“**Investment Return**” means, in respect of any Investment (other than a Permitted Investment) made after the Original Issue Date of a Series of Notes by the Issuer or any Restricted Subsidiary:

- (1) (x) the proceeds in cash and the Fair Market Value of property other than cash received by the Issuer 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 Issuer and its Restricted Subsidiaries in full, less any payments previously made by the Issuer or any Restricted Subsidiary in respect of such Guarantee and (y) any dividends or distributions received by the Issuer 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 Issuer’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 Issuer'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 Issuer 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 Issuer 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 Applicable to Senior Notes — Limitation on Restricted Payments” less the amount of any previous Investment Return in respect of such Investment.

“Permitted Business” means the business or businesses conducted by the Issuer and its Subsidiaries as of the Original 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 Investments” means:

(1) Investments by the Issuer 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 Issuer or with or into a Restricted Subsidiary, except for a Guarantee of Indebtedness of a Restricted Subsidiary;

(2) Investments by the Issuer, or any Restricted Subsidiary, in the Issuer;

(3) Investments in cash and Cash Equivalents;

(4) any extension, modification or renewal of any Investments existing as of the Original 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 Original Issue Date);

(5) Investments permitted pursuant to clause (b)(ii), (iii) or (v) of “—Certain Covenants Applicable to Senior Notes —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 Issuer 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 Applicable to Senior Notes—Limitation on Asset Sales and Sales of Subsidiary Stock;”

(8) Investments in the form of Hedging Obligations permitted under clause (b)(ii) of “—Certain Covenants Applicable to Senior Notes—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 Issuer plus (y) US\$100.0 million (the aggregate amount of (x) and (y) not to exceed US\$400.0 million while the Senior Notes of the applicable Series 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 Issuer, (ii) are in the form of cash and (iii) do not exceed the amount of Investments in such Person made after the Original 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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.

"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 Issuer) 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 Issuer 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 Indebtedness or any other obligation, contingent or otherwise, of which

(A) is Guaranteed by the Issuer or any Restricted Subsidiary of the Issuer,

(B) is recourse to or obligates the Issuer or any Restricted Subsidiary of the Issuer in any way, or

(C) subjects any property or asset of the Issuer or any Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(3) with respect to which neither the Issuer nor any Restricted Subsidiary of the Issuer (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 Issuer 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.”

Limitation on Asset Sales and Sales of Subsidiary Stock

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

- (a) the Issuer 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 Issuer 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 Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the applicable Series of Senior Notes) that are assumed by the transferee of any such assets and as a result of which the Issuer 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 Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer 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 Issuer or any Restricted Subsidiary in a Permitted Business; and
- (4) any Designated Non-cash Consideration received by the Issuer 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 Issuer 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 Issuer, 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 Issuer 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

- (i) assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Issuer or any Guarantor in a Permitted Business,
- (ii) 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
- (iii) enter into a binding commitment with a Person, other than the Issuer 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 Issuer will make an offer to purchase Senior Notes of the applicable Series (the “**Asset Sale Offer**”), at a purchase price equal to 100.0% of the principal amount of the Senior Notes of such Series to be purchased, plus accrued and unpaid interest thereon, to the date of purchase (the “**Asset Sale Offer Amount**”). The Issuer will purchase pursuant to an Asset Sale Offer from all tendering holders on a pro rata basis, and, at the Issuer’s option, on a pro rata basis with the holders of any other Senior Indebtedness with similar provisions requiring the Issuer 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 Senior Notes of such Series and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Issuer 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 Senior Notes of a Series 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)(iii) of the second paragraph of this “—Limitation on Asset Sales and Sales of Subsidiary Stock” covenant in which case such period shall be extended for 180 days). The Issuer 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 of Senior Notes of such Series as shown on the register of holders within 20 days following such 365th day, with a copy to the Trustee offering to purchase the Senior Notes of such Series as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 10 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 of Senior Notes of the applicable Series may elect to tender their Senior 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 Issuer shall, to the extent lawful:

- (a) accept for payment all Senior Notes of such Series or portions thereof properly tendered pursuant to the Asset Sale Offer;
- (b) deposit with the paying agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Senior Notes of such Series or portions thereof so tendered; and
- (c) deliver or cause to be delivered to the Trustee the Senior Notes of such Series so accepted together with an Officer's Certificate stating the aggregate principal amount of Senior Notes of such Series or portions thereof being purchased by the Issuer.

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

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of Senior 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 Senior Notes Indenture, the Issuer will comply with those laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" provisions of the Senior Notes 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 Senior Notes of such Series and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Issuer and its Restricted Subsidiaries may use any remaining Net Cash Proceeds for any purpose not otherwise prohibited by the Senior Notes Indenture.

"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 Issuer or any Restricted Subsidiary of:

- (a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Issuer); or
- (b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Issuer) of the Issuer 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 Issuer and its Restricted Subsidiaries as permitted under "—Certain Covenants Applicable to Senior Notes—Limitation on Merger, Consolidation and Sale of Assets;"
- (2) for purposes of "—Certain Covenants Applicable to Senior Notes—Limitation on Asset Sales and Sales of Subsidiary Stock" only, the making of a Restricted Payment permitted under "—Certain Covenants Applicable to Senior Notes—Limitation on Restricted Payments" or any Permitted Investment;
- (3) a disposition to the Issuer 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) while the applicable Series of Senior Notes remains outstanding;

(5) a transfer of assets between or among the Issuer and any Guarantor;

(6) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Issuer to the Issuer or any Restricted Subsidiary;

(7) the disposition of accounts receivable and loans as permitted under “—Certain Covenants Applicable to Senior Notes—Limitation on Securitization;”

(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 Issuer 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 Applicable to Senior Notes — 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.

“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.

“Consolidated Tangible Assets” means, as of any date of determination, the total assets of the Issuer 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.

“Designated Non-cash Consideration” means the Fair Market Value of non-cash consideration used in a Permitted Business (other than securities) received by the Issuer or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, executed by the Chief Executive Officer or the Chief Financial Officer of the Issuer 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.

“Intangible Assets” means with respect to the Issuer 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 Issuer and its Restricted Subsidiaries prepared in accordance with GAAP.

“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.

“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 Issuer or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) 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 tax liability due to available tax credits or deductions and any tax sharing arrangements or consolidation or similar regimes;

(3) repayment of Indebtedness secured by a Lien permitted under the Senior Notes Indenture that is required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Issuer 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 Issuer 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.

“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 Issuer or a Restricted Subsidiary of any property, whether owned by the Issuer or any Restricted Subsidiary at the Original Issue Date or later acquired, which has been or is to be sold or transferred by the Issuer 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.

Limitation on Securitization

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

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

“Loan Receivables” means loans and other loan-related receivables purchased or originated by the Issuer 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 Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer 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 Issuer or any Restricted Subsidiary on terms that the Board of Directors has concluded are customary and market terms fair to the Issuer and its Restricted Subsidiaries and the proceeds of which are used for working capital, to repay any Senior Indebtedness of the Issuer, 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 Issuer or any Restricted Subsidiary in a Permitted Business.

“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.

Limitation on Designation of Unrestricted Subsidiaries

The Issuer may designate after the Original Issue Date of such Series of Senior Notes any Subsidiary of the Issuer as an “Unrestricted Subsidiary” under the Senior Notes Indenture (a **“Designation”**) only if:

- (a) no Default or Senior Notes 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 Issuer or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with “—Limitation on Transactions with Affiliates;”
- (b) at the time of and after giving effect to such Designation, the Issuer could Incur US\$1.00 of additional Indebtedness pursuant to clause (a) of “—Limitation on Incurrence of Additional Indebtedness;” and
- (c) the Issuer 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 Issuer’s Investment in such Subsidiary on such date.

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

- (a) 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);
- (b) be directly or indirectly liable for any Indebtedness of such Subsidiary; or
- (c) 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 Issuer or any Restricted Subsidiary of the Capital Stock of such Subsidiary.

The Issuer may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a “**Revocation**”) only if:

- (a) no Default or Senior Notes Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation; and
- (b) 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 Senior Notes Indenture.

The Designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary, unless otherwise designated by the Issuer pursuant to the Senior Notes Indenture. All Designations and Revocations must be evidenced by a certificate of the Chief Financial Officer of the Issuer, 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 Issuer 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:
 - (i) pay dividends or make any other distributions on or in respect of its Capital Stock to the Issuer or any other Restricted Subsidiary or pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;
 - (ii) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Issuer or any other Restricted Subsidiary; or
 - (iii) transfer any of its property or assets to the Issuer or any other Restricted Subsidiary.
- (b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:
 - (i) applicable law, rule, regulation or order;
 - (ii) the Senior Notes Indenture or the Senior Notes of such Series;
 - (iii) the terms of any Indebtedness outstanding on the Original Issue Date of the Senior Notes of such Series, 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 Original Issue Date of the Senior Notes of such Series;

- (iv) 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 Senior Notes Indenture;
- (v) 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;
- (vi) customary restrictions with respect to a Restricted Subsidiary of the Issuer 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;
- (vii) customary restrictions imposed on the transfer of copyrighted or patented materials;
- (viii) an agreement governing Indebtedness of the Issuer or any Restricted Subsidiaries permitted to be Incurred subsequent to the date of the Senior Notes 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 (iii) of this paragraph;
- (ix) 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)(iii) of this covenant;
- (x) 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;
- (xi) 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 Senior Notes Indenture and (a) in the ordinary course of business consistent with past practice or (b) with the approval of the Issuer’s Board of Directors, which limitation is applicable only to the assets, property or Capital Stock that are the subject of such agreements;
- (xii) 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
- (xiii) restrictions customarily granted in connection with any Loan-Related Securitizations.

“**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.

“**Marketable Securities**” has the meaning ascribed to such term under GAAP.

Limitation on Layered Indebtedness

The Issuer 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 Senior Notes of such Series, or the Senior 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 Issuer 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 Original Issue Date or acquired after the Original Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables unless contemporaneously therewith effective provision is made to secure the Senior Notes of such Series and all other amounts due under the Senior Notes 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 applicable Series of Senior 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.

“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 Issuer 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 Applicable to Senior Notes—Limitation on Incurrence of Additional Indebtedness” and that are secured by the same assets as secure such Hedging Obligations;

(6) Liens existing on the Original 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 this “—Limitation on Liens” section 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 Applicable to Senior Notes—Limitation on Incurrence of Additional Indebtedness;” *provided* that such new Liens:

(a) are no less favorable to the holders of Senior Notes of the applicable Series 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 Applicable to Senior Notes—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 Issuer or a Restricted Subsidiary and were not granted in connection with, or in anticipation of, the Incurrence of such Acquired Indebtedness by the Issuer or a Restricted Subsidiary, and

(b) such Liens do not extend to or cover any property of the Issuer or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 all reserves or other appropriate provisions as are required in conformity with GAAP have 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 Senior Notes Indenture;

(15) easements, rights-of-way, zoning and similar restrictions, reservations 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 Issuer or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Issuer 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 Issuer and its Restricted Subsidiaries is at least 110.0% of the Total Unsecured Indebtedness of the Issuer and its Restricted Subsidiaries, Liens on Loan Receivables, other receivables, net interest margin securities or similar or related assets of the Issuer 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 Issuer or a Restricted Subsidiary.

“Total Unencumbered Assets” means, as of any date of determination, the total assets of the Issuer 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 Issuer 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.

Limitation on Merger, Consolidation and Sale of Assets

The Issuer will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Issuer 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 Issuer’s properties and assets (determined on a consolidated basis for the Issuer and its Restricted Subsidiaries), to any Person unless:

(a) either:

(i) the Issuer shall be the surviving or continuing Person, or

(ii) the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Issuer and of the Issuer’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 Senior Notes of such Series and the performance and observance of every covenant of the Senior Notes of such Series and the Senior Notes Indenture on the part of the Issuer 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 Senior Note Guarantee will apply for the

Obligations of the Surviving Entity in respect of the Senior Notes Indenture and the Senior Notes of such Series;

- (b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(ii)(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 Issuer or such Surviving Entity, as the case may be:
 - (i) will be able to Incur at least US\$1.00 of additional Indebtedness pursuant to clause (a) of “—Limitation on Incurrence of Additional Indebtedness,” or
 - (ii) will have a Capitalization Ratio of not less than the Capitalization Ratio of the Issuer 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)(ii)(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 Senior Notes Event of Default shall have occurred or be continuing;
- (d) if the Issuer 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 Issuer 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 Issuer 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 Senior Notes of such Series 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 Senior Notes of such Series) 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 Senior Notes of such Series will be paid in compliance with any requirements under the section “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes —Additional Amounts,” and (iii) no other taxes on income, including capital gains, will be payable by holders of the Senior Notes of such Series under the laws of Mexico or the relevant Qualified Merger Jurisdiction relating to the acquisition, ownership or disposition of the Senior Notes of such Series, 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 Senior Notes of such Series in carrying on a business in Mexico or the relevant Qualified Merger Jurisdiction, and
- (e) the Issuer or the Surviving Entity has delivered to the Trustee an Officer’s 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 Senior Notes Indenture and that all conditions precedent in the Senior Notes 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 Issuer, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Issuer (determined on a consolidated basis for the Issuer and its Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

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

- (a) any transfer of the properties or assets of a Restricted Subsidiary to the Issuer;
- (b) any merger of a Restricted Subsidiary into the Issuer; or
- (c) any merger of the Issuer into a Wholly Owned Subsidiary of the Issuer created for the purpose of holding the Capital Stock of the Issuer.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries in accordance with this covenant, in which the Issuer is not the continuing corporation, the Surviving Entity formed by such consolidation or into which the Issuer 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 Issuer under the Senior Notes Indenture and the Senior Notes of such Series 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 Issuer (including a Surviving Entity, if applicable) under “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes—Change of Control— Redemption of Senior Notes upon a Change of Control Triggering Event,” if applicable.

Each Guarantor will not, and the Issuer 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 Issuer) 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 Senior Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officer’s Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the Senior Notes Indenture;
- (b) such Senior Note Guarantee is to be released as provided under “—Certain Terms and Conditions Applicable to Senior Notes—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.”

“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 Senior Notes of a Series, the Senior Notes Indenture.

“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.

Limitation on Transactions with Affiliates

- (a) The Issuer 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:
 - (i) 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 Issuer;

- (ii) 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\$15.0 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Issuer (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
 - (iii) 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\$25.0 million, the Issuer 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 Issuer and its Restricted Subsidiaries from a financial point of view.
- (b) Paragraph (a) above will not apply to:
- (i) Affiliate Transactions with or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries;
 - (ii) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Issuer or any Restricted Subsidiary as determined in good faith by the Issuer's Board of Directors or senior management of the Issuer;
 - (iii) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Original Issue Date of such Series of Senior Notes and any amendment, modification or replacement of such agreement (so long as such amendment, modification or replacement is not materially more disadvantageous to the Issuer and its Restricted Subsidiaries or the holders of the Senior Notes of such Series, taken as a whole, than the original agreement as in effect on the Original Issue Date of such Series of Senior Notes);
 - (iv) any Restricted Payments made in compliance with "—Limitation on Restricted Payments" or any Permitted Investments;
 - (v) loans and advances to officers, directors and employees of the Issuer 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;
 - (vi) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments pursuant thereto;
 - (vii) any issuance of Capital Stock (other than Disqualified Capital Stock) of the Issuer to Affiliates of the Issuer or to any director, officer, employee or consultant of the Issuer, and the granting and performance of registration rights;
 - (viii) transactions between the Issuer or any of its Restricted Subsidiaries and any Securitization Vehicle in the ordinary course of business in connection with Loan-Related Securitizations; and
 - (ix) 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 Senior Notes Indenture, which are fair to the Issuer 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.

“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.

Conduct of Business

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

Reports to Holders

So long as the Senior Notes of a Series are outstanding, the Issuer will furnish to the Trustee:

- (a) Within 120 days following the end of each of the Issuer’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 Issuer 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 Issuer after the Original Issue Date of such Series of Senior Notes) and consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Issuer 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 under the Securities Act, together with an audit report thereon by the Issuer’s independent auditors; and
- (b) Within 60 days following the end of each of the first three fiscal quarters in each of the Issuer’s fiscal years (beginning with the fiscal quarter ended March 31, 2020), (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 Issuer 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 Issuer 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 under the Securities Act, 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 Commission. In addition, the Issuer shall furnish to the holders of the Senior Notes of the applicable Series 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 Senior Notes of such Series 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 Senior Notes of such Series are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF 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 relevant 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 Issuer's compliance with any covenants under the applicable Indenture (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

"Commission" means the U.S. Securities and Exchange Commission.

"Regulation S-K" means Regulation S-K under the Securities Act (including any successor regulation thereto), as it may be amended from time to time.

"Regulation S-X" means Regulation S-X under the Securities Act (including any successor regulation thereto), as it may be amended from time to time.

"Securities Act" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Unsecured Indebtedness" means any Indebtedness of the Issuer and/or its Restricted Subsidiaries other than Secured Indebtedness.

Senior Notes Events of Default

Unless otherwise specified in the applicable Pricing Supplement under "Additional Events of Default," an event of default with respect to a Series of Senior Notes (a **"Senior Notes Event of Default"**) is defined in the Senior Notes Indenture as:

- (a) default in the payment when due of the principal of or premium, if any, on any Senior Notes of the applicable Series, including the failure to make a required payment to purchase Senior Notes of the applicable Series tendered pursuant to an optional redemption, Change of Control Triggering Event Offer (as defined below) or an Asset Sale Offer (as defined below); or
- (b) default for 30 days or more in the payment when due of interest or Additional Amounts, if any, on any Senior Notes of the applicable Series; or
- (c) the failure to perform or comply with any of the provisions described under "—Certain Covenants Applicable to Senior Notes— Limitation on Merger, Consolidation and Sale of Assets;" or
- (d) the failure by the Issuer or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Senior Notes Indenture or in the Senior Notes of the applicable Series for 30 days or more after written notice to the Issuer from the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding applicable Series of Senior Notes indenture, specifying such failure and requiring it to be remedied and stating that such notice constitutes a notice of default under the Senior Notes Indenture;
- (e) default by the Issuer or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which
 - (i) 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
 - (ii) 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; or

- (f) failure by the Issuer 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; or
- (g) certain events of bankruptcy affecting the Issuer or any of its Restricted Subsidiaries that are Significant Subsidiaries, including the declaration of their *concurso mercantil* or *quiebra*; or
- (h) any Senior Note Guarantee with respect to such Series of Senior Notes ceases to be in full force and effect, other than in accordance with the terms of the Senior Notes Indenture, or a Guarantor denies or disaffirms its obligations under its Senior Note Guarantee with respect to such Series of Senior Notes.

If, with respect to a Series of Senior Notes, a Senior Notes Event of Default (other than a Senior Notes Event of Default specified in clause (g) above with respect to the Issuer) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding Senior Notes of such Series may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Senior Notes of such Series to be immediately due and payable by notice in writing to the Issuer and the Trustee specifying the Senior Notes Event of Default and that it is a “notice of acceleration.” If, with respect to a Series of Senior Notes, a Senior Notes Event of Default specified in clause (g) above occurs with respect to the Issuer, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Senior Notes of the applicable Series will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Senior Notes.

The Trustee shall not be deemed to have knowledge or notice of the occurrence of any default or event of default, unless a responsible trust officer of the Trustee shall have received written notice from the Issuer or a holder describing such default or event of default, and stating that such notice is a notice of default.

At any time after a declaration of acceleration with respect to a Series of Senior Notes as described in the preceding paragraph, the holders of a majority in principal amount of the Senior Notes of such Series:

- (a) if the rescission would not conflict with any judgment or decree;
- (b) if all existing Senior Notes Events of Default with respect the Senior Note sof such Series have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;
- (c) 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
- (d) if the Issuer 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. may rescind and cancel such declaration and its consequences:

No rescission will affect any subsequent Default with respect to the applicable series of Senior Notes or impair any rights relating thereto.

The holders of a majority in principal amount of the Senior Notes of the applicable Series may waive any existing Default or Senior Notes Event of Default under the Senior Notes Indenture with respect to the affected Series, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Senior Notes.

In the event of any Senior Notes Event of Default specified in clause (e) of the first paragraph above, such Senior Notes 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 of Senior Notes of the applicable Series, if within 30 days after such Senior Notes Event of Default arose the Issuer delivers an Officer’s Certificate to the Trustee stating that (x) the Indebtedness or Senior Note Guarantee that is the basis for

such Senior Note 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 Senior Notes Event of Default, or (z) the default that is the basis for such Senior Notes Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the Senior Notes of the applicable Series as described above be annulled, waived or rescinded upon the happening of any such events.

Subject to the provisions of the Senior Notes Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Senior Notes Indenture at the request, order or direction of any of the holders of any Series, unless such holders have offered to the Trustee indemnity satisfactory to the Trustee. Subject to all provisions of the Senior Notes Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding Senior 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 Senior Notes of any Series will have any right to institute any proceeding with respect to the Senior Notes Indenture or for any remedy thereunder, unless:

- (a) such holder gives to the Trustee written notice of a continuing Senior Notes Event of Default;
- (b) holders of at least 25% in principal amount of the then outstanding Senior Notes of the applicable Series make a written request to pursue the remedy;
- (c) such holders of the Senior Notes of the applicable Series provide to the Trustee indemnity satisfactory to the Trustee;
- (d) the Trustee does not comply within 60 days; and
- (e) during such 60-day period the holders of a majority in principal amount of the outstanding Senior 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 Senior Note of a Series may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Senior Note on or after the respective due dates expressed in such Senior Note.

Upon becoming aware of any Default or Senior Notes Event of Default, the Issuer is required to deliver to the Trustee written notice of events which would constitute such Defaults or Senior Notes Events of Default, their status and what action the Issuer is taking or proposes to take in respect thereof. In addition, the Issuer is required to deliver to a responsible trust officer of the Trustee, within 105 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Senior Notes Event of Default that occurred during the previous fiscal year. The Senior Notes Indenture provides that if a Default or Senior Notes Event of Default occurs, is continuing and is known to a responsible trust officer of the Trustee (within the meaning of the Senior Notes Indenture), the Trustee must mail to each holder of the affected Series notice of the Default or Senior Notes Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Senior Notes Event of Default in the payment of principal of, premium, if any, or interest on any Senior Note of the applicable Series, the Trustee may withhold notice if and so long as its responsible trust officer in good faith determines that withholding notice is in the interests of the holders of the affected Series.

“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 (as defined below).

“Significant Subsidiary” means a Subsidiary of the Issuer constituting a “Significant Subsidiary” of the Issuer in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have its obligations with respect to any outstanding Series of Senior Notes discharged (“**Legal Defeasance**”). Such Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Series of Senior Notes after the deposit specified in clause (a) of the second following paragraph, except for:

- (a) the rights of holders to receive payments in respect of the principal of, premium, if any, and interest on such Series of Senior Notes when such payments are due;
- (b) the Issuer’s obligations with respect to such Series of Senior Notes concerning issuing temporary Senior Notes, registration of Senior Notes, mutilated, destroyed, lost or stolen Senior Notes and the maintenance of an office or agency for payments;
- (c) the rights, powers, trust, duties and immunities of the Trustee and the Issuer’s obligations in connection therewith; and
- (d) the Legal Defeasance provisions of such Series of Senior Notes in the Senior Notes Indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations released with respect to certain covenants (including, without limitation, obligations to redeem any Series of Senior Notes upon a Change of Control Triggering Event, the obligations described under “—Certain Covenants Applicable to Senior Notes” and the cross-acceleration provisions and judgment default provisions described under “—Senior Notes Events of Default”) that are described in the Senior Notes Indenture (“**Covenant Defeasance**”) and thereafter any omission to comply with such obligations will not constitute a Default or Senior Notes Event of Default with respect to such Series of Senior Notes. In the event Covenant Defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, reorganization and insolvency events) described under “—Senior Notes Events of Default” will no longer constitute a Senior Notes Event of Default with respect to such Series of Senior Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer must irrevocably deposit with the Trustee, or a paying agent in trust for the benefit of the holders, cash in the Specified Currency of Series of Senior Notes, government obligations denominated in the Specified Currency, 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 such Series of Senior Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;
- (b) in the case of Legal Defeasance, the Issuer 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 Issuer to the effect that:
 - a. the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling; or
 - b. since the Original 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;

- (c) in the case of Covenant Defeasance, the Issuer 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;
- (d) in the case of Legal Defeasance or Covenant Defeasance, the Issuer 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 Issuer 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;
- (e) no Default or Senior Notes Event of Default shall have occurred and be continuing with respect to such Series of Senior Notes on the date of the deposit pursuant to clause (a) of this paragraph (except any Default or Senior Notes Event of Default resulting from the failure to comply with “—Certain Covenants Applicable to Senior Notes—Limitation on Incurrence of Additional Indebtedness” as a result of the borrowing of the funds required to effect such deposit);
- (f) the Trustee has received an Officer’s Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under such Series of Senior Notes or any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;
- (g) the Issuer has delivered to the Trustee an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders over any other creditors of the Issuer or any Subsidiary of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others;
- (h) the Issuer has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel from counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Issuer, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and
- (i) the Issuer has delivered to the Trustee an Opinion of Counsel from counsel reasonably acceptable to the Trustee and independent of the Issuer 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.

“**Officer**” means, when used in connection with any action to be taken by the Issuer, 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 Issuer.

“**Officer’s Certificate**” means, when used in connection with any action to be taken by the Issuer, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Issuer and delivered to the Trustee.

“Opinion of Counsel” means a written opinion of counsel, who may be an employee of or counsel for the Issuer (except as otherwise provided in the Indenture) and which opinion shall be reasonably acceptable to the Trustee.

Modification of the Senior Notes Indenture; Waiver of Covenants

From time to time, the Issuer and the Trustee, without the consent of the holders of Senior Notes of a Series, may amend the Senior Notes Indenture or the Senior Notes of such Series for certain specified purposes, including curing ambiguities, omissions, defects or inconsistencies, to provide for uncertificated Senior Notes of such Series in addition to or in place of certificated Senior Notes of such Series; to provide for the assumption of the Issuer’s obligations to holders of Senior Notes of such Series in the case of a merger or consolidation or sale of all or substantially all of the Issuer’s assets, as applicable; to make any change that would provide any additional rights or benefits to the holders of such Series or that does not adversely affect the legal rights under the Senior Notes Indenture of any such holder; to comply with applicable requirements of the Commission; to conform the text of the Senior Notes Indenture or the Senior Notes of such Series 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 Senior Notes Indenture or the Senior Notes of such Series; to comply with the requirements of any applicable securities depositary; to provide for a successor Trustee in accordance with the terms of the Senior Notes Indenture; to otherwise comply with any requirement of the Senior Notes Indenture; to issue Additional Notes; and to 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 (whether with or without the consent of holders as required under the Senior Notes Indenture), the Trustee will be entitled to conclusively rely upon (in addition to whatever documents are required by the Indenture) an Opinion of Counsel and Officer’s Certificate each stating that all conditions precedent to such amendment or modification of the Senior Notes Indenture have been satisfied and that such amendment or modification is authorized or permitted by the terms of the Senior Notes Indenture, and shall have no liability whatsoever in reliance upon the foregoing.

Other modifications and amendments of the Senior Notes Indenture or the Senior Notes of such Series may be made with the consent of the holders of a majority in principal amount of the then outstanding Senior Notes of such Series issued under the Senior Notes Indenture; *provided* that any modification or amendment of the Senior Notes Indenture of the Senior Notes of such Series (i) to amend, change or modify in any material respect any obligation of the Issuer to make and consummate a Change of Control Triggering Event Offer in respect of a Change of Control Triggering Event that has occurred or to make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated or (ii) eliminate or modify in any manner a Guarantor’s obligation with respect to its Senior Note Guarantee which adversely affects the holders of the Senior Notes of such Series in any material respect, except as contemplated in the Senior Notes Indenture of such Series, will require in each case the consent of holders of at least sixty-six and two-thirds percent (66 2/3%) in principal amount of the then outstanding Senior Notes of such Series issued under the Senior Notes Indenture; *provided, further*, that, without the consent of each holder affected thereby, no amendment may (with respect to any Senior Notes of the applicable Series held by a non-consenting holder):

- (a) reduce the percentage in principal amount of outstanding Senior Notes of such Series that is required for the consent of the holders in order to modify or amend the Senior Notes Indenture or to waive compliance with some provisions of the Senior Notes Indenture or to waive defaults;
- (b) reduce the rate of or change or have the effect of changing the time for payment of interest, including applicable Amount in Arrears (as defined in the Senior Notes Indenture), on any notes of such Series or change in any adverse respect the obligation of the Issuer to pay Additional Amounts in respect of such Series of notes;
- (c) reduce the principal of or change or have the effect of changing the maturity date of any Senior Notes of such Series, or change the date on which any Senior Notes of such Series may be subject to redemption, or reduce the redemption price therefor;
- (d) change the currency of payment of principal or interest on any Senior Note of such Series;

- (e) modify any other payment provision of any Senior Note of such Series;
- (f) make any change in the provisions of the Senior Notes Indenture entitling each holder of such Series of notes to receive payment of principal of and interest on such notes of such Series 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 outstanding Senior Notes of such Series to waive certain events of default under the Senior Notes Indenture;
- (g) make any change in the provisions of the Senior Notes Indenture described under “—Additional Amounts” that adversely affects the rights of any holder of Senior Notes or amend the terms of the Senior Notes of such Series in a way that would result in a loss of exemption from Taxes; or
- (h) change the ranking of the Senior Notes of such Series in a manner that adversely affects the rights of the holders of the Senior Notes of such Series.

Certain Terms and Conditions Applicable to Subordinated Notes

Unless otherwise stated in the applicable Pricing Supplement, the following terms will apply to each Series of Subordinated Notes.

Ranking

Unless otherwise stated in the applicable Pricing Supplement, the Subordinated Notes Indenture will provide that any Series of Subordinated Notes will rank (i) junior to all of our existing and future Senior Indebtedness (as defined below), (ii) *pari passu* among themselves and with all other future Subordinated Indebtedness (as defined below), and (iii) senior to all existing and future classes of our Share Capital (as defined below). The Subordinated Notes will be effectively subordinated to all existing and future liabilities of our subsidiaries.

The Subordinated Notes do not restrict our ability or the ability of our subsidiaries to incur additional indebtedness in the future.

Upon any distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *concurso mercantil*, *quiebra* or similar proceedings, (1) all principal, premium, if any, and interest due or to become due on all Senior Indebtedness and all other indebtedness preferred by statute must be paid in full before the holders of Subordinated Indebtedness (including the Subordinated Notes) are entitled to receive or retain any payment in respect thereof, and (2) the holders of Subordinated Indebtedness (including the Subordinated Notes) will be entitled to receive *pari passu* among themselves any payment in respect thereof. In any such event, the Subordinated Notes and any other Subordinated Indebtedness will be senior to all classes of our Share Capital.

Unless otherwise stated in the applicable Pricing Supplement, the Subordinated Notes Indenture will provide that:

- (a) The term “**Senior Indebtedness**” will mean all indebtedness for borrowed money, whether or not evidenced by notes, debentures or other written instruments, and whether outstanding on the date of execution of the Subordinated Notes Indenture or thereafter created, assumed or incurred, unless the terms thereof specifically provide that it is not superior in right of payment to Subordinated Indebtedness (including the Subordinated Notes);
- (b) The term “**Subordinated Indebtedness**” will mean all indebtedness for borrowed money, whether or not evidenced by notes, debentures or other written instruments, and whether outstanding on the date of execution of the Subordinated Notes Indenture or thereafter created, assumed or incurred, the terms of which specifically provide that it is junior in right of payment to Senior Indebtedness, but is senior in right of payment to all classes of Share Capital; and

- (c) The term “**Share Capital**” will mean our common shares and any other future class of equity securities.

Holders Acknowledgement of Subordination of Notes

Each holder of Subordinated Notes (for itself and on behalf of the beneficial owners thereof), by purchasing any Series of Subordinated Notes will be deemed to have agreed with us for the benefit of all of our present and future creditors, to subordinate the right of such holder of Subordinated Notes to collect any amount of principal, premium, if any, and interest due or to become due in respect of the Subordinated Notes of a Series as described in “Certain Terms and Conditions Applicable to Subordinated Notes—Ranking” above. We, for the benefit of all of our present and future creditors, accept this undertaking of the holders of the Series of Subordinated Notes.

Each holder of Subordinated Notes agrees, to the greatest extent permissible under applicable law, that (i) the Trustee will be the only party entitled to receive and distribute amounts paid in respect of the Subordinated Notes in the event of any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *concurso mercantil*, *quiebra* or similar proceedings and (ii) in the event that, in connection with such proceedings, notwithstanding the subordination provisions agreed by the holder of the Subordinated Notes, any amount is allocated for payment to the holders of the Subordinated Notes prior to the payment of all of our Senior Indebtedness, any such amount received by the Trustee will be required to be distributed by the Trustee, on behalf of the holders of the Subordinated Notes, to the creditors of any of our unsatisfied Senior Indebtedness. In furtherance of this agreement, the Subordinated Notes Indenture will provide that the Trustee will have the exclusive right, to the greatest extent permissible under applicable law, to file in any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *concurso mercantil*, *quiebra* or similar proceedings of the Issuer for the recognition of the claims of all holders of Subordinated Notes. Each holder of Subordinated Notes of each Series irrevocably instructs the Trustee to file, on behalf of such holder, a claim for recognition of the claims of all of the Subordinated Notes of such Series in such event. The Subordinated Notes Indenture will provide that each holder of Subordinated Notes irrevocably instructs the Trustee to abstain from voting during the course of any such bankruptcy, insolvency, *concurso mercantil*, *quiebra* or similar proceeding as described above of the Issuer in any matter submitted for approval by our general unsecured creditors in such proceedings.

By purchasing the Subordinated Notes each holder of Subordinated Notes will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the Subordinated Notes (or between our obligations regarding the Subordinated Notes and any liability owed by a holder or the Trustee to us) that such holder might otherwise have against us. To the extent permitted by applicable law, if a payment or distribution is made to holders of Subordinated Notes that, due to the subordination provisions, should not have been made to them, such holders of such Series of Subordinated Notes are required to hold such payment or distribution in trust for the holders of Senior Indebtedness and pay such amounts over to them as their interests may appear.

Treatment of Interest During a Suspension Period

Option to Defer Interest Payments

We may, in our sole discretion, defer payment of interest that would otherwise be payable on each Series of Subordinated Notes, in whole or in part. Interest may be so deferred by giving written notice of our decision to do so to the Trustee and holders of the Series of Subordinated Notes as set forth under “Notices,” not less than seven nor more than 14 Business Days before the applicable Interest Payment Date.

If we elect not to make any payment of interest on the applicable Interest Payment Date of a Series of Subordinated Notes, then we will have no obligation to do so, and our failure to pay interest will not be a Subordinated Notes Event of Default or any other breach of our obligations under the Subordinated Notes of such Series.

Interest payments deferred at our option as described above are referred to as “**deferred interest**.” Any and all deferred interest will bear interest as if it constituted principal of the Subordinated Notes of such Series at a rate

which corresponds to the interest rate applicable to the Subordinated Notes of such Series (such further interest together with the deferred interest, being “**arrears of interest**”).

Interest on deferred amounts will accrue from the applicable deferred date, and arrears of interest will be compounded on applicable, subsequent Interest Payment Dates, semi-annually, at the rate of interest on the Subordinated Notes of such Series.

Payment of Deferred Interest

We may, in our sole discretion, elect to pay deferred interest payable on each Series of Subordinated Notes at any time, together with any and all related arrears of interest, with respect to the Subordinated Notes of such Series. If we elect to do so, our election must be to pay all outstanding deferred interest and related arrears of interest with respect to the Subordinated Notes of such Series, and we will give not less than seven nor more than 14 Business Days’ notice thereof to the Trustee and the holders of the Subordinated Notes of such Series as set forth under “Notices.” On the relevant payment date specified by us in any such notice, all outstanding deferred interest and related arrears of interest with respect to the Subordinated Notes of such Series will become due and payable. Such notice will also specify the record date for determining the registered holders to which such amounts will be paid.

In addition, we will pay any deferred interest and all related arrears of interest in respect of the Subordinated Notes of such Series, in whole but not in part, on the first occurring Mandatory Payment Date following the Interest Payment Date on which such deferred interest first arose.

“**Mandatory Payment Date**” means the earlier of:

- (a) the 5th business day following the occurrence of a Compulsory Arrears of Interest Settlement Event;
- (b) the date on which the Subordinated Notes of such Series are redeemed in whole or repaid in full in accordance with the terms of the Subordinated Notes Indenture;
- (c) an Interest Payment Date in respect of which we have not elected to defer payment of the relevant scheduled interest payment with respect to the Subordinated Notes of such Series;
- (d) in case of the filing of a voluntary petition for the commencement of, or the entry of an order approving involuntary proceedings against us that would constitute a Liquidation Event of Default; or
- (e) the adoption, by resolution of our shareholders of a plan relating to the liquidation or dissolution of the Issuer; *provided, however*, that this clause will not be applicable to a Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Issuer or another Subsidiary of the Issuer or the Issuer merging with an affiliate of the Issuer solely for the purpose of reincorporating the Issuer in another jurisdiction.

A “**Compulsory Arrears of Interest Settlement Event**” shall have occurred if:

- (a) a dividend, other distribution or payment of any nature was declared, paid or made in respect of any of our Share Capital or Parity Security (as defined below); or
- (b) we, or any of our Subsidiaries, have repurchased, redeemed or otherwise acquired any of our Share Capital or Parity Security;

except, in each case, (x) where we are, or any of our Subsidiaries is, obligated under the terms of such securities to make such declaration, distribution, payment, redemption, repurchase or acquisition, or (y) any purchase of Share Capital undertaken in connection with any employee stock option plan or other employee participation plan, or (z)

where such redemption, repurchase or acquisition is effected as a cash tender offer or exchange offer to all holders thereof at a purchase price per security which is below its par value.

“Parity Securities” means, at any time, any Subordinated Indebtedness (including any of the Subordinated Notes of such Series). The term Parity Security shall apply *mutatis mutandis* to any securities issued by one of our Subsidiaries to the extent that such securities are guaranteed by us or we otherwise assume liability for them and such guarantee or assumption of liability ranks *pari passu* with our obligations under Subordinated Indebtedness.

“Voting Stock” means, with respect to any person, 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.

Certain Covenants Applicable to Subordinated Notes

Unless otherwise specified in the applicable Pricing Supplement under “Additional Covenants,” holders of Subordinated Notes will benefit from limited covenants contained in the Subordinated Notes Indenture including only covenants to pay the redemption price, interest, deferred interest, additional amounts and arrears of interest if and when the same become due and payable (subject to deferral) as well as the reporting requirements and merger, consolidation or sale of assets covenants below. Otherwise, there are no covenants restricting the ability of the Issuer or our subsidiaries to make payments, incur indebtedness, dispose of assets, issue and sell capital stock, enter into transactions with affiliates or engage in business other than our present business or any other positive or negative covenants. In addition, no negative pledge will apply to the Subordinated Notes.

Our failure to comply with the following provisions will not constitute a Subordinated Notes Event of Default under the Subordinated Notes Indenture.

The following restrictions will apply separately to each Series of Subordinated Notes:

Reporting Requirements

So long as any Series of Subordinated Notes are outstanding, the Issuer will furnish to the Trustee:

- (a) Within 120 days following the end of each of the Issuer’s fiscal years, 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” sections 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 Issuer after the Original Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Issuer 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 under the Securities Act, together with an audit report thereon by the Issuer’s independent auditors;
- (b) Within 60 days following the end of each of the first three fiscal quarters in each of the Issuer’s fiscal years (beginning with the fiscal quarter ended March 31, 2020), 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 Issuer on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period 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 under the Securities Act, together with a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section for such quarterly period and condensed footnote disclosure (in each case, presented in the English language); and

- (c) Upon becoming aware of any Default or Subordinated Notes Event of Default, written notice of the event which would constitute a Default or a Subordinated Notes Event of Default, its status and what action the Issuer is taking or proposes to take in respect thereof. In addition, the Issuer is required to deliver to a responsible trust officer of the Trustee, within 105 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Subordinated Notes Event of Default that occurred during the previous fiscal year. If a Default or Subordinated Notes Event of Default occurs, is continuing and is actually known to a responsible trust officer of the Trustee, the Trustee must mail to each holder notice of the Default or Subordinated Notes Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Subordinated Notes Event of Default in the payment of principal of, premium, if any, or interest on any Subordinated Note of the applicable Series, a responsible trust officer of the Trustee may withhold notice if and so long as it in good faith determines that withholding notice is in the interests of the holders.

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the Commission. In addition, the Issuer shall furnish to the holders of the Subordinated Notes of such Series 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 Subordinated Notes of such Series 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 Subordinated Notes of such Series are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF 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 relevant 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 Issuer's compliance with any of the their respective covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

Merger, Consolidation and Sale of Assets

Unless the following conditions are met, we may not consolidate with or merge into any other person or, directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of our assets and properties and may not permit any person to consolidate with or merge into us:

- (a) if we are not the successor person in the transaction, the successor is organized and validly existing under the laws of Mexico or the United States or any political subdivision thereof and expressly assumes by supplemental indenture our obligations (including the obligation to pay additional amounts) under the Subordinated Notes of such Series or the Subordinated Notes Indenture;
- (b) immediately after the transaction, no default under the Subordinated Notes of such Series has occurred and is continuing. For this purpose, "default under the Subordinated Notes" means a Subordinated Notes Event of Default or an event that would be a Subordinated Notes Event of Default with respect to the Subordinated Notes if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded; and
- (c) we have delivered to the Trustee an Officer's Certificate and opinion of counsel, each stating, among other things, that all conditions precedent to such merger, consolidation, transfer, conveyance, sale, lease or disposal have been satisfied and that such merger, consolidation, transfer, conveyance, sale, lease or disposal complies with the Subordinated Notes Indenture.

If the conditions described above are satisfied, we will not have to obtain the approval of the holders of Subordinated Notes of such Series in order to merge or consolidate or to sell or otherwise dispose of our properties

and assets substantially as an entirety. In addition, these conditions will apply only if we wish to merge into or consolidate with another person or sell or otherwise dispose of all or substantially all of our assets and properties. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another person, any transaction that involves a change of control of our company, but in which we do not merge or consolidate, and any transaction in which we sell or otherwise dispose of less than substantially all our assets.

Subordinated Notes Events of Default

Unless otherwise specified in the applicable Pricing Supplement under “Additional Events of Default,” an event of default with respect to a Series of Subordinated Notes (each, a “**Subordinated Notes Event of Default**” and, together with each Senior Notes Event of Default, an “**Event of Default**”) will be defined in the applicable Subordinated Notes Indenture as:

- (a) Issuer fails to pay interest on any Subordinated Notes of the applicable Series within 30 days after its applicable due date; *provided* that the due date of any deferred interest payments shall be the first relevant Mandatory Payment Date following the relevant Interest Payment Date on which such deferred interest first arose;
- (b) Issuer fails to pay the principal or premium, if any, on any Subordinated Notes of the applicable Series when due; or
- (c) certain events involving the Issuer’s liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *concurso mercantil*, *quiebra* or similar proceedings in connection with our insolvency or bankruptcy.

The payment of the principal of Subordinated Notes of any Series will be accelerated only upon the occurrence of a Subordinated Notes Event of Default described in the paragraph (c) above, referred to as a “**Liquidation Event of Default**.” Upon the occurrence of a Liquidation Event of Default, the entire principal amount of all Subordinated Notes of the applicable Series and any accrued interest and any Additional Amounts and arrears of interest will be automatically accelerated, without any action by the Trustee or any holder and any principal, interest or additional amounts will become immediately due and payable. There is no right of acceleration of the payment of principal of the Subordinated Notes of any Series upon the occurrence of any of the other Subordinated Notes Events of Default noted above. If a Subordinated Notes Event of Default occurs under the Subordinated Notes Indenture with respect to any Series and is continuing, the Trustee may or, at the written request of holders of not less than 25% in principal amount of the Subordinated Notes of such Series and subject to the following paragraph, shall pursue any available remedy (excluding acceleration, except as provided above) under the Subordinated Notes Indenture to collect the payment of due and unpaid principal of and interest on the Subordinated Notes of such Series, or enforce the performance of any provision of the Subordinated Notes of such Series or the Subordinated Notes Indenture.

If any Subordinated Notes Event of Default occurs, the Trustee will be obligated to use the same degree of care and skill that a prudent person would use under the circumstances in conducting his or her own affairs in the exercise of its rights and powers under the Subordinated Notes Indenture.

The Trustee is not required to take any action under the Subordinated Notes Indenture at the request of any holders unless the holders of the applicable Series offer the Trustee protection, known as an indemnity, from expenses and liability. If the Trustee receives an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the Subordinated Notes of the applicable Series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the Trustee. These majority holders of a Series of Subordinated Notes may also direct the Trustee in performing any other action under the Subordinated Notes Indenture with respect to the Subordinated Notes of such Series. No provision of the Indenture will require the Trustee to expend, advance or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or exercise of its powers.

The Trustee will have exclusive right, to the greatest extent permissible under applicable law, to file in any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *concurso mercantil*, *quiebra* or similar proceedings of the Issuer for the recognition of the claims of all holders of Subordinated Notes of any Series, and you will not be permitted to bring your own lawsuit or other formal legal action under any of these circumstances. In any other circumstance, before you bypass the Trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Subordinated Notes of each Series, the following must occur:

- you must give a responsible trust officer of the Trustee written notice that a Subordinated Notes Event of Default has occurred and the Subordinated Notes Event of Default has not been cured or waived;
- the holders of not less than 25% in principal amount of the Subordinated Notes of the applicable Series must make a written request that the Trustee take action with respect to the Subordinated Notes of such Series because of the default and they or other holders must offer to the Trustee indemnity reasonably satisfactory to the Trustee against the cost and other liabilities of taking that action;
- the Trustee must not have taken action for 60 days after the above steps have been taken; and
- during those 60 days, the holders of a majority in principal amount of the Subordinated Notes of the applicable Series must not have given the Trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of the Subordinated Notes of the applicable Series;

provided that the Subordinated Notes Indenture will provide that such rights of holders and responsibilities of the Trustee are limited as described under “Certain Terms and Conditions Applicable to Subordinated Notes—Holders Acknowledgement of Subordination of Notes.”

Book-entry and other indirect holders of Subordinated Notes of any Series should consult their banks or brokers for information on how to give notice or direction to or make a request of the Trustee and how to declare or cancel an acceleration of the principal, premium, if any, or interest on the Subordinated Notes.

Waiver of Default

The holders of not less than a majority in principal amount of the Subordinated Notes of the applicable Series may waive a past default for all the Subordinated Notes of the affected Series (after complying with the related requirements under the Subordinated Notes Indenture). If this happens, the default will be treated as if it had been cured. No one can waive a payment default on any Subordinated Notes of any Series, however, without the approval of the particular holder of the affected Subordinated Note.

Modification of a Subordinated Notes Indenture; Waiver of Covenants

There are three types of changes we can make to the Subordinated Notes Indenture and any Series of Subordinated Notes under the Subordinated Notes Indenture. In entering into any such amendment or modification of the Subordinated Notes Indenture (whether with or without the consent of holders as required under the Subordinated Notes Indenture), the Trustee will be entitled to conclusively rely upon (in addition to whatever documentation is required by the Indenture) an Opinion of Counsel and Officer’s Certificate each stating that all conditions precedent all conditions precedent to such amendment or modification is authorized or permitted by the terms of the Subordinated Notes Indenture, and shall have no liability whatsoever in reliance upon the foregoing.

Changes Requiring Each Holder’s Approval

The following changes cannot be made without the written approval of each holder of the Subordinated Notes of a Series affected by the change:

- a reduction in the principal amount, the interest rate or the applicable redemption price for a Series of Subordinated Notes;
- a change in the obligation to pay Additional Amounts;
- a change in the currency of any payment on a Subordinated Note other than as permitted by the Subordinated Note;
- a change in the place or date of any payment on a Subordinated Note;
- an impairment of the holder's right to sue for payment of any amount due on its Subordinated Note;
- a reduction in the percentage in principal amount of the Subordinated Notes needed to change the Subordinated Notes Indenture or the Subordinated Notes under the Subordinated Notes Indenture; and
- a reduction in the percentage in principal amount of the Subordinated Notes needed to waive our compliance with the Subordinated Notes Indenture or to waive defaults.

Changes Not Requiring Approval

Some changes will not require the approval of holders of the Subordinated Notes of a Series affected by the change. These changes are limited to specific kinds of changes, including, but not limited to, curing any ambiguity, omission, defect or inconsistency, providing for successor entities in compliance with the Subordinated Notes Indenture, issuance of additional securities and changes as determined by us that would not adversely affect the holders of Subordinated Notes under the Subordinated Notes Indenture in any material respect.

Changes Requiring Majority Approval

Any other change to the Subordinated Notes Indenture or any Series of Subordinated Notes will be required to be approved by the holders of a majority in principal amount of the Series of Subordinated Notes affected by the change or waiver. The required approval must be given by written consent. The same majority approval will be required for us to obtain a waiver of any of our covenants in the Subordinated Notes Indenture. Our covenants include the promises we make about merging and delivering reports which we describe under “—Certain Covenants Applicable to Subordinated Notes—Merger, Consolidation and Sale of Assets” and “—Certain Covenants Applicable to Subordinated Notes—Reporting Requirements.” If the holders approve a waiver of a covenant, we will not have to comply with it. The holders, however, cannot approve a waiver of any provision in a particular Series of Subordinated Notes or the Subordinated Notes Indenture, as it affects Subordinated Notes of such Series, that we cannot change without the approval of the holder of that Subordinated Notes of such Series as described under “—Changes Requiring Each Holder's Approval,” unless that holder approves the waiver. Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Subordinated Notes Indenture or any Series of Subordinated Notes or request a waiver.

Special Rules for Actions by Holders

When holders of any Subordinated Notes take any action under the Subordinated Notes Indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the Trustee a written instruction, we will apply the following rules.

Only Outstanding Series of Subordinated Notes are Eligible for Action by Holders

Only holders of Subordinated Notes of an outstanding Series will be eligible to vote or participate in any action by holders. In addition, we will count only outstanding Subordinated Notes of such Series in determining whether the various percentage requirements for voting or taking action have been met. For these purposes, a Subordinated Note will not be “outstanding” if it has been surrendered for cancellation, if we have deposited or set

aside, in trust for its holder, money for its payment or redemption or if such Subordinated Note is owned by the Issuer or an affiliate of the Issuer.

Determining Record Dates for Action by Holders

We will generally be entitled to set any day as a record date for the purpose of determining the holders of a Series of Subordinated Notes that are entitled to take action under the Subordinated Notes Indenture. In some limited circumstances, only the Trustee will be entitled to set a record date for action by holders. If we or the Trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the Trustee specifies if it sets the record date. We or the Trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global Subordinated Notes may be set in accordance with procedures established by the depositary from time to time.

Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes

Redemption; Repurchases at the Issuer's Option

In addition to specifying whether the applicable Series of notes may be redeemed as set forth under “—Redemption of Notes Prior to Maturity Solely for Withholding Tax Event” below, in the case of Senior Notes, “—Optional Redemption of Senior Notes with a Make-Whole Premium” and “—Optional Redemption of Senior Notes Upon Equity Sales” and, in the case of Subordinated Notes, “—Optional Redemption of Subordinated Notes Upon a Rating Methodology Event,” “—Optional Redemption of Subordinated Notes Upon a Tax Deductibility Event,” “—Optional Redemption of Subordinated Notes Upon a Substantial Repurchase Event,” “—Optional Redemption of Subordinated Notes following an Accounting Event” and “—Redemption of Subordinated Notes upon a Change of Control that Results in a Ratings Decline” below, each applicable Pricing Supplement will indicate either:

- that the notes of any Series will not be subject to redemption at our option, prior to the Maturity Date of such Series of notes; or
- that the notes of such Series will be redeemable prior to the Maturity Date at our option on a date(s) specified prior to the Maturity Date and at a price(s) and on other terms as are specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the redemption date for any Floating Rate Note will be an Interest Payment Date, and the Issuer shall calculate the redemption price of such Floating Rate Notes.

Notice of redemption to holders of notes in respect of a redemption at the Issuer's option shall be provided as described under “Notices” at least 10 and not more than 60 calendar days prior to the proposed redemption date with notice to the Trustee of any such redemption no later than at least five (5) Business Days prior to when notice is due to Holders. Any redemption at the option of the Issuer and notice thereof may be subject to the satisfaction of a financing or change of control condition precedent, in the sole discretion of the Issuer. If any such condition precedent has not been satisfied, the Issuer shall provide written notice to the holders prior to the close of business two Business Days prior to the proposed redemption date. Upon receipt of such notice, the notice of redemption shall be rescinded or delayed, and the redemption of the notes shall be rescinded or delayed as provided in such notice. The Issuer shall deliver to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that all conditions precedent provided for or relating to any Redemption under either the Senior Notes Indenture or the Subordinated Notes Indenture has been complied with.

Notwithstanding anything to the contrary in the Senior Notes Indenture, unless otherwise specified in the applicable Pricing Supplement, we and our Subsidiaries may at any time purchase notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise at any price.

Redemption of Notes Prior to Maturity Solely for Withholding Tax Event

If the applicable Pricing Supplement provides that “Tax Redemption” is applicable, the Issuer may, at its election, subject to applicable law, redeem a Series of notes, in whole (up to the then-outstanding principal amount) but not in part, at any time prior to the Maturity Date (the “**Tax Redemption Date**”), upon giving not less than 60 nor more than 90 days’ notice to the holders of the notes of such Series, at 100% of their par value, plus accrued and unpaid interest and any Additional Amounts due thereon up to but not including the Tax Redemption Date, upon the occurrence of a Withholding Tax Event (as defined below) affecting the notes of such Series (a “**Withholding Tax Redemption**”); *provided, however*, that (1) no notice of Withholding Tax Redemption 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.

For the purposes of the foregoing, the term “**Withholding Tax Event**” is defined in the relevant Indenture to mean 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 the 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 Original Issue Date 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 Applicable to Senior Notes —Limitation on Merger, Consolidation and Sale of Assets,” shall be treated for this purpose as the date of such transaction) (a “**Change in Tax Law**”), 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 interest or amounts deemed interest payments under the applicable Series of notes (see “—Additional Amounts” and “Taxation—Certain Mexican Income Tax Consequences” in this Offering Memorandum).

Prior to giving any notice of a “Tax 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 Withholding Tax 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 (in addition to Additional Amounts attributable to a 4.9% withholding tax on interest or amounts deemed interest payments under the applicable Series of notes) as a result of such change or amendment.

Notice of Withholding Tax Redemption pursuant to the provision of the Indenture described herein, after it is delivered by us to the holders, will be irrevocable.

Optional Redemption of Senior Notes with a Make-Whole Premium

Unless otherwise specified in the applicable Pricing Supplement, if the applicable Pricing Supplement provides that “Make-Whole Redemption” is applicable, the Issuer may, at any time at its option, redeem the relevant Series of Senior Notes, in whole but not in part, at a make-whole redemption price (the “**Make-Whole Redemption Price**”) that includes a Make-Whole Premium (as defined below), which will be calculated by the person specified in the Pricing Supplement. Such Pricing Supplement shall also indicate the relevant date upon which such notes will be so redeemed (each such date, a “**Make-Whole Redemption Date**”).

The following shall apply to such Series of Senior Notes that provide that “Make-Whole Redemption” is applicable; *provided, however*, that a Series of Senior Notes denominated in currencies other than U.S. dollars may be subject to different restrictions on redemption as set forth in the applicable Pricing Supplement relating to any such Series of Senior Notes:

“The relevant Series of Senior Notes will be redeemable by the Issuer prior to the Maturity Date of such Series, at any time in whole and from time to time in part, on the Make-Whole Redemption Date at a Make-Whole Redemption Price equal to the greater of (i) 100% of the principal amount thereof and (ii) the sum of the present values of the Remaining Scheduled Payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to (but excluding) the applicable Make-Whole Redemption Date) discounted to that Make-Whole Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Make-Whole Treasury Rate plus a spread to be indicated in the applicable Pricing Supplement (the “**Make-Whole Premium**”); plus, in the case of both clause (i) and clause (ii) above, accrued and unpaid interest to (but excluding) the Make-Whole Redemption Date, and Additional Amounts, if any.”

Notwithstanding the foregoing, installments of interest on the Senior Notes to be redeemed that are due and payable on or prior to a Make-Whole Redemption Date will be payable to the holders of those notes registered as such at the close of business on the relevant Regular Record Dates according to the terms and provisions of the applicable Indenture.

In connection with such optional redemption with a Make-Whole Premium, the following defined terms apply:

“**Comparable Treasury Issue**” means, with respect to a Series of Senior Notes, the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Senior Notes of such Series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Senior Notes of such Series.

“**Comparable Treasury Price**” means, with respect to any Make-Whole Redemption Date, (A) the average of the Reference Treasury Dealer Quotations for that Make-Whole Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Senior Notes of a relevant Series obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“**Independent Investment Banker**” means one of the Reference Treasury Dealers appointed by the Issuer to act as the “Independent Investment Banker.”

“**Make-Whole Treasury Rate**” means, with respect to any Make-Whole Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third Business Day immediately preceding the Make-Whole Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Make-Whole Redemption Date.

“**Reference Treasury Dealer**” means each of four nationally recognized investment banking firms that are primary U.S. Government securities dealer in the United States of America specified from time to time by the Issuer.

“**Reference Treasury Dealer Quotation**” means, with respect to each Reference Treasury Dealer and any Make-Whole Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that Make-Whole Redemption Date.

“**Remaining Scheduled Payments**” means, with respect to each Senior Note of a Series to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related Make-Whole Redemption Date but for such redemption; *provided* that, if that Make-Whole Redemption Date is not an Interest Payment Date with respect to such notes, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that Make-Whole Redemption Date.

On and after any Make-Whole Redemption Date, interest will cease to accrue on the Senior Notes of the applicable Series called for redemption unless the Issuer defaults in the payment of the Make-Whole Redemption Price.

Optional Redemption of Senior Notes upon Equity Sales

If the applicable Pricing Supplement provides that “Optional Redemption upon Equity Sales” is applicable, the Issuer may, at any time 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 a Series of Senior Notes (including any Additional Notes) issued under the Senior Notes 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*:

- (a) after giving effect to any such redemption at least 65% of the aggregate principal amount of the Series of Senior Notes (including any Additional Notes) issued under the Senior Notes Indenture remains outstanding; and
- (b) the Issuer 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 relevant Original Issue Date, of Qualified Capital Stock of the Issuer or of any direct or indirect parent of the Issuer (to the extent the proceeds thereof are contributed to the common equity of the Issuer).

“**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.

Optional Redemption of Subordinated Notes at Par

If the applicable Pricing Supplement provides that “Subordinated Notes Optional Redemption” is applicable, on the first call date of such Series of Subordinated Notes as specified in the applicable Pricing Supplement, and on every fifth anniversary thereafter, the Issuer may, at its option, redeem all, but not less than all, of the Subordinated Notes of such Series at par upon giving not less than 10 and not more than 60 calendar days’ irrevocable notice of redemption to the Trustee and the holders of such Series as set forth under “Notices.”

Optional Redemption of Subordinated Notes Upon a Rating Methodology Event

If the applicable Pricing Supplement provides that “Subordinated Notes Redemption for a Rating Methodology Event” is applicable, in the event of a Rating Methodology Event with respect to a Series of Subordinated Notes, the Issuer will have the option, but not the obligation, under the relevant Subordinated Notes Indenture to redeem all, but not less than all, of the Subordinated Notes of such Series at any time at the Rating Methodology Redemption Price upon giving not less than 10 and not more than 60 calendar days’ irrevocable notice of redemption to the Trustee and the holders of such Series as set forth under “Notices.”

Prior to giving such notice to the holders, we will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee an Officer’s Certificate stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem the Subordinated Notes in accordance with the Subordinated Notes Indenture have been satisfied, and the Trustee shall be entitled to accept and conclusively rely on the above certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and the facts set out therein, in which event the same shall be conclusive and binding on holders of such Subordinated Notes.

“**Fitch**” means Fitch, Inc. and its successors and assigns.

“**Rating Methodology Event**” means that we certify 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 the Subordinated Notes than the then respective equity credit assigned on the Original Issue Date, or if equity credit is not assigned on the Original Issue Date, at the date when the equity credit is assigned for the first time.

“Rating Methodology Redemption Price” means (a) at a redemption price equal to 101% of the principal amount of the Subordinated Notes to be redeemed, if the date fixed for redemption falls prior to the first call date of the applicable Series of Subordinated Notes, as described in the applicable Terms Agreement, or (b) at a redemption price equal to 100% of the principal amount of the Subordinated Notes to be redeemed, if the date fixed for redemption falls on or after the first call date of the Subordinated Notes, plus accrued interest (including any deferred interest and arrears of interest) up to (but not including) the redemption date of the Subordinated Notes.

“S&P” means Standard & Poor’s Ratings Services and its successors and assigns.

Optional Redemption of Subordinated Notes Upon a Tax Deductibility Event

If the applicable Pricing Supplement provides that “Subordinated Notes Redemption for Tax Deductibility Event” is applicable, in the event of a Tax Deductibility Event with respect to a Series of Subordinated Notes, the Issuer will have the option, but not the obligation, under the relevant Subordinated Notes Indenture to redeem all, but not less than all, of the Subordinated Notes of such Series at any time at the Tax Deductibility Redemption Price upon giving not less than 10 and not more than 60 calendar days’ irrevocable notice of redemption to the Trustee and the holders of such Series as set forth under “Notices.”

Prior to giving such notice to the holders, we will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee:

- (a) an Officer’s Certificate stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem the Subordinated Notes in accordance with the Subordinated Notes Indenture have been satisfied; and
- (b) an opinion of an independent legal or tax adviser, appointed by us at our own expense, of recognized standing in Mexico to the effect that payments of interest by us in respect of the Subordinated Notes are no longer, or within 90 calendar days of the date of that opinion 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 as a result of a Change in Tax Law.

The Trustee shall be entitled to accept and conclusively rely on the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above and the facts set out therein in which event the same shall be conclusive and binding on the holders of the Subordinated Notes of such Series.

A **“Tax Deductibility Event”** shall be deemed to have occurred with respect to the Subordinated Notes if, as a result of a Change in Tax Law (even if such change is not yet effective), payments of interest by us in respect of the Subordinated Notes of such Series are no longer, or within 90 calendar days of the date of any opinion of counsel provided pursuant to the Subordinated Notes Indenture 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 we cannot avoid the foregoing by taking reasonable measures available to us.

A **“Tax Deductibility Redemption Price”** means (a) at a redemption price equal to 101% of the principal amount of the Subordinated Notes to be redeemed, if the date fixed for redemption falls prior to the first call date of the applicable Series of Subordinated Notes or (b) at a redemption price equal to 100% of the principal amount of the Subordinated Notes to be redeemed, if the date fixed for redemption falls on or after the first call date of the Subordinated Notes, plus accrued interest (including any deferred interest and arrears of interest) up to (but not including) the redemption date of the Subordinated Notes.

Optional Redemption of Subordinated Notes Upon a Substantial Repurchase Event

If the applicable Pricing Supplement provides that “Subordinated Notes Redemption upon a Substantial Repurchase Event” is applicable, in the event that at least 80% of the initial aggregate principal amount of a Series

of Subordinated Notes has been purchased by us or on our behalf (a “**Substantial Repurchase Event**”), the Issuer will have the option, but not the obligation, under the Subordinated Notes Indenture to redeem all, but not less than all, of the Subordinated Notes of such Series at any time at a redemption price equal to 100% of the principal amount of the Subordinated Notes to be redeemed, plus accrued interest (including any deferred interest and arrearages of interest) up to (but not including) the redemption date of the Subordinated Note, upon giving not less than 10 and not more than 60 calendar days’ irrevocable notice of redemption to the Trustee and the holders of such Series as set forth under “Notices.”

Prior to giving such notice to the holders, we will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee an Officer’s Certificate stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem the Subordinated Notes of such Series in accordance with the Subordinated Notes Indenture have been satisfied and the Trustee shall be entitled to accept and conclusively rely on the above certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and the facts set out therein, in which event the same shall be conclusive and binding on holders of the Subordinated Notes of such Series.

Optional Redemption of Subordinated Notes following an Accounting Event

If the applicable Pricing Supplement provides that “Subordinated Notes Redemption following an Accounting Event” is applicable, if an Accounting Event occurs, then the Issuer will have the option, but not the obligation, under the Subordinated Notes to redeem all, but not less than all, of the Subordinated Notes of such Series at the Accounting Event Redemption Price upon giving not less than 10 and not more than 60 calendar days’ irrevocable notice of redemption to the Trustee and the holders of such Series as set forth under “Notices.”

Prior to the giving of notice of redemption of the Series of Subordinated Notes following an Accounting Event pursuant to the Subordinated Notes Indenture, the Issuer will deliver to the Trustee:

- (a) an Officer’s Certificate to the effect that the Issuer is or at the time of the redemption will be entitled to effect such a redemption pursuant to the Subordinated Notes Indenture, and setting forth in reasonable detail the circumstances giving rise to such right of redemption; and
- (b) a copy of the Accounting Opinion (as defined below) relating to the applicable Accounting Event, and the Trustee shall be entitled to accept and rely conclusively upon the above certificate and a copy of the Accounting Opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the holders of the Subordinated Notes of such Series.

“**Accounting Event**” shall be deemed to occur if the Issuer has received an opinion of a recognized accounting firm of international standing (an “**Accounting Opinion**”) stating that, as a result of a change after the Original Issue Date in the accounting rules, methodology or official interpretations of the International Accounting Standards Board or similar governing body effective in Mexico, a Series of Subordinated Notes, in whole or in part, must not or must no longer be recorded as “equity” pursuant to GAAP as in effect in Mexico or any other accounting principles applicable to us in lieu of GAAP.

“**Accounting Event Redemption Price**” means (a) at a redemption price equal to 101% of the principal amount of the Subordinated Notes to be redeemed, if the date fixed for redemption falls prior to the first call date of the applicable Series of Subordinated Notes or (b) at a redemption price equal to 100% of the principal amount of the Subordinated Notes to be redeemed, if the date fixed for redemption falls on or after the first call date of the Subordinated Notes, plus accrued interest (including any deferred interest and arrearages of interest) up to (but not including) the redemption date of the Subordinated Notes.

Change of Control

Redemption of Senior Notes upon a Change of Control Triggering Event

If the applicable Pricing Supplement provides that “Redemption of Senior Notes upon a Change of Control Triggering Event” is applicable, upon the occurrence of a Change of Control (a “**Change of Control Triggering Event**”), each holder of Senior Notes will have the right to require that the Issuer purchase all or a portion (in minimum principal amounts of US\$100,000 and integral multiples of US\$1,000 in excess thereof) of the holder’s Senior 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 Issuer must send, by first-class mail, a notice to each holder, with a copy to the Trustee, offering to purchase the Senior Notes of such Series 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 Issuer will, to the extent lawful:

- (a) accept for payment all Senior Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Triggering Event Offer;
- (b) deposit with the relevant paying agent funds in an amount equal to the Change of Control Triggering Event Payment in respect of all Senior Notes or portions thereof so tendered; and
- (c) deliver or cause to be delivered to the Trustee the Senior Notes so accepted together with an Officer’s Certificate stating the aggregate principal amount of Senior Notes or portions thereof being purchased by the Issuer.

If only a portion of a Senior Note is purchased pursuant to a Change of Control Triggering Event Offer, a new Senior 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 Senior Note (or appropriate adjustments to the amount and beneficial interests in a global Senior Note will be made, as appropriate).

The Issuer will not be required to make a Change of Control Triggering Event Offer upon a Change of Control Triggering Event if (1) 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 Senior Notes Indenture applicable to a Change of Control Triggering Event Offer made by the Issuer and purchases all Senior 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 Senior Notes Indenture as described above under the caption “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes—Redemption; Repurchases at the Issuer’s Option—Optional Redemption with a Make-Whole Premium,” 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. Senior Notes repurchased by the Issuer pursuant to a Change of Control Triggering Event Offer will have the status of Senior Notes issued but not outstanding or will be retired and canceled, at the option of the Issuer. Senior Notes purchased by a third party pursuant to the preceding paragraph will have the status of Senior Notes issued and outstanding.

In the event that holders of not less than 95% of the aggregate principal amount of the outstanding Senior Notes of a Series accept a Change of Control Triggering Event Offer and the Issuer or a third party purchases all of the Senior Notes of such Series held by such holders, the Issuer 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 Senior Notes of such Series 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 Senior Notes of such Series 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 Issuer 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 Issuer to repurchase the Senior Notes of a Series 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 Issuer will have available funds sufficient to make the Change of Control Triggering Event Payment for all the Senior Notes of the Series that might be delivered by holders seeking to accept the Change of Control Triggering Event Offer. In the event the Issuer is required to purchase outstanding Senior Notes pursuant to a Change of Control Triggering Event Offer, the Issuer 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 Issuer would be able to obtain necessary financing.

The Issuer 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 of the applicable Series 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 provisions of the Senior Notes Indenture described under this “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes—Change of Control— Redemption of Senior Notes upon a Change of Control Triggering Event” section, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes 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 Issuer 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 Issuer to repurchase its Senior Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

“Change of Control” means the occurrence of one or more of the following events:

- (a) any Person or a Group other than the Permitted Holders (as defined below) 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 Issuer; *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 Issuer (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 Issuer 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);
- (b) the Issuer consolidates with, or merges with or into, another Person, or the Issuer sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Issuer, 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 Issuer 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 applicable Indenture; or

- (c) individuals who on the applicable Original Issue Date constituted the board of directors of the Issuer, together with any new directors whose election or whose nomination for election to the board of directors by the stockholders of the Issuer was voted upon favorably by the Permitted Holders, cease for any reason to constitute a majority of the board of directors of the Issuer then in office; or
- (d) the approval by the holders of capital stock of the Issuer of any plan or proposal for the liquidation or dissolution of the Issuer, whether or not otherwise in compliance with the provisions of the applicable Indenture.

For purposes of this definition:

- (i) “**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.
- (ii) 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.

“**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 Issuer on the Original 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.

Redemption of Subordinated Notes upon a Change of Control that Results in a Ratings Decline

If the applicable Pricing Supplement provides that “Redemption of Subordinated Notes upon a Change of Control that Results in a Ratings Decline” is applicable, if a Change of Control occurs that results in a Ratings Decline, the Issuer will have the option, but not the obligation, under the Subordinated Notes Indenture to redeem all the Subordinated Notes in whole (but not in part), at any time, at a redemption price equal to 101% of the principal amount of the Subordinated Notes to be redeemed, plus accrued interest (including any deferred interest and arrearages of interest) up to (but not including) the redemption date of the Subordinated Notes, upon giving not less than 10 and not more than 60 calendar days’ irrevocable notice of redemption to the Trustee and the holders as set forth under “Notices.”

Prior to giving such written notice to the holders, we will deliver to the Trustee an Officer’s Certificate stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem the Subordinated Notes in accordance with the Subordinated Notes Indenture have been satisfied and the Trustee shall be entitled to accept and conclusively rely on the above certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and the facts set out

therein, in which event the same shall be conclusive and binding on holders of the Subordinated Notes of such Series.

If, in the event of a Change of Control that results in a Ratings Decline, we do not redeem the Series of Subordinated Notes pursuant to the provisions described herein, we will permanently pay additional interest on the Subordinated Notes of such Series at a rate of 5.0% per annum. Unless the Issuer has redeemed the Subordinated Notes of such Series in connection with the occurrence of such event, the additional interest will become effective on the 90th day after the date on which a Change of Control occurs that results in a Ratings Decline. Accrued additional interest will be payable on the same dates and in the same manner as interest is generally paid on the Subordinated Notes of such Series.

The feature of the Subordinated Notes relating to a Change of Control that results in a Ratings Decline may in certain circumstances make more difficult or discourage a sale or takeover of the Issuer and, thus, the removal of incumbent management.

“Ratings Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the Subordinated Notes is under publicly announced consideration for possible downgrade by any Rating Agency) after the earlier of the date of public notice of a Change of Control and of the Issuer’s intention or that of any person to effect a Change of Control, the then-applicable rating of the applicable Series of Subordinated Notes is decreased or withdrawn by (i) if three Rating Agencies are making ratings of the applicable Series of Subordinated Notes publicly available, at least two of the Rating Agencies or (ii) if two or fewer Rating Agencies are making ratings of the applicable Series of Subordinated Notes publicly available, then any one of the Rating Agencies, by one or more categories; unless after such downgrade or withdrawal, the applicable Series of Subordinated Notes are assigned Investment Grade Ratings by (y) at least two Rating Agencies or (z) if only one Rating Agency assigned Investment Grade Rating to the applicable Series of Subordinated Notes prior to such public notice, by at least one Rating Agency; *provided* that, in each case, any such Rating Decline results in whole or in part from a Change of Control.

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 we will pay additional amounts on those payments to the extent described in this subsection.

The Issuer 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 the relevant 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 Issuer (or the relevant Guarantor) is organized or resident for tax purposes or from or through which payment on the notes or the Senior 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 Issuer, and, if relevant, 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 notes 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 Original 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; 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 or other reporting requirement 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 officially 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 to apply Article 166, section II, subsection a), of the Mexican Income Tax Law (or a substantially similar successor of such Article), the Issuer, or the relevant Guarantor, cannot obtain such certification, information, documentation or other evidence on its own through reasonable diligence and the Issuer 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).

In addition, such third bullet point does not require, and should not be construed as requiring, that a holder or beneficial owner register with any taxation authority in Mexico or any other Relevant Jurisdiction or certify or provide to any such taxation authority any information concerning whether the holder is or is not a non-Mexican pension or retirement fund or a non-Mexican financial institution, in either case, for the purpose of establishing eligibility for an exemption from, or a reduction of, Mexican withholding Taxes.

Upon written request, the Issuer 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 relevant paying agent upon written request.

Upon written request, the Issuer 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 relevant paying agent upon written request.

Any reference in this section, the Indentures, 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 Mexican 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 Mexican 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 Terms and Conditions Applicable to Senior Notes—Certain Covenants Applicable to Senior Notes—Limitation on Merger, Consolidation and Sale of Assets” and “—Certain Terms and Conditions Applicable to Subordinated Notes—Certain Covenants Applicable to Subordinated Notes—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 “—Other Terms and Conditions Applicable to Senior Notes and Subordinated Notes—Redemption of Notes Prior to Maturity Solely for Withholding Tax Event” 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.

“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 applicable Series of notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P or Fitch or both, as the case may be.

Form of Notes and Registration

General

We and the relevant Dealer(s) will agree on the form of notes to be issued in respect of any Series of notes. Unless otherwise specified in the applicable Pricing Supplement, all Fixed Rate Notes having the same Original Issue

Date, redemption date (if any), redemption terms (if any), Interest Payment Dates, interest rate, and stated maturity will be represented by a fully registered individual global note, and all Floating Rate Notes having the same Original Issue Date, Initial Interest Rate, interest rate basis, Index Maturity, Spread (if any), Spread Multiplier (if any), Minimum Interest Rate (if any), Maximum Interest Rate (if any), Interest Reset Period, Interest Reset Dates, redemption date (if any), redemption terms (if any), Interest Payment Dates and stated maturity will be represented by a fully registered individual global note or notes, in the case of the notes sold to or through one or more Dealers. If the aggregate principal amount of any single note exceeds US\$500,000,000, one certificate will be issued with respect to each US\$500,000,000 of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such note. Notes will be issued in the form of one or more master global notes, at our election, in the case of notes sold directly to customers by us.

We may issue notes sold outside of the United States, its territories and possessions to non-United States persons solely in registered form. Additional restrictions applicable to the Dealers are discussed in the sections entitled “Transfer Restrictions” and “Plan of Distribution—Sales Restrictions” in this Offering Memorandum.

Registered Notes

We may offer and sell the notes in the United States only, outside the United States only, or in and outside the United States simultaneously as part of a global offering. The notes will be initially represented by one or more master global notes or global notes in fully registered form without receipts, interest coupons or talons. We refer to each of these notes as a “**Global Note**.” Depending on where the notes are offered, the notes will clear through one or more of The Depository Trust Company (“**DTC**”), Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”), or any other clearance system specified in the applicable Pricing Supplement.

Notes offered and sold to qualified institutional buyers under Rule 144A under the Securities Act are referred to collectively as the “**Rule 144A Global Notes**.” Interests in the Rule 144A Global Notes will be available for purchase only by qualified institutional buyers.

Notes offered and sold in offshore transactions in reliance on Regulation S under the Securities Act to persons which are non-U.S. persons are referred to collectively as the “**Regulation S Global Notes**” and Regulation S Global Notes and Rule 144A Global Notes collectively comprise “**Global Notes**.” Regulation S Global Notes will initially be issued in the form of registered Regulation S Global Notes. On or prior to the 40th day after the completion of the distribution of the notes of such Series, any resale or transfer of beneficial interests in such Regulation S Global Note shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Notes sold in an offering made in and outside the United States simultaneously as part of a global offering may be represented:

- solely by one or more registered Global Notes deposited with DTC (each, a “**DTC Global Note**”), which we will refer to as a single global note issue; or
- by one or more DTC Global Notes for the notes sold in the United States and by a separate registered global note deposited with the common depository for, and registered in the name of a nominee of such common depository, for Euroclear, Clearstream or any other clearance system as specified in the applicable Pricing Supplement, for the notes sold outside of the United States. We refer to each of these notes as a dual global note issue.

Except as described below, owners of beneficial interests in a registered Global Note will not be entitled to have notes registered in their names, will not receive or be entitled to receive physical delivery of notes in definitive form and will not be considered the owners or holders of the notes under the applicable Indenture. Beneficial interests in a registered Global Note will be represented by, and transfers in a registered Global Note will be effected only through, book-entry accounts of financial institutions acting on behalf of the beneficial owners, as, direct or indirect participants in the relevant clearing system.

Investors in a global offering may elect to hold interests in a registered Global Note through DTC, Euroclear, Clearstream or any other clearance systems as specified in the applicable Pricing Supplement, if they are participants in those systems, or indirectly through organizations that are participants in those systems. If the notes sold in a global offering are part of a single global note issue, Clearstream, Euroclear, or any other clearance systems specified in the applicable Pricing Supplement, will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names, or in the names of any other clearance systems specified in the applicable Pricing Supplement, on the books of the common depository, which in turn will hold those interests in customers' securities accounts in the common depository's name on the books of DTC.

Ownership positions within each clearing system will be determined in accordance with the normal conventions observed by that system. According to the applicable Indenture, the Trustee will act as the relevant paying agent for the notes of such Series. We will make payments of principal, premium, if any, and interest on a registered Global Note to DTC, its nominee or a nominee of such common depository, for Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement, or to any of their successors or nominees, as the registered holder of the registered Global Note. None of us, the Dealers, the Trustee or any of our respective agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a registered Global Note or for maintaining, supervising or reviewing any records relating to these beneficial ownership interests. See "Payment of Principal, Premium and Interest" below.

When DTC receives any payment of principal, premium, if any, or interest on a DTC Global Note, we expect that DTC will credit its participants' accounts with payment in amounts proportionate to their respective beneficial interests in the principal amount of that DTC Global Note as shown on the records of DTC. Payments by the participants to owners of beneficial interests in the DTC Global Note will be the responsibility of the participants, as is now the case with securities held for the accounts of customers registered in "street name." Distributions for notes held through Euroclear, Clearstream or any other clearance system as specified in the applicable Pricing Supplement will be credited to the cash accounts of the participants of Euroclear, Clearstream, or such other clearance systems according to the relevant system's rules and procedures, and to the extent received by their respective depositories.

Exchange and Transfer of Notes

Exchanges

Unless otherwise provided in the applicable Pricing Supplement, we will exchange interests in a registered Global Note for registered notes in definitive form only if that exchange is permitted by applicable law and (i) in the case of a DTC Global Note, if:

- DTC notifies us that it is unwilling or unable to continue as depository for the DTC Global Note; or
- DTC ceases to be a clearing agency registered under the Exchange Act, if so required by applicable law or regulation,

and, in either case, a successor depository is not appointed by us within 90 days after receiving notice or becoming aware that DTC is no longer so registered; and (ii) in the case of any other registered Global Note, if:

- the clearing system(s) through which the notes are cleared and settled is closed for business for a continuous period of 14 days, other than by reason of holidays, statutory or otherwise;
- the clearing system(s) through which the notes are cleared and settled announces an intention to cease business permanently or does in fact do so;
- we, in our discretion, elect to issue registered notes in definitive form; or
- after the occurrence of an event of default relating to any registered Global Note, beneficial owners representing a majority in principal amount of the registered Global Note advise the relevant clearing system through its participants to cease acting as depository for the registered Global Note.

The registered notes in definitive form (referred to herein as “**definitive notes**”) issued in exchange for the registered Global Note will be in authorized denominations and will have similar terms and will be in an amount equal to the aggregate principal amount of the registered Global Note. These definitive notes will be registered in the name(s) of person(s) as the relevant clearing system(s) will instruct the relevant registrar. In the case of DTC Global Notes, it is expected that these instructions may be based on directions that DTC received from DTC participants regarding ownership of beneficial interests in the DTC Global Notes. Except as provided above, owners of beneficial interests in a registered Global Note will not be entitled to receive physical delivery of definitive notes and will not be considered registered holders of these notes for any purpose.

Any definitive note issued under the circumstances described in the preceding paragraph will be transferable in whole or in part in an authorized denomination upon the surrender of that note, together with the form of transfer endorsed on that note duly completed and executed, at the specified office of the relevant registrar or of any transfer agent. In the case of a transfer in part only, a new definitive note for the balance not transferred will be issued to the transferor. Each new definitive note to be issued upon transfer will, within three (3) Business Days of receipt of that form of transfer, be delivered to the transferee at the office of the relevant registrar or transfer agent or mailed at the risk of the holder entitled to the definitive note to the address specified in that form of transfer. No service charge will be made to a holder for any transfer of a definitive note, but we may require payment of a sum sufficient to cover any stamp or other tax, duty, assessment or governmental charge that may be imposed in connection therewith.

In case any definitive note shall at any time become mutilated, defaced, destroyed, lost or stolen, and such definitive note or evidence of the loss, theft or destruction thereof satisfactory to us and the relevant registrar, and such other documents or proof as may be required by us and the relevant registrar, shall be delivered to the relevant registrar, the relevant registrar shall issue a new definitive note of like tenor and principal amount having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced definitive note or in lieu of the definitive note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen definitive note, only upon receipt of evidence satisfactory to us and the relevant registrar that such definitive note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to us and the relevant registrar. Upon the issuance of any substituted definitive note, we may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new definitive note. If any definitive note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, defaced, destroyed, lost or stolen, we may, instead of issuing a substitute definitive note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced definitive note) upon compliance by the holder with the provisions of this paragraph.

Transfers

DTC may grant proxies or otherwise authorize its participants (or persons holding beneficial interests in the notes through its participants) to exercise any rights of a holder or take any other actions that a holder is entitled to take under the applicable Indenture or the notes. Euroclear, Clearstream or any other clearance system as specified in the applicable Pricing Supplement will take any action permitted to be taken by a holder under the applicable Indenture or the notes on behalf of its participant only in accordance with its relevant rules and procedures and, for interests in a DTC Global Note, subject to the ability of the DTC participant of Euroclear, Clearstream or such other clearance system to effect such actions of such clearance system on its behalf through DTC. Because DTC can only act on behalf of its participants, who in turn act on behalf of indirect participants, the ability of a beneficial owner to pledge its interest in the notes to persons or entities that do not participate in the DTC system or take action with respect to that interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of these securities in definitive form. These limits and laws may impair the ability of a beneficial owner to transfer beneficial interests in a DTC Global Note.

Subject to compliance with the transfer restrictions applicable to the Global Notes described under “Plan of Distribution—Sales Restrictions” in this Offering Memorandum, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the relevant registrar, the Trustee and any custodian with whom the relevant Global Notes have been deposited.

Transfers by an owner of a beneficial interest in a Regulation S Global Note representing the notes to a transferee who takes delivery of that interest through a Rule 144A Global Note representing the notes will be made only in accordance with applicable procedures and upon receipt by the Trustee therefor of a written certification from the transferor of the beneficial interest, in the form provided in the applicable Indenture, to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in a Rule 144A Global Note representing the notes to a transferee who takes delivery of the interest through a Regulation S Global Note representing the notes will be made only in accordance with the applicable procedures and upon receipt by the Trustee therefor of a written certification from the transferor of the beneficial interest, in the form provided in the applicable Indenture, to the effect that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S or, if available, Rule 144A under the Securities Act.

Any beneficial interest in one of the Global Notes representing the notes that is transferred to a person who takes delivery in the form of an interest in another Global Note representing the notes will, upon transfer, cease to be an interest in that Global Note and become an interest in the other Global Note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Payment of Principal, Premium and Interest

We are obligated to make payments of principal, premium, if any, and interest on all notes in the applicable specified currency or, if the specified currency is not at the time of payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued the specified currency at the time that the payment is legal tender for the payment of debts. Subject to any fiscal or other laws and regulations applicable in the place of payment, payments on notes to be made in a specified currency other than in U.S. dollars will be made by wire transfer to an account in the specified currency maintained by the payee, or by a check in the specified currency drawn on a bank in the principal financial center of the country of the specified currency. In the case of Euro, payments will be made in Euros by credit or transfer to a Euro account, or any other account to which Euros may be credited or transferred, or may be made by check. For further information regarding notes denominated in currencies other than U.S. dollars, see the applicable Pricing Supplement related to any such notes, which shall include the provisions related to Foreign Currency Notes.

Payment of principal, premium, if any, and interest on any definitive note at maturity will be made in immediately available funds upon surrender of the note at a specified office of the applicable paying agent; *provided* that the definitive note is presented to the relevant paying agent in time for such paying agent to make these payments in immediately available funds under its normal procedures. Payments of interest on any definitive note, other than at maturity, will be payable by check mailed to the holder of the note as of the Regular Record Date for the Interest Payment Date at the address shown in the note register. A holder of definitive notes of US\$10,000,000 or more in aggregate principal amount, or its equivalent in other currencies, whether of the same or different Series, will be entitled to receive payments of interest, other than interest due at maturity, by wire transfer of immediately available funds if the applicable paying agent has received appropriate written wire transfer instructions not less than 16 days prior to the applicable Interest Payment Date.

The total amount of any principal, premium, if any, and interest due on any registered Global Note on any Interest Payment Date or maturity, will be made available to the applicable paying agent on or prior to that date in accordance with the relevant Indenture and the notes. The relevant paying agent will make the payment to the relevant clearing system as soon as it possibly can after the monies become available. Each clearing system will credit its participants with payment in amounts proportionate to their respective beneficial interests in the principal amount of the registered Global Note under their existing operating procedures. None of us, the Dealers, the Trustee, any paying agent nor any of our respective agents will have any responsibility or liability for payments by the clearing system. So long as DTC, its nominee, the nominee of the common depository for Euroclear and Clearstream or a nominee of any other clearance system specified in the applicable Pricing Supplement, is the holder of any registered Global Note, DTC, its nominee, the nominee of the common depository for Euroclear and Clearstream or the nominee of any other clearance system specified in the applicable Pricing Supplement, will be considered the sole owner or holder of the

notes represented by that registered Global Note for all purposes under the applicable Indenture and the notes. See the section entitled “Form of Notes and Registration.”

Unless otherwise specified in the applicable Pricing Supplement, we will not pay any Additional Amounts on the notes to compensate any holder or beneficial owner for any United States tax withheld from payments of principal or interest on the notes.

See “—Principal and Interest” and “—Interest Rates” above for further information.

Notices

Notice to holders of the Global Notes will be given as may be permitted by the procedures of DTC, Euroclear, Clearstream or any other clearing system specified in the applicable Pricing Supplement, as applicable, and any applicable exchange.

All notices regarding the definitive, non-Global Notes will be mailed first class, postage prepaid to the registered owners of the notes at their addresses appearing in the applicable note register therefor.

As long as temporary or permanent Regulation S Global Notes are held in their entirety on behalf of Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement, we may substitute the publication in the newspaper for the delivery of the relevant notice by communication from Euroclear, Clearstream and any other clearance system to the beneficial owners of interests in the temporary and permanent Regulation S Global Notes.

Notices to be given by a holder of notes should be in writing and delivered, together with the related note(s), to the Trustee specified in the applicable Pricing Supplement for further delivery to the Issuer. While notes are represented by a registered Global Note, the notice shall be given by the beneficial owner to the Trustee via DTC, Euroclear, Clearstream or any other clearance system as DTC, Euroclear, Clearstream or any other clearance system may approve.

We will also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the notes are at the time being listed. This notice will be deemed to have been given on the date of mailing or the date of first publication or, if published on different dates, on the date of the first such publication. If publication as provided above is not practicable, notices will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Registrar; Transfer Agent; Paying Agents

The Trustee under the applicable Indenture will serve initially as the registrar, transfer agent and paying agent for the notes. In that capacity, the Trustee will keep at its office in the State of New York, a register, which we refer to as a note register, in which, subject to such reasonable regulations as it may prescribe, the applicable registrar will provide for the registration and transfers of the notes. We reserve the right to transfer this function to another bank or financial institution.

Registration of transfers of the notes will be effected without charge, but upon payment (with the giving of such indemnity as the Issuer may require) in respect of any tax or other governmental charges that may be imposed in relation to the transfer. The Issuer will not be required to register or cause to be registered the transfer of the notes after the notes have been called for redemption.

Listing

Unless specified otherwise in the applicable Pricing Supplement, application may be made to Luxembourg Stock Exchange (“**LSE**”) to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market. We will use our reasonable best efforts to maintain such listing; *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the “**Transparency Directive**”) or any legislation implementing the Transparency Directive we could be required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, or we determine that it is unduly burdensome to maintain a listing on the LSE, we may delist a Series of notes from the Euro MTF Market in accordance with the rules of the LSE and seek an alternative admission to listing, trading and/or quotation for the Series of notes on a different section of the LSE or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide. Although there is no assurance as to the liquidity that may result from a listing on the LSE, delisting such notes from the LSE may have a material effect on the ability of holders of such notes to resell the notes in the secondary market.

The Trustee

The Bank of New York Mellon will act as Trustee with respect to each Series of notes, unless otherwise specified in the applicable Pricing Supplement. 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 person would exercise or use under the circumstances in the conduct of his own affairs. The Trustee is not required to take any action under the Indenture at the request of any holders unless the holders of the applicable Series offer the Trustee protection, known as an indemnity, from expenses and liability. No provision of the Indenture will require the Trustee to expend, advance or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or exercise of its powers. The Senior Notes Indenture and the provisions of the TIA contain certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, 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.

Notices to the Trustee should be directed to it at 240 Greenwich Street, Floor 7 East, New York, New York 10286, United States of America. The Trustee also will initially act as registrar, paying agent, transfer agent and agent for service of demands and notices in connection with each Series of notes, unless otherwise specified in the applicable Pricing Supplement. The Trustee may resign or be removed under circumstances described in such Indenture, and a successor trustee shall be appointed in accordance with the applicable Indenture to act in connection with any Indenture. Any action described in this offering memorandum to be taken by the Trustee may then be taken by the successor trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of notes and may otherwise deal with the Issuer or its affiliates with the same rights it would have if it were not Trustee. Any paying agent, registrar or co-registrar may do the same with like rights.

Each Indenture will contain some limitations on the right of the applicable Trustee should it become a creditor of the Issuer, to obtain payment of claims in some cases or to realize on some property received regarding any such claim, as security or otherwise. The Trustee will be permitted to engage in transactions with the Issuer. The occurrence of a default under the relevant Indenture could create a conflicting interest for the Trustee. In this case, if the default has not been cured or waived within 90 days after the Trustee has or acquires a conflicting interest, the Trustee generally is required to eliminate the conflicting interest or resign as Trustee for the notes.

No resignation or removal of the Trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the relevant Indenture.

The Trustee, in any capacity, has not participated in the preparation of this Offering Memorandum nor makes any representation or warranty as to the accuracy or validity of the information contained herein.

Governing Law; Consent to Jurisdiction

EACH INDENTURE AND THE NOTES WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Issuer and the Guarantors will consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan and will agree that all disputes under the relevant Indenture and the notes may be submitted to the jurisdiction of such courts. The Issuer will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the relevant Indenture and the notes.

Unclaimed Money, Prescription

Unless otherwise specified in the applicable Pricing Supplement, if money deposited with the Trustee or any agent for the payment of principal of, premium, if any, or interest or Additional Amounts (as defined below), if any, on a Series of notes remains unclaimed for two years, the Trustee or such paying agent shall return the money to us, upon our written request, subject to applicable unclaimed property law. After that, holders of such Series of notes entitled to the money must look to us for payment unless applicable unclaimed property law designates another person. Other than as set forth in this paragraph, the Indenture relating to any Series of notes will not provide for any prescription periods for the payment of principal of, premium, if any, or interest or Additional Amounts, if any, on such Series of notes.

Currency Rate Indemnity

The Issuer has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Indenture is expressed in a currency other than the Specified Currency, the Issuer will indemnify the Trustee in respect of such Indenture and the relevant holders against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from the Issuer's other obligations under the relevant Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the relevant Indenture or the notes.

Replacement of Notes

In case of mutilated, defaced, destroyed, lost or stolen notes, application for replacement thereof may be made to the applicable Trustee or to the Issuer. Any such note shall be replaced by the Trustee in compliance with such procedures, on such terms as to evidence and indemnification as the Trustee and the Issuer may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any notes shall be borne by the applicant. Mutilated notes must be surrendered before new ones will be issued.

BOOK-ENTRY CLEARANCE SYSTEMS

The following summary of certain provisions of the notes does not purport to be complete and is subject to all of the provisions of the notes. The terms and conditions stated below will apply to each note unless otherwise specified in the applicable pricing supplement. The terms of the notes described in this Offering Memorandum, including the maturities and interest rates, may differ from one note to another. The terms of the notes will be specified in a pricing supplement, the form of which is included under “Annex B—Form of Pricing Supplement.” The pricing supplement may also add, update or change information contained in this Offering Memorandum. It is important for you to consider the information contained in this Offering Memorandum and the applicable pricing supplement in making your investment decision.

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the “**Clearing Systems**”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that we believe to be reliable, but neither we nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither we nor any other party to any indenture will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearance and Settlement; Clearing Systems

The notes that we offer under this Program may be held through one or more international and domestic clearing systems, principally the book-entry systems operated by DTC in the United States, and Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement outside of the United States. Electronic securities and payment transfer, processing, depository and custodial links have been established among these systems and others, either directly or through custodians and depositories, which enable notes to be issued, held and transferred among the clearing systems. The Dealers have direct electronic links with DTC, Clearstream and Euroclear. Special procedures have been established among these clearing systems and the relevant Dealers to facilitate clearance and settlement of certain notes traded across borders in the secondary market. Cross-market transfers of registered Global notes for which payments will be made in U.S. dollars and which will be issued in global form may be cleared and settled using these procedures on a delivery against payment basis. Cross-market transfers of notes in other than global form may be cleared and settled under other procedures established among the relevant Dealer(s), and the relevant clearing systems. Investors in notes issued outside of the United States, its territories and possessions must initially hold their interests in the notes through Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement.

Although DTC, Euroclear and Clearstream have agreed to the procedures described below in order to facilitate the transfers of notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform the procedures and the procedures may be modified or discontinued at any time. Neither we, the Dealers, nor any affiliate or person controlled by any of us will have any responsibility for the performance of the respective obligations under the rules and procedures governing the operations of DTC, Euroclear, Clearstream or any other clearance system specified in the applicable Pricing Supplement, or of their respective direct or indirect participants. In all cases, clearance and settlement of the notes will be governed by the rules and procedures established by the relevant clearing system(s) and in effect at the time of clearance and settlement.

DTC

DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt, and money market instruments that DTC’s participants (“**DTC participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-

entry transfers and pledges between DTC participants' accounts. These services eliminate the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of DTC participants and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (also subsidiaries of DTCC), as well as by the New York Stock Exchange and FINRA. Access to the depository system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC's participants are on file with the SEC. More information about DTC can be found at its website at <http://www.dtcc.com>. The information concerning DTC and its book-entry system has been obtained from sources that we believe are reliable, but we take no responsibility for the accuracy thereof.

Clearstream

Clearstream holds securities for its participating organizations ("**Clearstream participants**") and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also interfaces with domestic securities markets in several countries. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier and the Banque Centrale du Luxembourg, which supervise and oversee the activities of Luxembourg banks. Clearstream participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the paying agent. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream participant. Clearstream has established an electronic bridge with Euroclear as the operator of the Euroclear system (the "**Euroclear Operator**") in Brussels to facilitate settlement of trades between Clearstream and the Euroclear Operator. Distributions with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the depository for Clearstream.

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organizations ("**Euroclear participants**") and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the paying agent. Non-participants in Euroclear may hold and transfer beneficial interests in a registered Global Note through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in a registered Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "**Terms and Conditions**"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depositary for Euroclear.

Other Clearing Systems

The applicable Pricing Supplement will specify any other clearing system that will be available for a particular offering of notes, including the clearance and settlement procedures for that clearing system. The clearing system will be agreed upon by the Company and the Dealer(s).

Book-Entry Procedures for the Global Notes

Ownership of beneficial interests in a Global Note representing the notes will be limited to the clearing system through which these interests are held, and its direct and indirect participants. Beneficial interests in a Global Note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by such clearing system, and its respective participants for that Global Note. The conveyance of notices and other communications by such clearing system to its participants and by its participants to owners of beneficial interests in the notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect. Any interest in registered Global Notes will be transferable only under the rules and procedures of DTC, Euroclear, Clearstream or any other applicable clearance system.

Transfers of Notes Represented by Registered Global Notes

Primary Distribution

General. Distribution of the notes will be cleared through one or more of the clearing systems described above or any other clearing system specified in the applicable Pricing Supplement. Payment for notes will be made on a delivery versus payment or free delivery basis, as more fully described in the applicable Pricing Supplement.

Registered notes. We and the relevant Dealer(s) will agree that either global clearance and settlement procedures or specific clearance and settlement procedures should be available for any Series of notes, as specified in the applicable Pricing Supplement. Clearance and settlement procedures may vary from one Series of notes to another according to the specified currency of the notes of that Series. Customary clearance and settlement procedures are described under the specific clearance and settlement procedures below. Application will be made to the relevant clearing system(s) for the notes of the relevant Series to be accepted for clearance, and the clearance numbers applicable to each clearance system will be specified in the applicable Pricing Supplement.

Clearance and Settlement Procedures—DTC. DTC participants holding notes through DTC on behalf of investors will follow the settlement practices applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement System. Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

Clearance and Settlement Procedures—Euroclear and Clearstream. Investors electing to hold their notes through Euroclear and/or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear and/or Clearstream participants, as the case may be, on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Trading between DTC participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in U.S. dollars, or free of payment if payment is made in a currency other than U.S. dollars. Where payment is made in

a currency other than U.S. dollars, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

Trading between Euroclear and/or Clearstream participants. Secondary market trading between Euroclear or Clearstream participants will occur in the ordinary way under the applicable rules and operating procedures of Euroclear and Clearstream and will be settled using procedures applicable to conventional eurobonds in registered form.

Trading between DTC Seller and Euroclear or Clearstream Purchaser Single Global note Issues. When notes represented by a DTC Global note are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the purchaser must send instructions to Euroclear or Clearstream through a participant at least one Business Day prior to settlement. Euroclear or Clearstream will instruct their respective DTC participants to receive the notes against payment or free of payment. After the settlement has been completed, the interests in the notes will be credited to the respective clearing system and by the clearing system, under its usual procedures, to the account of the relevant Euroclear or Clearstream participant. Credit for the notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the notes will accrue from, the value date (which would be the preceding day, when settlement occurs in New York). If settlement is not completed on the intended value date, i.e., the trade fails, the Euroclear or Clearstream cash debit will be valued as of the actual settlement date.

Euroclear or Clearstream participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, participants may take on credit exposure to Euroclear or Clearstream until the notes are credited to their accounts one Business Day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to the participants, participants can elect not to pre-position funds and allow that credit line to be drawn on to finance settlement. Under this procedure, Euroclear or Clearstream participants purchasing notes would incur overdraft charges for one Business Day, assuming they cleared the overdraft when the notes were credited to their accounts. However, interest on the notes would accrue from the value date. Therefore, in many cases, the investment income on notes earned during that one day period may substantially reduce or offset the amount of the overdraft charges, although this result will depend on each participant's particular cost of funds.

Because the settlement will take place during New York business hours, DTC participants can employ their usual procedures for delivering notes to Euroclear's or Clearstream's DTC participant for the benefit of Euroclear or Clearstream participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participants, a cross-market transaction will settle no differently than a trade between two DTC participants.

Dual Global Note Issues. When notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the DTC participant will deliver the notes free of payment to the appropriate account of the custodian at DTC by 11:00 a.m. (New York time) on the settlement date together with instructions for delivery to the relevant Euroclear or Clearstream participant. Separate payment arrangements are required to be made between the relevant Euroclear or Clearstream participant and the DTC participant. The applicable registrar, as custodian, will (i) decrease the amount of notes registered in the name of the nominee of DTC and represented by the DTC Global Note and (ii) increase the amount of notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and represented by the registered global note. The depository will deliver such notes free of payment to Euroclear or Clearstream for credit to the relevant participant in such clearing system on the Business Day following the settlement date.

Trading Between a Euroclear or Clearstream Seller and a DTC Purchaser

Single Global Note Issues. Due to time zone differences in their favor, Euroclear or Clearstream participants may employ their customary procedures for transactions in which notes represented by a DTC Global Note are to be transferred by the respective clearing system. The seller must send instructions to Euroclear or Clearstream through a participant at least one Business Day prior to settlement. In these cases, Euroclear or Clearstream will instruct the

depository to credit the notes to the DTC participant's account against payment. The payment will then be reflected in the account of the Euroclear or Clearstream participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream participant's account will be back-valued to the value date, which would be the preceding day, when settlement occurs in New York. If the Euroclear participant or Clearstream participant has a line of credit with its respective clearing system and elects to draw on that line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (*i.e.*, the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream participant's account would instead be valued as of the actual settlement date.

As is the case with sales of notes represented by a DTC Global Note by a DTC participant to a Euroclear or Clearstream participant, participants in Euroclear and Clearstream will have their accounts credited the day after their settlement date.

Dual Global Note Issues. When interests in notes are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the relevant Euroclear or Clearstream participant must provide settlement instructions for delivery of the notes free of payment to Euroclear or Clearstream by 7:45 p.m., Brussels or Luxembourg time, one Business Day prior to the settlement date. Euroclear or Clearstream, will in turn provide appropriate settlement instructions to the common depository and the registrar for delivery to the DTC participant. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, the custodian will deliver the notes free of payment to the appropriate DTC account of the DTC participant and will instruct the applicable registrar to (i) decrease the amount of notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and represented by the registered Global Note and (ii) increase the amount of notes registered in the name of the nominee of DTC and represented by the DTC Global Note.

TRANSFER RESTRICTIONS

General

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes issued under the Program will be offered and sold only:

- to QIBs (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- (2) it acknowledges that the notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) it understands and agrees that notes initially offered in the United States to “qualified institutional buyers” will be represented by one or more Rule 144A Global notes and that notes offered outside the United States pursuant to Regulation S will be represented by one or more Regulation S Global notes;
- (4) it will not offer, pledge, resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
- (5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;
- (6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the applicable indenture, including with respect to notes sold or transferred pursuant to Rule 144A or Regulation S;
- (7) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- (8) it acknowledges that we, the Dealers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the

acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the Dealers; and

- (9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend that will appear on the face of any Rule 144A Global note, and which will be used to notify transferees of the foregoing restrictions on transfer.

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

The following is the form of restrictive legend which will appear on the face of any Regulation S Global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)), THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON, EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE. THE TERMS “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S.

The following is the form of restrictive legend which will appear on the face of any Regulation S Global Note and any Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

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

TAXATION

United States Taxation

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of the notes which may be issued under the Program. This discussion does not address the U.S. federal income tax considerations of every type of note which may be issued under the Program, and the applicable Pricing Supplement will contain additional or modified disclosure concerning the U.S. federal income tax considerations relevant to some types of notes as appropriate.

This discussion applies only to U.S. Holders (as defined below) who hold the notes as capital assets for U.S. federal income tax purposes (generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated thereunder (“Regulations”), published positions of the Internal Revenue Service (the “IRS”), court decisions and other applicable authorities, all as currently in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect).

This discussion does not describe all of the U.S. federal income tax considerations that may be applicable to U.S. Holders in light of their particular circumstances or U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks, insurance companies and other financial institutions;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes, S corporations or other pass-through entities;
- tax-exempt entities;
- real estate investment trusts;
- regulated investment companies;
- dealers or traders in securities;
- certain former citizens or residents of the United States;
- persons that elect to mark their securities to market;
- persons holding the Notes as part of a “straddle,” conversion or other integrated transaction
- persons that have a functional currency other than the U.S. dollar;
- accrual method taxpayers that are required to recognize income for U.S. federal income tax purposes no later than when such income is taken into account in applicable financial statements; and
- persons that actually or constructively own 10% or more of our equity (by vote or value).

In addition, this discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift, alternative minimum tax or Medicare contribution tax considerations. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations to them in light of their particular situation as well as any considerations arising under the laws of any other taxing jurisdiction.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the notes that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable Regulations to be treated as a U.S. person.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners in a partnership holding the notes should consult their tax advisors regarding the tax considerations generally applicable to them of the ownership and disposition of the notes.

If a note is issued in circumstances where the note is properly subject to special U.S. federal income tax rules for debt instruments with certain contingent payment features, such as Indexed Notes, Extendible Notes, Amortizing Notes and Dual Currency Notes, the applicable Pricing Supplement will discuss the U.S. federal income tax considerations in respect of such characterization to U.S. Holders.

The discussion herein is subject to, and should be read in conjunction with, any discussions contained in the Pricing Supplements.

THE FOLLOWING DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS RELATING TO THE OWNERSHIP AND DISPOSITION OF THE NOTES. THE TAX TREATMENT MAY VARY DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSIDERATIONS OF THE OWNERSHIP AND DISPOSITION OF THE NOTES.

Senior Notes

Payments of Interest

General

Interest on the Senior Notes other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "—Payments of Interest—Original Issue Discount"), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the particular holder's method of accounting for U.S. federal income tax purposes. Interest paid or accrued on the Senior Notes and original issue discount ("OID"), if any, accrued with respect to the Senior Notes (as described below under "—Payments of Interest—Original Issue Discount") will generally constitute foreign-source income for foreign tax credit purposes. Prospective purchasers should consult their own tax advisors concerning the applicability of the foreign tax credit and source rules to income attributable to the Senior Notes.

Foreign Currency Denominated Interest

If interest is paid on Foreign Currency notes, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be such U.S. Holder's tax basis in the foreign currency received. If the interest payment is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency exchange gain or loss in respect of the interest income. A U.S. Holder may have foreign currency exchange gain or loss (generally taxable as ordinary income or loss) if the interest payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss will be treated as U.S. source gain or loss for foreign tax credit purposes. For U.S. Holders that are cash basis U.S. Holders and are required to accrue OID on a Foreign Currency note, rules similar to the rules described in the following paragraph will apply with respect to the OID.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to interest paid on a Foreign Currency Note in accordance with one of two methods. Under the first method, the amount of income accrued (including OID, but reduced by amortizable bond premium to the extent applicable) will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, at the average rate for the partial period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued (including OID) on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the taxable year). If a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of accrued interest payments (including OID and payments attributable to accrued but unpaid interest upon the sale or retirement of a Senior Note) on a Foreign Currency note, a U.S. Holder may recognize foreign currency exchange gain or loss (generally taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt) in respect of the accrual period and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. If the payment is then converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize any additional foreign currency exchange gain or loss with respect to the payment. A U.S. Holder may have additional foreign currency exchange gain or loss if the payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss realized by a U.S. Holder will be treated as U.S. source gain or loss for foreign tax credit purposes.

Effect of Foreign Withholding Taxes

As discussed under “Taxation—Certain Mexican Income Tax Consequences,” payments in respect of the Senior Notes may be subject to foreign withholding taxes. As discussed under “Description of the Notes—Additional Amounts,” under certain circumstances the Issuer may become liable for the payment of Additional Amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no foreign withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of foreign taxes withheld by the Issuer with respect to a Senior Note, and as then having actually paid over the withheld taxes to the foreign taxing authorities, as applicable. In this case, the amount of income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for foreign income taxes properly withheld by the Issuer; provided that, if a U.S. Holder elects to deduct foreign taxes for any taxable year, such U.S. Holder must deduct, rather than credit, all foreign taxes for such taxable year. Interest and OID will generally constitute foreign source income in the “passive income” basket. Since a U.S. Holder may be required to include OID on the Senior Notes in its gross income in advance of any withholding of foreign income taxes from payments attributable to the OID (which would generally occur when the Senior Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these foreign income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the foreign taxes in the year those taxes are actually withheld by the Issuer. Prospective purchasers should consult their own tax advisors regarding the foreign tax credit implications and other tax considerations with respect to the payment of such withholding taxes.

Original Issue Discount

A Senior Note, other than a Senior Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (an “Original Issue Discount Note”) if the excess of the Senior Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25% of the Senior Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity), and the amount of OID will be equal to such excess. An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “installment obligation”) will be treated as an Original Issue Discount Note if the excess of the

Senior Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Senior Note. A Senior Note's weighted average maturity is the sum of the following amounts determined for each payment on a Senior Note (other than a payment of qualified stated interest): the product of (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Senior Note's stated redemption price at maturity. Generally, the issue price of a Senior Note will be the first price at which a substantial amount of Senior Notes included in the issue of which the Senior Note is a part are sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Senior Note is the total of all payments provided by the Senior Note that are not payments of qualified stated interest. A payment of "qualified stated interest" generally is any one of a series of stated interest payments on a Senior Note that are unconditionally payable (other than in debt instruments of the Issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) or a variable rate (in the circumstances described below under "Floating Rate Notes"), applied to the outstanding principal amount of the Senior Note. If a Senior Note provides for more than one fixed rate of stated interest, interest payable at the lowest stated rate generally is qualified stated interest, with any excess included in the stated redemption price at maturity for purposes of determining whether the Senior Note was issued with OID. Solely for the purposes of determining whether a Senior Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Senior Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Senior Note. If such an option were not in fact exercised, the Senior Note would be treated, solely for purposes of calculating OID, as if it were redeemed and a new note were issued on the presumed exercise date for an amount equal to the Senior Note's "adjusted issue price" on that date. If such a deemed reissuance occurs when the remaining term of the Senior Notes is one year or less, it is possible that the Senior Note would thereafter be treated as a short-term debt instrument. See "—Payments of Interest—Short-Term Notes" below. A Senior Note's adjusted issue price is its issue price increased by the amount of previously includable OID and decreased by the amount of any prior payments on the Senior Note that do not constitute qualified stated interest.

A U.S. Holder of Original Issue Discount Notes must generally include OID in gross income as ordinary interest income as it accrues over the term of the Original Issue Discount Notes using the "constant-yield method" based on a compounding of interest without regard to its regular method of accounting for U.S. federal income tax purposes and in advance of the receipt of cash payments attributable to that income. Under the constant-yield method, the amount of OID will generally increase over the term of the Original Issue Discount Notes.

U.S. Holders may make an election (a "constant-yield election") to include in gross income all interest that accrues on any Senior Notes as described below under "—Payments of Interest—Election to Treat All Interest as Original Issue Discount."

Acquisition Premium

A U.S. Holder that purchases an Original Issue Discount Note for an amount less than or equal to the sum of all amounts payable on the Senior Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "—Payments of Interest—Election to Treat All Interest as Original Issue Discount," reduces the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Senior Note immediately after its purchase over the Senior Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Senior Note after the purchase date, other than payments of qualified stated interest, over the Senior Note's adjusted issue price.

Senior Notes Purchased at a Premium

A U.S. Holder that purchases a Senior Note for an amount in excess of its principal amount, or in the case of an Original Issue Discount Note, in excess of its stated redemption price at maturity will be considered to have purchased the Senior Note at a premium and the OID rules will not apply to such U.S. Holder. Such U.S. Holder may elect to treat the excess as "amortizable bond premium," in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Senior Note will be reduced by the amount of amortizable bond premium allocable (based on the Senior Note's yield to maturity) to that year. Any election to amortize bond premium shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross

income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also “—Payments of Interest—Election to Treat All Interest as Original Issue Discount” below.

Pre-Issuance Accrued Interest

An election may be made to decrease the issue price of such Senior Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of such Senior Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on such Senior Note is to be made within one year of such Senior Note’s issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on such Senior Note.

Market Discount

A Senior Note, other than a Short-Term Note, will generally be treated as purchased at a market discount (a “Market Discount Note”) if the Senior Note’s stated redemption price or, in the case of an Original Issue Discount Note, the Senior Note’s revised issue price, exceeds the amount for which the U.S. Holder purchased the Senior Note by at least 0.25% of the Senior Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Senior Note’s maturity (or, in the case of a Senior Note that is an installment obligation, the Senior Note’s weighted average maturity). If this excess is not sufficient to cause the Senior Note to be a Market Discount Note, then the excess constitutes “*de minimis* market discount.” For this purpose, the “revised issue price” of a Senior Note generally equals its issue price, increased by the amount of any OID that has accrued on the Senior Note and decreased by the amount of any payments previously made on the Senior Note that were not qualified stated interest payments.

Any gain recognized on the maturity, sale or other taxable disposition, of a Market Discount Note (including any payment on a Senior Note that is not qualified stated interest) will be treated as ordinary income to the extent of the market discount accrued on the Senior Note at that time, unless such market discount has been previously included in income pursuant to an election to include market discount in income as it accrues (a “market discount accrual election”), or pursuant to the constant-yield election described under “—Payments of Interest—Election to Treat All Interest as Original Issue Discount” below. If a U.S. Holder makes a market discount accrual election, that election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Senior Note includable in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Because of the complexity and variety of special rules relating to the treatment of market discount and acquisition and bond premium, prospective purchasers should consult their own tax advisors concerning the U.S. federal income tax considerations of purchasing the Senior Notes at a discount or a premium from the Senior Note’s issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may make a constant-yield-election to include in gross income all interest that accrues on a Senior Note using the constant-yield method described above under “—Payments of Interest—Original Issue Discount,” with certain modifications. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium (described above under “—Payments of Interest—Senior Notes Purchased at a Premium”) or acquisition premium. The election may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Market Discount Note, such election will result in a deemed market discount accrual election (described above under “—Payments of Interest—Market Discount”) for the taxable year in which such U.S. Holder acquired the Senior Note and all succeeding years. The electing U.S. Holder will be treated as having made the election to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. This election may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Short-Term Note and is an accrual basis U.S. Holder, then the U.S. Holder is required to accrue OID based on daily compounding.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consideration of making this election under their particular circumstances.

Floating Rate Notes

A Senior Note that is a Floating Rate Note will be treated as a “variable rate debt instrument” under Regulations governing accrual of OID if (a) its issue price does not exceed the total non-contingent principal payments due under the Floating Rate Note by more than a specified *de minimis* amount; (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

If a Floating Rate Note qualifies as a “variable rate debt instrument,” then any stated interest on the Senior Note which is unconditionally payable in cash or property (other than in debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. If a Floating Rate Note does not qualify as a “variable rate debt instrument,” then the Floating Rate Note will be subject to special U.S. federal income tax rules for debt instruments with certain contingent payment features.

In the event the Issuer issues a Floating Rate Note, the applicable Pricing Supplement will more fully describe the U.S. federal income tax considerations thereof.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of these rules for Short-Term Notes) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or may make the constant-yield election described above under “—Payments of Interest—Election to Treat All Interest as Original Issue.” In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes to the extent the interest does not exceed the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine

OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Foreign Currency Original Issue Discount Notes.

OID for each accrual period on an Original Issue Discount Note that is a Foreign Currency note will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under “—Payments of Interest—Foreign Currency Denominated Interest.” Upon receipt of an amount attributable to OID (whether in connection with a payment on the Senior Note or a sale or disposition of the Senior Note), a U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market discount on a Foreign Currency note will be accrued in the foreign currency. If a U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the sale or retirement of the Senior Note, the U.S. dollar value of the amount accrued, calculated at the exchange rate on that date, and no part of this accrued market discount will be treated as foreign exchange gain or loss.

Amortizable bond premium and acquisition premium on a Foreign Currency note will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. U.S. Holders will realize foreign currency gain or loss with respect to amortized bond premium with respect to any period by treating that amortized bond premium in the same manner as a return of principal on the sale or other taxable disposition of a Foreign Currency note (as discussed below under “—Sale, Exchange or Other Taxable Disposition of Senior Notes—Foreign Currency Notes”). If the election is not made, any loss realized on the sale, exchange or retirement of a Foreign Currency note will be capital loss to the extent of the bond premium.

Sale, Exchange or Other Taxable Disposition of Senior Notes

General

A U.S. Holder's tax basis in a Senior Note will generally be its cost increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Senior Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Senior Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Senior Note.

A U.S. Holder will generally recognize gain or loss on the sale, exchange or other taxable disposition of a Senior Note equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the tax basis of the Senior Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “—Payments of Interest—Market Discount” or “—Payments of Interest—Short-Term Notes” or attributable to changes in exchange rates (as discussed below under “—Sale Exchange or Other Taxable Disposition of Senior Notes—Foreign Currency Notes”), gain or loss recognized on the sale, exchange or other taxable disposition of a Senior Note will be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder's holding period in the Senior Notes exceeds one year at the time of such sale, exchange or other taxable disposition. Long-term capital gain recognized by individual and other non-corporate U.S. Holders will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitations.

If a Mexican income tax is withheld on the sale, exchange or other disposition of the Senior Notes, a U.S. Holder's amount realized will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Mexican withholding tax. Gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of the Senior Notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of gain from the disposition of the Senior Notes that is subject to Mexican withholding tax, a U.S. Holder may not be able to benefit from the foreign tax credit for that Mexican withholding tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. Holder can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources. An applicable tax treaty (such as the tax treaty between the United States and Mexico) may alter this result if a given U.S. Holder meets certain requirements. Alternatively, a U.S. Holder may be able to take a deduction for the Mexican withholding tax if such U.S. Holder does not take a credit for any foreign taxes paid or accrued during the taxable year. The rules governing the application of the U.S. foreign tax credit and any applicable tax treaty are complex and all U.S. Holders are urged to consult their tax advisor regarding the availability of the foreign tax credit and the application of any tax treaty to them based on their particular circumstances.

Foreign Currency Notes

A U.S. Holder's tax basis in a Foreign Currency note will be determined by reference to the U.S. dollar cost of the Senior Note. The U.S. dollar cost of a Senior Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Senior Notes traded on an established securities market, as defined in the applicable Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Senior Notes traded on an established securities market, as defined in the applicable Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects) on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Senior Note equal to the difference, if any, between the U.S. dollar value of the U.S. Holder's purchase price for the Senior Note (or, if less, the principal amount of the Senior Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Senior Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

The rules applicable to Foreign Currency notes could require some or all of the gain or loss realized upon a sale or other taxable disposition of the Senior Notes that is attributable to fluctuations in currency exchange rates to be treated as ordinary income or loss. The rules applicable to Foreign Currency notes are complex, and their application may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and U.S. Holders should consult their tax advisors regarding the U.S. federal income tax considerations of the ownership and disposition of Foreign Currency notes.

Substitution of Issuer

The terms of the Senior Notes provide that, in certain circumstances, the obligations of the Issuer under the Senior Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Senior Notes by a U.S. Holder in exchange for new Senior Notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new Senior Notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the Senior Notes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations to them of a change in obligor with respect to the Senior Notes.

Reportable Transactions

Regulations that are intended to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under applicable Regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a disposition of Foreign Currency notes or foreign currency received in respect of Foreign Currency notes to the extent that such disposition results in a tax loss in excess of \$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders.

U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, with respect to an investment in Foreign Currency notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Subordinated Notes

U.S. Federal Income Tax Characterization of the Subordinated Notes

Because the Subordinated Notes are perpetual with no fixed final maturity date and because we may defer payment of interest on the Subordinated Notes, the Subordinated Notes should (and the following discussion assumes that the Subordinated Notes will) be treated as equity for U.S. federal income tax purposes.

Passive Foreign Investment Company

Adverse U.S. federal income tax rules generally apply to U.S. Holders owning equity in a passive foreign investment company, or a PFIC. A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will generally be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules with respect to certain subsidiaries, either:

- at least 75% of its gross income is “passive income,” or
- on average, at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes, among other things, interest, dividends, gains from the disposition of assets that produce passive income, gains from commodities transactions and certain rental income.

Based on our current income and assets, we do not believe we were classified as a PFIC for our taxable year ended December 31, 2019 and do not expect to be classified as a PFIC for our taxable year ending December 31, 2020 or in the foreseeable future. However, because PFIC status is based on our income, assets and activities for the entire taxable year (including the use of the proceeds from this Program), it is not possible to determine whether we will be characterized as a PFIC for any taxable year until after the close of the taxable year. Moreover, we must determine our PFIC status annually based on tests that are factual in nature, and our status in future years will depend on our income, assets and activities in each of those years. There can be no assurance that we will not be considered a PFIC for any future taxable year. If a U.S. Holder holds Subordinated Notes in any year in which we are treated as a PFIC with respect to such U.S. Holder, adverse tax consequences to such U.S. Holder could result (including with respect to interest payments treated as dividends or other distributions from us or a disposition of the Subordinated Notes). **The rules dealing with PFICs are complex and are affected by various factors in addition to those described above. U.S. holders are urged to consult their tax advisor regarding the PFIC rules in connection with the ownership and disposition of the Subordinated Notes.**

Taxation of Payments on the Subordinated Notes

Subject to the discussion above under “—Passive Foreign Investment Company,” payments of state interest on the Subordinated Notes (including any Mexican tax withheld and Additional Amounts paid in respect thereof) will be treated as distributions on our stock and as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles, so we expect that distributions paid to U.S. Holders will generally be reported as dividends.

Payments on the Subordinated Notes that are treated as dividends for U.S. tax purposes will generally not be eligible for the dividends received deduction available under the Code for certain corporate U.S. holders. Dividends received by non-corporate U.S. Holders of qualified foreign corporations are subject to U.S. federal income tax at lower rates than other types of ordinary income if certain conditions are met. However, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. As discussed above, we do not expect that we will be classified as a PFIC for the last taxable year, our current taxable year or future taxable years.

A U.S. Holder may be entitled, subject to a number of complex limitations and conditions, to claim a U.S. foreign tax credit in respect of Mexican withholding taxes imposed on dividends on the Subordinated Notes. U.S. Holders that do not elect to claim a credit for any foreign taxes paid during the taxable year may instead claim a deduction in respect of such Mexican withholding taxes, provided that the U.S. holder does not elect to credit any foreign taxes paid or accrued by the U.S. holder for the taxable year. Dividends received with respect to the Subordinated Notes generally will be treated as foreign source income and generally will constitute passive category income for purposes of the foreign tax credit. The rules governing the application of the U.S. foreign tax credit are extremely complex and U.S. Holders are urged to consult their tax advisor regarding the availability of the foreign tax credit to them based on their particular circumstances.

Sale, Exchange or Other Taxable Disposition of Subordinated Notes

Subject to the discussion above under “—Passive Foreign Investment Company,” a U.S. Holder will recognize gain or loss upon a sale, exchange or other taxable disposition of their Subordinated Notes measured by the difference between the amount realized on the sale, exchange or other taxable disposition of such Subordinated Notes and the U.S. Holder’s adjusted tax basis in such Subordinated Notes. Any such gain or loss recognized generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder held such Subordinated Notes for more than one year. However, if a corporate U.S. Holder receives an “extraordinary dividend” (generally, a dividend that is at least of 5% of the holder’s basis in the Subordinated Notes) and disposes of its Subordinated Notes within a year of receipt of such dividend, any loss recognized on such sale will generally be long-term capital loss. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

If a Mexican income tax is withheld on the sale, exchange or other disposition of the Subordinated Notes, a U.S. Holder’s amount realized will include the gross amount of the proceeds of that sale, exchange or other disposition before deduction of the Mexican withholding tax. Gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of the Subordinated Notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of gain from the disposition of the Subordinated Notes that is subject to Mexican withholding tax, a U.S. Holder may not be able to benefit from the foreign tax credit for that Mexican withholding tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. Holder can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources. An applicable tax treaty (such as the tax treaty between the United States and Mexico) may alter this result if a given U.S. Holder meets certain requirements. Alternatively, a U.S. Holder may be able to take a deduction for the Mexican withholding tax if such U.S. Holder does not take a credit for any foreign taxes paid or accrued during the taxable year. The rules governing the application of the U.S. foreign tax credit and any applicable tax treaty are complex and all U.S. Holders are urged to consult their tax advisor regarding the availability of the foreign tax credit and the application of any tax treaty to them based on their particular circumstances.

Foreign Financial Asset Reporting

Certain U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of US \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns with respect to such assets. “Specified foreign financial assets” include securities issued by a non-U.S. issuer that are not held in accounts maintained by certain financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of US \$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders are encouraged to consult with

their tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

The Foreign Account Tax Compliance Act (“FATCA”)

Certain non-U.S. financial institutions must comply with information reporting requirements or certification requirements in respect of their direct and indirect U.S. shareholders and/or U.S. accountholders to avoid becoming subject to withholding on certain payments. The Issuer and other non-U.S. financial institutions may accordingly be required to report information to the IRS regarding the holders of notes. The Issuer and other non-U.S. financial institutions may also be required to withhold on a portion of payments under the notes to certain holders that fail to comply with the relevant information reporting requirements (or hold notes directly or indirectly through certain noncompliant intermediaries). However, under proposed Regulations, such withholding will not apply to payments made before the date that is two years after the date on which final Regulations defining the term “foreign passthru payment” are enacted. Moreover, in the case of Senior Notes, such withholding would only apply to notes issued at least six months after the date on which final Regulations defining the term “foreign passthru payment” are enacted. An intergovernmental agreement between the United States and an applicable foreign country, or future Regulations or other guidance, may modify these requirements. Holders are urged to consult their own tax advisors and any banks or brokers through which they will hold notes as to the consequences (if any) of these rules to them.

Certain Mexican Income Tax Consequences

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of notes by a Non-Mexican Holder. For purposes of this summary, “**Non-Mexican Holder**” means a holder of the notes that is not a resident of Mexico for tax purposes or that does not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico, to which income derived from the notes is attributable. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the notes, is for general information purposes only, does not constitute tax advice and does not address all the Mexican tax consequences that may be applicable to specific Non-Mexican Holders. In addition, this summary does not describe any tax consequences arising under the laws of any taxing jurisdiction other than Mexico, arising under the laws of any state or municipality within Mexico or that are applicable to a resident of Mexico for tax purposes in connection with his or her holding of the notes. This summary is based upon the provisions set forth in the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) and the Mexican Federal Fiscal Code (*Código Fiscal de la Federación*) in effect as of the date hereof, which are subject to change or to new or different interpretations, which may have an impact on this description (and the tax consequences described).

Mexico has entered into, and is negotiating several, tax treaties with various countries, that may affect this description and the Mexican withholding tax liability applicable to Non-Mexican Holders.

Prospective purchasers of the notes should consult their own tax advisors as to the Mexican or other tax consequences, and the consequences under tax treaties to which Mexico is a party and are in effect, of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign, state, local or municipal tax laws. For tax purposes, the acquisition, holding and disposition of the notes by any investor, including any investor who is a resident of Mexico, will be made under its own responsibility.

For Mexican taxation purposes, an individual is a resident of Mexico for tax purposes if such individual has established his or her home in Mexico, unless such individual also has a home in another country; in that case, the individual will be deemed a resident of Mexico for tax purposes, when his or her “center of vital interests” (*centro de intereses vitales*) is located within the territory of Mexico. This will be deemed to occur if, among other considerations, (i) at least 50% of his or her aggregate annual income derives from Mexican sources, or (ii) the main center of his or her professional activities is located in Mexico.

Mexican nationals who file a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico, in which his or her income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered residents of Mexico for tax purposes during the year of filing of the notice of such residence change and during the following three years.

An individual will also be considered a resident of Mexico for tax purposes, if such individual is a Mexican federal government employee, regardless of the location of the individual's center of vital interests.

Unless otherwise evidenced, Mexican nationals are deemed residents of Mexico for tax purposes.

A legal entity (including foreign legal arrangements treated as legal entities for Mexican tax purposes) qualifies as a resident of Mexico for tax purposes, if the principal administration of its business or its place of effective management is located in Mexico. If a legal entity (including foreign legal arrangements treated as legal entities for Mexican tax purposes) or an individual has a permanent establishment in Mexico for tax purposes, any and all income attributable to that permanent establishment would be subject to Mexican income tax pursuant to applicable law.

Taxation of Payments of Principal and Interest Under Notes Issued Directly by Us

Under the Mexican Income Tax Law, payments of interest (including original issue discount and premiums, which are deemed interest under the Mexican Income Tax Law) made by the Company, in respect of the notes to a Non-Mexican Holder will generally be subject to a Mexican withholding tax assessed at a rate of 4.9%, if, as expected, (i) the notes are placed outside Mexico, through banks or broker-dealers, in a country with which Mexico has a treaty for the avoidance of double taxation in effect, (ii) a notice is filed before the CNBV describing the main characteristics of the relevant offering of the notes pursuant to Article 7 of the Mexican Securities Market Law and regulations thereunder, and (iii) the relevant disclosure requirements set forth from time to time by the Mexican Tax Administration Service (*Servicio de Administración Tributaria*, or “SAT”) are complied with, including the requirement to timely file with SAT, after the placement of the notes, information regarding such placement, and on a quarterly basis, information setting forth, among other items, that no party related to us, jointly or individually, directly or indirectly, is the beneficial owner of more than 5% of the aggregate amount of each interest payment, and that we maintain records that evidence compliance with this requirement.

If any of the above requirements is not met, the withholding tax applicable to interest payments under the notes made directly by the Company to a Non-Mexican Holder will be imposed at a rate of 10% or higher. In addition, if the beneficiaries, whether acting directly or indirectly, severally or jointly with related parties, receiving more than 5% of the aggregate amount of each interest payment under the notes are (i) persons holding more than 10% of our voting shares, directly or indirectly, severally or jointly with related parties, or (ii) corporations or other entities whose voting stock is more than 20% owned by us, directly or indirectly, jointly or severally, with persons related to us, the Mexican withholding tax will be applied at substantially higher rates (35% on the date hereof). For these purposes, persons will be related if (i) one person holds an interest in the business of the other person, (ii) both persons have common interests or (iii) a third party has an interest in the business or assets of both persons.

Notwithstanding the foregoing, as a *Sofom*, under the Mexican Income Tax Law, we are entitled to a beneficial withholding tax payment regime pursuant to which, any and all interest we pay to Non-Mexican Holders is subject to a 4.9% withholding tax rate, regardless of whether the requirements set forth in the prior paragraphs are satisfied.

Payments of interest in respect of the notes made directly by the Company to a non-Mexican pension or retirement fund will be exempt from Mexican withholding tax, *provided* that (i) the applicable fund is organized pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment, (ii) such income is exempt from income taxes in such fund's country of residence, and (iii) such fund provides the aforementioned information to the Company, that the Company may in turn provide to SAT, in accordance with the rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested, subject to certain specified exceptions and limitations, to provide certain information or documentation necessary to enable us to apply the appropriate Mexican

withholding tax rate on interest payments under the notes, made by us to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the foreign holder to meet the procedural requirements established in the Mexican Income Tax Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited. Under Mexican law and regulation in effect on the date hereof, we do not expect to require any such information, as our status as a *Sofom* permits us to withhold taxes at a 4.9% in respect of Non-Mexican Holders regardless of their place of residence or identity.

Under the Mexican Income Tax Law, payments of principal made by the Company, acting directly, in respect of the notes to a Non-Mexican Holder will not be subject to Mexican withholding taxes.

Taxation of Capital Gains

As a general rule, under Mexican Income Tax Law, gains resulting from the sale or disposition of the notes by a Non-Mexican Holder to another Non-Mexican Holder are not subject to income or other tax in Mexico. Gains resulting from the sale of the notes by a Non-Mexican Holder to a purchaser who is a Mexican resident for tax purposes or to a Non-Mexican Holder deemed to have a permanent establishment for tax purposes in Mexico will be deemed interest income and will be subject to withholding tax in Mexico, unless an applicable income tax treaty provides otherwise. The acquisition of the notes at a discount by a Non-Mexican Holder will be deemed interest income and subject to income tax in Mexico, if the seller is a Mexican resident for tax purposes or a foreign resident deemed to have a permanent establishment for tax purposes in Mexico.

Other Mexican Tax Considerations

A Non-Mexican Holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to the acquisition, ownership or disposition of the notes, nor will such Non-Mexican Holder be liable for any Mexican stamp, issue, registration or similar taxes.

The Proposed Financial Transactions Tax

In February 2013, the European Commission published a proposal (“**the Commission’s Proposal**”) for a Directive for a common financial transactions tax (“**FTT**”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

Under the terms of the dealer agreement dated April 20, 2020 (as amended, modified, supplemented and/or restated from time to time, the “**Dealer Agreement**”), we may offer the notes through the Dealers, each of which has agreed to use its reasonable efforts to solicit offers to purchase the notes. The Dealers may solicit offers to purchase the notes through one or more of their affiliates or selling agents. Any agreement of the Dealers to solicit offers to purchase the notes or to purchase notes as principal is subject to the satisfaction of the conditions precedent set forth in the Dealer Agreement. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of notes under the Program and to indemnify the Dealers against certain liabilities, including liabilities under the Securities Act, incurred by them in connection therewith.

We will pay each Dealer through which we sell notes such commission as we and the applicable Dealer may agree at the time of sale. In addition, we may appoint Dealers in addition to the Dealers that are initially party to the Dealer Agreement. The commission will be specified in the applicable Pricing Supplement. We will have the sole right to accept offers to purchase notes and may reject any proposed purchase of notes, in whole or in part, whether placed directly by us or one of our affiliates or through the Dealers. Each Dealer will have the right, in its discretion reasonably exercised without advising us, to reject any proposed purchase of notes through that Dealer in whole or in part. We may also sell notes to the Dealers, as principals, at a negotiated discount, for resale to investors or to another broker-dealer — acting as principal for purposes of resale — at varying prices related to prevailing market prices at the time of resale to be determined by the Dealers, or if specified in the applicable Pricing Supplement, at a fixed offering price. Notes may be distributed on a syndicated basis, in which case the applicable Pricing Supplement will identify the Dealers constituting the syndicate, or on a non-syndicated basis. We have also reserved the right to sell notes directly on our own behalf, in which case no commission will be payable to the Dealers. We can terminate the Program at any time.

Delivery of Notes

Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. The applicable Pricing Supplement may provide that the original issue date for the notes may be more than two scheduled business days after the trade date for those notes. Accordingly, in such a case, if you wish to trade those Notes on any date prior to the second business day before the original issue date for those notes, you will be required, by virtue of the fact that those notes initially are expected to settle in more than two scheduled business days after the trade date for those notes, to make alternative settlement arrangements to prevent a failed settlement.

Sales Restrictions

The distribution of this Offering Memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. If a jurisdiction requires that an offering of the notes be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering of the notes shall be deemed to be made by the Dealers or such affiliates in such jurisdiction. Persons into whose possession this Offering Memorandum comes are required by us and the Dealers to inform themselves about and to observe any such restrictions.

With regard to each notes, the relevant purchaser will be required to comply with the restrictions that we and the relevant purchaser will agree and as will be set out in the applicable Pricing Supplement. These restrictions may include, but are not limited to, the restrictions set forth below.

United States

The notes have not been and will not be registered under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions

exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and may not be offered or sold publicly in Mexico. The notes may only be offered and sold, on a private placement basis, to investors that qualify as an Institutional Investor (“*Inversionista Institucional*”) or an Accredited Investor (“*Inversionista Calificado*”), pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*) and regulations thereunder. We will notify the CNBV of the terms and conditions of the offering of the Notes outside Mexico. Such notice will be submitted to the CNBV to comply with Article 7, second paragraph, of the Mexican Securities Market Law and regulations thereunder, and for informational purposes only. The delivery to, or receipt by, the CNBV of such notice does not constitute or imply a certification as to the investment quality of the notes, of our or the subsidiary guarantors’ solvency, liquidity or credit quality or the accuracy or completeness of the information set forth herein. The information contained in this offering memorandum is solely our sole responsibility and has not been reviewed or authorized by the CNBV.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has advised, and each further Dealer appointed under the Program will be required to advise, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

If the Pricing Supplement in respect of any notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable” in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes which are the subject of the offering contemplated by this Offering Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Member State, except that it may make an offer of such notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

Restrictions on Marketing and Sales to Retail Investors of the Subordinated Notes

The Subordinated Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Subordinated Notes to retail investors.

In particular, in June 2015, the United Kingdom Financial Conduct Authority published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the “**PI Instrument**”), which took effect from 1 October 2015. In addition, (i) on 1 January 2018, the provisions of the PRIIPs Regulation became directly applicable in all EEA member states and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the “**Regulations**”. The Regulations set out various obligations in relation to (i) the manufacturing and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities, such as the Subordinated Notes.

Potential investors in the Subordinated Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Subordinated Notes (or any beneficial interests therein), including the Regulations.

Certain of the Dealers are subject to, and required to comply with, the Regulations, or, if not subject to the Regulations, they will comply with them as if they were subject to the Regulations. In addition, by purchasing, or making or accepting an offer to purchase, any Subordinated Notes (or a beneficial interest in such Subordinated Notes) from the Issuer and/or the Dealers, each prospective investor in relation to the Subordinated Notes (or any beneficial interest therein) will be deemed to represent, warrant, agree with and undertake to the Issuer and each of the Dealers that:

- (1) it is not a retail client in the EEA (as defined in MiFID II);
- (2) whether or not it is subject to the Regulations, it will not
 - (a) sell or offer the Subordinated Notes (or any beneficial interests therein) to retail clients (as defined in MiFID II) in the EEA; or
 - (b) communicate (including the distribution of this Offering Memorandum) or approve an invitation or inducement to participate in, acquire or underwrite the Subordinated Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (as defined in MiFID II). In selling or offering the Subordinated Notes (or any beneficial interests therein) or making or approving communications relating to the Subordinated Notes (or any beneficial interests therein), it may not rely on the limited exemptions set out in the PI Instrument; and

- (3) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Subordinated Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Subordinated Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Subordinated Notes (or any beneficial interests therein) from the Issuer and/or the Dealers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

United Kingdom

This Offering Memorandum will only be distributed and will only be directed to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). The notes are only and will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

Each Dealer has advised and each further Dealer appointed under the Program will be required to advise that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Belgium

No action has been taken or will be taken in Belgium to permit a public offer of the notes in accordance with the Belgian Act of 16 June 2006 on the public offer of securities and admission of securities to trading on a regulated market (the “**Belgian Prospectus Act**”) or a takeover bid in accordance with the Belgian Act of 1 April 2007 on takeover bids (*i.e.*, the Belgian Takeover Act) and no notes may be offered or sold to persons in Belgium unless either such persons are qualified investors within the meaning of Article 10 of the Belgian Prospectus Act or one or more other exemptions available under Article 3 of the Belgian Prospectus Act and Article 6 (3) of the Belgian Takeover Act apply.

Brazil

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the “**CVM**”). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or an unauthorized distribution under Brazilian laws and regulations. The notes are not being offered into Brazil. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil, nor be used in connection with any public offer for subscription or sale of the notes to the public in Brazil.

British Virgin Islands

The notes may not be offered or sold in the British Virgin Islands, except in circumstances that do not constitute a public offering or distribution to the public under the laws and regulations of the British Virgin Islands.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The territory should refer to any applicable provisions of the securities legislation of the purchasers' province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Upon receipt of this document, each Canadian investor hereby confirms and will confirm that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only.

Chile

The notes may not be offered or sold in Chile, directly or indirectly, by means of a "Public Offer" (as defined under Law 18,045 and regulations from the Comisión para el Mercado Financiero ("CMF")). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the notes. Pursuant to Chilean law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law. On June 27, 2012, the CMF issued Norma de Carácter General No. 336 (General Rule No. 336, hereinafter "NCG 336"), which is intended to govern the private offering of securities in Chile. NCG 336 provides that the offering of securities that meet the conditions described therein shall not be considered public offerings in Chile and shall be exempted from complying with the general rules applicable to public offerings.

China

The notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (the "**PRC**") (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Colombia

The notes have not been and will not be registered with or approved by the Superintendencia of Finance of Colombia (*Superintendencia Financiera de Colombia*) or the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Accordingly, the notes cannot be offered or sold in Colombia except in compliance with the applicable Colombian securities regulations.

France

Neither this Offering Memorandum nor any other offering material relating to the notes described in this Offering Memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Offering Memorandum nor any other offering material relating to the notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, The Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, The Laws of Hong Kong), or which do not constitute an offer to the public within the meaning of the Companies Ordinance, and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Ireland

The notes will not and may not be offered, sold, transferred or delivered, whether directly or indirectly, otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Act, 1963-2006, and the notes will not and may not be the subject of an offer in Ireland which would require the publication of a prospectus pursuant to Article 3 of Directive 2003/71/EC.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “**FIEL**”) and each Dealer has agreed that it has not offered or sold and will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means

any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Luxembourg

In relation to the Grand Duchy of Luxembourg (“**Luxembourg**”), which has implemented the Prospectus Directive by the law of 10 July 2005 *relative aux prospectus pour valeurs mobilières* (the “**Prospectus Law**”), the Notes which are subject of the offering contemplated by the this Offering Memorandum may not be offered to the public in Luxembourg, except that the Notes may be offered to the public in Luxembourg:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Law); or
- any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 5 of the Prospectus Law.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in Luxembourg means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes and the expression “Prospectus Directive” means Directive 2003/71/EC.

Netherlands

In the Netherlands, this Offering Memorandum may only be directed or distributed to, and the notes may only be offered or sold to, qualified investors (*gekwalificeerde beleggers*) within the meaning of article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Peru

This Offering Memorandum and the notes have not been, and will not be, registered with or approved by the Superintendencia del Mercado de Valores, the Lima Stock Exchange or the *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable securities laws and regulations of Peru. This notice is for information purposes only and it does not constitute a public offering of any kind in Peru.

Republic of Italy

The offering of the notes has not been cleared by the Commissione Nazionale per la Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, directly or indirectly, nor may copies of the Offering Memorandum or of any other document relating to the notes be distributed or made available in the Republic of Italy, except:

- to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Article 34-ter, first

paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“**Regulation No. 11971**”); or

- in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of the Offering Memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must:

- (1) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (2) comply with Article 129 of the Banking Act, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which certain information on the issue or the offer of securities in Italy must be communicated to the Bank of Italy; and
- (3) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy and/or any other Italian authority.

Any investor purchasing the notes is solely responsible for ensuring that any offer or resale of the notes by such investor occurs in compliance with applicable laws and regulations.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA, except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A), or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

The Dealers have agreed, and each further dealer appointed under the Program will be required to agree, that it will comply with any laws, regulations or guidelines in Switzerland from time to time, including, but not limited to, any regulations made by the Swiss Federal Banking Commission and/or the Swiss National Bank (if any) in relation to the offer, sale, delivery or transfer of the notes or the distribution of any offering material in Switzerland in respect of such Notes.

Thailand

This Offering Memorandum has not been approved by the Securities and Exchange Commission of Thailand which takes no responsibility for its contents. No offer to the public to purchase the notes will be made in Thailand and this Offering Memorandum is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Uruguay

The Issuer represents and agrees that it has not offered or sold, and will not offer or sell, any securities to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The sale of any series of securities hereunder is not and will not be registered with the Central Bank of Uruguay to be publicly offered in Uruguay.

Other Matters

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase, in addition to the price to investors specified in the applicable Pricing Supplement.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for such transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the Dealers or their affiliates has a lending relationship with us, certain of those Dealers or their affiliates routinely hedge, and certain other of those Dealers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes issued under the Program. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Application may be made to Luxembourg Stock Exchange to admit a Series of notes to the Official List and for admission to trading on the Euro MTF Market, which is not a regulated market within the meaning of MIFID II. Application may also be made to list a Series of notes on another exchange or a Series of notes may be unlisted. The

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

Each Series of notes will constitute a new issue of securities with no established trading market. We cannot assure you that an active trading market for the notes will develop. If a trading market does not develop or is not maintained, holders of the notes may experience difficulty in reselling the notes or may be unable to sell them at all. Even if a market develops, the liquidity of any market for the notes will depend on the number of holders of the notes, the interest of securities dealers in making a market in the notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes, the ability of holders to sell the notes or the prices at which the notes could be sold. Because the market for any Series of notes may not be liquid, you may have to bear the economic risk of an investment in the notes for an indefinite period of time. If an active trading market does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, our performance and business prospects and other factors.

The Dealers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the Dealers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the Dealers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

Unless otherwise provided in the applicable Pricing Supplement, we have agreed that we will not, for a period of 30 days after the date of the pricing term sheet for the applicable Series of notes, without the prior written consent of the relevant Dealers, directly or indirectly, sell, contract to sell, grant any option to purchase, or otherwise dispose of any debt securities of similar maturity, terms and conditions as such notes that have tenor of more than one year, or any securities that represent the right to receive any such debt securities.

LEGAL MATTERS

The validity of the notes will be passed upon for us by 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, 2019, 2018 and 2017 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.

INDEX TO FINANCIAL STATEMENTS

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**

Consolidated Financial Statements
for the Years Ended December 31,
2019, 2018 and 2017 and
Independent Auditors' Report Dated
February 27, 2020



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, (the "Entity"), which comprise the consolidated balance sheets as of December 31, 2019, 2018 and 2017, 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.



Valuation of Derivative Financial Instruments (See Notes 3 and 6 to the consolidated financial statements)

The Entity enters into transactions with derivative financial instruments for hedging purposes, maintains Interest Rate Swaps, Currency Swaps and options. These transactions are performed on an over-the-counter market ("OTC") basis. The Entity's counterparties are primarily Mexican and international banking institutions with financial guarantee agreements. The valuation of derivative financial instruments is considered to be a key area of our audit approach mainly due to the significance of the carrying amounts (fair value) of derivative financial instruments and because management utilizes its judgment to determine fair value and the key assumptions used for this purpose, such as exchange rates, rate curves, volatilities, etc., as these instruments are traded on an OTC basis.

Our audit procedures selected for this significant item were as follows:

- Test the design and implementation of the key controls used to identify, measure and record the Entity's derivative financial instruments.
- Involve Deloitte's internal expert valuation specialists to independently determine the fair value of a sample of derivative financial instruments, while also considering market data, which we matched with the values determined by management.
- At December 31, 2019, validate the correct presentation and disclosure of these instruments in the consolidated financial statements.

The results of our audit procedures were reasonable.

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

The Entity creates an allowance for loan risks for its credit portfolio based on the portfolio rating rules detailed in the Provisions issued by the Commission, which establish methodologies for the evaluation and creation of reserves by credit type. When rating its credit portfolio, the Entity considers the Probability of Default, the Severity of the Loss and Exposure at Default. It also rates its credit portfolio based on different groups and by establishing different variables to estimate the probability of default, as follows: i) consumer loans: the possibility of non-payment, potential losses and credit risk; ii) commercial loans: evaluation of the debtor's ability to settle the loan (country risk, financial risk, industry risk and payment history), as well as the respective credit enhancements.

The above has been classified as a key audit matter due to the significance of the carrying amount of the loan portfolio and the related allowance for loan losses, and because the determination process requires the consideration of different data inputs, as described in the preceding paragraph. Accordingly, the completeness and accuracy of the information used for this purpose is fundamental.

Our audit procedures to address this key audit matter included:

- We tested the design and implementation of the relevant controls with a focus on the review-type controls, addressing the classification of the commercial loan portfolio into different groups, as well as consumer loans
- We reviewed the variables for the estimate of the probability of default for each type of loan.
- We tested the design and implementation 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, 2019, 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 assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity 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. Karen Jazmín Pérez Olvera

Mexico City, Mexico

February 27, 2020



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

Consolidated Balance Sheets

As of December 31, 2019, 2018 and 2017
 (In thousands of Mexican pesos)

Assets	2019	2018	2017	Liabilities	2019	2018	2017
Cash and cash equivalents	\$ 1,180,867	\$ 575,719	\$ 810,622	Notes payable (Securitized Certificates)	\$ 1,260,978	\$ 1,463,518	\$ 1,000,000
Investment in securities:				Senior notes payable	24,636,734	17,018,849	13,543,874
Trading securities	1,294,358	940,865	529,768		25,897,712	18,482,367	14,543,874
Derivatives:				Bank loans:	7,597,612	7,359,690	2,927,873
Trading purposes	-	-	-	Short-term loans	8,015,873	4,804,689	6,112,739
Hedging purposes	-	1,028,013	1,920,898	Long-term loans	15,613,485	12,164,379	9,040,632
Performing loan portfolio:				Derivatives:			
Commercial loans:				Hedging purposes	765,329	-	137,637
Commercial or business activity	34,619,967	26,090,647	20,903,887		765,329	-	137,637
Consumer loans	11,705,735	9,610,914	7,505,932	Other accounts payable	313,630	263,951	390,906
Total performing loan portfolio	46,325,702	35,701,561	28,409,819	Income taxes payable	16,863	18,290	16,183
Non-Performing loan portfolio:				Employee profit sharing payable	513,740	439,074	1,229,108
Commercial loans:				Accrued liabilities and other accounts payable	844,233	721,315	1,636,197
Commercial or business activity	343,817	307,551	331,398		2,407,056	2,258,849	1,781,022
Consumer loans	288,901	310,004	273,821	Deferred taxes, net	45,527,815	33,626,910	27,139,362
Total non-performing loan portfolio	632,718	617,555	605,219	Total liabilities			
Loan portfolio	46,958,420	36,319,116	29,015,038				
Less – Allowance for loan losses	(1,390,046)	(1,067,923)	(1,067,540)	Stockholders' Equity			
Loan portfolio, net	45,568,374	35,251,193	27,947,498	Paid in Capital:			
Other accounts receivable, net	6,796,910	5,378,802	4,629,673	Capital stock	660,154	660,154	660,154
Foreclosed assets, net	10,774	10,510	3,269	Share subscription premium	1,192,265	1,407,522	1,462,618
Property, furniture and fixtures, net	625,326	341,453	342,170	Perpetual bond	4,206,685	4,206,685	4,206,685
Long-term investment in shares	1,273,557	1,193,412	1,265,322	Earned Capital:	6,059,104	6,274,361	6,329,457
Other assets, net	4,590,582	4,793,722	4,130,920	Legal reserve	132,030	132,030	132,030
Deferred charges, advance payments and intangibles	250,944	48,771	327,573	Retained earnings	7,664,422	6,561,118	5,442,351
Other short and long-term assets	4,841,526	4,842,493	4,458,493	Result from valuation of cash flow hedges, net	(708,201)	128,622	359,727
Total assets	\$ 61,591,692	\$ 49,562,460	\$ 41,907,713	Cumulative translation adjustment	5,489	(30,074)	93,665
				Re-measurements of employee defined benefits	(18,174)	5,611	1,087
				Net income attributable to controlling interest	1,980,109	1,955,358	1,661,144
				Non-controlling interest	949,098	908,524	748,890
				Total stockholders' equity	10,004,773	15,935,550	14,768,351
				Total stockholders' equity	16,063,877	15,935,550	14,768,351
				Total liabilities and stockholders' equity	\$ 61,591,692	\$ 49,562,460	\$ 41,907,713



Memorandum accounts (Note 23)

	2019	2018	2017
Credit commitments	\$ 227,878	\$ 354,728	\$ 300,573
Uncollected interest earned on non-performing portfolio	\$ 151,125	\$ 366,701	\$ 290,276
Unused credit lines	\$ 131,904	\$ 156,023	\$ 1,999,177

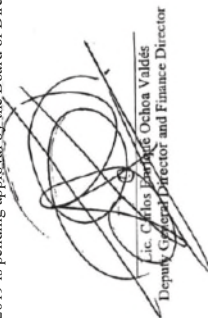
"The historical balance of the share capital as of December 31, 2019, 2018 and 2017 is \$ 660,154, in each year. The effect of indexing recognized in the share capital as of December 31, 2007 is \$ 2,916."

"These consolidated balance sheets were prepared in accordance with the accounting criteria for Credit Institutions issued by the National Banking and Securities Commission based on the provisions of Articles 99, 101 and 102 of the Credit Institutions Law, of general and obligatory observance, applied in a consistent manner, reflecting the operations carried out by the Entity through the above-mentioned dates, which were carried out and valued in accordance with sound practices and the applicable provisions."

"These consolidated balance sheets were approved under the responsibility of the executives who subscribe them. The consolidated balance sheet as of December 31, 2019 is pending approval by the Board of Directors. The consolidated balance sheets as of December 31, 2018 and 2017 were approved by the Board of Directors."

"These consolidated financial statements may be consulted on the page <http://www.creal.mx>."


Ing. Angel Román Berrondo
General Director


c.c. Carlos Enrique Ochoa Valdés
Deputy General Director and Finance Director

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**
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Consolidated Statements of Income

For the years ended December 2019, 2018 and 2017

(In thousands of Mexican pesos)

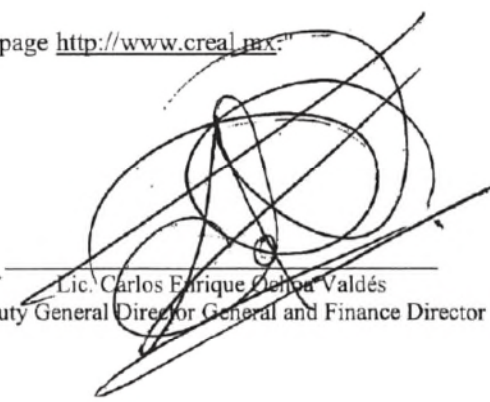
	2019	2018	2017
Interest income	\$ 11,932,952	\$ 10,287,586	\$ 8,557,339
Interest expense	<u>(4,671,080)</u>	<u>(3,207,389)</u>	<u>(2,726,088)</u>
Financial margin	7,261,872	7,080,197	5,831,251
Provisions for loan losses	<u>(1,306,626)</u>	<u>(1,540,335)</u>	<u>(1,081,143)</u>
Financial margin after provision for loan losses	5,955,246	5,539,862	4,750,108
Commissions and fees income	515,700	564,138	826,388
Commissions and fees paid	(373,447)	(255,989)	(234,613)
Intermediation income	156,248	(20,822)	152,947
Other operating income	126,597	164,742	88,162
Administrative and marketing expense	<u>(3,607,017)</u>	<u>(3,483,129)</u>	<u>(3,417,456)</u>
Operating result	2,773,327	2,508,802	2,165,536
Equity in income of associates	<u>63,201</u>	<u>154,715</u>	<u>177,743</u>
Income before income taxes	2,836,528	2,663,517	2,343,279
Current income taxes	(587,737)	(355,305)	(92,722)
Deferred income taxes	<u>(148,207)</u>	<u>(295,295)</u>	<u>(435,574)</u>
	<u>(735,944)</u>	<u>(650,600)</u>	<u>(528,296)</u>
Net income	2,100,584	2,012,917	1,814,983
Non-controlling interest	<u>120,475</u>	<u>57,559</u>	<u>153,839</u>
Net income attributable to controlling interest	<u>\$ 1,980,109</u>	<u>\$ 1,955,358</u>	<u>\$ 1,661,144</u>
Earnings per share	<u>\$ 5.04</u>	<u>\$ 4.99</u>	<u>\$ 4.24</u>
Weighted average shares outstanding	<u>392,219,424</u>	<u>392,219,424</u>	<u>392,219,424</u>



"These consolidated statements of income were prepared in accordance with the accounting criteria for Credit Institutions, issued by the National Banking and Securities Commission based on the provisions of Articles 99, 101 and 102 of the Credit Institutions Law, of general and obligatory observance, applied in a consistent manner, reflecting the operations carried out by the Entity through the aforementioned dates, which were carried out and valued in accordance with sound practices and applicable provisions."

"These consolidated statements of results were approved under the responsibility of the executives who subscribe them. The consolidated statement of income for the year ended December 31, 2019 is pending approval by the Board of Directors. The consolidated statements of results for the years ended December 31, 2018 and 2017 were approved by the Board of Directors."

"These consolidated financial statements may be consulted on the page <http://www.creal.mx>."

	
Ing. Angel Romanos Berrondo General Director	Lic. Carlos Enrique Delgado Valdés Deputy General Director General and Finance Director

See accompanying notes to consolidated financial statements.



Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 2019, 2018 and 2017
 (In thousands of Mexican pesos)

	Paid in Capital			Earned Capital				Net income attributable to controlling interest	Non-controlling interest	Total stockholders' equity
	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		
Balances as of December 31, 2016	\$ 660,154	\$ 1,450,269	\$ -	\$ 132,030	\$ 4,244,142	\$ 229,447	\$ 167,623	\$ 2,459	\$ 677,222	\$ 9,277,347
Changes arising from stockholder decisions-										
Transfer of prior year results	-	-	-	-	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	-	-	-	-	(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	-	-	-	-	-	-	-	-	153,839	1,814,983
Total comprehensive income	-	-	-	-	1,372	130,280	(73,958)	(1,372)	71,668	5,995,819
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	748,890	14,768,351
Changes arising from stockholder decisions-										
Transfer of prior year results	-	-	-	-	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	-	-	-	-	(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	-	-	-	-	-	-	-	-	57,559	2,012,917
Total comprehensive income	-	-	-	-	(4,524)	(231,105)	(123,739)	4,524	159,634	1,760,148



	Paid in Capital			Earned Capital				Non-controlling Interest	Total stockholders' equity
	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
Balances as of December 31, 2018	660,154	1,407,522	4,206,685	132,030	6,561,118	128,622	(30,073)	5,611	1,955,358
Changes arising from stockholder decisions-									
Transfer of prior year results	-	-	-	-	1,955,358	-	-	-	(1,955,358)
Dividend payments	-	-	-	-	(265,768)	-	-	-	(265,768)
Purchase / Sale of own shares	-	(215,257)	-	-	81,318	-	-	-	(133,939)
Dividends of subordinate obligations payment	-	-	-	-	(659,966)	-	-	-	(659,966)
Others	-	-	-	-	(1,982)	-	-	-	(1,982)
Total entries approved by stockholders	-	(215,257)	-	-	1,108,960	-	-	-	(1,955,358)
Changes affecting comprehensive income-									
Result from consolidation of minority interest companies	-	-	-	-	-	-	-	-	(80,005)
Result from valuation of cash flow hedging instruments	-	-	-	-	-	(836,823)	-	-	(836,823)
Cumulative translation effect	-	-	-	-	-	-	35,562	-	35,667
Re-measurements of employee defined benefits	-	-	-	-	(5,656)	-	-	(23,785)	(29,441)
Net income	-	-	-	-	-	-	-	-	1,980,109
Total comprehensive income	-	-	-	-	(5,656)	(836,823)	35,562	(23,785)	1,980,109
Balances as of December 31, 2019	660,154	1,192,265	4,206,685	132,030	7,664,422	(708,201)	5,489	(18,174)	1,980,109
									40,575
									949,098
									16,063,877

"These consolidated statements of changes in stockholders' equity were prepared in accordance with the accounting criteria for Credit Institutions, issued by the National Banking and Securities Commission based on the provisions of Articles 99, 101 and 102 of the Credit Institutions Law, of general and obligatory observance, applied in a consistent manner, reflecting the operations carried out by the Entity through the above-mentioned dates, which were carried out and valued with adherence to sound practices and applicable provisions."

"These consolidated statements of changes in stockholders' equity were approved under the responsibility of the executives who subscribe them. The consolidated statement of changes in stockholders' equity for the year ended December 31, 2019 is pending approval by the Board of Directors. The consolidated statements of changes in stockholders' equity for the years ended December 31, 2018 and 2017 were approved by the Board of Directors."

"These consolidated financial statements may be consulted on the page <http://www.creal.mx>".


 Ing. Angel Román Berrondo
 General Director


 Lic. Carlos Enrique Ochoa Valdes
 Deputy General Director and Finance Director

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**
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

Consolidated Statements of Cash Flows

For the years ended December 31 2019, 2018 and 2017

(In thousands of Mexican Pesos)

	2019	2018	2017
Net income	\$ 2,100,584	\$ 2,012,917	\$ 1,814,983
Adjustments for items that do not result in cash flows:			
Depreciation of furniture and fixtures	47,395	47,355	72,518
Amortization of intangibles assets	19,838	36,579	64,035
Provisions	14,778	40,689	124,987
Deferred income taxes	672,910	650,600	528,297
Equity in income of associates	(63,201)	(154,715)	(177,743)
	<u>2,792,304</u>	<u>2,633,425</u>	<u>2,427,077</u>
Operating activities			
Change in investment in securities	(353,493)	(411,097)	462,907
Change in derivatives (asset)	956,520	524,143	683,665
Change in loan portfolio (net)	(10,317,182)	(7,303,695)	(5,149,835)
Change in other accounts receivables (net)	(1,418,107)	(749,129)	(1,052,375)
Change in foreclosed assets (net)	(263)	(7,241)	24,735
Change in other assets	(18,871)	(420,579)	(403,323)
Change in senior notes and notes payable	7,415,345	3,938,493	(2,344,569)
Change in bank loans	3,449,106	3,123,747	1,340,579
Change in other accounts payable	(731,456)	(1,128,344)	714,422
Net cash flows from operating activities	<u>(1,018,401)</u>	<u>(2,433,702)</u>	<u>(5,723,794)</u>
Investing activities			
Acquisitions of property and equipment	(47,760)	(46,638)	(216,597)
Dividends received in cash	94,667	113,895	95,116
(Increase) decrease in investments in shares	(215,258)	179,192	(207,014)
Net cash flows from investing activities	<u>(168,351)</u>	<u>246,449</u>	<u>(328,495)</u>
Financing activities:			
Cash flow generated from hedging instruments	-	-	130,280
Dividends paid in cash	(265,768)	(193,436)	(96,800)
Share subscriptions premium	-	-	12,349
Repurchase of own shares	(110,231)	(91,528)	(58,465)
Subordinated obligations	-	-	4,206,685
Dividends paid on subordinated obligations	(659,966)	(252,889)	-
Net cash flows from financing activities	<u>(1,035,965)</u>	<u>(537,853)</u>	<u>4,194,049</u>



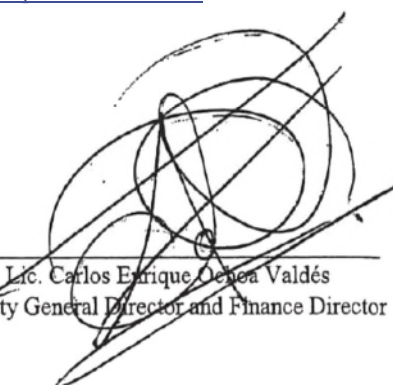
	2019	2018	2017
Net increase (decrease) in cash and cash equivalents	569,586	(91,681)	568,837
Effect of change in the value of cash and equivalents	35,562	(143,222)	(73,989)
Cash and cash equivalents at beginning of year	<u>575,719</u>	<u>810,622</u>	<u>315,774</u>
Cash and cash equivalents at end of year	<u>\$ 1,180,867</u>	<u>\$ 575,719</u>	<u>\$ 810,622</u>

“These consolidated statements of cash flows were prepared in accordance with the Accounting Criteria for Credit Institutions, issued by the National Banking and Securities Commission based on the provisions of Articles 99, 101 and 102 of the Credit Institutions Law, of general and obligatory observance, applied in a consistent manner, reflecting the operations carried out by the Entity through the above-mentioned dates, which were carried out and valued in accordance with sound practices and the applicable provisions.”

“These consolidated statements of cash flows were approved under the responsibility of the executives who subscribe them. The consolidated statement of cash flows for the year ended December 31, 2019 is pending approval by the Board of Directors. The consolidated statements of cash flows for the years ended December 31, 2018 and 2017 were approved by the Board of Directors.”

"These consolidated financial statements may be consulted on the page <http://www.creal.mx>."


 Ing. Angel Romanos Berrondo
 General Director


 Lic. Carlos Enrique Ochoa Valdés
 Deputy General Director and Finance Director

The accompanying notes are an integral part of the consolidated 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

Notes to Consolidated Financial Statements

For the years ended December 2019, 2018 and 2017

(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 (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 five business lines: (i) payroll lending, (ii) consumer 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 15 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 2017, 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 1,561 promoters and 203 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 two entities which focus mainly on the Hispanic-American market with limited credit history in the United States of America (“EUA”): CR USA Finance (formerly AFS Acceptance), which has around 1,338 distributors in 26 US states. The Entity has a presence in Costa Rica, Nicaragua and Panama with the brand Instacredit, through a network of 65 branches and more than 362 promoters. Instacredit is a recognized brand in Central America, with more than 19 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 5 partnerships have been executed with distributors in more than 475 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, 2019, the distribution network of Drive & Cash is composed of 20 branches and 506 agreements located in 32 States Nationwide.

The Entity has a majority stake in a credit operator for used cars doing business as "CR USA Finance". Such operator has a service platform which enables it to operate in 26 states throughout the US, and also operating agreements in place with more than 1,338 distributors in that country.

Consumer loans

On February 22, 2017, 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 2019, Instacredit contributed 24.4 % of the Entity's consolidated income. It also represented 11.3% of the total credit portfolio. Instacredit has a recognized brand with a multiproduct platform, with 19 years of experience and 65 branches located in Costa Rica, Nicaragua and Panama with a customer base of 172,628. 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 1,561 promoters in a network comprising 203 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 2019

- a) On January 25, 2019, Crédito Real acquired, through its repurchase fund, and approved the cancellation of 12,551,534 ordinary, nominative Single Series, Class II shares representing the Entity's variable capital, which comprise 3.2% of its common stock.
- b) On February 7, 2019, unsecured notes were issued in the amount of US\$400 million and offered in the United States, with maturity in 2026, with a 9.50% interest rate payable half-yearly, which may be prepaid starting from the fourth year following the issuance date.

Fitch Ratings and Standard & Poor's issued a rating of "BB+".

- c) On August 5, 2019, a syndicated credit line was contracted with Credit Suisse for the amount of US\$ 110 million (one hundred and ten million US dollars), with maturity in three years.
- d) On August 15, 2019, the second portfolio securitization program in the amount of MXP \$615,000, at the TIIE rate + 225 points for an initially-agreed five-year period, according to the securitization program approved by the Commission through document No. 153/10865/2017, was fully prepaid.
- e) On October 2, 2019, the Entity announced the issuance of senior bonds with maturity in 2027, with the option of total or partial settlement as of October 1, 2022, for the amount of €350,000,000. These bonds pay interest at the annual rate of 5% and were rated as "BB +" worldwide by Fitch Ratings and Standard and Poor's.



- f) On October 8, 2019, 2023 Senior Notes were partially settled for the amount of US\$198.1 million. The following derivative financial instruments, contracted to hedge a portion of the prepaid debt, were also settled in advance: a Cross Currency Swap contracted with Morgan Stanley for a notional amount of US\$100 million, as well as a second Cross Currency Swap contracted with Barclays for a notional amount of US\$100 million, thus leaving a remaining balance of US\$25 million, which is hedged by its respective derivative financial instruments.
- g) On October 24, 2019, the Entity carried out the third issuance of a portfolio securitization program in the amount of MXP \$750,000,000, which accrues interest at the TIIE rate + 215 points over a period of five years, according to the securitization program approved by the Commission through document No. 153/12238/2019.
- h) On December 10, 2019, the Entity contracted a credit line of US\$50 million for a five-year period with BID Invest, a member of the Inter-American Development Bank group (BID), in line with the Entity's financing strategy, which focuses on obtaining alternative funding sources with enhanced conditions.

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. 153/10865/2018.
- f) In May and November 2018, the Entity made the semiannual payments of interest on the perpetual bond issued on November 29, 2018 for US \$230 million (two hundred thirty million US dollars)
- g) During the last quarter of 2018, the Entity borrowed on 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 secured with credit rights.



2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have 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, 2019, 2018 and 2017 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, 2019, 2018 and 2017, were 15.10%, 11.93% and 6.77% 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 2019, 2018 and 2017 were 2.83, 4.83%, and 6.77%, respectively.

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, 2019, 2018 and 2017 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 percentage		
	2019	2018	2017
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.	99.99%	99.97%	99.97%
CRholdingint, S.A. de C.V.	99.99%	99.94%	99.94%
Crédito Real USA, Inc.	100.00%	100.00%	100.00%
CR-Seg, Inc.	100.00%	100.00%	-
Fideicomiso irrevocable de emisión, administración y pago No. 3200	100.00%	100.00%	100.00%
Fideicomiso irrevocable de emisión, administración y pago No. 3670	-	100.00%	-
Fideicomiso irrevocable de emisión, administración y pago No. 4217	100.00%	-	-

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 2019, it maintains the following investments:

I. *CAT 60, S.A.P.I. de C.V. (“CAT 60”).*

As of December 23, 2019, CAT 60 became an associated company of Controladora CR, with a 36.07% shareholding. Accordingly, Controladora CR has ceased to consolidate its financial information.

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. (99.9%), RTF Agente de Seguros, S.A. de C.V. (99.9%), 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. (99.9%), Resuelve tu Deuda S.A. Argentina (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 35.06%. 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.

VI. *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 26 states with a network of 1,338 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.

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, 2018, 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.

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 2019 it holds the following investments:



I. Marevalley Corporation -

CRholdingint holds 70.00% 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, 2019, it has 65 branches in the aforementioned three countries, deals with 172,628 customers and has a total portfolio of more than \$4,918.

II. Crédito Real Honduras, S.A. de C.V. (“Crédito Real Honduras”) -

Crholdingint holds 99.99% 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. As of September 2019, the Trust was liquidated.

Irrevocable issuance, administration and payment trust No. 4217

In October 2019, Trust No. 4217 was established corresponding to the securitization of the portfolio of the product “payroll discount” for \$ 750,000 with a capacity of 1.5 at a term of 5 years beginning the amortization 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, 2019, 2018 and 2017, comprehensive income and losses are comprised of the net result, the result of the valuation of cash flow hedge instruments and the actuarial losses on defined benefit plans.

Classification of costs and expenses - These are presented in accordance with their function consistent with 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 Commission –

During 2017, the Commission issued a change in the accounting criteria B-6 "Loan portfolio" related to the recognition of recoveries of previously written-off loans, in which it states that recoveries from previously written-off loans must be recognized net from the provisions for loan losses. The change was made in order to make it consistent with international regulations. Until December 31, 2018, the Entity recognized loan portfolio recoveries in the Consolidated State of income as part of "other income". The effects of this change have been applied retrospectively in accordance with NIF B-1 "Accounting changes and error corrections".



Changes accounting issued by the CINIF –

As of January 1, 2019, the CINIF issued the following NIF:

NIF D-5, *Leases* – The accounting recognition defined for the leaseholder establishes a sole lease recognition model that eliminates the classification of leases as operating or capital. Accordingly, assets and liabilities are recognized for all leases with a duration of more than 12 months (unless the underlying asset is of low value). Consequently, the most significant effect to the consolidated balance sheet was the recognition of the usage rights of leased assets and the financial liabilities resulting from leased assets that reflect payment obligations at present value.

The accounting recognition defined for the lessor remains unchanged as only certain additional disclosure requirements were added.

The main aspects considered by this NIF are: a) a lease is a contract that transfers the right to utilize an asset to the leaseholder for a given period of time in exchange for a payment. Accordingly, at the start of the contract, it must be evaluated whether the leaseholder obtains the right to control the use of an identified asset for a given period of time; b) the nature of the related lease expenses was changed by replacing the operating lease expense referred to by Bulletin D-5, *Leases*, with the depreciation or amortization of asset usage rights (in operating costs), together with an interest expense for these liabilities in Comprehensive Financing Cost (RIF); c) the presentation in the consolidated statement of cash flows was modified by reducing cash disbursements for operating activities and increasing cash disbursements related to financing activities to reflect lease liability and interest payments; d) the recognition of the profit or loss arising when a vendor-leaseholder transfers an asset to another entity and subsequently leases that asset under a leaseback agreement was modified.

In order to apply this NIF, the Entity considered the practical solution for contracts that were previously identified or not as leases by applying the terms of Bulletin D-5, *Leases*, and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. The Entity therefore retrospectively recognized the accrued effect at the initial application date in the consolidated statement of changes in stockholders' equity.

Reclassifications - Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2018 have been reclassified to conform to the presentation of the 2019 consolidated financial statements.

Recognition of the effects of inflation - As of January 1, 2008, the Entity suspended recognition of the effects of inflation in the financial statements; however, 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 non significant risk of changes in value. The investments of the Entity as of December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017, 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 for being 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:

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), 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:

$Total\ credit\ score_i = a \times (Quantitative\ credit\ score_i) + (1 - a) \times (Qualitative\ credit\ score_i)$



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:

$$EI_i = S_i * \text{Max} \left\{ \left(\frac{S_i}{\text{AuthorizedLineofCredit}} \right)^{-0.5794}, 100\% \right\}$$

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:

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 loan portfolio whose Billing Periods are monthly or when involving loans with a single payment at maturity, as follows:

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

b) If $ATR_i^M < 4$ then:

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

Where:

PI_i^M = Probability of monthly noncompliance nth for the loan.
 ATR_i^M = Number of observed late payments at the date of calculation of new reserves, which are derived from the application of the following formula:

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

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

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

If the payments of the loan include a variable component, the Entity's best estimate will be used to determine the value of the sum of all the scheduled payments to be made by the borrower. The value of such sum cannot be less than or equal to the original amount of the credit.

$\%PAGO_i^M$ = 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 (EI_i) 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.

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.



Lease liabilities - At the commencement date of the lease, these liabilities are recognized by considering the present value of the lease payments to be made. Future payments include: i) fixed payments less any incentives; ii) variable payments that depend on an index or rate; iii) payments expected to guarantee the residual value; iv) purchase options, when the Entity is reasonably certain to exercise them; v) payments made when exercising an option at the end of the lease period and which are discounted by utilizing the discount rate implicit in the lease or, otherwise, by utilizing the Entity's incremental borrowing rate. These items are subsequently valued by i) adding accrued interest, ii) reducing for lease payments, and iii) remeasuring the effects of revaluations or modifications, together with the effect of changes to substantially fixed lease payments. The variable payments that are not included in the valuation of lease liabilities are recognized in the results of the period as they arise. As of December 31, 2019, these liabilities are included in the category of Sundry creditors and other payables. Beginning January 1, 2019, the right-of-use assets are depreciated for the shorter period between the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the purchase option will be exercised, the related right-of-use asset is depreciated during the useful life of the underlying asset. Depreciation begins on the start date of the lease.

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.

Other Income and Expenses – Are recorded in the other income associated with the sale of fixed assets and operating lease revenues. Other expenses refer to expenses other than operating expenses.

Collected commissions – Are recognized as income when collected as they involve transactions of a short duration.

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 22)

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 2019, 2018 and 2017, the cash and cash equivalents were as follows:

	2019	2018	2017
Banks:			
National currency	\$ 645,756	\$ 148,022	\$ 651,675
Foreign currency	<u>535,111</u>	<u>427,697</u>	<u>158,947</u>
	<u>\$ 1,180,867</u>	<u>\$ 575,719</u>	<u>\$ 810,622</u>

As of December 31, 2019, foreign currency deposits delivered to the counterparty according to the margin calls received are recognized as restricted cash at the exchange rate at the end of the period, at their value within the restricted availability item, presented in national currency, which amounts to MXP \$ 230,802 at the end of December 2019.

5. Investments in securities

As of December 31 2019, 2018 and 2017, investments in securities were as follows:

	2019		
	Amount invested	Rate	Amount
Investments in Mexican pesos (a)			
Bank promissory notes	\$ 410,654	6.78%	\$ 410,654
Government paper	743,179	7.33%	743,179,
Commercial paper	<u>47,329</u>	6.29%	<u>47,329</u>
Total securities to trade in pesos	<u>1,201,162</u>		<u>1,201,163</u>
Investments in foreign currency USD (b)			
Bank promissory notes		2.38%	
Total securities to trade in dollars	<u>\$ 93,196</u>		<u>\$ 93,196</u>
Total investments in securities	<u>\$ 1,294,358</u>		<u>\$ 1,294,358</u>



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	<u>55,214</u>	5.00%	<u>55,214</u>
Total securities to trade in pesos	<u>859,266</u>		<u>859,266</u>
Investments in foreign currency USD (b)			
Bank promissory notes	\$ 81,599	4.50%	\$ 81,599
Total securities to trade in dollars	<u>81,599</u>		<u>81,599</u>
Total investments in securities	<u>\$ 940,865</u>		<u>\$ 940,865</u>
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	<u>203,810</u>	7.48%	<u>203,981</u>
Total securities to trade in pesos	<u>450,828</u>		<u>450,999</u>
Investments in foreign currency USD (b)			
Bank promissory notes	\$ 78,769	3.06%	\$ 78,769
Total securities to trade in dollars	<u>78,769</u>		<u>78,769</u>
Total investments in securities	<u>\$ 529,597</u>		<u>\$ 529,768</u>

(a) Investments denominated in Mexican pesos are comprised as follows:

- Investments in bank paper are comprised of bank debt in pesos, with a 2- 30 day maturity. At December 31, 2019, 2018 and 2017, they represent a total value of \$410,654 , \$724,048 and \$208,614 respectively.
- Investments in government paper are comprised of government debt in pesos with a 2 day maturity. As of December 2019, 2018 and 2017, they represent a total value of \$743,179, and \$80,004 and \$28,404, respectively.
- Investments in corporate paper are comprised of corporate debt in pesos with a 2 day maturity. As of December 2019, 2018 and 2017, they represent a total value of \$47,329, \$55,214 and \$203,981, respectively.

(b) As of December 31, 2019, 2018 and 2017, investments in bank paper denominated in US dollars, with a maturity of between 2 and 360 days, represent a total value of 93,196, \$81,599 and \$78,769 respectively.

6. Financial Derivative 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, 2019, foreign currency deposits delivered to the counterparty according to the margin calls received are recognized at the exchange rate at the end of the period, at their value within the restricted availability item, presented in national currency, which amounts to MXP \$ 230,802 at the end of December 2019.

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.

Senior notes maturing in 2019 (in thousands)

At the end of the first quarter of 2019, these instruments were settled in connection with the payment of the hedged debt (Senior Notes maturing in 2019), for the amount of MXP \$319,262 (US\$16,927) with a gain recognized in results.

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 21, 2020 at the Libor rate plus 5.5% of quarterly.

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)		\$ (58,540)
Market value USD (thousands)		\$ (3,103)
Collateral MXN		\$ -

As of December 31, 2019, the fair value of the aforementioned financial derivative in relation to the syndicated line hedge is MX \$(58,540) (equivalent to (3,103) 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, 2019 recognized in equity is MX \$(259,699) (equivalent to (13,770) US dollars) and the effect reclassified to the statement of income for accrued interest income is MX \$65,258 (equivalent to 3,460 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
2020	\$ (259,699)	(13,770)



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.

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.

On March 4, 2019, the Entity contracted a Coupon-Only Swap and Call Spread with Morgan Stanley to hedge both the notional amount and interest of part of the 2023 Senior Notes. This instrument was contracted for an amount equal to \$50 million dollars, at an exchange rate of 19.3000 pesos per US dollar, with commencement on January 22, 2019 and maturity on July 20, 2023. The Coupon-Only Swap has a fixed rate of 11.72% denominated in Mexican pesos, while the Call Spread is composed by a long call with an agreed value of \$19.30 and a short call of \$27.00.

On March 8, 2019, the Entity contracted a Coupon-Only Swap and Call Spread with BNP Paribas to hedge both the notional amount and interest of part of the 2023 Senior Notes. This instrument was contracted for an amount equal to \$25 million dollars, at an exchange rate of 19.4900 pesos per US dollar, with commencement on March 12, 2019 and maturity on July 20, 2023. The Coupon-Only Swap has a fixed rate of 11.80% denominated in Mexican pesos, while the Call Spread is composed by a long call with an agreed value of \$19.49 and a short call of \$27.00.



In October, the Entity brought forward the settlement of the Cross Currency Swap derivative contracted with Morgan Stanley and the derivative contracted with Barclays to leave an outstanding notional amount of US\$ 25,000 after a debt prepayment. Following the change to this hedged item, the Entity restructured its current hedge ratios, leaving two Cross Currency (UBS and Banamex) Swaps as cash flow hedges, one fair value hedge (Deutsche Bank) and the Cross Currency instrument contracted with Barclays, divided into a 47% cash portion and a 53% fair value portion.

Trading characteristics		Barclays 9007408	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Currency A:		Dollars (USD)	Dollars (USD)	Dollars (USD)	Dollars (USD)
Currency B:		Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Obligated to pay fixed rate for amounts in currency A:		Barclays	UBS	Banamex	Deutsche Bank
Obligated to pay floating or fixed rate for amounts in currency B:					
Date of transaction:		CR	CR	CR	CR
Swap reference amount in both currencies:		October 9, 2019	August 5, 2016	August 5, 2016	August 5, 2016
Starting date:		At the start and at maturity	At the start and at maturity	At the start and at maturity	At the start and at maturity
		October 10, 2019	July 20, 2016	July 20, 2023	July 20, 2016
Maturity date:		July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Reference amount in currency A:		USD 25,000	USD 100,000	USD 100,000	USD 125,000
Reference amount in currency B:		MXN \$472,250	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
Fixed rate for amounts in currency A:		7.25%	7.25%	7.25%	7.25%
Spread		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
Payment dates currency A:		The 20th day of every January and July as of January 20, 2020	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, 2026
Settlement date currency A:		July 20, 2023	July 20, 2023	July 20, 2023	July 20, 2023
Payment dates currency B:		Every 28 days as of November 6, 2019	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:		TIME 28D	TIME 28D	TIME 28D	TIME 28D
Spread Currency B:		6.13%	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
Market value MXN (thousands)		\$ 2,124	\$ 22,366	\$ 4,031	\$ 6,583
Market value USD (thousands)		\$ 113	\$ 1,186	\$ 214	\$ 349
Collateral MXN		\$ -	\$ -	\$ -	\$ -



Trading characteristics IRS

Notional:
 Currency:
 Required to pay fixed rate:
 Required to pay floating rate:
 Transaction date:
 Start date:
 Maturity date:
 Fixed rate:
 Floating rate:
 Fraction for the count of days applicable to floating or fixed rate:

Interest payment dates:
 Market value MXN (thousands)
 Market value USD (thousands)

Characteristics of CCS

Currency A:
 Currency B:
 Obligated to pay fixed rate for amounts in currency A:
 Obligated to pay floating or fixed rate for amounts in currency B:
 Date of transaction:

Start date:
 Fecha de vencimiento:
 A currency settlement date A:
 A currency settlement date B:
 Fix rate for the amount in currency B for the first period:
 Floating rate of fix for currency A:
 Spread

Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:
 A currency payment dates A:
 A currency settlement date A:
 A currency payment dates B:

Floating or fixed rate for currency B:
 Fraction for the count of days applicable to floating or fixed rate amounts in currency B:
 Market value MXN (thousands)
 Market value USD (thousands)

Credit Suisse 9003699	Barclays 9009053	Morgan Stanley OZNNJ	Credit Suisse 9003793
\$1,500 Mexican Pesos (MXN) CR Credit Suisse April 18, 2017 March 29, 2017 July 29, 2023 7.26% TIIE	\$1,000 Mexican Pesos (MXN) CR Barclays May 15, 2017 May 16, 2017 July 20, 2023 7.27% TIIE	\$1,000 Mexican Pesos (MXN) CR Morgan Stanley June 14, 2017 May 24, 2017 July 23, 2023 7.12% TIIE	\$500 Mexican Pesos (MXN) CR Credit Suisse June 14, 2017 May 24, 2017 July 20, 2023 7.12% TIIE
Real/360 Every 28 days as of March 29, 2017 \$ (32,075) \$ (1,700)	Real/360 Every 28 days as of May 16, 2017 \$ (21,714) \$ (1,151)	Real/360 Every 28 days as of June 21, 2017 \$ (16,648) \$ (883)	Real/360 Every 28 days as of May 24, 2017 \$ (8,321) \$ (441)
Morgan Stanley ID PHE7D	BNP Paribas ID MD21303775	Option detail	Morgan Stanley ID WAW1A
Dollars (USD) Mexican pesos (MXN) Morgan Stanley	Dollars (USD) Mexican pesos (MXN) BNP	Option style Option type Currency and call amount	European Buy USD / Sell USD Call Largo/ Call Corto USD 50,000
CR March 4, 2019 At start date and maturity January 20, 2019 July 20, 2023 USD 50,000 MXN \$965,000 \$19,3000 MXN per USD	CR March 8, 2019 At start date and maturity March 12, 2019 July 20, 2023 USD 25,000 MXN \$487,250 \$19,49 MXN per USD	Currency and Sale Amount: Minimum exchange rate: Rate ceiling: Maturity date: Payment date Premium: Market value MXN (thousands) Market value USD (thousands)	USD 50,000 19.30 27.00 July 20, 2023 July 20, 2023 - 105,488 5,592
7.25% N/A	7.20% N/A		
30/360 20th day of each month March 13, 2019 Every 28 days starting January 22, 2019 8.00%	30/360 20th day of each month March 13, 2019 Every 28 days starting March 12, 2019 11.8%	Option Detail	BNP ID MD21303775
Actual/360 \$ 16,015 \$ 849	Actual/360 \$ 7,365 \$ 390	Option style Option type Currency and call amount Currency and sell amount: Minimum Exchange rate: Rate ceiling: Maturity date: Payment date Premium: Market value MXN (thousands) Valor de mercado USD (thousands)	European Buy USD / Sell USD Call Long/ Call Short USD 25,000 USD 25,000 USD 25,000 19.49 27.00 July 20, 2023 20 de Julio de 2023 - 50,150 2,658



At December 31, 2019, the fair value of the Cross Currency Swaps in relation to the hedges contracted for the Senior Notes with maturity in 2023 is MXP \$35,105 (equal to USD \$1,861), which was recorded as an asset with an offsetting entry recorded in the supplementary stockholders' equity account through comprehensive income (based on the portion designated as a cash flow hedge) for the amount of MXP \$27,395 (equal to USD \$1,452), together with a credit of MXP \$7,709 (equal to USD \$409), which was recorded as a profit in the statement of income (based on the portion designated as a fair value hedge). The effect recognized in net worth at December 31, 2019 is MXP \$75,488 (equal to USD \$4,003), together with an exchange rate gain plus accrued interest of MXP \$102,884 (equal to USD \$5,455), which was recognized in the statement of income. The effect recognized at December 31, 2019 for the hedged item in the statement of income (related to the currency swaps contained in the fair value hedge) is a loss of MXP \$7,709 (equal to USD \$409). The hedged item had an offsetting effect that was recognized as a debit in the liability of MXP \$187,768 (equal to USD \$9,956), with its counterparty in net worth recorded in other comprehensive income.

As of December 31, 2019, the fair value of the interest rate swaps for the Senior Notes 2023 in a hedging relationship is MX \$(78,759) (\$4,175 US dollars), which was recorded as an asset with a debit to stockholders' equity through comprehensive income. The effect as of December 31, 2019 recognized in equity is MX \$(80,463), (\$4,266 US dollars) and in the statement of income with an effect of MX \$1,704 (equivalent to US \$90) due to the accrued interest.

At December 31, 2019, the fair value of the Coupon Only Swap with a Call Spread for the hedging relationship of the Senior Notes with maturity in 2023 is \$ 179,018 (equal to USD \$ 9,492), which was recorded as an asset. At December 31, 2019, the effect recognized in net worth is \$(21,092) (equal to USD \$ 1,118), while an effect was recognized in the statement of income as an intermediation profit due to the option value of \$ 155,638 (equal to USD \$ 8,252) for the Call Spread. The effect reclassified to the statement of income as income derived from accrued interest is \$ 44,473 (equal to USD \$ 2,358). At the start of the derivative instrument, a liability of \$ 246,157 (equal to USD \$ 13,052) was recorded for the premium cost, which has been settled by applying a debit of MXP \$90,519 (equal to USD \$ 4,799) to results.

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
2020	\$ (206,508)	\$ (10,950)
2021	\$ (143,307)	\$ (7,598)
2022	\$ (122,930)	\$ (6,518)
2023	\$ 634,999	\$ 33,669

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 TIE) 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 9009344	Credit Suisse 9003980
Currency A:	Dollar (USD)	Dollar (USD)
Currency B:	Mexican Pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Barclays	CR
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:	NA	NA
Start date:	November 29, 2019	November 29, 2019
Maturity date:	November 29, 2022	November 29, 2022
A currency settlement date A:	USD 65,000	USD 65,000
A currency settlement date B:	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
Floating rate for currency A:	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
A currency payment dates A:	Half – year as November 29, 2019	Half – year as November 29, 2019
A currency settlement date A:	November 29, 2019	November 29, 2022
A currency payment dates B:	Every 28 days as of November 29, 2018	Every 28 days as of November 29, 2019
Floating or fixed rate for currency B:	TIIE28D	TIIE 28D
Spread currency B:	3.57%	3.60%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360
Market value MXN (thousands)	\$ (5,297)	\$ (6,137)
Market value USD (thousands)	\$ (281)	\$ (325)
Collateral MXN	\$	\$ -

Characteristics of CCS	Morgan Stanley HL0U0
Currency A:	Dollar (USD)
Currency B:	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Morgan Stanley
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	December 5, 2017
Reference exchange amount in both currencies:	N/A
Start date:	November 29, 2019
Maturity date:	November 29, 2022
Reference amount in currency A:	USD 100,000
Reference amount in currency B:	MXN \$1,872,000
Exchange rate used to calculate reference amount in currency B:	\$18.7200 MXN per USD
Fixed rate for amounts in currency A:	9.13%
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360
Payment dates currency A:	Half – year as November 29, 2019
Settlement date currency A:	November 29, 2022
Payment dates currency B:	Every 28 days as of November 29, 2019
Floating rate for amounts in currency B:	TIIE 28D
Spread currency B:	3.60%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360
Market value MXN (thousands)	\$ (11,346)
Market value USD (thousands)	\$ (601)



As of December 31, 2019, the fair value of derivatives related to perpetual bond hedge is MX \$(22,780) (equivalent to 1,208 US 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 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.

On March 8, 2019, the Entity contracted a coupon-only swap and call spread with BNP Paribas to hedge both the notional amount and interest as part of a Swiss bond with maturity in 2022. This instrument was contracted for an amount equal to 20 million Swiss francs, at an exchange rate of 19,350 pesos per Swiss franc, with commencement on March 12, 2019 and maturity on February 7, 2022. The coupon-only swap has a 9.45% fixed interest rate denominated in Mexican pesos, while the call spread consists of a long call with an agreed value of \$19.35, together with a short call of \$25.00.

Trading characteristics of CCS

Currency A:

Currency B:

Required to pay amounts in currency A:

Required to pay amounts in currency B:

Transaction date:

Reference exchange amount in both currencies:

Start Date:

Maturity date:

A currency settlement date A:

A currency settlement date B:

Fixed rate for the amount in currency B for the first period:

Fix rate for currency A:

Fraction for the count of days applicable to the fixed rate for amounts in foreign currency

A currency settlement date A:

A currency payment dates A:

A currency payment dates B:

Fix rate for currency B:

Spread currency B:

Fraction for the count of days applicable to floating or fixed rate amounts in currency B:

Market value MXP (thousands)

Market value USD (thousands)

Collateral MXP

Credit Suisse 9004110	Deutsche Bank D948548M	Barclays 9009487	Deutsche Bank G370871M
Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)	Swiss Francs (CHF)
Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)	Mexican Pesos (MXP)
Deutsche Bank	Deutsche Bank	Barclays	Deutsche Bank
CR	CR	CR	CR
February 13, 2018	February 13, 2018	February 13, 2018	June 7, 2018
At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity	At the beginning and at maturity
February 9, 2018	February 9, 2018	February 9, 2018	February 9, 2018
February 9, 2022	February 9, 2022	February 9, 2022	February 9, 2022
CHF 40,000	CHF 40,000	CHF 40,000	CHF 30,000
MXP \$797,857	MXP \$625,942	MXP \$796,600	MXP \$625,942
\$19,9464 MXP por CHF	\$19,9150 MXP por CHF	\$19,9150 MXP por CHF	\$20,8647 MXP por CHF
2.88%	2.88%	2.88%	2.88%
30/360	30/360	30/360	30/360
Annually as of February 9, 2018	Annually as of February 9, 2018	Annually as of February 9, 2018	Annually as of February 9, 2018
February 9, 2022	February 9, 2022	February 9, 2022	February 9, 2022
Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018	Monthly as of February 9, 2018
11.97%	11.97%	11.96%	TIE 28D
0.00%	0.00%	0.00%	3.26%
Actual/360	Actual/360	Actual/360	Actual/360
\$ (32,631)	\$ (31,697)	\$ (30,941)	\$ (53,975)
\$ (1,730)	\$ (1,681)	\$ (1,641)	\$ (2,862)
\$	\$	\$	\$



Trading characteristics	BNP Paribas ID MD21304233	BNP ID MD21304233
Currency A:		
Currency B:	Franco Suizo (CHF)	Europea
	Mexican pesos	Buy CHF / Sell CHF
Required to pay amounts in currency A:	(MXN)	Call Long/ Call Short
	BNP	USD 20,000
Required to pay amounts in currency B:	CR	USD 20,000
Transaction date:	March 8, 2019	\$ 19.35
Reference exchange amount in both currencies:	At the beginning and at Maturity	\$ 25.00
Start Date:	March 12, 2019	7 de febrero de 2022
Maturity date:	February 9, 2022	7 de febrero de 2022
A currency settlement date A:	CHF \$20,000	-
A currency settlement date B:	MXN \$387,000	\$ 49,285
Fixed rate for the amount in currency B for the first period:	\$19.35 MXN por CHF	\$ 2,612
Floating rate for currency A:	2.88%	
Spread	N/A	
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	
A currency payment dates A:	Yearly	
A currency settlement date A:	February, 9 2019	
Payment dates currency B	Every 28 days as of February 9, 2019	
Floating rate for amounts un currency B (call spread premium implicit in rate):	9.45%	
	The call spread premium is implicit in the rate	
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	
Market value MXN (thousands)	\$ 7,411	
Market value USD (thousands)	\$ 393	

As of December 31, 2019, the fair value of the Cross Currency Swaps in relation to the hedge of the CHF Bond maturing in 2022 is MXP \$(149,244) (equivalent to USD \$(7,662), which was recorded as an liability, against an impact as a loss other comprehensive income of MXP \$92,422 (equivalent to USD \$4,900) due to the portion as a cash flow hedge, as a loss in profit or loss of MXP \$(53,975) (equivalent to USD \$(2,862)) due to the portion as a fair value hedge and as a loss in profit or loss of MXP \$2,847 (equivalent to USD \$151) due to the exchange rate and accrued interests. The effect as of December 31, 2019 recognized in the consolidated statement of income for the hedged item (related to the fair value hedge portion) is a gain of MXP \$53,975 (equivalent to USD \$2,861).

At December 31, 2019, the fair value of the Coupon Only Swap with a Call Spread related to the hedges contracted for the CHF Bonds with maturity in 2022 is \$ 56,696 (equal to USD \$ 3,005), which was recorded as an asset. At December 31, 2019, the effect recognized in equity is \$ (979) (equal to USD \$ 52), while the effect recognized in the statement of income is a trading gain, due to the option value of \$ 49,285 (equal to USD \$ 2,613) for the Call Spread. The effect reclassified in the statement of income as income derived from accrued interest is \$ 8,390 (equal to USD \$ 445). At the start of the derivative instrument, a liability was recorded for the premium cost of \$ 71,545 (equal to USD \$ 3,793), which has been settled by applying a debit of MXP \$22,260 (equal to USD \$ 1,180) to results.



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
2020	\$ (180,749)	\$ (9,582)
2021	\$ (161,462)	\$ (8,560)
2022	\$ 435,612	\$ 23,097

Second syndicated credit line with maturity in 2022 (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate at interest rate fluctuations applicable to the credit line contracted with Credit Suisse for the amount of USD \$110,000 on August 21, 2019, which will be payable on August 5, 2022 at the monthly Libor rate plus 4%, with an initial exchange rate of 19.6250.

On August 22, 2019, the Entity contracted a Cross Currency Swap with Credit Suisse AG, Cayman Islands Branch ("CS") at the rate of \$19.6250 Mexican pesos per US dollar, whereby it obtains a floating LIBOR interest rate plus 4% and pays interest at a fixed rate of 10.99% denominated in Mexican pesos, with interest rate and principal payment swaps to hedge the credit line contracted with Credit Suisse.

For accounting purposes, the Entity has designated this derivative financial instrument as a cash flow hedge, recording changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portion and the respective amounts in the statement of income when forecast hedged cash flows affect the results of the year.

Characteristics of CC	Credit Suisse ID 9004706
Currency A:	Dollar (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:	August 22, 2019
Reference exchange amount in both currencies:	N/A
Start date:	August 21, 2019
Maturity date:	August 5, 2022
A currency settlement date A:	USD 110,000
A currency settlement date B:	MXN \$2,158,750
Fixed rate for the amount in currency B for the first period:	\$19.6250 MXN per USD
Floating rate for currency A:	USD-LIBOR-BBA
Spread	4.00%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Actual/360
A currency payment dates A:	Half year, as August 21 de 2019
A currency settlement date A:	N/A
A currency payment dates B:	Every 28 days, as of August 21 2019
Floating or fixed rate for currency B:	10.99%
Spread currency B:	Actual/360
Market value MXN (thousands)	\$ (92,601)
Market value USD (thousands)	\$ (4,909)
Collateral MXN	\$ -



As of December 31, 2019 the fair value of the aforementioned financial derivatives for the syndicated hedging relationship is MXP \$ (92,601) (equivalent to USD \$ (4,909)), which was recorded as a liability with a debit to the complementary account of stockholders' equity with the effect of the period through comprehensive income. The effect as of December 31, 2019 recognized in equity is a debit of MXP \$ (42,373) (equivalent to USD \$ (2,247)), and the effect to the intermediation result as interest loss and accumulated exchange effect is MXP \$ 50,229 (equivalent to USD \$ 2,663).

The periods in which the cash flows derived from the derivatives in relation to the hedge of the syndicate line are expected to occur and impact the income statement are as follows:

Year	Pesos	US Dollars
2020	\$ (109,954)	(5,829)
2021	\$ (27,474)	(1,457)
2022	\$ 179,801	9,533

Senior Notes with maturity in 2026 (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate at interest rate fluctuations applicable to the 2026 Notes for the amount of USD \$400,000, contracted on February 7, 2019 and with maturity in 2026 and a fixed 9.5% interest rate payable half-yearly.

On February 26, 2019, the Entity contracted a derivative financial instrument composed by a Cross Currency Swap with Barclays to hedge both the notional amount and interest of part of the 2026 Senior Notes. This instrument was contracted for an amount equal to \$150 million dollars, at an exchange rate of \$19.1735 pesos per dollar, a fixed interest rate of 15.84% denominated in Mexican pesos, with commencement on February 7, 2019 and maturity on February 7, 2026.

On February 27, 2019, the Entity contracted a Cross Currency Swap with Goldman Sachs to hedge both the notional amount and interest of part of the 2026 Senior Notes. This instrument was contracted for an amount equal to \$150 million dollars, at an exchange rate of \$19.2458 pesos per dollar, a fixed interest rate of 15.75%, denominated in Mexican pesos, with commencement on February 7, 2019 and maturity on February 7, 2026

For accounting purposes, the Entity has designated this derivative financial instrument as a cash flow hedge, recording changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portion and the respective amounts in the statement of income when forecast hedged cash flows affect the results of the year.

Characteristics of CCS	Barclays ID 9010142	Goldman Sach ID SDBB7MM3333PLZHZZP111
Currency A:	Dollars (USD)	Dollars (USD)
Currency B:	Mexican pesos (MXN)	Mexican Pesos (MXN)
Required to pay floating rate amounts in currency A:	Barclays	Goldman Sach
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
Reference amount in currency A:	USD 150,000	USD 150,000
Reference amount in currency B:	MXN \$2,876,025	MXN \$2,886,870



Characteristics of CCS	Barclays ID 9010142	Goldman Sach ID SDBB7MM3333PLZHZZP111
Fixed rate for the amount in currency B for the first period::	\$19.1735 MXN per USD	\$19.2458 MXN per USD
Floating rate for amounts in currency A:	Fixed	Fixed
Spread	9.50%	9.50%
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 february 7, 2019	Half year, As february 7, 2019
Settlement date currency A:	February 7, 2026	February 7,2026
	Every 28 day, As March 19, 2019	Every 28 day, As March 19, 2019
Payment dates currency B:		
Floating rate of fixed rate for amounts in currency B:	15.84%	15.75%
Fraction for the count of days applicable to the floating rate to fixed for amounts in currency B:	Actual/360	Actual/360
Market value MXN (thousands)	\$ (104,576)	\$ (290,238)
Market value USD (thousands)	\$ (5,544)	\$ (15,386)
Collateral MXN	\$ -	\$ -

As of December 31, 2019 the fair value of the Cross Currency Swaps in relation to the hedge of the Senior Note 2026 is MXP \$(394,814) (equivalent to USD \$(20,929) which was recorded as a liability, and a loss in other comprehensive income. The effect as of December 31, 2019 recognized in the consolidated statement of income for the hedged item The effect as of December 31, 2019 recognized in equity is a debit of MXP \$ (311,534) (equivalent to USD \$ (16,555) US dollars), and the effect to the intermediation result as interest loss and accumulated exchange effect is MXP \$ (83,280) (equivalent to USD \$ 4,416).

The periods in which the derivative's cash flows are expected to occur in the syndicated hedge relationship and have an impact on the income statement are as follows:

Year	Pesos	US dollars
2020	\$ 177,266	9,397
2021	\$ 153,524	8,139
2022	\$ 132,784	7,040
2023	\$ 113,496	6,017
2024	\$ 95,572	5,067
2025	\$ 78,647	4,170
2026	\$ (1,062,823)	(56,341)

Senior Notes with maturity in 2027 (figures in thousands)

The Entity utilizes derivative financial instruments for hedging purposes to manage the risks related to exchange rate and interest rate fluctuations applicable to the 2027 Notes for the amount of €350,000 offered on international markets. These instruments were contracted on October 1, 2019, with maturity in 2027 and a fixed 5.00% interest rate payable half-yearly.



On October 1, 2019, the Entity contracted two derivative financial instruments (Principal-Only Swap and Coupon-Only Swap) with Barclays to hedge both the notional amount and interest of part of the 2027 Senior Notes. This instrument was contracted for an amount equal to €150 million, at an exchange rate of \$21.4706 pesos per euro, a fixed 11.33% interest rate denominated in Mexican pesos, with commencement on October 1, 2019 and maturity on February 1, 2027.

On October 1, 2019, the Entity contracted two derivative financial instruments (Principal-Only Swap and Coupon-Only swap) with Morgan Stanley to hedge both the notional amount and interest of part of the 2027 Senior Notes. This instrument was contracted for an amount equal to €150 million, at an exchange rate of \$21,455 pesos per euro, a fixed 11.33% interest rate denominated in Mexican pesos, with commencement on October 1, 2019 and maturity on February 1, 2027.

For accounting purposes, the Entity has designated the above derivative financial instruments as cash flow hedges, recording changes in the fair value of these derivatives in other comprehensive income and reclassifying any ineffective portion and the respective amounts to other comprehensive income when forecast hedged cash flows affect the results of the year.

Characteristics of CCS	Barclays ID 9010994	Morgan Stanley ID AQOKP
Currency A:	Euros (EUR)	Euros (EUR)
Currency B:	Mexican pesos (MXN)	Mexican pesos (MXN)
Obligated to pay fixed rate for amounts in currency A:	Barclays	Morgan Stanley
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR
Date of transaction::	October 1, 2019	October 1, 2019
Reference exchange amount in both currencies:	N/A	N/A
Start date:	October 1, 2019	October 1, 2019
Maturity date:	February 1, 2027	February 1, 2027
A currency settlement date A:	EUR 150,000	EUR 150,000
A currency settlement date B:	MXN \$3,220,596	MXN \$3,218,250
Fixed rate for the amount in currency B for the first period:	\$21,4706 MXN per EUR	\$21,4550 MXN per EUR
Floating rate for currency A::	5%	5%
Spread	N/A	N/A
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Act/Act	Act/Act
A currency payment dates A:	Half year, as February 1 de 2020	Half year, as February 1, 2020
A currency settlement date A:	February 1, 2027	February 1, 2027
A currency payment dates B:	Every 28 days, as of November 2019	Every 28 days, as of November 1, 2019
Floating or fixed rate for currency B:	11.33%	11.33%
Spread currency B:	Actual/360	Actual/360
Market value MXN (thousands)	\$ (121,061)	\$ (117,813)
Market value USD (thousands)	\$ (6,418)	\$ (6,247)
Collateral MXN	\$ -	\$ -



At December 31, 2019, the fair value of the aforementioned derivative financial instruments as regards the hedging relationship with the 2027 Senior Notes is MXP \$(238,874) (equal to USD \$(12,662)), which was recorded as a liability with a debit applied to the supplemental stockholders' equity account with the effect of the period through comprehensive income. At December 31, 2019, the effect recognized in net worth is a debit of MXP \$(172,054) (equal to USD \$(9,123)), while the effect of the intermediation result is recorded as an interest loss, together with an accrued exchange effect of MXP \$(66,821) (equal to USD \$3,543).

The periods in which the derivative's cash flows are expected to occur in the syndicated hedging relationship and have an impact on the income statement are as follows:

Year	Pesos	US Dollars
2020	\$ (240,698)	(12,760)
2021	\$ (192,771)	(10,219)
2022	\$ (171,877)	(9,111)
2023	\$ (152,133)	(8,064)
2024	\$ (345,795)	(18,330)
2025	\$ (115,728)	(6,135)
2026	\$ 1,046,948	55,512

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 \$(115) at the close of 2019.

Nature and degree of risks arising from the derivatives

As of December 31, 2019, the exchange rates are \$18.8642 Mexican Peso per U.S. dollar and \$19.4792 Mexican Peso per Swiss franc. and \$21.175 Mexican peso per Euro. 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 Senior Notes 2023, Senior Notes 2026, 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 Senior Notes, 2023, Syndicated Line, and Perpetual Notes. The risk associated with variations in the CH and EUR/MXP exchange rates arises from the instruments held in EUR such as the Senior Notes 2027.

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 2019 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
<i>Foreign currency swap</i>		145,295.8	(171,718.2)
Primary position		(145,295.0)	171,718.9
Level of efectivity		(100.0%)	(100.0%)
Cash flow hedge derivatives			
		+1 exchange rate	-1 exchange rate
<i>Foreign currency swap</i>		1,082,368.6	(2,774,803.0)
Primary position		(1,082,206.4)	2,774,949.1
Level of efectivity		(100.0%)	(100.0%)
<i>Foreign currency option</i>		250,917.1	159,007.7
Primary position		(250,917.1)	(159,007.7)
Level of efectivity		(100.0%)	(100.0%)

Interest rate sensitivity of interest rate

Interest rate sensitivity analysis

	Cash flow hedge derivatives	+100 bp interest rate	-100 bp interest rate
<i>Interest rate swap</i>		22,148.8	(185,330.8)
Primary position		(22,148.8)	185,330.8
Level of efectivity		(100.0%)	(100.0%)
<i>interest rate option</i>		0.0	0.0
Primary position		(0.0)	0.0
Level of efectivity		(100.0%)	(100.0%)

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, 2019, the Entity elects to present the undiscounted future flows which represent a liability according to their maturity.

	2020	2021	2022	2023	2024	2025	2026	2027
Foreign currency								
swaps	\$ (1,907,385)	\$ (1,668,396)	\$(1,360,314)	\$(800,489)	\$(902,733)	\$(813,976)	\$(518,088)	\$(34,479)
Interest rate								
swaps	\$ (7,603)	\$ (36,377)	\$(33,854)	\$(13,173)	\$ -	\$ -	\$ -	\$ -



7. Loan Portfolio

As of December 31, 2019, 2018 and 2017, the loan portfolio was comprised as follows:

	2019	2018	2017
Loan portfolio -			
Commercial portfolio	\$ 38,506,473	\$ 30,989,761	\$ 27,052,994
Consumer portfolio	<u>11,705,735</u>	<u>9,610,914</u>	<u>7,505,932</u>
Performing loan portfolio	50,212,208	40,600,675	34,558,926
Less-			
Interest accrued on factoring operations	(3,804,886)	(4,870,974)	(6,129,035)
Gauging warranty	<u>(81,620)</u>	<u>(28,140)</u>	<u>(20,072)</u>
Performing Loan Portfolio	46,325,702	35,701,561	28,409,819
Non-performing loan portfolio	<u>632,718</u>	<u>617,555</u>	<u>605,219</u>
Loan Portfolio	46,958,420	36,319,116	29,015,038
Less-			
Allowance for loan losses	<u>(1,390,046)</u>	<u>(1,067,923)</u>	<u>(1,067,540)</u>
Performing Loan Portfolio, net	<u>\$ 45,568,374</u>	<u>\$ 35,251,193</u>	<u>\$ 27,947,498</u>

As of December 31, 2019, 2018 and 2017, there is a restricted current portfolio of \$11,908,664, \$6,982,564 and \$5,775,967, respectively, in accordance with the collateral loan contracts.

The portfolio is comprised of 901,097 and 804,921 and 883,195 customers at the end of 2019, 2018 and 2017, respectively.

The average loan balance is \$37, \$32 and \$35 as of December 31, 2019, 2018 and 2017, respectively, with an average term of 41, 41, 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, 2019, 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	\$ 32,951,246	\$ 1,110,718	\$ 558,003	\$ 34,619,967
Consumer loan	<u>11,278,329</u>	<u>313,396</u>	<u>114,010</u>	<u>11,705,735</u>
	<u>\$ 44,229,575</u>	<u>\$ 1,424,114</u>	<u>\$ 672,013</u>	<u>\$ 46,325,702</u>

As of December 31, 2019, the non-performing loan portfolio that has balance with at least once day of aging is as follows:



	91 to 180
Commercial loan	\$ 343,816
Consumer loan	<u>288,901</u>
	<u>\$ 632,717</u>

8. Allowances for loan losses

As of December 31, 2019, 2018 and 2017, the Entity maintained an allowance for loan losses equivalent to 220%, 173% and 176% of non-performing portfolio, respectively.

As of December 31, 2019, 2018 and 2017, changes in the allowance for loan losses were as follows:

	2019	2018	2017
Opening balance	\$ 1,067,924	\$ 1,067,540	\$ 767,460
Portfolio applications	(1,084,795)	(1,758,642)	(1,285,192)
Recoveries	268,895	260,400	262,101
Charge to results	<u>1,138,022</u>	<u>1,498,623</u>	<u>1,323,171</u>
Closing balance	<u>\$ 1,390,046</u>	<u>\$ 1,067,923</u>	<u>\$ 1,067,540</u>

9. Other account receivable, net

As of December 31, 2019, 2018 and 2017, other accounts receivable were as follows:

	2019	2018	2017
Other accounts receivable from distributors	\$ 6,016,786	\$ 4,546,336	\$ 4,159,428
Value added tax (VAT) receivable	35,449	37,380	42,555
Other debtors	405,233	493,521	445,453
Recoverable income tax	<u>343,920</u>	<u>304,821</u>	<u>13,947</u>
	6,801,388	5,382,058	4,661,383
Allowance for other accounts receivable	<u>(4,478)</u>	<u>(3,256)</u>	<u>(31,710)</u>
	<u>\$ 6,796,910</u>	<u>\$ 5,378,802</u>	<u>\$ 4,629,673</u>

As of December 31, 2019, 2018 and 2017, other accounts receivable from distributors were as follows:

	2019	2018	2017
Interest accrued in advance period	\$ 297,333	\$ 200,518	\$ 252,232
Advances to distributors	2,848,563	2,311,271	2,072,234
Joint and several liability of the distributor	1,390,566	509,708	802,014
Other debts	<u>1,480,324</u>	<u>1,524,839</u>	<u>1,032,948</u>
Total	<u>\$ 6,016,786</u>	<u>\$ 4,546,336</u>	<u>\$ 4,159,428</u>



10. Property, furniture and fixtures

At December 31, 2019, 2018 and 2017, property, furniture and equipment are as follows:

	Useful life (years)	2019	2018	2017
Building (a)	10	\$ 189,452	\$ -	\$ -
Office Furniture and fixtures (a)	10	357,614	347,186	340,378
Computers (a)	3	191,560	202,305	198,338
Transportation equipment (a)	4	89,847	20,350	19,951
		828,473	569,841	558,667
Less - Accumulated depreciation		(496,007)	(256,490)	(246,112)
		332,466	313,351	312,555
Installation expenses	20 and 10	362,143	128,501	125,982
Less - Accumulated amortization		(69,283)	(100,399)	(96,367)
		292,860	28,102	29,615
		<u>\$ 625,326</u>	<u>\$ 341,453</u>	<u>\$ 342,170</u>

- (a) During 2019, the Entity adopted the NIF D-5 *Leases*, the effects of such adoption, are presented below so that the rights of use for leased assets are presented as part of the Property, furniture and fixtures.

Lease right-of-use assets

	Buildings	Transportation, Office Furniture and fixtures	Computer equipment	Total
Investment:				
Initial recognition at January 1, 2019	\$ 189,452	\$ 144,313	\$ 0	\$ 333,765
Contracts executed during 2019	-	-	6,908	6,908
	-	-	-	-
Balances at December 31, 2019	<u>189,452</u>	<u>144,313</u>	<u>6,908</u>	<u>340,673</u>
Accumulated depreciation:				
Balances at the start of 2019	-	-	-	-
Depreciation of the year	(31,540)	(34,700)	(959)	(67,199)
Accumulated depreciation at December 31, 2019	<u>(31,540)</u>	<u>(34,700)</u>	<u>(959)</u>	<u>(67,199)</u>
Balances at December 31, 2019	<u>157,912</u>	<u>109,613</u>	<u>5,949</u>	<u>273,474</u>

At December 31, 2019, the Entity recorded expenses in results for the amount of \$ 6,069 in relation to short-term, low-value leases, that were not included in the lease liability valuation.



- a) As of December 31, 2019 the entity recorded expenses in results for the 12 months of 2019 as follows:

	Total
Interest expense derived from lease liabilities	\$ 23,592
Depreciation of lease right-of-use expense	67,199
Expense derived from lease contracts with a duration of less than one year and low-value assets	6,069
	<u>\$ 96,860</u>

11. Investment in shares of associates

At December 31, 2019, 2018 and 2017, investments in shares of associates are as follows:

Entity	% Ownership 2019, 2018 and 2017	Book Value			Ownership in results		
		2019	2018	2017	2019	2018	2017
Publiseq, S.A.P.I. de C.V. SOFOM (a)	49.00%	\$ 506,061	\$ 484,852	\$ 489,193	\$ 25,875	\$ 33,446	\$ 26,074
Grupo Empresarial Maestro S.A. de C.V. (a)	49.00%	524,772	546,367	512,568	67,408	109,298	120,533
Bluestream Capital, S.A. de C.V. (b)	23.00%	4,722	4,666	3,331	56	1,544	793
Cege Capital, S.A.P.I. de C.V., SOFOM ENR (c)	36.30%	74,419	96,407	95,493	(28,998)	333	11,042
Others ((Camino Financial INC., CR-Arrendamiento, CAT-60)	-	163,583	61,120	164,737	(1,140)	10,094	19,301
		<u>\$ 1,273,557</u>	<u>\$ 1,193,412</u>	<u>\$ 1,265,322</u>	<u>\$ 63,201</u>	<u>\$ 154,715</u>	<u>\$ 177,743</u>

- (a) Directodo, Publiseq, and Grupo Empresarial Maestro, are the Entity's principal distributors, and their origination efforts are performed exclusively for the Entity. As of December 31, 2019, 2018 and 2017, 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 Bluestream'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 36.30% 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, 2019, 2018 and 2017, other assets were as follows:

	2019	2018	2017
Goodwill (a)	\$ 1,800,213	\$ 1,978,716	\$ 1,414,780
Costs for issuance of securities and bank loans	176,302	112,830	43,675
Other long and short term assets (b)	150,993	48,771	327,573
Prepaid expenses (c)	345,590	340,125	315,057
	<u>2,473,098</u>	<u>2,480,442</u>	<u>2,101,085</u>
Intangible asset branch network (d)	80,641	80,641	80,640
Instacredit's intangible assets	1,052,750	1,052,750	1,052,750
Directodo's intangible assets	<u>1,263,680</u>	<u>1,267,380</u>	<u>1,264,176</u>
	2,397,071	2,400,771	2,397,566
Accumulated amortization	<u>(51,086)</u>	<u>(47,053)</u>	<u>(44,432)</u>
	2,345,985	2,353,718	2,353,134
Guarantee	<u>22,443</u>	<u>8,333</u>	<u>4,274</u>
	<u>\$ 4,841,526</u>	<u>\$ 4,842,493</u>	<u>\$ 4,458,493</u>

- (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. By the end of December 2019, with the entry of 2 shareholders to RTD and by the sale of 21,692 shares of RTD, and our participation was diluted from 60 to 36.07%, as of December 31, 2019 a goodwill of \$ 208,997 was recognized.

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 2017 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, 2019, 2018 and 2017, indebtedness was comprised as follows:

	Rate	Date of maturity	2019	2018	2017
Notes payable (Securitized Certificates)	TIIE + 2.70%	2018	\$ -	\$ -	\$ 1,000,000
Notes payable (Securitized Certificates)	TIIE + 2.25% and 2.15%	Between November 2022 and October 2024	1,248,487	1,431,729	-
Senior Notes	2.875%, 7.25%, 9.5% and 5%	Between February 2022 and February 2027	24,596,271	16,824,892	13,186,350
Accrued interest			<u>52,954</u>	<u>225,746</u>	<u>357,524</u>
Total			<u>\$ 25,897,712</u>	<u>\$ 18,482,367</u>	<u>\$ 14,543,874</u>

As of December 31, 2019, there are two unsecured issues of Senior Notes for \$1,550,000. Both issues were classified by Fitch Ratings, which gave an “AAA (mex)” 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 \$827 million.

The first 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. In October 2019, the option to partially prepaid was taken, the remaining amount as of December 31, 2019 is \$427 million USD. This 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+”; and by HR Ratings, which granted a rating of HR BB-(G).

The second issuance took place on February 7, 2019 for the amount of USD \$400 million, with interest payable half-yearly at the annual 9.5% rate on February 7 and August 7 of each year until reaching maturity on February 7, 2026. This second issuance was rated by Standard & Poor’s, which issued a long-term global rating of “BB+”; Fitch Ratings issued a rating of “BB+” and HR Ratings issued a rating of HR BB-(G).

On October 1, 2019, the Entity made its debut on the Eurobond market with an issuance valued at EUR €350 million, with interest payable half-yearly at the annual 5% rate on February 1 and August 1 of each year until reaching maturity on February 1, 2027. This issuance was rated by Standard & Poor’s, which issued a long-term global rating of “BB+”, while Fitch Ratings issued a rating of “BB+”

The securities were issued and placed according to Rule 144A Regulation S of the 1933 US Securities Act. Principal will be payable at maturity or if these instruments are settled ahead of time.

14. Bank loans and other loans

At December 31, 2019, 2018 and 2017, debt was comprised as follows:

	Rate	Date of Maturity	2019	2018	2017
Bank Loans in MXN (a)	TIIE + spread	Between 2020 and 2024	\$ 8,658,028	\$ 6,553,913	\$ 3,751,315
Bank Loans in USD (b)	LIBOR + spread	In the 2019	6,913,072	5,576,540	5,129,177
Accrued Interest			<u>42,385</u>	<u>33,926</u>	<u>160,140</u>
Total			<u>\$ 15,613,485</u>	<u>\$ 12,164,379</u>	<u>\$ 9,040,632</u>



- (a) As of December 31, 2019, the Entity has bank loans guaranteed with portfolio for \$9,205,954 and unsecured bank loans for \$6,365,146. Such lines were granted by 34 institutions to finance the growth of the loan portfolio and increase working capital. The loans are granted by Mexican and foreign financial institutions widely recognized. The lines of credit have maturity dates of between 90 days and four years and pay interest at a variable rate.
- (b) As of December 31, 2019, the Entity has three syndicated bank loans in foreign currency, two of them are syndicated for a total of US \$154 million, which, valued at the close of the year, represents MX \$2,971,360 pesos and the second, for a total of US \$30 million which, valued at the close of the year, represents MX \$572,074, both paying interest at several percentage points above the variable LIBOR rate.

The maturities of the debt are as follows:

	Amount
2020	\$ 7,726,137
2021	4,688,581
2022	5,243,659
2023	8,150,786
2024	402,094
2026	7,774,564
2027	7,430,037
Accrued interest	<u>95,338</u>
Total	<u>\$ 41,511,197</u>

15. Accrued liabilities and other accounts payable

At December 31, 2019, 2018 and 2017, accrued liabilities and other accounts payable are integrated as follows:

	2019	2018	2017
Provisions for various obligations	\$ 34,318	\$ 185,932	\$ 575,294
Lease liability	275,016	-	-
Liability for employee retirement obligations	60,754	36,838	37,684
Taxes payable	48,848	46,323	39,949
Dividends payable	2,350	2,350	2,361
Other accounts payable to distributors	64,434	59,770	142,961
Value Added Tax (VAT) payable	21,765	48,713	65,332
Accrued liabilities	<u>6,255</u>	<u>59,148</u>	<u>365,527</u>
	<u>\$ 513,740</u>	<u>\$ 439,074</u>	<u>\$ 1,229,108</u>

Liabilities from leased assets

At December 31, 2019, the Entity has short-term lease liabilities of \$62,952, together with long-term lease liabilities of \$210,522. The maturity by year of long-term lease liabilities is as follows:

Year ending December 31,	
2020	\$ 62,952
2021	52,586
2022	46,362
2023	44,149
2024	43,330
Subsequent years	<u>24,095</u>
	<u>\$ 273,474</u>



The Entity's asset leasing activities include assets utilized for placements and to manage financing. According to the lease contracts recorded at December 31, 2019, the Entity has no future cash disbursements derived from residual value guarantees, extension options and contract terminations, restrictions imposed by leaseholders or sales transactions subject to leaseback agreements.

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 \$7,077 \$6,352 and \$5,301 on 2019, 2018 and 2017, 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, 2019, 2018 and 2017, the balance of the defined benefits plan fund was \$342, \$335 and \$319, respectively

As of December 31, 2019, 2018 and 2017, the Entity amortizes the variations in actuarial assumptions for seniority premiums over approximately 4.85, 4.75, and 4.28 years (approximately), respectively, based on the average remaining years of employee services.

As of December 31, 2019, 2018 and 2017, the gains and losses recorded in the OCI are presented net of their deferred tax liability (asset), which amounted to \$18,174, \$5,611 and \$1,087, 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, 2019, 2018 and 2017, 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:

	2019	2018	2017
Obligations from defined benefits	\$ (61,096)	\$ (37,173)	\$ (35,985)
Fair value of plan assets	<u>342</u>	<u>335</u>	<u>319</u>
Projected net liability	<u>\$ (60,754)</u>	<u>\$ (36,838)</u>	<u>\$ (35,666)</u>

Net periodic cost is composed as follows:

	2019	2018	2017
Services cost for the year	\$ 3,507	\$ 3,223	\$ 2,692
Financial cost	3,595	3,157	2,636
Expected yield on assets	<u>(25)</u>	<u>(102)</u>	<u>(27)</u>
Services cost for the year	<u>\$ 7,077</u>	<u>\$ 6,278</u>	<u>\$ 5,301</u>



Interest rate used in actuarial calculation in nominal terms for 2019, 2018 and 2017 were as follows:

	2019	2018	2017
Discount rate	7.50%	10.00%	9.00%
Percentage increase in wages	4.75%	4.75%	4.75%

The movement of the projected net liability was as follows

	2019	2018	2017
Opening balance	\$ (36,838)	\$ (35,683)	\$ (29,730)
Loss recognized	-	-	(635)
Gains recognized	-	-	138
Re-measurements recognized in ORI	(18,861)	4,485	(138)
Provision of the year	(7,190)	(6,260)	(5,301)
Payments with a charge to the reserve	<u>2,135</u>	<u>620</u>	<u>-</u>
Projected net liability	<u>\$ (60,754)</u>	<u>\$ (36,838)</u>	<u>\$ (35,666)</u>

17. Stockholders' equity

Capital stock as of December 31, 2019, 2018 and 2017, 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	<u>37,555,390</u>	<u>354,664,034</u>	<u>392,219,424</u>

Pursuant to a resolution of the Stockholders' Ordinary Meeting held on March 1, 2019 the financial statements were approved which reported net income of \$1,955,358 in the fiscal year 2018 and the following application was made:

- The transfer of \$1,955,358 of the Entity's separate net income was transferred to the account "Result from previous years".

As of December 31, 2019, 2018 and 2017 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. On January 25, 2019, the Stockholders' Ordinary General Meeting resolved to approve the cancellation of 12,551,534 ordinary, nominative Single Series, Class II shares representing the Issuer's variable capital, which have been acquired by the Issuer through its repurchase fund. On February 12, 2019, the Entity requested that the shares representing its common stock be updated in the National Securities Registry, a process that is currently underway.

The Stockholders' Annual Ordinary General Meeting of April 17, 2019 declared a dividend payment of \$265,768; this amount was applied as a charge to the "Results of prior years" account. The dividend was distributed to stockholders based on their current shareholdings and was taken from the Net Tax Income Account ("CUFIN").

The Stockholders' Annual Ordinary General Meeting of April 24, 2018 declared a dividend payment of \$193,436; this amount was applied as a charge to the "Results of prior years" account. The dividend was distributed to stockholders based on their current shareholdings and was taken 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 2019, 2018 and 2017, the amount of repurchased shares is \$140,467, \$221,785 and \$141,963 equivalent to 5,884,677, 12,551,534, and 5,259,479 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 2019, 2018 and 2017, 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
2017	\$ _____	\$ 96,800	\$ 96,800	\$ -
2018	\$ -	\$ 193,436	\$ 193,436	\$ -
2019	\$ _____	\$ 265,768	\$ 265,768	\$ -

The balances of the stockholders' equity tax accounts as of December 31, 2019, 2018 and 2017, are:

	2019	2018	2017
Net tax income account	\$ 957,649	\$ 1,097,116	\$ 18,470
Contributed capital account	\$ 3,018,189	\$ 2,935,410	\$ 2,800,162

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:

	2019	2018	2017
Assets:			
Corporate loan portfolio	\$ 2,856,692	\$ 2,942,097	\$ 2,888,524
Receivables for services provided	5,278	5,247	6,267
Total Assets	\$ 2,861,970	\$ 2,947,344	\$ 2,894,791
Liabilities:			
Intercompany loans	\$ (2,856,692)	\$ (2,942,097)	\$ (2,888,524)
Payables for services received	(5,278)	(5,247)	(6,267)
Total Liabilities	\$ (2,861,970)	\$ (2,947,344)	\$ (2,894,791)



- b) Transaction with related parties, carried out in the ordinary course of business was as follow:

Results:

Positive interest accrued	\$ <u>1,194,875</u>	\$ <u>1,142,960</u>	\$ <u>889,587</u>

19. Balances and transactions in foreign currencies

- a. The monetary position of foreign currencies as of December 31, 2019, 2018 and 2017 is:

	2019	2018	2017
USD Dollars:			
Monetary assets (1)	620,638	466,620	471,792
Monetary liabilities (1)	<u>(366,327)</u>	<u>(267,767)</u>	<u>(209,241)</u>
Position (short) long	<u>254,311</u>	<u>198,853</u>	<u>262,551</u>
Equivalent in pesos	\$ <u>4,797,367</u>	\$ <u>3,907,702</u>	\$ <u>5,162,514</u>

(1) The monetary position corresponds to the balances of subsidiaries in USA and Central America which are presented in UD dollars.

- b. Transactions in foreign currencies were as follows:

	2019	2018 (USD Dollars)	2017
Interest expenses	<u>195,797</u>	<u>163,421</u>	<u>144,012</u>
Interest income	<u>(39,690)</u>	<u>(26,564)</u>	<u>(20,612)</u>

- c. Exchange rates in pesos wing force date of the consolidated financial statements and the date of the auditor's report were as follows:

	February 27, 2020	December 31 of		
		2019	2018	2017
Dollar, banking	\$ <u>19.3973</u>	\$ <u>18.8642</u>	\$ <u>19.6512</u>	\$ <u>19.6629</u>

20. Other operating income

As December 31, 2019, 2018 and 2017, the other income from the operation, were as follows:

	2019	2018	2017
Other revenue Central America	\$ 28,391	\$ 58,366	\$ 51,337
Other revenue USA	10,014	69,553	30,686
Other revenue management services (a)	<u>88,192</u>	<u>36,822</u>	<u>6,139</u>
	\$ <u>126,597</u>	\$ <u>164,742</u>	\$ <u>88,162</u>

- (a) It corresponds mainly to commissions collected in RTD and fixed assets sales.



21. Income taxes

The Entity is subject to ISR. According with the ISR law, the rate is 30% in 2019, 2018 and 2017 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:

	2019	2018	2017
ISR:			
Current	\$ (587,737)	\$ (355,306)	\$ (92,722)
Deferred	\$ (148,207)	\$ (295,295)	\$ (435,574)
Stock deferred	\$ (117,682)	\$ (126,704)	\$ (77,590)

As of December 31 2019, 2018 and 2017, the deferred tax balance is as follows:

	2019	2018	2017
Deferred ISR assets:			
Allowance for loan losses	\$ 596,015	\$ 407,366	\$ 638,198
Furniture and fixtures	24,310	23,227	52,619
Provisions	9,828	18,606	254,836
Tax loss carryforwards	2,091	75,520	161,326
Other assets, net	4,597	21,291	83,695
Deferred ISR	636,841	546,010	1,190,674
Deferred ISR (liability):			
Other accounts receivable, net (a)	(2,899,389)	(2,566,439)	(2,281,574)
Advance payments	(232,212)	(153,666)	(250,679)
Derivative financial instruments	(87,704)	(84,754)	(439,443)
Deferred ISR liability	(3,043,897)	(2,804,859)	(2,971,696)
Deferred ISR (net)	\$ (2,407,056)	\$ (2,258,849)	\$ (1,781,022)

- (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 2019, 2018 and 2017, 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:

	2019	2018	2017
Statutory rate	30%	30%	30%
Effects of inflation	(1%)	(2%)	(1%)
Interest accrued in advance period	(3%)	(6%)	(4%)
Allowance for loan losses	1%	1%	2%
Advance payments	2%	3%	2%
Others	(4%)	-	(2%)
Effective rate	<u>25%</u>	<u>25%</u>	<u>28%</u>

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 06-2018-13558, 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 400-73-02-05-2018-16444 dated December 13, 2017, issued by the General Collections Administration.

Earnings per share

The amounts used to determine diluted earnings per share were as follows:

	2019		
	Income	Number of shares	Mexican pesos per share
Net income attributable to common stock	\$ <u>1,980,109</u>	<u>392,219,424</u>	\$ <u>5.04</u>



	2018		
	Income	Number of shares	Mexican pesos per share
Net income attributable to common stock	\$ <u>1,955,358</u>	<u>392,219,424</u>	\$ <u>4.99</u>
	2017		
	Income	Número de acciones ordinarias exhibidas al 100%	Mexican pesos per share
Net income attributable to common stock	\$ <u>1,661,144</u>	<u>392,219,424</u>	\$ <u>4.24</u>

22. 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.

	2019	2018	2017
Credit Commitments	\$ <u>227,878</u>	\$ <u>354,728</u>	\$ <u>300,573</u>
Uncollected interest earned on non-performing portfolio	\$ <u>151,125</u>	\$ <u>366,701</u>	\$ <u>290,276</u>
Unarranged Credit Lines	\$ <u>131,904</u>	\$ <u>156,023</u>	\$ <u>1,999,177</u>

23. Comparative table of main asset and liability maturities

Below are the maturity dates of the main assets and liabilities as of December 31, 2019

	Until 6 months	From 6 months to 1 year	From 1 year to 5 years	Total
Cash and cash equivalents	\$ 1,180,867	\$ -	\$ -	\$ 1,180,867
Investment in securities	1,218,642	75,716	-	1,294,358
Derivative financial instruments	-	-	-	-
Loan portfolio, net	6,835,252	4,947,036	33,786,059	45,568,347
Other accounts receivable	<u>6,796,910</u>	<u>-</u>	<u>-</u>	<u>6,796,910</u>
Total assets	<u>\$ 16,031,671</u>	<u>\$ 5,022,752</u>	<u>\$ 33,786,059</u>	<u>\$ 54,840,482</u>
Notes payable and senior notes	\$ 138,408	\$ 85,455	\$ 25,673,849	\$ 25,897,712
Bank loans	5,614,376	1,983,236	8,015,873	15,613,485
Other accounts payable	<u>844,233</u>	<u>-</u>	<u>-</u>	<u>844,233</u>
Total liabilities	<u>6,597,017</u>	<u>2,068,691</u>	<u>33,689,722</u>	<u>42,355,430</u>
Assets less liabilities	<u>\$ 9,138,232</u>	<u>\$ 2,954,061</u>	<u>\$ 96,337</u>	<u>\$ 12,485,052</u>



24. Rating (unaudited)

As of December 31, 2019, the ratings assigned to the Entity are as follows:

Rating agency	Short term	Long term	Perspective	Date
<u>Standard & Poor's</u>				
Foreign currency	-	BB+	Negative	March 4, 2019
National issue	mx A-1	mx A+	Negative	March 4, 2019
<u>Fitch Ratings</u>				
Foreign currency	B	BB+	Stable	November 22, 2019
Stock certificates	F1(mex)	A+(mex)	Stable	November 22, 2019
Fiduciary stock certificates				
<u>HR Ratings</u>				
Foreign currency	-	HR BBB-	Stable	July 30, 2019
Stock certificates	HR1	HR AA-	Stable	July, 30 2019
Fiduciary stock certificates		BBB-	Stable	September 9, 2019

25. Contingencies

As of December 31, 2019, 2019 and 2017, 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.

26. Commitments

The Entity at December 31 2019, 2018 and 2017, has its own commitments and the operation mentioned in Note 13 "Indebtedness" and Note 14 "Bank Loans and other loans".

27. 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.

	2019			
	Mexico	USA	Central America	Total
Payroll loans	\$ 27,405,184	\$ -	\$ 5,755,105	\$ 33,160,289
Group loans	622,406	-	-	622,406
Durable goods loans	273,526	-	-	273,526
Small business loans	7,419,660	-	-	7,419,660
Used car loans	1,401,031	4,081,507	-	5,482,538
Total	<u>\$ 37,121,807</u>	<u>\$ 4,081,507</u>	<u>\$ 5,755,105</u>	<u>\$ 46,958,420</u>



	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	<u>917,690</u>	<u>2,030,484</u>	<u>-</u>	<u>2,948,174</u>
Total	<u>\$ 29,242,743</u>	<u>\$ 2,030,484</u>	<u>\$ 5,045,889</u>	<u>\$ 36,319,116</u>

	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	<u>613,563</u>	<u>2,100,400</u>	<u>-</u>	<u>2,713,963</u>
Total	<u>\$ 22,301,916</u>	<u>\$ 2,100,400</u>	<u>\$ 4,612,722</u>	<u>\$ 29,015,038</u>

The loan portfolio which shows arrears in excess of 90 calendar days, and up to 180 calendar days, at the end of December 2019, 2018 and 2017, 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 2019, 2018 and 2017, the overdue loan portfolio was \$617,556, \$605,219 and \$517,006, respectively.

28. New accounting principles

As of December 31, 2019 the CINIF has issued the following NIF and Improvements to NIF which may affect the consolidated financial statements of the Entity

Improvements to NIF that generate accounting changes:

NIF C-16 *Impairment of receivable financial instruments* – Clarifies the effective interest rate to be utilized when renegotiating a financial instrument to collect principal and interest (IFCPI).

NIF C-19 *Financial instruments payable*, and NIF C-20 *Financial instruments for collecting principal and interest* – Specify that the effective interest rate need not be periodically recalculated when its amortization does not generate material effects.

NIF D-4 *Income taxes*, and NIF D-3 *Employee benefits* – Paragraphs have been included regarding uncertain tax treatments when considering the bases used to determine ISR and PTU, while also evaluating the probability whereby the tax or legal authority will accept or reject an uncertain tax treatment.

NIF D-4 *Income taxes* – Clarifies the accounting recognition of income taxes incurred by the distribution of dividends in relation to the transactions that generated distributable profits.



NIF D-5 *Leases* – a) Given the complexity that may arise when determining the discount rate, this NIF establishes the possibility of utilizing a risk-free rate to discount future lease payments and recognize the lessee’s lease liability, and b) the use of a practical expedient to exclude material and identifiable components other than leases from the asset usage right measurement and lease liabilities was restricted.

Likewise, other improvements to NIF that do not generate accounting changes were also included and essentially clarify the purpose of each standard.

At the date of issuance of these consolidated financial statements, the Entity is in the process of determining the effects derived from its adoption of these new standards on its consolidated financial statements.

Homologation of Accounting Criteria by the Commission

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.”

29. Authorization to issue the consolidated financial statements

The consolidated financial statements were authorized for issuance on February 27, 2020, 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, 2018 were approved at a Stockholders’ Ordinary General Meeting held on April 24, 2019.

* * * * *



ANNEX A - SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN SOFOM GAAP AND U.S. GAAP

Our financial statements are prepared and presented in accordance with *Sofom* GAAP as prescribed by the CNBV. Certain differences exist between *Sofom* GAAP and accounting principles generally accepted in the United States of America, or U.S. GAAP, which might be material to the financial information contained herein. The matters described below summarize those differences that may be material. We have not prepared a reconciliation of our financial statements and related footnote disclosures, appearing in the offering memorandum, from *Sofom* GAAP to U.S. GAAP and we have not quantified those differences. Accordingly, no assurance is provided that the following summary of differences is complete. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between *Sofom* GAAP and U.S. GAAP, and how those differences might affect the financial information herein.

Accounting for the Effects of Inflation

Mexico

Through December 31, 2007, *Sofom* GAAP required that the comprehensive effects of inflation be recorded in financial information and that such financial statements be restated to constant pesos as of the latest balance sheet date presented. Beginning January 1, 2008, *Sofom* GAAP modified the accounting for inflationary effects and defines two economic environments, an “inflationary environment” and a “non-inflationary environment.” An inflationary environment is one in which the cumulative inflation of the three preceding years is 26% or more, in which case the comprehensive effects of inflation should be recognized in financial information; a non-inflationary environment is one in which the cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in financial information.

United States

Under U.S. GAAP, companies are generally required to prepare financial statements on a historical cost basis. Specific rules and regulations established by the SEC allow for companies to maintain the effects of inflations in its reconciliation from local GAAP to U.S. GAAP for companies registering securities with the SEC for sale in the United States, when, for local purposes, such company prepares comprehensive price-level adjusted financial statements, as required or permitted by their home-country GAAP. This is because the SEC recognizes that presentation of price-level adjusted financial information in inflationary economies is more meaningful than historical-cost based financial reporting.

Preoperating Costs

Mexico

Through December 31, 2002, under *Sofom* GAAP, preoperating costs incurred were permitted to be capitalized and amortized by us over the period of time estimated to generate the income necessary to recover such costs. Beginning January 1, 2003, only preoperating costs incurred during the development stage are capitalized and all other preoperating costs are expensed as incurred; previously capitalized amounts are permitted to continue to be amortized through December 31, 2008. Beginning January 1, 2009, any remaining unamortized preoperating costs must be written off to retained earnings.

United States

Under U.S. GAAP, preoperating costs should be treated as period expenses and are not capitalizable.

Labor Obligations

Mexico

Under *Sofom* GAAP, the discount rate to calculate the Defined Benefits Obligation OBD will be determined based on the market rate of high-quality corporate bonds, provided that there is a deep market for such bonds. Otherwise, the market rate of the bonds issued by the federal government must be used.

Under *Sofom* GAAP, the use of the broker is eliminated for the deferral of actuarial gains and losses and the actuarial gains and losses recognized in stockholders' equity must be recycled to results in the Remaining Useful Life of the Plan.

United States

Under U.S. GAAP, the accounting for defined benefit postretirement plans, which include seniority premiums within Mexico, was amended in 2006 such that an employer is required to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan). Accordingly, the related asset or liability should be equal to the projected net liability less any plan assets, such that all unrecognized items are recognized as part of the liability, with an offsetting charge or credit through other comprehensive income.

Under U.S. GAAP, the selected discount rate should reflect the rates at which the benefits can be effectively settled. Circumstances in which there is no deep market in high-quality corporate bonds are not specifically addressed.

Under U.S. GAAP, an entity may adopt either (1) the deferral method (i.e., corridor approach) and recycle amounts in excess of the corridor through net periodic benefit cost over an amortization period, or (2) a systematic method that results in faster recognition.

Deferred Income Tax and Statutory Employee Profit Sharing

Mexico

Sofom GAAP is similar to U.S. GAAP with respect to accounting for deferred income taxes in that an asset and liability approach is required. Under *Sofom* GAAP, deferred tax assets must be reduced by a valuation allowance if it is "highly probable" that all or a portion of the deferred tax assets will not be realized. The determination of the need for a valuation allowance must consider future taxable income and the reversal of temporary taxable differences. Net deferred income tax assets or liabilities are presented within long-term assets or liabilities.

Under *Sofom* GAAP, through 2007, deferred employee profit sharing is recognized only for timing differences arising from the reconciliation between accounting and taxable income for employee profit sharing purposes, for which it may be reasonably estimated that a future liability or benefit will arise and there is no indication that the liability will not be paid or the benefits will not be realized. Effective January 1, 2008, *Sofom* GAAP was modified such that it now requires a balance sheet methodology for determining deferred employee profit sharing, similar to that used for deferred income taxes.

Sofom GAAP allows the recognition of a net statutory employee profit sharing asset.

United States

Under U.S. GAAP, deferred income taxes are also accounted for using the asset and liability approach. A valuation allowance is recognized to reduce the value of deferred tax assets to the amount that, based on the weight of all positive and negative available evidence, is "more likely than not" to be realized. In order to make this determination, entities must consider future reversals of taxable temporary differences, future taxable income, taxable income in prior carryback years and tax planning strategies. Additionally, if a company has experienced recurring losses, little weight, if any, may be placed on future taxable income as objective evidence to support the recoverability of a deferred income tax asset. U.S. GAAP requires that deferred tax assets and liabilities be classified as current or long-term depending on the classification of the asset or liability to which the deferred relates.

U.S. GAAP also requires the use of the balance sheet methodology when calculating deferred employee profit and requires that a related liability be recorded for all temporary differences. U.S. GAAP does not allow the recognition of net deferred employee profit sharing assets.

Impairment of Long-Lived Assets in Use

Mexico

Under *Sofom* GAAP, long-lived assets with definite lives, such as property and equipment, are evaluated periodically in order to determine if a potential impairment indicator exists. The calculation of impairment losses requires the determination of the recoverable value of the assets. Recoverable value is defined as the greater of the net selling price of a cash generating unit and its value in use. Value in use is the present value of discounted future net cash flows.

In addition, under certain limited circumstances, the reversal of previously recognized impairment losses is permitted. Any recorded impairment losses are presented as non-ordinary expenses.

United States

U.S. GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of an asset is not recoverable when the estimated future undiscounted cash flows expected to result from the use of the asset are less than the carrying value of the asset. Impairment losses are measured as the difference between the carrying value of the asset and its fair value. Any impairment loss recorded for an asset to be held and used establishes a new cost basis and, therefore, cannot be reversed in the future. Impairment losses are classified within operating expenses in the statement of income.

Fair Value of Financial Instruments

Mexico

Sofom GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price.

United States

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, U.S. GAAP establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Allowance for Loan Losses

Mexico

Sofom GAAP requires a specific methodology to determine the allowance for loan losses, which take into consideration the value of the loan, the credit rating of the borrower (including country, financial and industry risk and payment experience) and any credit enhancements. Based on these factors, the CNBV prescribes a range of loss percentages that are to be applied to the value of the loan in order to determine the amount of the loan loss to be provisioned. Loan loss percentages are calculated by the CNBV based on either an expected loss model or an incurred loss model depending on the classification of the loan.

United States

U.S. GAAP accounting literature establishes that for larger, non-homogeneous loans, once an entity determines that a loan is impaired (meaning that it is probable that the entity will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement), the entity shall measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. The estimates surrounding credit losses for U.S. GAAP purposes are based on an incurred loss model. For practical purposes, entities may also measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Fair value of the collateral must be used when foreclosure is deemed probable.

For smaller-balance homogeneous loans, entities should collectively evaluate the loans for impairment, using a formula based on various factors to estimate an allowance for loan losses, including past loss experience, recent economic events and current conditions, geographical concentrations and portfolio delinquency rates.

Acquisitions of Loan Portfolios

Mexico

Under *Sofom* GAAP, a loan portfolio that is acquired in a transaction that is accounted for as an asset acquisition or a business combination is initially measured based on the accounting criteria of the CNBV, net of allowances for loan losses determined in accordance with the CNBV's models. Such amounts generally coincide with the seller's basis and may differ materially from the fair value of the acquired loan portfolio.

United States

Under U.S. GAAP, a loan portfolio that is acquired in a transaction that is accounted for as an asset acquisition or a business combination is initially recognized at fair value.

ANNEX B – FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for [each series of] Notes issued under the Program.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS] – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET] – Solely for the purposes of [the/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 [Directive 2014/65/EU (as amended, “**MiFID II**”)/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 manufacturer[’s/s’] 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 manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.][¹

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

**Issue of [Aggregate Nominal Amount of Series] [Title of Notes]
under the U.S.\$1,500,000,000
Medium-Term Notes Program**

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions set forth in the section entitled “Description of the Notes” Offering Memorandum dated [April [●], 2020] [and the supplement[s] to it dated [●] [and [●]] (together, the “**Offering Memorandum**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Memorandum. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Memorandum. [The Offering Memorandum has been published on the website of the Luxembourg Stock Exchange (“**LSE**”)].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “N/A” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

¹ Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

1. Issuer: Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada
2.
 - (a) Title: []
 - (b) Series Number: [][N/A]
 - (c) Tranche Number: [][N/A]

[The Notes will be consolidated and form a single Series with the [●] Notes issued [●] on [the Issue Date/the date that is 40 days after the Issue Date]²
3. Specified Currency or Currencies: []
 - (a) Specified Principal Payment Currency (if different from Specified Currency): []
 - (b) Specified Interest Payment Currency (if different from Specified Currency): []
4. Aggregate Nominal Amount: []
 - (a) Series: []
 - (b) Tranche: []
5. Issue Price: [] percent of the Aggregate Nominal Amount [plus accrued interest from [Insert Date]] [(if applicable)]
6.
 - (a) Minimum Denominations: []
 - (b) Calculation Amount: []
7.
 - (a) Issue Date: []
 - (b) Interest Commencement Date: [][Issue Date][N/A]

(N.B. An Interest Commencement Date will not be relevant for certain Notes)
8. Maturity Date:³ []
9. Interest Basis: [[] percent Fixed Rate]

² To be included for Additional Notes only.

³ Include amortization schedule for Amortizing Notes.

[Fixed Reset Rate][Fixed/Floating Rate][Floating/Fixed Rate]

[CD Rate/Commercial Paper Rate/CMT Rate/Federal Funds Rate/LIBOR/EURIBOR/Treasury Rate/Prime Rate/[Other]] +/- [] percent Floating Rate]

[N/A]

(see paragraph[s] [13]/[14]/[15] below)

10. Change of Interest Basis: *[Specify the date when any fixed to floating rate change (or vice versa) occurs or cross refer to paragraph[s] [13]/[15] below]*[N/A]

11. Issuer Call Option: [Applicable][N/A]

(see paragraph[s] [17]/[18]/[19]/[20]/[23] below)

12. Status of the Notes: [Senior/Subordinated]

(a) Status of Senior Notes: [Senior][N/A]

(b) Status of Subordinated Notes: [Tier 2 Subordinated][N/A]

(c) [Date of [Board] approval for issuance of Notes obtained:] [] [N/A]

(N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable for the period to (but excluding) [] [the Maturity Date]][N/A]

(If N/A, delete the remaining subparagraphs of this paragraph)

(a) Rate(s) of Interest: [] percent per annum payable in arrears on each [Interest Payment Date]

(b) Interest Payment Date(s): [] in each year up to and including the Maturity Date

(Amend appropriately in the case of irregular coupons)

(c) Regular Record Date(s): []

(d) Fixed Day Count Fraction: [30/360][Actual/360][Other]

(e) Interest Determination Date(s): [[] in each year][N/A]

(Only relevant where Fixed Day Count Fraction is Actual/Actual (ISDA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

14. Fixed Reset Note Provisions: [Applicable][N/A]
- (If N/A, delete the remaining subparagraphs of this paragraph)*
- (a) Initial Fixed Reset Interest Rate: [] percent per annum payable in arrears on each [Interest Payment Date] up to, but excluding, the Fixed Reset Date
- (b) Interest Payment Dates: [] in each year up to and including the Maturity Date
- (Amend appropriately in the case of irregular coupons)*
- (c) Initial Fixed Reset Interest Period: []
- (d) Regular Record Date(s): []
- (e) Fixed Coupon Amount to (but excluding) the Reset Date: [[] per Calculation Amount]
- (f) Fixed Day Count Fraction: [30/360][Actual/360][Other]
- (g) Fixed Reset Date: [] [N/A]
- (h) Subsequent Reset Date(s): [] [N/A]
- (i) Reset Determination Date[s]: []
- (j) Reset Reference Rate: [Treasury Yield (as defined in the Offering Memorandum)][Other][N/A]
- (k) Reset Margin: [+/-][] basis points
- (l) Calculation agent/Party responsible for calculating the Rate of Interest: []
15. Floating Rate Note Provisions: [Applicable for the period to (but excluding) the Maturity Date][N/A]
- (If N/A, delete the remaining subparagraphs of this paragraph)*
- (a) Interest Payment Date(s)/Specified Periods: [], subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to any adjustment, as the

- Business Day Convention in (c) below is specified to be N/A]
- (b) Regular Record Date(s): []
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] [N/A]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination][Other]
- (e) Calculation agent/Party responsible for calculating the Rate of Interest and Interest Amount: []
- (f) Screen Rate Determination: [Applicable][N/A]
- (If N/A, delete the remaining sub-paragraphs of this paragraph)*
- Reference Rate: Reference Rate: [] month CD Rate/Commercial Paper Rate/CMT Rate/Federal Funds Rate/LIBOR/EURIBOR/Treasury Rate/Prime Rate/[Other]]
 - Specified Time: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
 - Reference Rate Replacement: [Applicable][N/A]
- (g) Linear Interpolation: [N/A][Applicable. The Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation of [] and []]
- (h) Margin(s): [+/-] [] percent per annum
- (i) Minimum Rate of Interest: [] percent per annum
- (j) Maximum Rate of Interest: [] percent per annum
- (k) Floating Day Count Fraction: [[Actual/Actual][Actual/Actual (ISDA)]] [Actual/365]

(Fixed)][Actual/360][30/360][360/360][Bond Basis]

PROVISIONS RELATING TO REDEMPTION⁴

17.	Redemption of Notes Prior to Maturity Solely for Withholding Tax Event:	[Applicable][N/A]
18.	Optional Redemption of Senior Notes with a Make-Whole Premium:	[Applicable][N/A] <i>(If N/A, delete the remaining subparagraphs of this paragraph)</i>
(a)	Make-Whole Redemption Date(s):	[] <i>(N.B., the redemption date for any Floating Rate Note will be an Interest Payment Date.)</i>
(b)	Make-Whole Redemption Price:	[]
(i)	Benchmark Security(ies):	[Insert applicable Benchmark Security]
(ii)	Reference Time:	[]
(iii)	Make Whole Margin:	[] basis points
(iv)	Par Redemption Date:	[]
(v)	Linear Interpolations:	[Applicable][N/A]
(vi)	Calculation Agent (if other than the Company):	[][N/A]
19.	Optional Redemption of Senior Notes Upon Equity Sales:	[Applicable][N/A]
20.	Other Optional Redemption Events Applicable to Senior Notes:	[Applicable][N/A] <i>[Insert description of main terms of applicable redemption event]</i>
21.	Redemption of Subordinated Notes Upon a Rating Methodology Event:	[Applicable][N/A]
22.	Optional Redemption of Subordinated Notes Upon a Tax Deductibility Event:	[Applicable][N/A]
23.	Optional Redemption of Subordinated Notes Upon a Substantial Repurchase Event:	[Applicable][N/A]

⁴ Adjust to reflect the terms of the applicable redemption events for each Series of notes.

24.	Optional Redemption of Subordinated Notes following an Accounting Event:	[Applicable][N/A]
25.	Redemption of Subordinated Notes upon a Change of Control that Results in a Ratings Decline:	[Applicable][N/A]
26.	Subordinated Notes Optional Redemption:	[Applicable][N/A]
	(a) First Call Date:	[]
27.	Redemption price payable on Redemption of Subordinated Notes Upon a Rating Methodology Event, Optional Redemption of Subordinated Notes Upon a Tax Deductibility Event, Optional Redemption of Subordinated Notes Upon a Substantial Repurchase Event, Optional Redemption of Subordinated Notes following an Accounting Event, Redemption of Subordinated Notes upon a Change of Control that Results in a Ratings Decline:	[[]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28.	Form of Notes:	[Registered Notes: [Regulation S Global Note ([] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]/[Rule 144A Global Note ([] nominal amount registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]) (specify nominal amounts)] [Global Note exchangeable for definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Global Note.]
29.	Additional Notes:	[Applicable][N/A]
30.	Additional Events of Default:	[Applicable][N/A]

31. Other Terms:

[N/A][Insert different/additional/other terms]⁵

(When adding any other terms consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Memorandum. If the Notes are SDG Notes, specify the Company’s website where the SDG Framework will be published.)

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the pricing supplement required for issue [and] [admission to trading on the Euro MTF Market and for listing on the Official List of the Luxembourg Stock Exchange] of the Notes described herein pursuant to the listing of the U.S.\$1,500,000,000 Medium-Term Note Program of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada.

[[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada:

By: _____
Duly authorized

⁵ Include tax consequences not described in the description of the notes and any details related to Indexed Notes, Extendible Notes or Dual Currency Notes.

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