



**Unifin Financiera, S.A.B. de C.V.**

*(incorporated under the laws of Mexico)*

**US\$200,000,000**

**7.000% Senior Notes due 2022**

**Unconditionally Guaranteed by**

**Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and**

**Unifin Autos, S.A. de C.V.**

We are offering US\$200,000,000 aggregate principal amount of our 7.000% Senior Notes due 2022 (the “notes”). We will pay interest on the notes at a fixed rate of 7.000% per year, payable semi-annually in arrears on February 12 and August 12 of each year, beginning on February 12, 2020. The notes will mature on August 12, 2022, unless previously redeemed. The notes will be unconditionally guaranteed by certain of our subsidiaries. The notes and the subsidiary guarantees will be our and our subsidiary guarantors’ senior unsecured obligations (subject to certain statutory preferences under Mexican law, such as tax and labor obligations). The notes and the subsidiary guarantees will rank equally with each other and with all of our and our subsidiary guarantors’ respective existing and future senior unsecured indebtedness. The notes will rank effectively junior in right of payment to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally junior to the liabilities of our subsidiaries that are not guarantors of the notes. The notes will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

We may redeem the notes, in whole or in part, at any time at a redemption price based on a “make-whole” premium, plus Additional Amounts then due, if any, plus accrued and unpaid interest, if any, to the date of redemption. In addition, if tax laws currently in effect are modified and the change results in higher withholding taxes in respect of payments of interest or amounts deemed interest on the notes, we may redeem the notes in whole, but not in part, at 100% of their principal amount, plus Additional Amounts then due, if any, plus accrued and unpaid interest, if any, to the date of redemption. There is no sinking fund for the notes. See “Description of the Notes—Optional Redemption.” If a change of control triggering event as described in this offering memorandum under the heading “Description of the Notes—Change of Control Triggering Event” occurs, we will be required to offer to purchase the notes from the holders, at a purchase price equal to 101% of their principal amount, plus Additional Amounts then due, if any, plus accrued and unpaid interest, if any, to the date the notes are repurchased.

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

**Investing in the notes involves risks. See “Risk Factors” beginning on page 24 of this offering memorandum for a discussion of certain information that you should consider before investing in the notes.**

**Offering Price: 100.000% plus accrued interest, if any, from August 12, 2019.**

**THE NOTES HAVE NOT 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, THEREFORE, MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO OR OTHERWISE BE SUBJECT TO INTERMEDIATION ACTIVITIES IN MEXICO, EXCEPT PURSUANT TO THE REGISTRATION EXEMPTIONS PROVIDED 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 OF MEXICO. SUCH NOTICE WILL BE SUBMITTED FOR INFORMATIONAL PURPOSES TO THE CNBV TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND REGULATIONS THEREUNDER. THE DELIVERY TO, AND RECEIPT BY, THE CNBV OF SUCH NOTICE DOES NOT CONSTITUTE OR IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR 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 MUST RELY ON THEIR OWN EXAMINATION OF US AND THE GUARANTORS.**

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 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 qualified institutional buyers 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.”

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company (“DTC”) for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking, *société anonyme*, Luxembourg (“Clearstream”) on or about August 12, 2019.

*Joint Bookrunners*

**Barclays**

**Santander**

**Scotiabank**

The date of this offering memorandum is August 8, 2019.

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

**Unless otherwise specified or the context requires, references in this offering memorandum to “the Company,” “we,” “us” and “our” refer to Unifin Financiera, S.A.B. de C.V. and its subsidiaries, and references to “Unifin” or “the Issuer” refer to Unifin Financiera, S.A.B. de C.V., without its subsidiaries.**

## NOTICE TO INVESTORS

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

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

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

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

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

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

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

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

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

## **Financial Promotion**

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth companies, and other persons to whom it may 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 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.

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 Mediation 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.

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## AVAILABLE 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 pursuant to 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 located at Presidente Masaryk 111, 5th Floor, Polanco V Section, Alcaldía Miguel Hidalgo, 11560, Mexico City, Mexico. For as long as our shares are registered with the RNV and listed with the Mexican Stock Exchange (*Bolsa Mexicana de Valores* or “BMV”), we will be required periodically to furnish certain information, including quarterly and annual reports, to the CNBV and to the BMV, which will be available in Spanish for inspection on the BMV’s website at [www.bmv.com.mx](http://www.bmv.com.mx) and on the CNBV’s website at [www.gob.mx/cnbv](http://www.gob.mx/cnbv).

The Indenture will further require that we furnish to the Trustee (as defined under “Description of the Notes—General”) all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. See “Description of the Notes.”

We will make available to the holders of the notes, at the corporate trust office of the Trustee at no cost, copies of the Indenture, as well as this offering memorandum, including a review of our operations, and copies in English of our annual audited consolidated financial statements and our quarterly unaudited consolidated financial statements. A copy of our by-laws, as amended, has been filed with, and can be examined at, the CNBV and the BMV and is available for review at [www.bmv.com.mx](http://www.bmv.com.mx). Information will also be available at the office of the Luxembourg Listing Agent (as defined under “Description of the Notes—General”).

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

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this offering memorandum relating to our plans, forecasts and expectations regarding future events, strategies and projections are estimates. 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 “may,” “might,” “will,” “would,” “shall,” “should,” “can,” “could,” “believe,” “anticipate,” “continue,” “expect,” “estimate,” “plan,” “intend,” “foresee,” “seek,” “predict,” “project,” “potential,” 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.

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

- changes in general economic, business, social or political or other conditions in Mexico, the United States or elsewhere;
- changes in capital markets in general that may affect policies or attitudes towards investing in Mexico or securities issued by companies in Mexico;
- changes in government policies in Mexico, including in connection with government spending and permit and license requirements;
- the ability or willingness of our customers to meet their payment obligations;
- the monetary, foreign exchange and interest rate policies of the Mexican Central Bank (“Banco de México”);
- high levels of inflation or deflation;
- movements in foreign exchange rates;
- any increase in competition, including from new market entrants with substantial resources;
- our ability to access sources of financing on attractive terms or at all;
- any failure or weakness in our operating controls or procedures or in connection with our risk management policies;
- changes in, or failure to comply with, applicable laws and regulations, and the interpretation thereof, or changes in taxes;
- changes in regulations, or interpretations thereof, relating to maximum interest rates and to terms that may be included in our standard agreements with customers;
- any damage to the public’s perception of our brands;
- changes in consumer spending and saving habits;
- changes in the offer of and demand for our products and services;
- any loss of significant customers;
- our ability to implement our plans for growth or to conduct acquisitions or any consolidations;
- our inability to hedge against certain market risks;

- loss of any key personnel;
- changes in labor relations, including any increases in labor costs or any labor strikes;
- our ability to implement new technologies;
- our ability to freely determine the interest rates and premiums that we charge to our customers in our auto loans and other loans;
- our level of capitalization, reserves and charge-offs in respect of non-performing loans;
- any adverse determinations in respect of the financial services industry or our lending business made by antitrust or financial authorities;
- lawsuits initiated by our creditors, borrowers' groups or Mexican authorities and other potential litigation;
- inability to timely and duly enforce collateral or guarantees provided by borrowers and/or guarantors;
- any adverse administrative or legal proceedings against us;
- possible disruptions to commercial activities due to natural and human-induced disasters, including health epidemics, weather conditions, terrorist activities and armed conflicts;
- changes to, or withdrawals from, free trade agreements, including the North American Free Trade Agreement ("NAFTA"), to which Mexico is a party, and timely ratification of the United States Mexico Canada Agreement ("USMCA"), to which Mexico is a party and is intended to replace NAFTA
- the imposition of tariffs on Mexican imports by the United States or any other country;
- changes in accounting principles and the implementation thereof, which may affect the comparability of our financial information;
- other factors or trends affecting our financial condition and results of operation; and
- the factors discussed 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.

Additional factors affecting our business may arise periodically and we cannot predict such factors, nor can we assess the impact of all these factors on our business or the extent to which such factors or combination of factors could cause our results to materially differ from those contained in any forward-looking statement. Although we consider the plans, intentions, expectation, and estimates reflected in, or suggested by, forward-looking statements included in this offering memorandum to be reasonable, we cannot provide any assurance that our plans, intentions, expectations and estimates will be achieved. Additionally, historical trends in our statements should not be interpreted as a guarantee that these trends will continue in the future.

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 FINANCIAL AND OTHER INFORMATION

### Financial Information

This offering memorandum includes:

- our audited consolidated financial statements as of December 31, 2017 and 2018, and for the years ended December 31, 2016, 2017 and 2018, together with the notes thereto (the “Audited Financial Statements”); and
- our unaudited condensed consolidated interim financial statements as of March 31, 2019 and for the three-month periods ended March 31, 2018 and 2019, together with the notes thereto (the “Unaudited Interim Financial Statements”).

Our Audited Financial Statements and our Unaudited Interim Financial Statements are stated in thousands of Mexican pesos. Our Audited Financial Statements and our Unaudited Interim Financial Statements are collectively referred to herein as our “Financial Statements.”

### Accounting Principles

We have prepared our Audited Financial Statements under the accounting criteria established by the CNBV (“Sofom GAAP”), which are in accordance with Mexican Financial Reporting Standards (*normas de información financiera*), established by the Mexican Board for Financial Information Standards (*Consejo Mexicano de Normas de Información Financiera, A.C.*), except where based on the judgment of the CNBV it is necessary to apply a different accounting criteria. See Note 2 of the Audited Financial Statements.

*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 our Audited Financial Statements or other financial information in this offering memorandum. We cannot assure you that such reconciliation would not identify material quantitative differences between the Audited 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.

On March 21, 2019, at our annual shareholders meeting, following the approval of our board of directors and the favorable opinion of our audit and corporate practices committee, our shareholders approved the change of our corporate regime from a non-regulated multiple-purpose financial company in the form of a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable, sociedad financiera de objeto múltiple, entidad no regulada*) to a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*). As a result, we adopted International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) for the preparation of our financial statements, in lieu of accounting principles applicable under *Sofom* GAAP. Accordingly, our annual consolidated financial statements as of and for the year ending December 31, 2019 will be our first annual financial statements prepared in accordance with IFRS. Effective as of January 1, 2019, we started to prepare our financial statements in accordance with IFRS. We believe that this change will improve our financial reporting and comparability with other companies in our industry.

The financial information in this offering memorandum as of March 31, 2019 and for the three-month periods ended March 31, 2018 and 2019 has been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” (“IAS 34”), as issued by the IASB. For a description of the effects of the transition to IFRS from *Sofom* GAAP, see Note 18 to our Unaudited Interim Financial Statements. The financial information in our Audited Financial Statements prepared in accordance *Sofom* GAAP may not be directly comparable with the financial information in our Unaudited Interim Financial Statements prepared in accordance with IFRS.



IFRS 1, *First-time Adoption of International Financial Reporting Standards*, requires that we develop accounting policies based on standards and related interpretations effective at the reporting date of our first annual IFRS financial statements (i.e., December 31, 2019). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (which is January 1, 2018 pursuant to IFRS 1) and for all interim periods commencing on the date of transition and until the publication of our first annual IFRS financial statements. Our Unaudited Interim Financial Statements have been prepared in accordance with accounting policies developed for the periods presented in such financial statements. The accounting policies that will be used in the preparation of our first annual IFRS financial statements were not known at the time we prepared our Unaudited Interim Financial Statements. As a result, the accounting policies used to prepare the Unaudited Interim Financial Statements are subject to change, and may differ from the accounting policies to be used in the preparation of our first IFRS annual financial statements. See “Risk Factors—Risks Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and as a result, some of our financial data are not easily comparable from period to period” and “—If our estimates or judgments relating to our significant accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.”

### **Currency Information**

Unless otherwise specified, references to “US\$,” “U.S. dollars” and “dollars” are to the lawful currency of the United States. References to “Ps.,” “Mexican pesos” and “pesos” are to the lawful currency of Mexico.

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, U.S. dollar amounts provided in this offering memorandum that have been translated from pesos have been so translated at an exchange rate of Ps.19.3793 per U.S. dollar, the exchange rate published by the *Banco de México* in the Mexican Federal Official Gazette on March 29, 2019.

### **Rounding Adjustments**

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. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our Audited Financial Statements and Unaudited Interim Financial Statements included elsewhere in this offering memorandum”

### **Certain Terms Related to our Loan Portfolio**

In this offering memorandum, the following terms shall have the meaning set forth below:

- “non-performing loans” is defined as past-due loans from our leases, factoring and auto loans and other lending business lines for which collection became overdue, calculated, in the case of leasing, from the ninety-first day a lease becomes past-due and, in the case of factoring and auto loans and other lending, from the thirty-first day a loan becomes past-due, all in accordance with applicable accounting principles;
- “off-balance sheet accounts” is defined as the memorandum accounts that appear in our consolidated balance sheets as of December 31, 2017 and 2018, and are comprised of non-accrued rent payments;
- “performing loans” is defined as the total amount of leases, factoring and auto loans and other lending that are not past due;

- “total indebtedness” is defined as debt securities (long-term and short-term portions) and bank borrowings and loans from other entities (long-term and short-term portions);
- “total loans” is defined as the performing loans and non-performing loans without the effect of the allowance for loan losses; and
- “total net portfolio” is defined as the total amount of leases, factoring and auto loans and other lending, net of the allowances for loans losses.

### **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 Mexican Association of Leasing, Credit and Factoring Institutions (*Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C.*). Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. Some data is also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. You should not place undue reliance on estimates as they are inherently uncertain.

## SUMMARY

*This summary highlights information contained elsewhere in this offering memorandum. Because this is only a summary of this offering memorandum, we urge you to read carefully this entire offering memorandum before investing in the notes, including “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Financial Statements and related notes beginning on page F-1.*

### Overview

We are a Mexican leasing company, specializing in three main business lines: leasing, factoring and auto loans and other lending. Through our leasing business line, our core business line, we offer leases for all types of machinery and equipment, transportation vehicles (including cars, trucks, helicopters, airplanes and other vessels) and other assets used in a variety of industries. Through our factoring business line, we provide liquidity and financing solutions to our customers by purchasing or discounting their accounts receivable and by providing vendor financing. The auto loans portion of our auto loans and other lending business line is focused on financing the acquisition of new and used vehicles, while the lending portion of such business line includes financing working capital needs and the acquisition of other capital assets.

We specialize in serving small and medium-sized enterprises (“SMEs”), which we believe are largely underserved by banking institutions despite representing the majority of the economic activity in Mexico. We believe the SME sector will continue expanding and providing an attractive opportunity for growth.

The amount per transaction of our leases ranges from Ps.100,000 to Ps.150 million, with an average balance of Ps.8.0 million and with maturities between 12 to 48 months and 38 months on average. The annual fixed interest rates that we charge for our lease products range from 23.0% to 27.0%. The amount per transaction of our factoring products ranges from Ps.500,000 to Ps.150 million, with maturities between 8 to 180 days and 109 days on average, with annual interest rates at the Mexican interbank lending rate (*Tasa de Interés Interbancaria de Equilibrio*, or “TIIE”) plus 14.5% to 19.5%. Our auto loans range from Ps.50,000 to up to 80.0% of the vehicle’s price, with maturities between 12 and 60 months and a fixed interest rate of 17.5% to 20.5%.

As of March 31, 2019, our leasing, factoring and auto loans and other lending business lines represented 77.7%, 5.7% and 16.6% (of which 5.0% was represented by auto loans), respectively, of our total portfolio.

In recent years, we have experienced a significant level of growth combined with high rates of return and low rates of non-performing loans. Between 2016 and 2018, our loan portfolio grew at a compound annual growth rate (“CAGR”) of 31.4%, and we had an average return on average equity of 23.4% and an average return on average assets of 3.4% during such period, while return on average equity for 2018 was 15.8%. As of December 31, 2018, our loan portfolio increased by Ps.10,397.7 million or 25.0% as compared to December 31, 2017. Non-performing loans represented 1.0% of our loan portfolio as of December 31, 2018. We believe our growth is the result of various factors including our geographic coverage and wide distribution network integrated by our headquarters in Mexico City and fourteen regional offices, our industry knowledge and know-how, our efforts on development and innovation to meet customers’ needs, our customer loyalty resulting from our personalized service and our effective origination and collections processes, as well as risk mitigation strategies.

As of March 31, 2019, we had total assets of Ps.62,761.7 (US\$3,238.6 million), our total portfolio amounted to Ps.47,142.8 million (US\$2,432.6 million) and had stockholder’s equity of Ps.9,325.4 million (US\$481.2 million). For the three-month periods ended March 31, 2018 and 2019, we had profit before results of associated companies of Ps.529.0 million (US\$27.3 million) and Ps.577.7 million (US\$29.8 million), respectively, and consolidated net income of Ps.396.5 million (US\$20.5 million) and Ps.473.6 (US\$24.4 million), respectively.

For the years ended December 31, 2016, 2017 and 2018 we had operating income of Ps.1,462.1 million (US\$75.4 million), Ps.2,299.9 million (US\$118.7 million) and Ps.2,445.8 million (US\$126.2 million), respectively, and consolidated net income of Ps.1,210.3 million (US\$62.5 million), Ps.1,770.7 million (US\$91.4 million) and Ps.1,923.8 million (US\$99.3 million), respectively.

## Industry Overview

**Macroeconomic Environment.** Mexico is the second largest country in Latin America in terms of GDP and population. Mexico's GDP grew by 2.0% in 2018 and is expected to grow 1.4% in 2019, according to analyst consensus published by Bloomberg.

	Mexico		Latin America		U.S.		E.U.	
	2018	2019E	2018	2019E	2018	2019E	2018	2019E
GDP Growth.....	2.0%	1.4%	1.5%	1.7%	2.9%	2.5%	2.0%	1.5%
Inflation .....	4.9%	3.9%	855.8%	8.9%	2.5%	1.9%	1.9%	1.6%

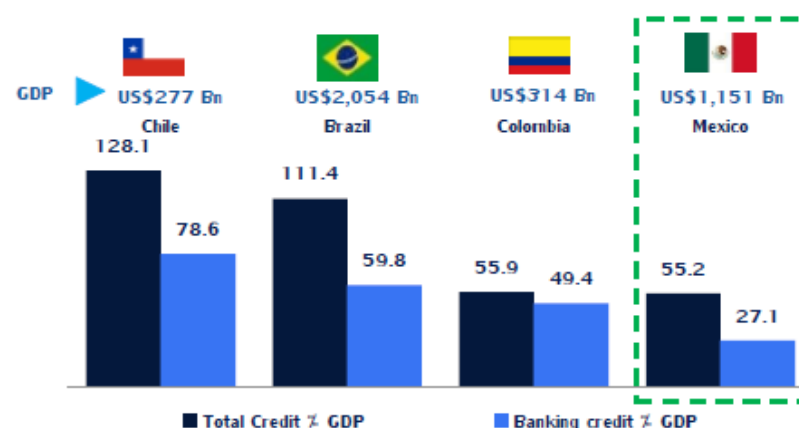
Source: Bloomberg, as of June 10, 2019

As of December 31, 2017, which is the most recent data publicly available, the gross public debt of the Mexican government represented 54.2% of GDP, compared to approximately 30.5% in Latin America, 85.0% in the Eurozone and 82.3% in the United States, according to Bloomberg as of June 10, 2018.

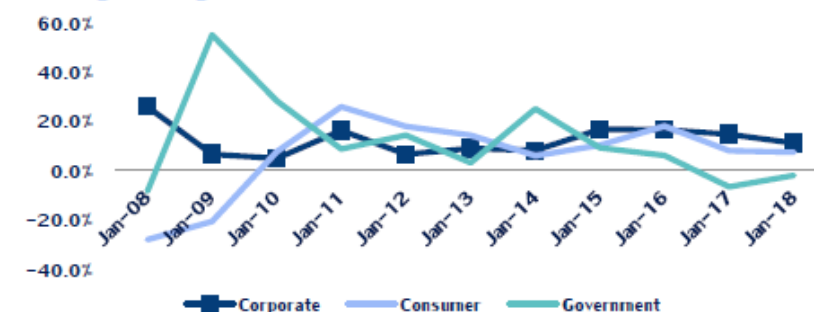
Additionally, Mexico has steadily maintained its international reserves in recent years, which amounted to US\$176.5 billion in 2016, US\$172.8 billion in 2017 and US\$174.6 billion in 2018.

**Low National Credit Penetration.** Mexico's capacity for the sustainable growth of the financial services industry is enhanced by the low levels of credit penetration relative to other markets in the region. According to the latest information available from the World Bank, as of December 31, 2017, total banking credit represented 27.1% of Mexico's GDP, relative to 78.6% in Chile, 59.8% in Brazil, 42.3% in Peru and 49.4% in Colombia. We believe this represents an important growth opportunity for us and the institutions in the financial services industry.

### Corporates in Mexico are still underserved..



### Banking loans growth evolution in Mexico

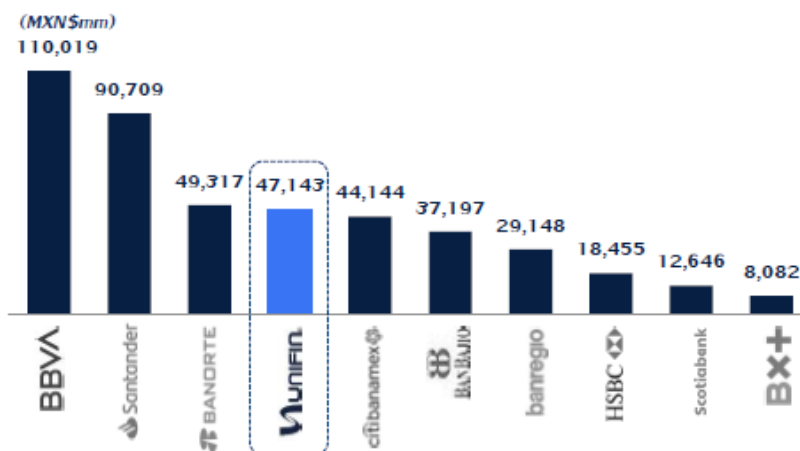


Over the years, corporate lending growth has proven to be more steady than consumer and government lending

**Developing SME Sector.** Within Mexico’s overall market, SMEs represent a growing share in the market but remain significantly underserved with respect to access to financial services relative to their scale. According to information published by CNBV, SMEs only received 17.2% of the country’s financing as of April 30, 2019.

The concentration of these SMEs in selected Mexican states also represents an attractive opportunity to serve these customers with a targeted approach. According to the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* or “IMSS”), as of December 31, 2017, 77.1% of the SMEs in Mexico are located in regions in which we have a physical presence.

**Ranking vs banks SMEs financing (loan portfolio as of 1Q19)**



### ***The Mexican Leasing Market.***

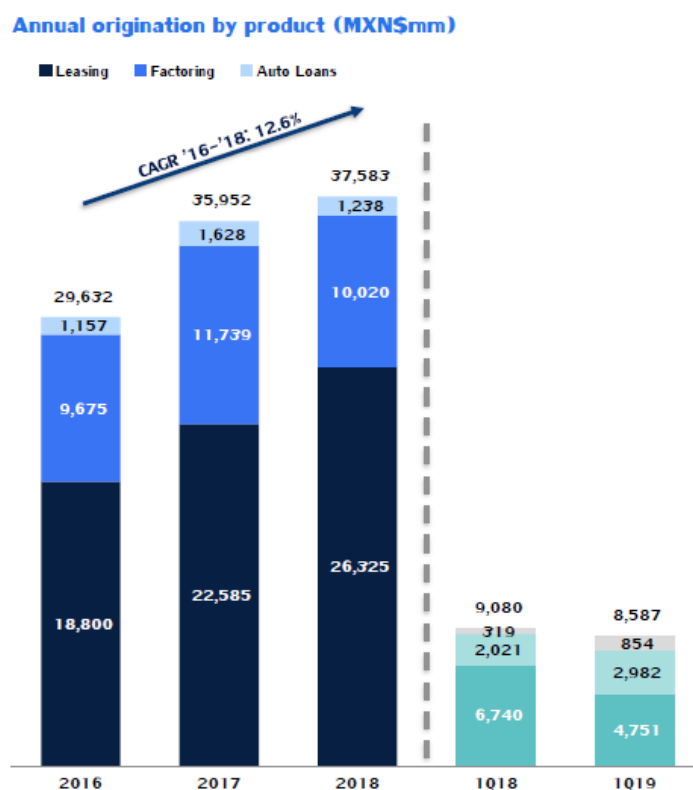
The Mexican lease industry is highly fragmented with only a few sizable players. Our main competitors are the following:

- international players, including CHG-MERIDIAN, Deutsche Computer Leasing AG and CSI Leasing Inc.;
- players related to diversified financial groups including, among others, BBVA Leasing, S.A. de C.V., Arrendadora y Factor Banorte, S.A. de C.V., SOFOM, E.R., Grupo Financiero Banorte, Arrendadora Actinver, S.A. de C.V., AF Banregio, S.A. de C.V., SOFOM, E.R., Banregio Grupo Financiero, Arrendadora Ve por Más, S.A. de C.V., SOFOM, E.R., Grupo Financiero Ve por Más and Invex Arrendadora, S.A. de C.V.;
- players related to specific brands, including Volkswagen Leasing, S.A. de C.V., Caterpillar Crédito, S.A. de C.V., SOFOM, E.N.R., Hewlett Packard Operations México, S. de R.L. de C.V., GM Financial de México, S.A. de C.V., SOFOM, E.N.R., Paccar Financial México, S.A. de C.V., SOFOM, E.N.R., Navistar Financial, S.A. de C.V., SOFOM, E.N.R., Daimler Financial Services, S.A. de C.V., SOFOM, E.N.R. and NR Finance México, S.A. de C.V.; and
- other independent players, including ABC Leasing, S.A. de C.V., Magna Arrendadora, S.A. de C.V., Arrendomóvil de México, S.A. de C.V., Docuformas, S.A.P.I. de C.V., Corporación Financiera Atlas, S.A. de C.V., SOFOM, E.N.R., Financiera Bepensa, S.A. de C.V., SOFOM, E.N.R., Engencap Fin, S.A. de C.V., SOFOM, E.N.R. and TIP de México, S.A.P.I. de C.V.

## Our Competitive Strengths

We believe that the following key strengths give us an advantage over our competitors and position us to grow our market share in the Mexican leasing, factoring and auto loans and other lending industries:

**Leader in the Mexican Leasing Industry.** Since beginning operations in 1993, we have experienced significant growth and have consolidated our position as a leader in the leasing industry with active participation in the Mexican financial industry. We believe that our growth and market penetration are primarily a result of our unique business model, which focuses on the continuous development and innovation of our products and financial solutions aimed at meeting our customers' needs; our personalized and comprehensive customer service; our ability to generate demand for our products through our sales efforts supported by our marketing strategies targeted at SMEs and individual business owners; and our efficient credit origination and risk management processes reinforced by advanced information technology systems. Based on this business model, from 2016 to 2018, we increased our operating volume (originations) from our leases, factoring and auto loans at a CAGR of 18.3%, 1.8% and 3.3%, respectively. On a consolidated basis, we had a return on average equity of 24.8% for 2016, 29.7% for 2017 and 15.8% for 2018.



**Strong Commercial Structure and an Expanding National Platform.** We have a solid commercial structure defined by a highly specialized and capable sales force and an extensive distribution network, comprised of our main office in Mexico City and fourteen regional offices located throughout Mexico. Our regional offices are located in the fastest growing geographical areas in Mexico, and our local presence in such markets allows us to obtain detailed knowledge of specific market needs in order to reach a large number of potential customers. Furthermore, our efficient distribution network affords us a competitive advantage over our competitors by lowering our cost of attracting new customers and improving our profitability through the integration of our business offerings into a single platform. The Mexican states in which we have a physical presence represent in the aggregate 69.8% of Mexico's 2017 GDP, according to INEGI's latest available information. We have also developed certain business strategies (including advertising and marketing campaigns, market and industry analysis, historical portfolio analysis and forming industry and product specific sales teams) in order to focus our sales efforts on high potential customers and markets with attractive growth opportunities, as identified by these business strategies. Despite the growth of our commercial structure and sales force, we have been able to maintain high levels of operational efficiency and attractive margins.



***Streamlined Origination Process Supported by Comprehensive Risk Management Policies.*** Through our extensive experience and expertise, we have expedited our credit approval process, while maintaining our high credit standards, as is evidenced by the quality of our portfolio. We have implemented standardized administrative procedures that, together with our solid information technology platform, optimize documentation requirements in connection with leasing and financing requests and renewals. Our origination process is supported by three main pillars: (i) credit rating based on qualitative and quantitative factors, (ii) credit and legal bureau research, and (iii) banking and commercial references from our customers. Under our strict credit origination process, a negative result in any of these three categories could result in an application's rejection, leading to an average acceptance rate of approximately 40.3% as of March 31, 2019. In addition, our origination process is supported by three specialized credit committees whose respective responsibilities are based on the amount of the credit analyzed, and who are focused on maintaining credit quality while minimizing response times. We have also implemented a sound risk management system with rigorous policies, processes and procedures, allowing us to assess credit and operational risks associated with each of our business lines and to respond to potential problems in a timely manner. This risk management system also allows us to comply with internal and legal requirements related to anti-money laundering and personal data protection. In spite of our rapidly growing portfolio and industry leading response times for our customers, our efficient and strict origination process and policies have allowed us to maintain a consistently high-quality portfolio with low levels of delinquency.

***Effective Collection Process that Results in Low Default Rates.*** As of December 31, 2018, our non-performing loans accounted for 1.0% of our total portfolio. We have developed an efficient collection process that is comprised of both remote and in-person activities, which includes support from an experienced team of collection agents and attorneys allowing us to carefully monitor customer behavior and to take timely and appropriate preventative collection measures. See "Business—Collections" for a detailed description of our collection practices for our leasing, factoring and auto loans and other lending business lines.

**Diversified Customer Portfolio.** We offer our products portfolio to a broad and diversified range of more than 7,500 customers that operate in different industries, which enables us to effectively manage our exposure to credit risk and market volatility and maintain our rapid portfolio growth. As of March 31, 2019, our top 25 customers accounted for less than 22.3% of our total portfolio, none of which individually accounted for more than 3.4% of our portfolio. Our portfolio is also geographically diversified throughout Mexico.

The following table sets forth the composition of our total leasing portfolio by economic sector, as of December 31, 2017, 2018 and March 31, 2019:

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps.)		
	(Sofom GAAP)		(IFRS)
<b>Economic sector</b>			
Trade .....	4,261.2	5,929.1	5,627.3
Construction .....	3,721.1	3,260.3	3,970.9
Transportation .....	2,825.1	3,833.9	3,438.2
Services .....	12,517.5	14,244.0	12,037.4
Other (Industry & Manufacturing) .....	10,048.3	13,646.2	11,553.5
<b>Total</b> .....	<b>33,373.2</b>	<b>40,913.5</b>	<b>36,627.2</b>

The following table sets forth the composition of our total factoring portfolio by economic sector, as of December 31, 2017, 2018 and March 31, 2019:

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps.)		
	(Sofom GAAP)		(IFRS)
<b>Economic sector</b>			
Trade .....	466.1	559.6	693.9
Construction .....	86.3	61.7	119.3
Transportation .....	1,481.9	381.9	1312.0
Services .....	115.8	362.6	180.3
Other (Industry & Manufacturing) .....	360.6	1,380.6	399.3
<b>Total</b> .....	<b>2,510.6</b>	<b>2,746.5</b>	<b>2,704.9</b>

The following table sets forth the composition of our total auto loans portfolio by economic sector, as of December 31, 2017, 2018 and March 31, 2019:

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps.)		
	(Sofom GAAP)		(IFRS)
<b>Economic sector</b>			
Trade .....	34.5	190.4	194.6
Construction .....	14.0	12.8	14.7
Transportation .....	557.0	788.8	773.3
Services .....	1,038.0	842.8	1,322.6
Other (Industry & Manufacturing) .....	157.2	24.4	37.8
<b>Total</b> .....	<b>1,800.7</b>	<b>1,859.2</b>	<b>2,343.0</b>

**Access to Diversified Sources of Funding.** We fund the growth of our operations through lines of credit with Mexican and international banks and governmental development financial institutions, asset-backed securities issued privately and through the BMV and the international bond markets. We believe we do not depend significantly on any single financial institution or financing source to fund our operations. As of March 31, 2019, 77.9% of our total indebtedness consisted of long-term debt, of which 19.1% matures between one and three years and 58.8% has a maturity term of three or more years. As of the same date, 47.7% of our total indebtedness was



Mexican peso-denominated and 52.3% was U.S. dollar-denominated. We have recently refinanced a portion of our short-term debt, see “—Recent Developments.” As a result of our debt issuances in the international capital markets in recent years, we attained access to an additional source of long-term funding and increased the average maturity of our liabilities and increased our liabilities denominated in U.S. dollars. We have entered into derivative financial transactions to fully hedge potential currency exchange risks in connection with our U.S. dollar-denominated liabilities.

***Solid Capital Base to Promote Growth.*** As of March 31, 2019, our total stockholders’ equity was Ps.9,325.4 million (US\$481.2 million), which represented 20.3% of our net loan portfolio.

***Operating Platform that Presents Significant Barriers to Entry for New Market Participants.*** We believe our operating platform has created unique barriers to entry for potential competitors. These barriers include: (i) experience and expertise – during our more than 25 years of operations, we have obtained a unique understanding of the leasing, factoring and lending industries in Mexico and of our customers’ needs, which has allowed us to develop a diversified portfolio; (ii) personalized customer service along with expedited response times – we have created a culture of customer excellence in terms of our service and the quality of our products, as demonstrated by our customer loyalty; (iii) capital, access to funding and profitability, we have been successful in sustaining sufficient and diverse financing sources and our profitability profile has allowed us to maintain sustained growth; and (iv) advanced technological systems – we have developed and plan to continue to develop advanced technology systems to support our growth and improve our operational and risk management processes.

***Market Knowledge, Experienced Management Team, Board and Shareholder Support.*** We believe that our 25 years of experience in the leasing, factoring and lending industries, together with our management’s experience in these sectors, provide us with extensive knowledge and understanding of the products and services we offer, which has given us a competitive advantage over our competitors. Our board of directors and management team have broad experience in the financial services industry, having held former positions with banking institutions as well as with leasing, factoring, insurance and other lending institutions. The continuing support of our shareholders has also been a significant factor contributing to our sustained growth. We believe that our management team, board of directors and controlling shareholder and their knowledge, experience and support are key differentiating advantages of the Company. Our controlling shareholder directly or indirectly holds more than 60.0% of our capital stock.

***Adherence to Strong Corporate Governance and Industry Best Practices.*** Our shares are listed and trade on the Mexican stock exchange, and therefore are subject to the supervision of the CNBV, which requires us to comply with high standards of corporate governance, reporting and other regulations applicable to publicly traded companies. We believe that this distinguishes us from other non-banking and privately held competitors and fosters a high degree of trust among our customers and investors. Our board of directors is currently comprised of 40.0% independent directors, and we have established an audit and corporate practices committee, comprised entirely of independent members. We also maintain other committees, including a credit and risk committees that comply substantially with the standards of the financial industry in Mexico.

## **Our Business Strategy**

Our business strategy is to leverage our competitive strengths and operating efficiency in order to maintain our portfolio growth while increasing our profitability and our product market share. We plan to continue pursuing our business strategy by doing the following:

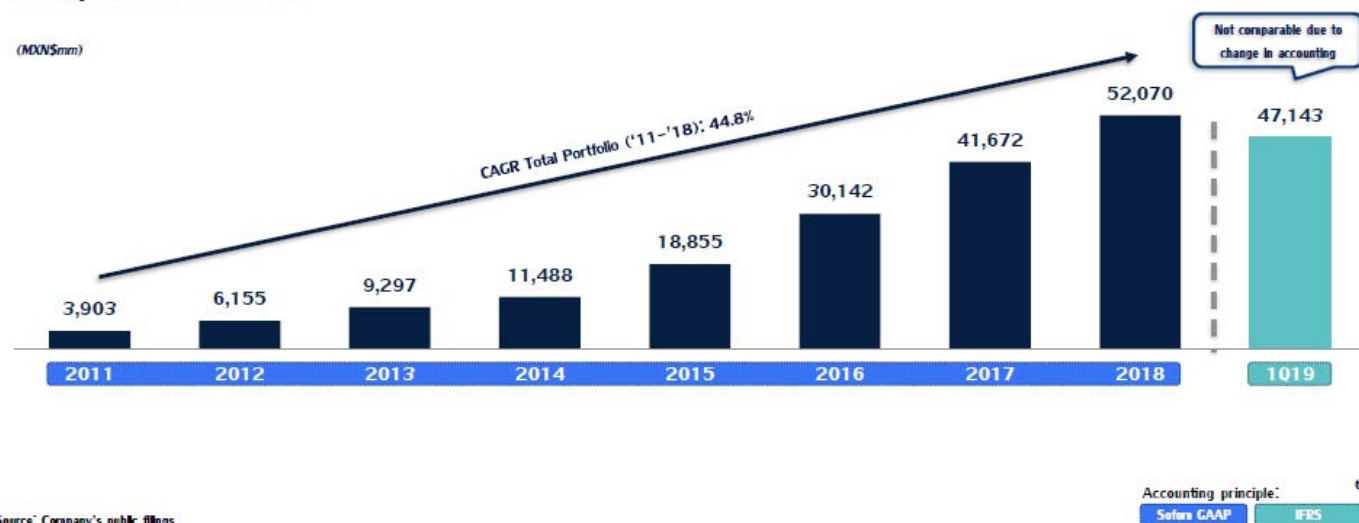
***Maintaining our Leading Position in the Leasing Market and thus Increasing our Participation in the Mexican Financing Market.*** We believe that the Mexican leasing market offers attractive growth potential. Our strategy has enabled us to maintain a significant position within the corporate segment, especially with SMEs, positioning us as the fourth largest financial institution in terms of market share and loans to SMEs in Mexico. In light of the current state of the financial industry in Mexico, we will continue to capitalize on our leading market position in the Mexican leasing sector and on our knowledge and experience in the financial industry in order to grow our business. We plan to continue to expand our leasing business by increasing our participation in the underserved SME segment by offering financial solutions specifically tailored for such segment. In our factoring business line, we intend to increase our market share by expanding our sales force specialized in factoring and by providing factoring solutions to service providers, contractors and other participants in several industries with growth potential. We plan to capture additional market share in our auto loans and other lending business line by strengthening our existing strategic alliances with car dealers, offering other credit solutions to our existing client

base and by increasing our sales and marketing efforts regionally through our local offices. We also intend to support the growth of our three business lines by establishing and opening additional regional offices.

We also actively analyze and will continue to analyze the conditions of the market in which we operate, in order to identify strategic opportunities to maximize our growth potential, strengthen our leading position, accelerate our customer and geographic penetration, and broaden our technology and product portfolio, including through strategic alliances or obtaining funding for our operations through transactions in the local and international markets. As a result of our continuous analysis of growth strategies, we believe that this offering will allow us to take advantage of what we consider are favorable market conditions to support our organic growth.

The following chart shows the evolution of our total loan portfolio since 2011:

### Total portfolio evolution



**Pursuing Cross-Selling Opportunities.** We intend to increase our market share and profitability by cross-selling our current products and services to existing and new customers. The loyalty of our customer base, as a result of the quality of our services, as well as our constant monitoring of the financial condition and business projections of our customers, represents an opportunity for us to offer our current customers additional products aiming to meet their growth and capital needs. As of March 31, 2019, only 13.6% of our customers had purchased two or more of our products, which we believe provides us with an opportunity to grow through additional cross-selling of our products and services.

**Focusing on Improving Operating Efficiencies.** We are committed to maintaining our cost discipline and improving our operating efficiency as we continue to expand our portfolio. We believe that an efficient management of our administrative expenses will allow us to increase our competitiveness and profitability. We continuously analyze and implement technological and business solutions to identify the most efficient means for improving our credit and other internal processes, in order to increase our profitability. Through these initiatives, we intend to continue to increase our operating efficiency and financial condition.

**Identifying and Pursuing Business Opportunities in Economic Sectors with High Expected Growth.** We have invested significant resources in identifying potential clients and underserved markets and we plan to continue investing in order to focus our sales efforts on the economic sectors and enterprises that are expected to have significant levels of growth.

**Maintaining Customer Loyalty and Developing New Customer Relationships.** We are committed to generating customer loyalty, maintaining high standards of service quality and offering our customers financial solutions that meet their capital requirements. We intend to reach new customers through our existing distribution network and by opening new regional offices while strengthening our sales efforts targeted at potential customers identified by analyzing economic and industry data.

***Maintaining a Solid Balance between our Loan Portfolio and our Indebtedness.*** We intend to continue to maintain a sound balance between the terms of our financial indebtedness, including interest rates, currency and maturity, and those of our loan portfolio, thereby reducing credit risks. Our leases have an average term of 38 months and our factoring operations have an average term of 109 days in comparison to our principal financial liabilities which have an average term of 43 months. We make efforts to extend the average maturity of our financial indebtedness, in order to reduce credit risks.

Additionally, we will continue to maintain diverse funding sources in order to avoid risks associated with obtaining financing from a limited number of creditors. As of March 31, 2019, our principal sources of funding were international bonds, securitizations and bank debt, which amounted to Ps.22,286.2 million (US\$1,150.0 million), Ps.15,000.5 million (US\$774.0 million) and Ps.15,553.0 million (US\$802.6 million), respectively, equivalent to 42.2%, 28.4% and 29.4% of our total indebtedness (excluding interest, commissions and expenses), respectively.

## Recent Developments

### *Recent Developments Relating to Our Unaudited Second Quarter 2019 Financial Results*

On July 25, 2019, we released our financial results for the second quarter of 2019. The tables and discussion below include selected unaudited financial information as of June 30, 2019 and for the six month periods ended June 30, 2018 and 2019 prepared in accordance with IAS 34, as issued by the IASB. This financial information should be read in conjunction with our Financial Statements and the notes thereto, and the other financial information included elsewhere in this offering memorandum.

	For the Six-Month Periods Ended June 30,		
	2018	2019	2019 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
	(IFRS)		
Statements of Income Data			
Total income	4,032.0	5,010.7	261.4
Gross margin .....	1,290.3	1,664.8	86.9
Profit before result of associated companies ...	987.9	1,115.2	58.2
Consolidated net income .....	793.8	926.1	48.3

	As of June 30,	
	2019	2019
	(in millions of Ps., except for ratios and percentages) (IFRS)	(in millions of US\$, except for ratios and percentages) <sup>(1)</sup>
<b>Statements of Financial Position Data</b>		
Loan portfolio, net .....	49,423.9	2,578.4
Non-performing loans.....	1,933.0	100.8
Total liabilities.....	56,919.7	2,969.4
Capitalization ratio <sup>(2)</sup> .....	19.7%	19.7%
Financial leverage <sup>(3)</sup> .....	4.7x	4.7x

- (1) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps.19.1685 per U.S. dollar, the exchange rate published in the Mexican Federal Official Gazette on June 28, 2019. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.
- (2) Calculated as stockholders' equity divided by total net loan portfolio.
- (3) Calculated as total financial debt (excluding securitizations and subordinated perpetual notes) after giving pro forma effect to (i) the offering of our 8.375% Senior Notes due 2028 in July 2019, and the use of proceeds therefrom, and (ii) our entering into new credit facilities and the use of the proceeds therefrom since June 30, 2019, as described under "Recent Developments," divided by total stockholders' equity, as of the date of calculation.

Total income increased by Ps.978.8 million, or 24.3%, to Ps.5,010.7 million for the six-month period ended June 30, 2019 from Ps.4,032.0 million for the same period in 2018. This increase was mainly due to the growth recorded in our leasing portfolio.

Gross margin increased by Ps.374.5 million, or 29.0%, to Ps.1,664.8 million for the six-month period ended June 30, 2019 from Ps.1,290.3 million for the same period in 2018. This increase was primarily due to the constant repricing efforts on our implicit yields that we started to implement since last year.

Profit before result of associated companies increased by Ps.127.4 million, or 12.9%, to Ps.1,115.2 million for the six-month period ended June 30, 2019 from Ps.987.9 million for the same period in 2018. This increase was primarily due to an increase in our origination volume and efficiencies in our operating structure.

Consolidated net income increased by Ps.132.2 million, or 16.7%, to Ps.926.1 million for the six-month period ended June 30, 2019 from Ps.793.8 million for the same period in 2018. This increase was primarily due to an increase in our origination volume and efficiencies in our operating structure.

As of June 30, 2019, our total portfolio increased by Ps.3,242.7 million, or 6.9%, to Ps.50,385.5 million as of June 30, 2019, from Ps.47,142.8 million as of March 31, 2019. This increase was primarily due to an increase in the volume of total originations in the three month period ended June 30, 2019.

### ***Recent Developments Relating to Our Indebtedness***

#### ***2028 Senior Notes***

On July 18, 2019, we issued US\$450 million aggregate principal amount of 8.375% senior notes due 2028 in a Rule 144A/Regulation S offering, which are unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. The proceeds of the 2028 Senior Notes were used to pay fees and expenses incurred in connection with such offering, and for general corporate purposes, including the repayment of short-term credit facilities.

#### ***Barclays***

On July 18, 2019, we repaid in full the outstanding amounts under our amended and restated loan agreement entered into on July 1, 2019 and maturing on March 27, 2020, with Barclays Bank PLC.

#### ***Bladex***

On June 28, 2019, we entered into a credit agreement with a syndicate of lenders led by Banco Latinoamericano de Comercio Exterior, S.A. and Nomura Corporate Funding Americas, for an aggregate principal amount of up to US\$220,625,000, and maturing on June 28, 2022. This loan contains covenants customary for a facility of this type, including restrictions on the creation of liens to secure indebtedness and certain financial ratios. The proceeds of this loan were used to repay in full the outstanding amounts under our credit agreement, dated December 11, 2017, with a syndicate of lenders led by Banco Latinoamericano de Comercio Exterior, S.A. and Nomura Corporate Funding Americas, and the remainder for general corporate purposes.

#### ***ResponsAbility Management Company***

On June 26, 2019, we subscribed certain promissory notes in favor of ResponsAbility Management Company in the amount of US\$20.0 million, which amount was paid to us on June 28, 2019. The amounts outstanding under these promissory notes are due on June 28, 2022.

#### ***2023 Senior Notes, 2025 Senior Notes and 2026 Senior Notes***

On June 3, 2019, we and our subsidiary guarantors entered into supplemental indentures to the indentures governing our 2023 Senior Notes, 2025 Senior Notes and 2026 Senior Notes to amend certain provisions, including our debt incurrence and restricted payments covenants, to more closely align such provisions with our recent adoption of IFRS, industry peers and current market standards.

### ***Recent Developments Relating to the Cancellation of Shares Acquired through Our Share Repurchase Fund***

On March 21, 2019, at our annual shareholders meeting, our shareholders approved the cancellation of five million shares that were repurchased by us in the open market through our share repurchase fund (*fondo de recompra*). As of June 30, 2019, our outstanding capital stock amounted to Ps.2,893.7 million.

#### ***Recent Developments Relating to the Payment of Dividends***

On March 21, 2019, at our annual shareholders meeting, our shareholders approved a dividend payment in the amount of Ps.1.0 per share, or Ps.328.9 million in the aggregate, which was paid by the Company on April 30, 2019.

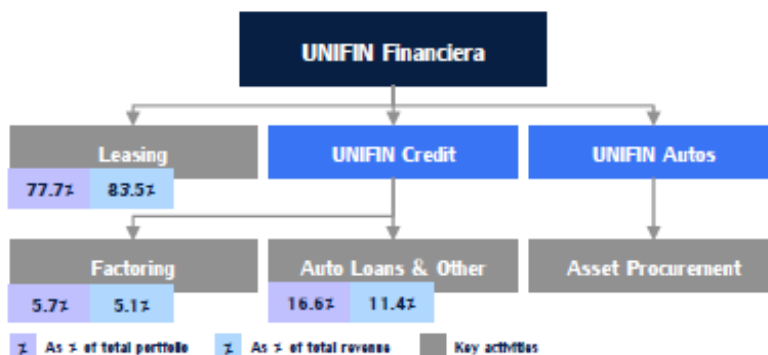
### ***Recent Developments Relating to Our Corporate Regime and Adoption of IFRS***

On March 21, 2019, at our annual shareholders meeting, following the approval of our board of directors and the favorable opinion of our audit and corporate practices committee, our shareholders approved the change of our corporate regime from a non-regulated multiple-purpose financial company in the form of a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable, sociedad financiera de objeto múltiple, entidad no regulada*) to a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*). As a result, we adopted IFRS for the preparation of our financial statements, in lieu of *Sofom GAAP*. Effective as of January 1, 2019, we started to prepare our financial statements in accordance with IFRS.

## Our Corporate Structure and Lines of Business

The following chart summarizes our corporate structure as of the date of this offering memorandum, including our principal subsidiaries and business lines and contribution of each segment to our total portfolio and revenue as of and for the three month period ended March 31, 2019:

**Corporate Structure (as of 1Q19)**



## Our Principal Offices

Our corporate headquarters are located at Presidente Masaryk 111, 5th Floor, Polanco V Section, Alcaldía Miguel Hidalgo, 11560, Mexico City, Mexico. Our website is [www.unifin.com.mx](http://www.unifin.com.mx). The information on our website is not a part of, and is not incorporated by reference into, this offering memorandum.

## THE OFFERING

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

Issuer	Unifin Financiera, S.A.B. de C.V.
Note Guarantors	Unifin Credit, S.A. de C.V., SOFOM, E.N.R. Unifin Autos, S.A. de C.V.
Notes Offered	US\$200,000,000 aggregate principal amount of 7.000% Senior Notes due 2022.
Offering Price	100.000%, plus accrued interest, if any, from August 12, 2019.
Maturity Date	August 12, 2022.
Interest Rate	Interest on the notes will accrue at a rate of 7.000% per year.
Interest Payment Dates	February 12 and August 12 of each year, payable in arrears beginning on February 12, 2020.
Guarantees	The payment of principal, interest, Additional Amounts and premiums, if any, and other amounts on the notes and under the Indenture will be fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. See “Description of the Notes—Guarantees.”
Ranking	<p>The notes will be our senior unsecured obligations, guaranteed by certain of our existing subsidiaries, and they will rank:</p> <ul style="list-style-type: none"> <li>• equal in right of payment with all of our and the subsidiary guarantors’ existing and future senior unsecured indebtedness (subject to certain labor, tax and social security obligations for which preferential treatment is given under the laws of Mexico, including, but not limited to, Mexican Insolvency Law “<i>Ley de Concursos Mercantiles</i>”); and</li> <li>• senior to all of our and the subsidiary guarantors’ existing and future subordinated indebtedness.</li> </ul> <p>The notes will not have the benefit of any collateral and will effectively rank junior to all of our and the subsidiary guarantors’ existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will be structurally subordinated to all liabilities, including trade payables, of any of our subsidiaries (other than the subsidiary guarantors).</p> <p>As of March 31, 2019, we had total consolidated indebtedness (excluding accrued interest, commissions and expenses) of Ps.52,839.7 million (US\$2,726.6 million), of which Ps.20,521.7 million (US\$1,058.9 million) was secured by collateral, and our non-guarantor subsidiaries did not have any indebtedness. Of our Ps.20,521.7 million (US\$1,058.9 million) of secured</p>

indebtedness, Ps.5,521.2 million (US\$284.9 million) related to secured bank debt and the remainder to our lease securitization transactions, which involve limited recourse to us considering that any claim against us is limited exclusively to the value of the pledged assets. After giving pro forma effect to (i) the offer and sale of the 2028 Senior Notes and the use of the proceeds therefrom, and (ii) the offer and sale of the notes and the application of the net proceeds from this offering as described under “Use of Proceeds,” as of March 31, 2019 we and our subsidiary guarantors would have had total indebtedness (excluding accrued interest, commissions and expenses) of Ps.61,685.7 million (US\$3,183.1 million) of which Ps.16,701.7 million (US\$861.8 million) would have been secured by collateral, and our non-guarantor subsidiaries would not have had any indebtedness.

#### Change of Control

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

#### Optional Redemption

We may, at our option, redeem the notes, in whole or in part, at any time at a redemption price equal to 100% of their principal amount, plus a make-whole amount, Additional Amounts then due, if any, and any accrued and unpaid interest to the date of redemption. See “Description of the Notes—Optional Redemption.”

#### Optional Redemption for Changes in Withholding Taxes

We may redeem the notes, in whole but not in part, at a redemption price equal to 100% of their principal amount, plus any Additional Amounts then due, if any, and any accrued and unpaid interest, if any, to the date of redemption, if tax laws effective on the date on which the notes are issued are modified and the change results in our and the subsidiary guarantors becoming obligated to pay Additional Amounts in excess of those attributable to the current Mexican withholding tax rate of 4.9% with respect to amounts deemed interest payments on the notes. See “Description of Notes—Optional Redemption—Optional Redemption for Changes in Withholding Taxes.”



## Additional Amounts

Payments of interest on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes) to investors that are deemed as non-residents of Mexico for tax purposes, will generally be subject to current Mexican withholding taxes at a rate of 4.9%. See “Taxation—Mexican Federal Tax Considerations—Payments of Interest.” Subject to certain specified exceptions, we and the subsidiary guarantors will pay such additional amounts as may be required so that the net amount received by the holders of the notes in respect of principal, interest or other payments on the notes, after any such withholding or deduction, will not be less than the amount each holder of notes would have received if such withholding or deduction had not applied. See “Description of the Notes—Additional Amounts.”

## Certain Covenants

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

In addition, the Indenture governing the notes will limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends or redeem shares representative of our capital stock;
- make restricted payments;
- enter into certain transactions with shareholders and affiliates;
- sell, consolidate, merge or transfer assets;
- secure our indebtedness and the indebtedness of our subsidiaries; and
- guarantee debt.

These covenants are subject to a number of important exceptions and qualifications, including our ability and the ability of our subsidiaries to incur debt and grant liens pursuant to lease securitization transactions. Any secured debt incurred pursuant to lease securitization transactions and other secured transactions would be senior to the notes, however such transactions involve limited recourse to us considering that any claim against us is limited exclusively to the value of the pledged assets. See “Description of the Notes—Certain Covenants.”

Events of Default	The Indenture governing the notes sets forth the events of default applicable to the notes. See “Description of the Notes—Events of Default.”
Further Issuances	Subject to the limitation contained in the Indenture, we may from time to time and without providing notice to or obtaining the consent of the holders of the notes create and issue an unlimited principal amount of Additional Notes of the same series as the notes initially issued in this offering; <i>provided that</i> any Additional Notes that are not issued in a “qualified reopening” of the original series, with no more than a <i>de minimis</i> amount of original issue discount or otherwise treated as part of the same “issue” of debt instruments as the original series, in each case for U.S. federal income tax purposes, shall be issued under a separate CUSIP, ISIN or other identifying number.
Use of Proceeds	<p>We estimate that we will receive net proceeds from the offer and sale of the notes, after deducting discounts and commissions and other offering expenses, of approximately US\$197.1 million.</p> <p>We intend to use the net proceeds from this offering for general corporate purposes (including the refinancing of short-term debt) and to pay fees and expenses incurred in connection with this offering. See “Use of Proceeds.”</p>
Taxation	For a summary of the Mexican federal income tax consequences and the U.S. federal income tax consequences of an investment in the notes, see “Taxation.”
Book-Entry; Delivery and Form	The notes will be issued in the form of global notes in registered, global form without interest coupons. The global notes will be exchangeable or transferable, as the case may be, for definitive notes in registered certificated form without interest coupons only in limited circumstances. The notes will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. See “Book-Entry; Delivery and Form.”
Settlement	The notes will be delivered in book-entry form through the facilities of The Depository Trust Company (“DTC”) for the accounts of its direct and indirect participants, including Euroclear Bank, S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, <i>société anonyme</i> , Luxembourg, or Clearstream.

Transfer Restrictions	<p>This offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. We have not and will not register the notes under the Securities Act or with any securities regulatory authority of any U.S. state or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. As required under Article 7 of the Mexican Securities Market Law, we will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. 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.</p> <p>The notes may solely be offered privately in Mexico pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law to investors that qualify as institutional and accredited investors under Mexican law. See “Transfer Restrictions.”</p>
Listing of the Notes	<p>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. We cannot assure you that this application will be accepted.</p>
Governing Law	<p>The Indenture, the notes and the guarantees will be governed by, and construed in accordance with, the laws of the State of New York.</p>
Trustee, Registrar, Transfer Agent and Paying Agent	<p>The Bank of New York Mellon.</p>
Luxembourg Paying Agent and Listing Agent	<p>The Bank of New York Mellon SA/NV, Luxembourg Branch.</p>
Risk Factors	<p>Prospective purchasers of notes should consider carefully all of the information included in this offering memorandum and, in particular, the information set forth under “Risk Factors” before making an investment in the notes.</p>

## SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables present certain summary financial information and operating data as of the dates and for each of the periods indicated. You should read the following summary financial data and other information together with “Presentation of Financial and Other Information,” “Selected Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Financial Statements and related notes included elsewhere in this offering memorandum.

The statements of financial position data as of March 31, 2019, and the comprehensive income data for the three-month periods ended March 31, 2018 and 2019, are derived from our Unaudited Interim Financial Statements included elsewhere in this offering memorandum. The balance sheet and statements of income data as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018, are derived from our Audited Financial Statements included elsewhere in this offering memorandum.

Our Audited 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 our Audited Financial Statements to U.S. GAAP has been performed.

Our Unaudited Interim Financial Statements were prepared in accordance with IAS 34, as issued by the IASB. The financial information in our Audited Financial Statements prepared in accordance with *Sofom* GAAP may not be directly comparable with the financial information in our Unaudited Interim Financial Statements prepared in accordance with IFRS. See “Risk Factors—Risk Factors Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and as a result, some of our financial data are not easily comparable from period to period.” For a description of the effects of the transition to IFRS from *Sofom* GAAP, see Note 18 to our Unaudited Interim Financial Statements.

	For the Three-Month Periods Ended March 31		
	2018	2019	2019 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
	(IFRS)		
<b>Statements of Income Data</b>			
Interest income from finance.....	1,415.8	1,844.1	95.2
Interest income from factoring .....	81.9	123.5	6.4
Interest income from car loans .....	236.4	273.0	14.1
Other lease benefits .....	240.1	158.9	8.2
Total income.....	1,974.1	2,399.4	123.8
Interest expense .....	1,218.9	1,528.7	78.9
Allowance for loan portfolio .....	54.1	59.1	3.0
Other lease expenses.....	59.6	18.6	1.0
Total costs .....	1,332.6	1,606.4	82.9
Gross margin .....	641.5	793.0	40.9
Operating and financial expenses (income):			
Bank commissions and fees.....	15.7	7.3	0.4
Investment interest .....	(114.5)	(66.8)	(3.4)
Exchange gain (loss) .....	(64.6)	(57.5)	(3.0)
Other net, operating (income) loss.....	(3.0)	(20.9)	(1.1)
Administrative services .....	135.7	197.3	10.2
Legal and professional fees .....	53.5	52.1	2.7
Depreciation .....	28.0	28.7	1.5
Other administrative expenses.....	61.9	75.2	3.9
	112.5	215.3	11.1

For the Three-Month Periods Ended March 31			
	2018	2019	2019 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
	(IFRS)		
Profit before results of associated companies..	529.0	577.7	29.8
Results of associated companies.....	1.3	10.6	0.5
Income before income tax .....	527.8	588.2	30.4
Income tax expense .....	131.3	114.6	5.9
Net income attributable to:			
Controlling interest .....	393.8	473.7	24.4
Non-controlling interest .....	2.7	(0.1)	-
Consolidated net income .....	396.5	473.6	24.4

	For the Year Ended December 31,			
	2016	2017	2018	2018 <sup>(1)</sup>
	(in millions of Ps., except earnings per share) (Sofom GAAP)			(in millions of US\$, except earnings per share)
<b>Income Statement Data</b>				
Operating lease income .....	7,773.1	11,216.9	14,761.0	761.7
Interest income .....	1,183.8	2,087.7	2,587.6	133.5
Other lease benefits .....	528.7	1,010.8	1,595.7	82.3
Depreciation of assets under operating lease...	(4,537.3)	(6,357.4)	(8,005.1)	(413.1)
Interest expense .....	(1,988.9)	(3,845.2)	(5,514.6)	(284.6)
Other lease expenses .....	(583.6)	(930.5)	(1,619.2)	(83.6)
Financial margin .....	2,375.9	3,182.4	3,805.5	196.4
Loan loss reserve .....	(81.5)	(115.0)	(250.6)	(12.9)
Financial margin adjusted for credit risk .....	2,294.4	3,067.4	3,554.9	183.4
Commissions and fees paid (net) .....	(51.2)	(68.7)	(43.1)	(2.2)
Other operating income (net) .....	16.4	192.1	25.9	1.3
Administrative and promotional expenses .....	(797.4)	(890.9)	(1,091.9)	(56.3)
	(832.3)	(767.5)	(1,109.1)	(57.2)
Operating income .....	1,462.1	2,299.9	2,445.8	126.2
Equity in results of other permanent investments .....	13.4	31.9	36.3	1.9
Income before income tax .....	1,475.5	2,331.8	2,482.1	128.1
Income tax payable .....	(656.1)	(1,097.0)	(1,168.2)	(60.3)
Deferred income taxes .....	391.0	535.9	610.0	31.5
Income tax expense .....	(265.2)	(561.1)	(558.2)	(28.8)
Consolidated net income .....	1,210.3	1,770.7	1,923.9	99.3
Earnings per share <sup>(2)</sup> .....	3.4	5.0	5.6	0.3

	As of March 31,	
	2019	2019
	(in millions of Ps.)	(in millions of US\$)
(IFRS)		
<b>Statements of Financial Position Data</b>		
<b>Assets</b>		
Cash and cash equivalents.....	4,800.1	247.7
Loan portfolio, net .....	19,034.6	982.2
Derivative financial instruments .....	166.1	8.6
Other current assets .....	654.2	33.8
Total current assets .....	24,654.9	1,272.2
Non-current assets held for sale.....	945.9	48.8
Loan portfolio, net .....	27,096.7	1,398.2
Property, furniture and equipment, net.....	864.0	44.6
Investment properties .....	168.2	8.7
Intangible assets .....	121.1	6.2
Derivative financial instruments .....	3,560.8	183.7
Deferred taxes .....	5,264.0	271.6
Other non-current assets.....	86.1	4.4
Total non-current assets .....	37,160.9	1,917.6
Total assets.....	62,761.7	3,238.6
<b>Liabilities</b>		
Bank loans .....	11,651.4	601.2
Sundry creditors .....	72.7	3.8
Debt securities.....	2,704.5	139.6
Senior notes .....	125.3	6.5
Tax payable.....	177.6	9.2
Other accounts payable .....	1,425.6	73.6
Derivative financial instruments .....	103.2	5.3
Total current liabilities .....	16,260.4	839.1
Bank loans .....	3,877.6	200.1
Debt securities.....	12,189.9	629.0
Senior notes .....	21,065.5	1,087.0
Derivative financial instruments .....	42.9	2.2
Total non-current liabilities.....	37,175.9	1,918.3
Total liabilities .....	53,436.3	2,757.4
<b>Equity</b>		
Stockholders' equity .....	2,893.7	149.3
Retained earnings.....	2,411.5	124.4
Net income.....	473.7	24.4
Subordinated Perpetual Notes .....	4,531.3	233.8
Accumulated other comprehensive income .....	(987.4)	(51.0)
Controlling interest .....	9,322.9	481.1
Non-controlling interest .....	2.6	0.1
Total equity .....	9,325.4	481.2
Total liabilities and equity .....	62,761.7	3,238.6

	As of December 31,		
	2017	2018	2018 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
	(Sofom GAAP)		
<b>Balance Sheet Data</b>			
<b>Assets</b>			
Cash and cash equivalents .....	197.2	376.2	19.4
Securities held to maturity .....	2,238.2	3,530.4	182.2
Derivatives held-for-hedging .....	4,598.1	5,103.1	263.3
Performing loans portfolio:			
Commercial loans .....	5,323.4	8,337.6	430.2
Consumer loans .....	119.8	86.3	4.5
Total performing loans portfolio .....	5,443.1	8,423.9	434.7
Non-performing loans portfolio:			
Commercial loans .....	31.2	192.1	9.9
Consumer loans .....	7.6	7.8	0.4
Total non-performing loans portfolio .....	38.8	199.9	10.3
Total loan portfolio .....	5,482.0	8,623.8	445.0
Preventive loan loss reserve .....	(38.7)	(199.9)	(10.3)
Loans portfolio - Net .....	5,443.3	8,423.9	434.7
Other accounts receivable - Net .....	5,057.2	4,297.8	221.8
Foreclosed assets - Net .....	510.5	692.1	35.7
Property, machinery and equipment – Net .....	32,728.8	40,680.4	2,099.2
Permanent investments .....	49.5	75.4	3.9
Deferred taxes .....	1,718.5	2,328.5	120.2
Deferred charges, prepayments and intangible assets .....	2,067.2	2,276.3	117.5
Other current and non-current assets .....	7.1	5.5	0.3
Total assets .....	54,615.4	67,789.6	3,498.0
<b>Liabilities</b>			
Debt securities:			
Short-term .....	503.8	289.0	14.9
Long-term .....	34,525.1	38,056.6	1,963.8
	35,028.9	38,345.6	1,978.7
Bank borrowings and loans from other entities:			
Short term .....	4,258.1	8,391.8	433.0
Long term .....	3,880.7	4,081.2	210.6
	8,138.8	12,473.0	643.6
Other accounts payable:			
Taxes on income payable .....	252.4	108.2	5.6
Sundry creditors and other accounts payable .....	2,913.7	3,179.6	164.1
	3,166.1	3,287.8	169.7
Deferred loans and advanced collections .....	697.3	692.1	35.7
Total liabilities .....	47,031.1	54,798.5	2,827.7
<b>Stockholders' equity</b>			
Contributed capital:			
Capital stock .....	957.8	957.8	49.4
Share premium .....	1,935.9	1,935.9	99.9
Subordinated debentures outstanding .....	-	4,531.3	233.8
	2,893.7	7,425.0	383.1

	As of December 31,		
	2017	2018	2018 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
Earned capital:			
Capital reserves .....	185.5	274.1	14.1
Prior years' income .....	1,850.5	2,695.1	139.1
Result of valuation of financial instruments for hedging cash flows ..	881.3	670.4	34.6
Net income .....	1,770.7	1,923.9	99.3
	4,688.9	5,563.5	287.1
Shareholders' investment:			
Controlling interest .....	7,581.6	12,988.5	670.2
Non-controlling interest .....	2.8	2.7	0.1
Total stockholders' equity .....	7,584.4	12,991.1	670.4
Total liabilities and stockholders' equity .....	54,615.4	67,789.6	3,498.0

	As of December 31,		As of March 31,
	2017	2018	2019
	(Sofom GAAP)		(IFRS)
<b>Selected Financial Metrics</b>			
Total leverage <sup>(3)</sup> .....	3.8x	3.0x	4.1x
Financial leverage <sup>(4)</sup> .....	3.3x	2.7x	3.9x
Ratio of non-performing loans <sup>(5)</sup> .....	0.7%	1.0%	3.5%
Coverage ratio <sup>(6)</sup> .....	100.0%	109.7%	60.9%
Efficiency ratio <sup>(7)</sup> .....	28.6%	29.0%	45.0%
Operating margin <sup>(8)</sup> .....	72.3%	64.3%	72.8%
Net margin <sup>(9)</sup> .....	55.6%	50.6%	59.7%
Return on average equity <sup>(10)</sup> .....	29.7%	15.8%	20.3%
Return on average assets <sup>(11)</sup> .....	3.7%	3.0%	3.0%
Total stockholders' equity/total assets .....	13.9%	19.2%	14.9%
Dividend payout ratio <sup>(12)</sup> .....	19.8%	18.2%	17.3%
Capitalization ratio <sup>(13)</sup> .....	18.3%	25.2%	20.2%
Administrative expenses/total revenue <sup>(14)</sup> ..	6.2%	5.8%	14.7%
Net income/number of employees .....	3.3	3.3	3.1

- (1) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps.19.3793 per U.S. dollar, the exchange rate published in the Mexican Federal Official Gazette on March 29, 2019. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.
- (2) The table below sets forth the calculation of earnings per share, which derives from the consolidated net result of the period.

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2016	2017	2018	2018	2018	2019	2019
	(in Ps. except number of shares) (Sofom GAAP)				(in Ps. except number of shares) (IFRS)		
<b>Earnings per Share (EPS)</b>				(in US\$ except number of shares)			(in US\$ except number of shares)
Consolidated net result	1,210.4	1,770.7	1,923.8	99.3	396.4	473.6	24.4
Weighted average number of shares .....	352,129,543	352,729,084	345,195,531	345,195,531	349,805,509	331,252,877	331,252,877
EPS .....	3.4	5.0	5.6	0.3	1.1	1.4	0.1



- (3) Calculated as total liabilities (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (4) Calculated as total financial debt (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (5) As of December 31, 2017 and 2018, calculated as non-performing loan portfolio divided by total portfolio, including off-balance sheet accounts as of the date of calculation. As of March 31, 2019, calculated as the sum of the balance of leases in stage 3 plus the balance of impaired factoring account plus the balance in stages 2 and 3 for auto loans divided by total portfolio.
- (6) As of December 31, 2017 and 2018, calculated as allowance for loan losses divided by non-performing loan portfolio as of the date of calculation. As of March 31, 2019, calculated as allowances for loan losses divided by the sum of the balance of leases in stage 3 plus the balance of impaired factoring account plus the balance in stages 2 and 3 for auto loans.
- (7) As of December 31, 2017 and 2018, calculated as operating expenses divided by the sum of the financial margin and net commissions. As of March 31, 2019, calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by the sum of gross margin, bank commissions and fees.
- (8) As of December 31, 2017 and 2018, calculated as operating income (excluding other operating income-net and financial intermediation results) divided by the financial margin. As of March 31, 2019, calculated as total income for the period divided by the gross margin.
- (9) As of December 31, 2017 and 2018, calculated as consolidated net income for the period divided by the financial margin. As of March 31, 2019, calculated as consolidated net income for the period divided by the gross margin.
- (10) As of December 31, 2017 and 2018, calculated as consolidated net income for the previous 12 months divided by the average total stockholders' equity for the previous 12 months. As of March 31, 2019, calculated as annualized consolidated net income divided by total equity as of March 31, 2019. Annualized consolidated net income was calculated by multiplying consolidated net income for the three months ended March 31, 2019 by four. Annualized consolidated net income is inherently uncertain and may differ substantially from the actual consolidated net income for 2019.
- (11) As of December 31, 2017 and 2018, calculated as consolidated net income for the previous 12 months divided by the average assets for the previous 12 months. As of March 31, 2019, calculated as annualized consolidated net income divided by total assets as of March 31, 2019. Annualized consolidated net income was calculated by multiplying consolidated net income for the three months ended March 31, 2019 by four. Annualized consolidated net income is inherently uncertain and may differ substantially from the actual consolidated net income for 2019.
- (12) As of December 31, 2017 and 2018, calculated as dividends paid in the current period divided by consolidated net income. As of March 31, 2019, calculated as dividends paid in the current period divided by annualized consolidated net income.
- (13) Calculated as stockholders' equity divided by total net loan portfolio.
- (14) As of December 31, 2017 and 2018, calculated as administrative expenses divided by total revenue. As of March 31, 2019, calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by total income.

## 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 our Company or investments in Mexico in general. Additional risks and uncertainties not currently known to us or that we currently deem non-material may also impair our business.*

### Risks Related to Our Business

***Our results of operations may be adversely affected by ongoing disruptions and volatility in the global financial markets.***

The global financial markets continue to be uncertain and it is hard to predict for how long the effects of the global financial stress of recent years will persist and what impact it will have on the global economy. Our future results may be impacted by the uncertainty caused by an economic downturn, volatility or deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in a reduction in our customers' spending and increased risk of non-payment or inability to perform obligations owed to us. The volatility in oil prices since 2014, the uncertainties around the United Kingdom's potential exit from and future relationship with the European Union and changes in U.S. trade policies, which have resulted in retaliatory measures from other countries, have had a significant impact on the worldwide economy and in Mexico.

The current U.S. governmental policies towards Mexico have created instability, uncertainty and may continue to adversely affect the Mexican economy. As a result of changes to U.S. administrative policy, there may be changes to existing trade agreements, greater restrictions on free trade generally, and significant increases in tariffs on Mexican goods imported into the U.S., among other possible changes. Uncertainties surrounding these policies, particularly with respect to matters of importance to Mexico and its economy such as trade and immigration, could have an adverse effect on the Mexican economy, which could in turn adversely affect our business and operating results. On September 30, 2018, Mexico, Canada and United States reached an agreement on the terms and conditions of the USMCA, replacing NAFTA, after more than one year of negotiation and significant strain on the relationships among the three countries. On June 19, 2019, Mexico became the first country to ratify the USMCA trade agreement. As of the date of this offering memorandum, ratification and implementation of the USMCA is still pending in the United States and Canada.

In addition, the recent enactment by the United States of the Tax Cuts and Jobs Act, which, among other things, reduces the maximum U.S. federal corporate income tax rate, may result in a decrease in investments by U.S. corporations in Mexico and negatively impact the Mexican economy and financial markets. Adverse economic conditions in the United States, the implementation of the USMCA or other related events could have a significant adverse effect on the Mexican economy, which could in turn adversely affect our business and operating results. It remains unclear what the U.S. administration or foreign governments will or will not do with respect to tariffs, NAFTA, USMCA or other international trade agreements and policies.

The uncertainty of local and international policies adopted by several countries, including the United States, as well as the worsening of other economic and political conditions worldwide could have the following effects:

- increased regulation of the financial industry, which may increase our costs of capital and limit our ability to pursue business opportunities;
- the inability to estimate losses inherent in credit exposure or to make difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our customers to pay their leases and loans;
- economic downturn or insufficient recovery of the economy generally and the financial markets, which may impact our business, financial condition and results of operations; and

- the imposition of tariffs on Mexican imports by the United States or any other country.

The persistence or deterioration and volatility of the global economy and the financial markets could adversely affect us, including our ability to raise capital and liquidity on favorable terms or at all. The absence of sources of financing through the capital markets or an excessive increase in the cost of such financing may have the effect of increasing our cost of capital and force us to increase the rates we charge our customers. Any such increase in the cost of financing could have a material adverse effect on our margins. In addition, our financial results are exposed to market risks, including interest rate and exchange rate fluctuations, which can have a material adverse effect on our financial condition and results of operations.

***Changes in economic conditions in Mexico could materially and adversely affect demand for our financing products and the financial condition of our existing and potential customers.***

Demand for our financing products depends on diverse economic conditions, including growth rates, inflation, unemployment, adverse imbalances in international trade, the cost of energy and other necessities, the availability of consumer credit, interest rates, consumer confidence, debt levels, retail trends, foreign currency exchange rates and government policies generally. These economic conditions are beyond our control. In addition, our ability to receive payments on our leases and loans in full and on time is also heavily dependent on the financial condition of our customers, which is in turn heavily dependent on general economic conditions. Worsening economic conditions in Mexico and globally could negatively impact the financial condition of existing and potential customers, which could in turn increase the share of our existing non-performing leases and loans, thereby reducing our financial margins.

In particular, certain industries in which our customers operate are strongly influenced by macroeconomic conditions in Mexico. Economic contraction in such industries could significantly affect the performance of our portfolio and, as a result, our business, financial condition and results of operations. While we have adopted policies and proceedings to monitor the quality of our portfolio, such policies and proceedings may fail and some customers may face liquidity issues that, in certain cases, may force them to enter into a bankruptcy, *concurso merantil* or insolvency proceeding, which in turn could affect our financial condition. As a consequence, any consideration received or recovered by us from transactions entered into with customers that are the subject of a bankruptcy, *concurso merantil* or insolvency petition within a statutory period of time prior to the judgment declaring the insolvency may be the subject of challenges and may be declared null and void. The results of such proceedings, if adverse to us, could have an adverse effect on our business, financial condition and results of operation.

Furthermore, the increase of the cost of goods generally, caused mainly by inflation or global trade conditions, may adversely affect the ability of our customers to acquire or finance such goods, including through lease transactions, which could adversely affect their results of operations and our business may be further negatively affected as a result.

In addition, government and other parties' forecasts of Mexico's economic growth may affect rating agencies' perception of the country. The International Monetary Fund and other international agencies have recently lowered Mexico's GDP growth forecast for 2019, which may have a negative effect on Mexico's credit ratings issued by international rating agencies, which may, in turn, adversely affect our business, financial condition and results of operation. On June 5, 2019, Fitch Ratings lowered Mexico's sovereign debt rating to BBB from BBB+, changing the outlook on Mexico's sovereign rating to stable from negative, while Moody's lowered its outlook from stable to negative.

***Financial problems faced by our customers could adversely affect us.***

Market turmoil, decrease in government spending, increase in interest rates, and economic recession in general could materially and adversely affect the liquidity, credit ratings, businesses and/or financial conditions of our clients, which could in turn increase our non-performing loan ratios, and result in decreased demand for borrowings in general. Any of the conditions described above 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 financial condition.***

We face competition from leasing institutions, independent financial institutions, credit providers and their affiliates in each of our business lines. We expect competition will increase as we expand our operations in Mexico. Additionally, the establishment of new leasing companies or factoring by commercial banks, financial groups, financial entities or other independent entities could result in increased competition for us. Our present or future competitors may have significantly greater assets and capital and other resources, and this increased competition in our markets could adversely affect our business, financial condition and results of operations. In addition, future changes to the regulations governing financial institutions may incentivize financial institutions to enter the leasing market, which would also increase the competition we face.

***We may not be able to effectively control the level of non-performing leases and loans and our allowances for non-performing leases and loans may not be adequate to cover actual losses, which may adversely affect our financial condition.***

We face the risk of non-performing leases and loans. Whether as a result of the growth of our leases and loan portfolio or other factors beyond our control (such as a weakening of the global or Mexican economy, other macroeconomic and political events affecting Mexico, events affecting specific industries or global trade generally or even natural disasters), we may not be able to effectively control the level of non-performing leases and loans in our total loan portfolio. In addition, in the case of any non-performing loans or leases, we may not be successful in recovering the underlying assets that secure the leases and loans.

In addition, our allowances for loan losses may not be adequate to cover an increase in the amount of non-performing leases and loans or any future impairment in the overall credit quality of our leases and loan portfolio. If the quality of our leases and loan portfolio deteriorates, we may be required to increase our allowances for loan losses, which may adversely affect our financial condition and results of operations. Moreover, there is no precise method for predicting credit losses, and we cannot assure you that our monitoring and risk management procedures will efficiently predict such losses or that our allowances are sufficient to cover actual losses. Our methodology for measuring credit risk and establishing allowances is based, in large part, on historical experience, and therefore these methods may not be able to accurately estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. If we are unable to control the level of our non-performing leases and loans or the quality of our leases and loans, or are unable to recover the leased assets or assets securing such loans or leases, our business, financial condition and results of operations could be materially and adversely affected.

***Prior to our adoption of IFRS, we determined our allowances for loan losses in accordance with an internal methodology that differed from the methodology applicable to regulated Sofomes.***

Prior to our adoption of IFRS, we determined our allowances for loan losses using an internal methodology based on certain rules for classifying and rating loan portfolios. See Note 3 in our Audited Financial Statements. If we had rated our loan portfolio and determined our allowances for loan losses prior to our adoption of IFRS, in accordance with IFRS, our allowances for loan losses would have increased. Moreover, before the first annual financial statements prepared under IFRS are complete and such financial statements are audited, the accounting policies for the determination of our allowance for loan losses are subject to change.

***We may not be able to obtain the capital we need to fund and expand our business.***

We have been funding the growth of our business primarily through internally generated cash from our operations, debt securities, including securitizations, bank borrowings and loans from other entities. Adverse financial conditions, including crises or a reduction of credit availability, could limit our access to new or sustained funding. Any decrease in the availability of one or more of our funding sources, or the cancellation of our current credit lines, could have an adverse effect on our business, financial condition and results of operations.

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

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

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. Our credit ratings are an important component of our liquidity profile and downgrades in our credit ratings could increase the cost of future borrowings, as well as negatively impact our ability to renew maturing debt. Our future ability to access financial markets in order to obtain required funding on acceptable terms will also depend to a large degree on prevailing capital and financial market conditions over which we have no control, and accordingly we cannot assure you that we will be able to do so. Our failure to generate sufficient cash flows from operations or to obtain external financing could have a material adverse effect on our business, financial condition and results of operations.

***Most of our debt agreements contain restrictions that may limit flexibility in operating our business, and in the event of a default, all of our borrowings may become immediately due and payable.***

The terms of most of our credit and debt agreements impose, and the terms of our future financial indebtedness, including the notes, may impose, operating and other restrictions on us. The agreements governing our credit facilities and international and local bond issuances contain certain covenants restricting our and our subsidiaries' ability to, among other things, incur additional debt, make certain dividend payments, redeem capital stock and make certain investments, transfer and sell assets, engage in lease securitizations and receivables transactions for less than fair market value, enter into agreements that would limit the ability of subsidiaries to pay dividends or make distributions, create liens, effect a consolidation, merger or sale of assets and enter into transactions with affiliates. Additionally, the agreements governing our credit facilities contain requirements that we comply with a number of restrictive financial covenants, including maintaining certain ratios of interest coverage, total debt (excluding securitizations) to stockholders' equity, total assets to stockholders' equity and total portfolio to stockholders' equity, as well as the maintenance of minimum levels of non-performing loans. Our ability to comply with these ratios may be affected by events beyond our control. These restrictions and financial ratios could limit our ability to plan for or react to market conditions, otherwise restrict our activities or business plans and could adversely affect our ability to finance ongoing operations or strategic investments or to engage in other business activities that would be in our interest. Also, the unavailability of sources of funds may impact our ability to obtain the funds necessary to service our debt, including the notes.

Certain of our financial indebtedness is also subject to cross default or cross acceleration provisions. Our breach of any of these restrictive covenants or our inability to comply with the financial maintenance ratios and other covenants would result in a default under other applicable debt instruments. If any such default occurs, the lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable, which would impact our financial condition and results of operations. If we are unable to repay outstanding borrowings when due, the lenders will have the right to exercise their rights and remedies against us, and we cannot assure you that our assets would be sufficient to repay in full our obligations.

***We have a significant amount of indebtedness, which may adversely affect our operating and financial flexibility and could adversely affect your investment in the notes and our business, financial condition and results of operations.***

As of March 31, 2019, we had total outstanding financial indebtedness (excluding accrued interest, commissions and expenses) of Ps.52,839.7 million (US\$2,726.6 million), of which Ps.25,213.3 million (US\$1,301.0 million) was denominated in Mexican pesos and Ps.27,626.4 million (US\$1,425.6 million) was denominated in U.S. dollars. Of our total indebtedness as of March 31, 2019, Ps.11,675.3 million (US\$602.5 million), or 22.1%, consisted of indebtedness with maturities of one year or less or indebtedness that otherwise becomes due within one year, which we classify as short-term indebtedness. The remaining Ps.41,164.5 million (US\$2,124.1 million), or 77.9%, of our total outstanding indebtedness consisted of indebtedness with maturities greater than one year that becomes due more than one year after March 31, 2019, which we classify as long-term indebtedness. Accordingly, our capacity to continue funding our operations will depend on the collection of our lease, factoring and loan

portfolios. This capacity will also depend on our ability to refinance our short-term and long-term indebtedness and the prevailing liquidity conditions of the financial market. Our indebtedness could have important consequences, including the following:

- it may increase our vulnerability to general adverse economic, competitive and industry conditions;
- it may be difficult for us to satisfy our obligations under our existing credit facilities and other indebtedness and commitments;
- it may limit our ability, or increase the cost of, refinancing our indebtedness;
- we may not have sufficient financial resources to repay our short-term and long-term 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;
- we may have a limited ability to obtain additional financing, if needed, to fund additional projects, working capital requirements, capital expenditures, debt service, general corporate or other obligations;
- it may expose us to increased interest rates given that certain of our borrowings are at variable rates of interest;
- it may restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- it may limit our planning flexibility for, or ability to react to, changes in our business and the industries in which we operate; and
- it may impose significant operational and financial restrictions on us, such as our capacity to (i) pay dividends or buy back capital stock, (ii) make investments, (iii) create liens, (iv) enter into transactions with affiliates, (v) sell assets, and (vi) consolidate or merge.

If we are unable to comply with the provisions of our credit agreements and debt instruments and are unable to obtain a waiver or amendment of the terms under such agreements and instruments, the indebtedness outstanding under such debt instruments could be accelerated pursuant to the terms and conditions of such credit agreements and debt instruments. Acceleration of these debt instruments would have a material adverse effect on our business, financial condition and results of operations.

***One of our main sources of financing is the securitization of collection rights of our lease portfolio.***

Since 2006, we have obtained financing through private and public securitizations of collection rights relating to our lease portfolio. Collection rights assigned to a trust as part of our securitization transactions must satisfy certain eligibility criteria, including diversification requirements. As of March 31, 2019, we had assigned a total of Ps.17,605.2 million of collection rights, which represented 37.2% of our total portfolio as of such date. Collection rights assigned to the securitization trusts, for which we act as servicer, are subject to the payment of the debt instruments issued by the respective securitization trust and may not be used by us for the payment of any other indebtedness or for any other purpose.

***We have granted security interests on leased assets related to our securitized portfolio and to other lenders of structured debt.***

We have granted security interests on certain leased assets under the terms and conditions of certain of our securitization structures. In the event of a failure of our customers to pay their obligations under such leases secured by such collateral, our creditors under such structures could bring an enforcement proceeding with respect to such security interest. If those creditors successfully bring enforcement proceedings on a substantial part of the pledged assets, our financial condition could be adversely affected.

***We have intercompany debt, which could adversely affect our position as a creditor, if a bankruptcy is initiated against our subsidiaries.***

Recent amendments to the Mexican Bankruptcy Law with respect to the priority of creditors pertaining to the same corporate group, established, among other matters that: (i) unsecured indebtedness of persons controlling the debtor will be subordinated to the rights of other third-party creditors; (ii) if the rights of the controlling shareholders in respect of the related party debt represent 25.0% or more of the total amount of indebtedness recognized in the bankruptcy proceeding, such related party creditors would need the consent of at least 50% of the third-party creditors in order to approve a reorganization agreement; and (iii) the controlling shareholders of the debtor are prohibited from voting in favor of a bankruptcy trustee (*síndico*) that is unregistered in the Mexican Federal Institute of Insolvency Specialists (*Instituto Federal de Especialistas de Concursos Mercantiles*). As a result, if a bankruptcy proceeding is initiated against our subsidiaries, our creditor rights may be limited or impaired.

***Reductions in our credit ratings could increase our cost of funding and negatively impact our ability to raise new funds or renew maturing debt.***

Our credit ratings are an important part of our liquidity profile and are based on, among other factors, the financial strength, credit quality and diversification in our loan portfolio; the level and volatility of our earnings; our capital adequacy; the quality of our management; the liquidity of our balance sheet and our ability to access a broad array of funding sources. Adverse changes in our credit ratings could negatively impact our ability to obtain funding at competitive rates, which may in turn have a material adverse effect on our business, financial condition and results of operations.

***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. As a result, we may need to refinance all or a portion of our indebtedness at or before maturity, and we may not be able to complete such refinancing on commercially reasonable terms or at all. We may also 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 unable to bring an enforcement action on the collateral securing our leases and financial contracts or if the value of collateral under certain of our leases and other financing contracts is inadequate, our results of operations and financial condition could be adversely affected.***

If we are unable to bring an enforcement action on collateral on a timely basis or at all, or if proceedings related thereto are delayed, our results of operations and financial condition may be adversely affected. Additionally, the value of such collateral may be adversely affected by a number of conditions such as damage, loss, deterioration, devaluation, oversupply or reduced demand for such asset. There can be no assurance that the value of such collateral will not decline. There can also be no assurance that the assumptions relied on by appraisers assessing the value of such collateral are accurate measures of the market and thus the value of such collateral may be evaluated inaccurately. Consequently, the price at which we are able to sell any collateral in the event of an attachment or foreclosure may be lower than the valuation of such collateral and this may have a material adverse effect on our financial condition and results of operations.

***The market value of our leased equipment may be lower than anticipated at the time it is sold to third parties, if applicable.***

If a client does not purchase the equipment and it is returned to the Company at the end of a lease agreement, we may not be able to lease it again or sell it at market price. This could adversely affect the expected residual value of the equipment and, consequently, the results of operation of the Company. There are several factors beyond our control that could adversely affect the remarketing price that we can obtain for equipment, such as (i) the general market value for the equipment at the time we are attempting to remarket that equipment, (ii) the cost of new equipment at the time we are remarketing the used equipment, (iii) technological and regulatory developments since our initial purchase of the equipment which could reduce the market value of the equipment, (iv) general economic conditions and the conditions in industry-specific market sectors, and (v) the condition of the equipment returned to or repossessed by us. We cannot assure you that we will be able to sell the equipment used for leases at market or competitive prices, which could affect our operating results.

***Fluctuations in Mexican exchange rates and interest rates may adversely affect our business, financial condition and results of operations.***

We are exposed to exchange rate risk to the extent certain of our U.S. dollar-denominated liabilities are not covered by currency financial derivative instruments and whenever we maintain open positions in currencies other than the Mexican peso. We are exposed to interest rate risk whenever there is a mismatch in the revaluation of interest rates or if interest on our leasing, factoring or auto loans and other lending portfolio is calculated based on fixed interest rates. The exchange rates and interest rates in Mexico have been subject to significant fluctuations in the past and to limitations on convertibility. Due to the historic volatility of the peso exchange rate and interest rates in Mexico, exchange rate and interest rate risks may be greater in Mexico than in other countries. Exchange rates and interest rates have experienced considerable volatility globally in recent years due to weak economic conditions. We cannot assure you that we will not experience losses in the future due to exchange rate and interest rate fluctuations, which could have a material adverse effect on our financial condition and results of operations.

In recent years, interest rates in Mexico have increased considerably. As of the end of 2016, 2017 and 2018, the 28-day TIIE was 6.11%, 7.62% and 8.34%, respectively. A sustained increase in interest rates may increase our financing costs and may result in a decrease in demand for our financing products. In the event of a further increase in interest rates, we may need to continue to readjust our portfolio of assets and liabilities in order to minimize risks and maintain our profitability. In addition, increased interest rates may negatively affect the Mexican economy and the financial condition of our customers and their ability to repay their obligations to us, which could result in the deterioration of the quality of our portfolio. Furthermore, volatility in exchange rates and interest rates could also affect the ability of our customers to repay their obligations to us, which could result in an increase in non-performing leases and loans, and therefore could have a material adverse effect on our business, financial condition and results of operations.

***Our business is highly dependent on proper functioning and improvement of information technology systems.***

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 businesses 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, our risk management and internal control systems, as well as our ability to respond on a timely basis to changing market conditions. Such failures could be caused by, among other things, software bugs, computer virus attacks or conversion errors due to system upgrading. Any security breach caused by unauthorized access to information or systems, intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, financial condition and results of operations. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. Our disaster recovery planning may also be insufficient to cover all eventualities, and we may have inadequate insurance coverage or insurance limitations that could prevent us from being fully compensated for losses from a major interruption or other damage to our systems. If we cannot maintain an effective data collection and management



system, or if we cannot upgrade that system as necessary to meet the changing circumstances of our business, then our business, financial condition and results of operations could be materially adversely affected.

***We may experience operational problems or errors.***

We, like all financial institutions, are exposed to many types of operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper authorizations, failure to properly document transactions, equipment failures and errors by employees. Although we maintain a system of operational controls, there can be no assurances that operational problems or errors will not occur and that their occurrence will not have a material adverse impact on our business, financial condition and results of operations.

***We recently began preparing our financial statements in accordance with IFRS and as a result, some of our financial data are not easily comparable from period to period.***

Through the year ended December 31, 2018, we prepared our financial statements in accordance with *Sofom* GAAP. However, on January 1, 2019, we began preparing our financial statements in accordance with IFRS. As a result, our financial data as of and for the years ended December 31, 2016, 2017 and 2018 presented in this offering memorandum has been derived from our Audited Financial Statements prepared in accordance with *Sofom* GAAP, but our financial data as of March 31, 2019 and for the three months ended March 31, 2018 and 2019 presented in this offering memorandum is derived from our Unaudited Interim Financial Statements prepared in accordance with IFRS. Because IFRS differs in certain significant respects from *Sofom* GAAP, our *Sofom* GAAP financial information presented in this offering memorandum for any period is not directly comparable to our IFRS financial information. The lack of comparability of our financial data may make it difficult to gain a full and accurate understanding of our operations and financial condition.

In addition, *Sofom* GAAP differs in certain significant respects from U.S. GAAP, which would be material to the financial information contained in our Audited Financial Statement if reported under 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. 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.

***If our estimates or judgments relating to our significant accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.***

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Because we recently began preparing our financial statements in accordance with IFRS, the various estimates and assumptions that we believe to be reasonable under the circumstances, as provided in Note 2 to our Unaudited Interim Financial Statements, may change. As a result, our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, requires that we develop accounting policies based on standards and related interpretations effective at the reporting date of our first annual IFRS financial statements (i.e., December 31, 2019). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (which is January 1, 2018 pursuant to IFRS 1) and for all interim periods commencing on the date of transition and until the publication of our first annual IFRS financial statements. Our Unaudited Interim Financial Statements have been prepared in accordance with accounting policies developed for the periods presented in such financial statements. The accounting policies that will be used in the preparation of our first annual IFRS financial statements were not known at the time we prepared our Unaudited Interim Financial Statements. As a result, the accounting policies used to prepare the Unaudited Interim Financial Statements are subject to change, and may differ from the accounting policies to be used in the preparation of our first IFRS annual financial statements.

In addition, IFRS could be modified and new regulations could go into effect in the future. The initial application of new standards or changes to them could have a substantial impact on our internal processes, as well as on our operating results, financial condition and ability to comply with our contractual obligations. It is also

possible that financial information prepared in accordance with any new IFRS accounting criteria (or their respective amendments) may not be easily comparable with the financial information reported during previous periods. For example, the implementation of IFRS 16, *Leases*, has had a material effect on how we report our lease income. You should consult your own advisors regarding potential changes to IFRS and the way in which those changes could affect our financial statements.

We regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. In the event we identify that our estimates or judgments relating to our critical accounting policies prove to be incorrect or different as a result of new standards, changes to existing standards and changes in their interpretation, we might be required to change our accounting policies, alter our operational policies and implement new or enhance existing systems so that they reflect new assumptions, estimates, judgments or amended financial reporting standards. Moreover, if as a result of any of the foregoing we identify material errors in our published financial statements, we may be required to restate such published financial statements. Such changes to assumptions, estimates, judgements, reporting standards or changes in their interpretation thereof may have an adverse effect on our reputation, business, financial position and results of operations.

***Any failure to protect our registered trademarks and intellectual property may materially adversely affect us.***

We believe that our commercial advertisements, trademarks and other intellectual property are fundamental to our name recognition and the continued success of our business. Any infringement of our intellectual or industrial property rights or any failure to register or maintain these rights in the jurisdictions in which we operate may result in: (i) litigation, requiring that we dedicate substantial time and resources to defend our intellectual and industrial property; and/or (ii) the potential loss of our ability to use our trademarks. The success of our business depends in part upon our continued ability to use our trademarks to increase brand awareness and further develop our brand in both the Mexican and international markets. We cannot assure you that all of the steps that we have taken to protect our trademarks in Mexico and other countries will be adequate to prevent the infringement of our trademarks by others. The unauthorized reproduction of our trademarks could diminish the value of our brand and our market recognition, our competitive advantages or our goodwill, which could adversely affect our business, results of operations, prospects and financial conditions.

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

Our operation and growth depend significantly upon the efforts, relationships, reputation and experience of our board of directors, senior management and other key personnel. The loss of their services, or our inability to attract and retain qualified management personnel to replace them, could have a material adverse effect on our business, financial condition and results of operations. In addition, 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, 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 risk management systems and policies may not be effective in mitigating our risk exposure, and we may be exposed to unidentified or unanticipated risks, which may materially and adversely affect our business, financial condition and results of operations.***

Our risk management systems, hedging strategies, policies and other risk management techniques may not be effective in mitigating our risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon historical market behavior or past events. As a result, these methods may not be able to accurately estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information in all cases may not be accurate, complete, up-to-date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. Such policies and procedures, including our origination and servicing policies, instituted by us or from time to time modified to respond to changes in the market in which we operate, may not be fully effective. Any

failure of our risk management procedures or any failure to identify any applicable risks may have a material adverse effect on our business, financial condition and results of operations.

***Risks not contemplated in our insurance policies may affect the assets leased by us.***

Although we take actions to ensure that our insurance policies cover most of the risks related with the assets we lease, it is possible that the terms and conditions of the insurance policies we have will not cover a specific event or incident. If any uninsured events occur with respect to a significant portion of our leased assets, such lack of coverage could have a material adverse effect on our financial conditions and results of operations.

***Our controls and procedures may fail or be circumvented.***

Controls and procedures, particularly those relating to collections and cash management, are important for finance companies. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures, or failure to comply with regulations or policies related to controls and procedures, could have a material adverse effect on our business, financial condition and results of operation.

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

We may not be successful in our plans for growth and diversification of our business, or we may need to incur additional costs in order to carry out these plans, which could have a material adverse effect on our business, financial conditions and results of operations and prospects.

***We may be subject to penalties due to our advertising.***

Because we are active in financial advertising, we could be subject to penalties based on unfair competition if such advertising includes incorrect or incomplete information, or if such information is considered misleading. Furthermore, we may be subject to penalties if we advertise our products or services to those customers who have expressly requested not to receive such advertising. Such events could adversely affect our business, financial condition and results of operations.

***We may not be able to detect money laundering and other illegal or improper activities on a timely basis or at all.***

We are required to comply with applicable anti-money laundering, terrorism financing prevention and other laws and regulations. These laws and regulations require us and our subsidiaries, among other things, to adopt and enforce “know your customer” policies and procedures and to report suspicious and large transactions to the applicable authorities. Such regulations have become increasingly complex and detailed over time and require effective control systems and highly qualified personnel for the supervision of and compliance with such rules. In addition, such regulation is subject to increased surveillance by governmental authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our network for money laundering activities and related activities, we cannot assure you that such policies and procedures will completely eliminate instances where our accounts or technology may be used by other parties to engage in money laundering and other illegal or improper activities. While we have not been subject to fines or other sanctions as a result of not complying with the applicable regulations related to money laundering activities in the past, to the extent we may fail to fully comply with applicable laws and regulations, the relevant governmental agencies to which we report have the power and authority to impose fines and other penalties on us. Furthermore, although we have not suffered damages to our business or our reputation as a result of money laundering activities in the past, our business and reputation could suffer if customers use us for money laundering or illegal purposes.

***We are subject to certain risks associated with derivative financial instruments that we have entered into related to fluctuations in exchange rates and interest rates, which could adversely affect our financial conditions and results of operations.***

We are exposed to various risks related to fluctuations in interest rates, currencies and exchange rates. One of the strategies we employ to mitigate the possible negative effects of these risks consists of entering into derivative financial instruments to hedge our exposure to risks associated with our indebtedness, including our existing international notes and lines of credit. The use of such derivative financial instruments could result in losses related to the valuation of the hedging instruments as a result of fluctuations of the peso exchange rate and fluctuations of interest rates in Mexico.

Our swaps are subject to periodic margin calls. We may be required to use a substantial part of our cash to cover such margin calls, which may reduce the resources available for our business operations and capital requirements. As a result, we may incur net losses from our currency swap transactions or may be unable to make our margin calls, any of which could have a material adverse effect on our business, liquidity, financial condition and results of operations.

***Our operations are subject to various financial laws and regulations. Any failure by us to comply with the applicable legal requirements could result in the imposition of sanctions or fines, which could result in additional costs that could have a material adverse effect on our financial condition and results of operations.***

Our operations are subject to various laws and regulations, including those governing financial and credit transactions. Any failure by us to comply with the applicable legal requirements or our inability to adjust our processes and operations in accordance with any amendments made to such laws and regulations could result in sanctions or fines or in our being required to implement remedial programs, which could result in significant additional costs for us and which in turn could have a material adverse effect on our financial condition and results of operations and could also disrupt our operations or the implementation of projects or business plans. We cannot predict the effect that future financial laws and regulations may have on our financial condition and results of operations.

***Cyber-attacks or other breaches of network or IT security could have an adverse effect on our business.***

Our technologies, systems, networks, and those of our business partners may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, misuse or loss of confidential information, or other disruption of our business operations. Cyber-security risks for financial institutions have significantly increased because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. The Company's business is highly dependent on our technology infrastructure and that of our service providers, and we are not immune to attacks against our or their network or systems. Although we have not experienced any material loss related to cyber-attacks, there can be no assurance that we will not be the target of cyber-attacks in the future that could adversely affect our operations or financial condition. As cyber threats continue to evolve, we may be required to incur additional expenses to enhance our protective measures or to remediate any information security vulnerability.

#### **Risks Related to Our Controlling Shareholder**

***Our controlling shareholder is able to exercise significant control over us, which may result in the adoption of significant decisions with respect to our business strategy and capital structure.***

We are currently controlled by Trust Number 2452 (the "Trust") held with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario ("Banco Invex"). Our controlling shareholder is in a position, with certain limited exceptions, to direct our management and to determine the result of substantially all matters decided by a majority vote of our shareholders, including, among others: (i) the election of a majority of the members of our board of directors and main executive officers, (ii) sales and dispositions of our assets, the amount of debt financing that we incur and the granting of liens, except when there is a conflict of interests, (iii) undertaking investments and acquisition of assets, (iv) the determination of the amount of dividends to be distributed by us; and

(v) any other relevant strategic decisions regarding our business. As a result, circumstances may occur in which our controlling shareholder's interests could conflict with your interests as a shareholder, and the decisions of our controlling shareholder may affect the current business strategy of the Company or its financial results. As of the date of this offering memorandum, neither the Company nor, to the knowledge of the Company, its controlling shareholder, are subject to or are engaged in ongoing negotiations with respect to agreements involving a material reorganization of, or a strategic alliance involving, the Company or its business; however, we cannot assure you that the Company or its controlling shareholder will not engage in such negotiations or agreements in the future, which may impact our financial condition.

***Banco Invex and/or the Trust's beneficiaries have the ability to enter into credit facilities backed by a pledge of the shares held in the Trust. In the event of a default under such credit facilities, the creditors thereunder will have the ability to enforce such pledge, which could result in a change of control of the Company.***

Banco Invex and/or the Trust's beneficiaries may enter into credit facilities and pledge the shares held in the Trust as a guarantee of its obligations thereunder. In the event that the Trust and/or its beneficiaries defaults under its payment obligations with respect to such credit facilities, the respective creditors will have the ability to enforce such pledge and, subject to the conclusion of the applicable legal proceedings, collect the pledged shares, which could result in a change of control of the Company. In this circumstance, the creditors of the Trust and/or its beneficiaries would be subject to the requirements contained in the Mexican Securities Market Law with respect to obligatory public offers, to the extent applicable.

***We often engage in a variety of transactions with related parties which may cause conflicts of interest.***

We have engaged and will continue to engage in a variety of transactions with affiliates, such as services and outsourcing agreements and factoring agreements. See "Certain Relationships and Related Party Transactions." While we intend to continue to transact business with related parties on an arm's-length basis and in compliance with our corporate governance practices, such transactions could be affected by conflicts of interest between such related parties and us. We have agreed to terms governing certain of our indebtedness that limit our ability to engage in transactions with our affiliates.

## **Risks Related to Mexico**

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

We are incorporated in Mexico, and substantially all 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. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions and policies concerning the economy, state-owned enterprises and state-controlled or state-funded financial institutions could have a significant impact on private-sector entities in general and on us in particular, and on market conditions, including prices and returns on Mexican securities. Also, the Mexican government may implement significant changes in laws, public policies and/or regulations that could affect political and economic conditions in Mexico, which could adversely affect our business. Our business, financial condition and results of operations, may be adversely affected by changes in policies or regulations involving, among others:

- interest rates;
- exchange rates and controls and restrictions on the movement of capital out of Mexico;
- currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets; and
- tax and regulatory policies.

Any legislative or regulatory actions and any required changes to our business operations resulting from such legislation and regulations could result in a loss of revenue, limit our ability to pursue certain business opportunities, increase the level of reserves that we are required to maintain, affect the value of assets that we hold, require us to increase our prices thereby reducing the demand for our products, impose additional costs on us, require that our standard agreements include or exclude certain provisions, or otherwise adversely affect our businesses. Changes in regulations may also cause us to face increased compliance costs and limitations on our ability to pursue certain business opportunities and provide certain products and services. Recently, an initiative was submitted to Congress, which is under consideration, seeking to limit interest rates and commissions charged by Mexican financial institutions. As of the date of this offering memorandum, it not clear if this proposal will be approved by Congress or 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 financial services industry in general, reversing or limiting the liberalization trend that has been present during the past 25 years.

Although we are not subject to specific regulation with respect to capitalization ratios, financial structure or otherwise, as other banking institutions are, Mexican law could change and future laws and regulations that regulate operations of leasing and other financial companies, such as ours, could be enacted. If such laws or governmental oversight or other changes in Mexican law were to occur, our business, financial condition and results of operations could be materially and adversely affected. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect us.

***Political, economic and social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our operations.***

Political circumstances in Mexico may significantly affect Mexican economic policies which could have an effect on our operations. Mexico's presidential, federal and local elections were held on July 1, 2018 with a result of a majority (in the presidential, federal and local elections) in favor of the left-wing political party Morena. Mr. Andrés Manuel López Obrador, the President of Mexico since December 1, 2018, and the appointed public officials of Morena, acting within their corresponding positions, have the ability to direct the policies of the public administration and to present and approve any amendments to regulation issued by the executive branch, which could adversely affect economic, political and social conditions in Mexico. In addition, as a result of the majority in both chambers of the Mexican Congress obtained by Morena, Mr. Andrés Manuel López Obrador has considerable power to pass new laws, amend existing laws and determine governmental policies and actions that relate to the Mexican economy and, consequently, affect the operations and financial performance of businesses in Mexico, such as our company.

During his campaign Mr. Andrés Manuel López Obrador announced structural changes such as (i) the decentralization of the ministries, which could lead to political instability, and (ii) several structural changes within the public administration, including the implementation of an austerity policy and a significant decrease in salaries and labor benefits currently granted to public officers. We cannot predict whether potential changes in Mexican governmental and economic policy could adversely affect economic conditions in Mexico or the sector in which we operate.

We cannot predict the impact that political, economic and social conditions will have on the Mexican economy. Furthermore, we cannot provide any assurances that political, economic or social developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition, results of operations and prospects. Mexico is currently experiencing high levels of violence and crime due to the activities of organized crime. In response, the Mexican government has implemented various measures to increase security and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist and operate in Mexico. These activities, their possible escalation and the violence associated with them have had and may have a negative impact on the Mexican economy or on our operations in the future. The social and political situation in Mexico could adversely affect the Mexican economy, 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.***

The current inflation rate in Mexico is higher than the inflation rates of its most important commercial partners, including the U.S. and Canada. High inflation rates could adversely affect our business and financial condition and the results of our 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 Mexican National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), as provided by the INEGI and as published by *Banco de México*, was 3.36% in 2016, 6.77% in 2017 and 4.83% in 2018. If Mexico experiences high levels of inflation as it has in the past, these might affect adversely our operations and financial performance.

In addition, increased inflation would raise our cost of funding, which we may not be able to fully pass on to our customers through higher interest rates, given that doing so could adversely affect 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 or the rentals and fees charged on our leases and the cost of our funding. Although we have taken measures to minimize the potential impact of inflation by ensuring that the majority of our liabilities have fixed interest rates, 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.***

The peso has been subject to substantial volatility against the U.S. dollar and may be subject to significant fluctuations in the future. Since the beginning of 2016 through the end of 2018, the peso depreciated by 14.2% against the U.S. dollar. Because substantially all 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-Mexican peso-denominated 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.

***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.

***Changes in the government policy of the United States could adversely affect the Mexican economy and our business, financial condition and results of operations.***

The results of the U.S. presidential and congressional elections of November 2016 have generated volatility in the world capital markets and have created uncertainty about the relationship between the United States and Mexico. This volatility and uncertainty, as well as changes in the policies implemented by the new administration, could affect the Mexican economy and substantially damage our business, financial condition and results of operations. The current presidential administration of the United States has suggested the implementation of new immigration laws or policies, tariffs, border taxes and other measures that could affect the level of trade between the United States and Mexico. In the event of certain changes in U.S. policy implemented by the new U.S. presidential administration, the Mexican government could implement retaliatory actions, such as the imposition of restrictions on Mexican imports of products from the United States or imports and exports of products to the United States or remittances from the United States to Mexico. The acts described above by either the government of the United States or Mexico, or both, could have a significant adverse effect on the Mexican economy and on our operating results.

***Reforms to the Mexican Tax Law may adversely affect the Company.***

Our business, financial condition and results of operations may be adversely affected as a result of increased taxes on wages, the elimination or limitation of certain tax deductions, or by increased costs due to additional compliance requirements.

***Mexican financial authorities have broad authority in certain areas, including in the area of class action lawsuits.***

The Mexican Law for the Protection and Defense of Financial Services Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) gives the Mexican National Commission for the Defense of Financial Services Users (*Comisión Nacional para la Defensa de los Usuarios de Servicios Financieros*, or “CONDUSEF”) broad authority to oversee financial institutions. CONDUSEF: (i) is entitled to initiate class action lawsuits against Mexican financial institutions, like us, in connection with events affecting groups of users of financial services; (ii) shall maintain a new Bureau of Financial Entities (*Buró de Entidades Financieras*), which will set forth any and all information deemed material for users of financial services; (iii) is empowered to order amendments to any of the standard forms of commercial documentation (such as account and loan agreements used by us) used by financial institutions if it considers provisions therein to be detrimental to users; (iv) is permitted to issue resolutions as part of arbitration proceedings, for the benefit of customers, that would permit customers to attach assets of financial institutions prior to the completion of arbitration proceedings; and (v) has authority to fine a financial institution that does not comply with an order issued by CONDUSEF. This law grants CONDUSEF, borrowers and other market participants the right to initiate class action lawsuits against us, thereby increasing our exposure to liability. Due to our lack of experience and the lack of judicial precedents regarding this law, we cannot predict the possible outcome of any class actions initiated under such law, including the extent of any liability we may face.

***The Mexican Supreme Court of Justice has ruled that Mexican judges are entitled to reduce interest rates considered inequitable, at their sole discretion.***

In June 2014, the Mexican Supreme Court of Justice issued a ruling of mandatory application, allowing federal judges to determine *ex officio* if an interest rate agreed in a promissory note is evidently excessive, violating an individual’s human rights, and consequently establishing a reduced interest rate. The elements the judge should take into account to determine if an interest rate is evidently excessive are (i) the type of relationship between the parties; (ii) the qualification of the persons intervening in the issuance of the promissory note and if the activity of the creditor is regulated; (iii) the purpose of the loan; (iv) the amount of the loan; (v) the term of the loan; (vi) the existence of guarantees or collateral for the payment of the loan; (vii) the interest rates applied by financial institutions in transactions similar to the one under analysis, as a mere reference; (viii) the variation of the national inflation index during the term of the loan; (ix) market conditions; and (x) other issues that may be relevant for the judge. The mandatory and partly discretionary application of such criteria in the lawsuits affecting our loan portfolio could have a material adverse effect on the interest rates we charge and on our operating results. To date, the Mexican Courts have not issued an order reducing the interest rates on any of our loans.



## Risks Related to the Notes

***Payments on the notes and the subsidiary guarantees will be effectively subordinated to any of our and our subsidiary guarantors' secured indebtedness, respectively, and structurally subordinated to all liabilities of our non-guarantor subsidiaries.***

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

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

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

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

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

***The subsidiary guarantees may not be enforceable.***

The notes will be fully and unconditionally guaranteed, jointly and severally, by certain of our subsidiaries. The subsidiary guarantees provide a basis for a direct claim against the subsidiary guarantors; however, it is possible that the subsidiary guarantees may not be enforceable under applicable law.

While Mexican law does not prohibit the giving of subsidiary guarantees and, as a result, it does not prevent the subsidiary guarantees of the notes from being valid, binding and enforceable against the subsidiary guarantors, in the event that a subsidiary guarantor becomes subject to a *concurso mercantil* or to a *quiebra*, its subsidiary guarantee may be declared void, including based upon the subsidiary guarantor being deemed not to have

received fair consideration in exchange for such subsidiary guarantee. If any such event were to occur, the creditworthiness of the notes, and the market value of the notes in the secondary market may be materially and adversely affected.

***We and our subsidiaries may incur substantially more debt, which could further exacerbate the risks associated with our indebtedness.***

As of March 31, 2019, we had total consolidated financial indebtedness (excluding accrued interest, commissions and expenses) of Ps.52,839.7 million (US\$2,726.6 million), of which Ps.20,521.7 million (US\$1,058.9 million) was secured by collateral. Of this secured indebtedness, Ps.5,521.2 million (US\$284.9 million) related to secured bank debt and the remainder was in connection with our lease securitization transactions which involve limited recourse to us considering that any claim against us is limited exclusively to the value of the pledged assets. After giving pro forma effect to (i) the offer and sale of the 2028 Senior Notes and the use of the proceeds therefrom, and (ii) the offer and sale of the notes and the application of the net proceeds from this offering as described under “Use of Proceeds,” as of March 31, 2019 we and our subsidiary guarantors would have had total indebtedness (excluding accrued interest, commissions and expenses) of Ps.61,685.7 million (US\$3,183.1 million), of which Ps.16,701.7 million (US\$861.8 million) would have been secured by collateral, and our non-guarantor subsidiaries would not have had any indebtedness. We and our subsidiaries will be able to incur substantial additional debt in the future. Although the Indenture governing the notes will contain restrictions on the incurrence of additional debt and additional liens, these restrictions are subject to important qualifications and exceptions. Among other exceptions, the Indenture does not restrict our ability and the ability of our subsidiaries to incur debt and grant liens pursuant to lease securitization transactions. Any secured debt incurred pursuant to lease securitization transactions would be senior to the notes, however such transactions involve limited recourse to us considering that any claim against us is limited exclusively to the value of the pledged assets. Also, these restrictions do not prevent us or our subsidiaries from incurring obligations that do not constitute “indebtedness” as defined in the Indenture. Increases in our level of indebtedness, particularly secured indebtedness, could adversely affect the notes relative to our other indebtedness and have a material adverse effect on the market price of the notes.

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

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

***The notes are subject to transfer restrictions.***

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

***An active trading market for the notes may not develop.***

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

***Payments claimed in Mexico on the notes, pursuant to a judgment or otherwise, would be in pesos.***

In the event that judicial proceedings are brought against us 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 in Mexico, we would not be required to discharge those obligations in a currency other than Mexican currency. Under Article 8 of the Monetary Law of the United Mexican States (*Ley Monetaria de los Estados Unidos Mexicanos*), an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican currency, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payments are made. Such rate is currently determined by *Banco de México* and published every banking day in the Official Federal Gazette. As a result, you may suffer a U.S. dollar shortfall if you obtain a judgment or a payment in Mexico. You should be aware that no separate action exists or is enforceable in Mexico for compensation for any shortfall.

***Our subsidiary guarantors' and any future note guarantors' obligations under the notes would be converted in the event of bankruptcy.***

Under the Mexican Bankruptcy Law, if we or any of the subsidiary guarantors are declared insolvent, bankrupt or become subject to a reorganization proceeding *concurso mercantil*, our obligations and the obligations of the subsidiary guarantors under the notes (i) would be converted into pesos and then from pesos into inflation-adjusted units (*unidades de inversion*, known as UDIs), (ii) would be satisfied at the time claims of all our creditors are satisfied, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, which differ from those in other jurisdictions such as the United States, (iv) would cease to accrue interest from the date the *concurso mercantil* is declared, (v) would not be adjusted to take into account any depreciation of the peso against the U.S. dollar occurring after such declaration and (vi) would be subject to certain statutory preferences, including tax, social security and labor claims, and claims of secured creditors (up to the value of the collateral provided to such creditors). There is also limited relevant legal related precedent. For such reasons, the ability of the holders of the notes to effectively collect payments due under the notes may be compromised or subject to delay.

In addition, under Mexican law, it is possible that, in the event we are declared insolvent, bankrupt or become subject to *concurso mercantil*, any amount by which the stated principal amount of the notes exceeds their accreted value may be regarded as not matured and, therefore, claims of holders of the notes may be allowed only to the extent of the accreted value of the notes. At present, there are very few Mexican legal precedents regarding bankruptcy or *concurso mercantil* in Mexico on this point and, accordingly, uncertainty exists as to how a Mexican court would measure the claims of holders of the notes.

***We may not be able to make payments in U.S. dollars.***

In the past, the Mexican economy has experienced balance of payments deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to foreign currencies, including U.S. dollars, it has done so in the past and could do so again in the future. We cannot assure you that the Mexican government will not implement a restrictive exchange control policy in the future. Any such restrictive exchange control policy could prevent or restrict our access to U.S. dollars to meet our U.S. dollar obligations and could also have a material adverse effect on our

business, financial condition and results of operations. We cannot predict the impact of any such measures on the Mexican economy.

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

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

***It may be difficult to enforce claims against us or our directors, executive officers and controlling persons.***

All 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.

Creditors of the Issuer holding negotiable instruments or other instruments governed by Mexican law that grant rights to executory proceedings (*título ejecutivo*) are entitled to attach assets of the Issuer at inception of judicial proceedings, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes.

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

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

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

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

## **USE OF PROCEEDS**

We estimate that the net proceeds from the issuance of the notes will be approximately US\$197.1 million (after deducting the initial purchasers' discounts and commissions and the payment of estimated offering expenses). We intend to use the net proceeds from this offering for general corporate purposes (including the refinancing of short-term debt) and to pay fees and expenses incurred in connection with this offering

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2019 (i) on an actual historical basis, (ii) as adjusted to give effect to (x) dividend payments and our entering into new credit facilities and the use of the proceeds therefrom since March 31, 2019 and (y) the issuance of the 2028 Senior Notes and the use of the proceeds therefrom, in each case as described under “Recent Developments,” and (iii) as further adjusted to give effect to the issuance of the notes and the use of the proceeds therefrom.

You should read this table in conjunction with the sections entitled “Recent Developments,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Selected Financial and Other Information” and our Financial Statements and the related notes included elsewhere in this offering memorandum.

	As of March 31, 2019					
	Actual		As Adjusted <sup>(2)</sup>		As Adjusted <sup>(3)</sup>	
	(in millions of Ps.)	(in millions of US\$) <sup>(1)</sup>	(in millions of Ps.)	(in millions of US\$) <sup>(1)</sup>	(in millions of Ps.)	(in millions of US\$)
	(IFRS)					
Cash and cash equivalents.....	4,800.1	247.7	13,331.2	687.9	13,331.2	687.9
Current liabilities:						
Bank loans.....	11,651.4	601.2	9,558.4	493.2	5,738.4	296.1
Sundry creditors.....	72.7	3.8	72.7	3.8	72.7	3.8
Debt securities.....	2,704.5	139.6	2,704.5	139.6	2,704.5	139.6
Senior notes.....	125.3	6.5	125.3	6.5	125.3	6.5
Tax payable.....	177.6	9.2	177.6	9.2	177.6	9.2
Other accounts payable.....	1,425.6	73.6	1,425.6	73.6	1,425.6	73.6
Derivative financial instruments.....	103.2	5.3	103.2	5.3	103.2	5.3
	16,260.4	839.1	14,167.3	731.1	10,347.3	533.9
Non-current liabilities:						
Bank loans.....	3,877.6	200.1	5,970.6	308.1	5,970.6	308.1
Debt securities.....	12,189.9	629.0	12,189.9	629.0	12,189.9	629.0
Senior notes.....	21,065.5	1,087.0	29,596.6	1,527.2	33,416.6	1,724.3
Derivative financial instruments.....	42.9	2.2	42.9	2.2	42.9	2.2
	37,175.9	1,918.3	47,800.0	2,466.6	51,620.0	2,663.7
Total liabilities.....	53,436.3	2,757.4	61,967.3	3,197.6	61,967.3	3,197.6
Total stockholders' equity.....	9,325.4	481.2	8,996.8	464.2	8,996.8	464.2
Total liabilities and stockholders' equity....	62,761.7	3,238.6	70,964.1	3,661.9	70,964.1	3,661.9

- (1) Mexican peso amounts have been translated solely for the convenience of the reader into U.S. dollars at an exchange rate of Ps.19.3793 per US\$1.00, the exchange rate published in the Mexican Federal Official Gazette on March 29, 2019. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.
- (2) As adjusted to give effect to (x) dividend payments and our entering into new credit facilities and the use of the proceeds therefrom since March 31, 2019 and (y) the issuance of the 2028 Senior Notes and the use of the proceeds therefrom, in each case as described under “Recent Developments.”
- (3) As adjusted to give effect to the issuance of the notes and the use of the proceeds therefrom.

## SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present certain selected financial information and operating data as of the dates and for each of the periods indicated. You should read the following selected financial data and other information together with “Presentation of Financial and Other Information,” “Summary Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Financial Statements and related notes included elsewhere in this offering memorandum.

The statements of financial position data as of March 31, 2019, and the comprehensive income data for the three-month periods ended March 31, 2018 and 2019, are derived from our Unaudited Interim Financial Statements included elsewhere in this offering memorandum. The balance sheet and statements of income data as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018, are derived from our Audited Financial Statements included elsewhere in this offering memorandum.

Our Audited 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 our Audited Financial Statements to U.S. GAAP has been performed.

Our Unaudited Interim Financial Statements were prepared in accordance with IAS 34, as issued by the IASB. The financial information in our Audited Financial Statements prepared in accordance with *Sofom* GAAP may not be directly comparable with the financial information in our Unaudited Interim Financial Statements prepared in accordance with IFRS. See “Risk Factors—Risk Factors Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and as a result, some of our financial data are not easily comparable from period to period.” For a description of the effects of the transition to IFRS from *Sofom* GAAP, see Note 18 to our Unaudited Interim Financial Statements.

	For the Three-Month Periods Ended March 31		
	2018	2019	2019 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
	(IFRS)		
<b>Statements of Income Data</b>			
Interest income from finance .....	1,415.8	1,844.1	95.2
Interest income from factoring .....	81.9	123.5	6.4
Interest income from car loans .....	236.4	273.0	14.1
Other lease benefits .....	240.1	158.9	8.2
Total income .....	1,974.1	2,399.4	123.8
Interest expense .....	1,218.9	1,528.7	78.9
Allowance for loan portfolio .....	54.1	59.1	3.0
Other lease expenses .....	59.6	18.6	1.0
Total costs .....	1,332.6	1,606.4	82.9
Gross margin .....	641.5	793.0	40.9
Operating and financial expenses (income):			
Bank commissions and fees .....	15.7	7.3	0.4
Investment interest .....	(114.5)	(66.8)	(3.4)
Exchange gain (loss) .....	(64.6)	(57.5)	(3.0)
Other net, operating (income) loss .....	(3.0)	(20.9)	(1.1)
Administrative services .....	135.7	197.3	10.2
Legal and professional fees .....	53.5	52.1	2.7
Depreciation .....	28.0	28.7	1.5
Other administrative expenses .....	61.9	75.2	3.9
	112.5	215.3	11.1



For the Three-Month Periods Ended March 31			
	2018	2019	2019 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
	(IFRS)		
Profit before results of associated companies..	529.0	577.7	29.8
Results of associated companies.....	1.3	10.6	0.5
Income before income tax .....	527.8	588.2	30.4
Income tax expense .....	131.3	114.6	5.9
Net income attributable to:			
Controlling interest .....	393.8	473.7	24.4
Non-controlling interest .....	2.7	(0.1)	-
Consolidated net income .....	396.5	473.6	24.4

For the Year Ended December 31,				
	2016	2017	2018	2018 <sup>(1)</sup>
	(in millions of Ps., except earnings per share)			(in millions of US\$, except earnings per share)
	(Sofom GAAP)			
<b>Income Statement Data</b>				
Operating lease income .....	7,773.1	11,216.9	14,761.0	761.7
Interest income .....	1,183.8	2,087.7	2,587.6	133.5
Other lease benefits .....	528.7	1,010.8	1,595.7	82.3
Depreciation of assets under operating lease...	(4,537.3)	(6,357.4)	(8,005.1)	(413.1)
Interest expense .....	(1,988.9)	(3,845.2)	(5,514.6)	(284.6)
Other lease expenses .....	(583.6)	(930.5)	(1,619.2)	(83.6)
Financial margin .....	2,375.9	3,182.4	3,805.5	196.4
Loan loss reserve .....	(81.5)	(115.0)	(250.6)	(12.9)
Financial margin adjusted for credit risk .....	2,294.4	3,067.4	3,554.9	183.4
Commissions and fees paid (net) .....	(51.2)	(68.7)	(43.1)	(2.2)
Other operating income (net) .....	16.4	192.1	25.9	1.3
Administrative and promotional expenses .....	(797.4)	(890.9)	(1,091.9)	(56.3)
	(832.3)	(767.5)	(1,109.1)	(57.2)
Operating income .....	1,462.1	2,299.9	2,445.8	126.2
Equity in results of other permanent investments .....	13.4	31.9	36.3	1.9
Income before income tax .....	1,475.5	2,331.8	2,482.1	128.1
Income tax payable .....	(656.1)	(1,097.0)	(1,168.2)	(60.3)
Deferred income taxes .....	391.0	535.9	610.0	31.5
Income tax expense .....	(265.2)	(561.1)	(558.2)	(28.8)
Consolidated net income .....	1,210.3	1,770.7	1,923.9	99.3
Earnings per share <sup>(2)</sup> .....	3.4	5.0	5.6	0.3

	As of March 31,	
	2019	2019
	(in millions of Ps.)	(in millions of US\$)
(IFRS)		
<b>Statements of Financial Position Data</b>		
<b>Assets</b>		
Cash and cash equivalents.....	4,800.1	247.7
Loan portfolio, net .....	19,034.6	982.2
Derivative financial instruments .....	166.1	8.6
Other current assets .....	654.2	33.8
Total current assets .....	24,654.9	1,272.2
Non-current assets held for sale.....	945.9	48.8
Loan portfolio, net .....	27,096.7	1,398.2
Property, furniture and equipment, net.....	864.0	44.6
Investment properties .....	168.2	8.7
Intangible assets .....	121.1	6.2
Derivative financial instruments .....	3,560.8	183.7
Deferred taxes .....	5,264.0	271.6
Other non-current assets.....	86.1	4.4
Total non-current assets .....	37,160.9	1,917.6
Total assets.....	62,761.7	3,238.6
<b>Liabilities</b>		
Bank loans .....	11,651.4	601.2
Sundry creditors .....	72.7	3.8
Debt securities.....	2,704.5	139.6
Senior notes .....	125.3	6.5
Tax payable.....	177.6	9.2
Other accounts payable .....	1,425.6	73.6
Derivative financial instruments .....	103.2	5.3
Total current liabilities .....	16,260.4	839.1
Bank loans .....	3,877.6	200.1
Debt securities.....	12,189.9	629.0
Senior notes .....	21,065.5	1,087.0
Derivative financial instruments .....	42.9	2.2
Total non-current liabilities.....	37,175.9	1,918.3
Total liabilities .....	53,436.3	2,757.4
<b>Equity</b>		
Stockholders' equity .....	2,893.7	149.3
Retained earnings.....	2,411.5	124.4
Net income.....	473.7	24.4
Subordinated Perpetual Notes .....	4,531.3	233.8
Accumulated other comprehensive income .....	(987.4)	(51.0)
Controlling interest .....	9,322.9	481.1
Non-controlling interest .....	2.6	0.1
Total equity .....	9,325.4	481.2
Total liabilities and equity .....	62,761.7	3,238.6

	As of December 31,		
	2017	2018	2018 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
	(Sofom GAAP)		
<b>Balance Sheet Data</b>			
<b>Assets</b>			
Cash and cash equivalents .....	197.2	376.2	19.4
Securities held to maturity .....	2,238.2	3,530.4	182.2
Derivatives held-for-hedging .....	4,598.1	5,103.1	263.3
Performing loans portfolio:			
Commercial loans .....	5,323.4	8,337.6	430.2
Consumer loans .....	119.8	86.3	4.5
Total performing loans portfolio .....	5,443.1	8,423.9	434.7
Non-performing loans portfolio:			
Commercial loans .....	31.2	192.1	9.9
Consumer loans .....	7.6	7.8	0.4
Total non-performing loans portfolio .....	38.7	199.9	10.3
Total loan portfolio .....	5,482.0	8,623.8	445.0
Preventive loan loss reserve .....	(38.7)	(199.9)	(10.3)
Loans portfolio - Net .....	5,443.3	8,423.9	434.7
Other accounts receivable - Net .....	5,057.2	4,297.8	221.8
Foreclosed assets - Net .....	510.5	692.1	35.7
Property, machinery and equipment – Net .....	32,728.8	40,680.4	2,099.2
Permanent investments .....	49.5	75.4	3.9
Deferred taxes .....	1,718.5	2,328.5	120.2
Deferred charges, prepayments and intangible assets .....	2,067.2	2,276.3	117.5
Other current and non-current assets .....	7.1	5.5	0.3
Total assets .....	54,615.4	67,789.6	3,498.0
<b>Liabilities</b>			
Debt securities:			
Short-term .....	503.8	289.0	14.9
Long-term .....	34,525.1	38,056.6	1,963.8
	35,028.9	38,345.6	1,978.7
Bank borrowings and loans from other entities:			
Short term .....	4,258.1	8,391.8	433.0
Long term .....	3,880.7	4,081.2	210.6
	8,138.8	12,473.0	643.6
Other accounts payable:			
Taxes on income payable .....	252.4	108.2	5.6
Sundry creditors and other accounts payable .....	2,913.7	3,179.6	164.1
	3,166.1	3,287.8	169.7
Deferred loans and advanced collections .....	697.3	692.1	35.7
Total liabilities .....	47,031.1	54,798.5	2,827.7
<b>Stockholders' equity</b>			
Contributed capital:			
Capital stock .....	957.8	957.8	49.4
Share premium .....	1,935.9	1,935.9	99.9
Subordinated debentures outstanding .....	-	4,531.3	233.8
	2,893.7	7,425.0	383.1

	As of December 31,		
	2017	2018	2018 <sup>(1)</sup>
	(in millions of Ps.)		(in millions of US\$)
Earned capital:			
Capital reserves .....	185.5	274.1	14.1
Prior years' income .....	1,850.5	2,695.1	139.1
Result of valuation of financial instruments for hedging cash flows ..	881.3	670.4	34.6
Net income .....	1,770.7	1,923.9	99.3
	4,688.9	5,563.5	287.1
Shareholders' investment:			
Controlling interest .....	7,581.6	12,988.5	670.2
Non-controlling interest .....	2.8	2.7	0.1
Total stockholders' equity .....	7,584.4	12,991.1	670.4
Total liabilities and stockholders' equity .....	54,615.4	67,789.6	3,498.0

	As of December 31,		As of March 31,
	2017	2018	2019
	(Sofom GAAP)		(IFRS)
<b>Selected Financial Metrics</b>			
Total leverage <sup>(3)</sup> .....	3.8x	3.0x	4.1x
Financial leverage <sup>(4)</sup> .....	3.3x	2.7x	3.9x
Ratio of non-performing loans <sup>(5)</sup> .....	0.7%	1.0%	3.5%
Coverage ratio <sup>(6)</sup> .....	100.0%	109.7%	60.9%
Efficiency ratio <sup>(7)</sup> .....	28.6%	29.0%	45.0%
Operating margin <sup>(8)</sup> .....	72.3%	64.3%	72.8%
Net margin <sup>(9)</sup> .....	55.6%	50.6%	59.7%
Return on average equity <sup>(10)</sup> .....	29.7%	15.8%	20.3%
Return on average assets <sup>(11)</sup> .....	3.7%	3.0%	3.0%
Total stockholders' equity/total assets .....	13.9%	19.2%	14.9%
Dividend payout ratio <sup>(12)</sup> .....	19.8%	18.2%	17.3%
Capitalization ratio <sup>(13)</sup> .....	18.3%	25.2%	20.2%
Administrative expenses/total revenue <sup>(14)</sup> ..	6.2%	5.8%	14.7%
Net income/number of employees .....	3.3	3.3	3.1

- (1) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps.19.3793 per U.S. dollar, the exchange rate published in the Mexican Federal Official Gazette on March 29, 2019. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.
- (2) The table below sets forth the calculation of earnings per share, which derives from the consolidated net result of the period.

	For the Year Ended December 31,				For the Three-Month Periods Ended March 31,		
	2016	2017	2018	2018	2018	2019	2019
	(in Ps. except number of shares) (Sofom GAAP)				(in Ps. except number of shares) (IFRS)		
<b>Earnings per Share (EPS)</b>				(in US\$ except number of shares)			(in US\$ except number of shares)
Consolidated net result	1,210.4	1,770.7	1,923.8	99.3	396.4	473.6	24.4
Weighted average number of shares .....	352,129,543	352,729,084	345,195,531	345,195,531	349,805,509	331,252,877	331,252,877
EPS .....	3.4	5.0	5.6	0.3	1.1	1.4	0.1

- (3) Calculated as total liabilities (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (4) Calculated as total financial debt (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (5) As of December 31, 2017 and 2018, calculated as non-performing loan portfolio divided by total portfolio, including off-balance sheet accounts as of the date of calculation. As of March 31, 2019, calculated as the sum of the balance of leases in stage 3 plus the balance of impaired factoring account plus the balance in stages 2 and 3 for auto loans divided by total portfolio.
- (6) As of December 31, 2017 and 2018, calculated as allowance for loan losses divided by non-performing loan portfolio as of the date of calculation. As of March 31, 2019, calculated as allowances for loan losses divided by the sum of the balance of leases in stage 3 plus the balance of impaired factoring account plus the balance in stages 2 and 3 for auto loans.
- (7) As of December 31, 2017 and 2018, calculated as operating expenses divided by the sum of the financial margin and net commissions. As of March 31, 2019, calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by the sum of gross margin, bank commissions and fees.
- (8) As of December 31, 2017 and 2018, calculated as operating income (excluding other operating income-net and financial intermediation results) divided by the financial margin. As of March 31, 2019, calculated as total income for the period divided by the gross margin.
- (9) As of December 31, 2017 and 2018, calculated as consolidated net income for the period divided by the financial margin. As of March 31, 2019, calculated as consolidated net income for the period divided by the gross margin.
- (10) As of December 31, 2017 and 2018, calculated as consolidated net income for the previous 12 months divided by the average total stockholders' equity for the previous 12 months. As of March 31, 2019, calculated as annualized consolidated net income divided by total equity as of March 31, 2019. Annualized consolidated net income was calculated by multiplying consolidated net income for the three months ended March 31, 2019 by four. Annualized consolidated net income is inherently uncertain and may differ substantially from the actual consolidated net income for 2019.
- (11) As of December 31, 2017 and 2018, calculated as consolidated net income for the previous 12 months divided by the average assets for the previous 12 months. As of March 31, 2019, calculated as annualized consolidated net income divided by total assets as of March 31, 2019. Annualized consolidated net income was calculated by multiplying consolidated net income for the three months ended March 31, 2019 by four. Annualized consolidated net income is inherently uncertain and may differ substantially from the actual consolidated net income for 2019.
- (12) As of December 31, 2017 and 2018, calculated as dividends paid in the current period divided by consolidated net income. As of March 31, 2019, calculated as dividends paid in the current period divided by annualized consolidated net income.
- (13) Calculated as stockholders' equity divided by total net loan portfolio.  
As of December 31, 2017 and 2018, calculated as administrative expenses divided by total revenue. As of March 31, 2019, calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by total income.



Source: Company's public filings.

(1) Consolidated financial indebtedness (excluding accrued interest, commissions and expenses).

(2) Total leverage: Calculated as total liabilities (excluding securitizations) divided by total stockholders' equity, as of the same date. Financial leverage: Calculated as total financial debt (excluding securitizations) divided by total stockholders' equity, as of the same date.

Accounting principle:  
Sofia GAAP IFRS

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

*The following discussion should be read in conjunction with our Financial Statements and the notes thereto, and the other financial information included elsewhere in this offering memorandum. The financial data presented herein as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 is stated in Mexican pesos and has been prepared in accordance with Sofom GAAP, which differs in certain 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 our Audited Financial Statements to U.S. GAAP has been performed. The financial data presented herein as of March 31, 2019 and for the three-month periods ended March 31, 2018 and 2019 is stated in Mexican pesos and has been prepared in accordance with IFRS. See "Risk Factors—Risk Factors Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and as a result, some of our financial data are not easily comparable from period to period." For a description of the effects of the transition to IFRS from Sofom GAAP, see Note 18 to our Unaudited Interim Financial Statements.*

*The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Forward-Looking Statements" and "Risk Factors" and the matters set forth in this offering memorandum.*

### Overview

We are a Mexican leasing company, specializing in three main business lines: leasing, factoring and auto loans and other lending. Through our leasing business line, our core business line, we offer leases for all types of machinery and equipment, transportation vehicles (including cars, trucks, helicopters, airplanes and other vessels) and other assets used in a variety of industries. Through our factoring business line, we provide liquidity and financing solutions to our customers by purchasing or discounting their accounts receivable and by providing vendor financing. The auto loans portion of our auto loans and other lending business line is focused on financing the acquisition of new and used vehicles, while the other lending portion of such business line includes financing working capital needs and the acquisition of other capital assets.

As of March 31, 2019, we had total assets of Ps.62,761.7 (US\$3,238.6 million), our total portfolio amounted to Ps.47,142.8 million (US\$2,432.6 million) and had stockholder's equity of Ps.9,325.4 million (US\$481.2 million). For the three-month periods ended March 31, 2018 and 2019, we had profit before results of associated companies of Ps.529.0 million (US\$27.3 million) and Ps.577.7 million (US\$29.8 million), respectively, and consolidated net income of Ps.396.5 million (US\$20.5 million) and Ps.473.6 (US\$24.4 million), respectively.

For the years ended December 31, 2016, 2017 and 2018 we had operating income of Ps.1,462.1 million (US\$75.4 million), Ps.2,299.9 million (US\$118.7 million) and Ps.2,445.8 million (US\$126.2 million), respectively, and consolidated net income of Ps.1,210.3 million (US\$62.5 million), Ps.1,770.7 million (US\$91.4 million) and Ps.1,923.8 million (US\$99.3 million), respectively.

### Factors Affecting Our Results of Operations

Our results of operations have been influenced and will continue to be influenced by the following factors:

#### *Mexican Economic Environment*

Our business is closely tied to the 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 slower growth rates as recently announced by the International Monetary Fund and other international agencies. Mexico's economy is also impacted by changes in the global economy and international financial markets.

Our future results may be impacted by the uncertainty caused by an economic downturn, volatility or deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions that may negatively affect us or parties with whom we do business resulting in a reduction in our customers' spending and increased risk of non-payment or inability to perform obligations owed to us.

The current U.S. governmental policies towards Mexico have created instability, uncertainty and may continue to adversely affect the Mexican economy. Uncertainties surrounding these policies, particularly with respect to matters of importance to Mexico and its economy such as trade and immigration, could have an adverse effect on the Mexican economy. Adverse economic conditions in the United States, the implementation of the USMCA, which has only been ratified by Mexico as of the date of this offering memorandum, or other related events could also have a significant adverse effect on the Mexican economy.

### ***Effect of Inflation***

Under the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*), the effect of inflation on monetary assets and liabilities are to be considered as a deduction, therefore decreasing the taxable income. The effect of inflation on monetary assets and liabilities is estimated taking into account (i) the annual inflation rate recorded and (ii) the excess of either monetary assets or liabilities. The effect of inflation results in a tax deduction when monetary assets exceed monetary liabilities.

### ***Interest Rate Fluctuations***

Interest rate fluctuations in Mexico have a significant effect on our business, financial condition and results. The following table provides the lowest interest rate charged by our leasing, factoring and auto loans and other lending business lines for the periods indicated:

	As of December 31,			As of March 31,
	2016	2017	2018	2019
Leasing <sup>(1)</sup> .....	18.0%	20.0%	22.0%	23.0%
Factoring .....	TIIE + 14.5%	TIIE + 14.0%	TIIE + 14.5%	TIIE + 14.5
Auto Loans and Other Lending .....	14.0%	16.9%	16.9%	17.5%

<sup>(1)</sup> Interest rate for our leasing business line is calculated by subtracting commissions from the gross interest rate.

### ***Funding Sources***

We seek to maintain adequate and diverse sources of funding that will secure funds for our operations. Our sources of funding vary in term, currency and creditor. As of March 31, 2019, our principal sources of funding were international bonds, securitizations and bank debt, which amounted to Ps.22,286.2 million (US\$1,150.0 million), Ps.15,000.5 million (US\$774.0 million) and Ps.15,553.0 million (US\$802.6 million), respectively, equivalent to 42.2%, 28.4% and 29.4% of our total indebtedness (excluding interest, commissions and expenses), respectively.

### ***Lease and Loan Portfolio***

Our operating income and profitability is largely dependent upon our lease portfolio size and the number of transactions. The growth of our total lease portfolio is a primary driver of the growth of our net profit. Historically, our leasing operations have been the primary source of total loans.

After our adoption of IFRS, we ceased to record non-accrued rent payments as part of memorandum accounts off the balance sheet. Our Unaudited Interim Financial Statements reflect such non-accrued rent payments as part of our loan portfolio on our balance sheet, as required pursuant to IFRS.

As of December 31, 2017 and 2018, and March 31, 2019, our lease portfolio represented 80.1%, 78.6% and 77.7%, respectively, of our total portfolio. As of December 31, 2017 and, 2018, and March 31, 2019, our factoring portfolio represented 6.0%, 5.3% and 5.7%, of our total portfolio. As of December 31, 2017 and 2018, and March 31, 2019, our auto loans and other lending portfolio represented 13.9%, 16.2% and 16.6%, respectively of our total portfolio.

### ***Loan Quality***

We prepared our Audited Financial Statements in accordance with *Sofom* GAAP and our Unaudited Interim Financial Statements in accordance with IFRS and assess our past due accounts receivable on an individual basis and in accordance with our internal methodology. Based on our assessment, we set aside provisions for both our performing and non-performing loans. We monitor our non-performing loans closely and record an allowance for loan losses if we determine there is a likelihood of continued payment. For more information on our policies on loan quality, see Note 3 to our Audited Financial Statements and Note 2 to our Unaudited Interim Financial Statements, in each case included elsewhere in this offering memorandum.

The following table sets forth the allowances for our leasing, factoring and other lending business lines for the periods indicated:

	<b>As of December 31,</b>		<b>As of March 31,</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of Ps.)</b>		
	<b>(Sofom GAAP)</b>		<b>(IFRS)</b>
Leasing.....	(269.1)	(366.4)	(838.5)
Factoring.....	(26.0)	(147.8)	(111.8)
Auto Loans and Other Lending.....	(12.7)	(52.1)	(61.3)
Total.....	<u>(307.8)</u>	<u>(566.3)</u>	<u>(1,011.6)</u>

### ***Collateral***

Increases in the collateral value of assets underlying certain of our leases and our ability to recover these underlying assets result in an increase in the underlying loan quality of our portfolio, as both factors increase the probability that, in the event of default, most, if not all, of the asset's market value can be recovered.

### **Significant Accounting Policies**

The accounting policies used to prepare our Audited Financial Statements under *Sofom* GAAP differ in certain significant respects from the accounting policies used to prepared our Unaudited Interim Financial Statements under IFRS. For a description of the effects of the transition to IFRS from *Sofom* GAAP, see Note 18 to our Unaudited Interim Financial Statements. Summaries of the significant accounting policies used in the preparation of our Audited Financial Statements and our Unaudited Interim Financial Statements are included in Note 3 to our Audited Financial Statements and Note 2 to our Unaudited Interim Financial Statements, included elsewhere in this offering memorandum.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, requires that we develop accounting policies based on standards and related interpretations effective at the reporting date of our first annual IFRS financial statements (i.e., December 31, 2019). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (which is January 1, 2018 pursuant to IFRS 1) and for all interim periods commencing on the date of transition and until the publication of our first annual IFRS financial statements. Our Unaudited Interim Financial Statements have been prepared in accordance with accounting policies developed for the periods presented in such financial statements. The accounting policies that will be used in the preparation of our first annual IFRS financial statements were not known at the time we prepared our Unaudited Interim Financial Statements. As a result, the accounting policies used to prepare the Unaudited Interim Financial Statements are subject to change, and may differ from the accounting policies to be used in the preparation of our first IFRS annual financial statements. See “Risk Factors—Risks Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and as a result, some of our financial data are not easily comparable from period to period” and “—If our estimates or judgments relating to our significant accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.”



## Operating Segments

*Sofom* GAAP and IFRS require an entity to report financial and descriptive information about its reportable segments, which are its operating segments or certain aggregations of its operating segments that meet a specified criteria.

For management and financial reporting purposes, as of and for each of the years ended December 31, 2016, 2017 and 2018 and as of March 31, 2019 and for each of the three-month periods ended March 31, 2018 and 2019, we were organized into the following three business segments:

- leases;
- factoring; and
- auto loans and other lending.

The following tables show the main revenue and expense items for each of our business segments for the years ended December 31, 2016, 2017 and 2018, and the three-month period ended March 31, 2019:

For the Three Months Ended March 31, 2019				
	Leasing	Factoring	Auto Loans and Other Lending	Total
	(in millions of Ps.)			
	(IFRS)			
Interest income .....	1,844.1	123.5	273.0	2,240.5
Other lease benefits .....	158.9	-	-	158.9
Interest expense .....	(1,160.7)	(94.7)	(273.4)	(1,528.7)
Other leasing expenses .....	(18.6)	-	-	(18.6)
Allowance for loan portfolio .....	(59.1)	-	-	(59.1)
Financial margin adjusted for credit risks .....	764.6	28.8	(0.4)	793.0
For the Year Ended December 31, 2016				
	Leasing	Factoring	Auto Loans and Other Lending	Total
	(in millions of Ps.)			
	(Sofom GAAP)			
Operating lease income .....	7,773.1	-	-	7,773.1
Interest income .....	150.8	497.6	535.4	1,183.8
Other lease benefits .....	528.7	-	-	528.7
Depreciation of assets under operating lease .....	(4,537.3)	-	-	(4,537.3)
Interest expenses .....	1,395.1	(235.4)	(358.1)	(1,988.8)
Other lease expenses .....	(583.6)	-	-	(583.6)
Loan loss reserves .....	(67.5)	(14.0)	-	(81.5)
Financial margin adjusted for credit risks .....	1,868.9	248.2	177.3	2,294.4

For the Year Ended December 31, 2017				
	Leasing	Factoring	Auto Loans and Other Lending	Total
	(in millions of Ps.) (Sofom GAAP)			
Operating lease income .....	11,216.9	-	-	11,216.9
Interest income .....	635.8	566.8	885.1	2,087.7
Other lease benefits .....	1,010.8	-	-	1,010.8
Depreciation of assets under operating lease .....	(6,357.4)	-	-	(6,357.4)
Interest expenses.....	(2,972.1)	(284.3)	(588.8)	(3,845.2)
Other lease expenses.....	(930.5)	-	-	(930.5)
Loan loss reserves .....	(89.2)	(9.7)	(16.1)	(115.0)
Financial margin adjusted for credit risks.....	2,514.4	272.7	280.2	3,067.4
For the Year Ended December 31, 2018				
	Leasing	Factoring	Auto Loans and Other Lending	Total
	(in millions of Ps.) (Sofom GAAP)			
Operating lease income .....	14,761.0	-	-	14,761.0
Interest income .....	585.7	504.9	1,496.9	2,587.6
Other lease benefits .....	1,595.7	-	-	1,595.7
Depreciation of assets under operating lease .....	(8,005.1)	-	-	(8,005.1)
Interest expenses.....	(4,145.1)	(272.7)	(1,096.8)	(5,514.6)
Other lease expenses.....	(1,619.2)	-	-	(1,619.2)
Loan loss reserves .....	(89.5)	(121.7)	(39.4)	(250.6)
Financial margin adjusted for credit risks.....	3,083.7	110.5	360.7	3,554.9

For more information regarding the percentage that each of our business lines represents of our total portfolio and revenue, see “Business – Our Business Lines.”

## Results of Operations

The following is a brief description of our results of operation for the periods indicated.

### *Interest income*

Our interest income is comprised of:

- revenue from leasing, which includes: (i) rentals, (ii) commissions earned from a fixed fee charged to our customers per transaction, (iii) other income from insurance covering our leasing transactions and (iv) other leasing benefits;
- revenue from factoring, which includes: (i) amounts earned by us resulting from the difference between the face amount and the discount purchase price paid by us for the accounts receivable that we purchase under our factoring segment (the price differential), (ii) interest earned as a result of delayed payments by the accounts receivable debtor and (iii) other income from the payment of provisioned loans and expenses incurred in factoring transactions which are charged to the customer;
- revenue from auto loans and other lending, which includes: (i) interest earned, (ii) commissions earned from a fixed fee charged to our customers per transaction and (iii) other income from the payment of provisioned loans and insurance covering our auto financing loans; and
- revenue from commissions and others, charged to our customers per transaction.

*Financial margin, adjusted for credit risk*

Our financial margin, adjusted for credit risk, includes:

- financial margin, adjusted for credit risk, from leasing, which includes revenue from leasing less: (i) depreciation, (ii) interest expenses, (iii) allowances and (iv) other leasing expenses;
- financial margin, adjusted for credit risk, from factoring, which includes revenue from factoring less: (i) interest expenses and (ii) allowances; and
- financial margin, adjusted for credit risk, from auto loans and other lending, which includes revenue from auto loans and other lending less: (i) interest expenses and (ii) allowances.

**Administrative and promotional expenses.** Our administrative and promotional expenses are primarily composed of staffing agency fees, third party advisor and consulting services, leases and insurance, overhead and other expenses.

**Commissions and fees paid, net.** Our commissions and fees, net, include: (i) commissions earned from a fixed fee charged to our customers for each factoring transaction (including fees charged to open or renew an existing factoring credit line) and (ii) commissions paid for banking and other financial facilities.

The following financial information has been derived from our Unaudited Interim Financial Statements included elsewhere in this offering memorandum.

	<b>For the Three-Month Periods Ended March 31,</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2019</b>	<b>2018 vs. 2019</b>
<b>(in millions of Ps., except for percentages)</b>			
<b>(IFRS)</b>			
Interest income from finance.....	1,415.8	1,844.1	30.3%
Interest income from factoring.....	81.9	123.5	50.8%
Interest income from car loans .....	236.4	273.0	15.5%
Other lease benefits .....	240.1	158.9	(33.8)%
Total income .....	1,974.1	2,399.4	21.5%
Interest expense.....	1,218.9	1,528.7	25.4%
Allowance for loan portfolio .....	54.1	59.1	9.2%
Other lease expenses .....	59.6	18.6	(68.8)%
Total costs .....	1,332.6	1,606.4	20.5%
Gross margin .....	641.5	793.0	23.6%
Operating and financial expenses (income):			
Bank commissions and fees .....	15.7	7.3	(53.5)%
Investment interest .....	(114.5)	(66.8)	(41.7)%
Exchange gain (loss) .....	(64.6)	(57.5)	(11.0)%
Other net, operating (income) loss .....	(3.0)	(20.9)	596.7%
Administrative services .....	135.7	197.3	45.4%
Legal and professional fees .....	53.5	52.1	(2.6)%
Depreciation .....	28.0	28.7	2.7%
Other administrative expenses.....	61.9	75.2	21.5%
	112.5	215.3	91.4%
Profit before results of associated companies..	529.0	577.7	9.2%
Results of associated companies .....	1.3	10.6	(915.4)%
Income before income tax .....	527.8	588.2	11.4%
Income tax expense .....	131.3	114.6	(12.7)%
Consolidated net income .....	396.5	473.6	19.4%

The following financial information has been derived from our Audited Financial Statements included elsewhere in this offering memorandum.

	For the Year Ended December 31,			Percentage Change	
	2016	2017	2018	2016 vs. 2017	2017 vs. 2018
	(in millions of Ps., except for percentages)				
	<i>(Sofom GAAP)</i>				
Operating lease income .....	7,773.1	11,216.9	14,761.0	44.3%	31.6%
Interest income .....	1,183.8	2,087.7	2,587.6	76.4%	23.9%
Other lease benefits .....	528.7	1,010.8	1,595.7	91.2%	57.9%
Depreciation of assets under operating lease...	(4,537.4)	(6,357.4)	(8,005.1)	40.1%	25.9%
Interest expenses .....	(1,988.8)	(3,845.2)	(5,514.6)	93.3%	43.4%
Other lease expenses .....	(583.6)	(930.5)	(1,619.2)	59.4%	74.0%
Financial margin.....	2,375.9	3,182.4	3,805.5	33.9%	19.6%
Loan loss reserves .....	(81.5)	115.0	250.6	(41.1)%	117.9%
Financial margin adjusted for credit risk.....	2,294.4	3,067.4	3,554.9	33.7%	15.9%
Commissions and fees paid - net.....	(51.2)	(68.7)	(43.1)	34.2%	(38.5)%
Other operating income - net.....	16.4	192.1	25.9	1,071.3%	(86.5)%
Administrative and promotional expenses.....	(797.4)	(890.9)	(1,091.9)	11.7%	22.6%
Operating income .....	1,462.1	2,299.9	2,445.8	57.3%	6.3%
Equity in results of other permanent investments.....	13.4	31.9	36.3	137.6%	13.6%
Income before income taxes.....	1,475.5	(1,097.0)	(1,168.2)	(174.3)%	6.5%
Income tax expenses.....	(265.2)	(561.1)	(558.2)	(111.6)%	(0.5)%
Consolidated net income for the year .....	1,210.3	1,770.7	1,923.9	46.3%	8.7%

***Three-Month Period Ended March 31, 2018 Compared to the Three-Month Period Ended March 31, 2019***

***Interest Income from Finance***

Interest income from finance increased by Ps.428.3 million, or 30.3%, to Ps.1,844.1 million for the three-month period ended March 31, 2019 from Ps.1,415.8 million for the same period in 2018. This increase was primarily due to growth recorded in our leasing portfolio.

***Interest Income from Factoring***

Interest income from factoring operations increased by Ps.41.6 million, or 50.8%, to Ps.123.5 million for the three-month period ended March 31, 2019 from Ps.81.9 million for the same period in 2018. This increase was primarily due to growth recorded in our factoring portfolio.

***Interest Income from Car Loans***

Interest income from car loans increased by Ps.36.6 million, or 15.5%, to Ps.273.0 million for the three-month period ended March 31, 2019 from Ps.236.4 million for the same period in 2018. This increase was primarily due to growth recorded in our auto loans and other lending portfolio.

***Other Lease Benefits***

Other lease benefits decreased by Ps.81.2 million, or (33.8)%, to Ps.158.9 million for the three-month period ended March 31, 2019 from Ps.240.1 million for the same period in 2018. This decrease was primarily due to the maturity of our leasing portfolio.

***Total Income***

Total income, which consist primarily of interest income, increased by Ps.425.3 million, or 21.5%, to Ps.2,399.4 million for the three-month period ended March 31, 2019 from Ps.1,974.1 million for the same period in 2018. This increase was primarily due to the increase in interest income described above.

### *Total Costs*

Total costs, which consist primarily of interest expenses, increased by Ps.273.8 million, or 20.5%, to Ps.1,606.4 million for the three-month period ended March 31, 2019 from Ps.1,332.6 million for the same period in 2018. This increase was primarily due to the increase in interest expense described below.

Interest expense increased by Ps.309.8 million, or 25.4%, to Ps.1,528.7 million for the three-month period ended March 31, 2019 from Ps.1,218.9 million, for the same period in 2018. This increase was primarily due to an increase in debt and higher interest rates.

### *Gross Margin*

Financial margin increased by Ps.151.5 million, or 23.6%, to Ps.793.0 million for the three-month period ended March 31, 2019 from Ps.641.5 million for the same period in 2018. This increase was primarily due to the constant repricing efforts on our implicit yields and commissions, in addition to a strict analysis of financial cost efficiencies and an opportunistic approach to the markets.

### *Bank Commissions and Fees*

Commissions and fees decreased by Ps.(8.4) million, or (53.5)%, to Ps.7.3 million for the three-month period ended March 31, 2019 from Ps.15.7 million for the same period in 2018. This decrease was primarily due to a higher volume of originations.

### *Investment Interest*

Investment interest decreased by Ps.47.7 million or (41.7)% to Ps.(66.8) million for the three-months period ended March 31, 2019 from Ps.(114.5) million for the same period in 2018. This variation was primarily due to a reduction in the amount of cash invested.

### *Exchange Gain (Loss)*

Exchange gain decreased by Ps.7.1 million, or (11.0)%, to Ps.57.5 million for the three-month period ended March 31, 2019 from Ps.64.6 million for the same period in 2018. This variation was primarily due to a decrease in our foreign currency cash assets and liabilities.

### *Other Net, Operating (Income) Loss*

Other net, operating (income) loss decreased by Ps.17.9 million, or 596.7%, to Ps.(20.9) million for the three-month period ended March 31, 2019 from Ps.(3.0) million for the same period in 2018. This decrease was primarily due to an increase in rebates derived from our agreement with Mapfre, that allows us to have rebates on insurance that we originate if we manage to have a low incident rate.

### *Administrative Services*

Administrative services increased by Ps.61.7 million, or 45.4%, to Ps.197.3 million for the three-month period ended March 31, 2019 from Ps.135.6 million for the same period in 2018. As a percentage of revenue, administrative services increased by 1.4% from 6.9% for the three-month period ended March 31, 2018 to 8.2% for the three-month period ended March 31, 2019. This variation was primarily due to the growth in our headcount, staff training efforts, and the launch of our most important marketing campaign to date.

### *Legal and Professional Fees*

Legal and professional fees decreased marginally by Ps.1.3 million, or 2.6%, to Ps.52.1 million for the three-month period ended March 31, 2019 from Ps.53.5 million for the same period in 2018.

### *Depreciation*

Depreciation increased by Ps.0.7 million, or 2.7%, to Ps.28.7 million for the three-month period ended March 31, 2019 from Ps.28.0 million for the same period in 2018. This variation was due to the acquisition of assets during the quarter.

### *Other Administrative Expenses*

Other administrative expenses increased by Ps.13.3 million, or 21.5%, to Ps.75.2 million for the three-month period ended March 31, 2019 from Ps.61.9 million for the same period in 2018. This variation was primarily due to an increase in expenses relating to our commercial and marketing efforts and employee training.

### *Profit Before Results of Associated Companies*

Profit before results of associated companies increased by Ps.48.7 million, or 9.2%, to Ps.577.7 million for the three-month period ended March 31, 2019 from Ps.529.0 million for the same period in 2018. This increase was primarily due to the factors described above.

### *Income Tax Expense*

Income tax expense decreased by Ps.16.7 million, or 12.7%, to Ps.114.6 million for the three-month period ended March 31, 2019 from Ps.131.3 million for the same period in 2018. This decrease was primarily due to the effects of deferred taxes resulting mainly from the difference between our tax depreciation rate and our accounting depreciation rate.

### *Consolidated Net Income*

Net income increased by Ps.77.1 million, or 19.4%, to Ps.473.6 million for the three-month period ended March 31, 2019 from Ps.396.5 million for the same period in 2018. This increase was primarily due to the factors explained above.

### ***Year Ended December 31, 2017 Compared to the Year Ended December 31, 2018***

#### *Operating Lease Income*

Operating lease income, which consists primarily of operating lease rent payments, increased by Ps.3,544.1 million, or 31.6%, to Ps.14,761.0 million for the year ended December 31, 2018 from Ps.11,216.9 million for the year ended December 31, 2017. This increase was primarily due to the growth of our leasing portfolio.

#### *Interest Income*

Interest income increased by Ps.499.9 million, or 23.9%, to Ps.2,587.6 million for the year ended December 31, 2018, from Ps.2,087.7 million for the year ended December 31, 2017. This increase was primarily due to the growth of originations in our factoring and auto loans businesses.

The table below sets forth a breakdown of our interest income by segment for the periods indicated.

	Year Ended December 31,			
	2017	Percent of Interest Income	2018	Percent of Interest Income
	(in millions of Ps., except for percentages)			
	(Sofom GAAP)			
Leasing .....	635.8	30.5%	585.7	22.6%
Factoring .....	566.8	27.1%	504.9	19.5%
Auto loans and other lending.....	885.1	42.4%	1,497.0	57.9%
Total .....	<u>2,087.7</u>	<u>100.0</u>	<u>2,587.6</u>	<u>100.0%</u>

### *Other Lease Benefits*

Other lease benefits, which consist primarily of the sale of fixed assets at the end of the lease period, increased by Ps.584.9 million, or 57.9%, to Ps.1,595.7 million for the year ended December 31, 2018 from Ps.1,010.8 million for the year ended December 31, 2017. This increase was primarily due to the termination of lease agreements in the ordinary course of business.

### *Depreciation of Assets under Operating Lease*

Depreciation of assets under operating lease increased by Ps.1,647.7 million, or 25.9%, to Ps.8,005.1 million for the year ended December 31, 2018 from Ps.6,357.4 million for the year ended December 31, 2017. This increase was primarily due to the increase of the depreciable assets held as a result of the growth of the lease operations.

### *Interest Expenses*

Interest expenses increased by Ps.1,669.4 million, or 43.4%, to Ps.5,514.6 million for the year ended December 31, 2018 from Ps.3,845.2 million for the year ended December 31, 2017. This increase was primarily due to a higher debt base that we incurred in a conservative manner to avoid a credit crunch during the year.

The table below sets forth a breakdown of our interest expense by segment for the periods indicated.

	Year Ended December 31,			
	2017	Percent of Interest Expense	2018	Percent of Interest Expense
	(in millions of Ps., except for percentages)			
	(Sofom GAAP)			
Leasing .....	(2,972.1)	77.3%	(4,145.1)	75.2%
Factoring .....	(284.3)	7.4%	(272.7)	4.9%
Auto loans and other lending.....	(588.8)	15.3%	(1,096.8)	19.9%
Total .....	(3,845.2)	100.0%	(5,514.6)	100.0%

### *Other Lease Expenses*

Other lease expenses, which consist primarily of cost of sales of fixed assets, increased by Ps.688.7 million, or 74.0%, to Ps.1,619.2 million for the year ended December 31, 2018 from Ps.930.5 million for the year ended December 31, 2017. This increase was primarily due to the extended maturity of our leasing portfolio.

### *Financial Margin*

Financial margin increased by Ps.623.1 million, or 19.6%, to Ps.3,805.5 million for the year ended December 31, 2018 from Ps.3,182.4 million for the year ended December 31, 2017. This increase was primarily due to the growth of our operations and improvements in our operating efficiency.

### *Financial Margin Adjusted for Credit Risk*

Financial margin adjusted for credit risk increased by Ps.487.5 million, or 15.9%, to Ps.3,554.9 million for the year ended December 31, 2018 from Ps.3,067.4 million for the year ended December 31, 2017. This increase was primarily due to the growth of our operations.

### *Commissions and Fees Paid – Net*

Commissions and fees paid – net decreased by Ps.25.6 million, or 37.3%, to Ps.43.1 million for the year ended December 31, 2018 from Ps.68.7 million for the year ended December 31, 2017. This decrease was primarily due to a decrease in the fees we pay in connection with our lines of credit.

### *Other Operating Income – Net*

Other operating income – net, which consists primarily of recovery of insurance expenses, sale of non-operational assets, allowance for impairment value and other income, increased by Ps.166.2 million, or 86.5%, to Ps.25.9 million for the year ended December 31, 2018 from Ps.192.1 million for the year ended December 31, 2017. This decrease was primarily due to the decrease of commissions received by insurance brokers resulting from the acquisition of insurance policies with respect to assets leased by us in the ordinary course of business.

### *Administrative and Promotional Expenses*

Administrative and promotional expenses increased by Ps.201.0 million, or 22.6%, to Ps.1,091.9 million for the year ended December 31, 2018 from Ps.890.9 million for the year ended December 31, 2017. This increase was primarily due to the growth of our labor force.

### *Operating Income*

Operating income increased by Ps.145.9 million, or 6.3%, to Ps.2,445.8 million for the year ended December 31, 2018 from Ps.2,299.9 million for the year ended December 31, 2017. This increase was primarily due to the factors explained above.

### *Income Tax Expenses – Net*

Income tax expenses decreased by Ps.2.9 million, or 0.5%, to Ps.558.2 million for the year ended December 31, 2018 from Ps.561.1 million for the year ended December 31, 2017. This decrease was primarily due to the effective tax rate, which was reduced for fiscal year 2018 from 24.4% to 22.8%.

### *Consolidated Net Income*

Consolidated net income increased by Ps.153.2 million, or 8.7%, to Ps.1,923.9 million for the year ended December 31, 2018 from Ps.1,770.7 million for the year ended December 31, 2017. This increase was primarily due to the factors described above.

### ***Year Ended December 31, 2016 Compared to the Year Ended December 31, 2017***

#### *Operating Lease Income*

Operating lease income, which consists primarily of operating lease rent payments, increased by Ps.3,443.8 million, or 44.3%, to Ps.11,216.9 million for the year ended December 31, 2017 from Ps.7,773.1 million for the year ended December 31, 2016. This increase was primarily due to the growth of our leasing portfolio.

#### *Interest Income*

Interest income increased by Ps.903.9 million, or 76.4%, to Ps.2,087.7 million for the year ended December 31, 2017 from Ps.1,183.8 million for the year ended December 31, 2016. This increase was primarily due to the growth of our factoring, auto loans and other loans businesses.

The table below sets forth a breakdown of our interest income by segment for the years indicated.

	Year Ended December 31,			
	2016	Percent of Interest Income	2017	Percent of Interest Income
	(in millions of Ps., except for percentages)			
	(Sofom GAAP)			
Leasing .....	150.8	12.7%	635.8	30.5%
Factoring .....	535.4	45.2%	566.8	27.1%
Auto loans and other lending.....	497.6	42.0%	885.1	42.4%
Total .....	1,183.8	100.0%	2,087.7	100.0%



### *Other Lease Benefits*

Other lease benefits, which consist primarily of the sale of fixed assets at the end of the lease period, increased by Ps.482.1 million, or 91.2%, to Ps.1,010.8 million for the year ended December 31, 2017 from Ps.528.7 million for the year ended December 31, 2016. This was primarily due to an increase in the maturity of our operating leases.

### *Depreciation of Assets under Operating Lease*

Depreciation of assets under operating lease increased by Ps.1,820.9 million, or 40.1%, to Ps.6,357.4 million for the year ended December 31, 2017 from Ps.4,537.3 million for the year ended December 31, 2016. This increase was directly related to the growth of our leasing business assets.

### *Interest Expenses*

Interest expenses increased by Ps.1,856.3 million, or 93.3%, to Ps.3,845.2 million for the year ended December 31, 2017 from Ps.1,988.9 million for the year ended December 31, 2016. This increase was primarily due to the increase in our indebtedness and reference rate increases.

The table below sets forth a breakdown of our interest expense by segment for the years indicated.

	<b>Year Ended December 31,</b>			
	<b>2016</b>	<b>Percent of Interest Expense</b>	<b>2017</b>	<b>Percent of Interest Expense</b>
	<b>(in millions of Ps., except for percentages)</b>			
	<b>(Sofom GAAP)</b>			
Leasing interest .....	1,395.3	70.2%	2,972.1	77.3%
Factoring .....	235.4	11.8%	284.3	7.4%
Auto loans & other lending .....	358.1	18.0%	588.8	15.3%
Total .....	<u>1,988.9</u>	<u>100.0%</u>	<u>3,845.2</u>	<u>100.0%</u>

### *Other Lease Expenses*

Other lease expenses, which consist primarily of cost of sales of fixed assets, increased by Ps.346.9 million, or 59.4%, to Ps.930.5 million for the year ended December 31, 2017 from Ps.583.6 million for the year ended December 31, 2016. This increase was primarily due to the growth of our portfolio that became due.

### *Financial Margin*

Financial margin increased by Ps.806.5 million, or 33.9%, to Ps.3,182.4 million for the year ended December 31, 2017 from Ps.2,375.9 million for the year ended December 31, 2016. This increase was primarily due to our business growth and the increase of the rates in our contracts.

### *Financial Margin Adjusted for Credit Risk*

Financial margin adjusted for credit risk increased by Ps.773.0 million, or 33.7%, to Ps.3,067.4 million for the year ended December 31, 2017 from Ps.2,294.4 million for the year ended December 31, 2016. This increase was primarily due to a 41.1% increase in our loan loss reserves as a result of the growth in our non-performing loan portfolio in 2017.

### *Commissions and Fees Paid – Net*

Commissions and fees paid – net increased by Ps.17.5 million, or 34.2%, to Ps.68.7 million for the year ended December 31, 2017 from Ps.51.2 million for the year ended December 31, 2016. This increase was primarily due to the growth in originations.

### *Other Operating Income – Net*

Other operating income – net, which consists primarily of recovery of insurance expenses, property sales, allowance for impairment value and other income, increased by Ps.175.7 million, or 1,071.3%, to Ps.192.1 million for the year ended December 31, 2017 from Ps.16.4 million for the year ended December 31, 2016. This increase was primarily due to an increase in rebates derived from our agreement with Mapfre, that allows us to have rebates on insurance that we originate if we manage to have a low incident rate.

### *Administrative and Promotional Expenses*

Administrative and promotional expenses increased by Ps.93.5 million, or 11.7%, to Ps.890.9 million for the year ended December 31, 2017 from Ps.797.4 million for the year ended December 31, 2016. This increase was primarily due to our business growth.

### *Operating Income*

Operating income increased by Ps.837.8 million, or 57.3%, to Ps.2,299.9 million for the year ended December 31, 2017 from Ps.1,462.1 million for the year ended December 31, 2016. This increase was primarily due to the growth of our revenues and the improvement of our operating efficiency.

### *Income Tax Expenses*

Income tax expenses increased by Ps.295.9 million, or 111.6%, to Ps.561.1 million for the year ended December 31, 2017 from Ps.265.2 million for the year ended December 31, 2016. This increase was primarily due to the growth of our operations and the effect of deferred taxes resulting mainly from the difference between our tax depreciation rate. Our effective income tax rate increased from 18.1% in 2016 to 24.4% in 2017.

### *Consolidated Net Income for the Year*

Consolidated net income for the year increased by Ps.560.4 million, or 46.3%, to Ps.1,770.7 million for the year ended December 31, 2017 from Ps.1,210.3 million for the year ended December 31, 2016. This increase was primarily due to the growth of our originations and better margins.

## **Liquidity and Capital Resources**

### ***General***

Our treasury aims to provide the necessary resources to meet our working capital requirements. Our principal sources of liquidity are:

- operating cash flows (including operating lease income and interest income);
- cash from securitizations of leases; and
- cash from borrowings and financing arrangements including the issuance of bonds on the local and international markets.

Our principal cash requirements or uses have historically been:

- operating activities (or financing of our main business lines);
- servicing our debt;
- capital expenditures, if applicable; and
- payments of dividends.

The main policies of our treasury include (i) investing surpluses daily for maximum periods of one to seven days; (ii) investing surpluses in government treasuries or fixed income funds at banking institutions; and (iii) paying service providers and vendors on a weekly basis. The resources administered by our treasury are denominated in pesos and U.S. dollars, which are recorded at the exchange rate on the date of the transaction and are updated at the close of the relevant period.

Our cash from operations, current financing initiatives and cash and cash equivalents were sufficient to satisfy our operating activities and debt service during the year ended December 31, 2018. We believe that our cash from operations, current financing initiatives (including this offering) and cash and cash equivalents will be sufficient to fund our operating activities and debt service obligations during 2019.

### ***Loan and Leasing Portfolio***

Total loan amounts set forth in this section include the total principal amount of performing and non-performing loans outstanding at the dates presented. The term “Net Loans” refers to the total of the performing loan portfolio (defined as performing loan portfolio net of allowances) and the total of the non-performing portfolio (defined as expired loan portfolio net of allowances). Loan loss reserves are based on an expected loss methodology, which consists of provisioning the full amount of factoring and auto loans and other lending non-performing loans.

As of March 31, 2019, our total portfolio amounted to Ps.47,142.8 million.

As of December 31, 2017 and 2018, our total portfolio, including off-balance sheet accounts, amounted to Ps.41,671.8 million and Ps.52,069.5 million respectively. From 2017 to 2018, our total portfolio grew by 25.0%, primarily due to new originations during such period.

As of December 31, 2017 and 2018, our total portfolio, excluding off-balance sheet accounts, amounted to, Ps.9,866.6 million and Ps.13,288.0 million, respectively.

After our adoption of IFRS, we ceased to record non-accrued rent payments as off-balance sheet accounts as required under *Sofom* GAAP. In accordance with IFRS, our balance sheet as of March 31, 2019 now reflects our total portfolio as the net present value (unpaid balance) of total accounts receivable for leasing, factoring and auto loans and other lending. As a result, the financial information relating to our loan portfolio in our Audited Financial Statements prepared in accordance with *Sofom* GAAP is not directly comparable with the financial information relating to our loan portfolio in our Unaudited Interim Financial Statements prepared in accordance with IFRS.

The following tables present the total loans, performing loans, non-performing loans, allowances for loan losses and net loans for our leasing, factoring and auto loans and other lending business lines for the periods indicated:

As of March 31, 2019					
	Total loans	Performing loans	Non-Performing loans	Allowances	Net loans
			(in millions of Ps.)		
			(IFRS)		
Leasing .....	36,627.2	35,147.9	1,479.3	(838.5)	35,788.7
Factoring .....	2,704.9	2,563.7	141.2	(111.8)	2,593.0
Auto Loans and Other Lending .....	7,810.7	7,769.4	41.3	(61.3)	7,749.5
Total .....	47,142.8	45,481.0	1,661.8	(1,011.6)	35,788.7

As of December 31, 2018					
	Total loans	Performing loans	Non-Performing loans	Allowances	Net loans
			(in millions of Ps.)		
			(Sofom GAAP)		
Leasing .....	2,131.9	1,815.4	316.5	(366.4)	1,765.5
Factoring .....	2,746.5	2,598.7	147.8	(147.8)	2,598.7
Auto Loans and Other Lending .....	8,409.6	8,357.5	52.1	(52.1)	8,357.5
Total .....	13,288.0	12,771.6	516.4	(566.3)	12,721.7
Off-Balance Sheet Accounts .....	38,781.6				

As of December 31, 2017					
	Total loans	Performing loans	Non-Performing loans	Allowances	Net loans
			(in millions of Ps.)		
			(Sofom GAAP)		
Leasing .....	1,568.0	1,298.9	269.1	(269.1)	1,298.9
Factoring .....	2,510.6	2,484.6	26.0	(26.0)	2,484.6
Auto Loans and Other Lending .....	5,788.0	5,775.2	12.7	(12.7)	5,775.2
Total .....	9,866.5	9,558.7	307.8	(307.8)	9,558.7
Off-Balance Sheet Accounts .....	31,805.2				

For additional information on our loan portfolio, see Note 8 to our Audited Financial Statements and Note 4 to the Unaudited Interim Financial Statements included elsewhere in this offering memorandum.

**Total Loans as of December 31, 2017 Compared to December 31, 2018**

Total loans, excluding our off-balance sheet accounts, totaled Ps.13,288.0 million as of December 31, 2018, reflecting an increase of Ps.9,866.5, or 34.7%, compared to December 31, 2017.

Total operating leases, excluding our off-balance sheet accounts, totaled Ps.2,131.9 million as of December 31, 2018, reflecting an increase of Ps.563.9 million, or 36.0%, compared to December 31, 2017. Operating leases outstanding as a percentage of our total loan portfolio, excluding our off-balance sheet accounts, were 16.0% as of December 31, 2018 and 15.9% as of December 31, 2017.

Our total lease portfolio, including our off-balance sheet accounts, as of December 31, 2018 and December 31, 2017 amounted to Ps.40,913.5 million and Ps.33,373.2 million, respectively, or 78.6% and 80.1%, respectively, of our total loan portfolio, including off-balance sheet accounts.

Factoring totaled Ps.2,746.5 million as of December 31, 2018, reflecting an increase of Ps.235.8 million, or 9.4%, compared to December 31, 2017. Factoring outstanding as a percentage of our total loan portfolio, excluding off-balance sheet accounts, were 20.7% as of December 31, 2018 and 25.4% as of December 31, 2017.

Auto loans and other lending totaled Ps.8,409.7 million as of December 31, 2018, reflecting an increase of Ps. 2,621.7 million, or 45.3%, compared to December 31, 2017. Auto financing loans and other loans outstanding as a percentage of our total loan portfolio, excluding off-balance sheet accounts, were 63.3% as of December 31, 2018 and 58.7% as of December 31, 2017.

Our total non-performing loans as of December 31, 2018 and December 31, 2017 amounted to Ps.516.4 million and Ps.307.8 million, respectively, or 1.0% and 0.7%, respectively, of our total loan portfolio, including off-balance sheet accounts. The total non-performing loans increased by Ps.208.6 million or 67.8%, as of December 31, 2018.

The following table presents the past-due loan portfolios of our leasing, factoring and auto loans and other lending business lines for the periods indicated:

Past-due Installments				
As of December 31,				As of March 31,
Days	2017	2018		2019
(in millions of Ps.)				
	(Sofom GAAP)			(IFRS)
Leasing .....	>31 <sup>(1)</sup>	269.1	316.5	1,479.3
Factoring .....	>31	26.0	147.8	141.2
Auto Loans and Other Lending	>31	12.7	52.1	41.3

<sup>(1)</sup> Leasing portfolio payment installments past-due after 90 days under IFRS.

#### *Maturity Composition of the Loan and Leasing Portfolio*

The following table sets forth the maturity profile of our loan portfolio, including off-balance sheet accounts.

	As of December 31,				As of March 31,	
	2017		2018		2019	
	(Sofom GAAP)				(IFRS)	
	Loan and Leasing Amount	% of Portfolio <sup>(2)</sup>	Loan and Leasing Amount	% of Portfolio <sup>(2)</sup>	Loan and Leasing Amount	% of Portfolio <sup>(2)</sup>
Due within 180 days.....	11,017.5	26.5%	13,404.4	25.7%	9,146.8	17.6%
Between 181 and 365 days.....	6,759.2	16.2%	7,805.7	15.0%	8,557.6	16.9%
Over 365 days.....	23,895.1	57.3%	30,859.4	59.3%	29,438.4	65.5%
Total performing loan portfolio <sup>(1)</sup> .....	41,671.8	100.0%	52,069.5	100.0%	47,142.8	100.0%

<sup>(1)</sup> Maturity composition is based on the period remaining to the maturity of the loans.

<sup>(2)</sup> Percentage of portfolio equals the relevant loan amount by period divided by the sum of the total loans for each period.

### Loan and Leasing Portfolio Breakdown by Customers

The following table sets forth the number of customers that have loans outstanding under our leasing, factoring and auto loans and other lending business lines:

	As of December 31,		As of March 31,
	2017	2018	2019
	(Sofom GAAP)		(IFRS)
Leasing.....	4,269	4,714	4,643
Factoring.....	1,120	1,197	1,235
Auto loans and other lending .....	2,084	2,394	1,608

The classification of the required allowance for loan losses is as follows:

Grade	Provision (%)	As of December 31,	
		2017	2018
(in millions of Ps.)			
(Sofom GAAP)			
A-1 .....	0 to 0.50	4,097.2	8,297.8
A-2 .....	0.51 to 0.99	50.4	-
B-1 .....	1.00 to 4.99	141.8	-
B-2 .....	5.00 to 9.99	692.2	8.7
B-3 .....	10.00 to 19.99	500.2	235.7
C-1 .....	20.00 to 39.99	-	1.5
C-2 .....	40.00 to 59.99	-	-
D .....	60.00 to 89.99	-	-
E .....	90.00 to 100.00	-	80.0
Total .....		5,481.9	8,623.8

The following table shows our allowances for non-performing loans for the periods presented.

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps.)		
	(Sofom GAAP)		(IFRS)
Balance at beginning of the period.....	12.9	38.7	925.5
Additions to provisions .....	25.8	161.2	86.1
Balance at end of the period.....	38.7	199.9	1,011.6

The following is a breakdown of portfolio and reserve balances by stages and days of delay.

### Leasing

Stage	As of March 31, 2019		
	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
	(in millions of Ps.)		
	(IFRS)		
1	29,195.5	208.9	0.72%
2	5,952.4	216.7	3.64%
3	1,479.3	412.9	27.91%
	36,627.2	838.5	

## Factoring

As of March 31, 2019			
Stage	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
(in millions of Ps.) (IFRS)			
Unimpaired	2,563.7	24.5	0.96%
Impaired	141.2	87.3	61.81%
	2,704.9	111.8	

## Auto Loans – Commercial

As of March 31, 2019			
Stage	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
(in millions of Ps.) (IFRS)			
1	2,213.8	11.4	0.52%
2	9.7	1.4	14.28%
3	23.3	5.3	22.92%
	2,246.9	18.1	

## Auto Loans – Consumer

March 31, 2019			
Stage	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
(in millions of Ps.) (IFRS)			
1	87.8	0.3	0.33%
2	0.9	0.1	8.69%
3	7.5	1.7	22.92%
	96.1	2.1	

## Credit

March 31, 2019			
Stage	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
(in millions of Ps.) (IFRS)			
1	5,467.7	41.0	0.75%

## Analysis of Cash Flows

The following table summarizes our generation and use of cash for the periods presented:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2016	2017	2018	2018	2019
	(in millions of Ps.)				
		(Sofom GAAP)		(IFRS)	
Net cash flows provided by operating activities.....	14,095.2	17,021.1	13,543.9	(9,049.2)	(1,164.7)
Net cash flows used in investing activities.....	(13,716.3)	(16,744.0)	(17,545.5)	(522.0)	(110.8)
Net cash flows provided by financing activities.....	(355.3)	(353.2)	4,180.7	11,091.1	2,213.6

### Cash Flows for the Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2019

Taking into account our cash flows from operations, cash flows from financing activities and cash flows from investing activities, we had a net cash inflow of Ps.517.8 million for the three months ended March 31, 2019.

**Operating Activities.** Our net cash provided by operating activities decreased to Ps.(1,164.7) million for the three months ended March 31, 2019 from Ps.(9,049.2) million for the same period in 2018. This change was primarily due to a decrease in the volume of our operations.

**Investing Activities.** Our net cash used in investing activities increased for the three months ended March 31, 2019 to Ps.(110.8) million from Ps.(522.0) million for the same period in 2018. This change was primarily due to a increase of leasing acquisitions.

**Financing Activities.** Our net cash used in financing activities decreased for the three months ended March 31, 2019 to Ps.2,213.6 million from Ps.11,091.1 million for the same period in 2018. This decrease was primarily due to incremental debt.

### Cash Flows for the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2018

Taking into account our cash flows from operations, cash flows from financing activities and cash flows from investing activities, we had a net cash inflow of Ps.179.0 million for the year ended December 31, 2018 compared to a net cash inflow of Ps.(76.3) million for the year ended December 31, 2017.

**Operating Activities.** Our net cash provided by operating activities decreased to Ps.13,543.9 million for the year ended December 31, 2018 from Ps.17,021.1 million for the year ended December 31, 2017. This change was primarily due to an increase in originations across our business lines.

**Investing Activities.** Our net cash used in investing activities increased for the year ended December 31, 2018 to Ps.(17,545.5) million from (16,744.1) million for the year ended December 31, 2017. This change was primarily due to an increase in the acquisition of assets related to our leasing business.

**Financing Activities.** Our net cash used in financing activities increased for the year ended December 31, 2018 to Ps.4,180.7 million from Ps.(353.2) million for the year ended December 31, 2017. This increase was primarily due to inflows from the issuance of our Perpetual Notes.

### Cash Flows for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2017

Taking into account our cash flows from operations, cash flows from financing activities and cash flows from investing activities, we had a net cash inflow of Ps.(76.3) million for the year ended December 31, 2017, compared to a net cash inflow of Ps.23.6 million for the year ended December 31, 2016.

**Operating Activities.** Our net cash provided by operating activities increased to Ps.17,021.1 million for the year ended December 31, 2017 from Ps.14,095.2 million for the year ended December 31, 2016. This change was primarily due an increase in originations across our business lines.



**Investing Activities.** Our net cash used in investing activities increased for the year ended December 31, 2017 to Ps.(16,744.0) million from Ps.(13,716.3) million for the year ended December 31, 2016. This change was primarily due an increase in the acquisition of assets related to our leasing business.

**Financing Activities.** Our net cash provided by financing activities decreased for the year ended December 31, 2017 to Ps.353.2 million from Ps.355.3 million for the year ended December 31, 2016. This decrease was primarily due to a marginal decrease in dividends paid.

### Indebtedness

The following table summarizes our indebtedness for the periods presented (excluding accrued interest, commissions and expenses):

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps.)		
<b>Short-term debt:</b>	<b>(Sofom GAAP)</b>		<b>(IFRS)</b>
Bank borrowings and loans from other entities.....	4,227.8	8,322.2	11,675.3
	4,227.8	8,322.2	11,675.3
<b>Long-term debt:</b>			
Senior Notes.....	16,775.1	22,605.1	22,286.2
Securitizations program .....	17,750.0	15,451.5	15,000.5
Bank borrowings and loans from other entities.....	3,880.7	4,081.2	3,877.6
	38,405.8	42,137.8	41,164.5
Total.....	42,633.6	50,460.0	52,839.7

### Secured Notes under Trust Securitization Programs

As of March 31, 2019, the total principal amount of trust notes issued and outstanding under securitization programs (the “Secured Notes Programs”) was Ps.12,652.0 million, or Ps.12,695.5 million including accrued interest. The following table contains a summary of the secured notes issued under our trust securitization programs outstanding as of March 31, 2019:

As of March 31, 2019							
Ticker symbol	Issuing trust	Number of securities	Maturity	Interest rate (%)	Total amount of issue	Rating S&P	Trustee
UNFINCB15	F/2539	20,000,000	Sep-2020	TIE+1.60	1,411.6	mxAAA&P/ HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIE+1.80	2,369.9	mxAAA&P/ HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIE+2.20	1,248.6	mxAAA&P/ HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,226.2	mxAAA&P/ HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIE+2.10	1,466.7	mxAAA&P/ HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,469.9	mxAAA&P/ HRAAA	Banamex
UNINCB17-3	F/180406	10,000,000	Sep-2022	TIE+2.10	971.1	mxAAA&P/ HRAAA	Banamex
UNFINCB17-4	F/180406	25,000,000	Sep-2022	9.38	2,488.0	HRAAA	Banamex
Interest accrued in the short time					43.5		
Total current issues and interest					Ps.12,695.5		

*Private trust*

As of March 31, 2019					
Issuing trust	Amount	Currency	Interest rate (%)	Rating S&P	Trustee
F/1355.....	2,192.2	MXN	TIIE+2.20	mxAAA S&P/ HRAAA	Invex
Interest accrued in the short time.	6.7				
Total current issues and interest...	<u>Ps.2,198.9</u>				

*Bank Debt*

As of March 31, 2019, we had the following bank borrowings and loans from other entities:

As of March 31, 2019					
	Principal (in million Ps.)	Denomination	Maturity Date	Interest Rate (%)	Type of Collateral
<b>Short-term:</b>					
Nacional Financiera.....	2,500.0	Ps.	July-19	TIIE + 2.70	Unsecured
Banamex.....	1,800.0	Ps.	July-19	TIIE + 2.65	Unsecured
Scotiabank Bilateral .....	174.8	Ps.	Aug-21	TIIE + 3.00	Lease portfolio
Scotiabank W.H .....	500.0	Ps.	July-19	TIIE + 2.50	Lease portfolio
Scotiabank .....	1,000.0	Ps.	Jan-20	TIIE + 2.50	Unsecured
Barclays.....	775.2	USD	Mar-19	Libor + 4.25	Unsecured
Banamex USD.....	387.6	USD	Apr-19	Libor + 4.00	Unsecured
Bladex USD.....	1,181.9	USD	Dec-20	Libor + 4.50	Unsecured
Santander Mexico.....	1,000.0	Ps.	June-19	TIIE + 2.50	Lease portfolio
Bancomext.....	355.9	Ps.	Dec-21	TIIE + 2.70	Lease portfolio
HSBC .....	1,000.0	Ps.	June-30	TIIE + 2.30	Unsecured
Banamex .....	1,000.0	Ps.	Mar-22	TIIE + 3.00	Lease portfolio
Total short-term.....	<u>11,675.4</u>				
<b>Long-term:</b>					
Barclays.....	1,608.5	USD	Aug-21	Libor + 3.75	Unsecured
Bladex USD.....	1,387.1	USD	Dec-20	Libor + 4.50	Unsecured
Scotiabank Bilateral .....	301.9	Ps.	Aug-21	TIIE + 3.00	Lease portfolio
Bancomext.....	580.2	Ps.	Dec-21	TIIE + 2.70	Lease portfolio
Total long-term.....	<u>3,877.7</u>				
Total bank debt.....	<u>15,553.1</u>				

*Barclays*

On July 18, 2019, we repaid in full the outstanding amounts under our amended and restated loan agreement entered into on July 1, 2019 and maturing on March 27, 2020, with Barclays Bank PLC.

*Bladex*

On June 28, 2019, we entered into a credit agreement with a syndicate of lenders led by Banco Latinoamericano de Comercio Exterior, S.A. and Nomura Corporate Funding Americas, for an aggregate principal amount of up to US\$220,625,000, and maturing on June 28, 2022. This loan contains covenants customary for a facility of this type, including restrictions on the creation of liens to secure indebtedness and certain financial ratios. The proceeds of this loan were used to repay in full the outstanding amounts under our credit agreement, dated December 11, 2017, with a syndicate of lenders led by Banco Latinoamericano de Comercio Exterior, S.A. and Nomura Corporate Funding Americas, and the remainder for general corporate purposes.

### *ResponsAbility Management Company*

On June 26, 2019, we subscribed certain promissory notes in favor of ResponsAbility Management Company in the amount of US\$20.0 million, which amount was paid to us on June 28, 2019. The amounts outstanding under these promissory notes are due on June 28, 2022.

### *International Notes*

#### *2023 Senior Notes*

On September 27, 2016, we issued US\$400 million aggregate principal amount of 7.250% Senior Notes due 2023 in a Rule 144A/Regulation S offering, which are unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. (the “2023 Senior Notes”). On June 3, 2019, we and our subsidiary guarantors entered into a supplemental indenture to the indenture governing the 2023 Senior Notes to amend certain provisions, including our debt incurrence and restricted payments covenants, to more closely align such provisions with our recent adoption of IFRS, industry peers and current market standards.

#### *2025 Senior Notes*

On May 15, 2017, we issued US\$450 million aggregate principal amount of 7.000% Senior Notes due 2025 in a Rule 144A/Regulation S offering, which are unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. (the “2025 Senior Notes”). On June 3, 2019, we and our subsidiary guarantors entered into a supplemental indenture to the indenture governing the 2025 Senior Notes to amend certain provisions, including our debt incurrence and restricted payments covenants, to more closely align such provisions with our recent adoption of IFRS, industry peers and current market standards.

#### *Subordinated Perpetual Notes*

On January 29, 2018, we issued US\$250 million aggregate principal amount of 8.875% Subordinated Perpetual Notes in a Rule 144A/Regulation S offering (the “Perpetual Notes”). The Perpetual Notes have no fixed final maturity date. However, we have the right to redeem all, but not less than all of the Perpetual Notes at our option on the seventh anniversary of the issue date, and subsequently on every fifth anniversary thereafter.

#### *2026 Senior Notes*

On February 12, 2018, we issued US\$300 million aggregate principal amount of 7.375% Senior Notes due 2026 in a Rule 144A/Regulation S offering, which are unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. (the “2026 Senior Notes”). On June 3, 2019, we and our subsidiary guarantors entered into a supplemental indenture to the indenture governing the 2026 Senior Notes to amend certain provisions, including our debt incurrence and restricted payments covenants, to more closely align such provisions with our recent adoption of IFRS, industry peers and current market standards.

#### *2028 Senior Notes*

On July 18, 2019, we issued US\$450 million aggregate principal amount of 8.375% senior notes due 2028 in a Rule 144A/Regulation S offering, which are unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. (the “2028 Senior Notes”). The proceeds of the 2028 Senior Notes were used to pay fees and expenses incurred in connection with such offering, and for general corporate purposes, including the repayment of short-term credit facilities.

Our subsidiaries do not have any restrictions on transferring funds to us.

### *Information regarding Issuance Trusts and Private Structured Trusts*

We have obtained financing through private and public securitization of our collection rights of our leasing portfolio. Such financing structures are non-recourse to the Company. As of March 31, 2019, we had issued publicly-traded trust bonds and private trust structures for a total principal amount of Ps.15,000.5 million. See “—Secured Notes under Trust Securitization Programs” and “—Bank Debt.” As of December 31, 2017 and 2018 and for the three months ended March 31, 2019, we assigned, by means of these public and private structures, a total of Ps.6,118.4 million, Ps.7,864.0 million and Ps.17,529.2 million of collection rights, respectively. As of March 31, 2019, our collection rights assigned to either issuance trusts or private structures represented 37.2% of our total portfolio.

Our public securitization trusts have allowed us to obtain financing by issuing local bonds (*Cebures*) registered with the RNV. Subsequent to each securitization we receive an amount equal to the present value of the collection rights, minus any applicable commissions and fees paid to the trustee and other third parties. The trustee of each securitization trust further pays interest and principal to the bondholders with amounts received from the securitized leasing portfolio collection rights and according to the priority of payment established in the respective securitization trust agreement.

We also carry out private securitization structures with Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (“Scotiabank”) and Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (“Santander Mexico”), which operate similar to a public securitization program, except that the source of our funding comes from a credit line granted by the financial institution. Under this private structure, we assign the collection rights of our lease portfolio in favor of the securitization structure, which in turn will use the available funds of the credit line granted by Scotiabank or Santander Mexico to pay us for the total outstanding amount for the acquisition of such collection rights. Any amounts received from the collection rights of the securitized leasing portfolio will be used to pay any amount owed by the securitization trust under the applicable credit facility.

### ***Covenants***

Certain of our loan agreements contain a number of covenants requiring us to comply with certain financial ratios and other tests. As of March 31, 2019, the main restrictive financial covenants under these loan agreements require us to maintain the following ratios:

- Capitalization Ratio (total stockholders’ equity / total assets):  $\geq 9.5\%$
- Capitalization Ratio (total stockholders’ equity / total loan portfolio, including off-balance sheet loans):  $\geq 10.0\%$
- Consolidated Leverage Ratio (total financial liabilities, excluding securitizations and the Perpetual Notes / total stockholders’ equity):  $\leq 7$  times
- Non-performing Loans (non-performing loans, plus future rentals / total loan portfolio, including off-balance sheet loans):  $\leq 9.0\%$
- Non-performing Loans (non-performing loans / total loan portfolio, including off-balance sheet accounts):  $\leq 4.0\%$
- Non-performing Loan Portfolio Coverage Ratio (loan loss reserves / total non-performing loans portfolio):  $\geq 1$
- Debt Coverage Ratio (cash and cash equivalents plus net loan portfolio / total indebtedness, excluding securitizations and the Perpetual Notes):  $\geq 1$  time

In addition, the instruments governing our debt, including the indentures governing our 2023 Senior Notes, 2025 Senior Notes and 2026 Senior Notes, contain covenants restricting our and our subsidiaries’ ability to, among other things incur additional debt, make certain dividend payments, redeem capital stock and make certain

investments, transfer and sell assets, engage in lease securitizations and receivables transactions for less than fair market value, enter into agreements that would limit the ability of subsidiaries to pay dividends or make distributions, create liens, effect a consolidation, merger or sale of assets and enter into transactions with affiliates, each subject to certain conditions and/or exclusions. These debt instruments also contain customary events of default.

As of the date of this offering memorandum, we are in compliance with all of the covenants under our loans and debt instruments.

### *Derivative Financial Instruments*

We engage in derivative financial transactions for risk-hedging purposes. As of December 31, 2017 and 2018 and March 31, 2019 we had outstanding derivative financial instruments with a fair market value of Ps.4,598.1 million, Ps.5,103.1 million and Ps.3,726.9 million respectively.

Such derivative financial instruments consist mainly of cross-currency swaps to hedge against fluctuations in the currency exchange of our U.S. dollar-denominated liabilities and “CAP” interest rate purchase options, used to hedge against interest rates fluctuations.

The following is qualitative and quantitative information regarding our derivative financial instruments.

#### *Qualitative and Quantitative Information*

We use derivative financial instruments for hedging purposes and not for speculation purposes.

We have a designated department in charge of supervising that we maintain adequate coverage reserves for all liabilities contracted by the issuing of stock certificates or through our securities portfolio, which allows us to insure our financial margin. We enter into derivative financial transactions with duly accredited domestic and foreign institution to hedge against interest rates fluctuations, which eliminates the inherent risks of interest rate increases. This allows us to enter leases with our customers at fixed rates.

Based on the risk variable TIIE, and due to our consistent operating structure, we have limited currency exchange risks. We hedge against floating rates risk and the currency risk with respect to our U.S. dollar-denominated liabilities.

#### *Derivative Financial Instruments Summary*

As of March 31, 2019, the composition of our derivative financial instruments portfolio was as follows:

#### *Cross Currency Swaps*

Hedged liability	Type of DFI	DFI Rating	Notional value	Value of underlying asset as of			Fair value of DFI as of				Maturity year	Short/Long position
				March 31, 2019	December 31, 2018	January 1, 2018	March 31, 2019	December 31, 2018	January 1, 2018			
Intl. Notes	CCS	Hedge	1,421,250	19.31	19.657	19.735	Ps (2,181)	Ps 56,886	Ps -	2026	Long dollar	
Intl. Notes	CCS	Hedge	1,895,000	19.31	19.657	19.735	2,352	79,945	-	2026	Long dollar	
Intl. Notes	CCS	Hedge	947,500	19.31	19.657	19.735	(2,016)	37,355	-	2026	Long dollar	
Intl. Notes	CCS	Hedge	1,421,250	19.31	19.657	19.735	(1,856)	57,411	-	2026	Long dollar	
Intl. Notes	Call Spread	Hedge	1,421,250	19.31	19.657	19.735	248,117	219,192	-	2026	Long dollar	
Intl. Notes	Call Spread	Hedge	1,895,000	19.31	19.657	19.735	320,031	292,255	-	2026	Long dollar	
Intl. Notes	Call Spread	Hedge	947,500	19.31	19.657	19.735	163,983	146,128	-	2026	Long dollar	
Intl. Notes	Call Spread	Hedge	1,421,250	19.31	19.657	19.735	249,607	219,192	-	2026	Long dollar	
Intl. Notes	CCS	Hedge	1,422,000	19.31	19.657	19.735	129,128	195,750	262,452	2025	Long dollar	
Intl. Notes	CCS	Hedge	2,370,000	19.31	19.657	19.735	(178,029)	(97,057)	430,242	2025	Long dollar	
Intl. Notes	CCS	Hedge	948,000	19.31	19.657	19.735	75,037	149,585	161,146	2025	Long dollar	
Intl. Notes	CCS	Hedge	1,422,000	19.31	19.657	19.735	127,761	198,245	256,022	2025	Long dollar	
Intl. Notes	CCS	Hedge	1,422,000	19.31	19.657	19.735	(10,843)	40,799	245,300	2025	Long dollar	
Intl. Notes	Call Spread	Hedge	1,422,000	19.31	19.657	19.735	239,372	229,220	-	2025	Long dollar	
Intl. Notes	Call Spread	Hedge	2,370,000	19.31	19.657	19.735	400,527	384,148	-	2025	Long dollar	
Intl. Notes	CCS	Hedge	1,156,250	19.31	19.657	19.735	256,337	354,952	422,243	2023	Long dollar	
Intl. Notes	CCS	Hedge	1,850,000	19.31	19.657	19.735	412,075	568,993	649,357	2023	Long dollar	

Hedged liability	Type of DFI	DFI Rating	Notional value	Value of underlying asset as of			Fair value of DFI as of			Maturity year	Short/Long position
				March 31, 2019	December 31, 2018	January 1, 2018	March 31, 2019	December 31, 2018	January 1, 2018		
Intl. Notes	CCS	Hedge	1,850,000	19.31	19.657	19.735	408,790	558,614	669,870	2023	Long dollar
Intl. Notes	CCS	Hedge	1,387,500	19.31	19.657	19.735	303,234	423,873	498,534	2023	Long dollar
Intl. Notes	CCS	Hedge	1,156,250	19.31	19.657	19.735	265,783	364,850	418,826	2023	Long dollar
Private structure	IRS	Trading	2,250,000	8.514	8.596	7.624	(57,226)	(94,565)	-	2021	Short THIE 28
Private structure	IRS	Trading	2,250,000	8.514	8.596	7.624	53,404	90,407	81,066	2021	Long THIE 28
Private structure	IRS	Trading	2,250,000	8.514	8.596	7.624	27,977	40,140	-	2021	Long THIE 28
Bank loan	CCS	Hedge	2,901,377	19.31	19.657	19.735	41,991	119,276	119,526	2020	Long dollar / Long Libor
Bank loan	CCS	Hedge	1,575,340	19.31	19.657	19.735	(144,882)	(143,721)	29,746	2021	Long dollar / Long Libor
Bank loan	Call Spread	Hedge	1,575,340	19.31	19.657	19.735	173,474	193,013	-	2021	Long dollar / Long Libor
							3,501,947	4,684,883	4,244,332		
UNFINCB 17-3	IRS	Trading	2,500,000	8.514	8.596	7.624	Ps (66,297)	Ps (115,830)	Ps -	2022	Short THIE 28
UNFINCB 17-3	IRS	Trading	2,500,000	8.514	8.596	7.624	59,748	108,417	-	2022	Long THIE 28
UNFINCB 17-3	IRS	Trading	2,500,000	8.514	8.596	7.624	66,643	115,830	85,606	2022	Long THIE 28
UNFINCB 17	IRS	Trading	1,500,000	8.514	8.596	7.624	19,403	40,058	-	2022	Long THIE 28
UNFINCB 17	IRS	Trading	1,500,000	8.514	8.596	7.624	(19,317)	(37,073)	-	2022	Short THIE 28
UNFINCB 17	IRS	Trading	1,500,000	8.514	8.596	7.624	19,403	(40,058)	22,208	2022	Long THIE 28
UNFINCB 16	CAP	Hedge	250,000	8.514	8.596	7.624	2,743	5,615	2,839	2021	Long THIE 28
UNFINCB 16	CAP	Hedge	1,000,000	8.514	8.596	7.624	10,961	22,445	11,281	2021	Long THIE 28
UFINCB 16	CAP	Hedge	2,500,000	8.514	8.596	7.624	-	-	18,500	2021	Long THIE 28
UFINCB 15	CAP	Hedge	2,000,000	8.514	8.596	7.624	18,340	35,211	22,051	2020	Long THIE 28
Intl. Notes	CCS	Trading	1,854,250	19.31	19.657	0	14,215	23,701	28,972	2025	Long dollar
Intl. Notes	CCS	Trading	927,125	19.31	19.657	0	3,740	37,712	-	2025	Long dollar
Intl. Notes	CCS	Trading	1,854,250	19.31	19.657	0	1,884	18,702	-	2025	Long dollar
							Ps 131,465	214,730	191,456		
							Ps 3,633,412	4,899,613	4,435,788		

The referenced amount (notional amount) related to the derivative financial instruments reflects the balance of the financial instrument, but does not reflect the risks. The risk amounts are generally limited to profits or losses not reflected by market valuation, which could vary depending on changes in the market value of the respective asset (mark-to-market), its volatility and the creditworthiness of the relevant counterparties.

### Off-Balance Sheet Liabilities

As of March 31, 2019, we did not have any off-balance sheet liabilities.

### Tax Credits or Tax Liabilities

As of March 31, 2019, the Company does not have tax credits or tax liabilities, except for the current tax credits and liabilities resulting from assessment of Income Tax and the Value-Added Tax ("VAT"), which are to be calculated and declared by means of the corresponding annual tax returns.

### Capital Expenditure

During the three-month periods ended March 31, 2018 and 2019 and the years ended December 31, 2017 and 2018, we invested Ps.92.9 million, Ps.247.3 million, Ps.16,744.1 million and Ps.17,545.5 million, respectively, in capital expenditures (which includes leased and owned assets calculated under *Sofom* GAAP) mainly to support the growth of our operations as well as the expansion of our regional offices. We do not anticipate any material capital expenditures out of our ordinary course of business in 2019.

## Tabular Disclosure of Contractual Obligations

The table below is a summary of our contractual obligations and other commitments as of March 31, 2019 and for the three-month periods ended March 31, 2019:

	Payments due by period			More than 3 years
	Total	Less than 1 year	1 to 3 years	
	(in millions of Ps.)			
Obligation:				
Long-term debt obligations .....	41,164.5	-	10,073.4	31,091.1
Short-term debt obligations .....	11,675.3	11,675.3	-	-
Other liabilities <sup>(1)</sup> .....	1,676.0	1,676.0	-	-
Total <sup>(2)</sup> .....	54,515.8	14,153.9	10,073.4	31,091.1

<sup>(1)</sup> Includes taxes payable, commercial paper, other accounts payable and allowances.

<sup>(2)</sup> Excluding accrued interest and other costs.

The amounts shown in the table above represent existing contractual obligations only. Our actual expenditures for certain of the items and periods are likely to substantially exceed the amounts shown above.

## Qualitative and Quantitative Disclosure about Market Risk

Market risk generally represents the risk that losses may occur in the values of financial instruments as a result of movements in interest rates or foreign currency exchange rates. We are exposed to changes in financial market conditions in the normal course of business due to our use of certain financial instruments as well as transactions incurred in foreign currencies. We continually assess our exposure to market risk derived from our operations and financial activities.

### Credit Risk

Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, which causes an asset to lose value. The purpose of credit risk management is to mitigate and optimize the risk, keeping credit risk exposure within a permissible level relative to capital, to maintain the soundness of 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 and implementing credit guidelines and procedures, we aim to achieve a high standard of credit risk management and to create a better credit management culture within the Company.

We have developed and refined our own proprietary underwriting standards and credit review system. In addition to relying on quantitative measures, we also rely on qualitative measures that allow us to make use of our knowledge and experience in evaluating 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 credit histories or customers who work in the informal economy. We believe that our business model limits our credit exposure to credit risk.

As part of our ongoing process to monitor risks, we monitor the credit collection process, which is the most important element in our credit process. We analyze, evaluate and monitor every loan. Special attention is paid to non-performing loans, and stricter measures are used to monitor these loans. See Note 3 to our Audited Financial Statements and Note 2 to our Unaudited Interim Financial Statements, in each case included elsewhere in this offering memorandum.

### Exchange Rate Risk

We are exposed to foreign currency exchange rate risk to the extent certain of our U.S. dollar-denominated liabilities are not covered by currency financial derivative instruments. These derivative financial instruments allow us to make the interest and principal payments on our U.S. dollar-denominated liabilities at fixed pre-determined

exchange rates for the applicable dates. We entered into these swaps to ensure that any future devaluation of the peso against the U.S. dollar during the life of our U.S. dollar-denominated liabilities does not affect our ability to meet our obligations given that all of our income is peso-denominated. Under our derivative agreements, we provide the counterparty with an agreed-upon amount of pesos at the beginning of the term and receive from the counterparty a previously agreed-upon amount of U.S. dollars at the end of the term. As of March 31, 2019, 100.0% of our U.S. dollar-denominated debt was covered by derivative financial instruments. Pursuant to our risk management policies, we use derivative financial instruments for hedging purposes and not for speculation purposes. See “—Derivative Financial Instruments.”

Through the aforementioned currency swap agreements, the interest rate accrued on U.S. dollar denominated liabilities is also converted from a fixed rate denominated in dollars to a variable rate denominated in pesos. Therefore, the Company pays its counterparts interest calculated at variable rates denominated in pesos, every 28 days, and said counterparts deliver interest calculated at fixed rates denominated in U.S. dollars, every six months, with which the Company hedges the semi-annual payment of interests to the holders of the 2023 Senior Notes, 2025 Senior Notes and 2026 Senior Notes.

### ***Interest Rate Risk***

We are exposed to interest rate risk since potential movements on the interest rates may rise to a mismatch in our borrowing and lending interest rates at our different lines of business. A sustained increase in interest rates would increase our financing costs and may result in a decrease in demand for our financing products. In the event of an increase in interest rates, we may also need to readjust our portfolio of assets and liabilities in order to minimize the risk of a mismatch and to maintain our profitability. In addition, an increase in interest rates could negatively affect the Mexican economy and the financial condition of our customers and their ability to repay their obligations to us, which could result in a deterioration in the quality of our portfolio. Furthermore, volatility in interest rates could also affect the ability of our customers to repay their obligations to us, which could result in an increase in non-performing leases and loans, and therefore could have a material adverse effect on our business, financial condition and results of operations.

### ***Market Risk***

We monitor exposure to market risk by analyzing the impact of potential interest rate movements and foreign exchange rate changes on our financial performance. Our finance committee constantly monitors our exposure to market risk and recommends necessary measures to be taken monthly in order to reduce any risk. We seek to adjust any variation in our liabilities caused by potential interest rate and foreign exchange to be reflected in our assets. We consider economic, political and other business factors that could affect our results. Our management actions strive to reduce our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of any measures taken by our finance committee. Furthermore, such measures do not represent our current view of expected future interest rate movements.

### **Internal Control Policy**

Our operations are supported and regulated by a management system (the “ERP”), which monitors and registers our operating income. Our internal control system is based on the segregation of responsibilities and its processes are in accordance with our internal policies and applicable law. We have made significant investments in ERP to optimize its processes and guarantee the confidentiality of our data.

In addition, we have developed controls and procedures to ensure that the information that we disclose to our investors and governmental authorities is obtained, processed, summarized and disclosed in a timely manner and in accordance with applicable law. These controls and procedures include several requirements, such as that any information disclosed, is first reviewed and approved by our board of directors, or our audit and corporate practices committee, as applicable.

Our audit and corporate practices committee is responsible for the approval, review and amendment of the general guidelines for our internal controls and internal audit. Our management is responsible for implementing and monitoring our standards of internal control to ensure the integrity, reliability and timeliness of our financial information.



## BUSINESS

### Overview

We are a Mexican leasing company, specializing in three main business lines: leasing, factoring and auto loans and other lending. Through our leasing business line, our core business line, we offer leases for all types of machinery and equipment, transportation vehicles (including cars, trucks, helicopters, airplanes and other vessels) and other assets used in a variety of industries. Through our factoring business line, we provide liquidity and financing solutions to our customers by purchasing or discounting their accounts receivable and by providing vendor financing. The auto loans portion of our auto loans and other lending business line is focused on financing the acquisition of new and used vehicles, while the other lending portion of such business line includes financing working capital needs and the acquisition of other capital assets.

We specialize in serving small and medium-sized enterprises (“SMEs”), which we believe are largely underserved by banking institutions despite representing the majority of the economic activity in Mexico. We believe the SME sector will continue expanding and providing an attractive opportunity for growth.

The amount per transaction of our leases ranges from Ps.100,000 to Ps.150 million, with an average balance of Ps.8.0 million and with maturities between 12 to 48 months and 38 months on average. The annual fixed interest rates that we charge for our lease products range from 23.0% to 27.0%. The amount per transaction of our factoring products ranges from Ps.500,000 to Ps.150 million, with maturities between 8 to 180 days and 109 days on average, with annual interest rates at the Mexican interbank lending rate (*Tasa de Interés Interbancaria de Equilibrio*, or “TIIE”) plus 14.5% to 19.5%. Our auto loans range from Ps.50,000 to up to 80.0% of the vehicle’s price, with maturities between 12 and 60 months and a fixed interest rate of 17.5% to 20.5%.

As of March 31, 2019, our leasing, factoring and auto loans and other lending business lines represented 77.7%, 5.7% and 16.6% (of which 5.0% was represented by auto loans), respectively, of our total portfolio.

In recent years, we have experienced a significant level of growth combined with high rates of return and low rates of non-performing loans. Between 2016 and 2018, our loan portfolio grew at a compound annual growth rate (“CAGR”) of 31.4%, and we had an average return on average equity of 23.4% and an average return on average assets of 3.4% during such period, while return on average equity for 2018 was 15.8%. As of December 31, 2018, our loan portfolio increased by Ps.10,397.7 million or 25.0% as compared to December 31, 2017. Non-performing loans represented 1.0% of our loan portfolio as of December 31, 2018. We believe our growth is the result of various factors including our geographic coverage and wide distribution network integrated by our headquarters in Mexico City and fourteen regional offices, our industry knowledge and know-how, our efforts on development and innovation to meet customers’ needs, our customer loyalty resulting from our personalized service and our effective origination and collections processes, as well as risk mitigation strategies.

As of March 31, 2019, we had total assets of Ps.62,761.7 (US\$3,238.6 million), our total portfolio amounted to Ps.47,142.8 million (US\$2,432.6 million) and had stockholder’s equity of Ps.9,325.4 million (US\$481.2 million). For the three-month periods ended March 31, 2018 and 2019, we had profit before results of associated companies of Ps.529.0 million (US\$27.3 million) and Ps.577.7 million (US\$29.8 million), respectively, and consolidated net income of Ps.396.5 million (US\$20.5 million) and Ps.473.6 (US\$24.4 million), respectively.

For the years ended December 31, 2016, 2017 and 2018 we had operating income of Ps.1,462.1 million (US\$75.4 million), Ps.2,299.9 million (US\$118.7 million) and Ps.2,445.8 million (US\$126.2 million), respectively, and consolidated net income of Ps.1,210.3 million (US\$62.5 million), Ps.1,770.7 million (US\$91.4 million) and Ps.1,923.8 million (US\$99.3 million), respectively.

### Our History

We are organized as a publicly traded company with variable capital stock (*sociedad anónima bursátil de capital variable*) under the laws of Mexico. We were incorporated in 1993 under the corporate name Arrendadora Axis, S.A. de C.V. In 1996, we changed our corporate name to Arrendadora Unifin, S.A. de C.V. By resolution of our shareholders adopted on September 27, 2006, we amended our by-laws in order to become organized as a *Sofom Entidad No Regulada*. In 2009, we changed our corporate name again to Unifin Financiera, S.A. de C.V., Sociedad

Financiera de Objeto Múltiple, Entidad No Regulada. By the unanimous resolutions of our shareholders dated October 1, 2009, we became a *sociedad anónima promotora de inversion*, regulated by the applicable provisions of the Mexican Securities Market Law, the Mexican General Corporations Law (*Ley General de Sociedades Mercantiles*) and the General Law of Auxiliary Credit Organizations and Credit Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito* or “GLACOA”). In accordance with the resolutions adopted by our shareholders meetings dated February 26, 2015 and April 13, 2015 and the unanimous resolutions adopted by our shareholders on May 7, 2015, we adopted the form of a publicly traded variable capital stock corporation (*sociedad anónima bursátil de capital variable*), amended our by-laws and changed our name to Unifin Financiera, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada. On March 21, 2019, at our annual shareholders meeting, following the approval of our board of directors and the favorable opinion of our audit and corporate practices committee, our shareholders approved the change of our corporate regime from a non-regulated multiple-purpose financial company in the form of a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable, sociedad financiera de objeto múltiple, entidad no regulada*) to a publicly traded variable stock corporation (*sociedad anónima bursátil de capital variable*), and consequently change our name to Unifin Financiera, S.A.B. de C.V.

In 2000, we initiated a process for the adoption of internal control, operations and corporate governance standards which involved several changes within the Company, including hiring new personnel, changing external auditors, making strong investments in information technology, improving internal processes and adding independent directors with strong expertise in the financial industry to our board of directors. All of these changes permitted us to access new sources of funding through the BMV by issuing debt and asset-backed securities, as well as other financings obtained from international and domestic financial institutions. In 2002, we completed our first short-term debt issuance through the BMV in the amount of Ps.20 million, and in 2006 we completed our first lease securitization through the BMV in the amount of Ps.200 million.

In October 2009, we formed Unifin Factoring, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada as a wholly owned subsidiary, which is engaged in the factoring and credit businesses. Pursuant to resolutions approved during a shareholders’ meeting held on October 18, 2011, Unifin Factoring changed its corporate name to Unifin Credit, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, its current corporate name.

On July 15, 2014, we completed our first issuance of international bonds pursuant to Rule 144A and Regulation S of the Securities Act, in the amount of US\$400 million, followed in 2016, 2017 and 2018 by additional issuances of the 2023 Senior Notes, the 2025 Senior Notes, the Perpetual Notes and the 2026 Senior Notes in the amounts of US\$400 million, US\$450 million, US\$250 million and US\$300 million, respectively.

On April 13, 2015, the general extraordinary shareholders meeting of the Issuer approved the merger of Unifin Capital, our controlling shareholder at the time, into the Issuer with the Issuer continuing as the surviving entity. The merger became effective on April 30, 2015. As a result of this merger, the shareholders of Unifin Capital received equity originally owned by Unifin Capital.

On May 27, 2015, we completed our Initial Public Offering, which consisted of a public offering in Mexico through the BMV, combined with a private share placement with international institutional investors in the U.S. and other locations pursuant to Rule 144A and Regulation S under the Securities Act. The primary portion of the offering consisted of 72,800,000 shares (including the over-allotment options) offered at a price of Ps.28.00 per share, yielding an aggregate value of Ps.2,038.4 million (US\$112.3 million). The Initial Public Offering allowed us to expand our capitalization levels by increasing stockholders’ equity as a percentage of total assets.

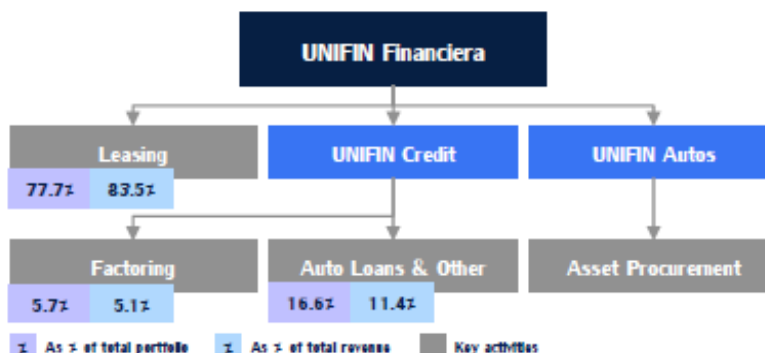
On August 14, 2018, following the favorable opinion of our audit and corporate practices committee, our Board of Directors approved the appointment of Mr. Sergio José Camacho Carmona as our Chief Executive Officer, effective October 1, 2018. Mr. Luis Gerardo Barroso Gonzalez was appointed Chairman of our Executive Committee.

## Our Business Lines

We conduct our leasing, auto loans for individuals and other lending operations through Unifin. Our factoring and auto loans and other loans businesses are conducted through our subsidiary, Unifin Credit. Unifin Autos retains our auto purchases and sales business.

The following chart summarizes our corporate structure as of the date of this offering memorandum, including our principal subsidiaries and business lines and contribution of each segment to our total portfolio and revenue as of and for the three month period ended March 31, 2019:

**Corporate Structure (as of 1Q19)**



Through Unifin Credit, we own a majority stake in Inversiones Inmobiliarias Industriales, S.A.P.I. de C.V., an entity that owns certain real estate assets leased to third parties. We also own a minority stake in Unifin Agente de Seguros y de Fianzas, S.A. de C.V., which is engaged in the insurance brokerage business. None of these subsidiaries is material to our business or operations.

The following table summarizes the main terms by which we operate our three business lines – leasing, factoring and auto loans and other lending:

**Three main products providing valuable and complementary financing options for Mexican SMEs**

	Leasing 	Factoring 	Auto loans 
<b>Financing uses</b>	■ Machinery, equipment & vehicles	■ Working capital	■ Any type of vehicle
<b>Target clients</b>	■ SMEs ■ Individuals with business activities	■ SMEs ■ Individuals with business activities	■ SMEs ■ Individuals
<b>Loan amount range</b>	■ MXN\$100k – \$150mm (~US\$5.2k – ~US\$7.7mm)	■ MXN\$500k – \$150mm (~US\$25.8k – ~US\$7.7mm)	■ Up to 80% of the vehicle's price
<b>Tenor range</b>	■ 12–48 months	■ 8–180 days	■ 12–60 months
<b>Interest rate &amp; fees</b>	■ Implicit rate: 23% – 27% fixed <sup>1</sup> ■ Fee: 1.0% – 3.0% of the loan per operation	■ Rate: TIIE + 14.5% – 19.5% ■ Fee: 0.5% – 1.5% of the total amount per month term	■ Rate: 17.5% – 20.5% fixed <sup>2</sup> ■ Fee: 12–48 month: 2% origination; 60 month: 3% origination

**In addition to UNIFIN's three main products, the Company also provides insurance for corporate assets and fleet management support**

Source: Company's filings.

Note: Illustrative USD conversions assuming MXN\$19.3792 per USD.




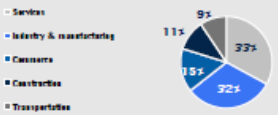

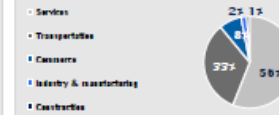
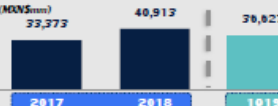

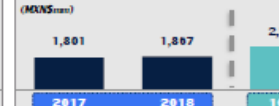
(1) In addition to the interest rate, leasing and auto loans have a down payment attached to them. For leasing, down payment in transportation equipment and other equipment is 10% and 20%, respectively.

(2) For auto loans, down payment is at least 20%.

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The following chart sets forth certain key information about our main business lines:

**As of 1Q19, UNIFIN had a highly diversified portfolio of +7,500 clients, with its top 25 clients representing less than 22.3% of the total portfolio and an average ticket per client of ~MXN\$6.2mm (~US\$322k)<sup>1</sup>**

(as of 1Q19)	Leasing 	Factoring 	Auto loans 
% of total portfolio <sup>2</sup>	■ 77.7%	■ 5.7%	■ 5.0%
Number of clients	■ 4,643	■ 1,235	■ 1,608
Average ticket	■ MXN\$8.0mm (~US\$413k)	■ MXN\$2.2mm (~US\$114k)	■ MXN\$1.5mm (~US\$77k)
Weighted average maturity	■ 38 months	■ 109 days	■ 34 months
Total loan portfolio balance	■ MXN\$36,627mm (~US\$1.9bn)	■ MXN\$2,705mm (~US\$140mm)	■ MXN\$2,343mm (~US\$121mm)
Total loan portfolio growth ('17-'18)	■ 22.6%	■ 9.4%	■ 3.7%
Loan portfolio breakdown by economic sector	 <ul style="list-style-type: none"> <li>Services</li> <li>Industry &amp; manufacturing</li> <li>Consumer</li> <li>Construction</li> <li>Transportation</li> </ul>	 <ul style="list-style-type: none"> <li>Services</li> <li>Consumer</li> <li>Industry &amp; manufacturing</li> <li>Transportation</li> <li>Construction</li> </ul>	 <ul style="list-style-type: none"> <li>Services</li> <li>Transportation</li> <li>Consumer</li> <li>Industry &amp; manufacturing</li> <li>Construction</li> </ul>
Total loan portfolio evolution			

Source: Company's Mags.

Note: Illustrative US\$ conversions assuming MXN\$19.3799 per US\$.

(1) Based on total loan portfolio and total clients.

(2) Other lending accounts represent 11.6% of the company's total portfolio.

Accounting principle:

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The following charts reflect the size of each of our business lines with respect to our total portfolio and as a percentage of our income as of and for the years ended December 31, 2017 and 2018 (including and excluding off-balance sheet accounts), and as of and for the three months ended March 31, 2019:

	As of and for the years ended December 31,				As of and for the three months ended March 31,	
	2017		2018		2019	
	(in millions of Ps., except for percentages)					
	(Sofom GAAP)				(IFRS)	
Leasing <sup>(1)</sup> .....	33,373.2	80.1%	40,913.5	78.6%	36,627.2	77.7%
Factoring.....	2,510.6	6.0%	2,746.5	5.3%	2,704.9	5.7%
Auto loans and other lending.....	5,788.0	13.9%	8,409.7	16.2%	7,810.7	16.6%
Total.....	41,671.8	100.0%	52,069.5	100.0	47,142.8	100.0%

(1) Including off - balance sheet accounts for December 2017 and 2018.

	As of and for the years ended December 31,				As of and for the three months ended March 31,	
	2017		2018		2019	
	(in millions of Ps., except for percentages)					
	(Sofom GAAP)				(IFRS)	
Leasing <sup>(1)</sup> .....	1,568.0	15.9%	2,131.9	16.0%	36,627.2	77.7%
Factoring.....	2,510.6	25.4%	2,746.5	20.7%	2,704.9	5.7%
Auto loans and other lending.....	5,788.0	58.7%	8,409.6	63.3%	7,810.7	16.6%
Total.....	9,866.6	100.0%	13,288.0	100.0%	47,142.8	100.0%

(1) Excluding off - balance sheet accounts for December 2017 and 2018.

## Leasing Business Overview

We are engaged in leasing where we, as lessor, allow the temporary use and enjoyment of machinery, equipment, transportation vehicles (including automobiles, trucks, helicopters, planes and ships) and other assets in a variety of industries to our clients, in return for, among other things, rental payments, guarantee deposits and the lessees' assumption of certain costs and obligations related with the upkeep and maintenance of the leased asset such as insurance and tax payments.

Our customer base is comprised of individuals carrying out business activities in Mexico and medium-sized companies. The term of our lease products ranges from 12 to 48 months with an average maturity of 38 months.

Our leasing business accounted for 77.7% of our total portfolio and 83.5% of our total revenues for the three months ended March 31, 2019.

## Leases by Industry

The following table sets forth the composition of our total leasing portfolio by industry, including off-balance sheet accounts in the case of 2017 and 2018:

	As of December 31,				As of March 31,	
	2017		2018		2019	
	(in millions of Ps., except percentages)					
	(Sofom GAAP)				(IFRS)	
<b>Economic Sector:</b>						
Trade	4,261.2	12.8%	5,929.1	14.5%	5,627.3	15.4%
.....						
Construction	3,721.1	11.1%	3,260.3	8.0%	3,970.9	10.8%
.....						
Services	2,825.1	8.5%	3,833.9	9.4%	3,438.2	9.4%
.....						
Transportation	12,517.5	37.5%	14,244.0	34.8%	12,037.4	32.9%
.....						
Others (Industry & Manufacturing)						
.....	10,048.3	30.1%	13,646.2	33.4%	11,553.5	31.5%
Total	33,373.2	100.0%	40,913.5	100.0%	36,627.2	100.0%

### Leases Data

The following table sets forth the number of our lease customers, portfolio and average loans for the periods indicated, including off-balance sheet accounts in the case of 2017 and 2018:

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps., except number of customers which is expressed in thousands)		
	(Sofom GAAP)		(IFRS)
Number of Customers.....	4.3	4.7	4.6
Total Portfolio .....	33,373.2	40,913.5	36,627.2
Average Loans.....	7.8	8.7	8.0

### Leases by Type of Asset

The following table sets forth our total leasing products portfolio by type of asset, for the periods indicated, including off-balance sheet accounts in the case of 2017 and 2018:

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps.)		
	(Sofom GAAP)		(IFRS)
Boats .....	1,303.7	1,430.4	1,386.7
IT equipment.....	1,265.7	2,619.3	3,972.9
Medical equipment.....	1,360.9	898.7	1,387.2
Transportation .....	7,543.2	8,304.4	7,834.5
Machinery .....	12,956.8	14,167.1	14,141.2
Others.....	8,942.9	13,493.5	7,904.7
Total.....	33,373.2	40,913.5	36,627.2

## Factoring

### Business Overview

Through our factoring business line, we acquire accounts receivables from our clients, at a discount to their face value. Within our factoring line, we offer three products: (i) factoring with direct collection, where we collect the accounts receivables from the debtor; (ii) factoring with delegated collection, where our customer is obligated to collect payments from the relevant debtor and has to further deliver such amounts collected to us in a timely manner; and (iii) vendor factoring, in which we purchase from suppliers our customers' accounts receivable. All of our factoring transactions require our customers to remain jointly and severally liable with respect to the debtor's payment obligations. Our factoring business accounted for 5.1% of our revenues for the three months ended March 31, 2019.

### ***Factoring Operations, Current and Non-Current***

The following table sets forth our portfolio balance derived from our factoring activities:

	<b>As of December 31,</b>		<b>As of March 31,</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of Ps.)</b>		
	<b>(Sofom GAAP)</b>		<b>(IFRS)</b>
Factoring portfolio balance.....	2,510.6	2,746.5	2,704.9
Allowance for loan losses of factoring transactions .....	(26)	(147.8)	(111.8)
Factoring portfolio balance – net.....	2,484.4	2,598.7	2,563.7

### ***Factoring Loans Data***

The following table sets forth our portfolio balance related to our factoring loans and the number of factoring customers for the periods indicated:

	<b>As of December 31,</b>		<b>As of March 31,</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of Ps., except number of customers which is expressed in thousands)</b>		
	<b>(Sofom GAAP)</b>		<b>(IFRS)</b>
Number of Customers.....	1,120	1,195	1,235
Portfolio Balance .....	2,510.6	2,746.5	2,704.9

### ***Factoring Portfolio by Economic Activity***

The following table presents the factoring portfolio broken out by economic sector showing our concentration of credit risk:

	<b>As of December 31,</b>		<b>As of March 31,</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of Ps.)</b>		
	<b>(Sofom GAAP)</b>		<b>(IFRS)</b>
<b>Economic Sector:</b>			
Trade .....	466.1	559.6	693.9
Construction .....	86.3	61.7	119.3
Services .....	1481.9	381.9	1312.0
Transportation .....	115.8	362.6	180.3
Others (Industry & Manufacturing).....	360.6	1380.6	399.3
Total .....	2,510.6	2,746.5	2,704.9

## **Auto Loans and Other Lending**

### ***Business Overview***

Our auto loans and other lending business accounted for 11.4% of our total revenues for the three months ended March 31, 2019. We provide auto financing for up to 80.0% of the value of the vehicle for a term of 12 to 60 months. This product is targeted at purchasers of new or used vehicles for personal or commercial use.

### ***Auto Loans***

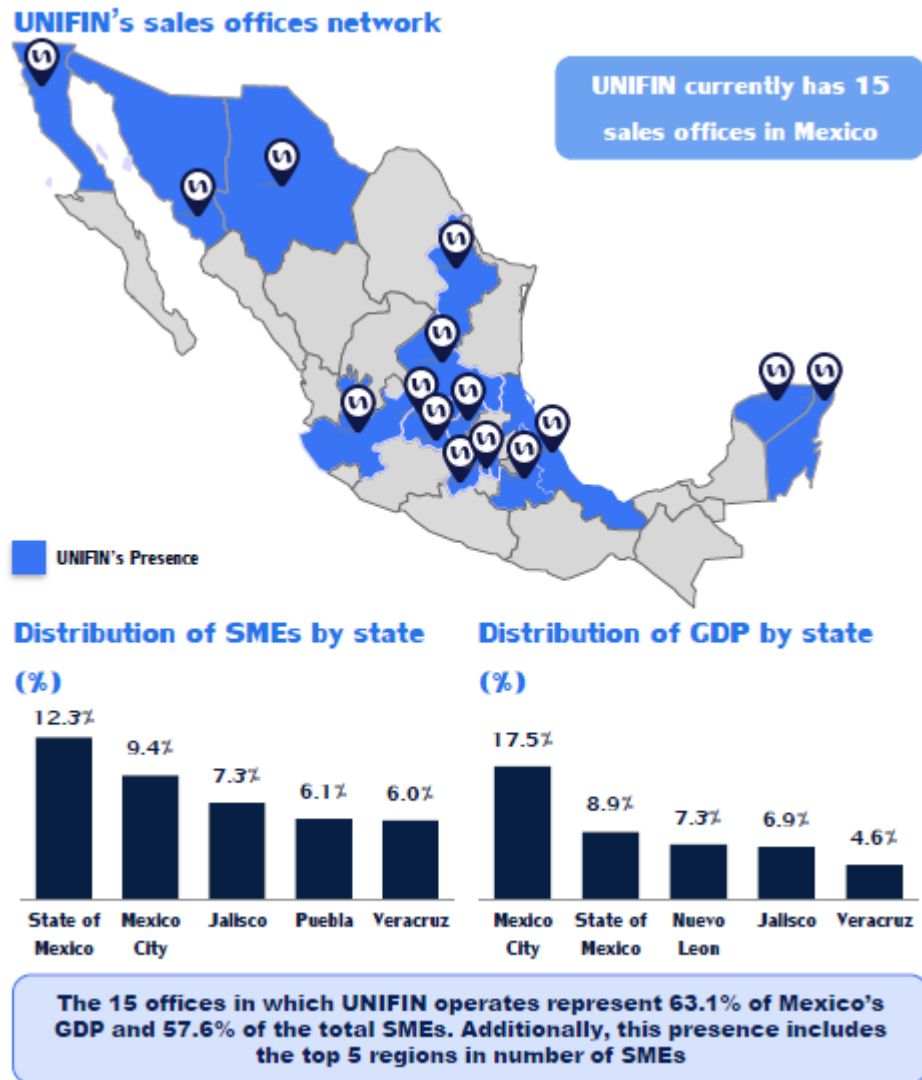
The following table sets forth the composition of our auto loans by economic sector:

	<b>As of December 31,</b>		<b>As of March 31,</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>(in millions of Ps.) (Sofom GAAP)</b>		<b>(IFRS)</b>
<b>Economic sector</b>			
Trade .....	34.5	190.4	194.6
Construction .....	14.0	12.8	14.7
Transportation .....	557.0	788.8	773.3
Services .....	1,038.0	842.8	1,322.6
Other (Industry & Manufacturing) ...	157.2	24.4	37.8
<b>Total.....</b>	<b>1,800.7</b>	<b>1,859.2</b>	<b>2,343.0</b>



## Distribution Channels

Our corporate headquarters are located in Mexico City and we currently have regional offices in Monterrey, Guadalajara, Cancún, Chihuahua, Puebla, Hermosillo, Querétaro, Mérida, Veracruz, Toluca, San Luis Potosí, Tijuana and León. According to the INEGI and IMSS, the regions in which we have a physical presence represented 77.1% of Mexico's GDP and 63.2% of the total number of SMEs, as of December 2017.



We provide our leasing and factoring products through the following distribution channels: (i) direct contact with potential and recurrent customers; (ii) customer referrals; and (iii) marketing efforts.

- **Direct Contact with Potential and Recurrent Customers:** We identify potential customers from analyzing economic industry or sector-specific information developed or obtained from various sources including industry chambers, other organizations, data providers and networking events. Our sales representatives contact such potential customers by various means, including in-person visits, telephone calls and direct electronic mailing. Our sales team is also focused on maintaining constant contact with long-term customers, aiming to preserve our business relationship with such customers.
- **Customer Referrals:** We market our services to customers referenced directly by other customers, suppliers or business partners.

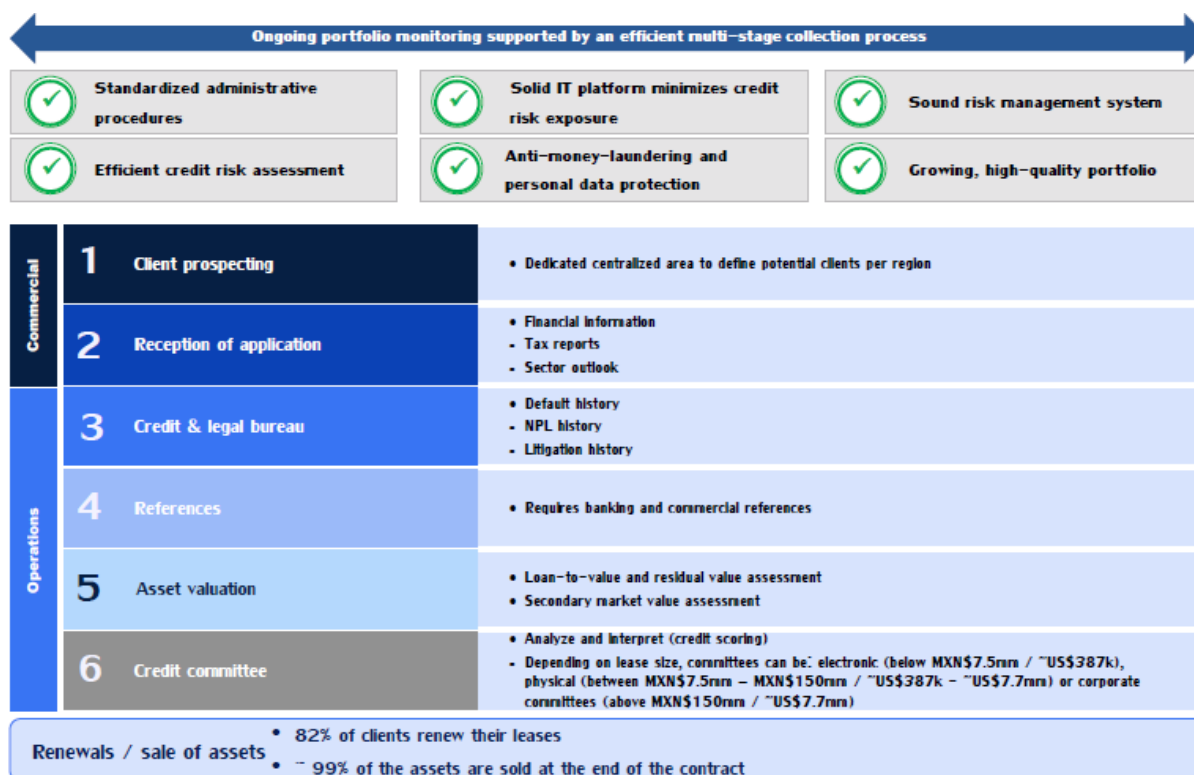
- **Marketing Efforts:** We have developed a strong, diversified and targeted marketing strategy, which allows us to market our services to specific customers. Such strategy includes printed advertising (including magazines, newspapers, brochures, fliers, etc.), billboards, radio advertising and trade shows and other events.

In 2019, we expect to offer our leasing, factoring and auto loans products through our headquarters located in Mexico City and regional offices in Monterrey, Guadalajara, Cancún, Chihuahua, Puebla, Hermosillo, Querétaro, Mérida, Veracruz, Toluca, San Luis Potosí, Tijuana and León.

Our leasing and auto loans and other lending businesses are offered through dealers with whom we maintain strategic business alliances.

## Credit Application and Approval Processes

Our application and approval processes have been designed to minimize operating costs and time, as well as to effectively manage risk. These processes leverage an advanced technology platform in which we constantly make significant investments. The following graphic illustrates the efficient process that we use to analyze and approve credit requests:



Source: Company's files.

Note: Illustrative US\$ conversions assuming MXN\$19.7793 per US\$.

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The application and approval processes for the products of our leasing and factoring business lines are similar. Applications are evaluated by the credit risk office and, depending on the amount being financed the application may be approved by one or more of our credit committee members through an electronic platform, by our credit committee or by our corporate credit committee. Once financing is approved, our customers must sign a master agreement with our general financing terms and conditions.

The following represents our authorization policy for our leasing and factoring business lines:

- Loans of up to Ps.7.5 million are authorized by one or more of our credit committee members through an e-platform. Such authorizations are granted based on our internal policies on corporate signing and delegation of authorities.
- Loans ranging from Ps.7.5 million to Ps.150 million need to be authorized by a majority of our credit committee, which meets two times per week.
- Loans exceeding Ps.150 million need to be approved by a majority of our corporate credit committee with previous recommendation from the credit committee.

During the approval process, we employ a scoring system for leasing, factoring and credit applications which is evaluated periodically against our credit policies and business objectives. The scoring methodology assigns specific weights to key variables such as financial evaluation and customer productivity, and then converts these variables into a rating, which allows us to approve or reject loan disbursement applications more accurately. All documentation received from an applicant is digitalized and sent to our operations center for uploading into our proprietary computing system. This allows our sales force to focus on their core objective, which is to attract new customers, reducing the time to approve loan disbursement applications and minimizing errors in data inputting.

We believe that our origination process and credit policies and procedures have enabled us to maintain historically low default rates on our portfolio.

## **Collections**

We have a sophisticated web-based platform that allows us to constantly monitor our loan portfolio performance both on an aggregate and individual level. We actively monitor performance trends to manage risk and endeavor to take preemptive actions when required. See “—Information Technology.”

We have developed an advanced collection process comprised of both remote and in-person activities, supported by an experienced team of collection agents and attorneys. We act promptly upon a customer default by means of our call center and teams of collectors.

### *Leasing*

The following is a description of our collection method for our leasing business:

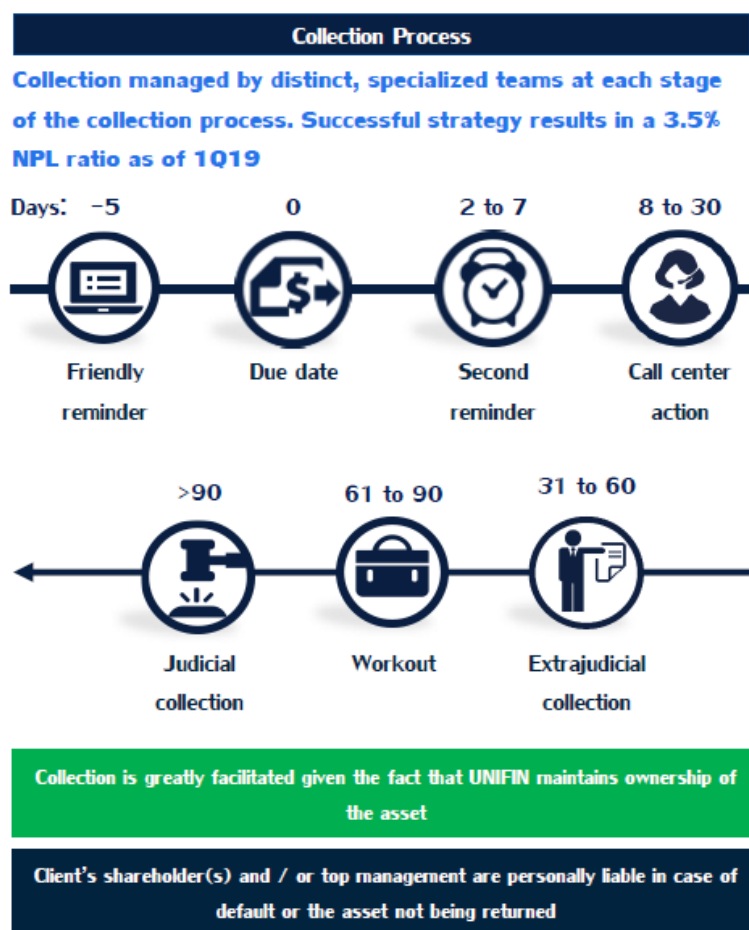
- We initiate our collecting process for our leases five business days prior to the payment date by sending an automatic electronic reminder to our customers.
- From the maturity date of any lease payment and up to the next seven days of any lease payment, an initial collection team engages in actions to collect payments, consisting primarily of electronic reminders and phone calls.
- During a period of eight to 30 days following the maturity date, a second team pursues collection efforts through our call center and through electronic reminders.

During a period of 31 to 60 days following the maturity date, a third team engages in actions to collect payments, including visits to the customer, shareholders and/or relevant debtor, and delivering formal payment requests.

- During a period of 61 to 90 days following the maturity date, a work-out team comprised of specialized litigation attorneys pursues intensive collection efforts, which include preparing for a possible judicial proceeding. During this stage, the work-out team delivers payment requirements to the debtor, guarantor and/or joint obligor and depositary through a commercial notary public (*corredor público*).
- If the lease remains past due for more than 90 days, we begin judicial proceedings and, in some cases, criminal actions.

- All of the collection efforts described above are logged into our system and can be accessed by all members of the various collection teams.

With respect to our leasing portfolio, our leasing contracts provide for the appointment of a depositary who is responsible for the delivery of the leased assets upon default, which has contributed to the timely collection of accounts.



Allowances for losses are accrued based on our internal methodology. See Note 3 to our Audited Financial Statements and Note 2 to our Unaudited Interim Financial Statements, in each case included elsewhere in this offering memorandum.

### *Factoring*

We have similar collection processes for the different products offered under our factoring business line. When we analyze potential factoring transactions, we compile a file for each customer and their corresponding debtor.

The following is a description of our collection method for our factoring business:

- On the first day of each month, we notify each customer via email specifying the accounts receivable that will expire during the month.
- Five days before maturity customers receive a second notice regarding the amount due.

- We initiate our collection process upon maturity of the invoices or receivables acquired on any factoring transaction and for a period of 15 days by contacting our customers and/or the relevant debtors by mobile phone text messages, telephone calls, regular mail, or email, and by in-person visits to their home or place of employment.
- In cases where accounts receivables are delinquent for more than 15 days, a second team initiates extrajudicial collection processes, including visits to the customer and/or relevant debtor, delivering formal payment requests.
- If any invoices or receivables remain past due for more than 30 days, we deliver a notice of default, by means of a commercial notary public (*corredor público*), to the customers and/or the relevant debtor, thereby formally requiring payment.
- If any invoices or receivables remain past due after the delivery of the aforementioned notice, we may begin judicial proceedings.

#### *Auto Loans and Other Loans*

Substantially all of our loans are paid by means of direct debit. If we do not obtain payment by direct debit, we initiate a collection process in the same manner as described for our factoring business.

#### *Portfolio Performance*

During the past two years, our delinquency rate has been lower than 1.0%. As of December 31, 2017 and 2018, our non-performing loans accounted for 0.7% and 1.0% of our total loan portfolio. This ratio considers the full outstanding balance of our factoring and credit transactions. For leasing, we only register 90 days accrued rentals. As of March 31, 2019, our non-performing loans accounted for 3.5% of our total portfolio. This increase was due to our adoption of IFRS as of January 1, 2019, under which we now record the full outstanding balance of the non-performing loans of leasing, factoring and auto loans and other loans.

### **Risk Management**

#### *Credit Risk*

Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower, which causes an asset to lose value. The purposes of credit risk management are (1) to mitigate risk, keeping credit risk exposure within a permissible level relative to capital; (2) to maintain the soundness of assets; and (3) 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 to create a better credit management culture within the Company.

We have developed and refined our own proprietary underwriting standards and credit review system. In addition to relying on quantitative measures, we also rely on qualitative measures that allow us to make use of our knowledge and experience in evaluating 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 credit histories or customers who work in the informal economy. We believe that our business model limits our credit exposure to credit risk.

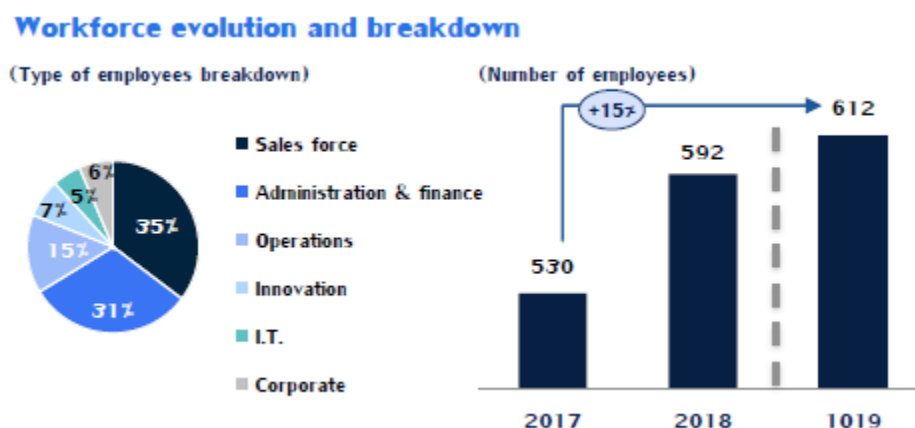
#### *Operational Risk*

Operational risk is defined as the possibility of loss caused by internal or external failures due to insufficiencies in processes, people or systems. In order to address the risk type, as well as internal control, we have an internal audit team, which has developed an operating risk management methodology and framework which allows us to identify, analyze, quantify and prioritize possible loss events. This also allows us to establish the proper actions to mitigate, transfer or assume operating risks, and to monitor, control and register risks in a standardized manner.

## Employees and Labor Relations

All of our employees are hired through Unifin Servicios Administrativos, S.A. de C.V. and Unifin Administración Corporativa, S.A. de C.V. with which we have entered into services agreements for purposes of receiving services from our officers and other staff members. The total number of employees of these service companies that provide us with services has increased according to our needs and business strategies. As of March 31, 2019, we had 612 employees, all of whom were non-unionized.

The following charts show: (i) the growth of our work force; and (ii) the breakdown of our personnel by activities, in each case as of the end of each of the periods shown:



As of March 31, 2019, our sales force, which accounted for 35% of our total work force, is subject to variable compensation plans, based on sales and other financial benchmarks. We have established a variable compensation policy for account executives, managers and directors. In the case of account executives, a budget is set for each executive and a commission is paid when the amount of originated loans exceeds such budget.

## Information Technology

We have a unique business intelligence system which provides us online access to a wide range of financial and operational information relating to our loans and our borrowers, including our customers' credit records. This information allows us to efficiently manage and monitor customer contact, payment information, the status of collection processes and a variety of other key metrics and statistics about customers' credit history with us. This system has been developed for the administration and management of information and is used by our managers and sub-managers.

We believe that our information technology system enables us to quickly and efficiently (i) make adjustments to credit policies, (ii) track and analyze the credit behavior of our customers, (iii) make informed decisions about new products to market and develop such products, (iv) optimize loan approval and collection, (v) reduce the cost and time associated with loan approvals, monitoring and collection practices and (vi) identify unusual transactions so that we can comply with our anti-money laundering law reporting obligations. For example, one system that we have developed in the leasing and auto financing business allows us to receive internet loan applications and approve or reject such applications within approximately 72 hours (except for loans exceeding Ps.7.5 million). We believe that our operating efficiency, information management and technology systems are more competitive than those found in traditional financial institutions and have differentiated us from our competitors.

Our technology and communications equipment receive preventive maintenance and ongoing upgrades approximately every six months. All equipment that has been in service for more than three years is replaced. During 2018, we invested approximately Ps.91.4 million in technology and communications equipment.

We have an on-site information management center as well as an off-site data center. Our on-site information management center processes everyday operations and our off-site data center works as a back-up system in the event of a contingency. All of our systems are subject to security and quality control standards that are in line with industry practices. As of the date of this offering memorandum, we have not encountered any contingency.

### **Properties and Leases**

We lease the premises where our executive offices and main operations center is located in Mexico City. We also have fourteen regional offices located throughout Mexico, all of which we lease.

### **Intellectual Property**

We own the trademarks, service marks and trade names related to the operation and marketing of our business. Our relevant trademarks include: Unifin®, Unifin Financiera®, Unileasing®, Unifinanciar®, Unifactoring®, Unifactoraje®, Unifin Credit®, Uniautos®, Unidos por un mismo fin®, Soluciones Financieras a tu Medida®, Unifin Leasing®, Unifin Fleet®, Unifin Factoring y Diseño®, Unifin Insurance®, Unifin Factoring®, Unileasing®, Unimagazine® and Unisecurity® each of which is registered in Mexico and other jurisdictions.

We believe that such trademarks, trade names and service marks are valuable assets to us which successfully differentiate us from our competitors. We actively protect our intellectual property rights.

### **Insurance**

We maintain insurance policies that are customary for companies operating in our industry. In addition to civil liability insurance, we maintain insurance policies covering our fixed assets, equipment and leased assets that protect us in the event of natural disasters or third party injury. We believe that our insurance policies are adequate to meet our needs.

### **Relevant Contracts**

Since 2013, Interprotección, Agente de Seguros y de Fianzas, S.A. de C.V. (“Interprotección”) has acted as the main insurance broker with respect to the assets that we lease to our customers in the ordinary course of our business. Additionally, we and Interprotección, through Unifin Agente de Seguros y de Fianzas, S.A. de C.V., have carried out a business strategy aimed at meeting the insurance needs of our customers, as well as customers referred by us. Currently, we hold a minority stake in Unifin Agente de Seguros y de Fianzas, S.A. de C.V. See “Business – Our Business Lines.”

We have entered into a framework contract for the execution of contracts for the insurance of leased machinery and/or equipment with Mapfre Tepeyac, S.A., under which we offer our customers complementary insurance of leased assets.

### **Legal Proceedings**

We are from time to time involved in certain legal proceedings that are incidental to our business. As of the date of this offering memorandum, we do not believe that we are involved in any legal proceedings the outcome of which, if decided adversely to us, would have a material adverse effect on our business, financial condition, cash flows or results of operations.

## MANAGEMENT

### Board of Directors

We are managed by our board of directors which, in accordance with our by-laws, may consist of up to 21 directors, of which at least 25.0% must be independent according to our by-laws. Each director may have an alternate, and the alternate directors of independent directors also must be independent.

Currently, our board of directors consists of 10 directors and their respective alternates, elected or ratified at our shareholders' meeting on March 21, 2019, each of whose tenure is for one year but who will continue after that period for up to 30 days in the absence of a designation of the individuals that would substitute them.

The following are the current members of the board of directors:

Name	Title	Age	Year of appointment
Rodrigo Lebois Mateos .....	Chairman of the Board	56	1993
Luis Gerardo Barroso González .....	Director	56	2001
Rodrigo Balli Thiele.....	Director	45	2005
Almudena Lebois Ocejo .....	Director	30	2015
Rodrigo Lebois Ocejo .....	Director	29	2016
Enrique Luis Castillo Sánchez Mejorada	Director	62	2015
Federico Chávez Peón Mijares	Director <sup>(1)</sup>	53	2003
José Luis Llamas Figueroa .....	Director <sup>(1)</sup>	55	2007
José Luis Fernández .....	Director <sup>(1)</sup>	60	2012
Juan Marco Gutiérrez Wanless.....	Director <sup>(1)</sup>	59	2015
Juan José Trevilla Rivadeneyra.....	Secretary Non-Member of the Board	67	2012
Guillermo Manuel García San Pedro .....	Alternate Secretary		
	Non-Member of the Board	39	2017

<sup>(1)</sup> Independent Director.

The following biographies provide certain information about the members of our board of directors:

*Rodrigo Lebois Mateos.* Mr. Lebois is the Chairman of our board of directors. Prior to creating Unifin, Mr. Rodrigo Lebois participated in the car dealership industry, holding management and Board positions at several car dealer companies and associations in Mexico, including the National Association of Nissan Car Dealers. Mr. Lebois was also member of the Board of Banco Mexicano, S.A. He is currently President of Fundación Unifin, S.A. and Chairman of the Board of the group companies Unifin Credit, Unifin Autos and Unifin Agente de Seguros y Finanzas, S.A. de C.V. Mr. Lebois is also Chairman of Aralpa Capital, S.A. de C.V., member of the board of directors of Maxcom Telecomunicaciones, S.A.B. de C.V., Organización Sahuayo, S.A. de C.V., Impulsora Sahuayo, S.A. de C.V., Fracsa Alloys Querétaro, S.A.P.I de C.V., Grupo INTER, S.A.P.I. de C.V., and member of the investment committee of Terrafondo I. Mr. Lebois completed studies in Business Administration from Universidad Anáhuac and several executive administration programs.

*Luis Gerardo Barroso González.* Mr. Barroso is the Chairman of the Executive Committee since 2018. From 2001 to 2018, Mr. Barroso was the former Chief Executive Officer of the Company and has been a member of the board of directors since 2001. Prior to joining Unifin, Mr. Barroso held several positions at Arrendadora Somex, S.A. de C.V., including Executive Director of Management and New Products, as well as several executive positions at Multivalores Arrendadora, S.A. de C.V.; where he was a member of the board of directors until 2001. He was also a member of the board of directors of the Mexican Financial Leasing Companies Association (Asociación Mexicana de Arrendadoras Financieras, A.C.) and Multicapitales. He has a degree in Business Administration from Universidad Anáhuac and a diploma in Finance from the Instituto Mexicano de Valores.



*Rodrigo Balli Thiele.* Mr. Balli is our New Business Director. From 2005 to 2018, he served as Chief Operations Officer. Prior to joining Unifin, he held several positions in the administrative and sales areas of Bryco Control de Plagas, S.A. de C.V. He acted as the General Evaluation Director of Risk Projects at Home Care, and was the Derivative Deputy Director and Promoter of Debt Securities at Enlace Int. S.A. de C.V. and Prebon Yamane Inc. He has also collaborated with the Fairmont Hotels as Project Manager for the development of a series of touristic projects. Mr. Balli holds a degree in Economics from the Instituto Tecnológico Autónomo de México (ITAM).

*Almudena Lebois Ocejo.* Ms. Almudena Lebois Ocejo is Managing Director of Aralpa Capital, S.A. de C.V., a private investment fund. Prior to joining Aralpa Capital, S.A. de C.V. she was our Deputy Credit Manager. In 2012 she worked as Treasury Analyst of Navix de México, S.A. de C.V., SOFOM E.N.R. and in the consulting area of Deloitte. She is a member of the board of directors and the Investment Committee at Anteris Capital, S.A.P.I. de C.V., member of the Board of Itera Capital, S.A.P.I. de C.V. and is also a member of the Investment Committee at Dila Capital. Ms. Lebois holds a dual degree in Finance and Accounting from Universidad Anáhuac and graduated with honors from the Banking and Financial Markets master's degree from the same university. She has a variety of credit and risk analysis certifications offered by Moody's Analytics New York.

*Rodrigo Lebois Ocejo.* Mr. Lebois Ocejo is founder, General Director, member of the Board of EQ Credit, S.A. de C.V., ROMU Promotores, S.A. de C.V. and Controladora RLMV, S.A. de C.V., companies specialized in private equity investments. Prior to this he held different positions at Unifin, including as head of the strategic alliance with Ford Motor Company and sales manager in the leasing department. Previously, he collaborated with Banorte-Ixe, S.A., Institución de Banca Múltiple, as a corporate banking analyst. He is a member of the board of directors of Comercializadora Solinfra, S.A.P.I. de C.V. and Controladora RLMV, S.A. de C.V. Mr. Lebois Ocejo holds a B.A. in Administration from the Universidad del Valle de México and various courses in Administration from West London College.

*Enrique Luis Castillo Sánchez Mejorada.* Mr. Castillo has been a member of our board of directors since 2015. He holds a Business Administration Degree from Universidad Anáhuac and has more than 34 years of experience in the financial sector. He currently serves as the Chairman of the board of directors of Maxcom Telecomunicaciones, Chairman of the Board of Banco Nacional de México (whereas of lately was named Director) and is member of the board of directors of Grupo Herdez, S.A.B. de C.V., Grupo Alfa S.A. B. de C.V., Southern Copper Corporation, and Médica Sur, S.A.B. de C.V. Mr. Castillo served as Chairman of the Board of Ixe Financial Group and as Vicepresident and later as President of the Mexican Bank Association. He also held several executive positions in Nacional Financiera, Casa de Bolsa Inverlat, S.A. Seguros América, S.A., Banco Mexicano, S.A. and Credit Suisse México.

*Federico Chávez Peón Mijares.* Mr. Chavez Peón has been a member of our Board of Directors since 2003. Currently he is a Partner and the General Manager of Promecap, S.A. de C.V. He is or has been member of the Board of Directors of several companies, including Carrix, Inc., Grupo Aeroportuario del Sureste, S.A.B. de C.V., Inversiones y Técnicas Aeroportuarias, S.A.P.I. de C.V., Grupo Famsa, S.A.B. de C.V., Industrias Innopack, S.A. de C.V., Maxcom Telecomunicaciones, S.A.B. de C.V. and Organización Cultiba, S.A.B. de C.V.

*José Luis Llamas Figueroa.* Mr. Llamas has been a member of our board of directors since 2007. Currently he is the General Manager of Quattro Wealth Management. He was Co-Head of Asset and Wealth Management for Latin America at Deutsche Bank New York and a member of the Executive Committee of the Americas in the same institution. Previously, he was a representative of Deutsche Bank AG Mexico. He was also a founding partner of Fortum in Mexico City. Mr. Llamas has a Degree in Business Administration and an MBA from Universidad Anáhuac.

*José Luis Fernández.* Mr. Fernández has been a member of our board of directors since 2012. Mr. Fernández has been a partner at the tax and accounting firm Chavez Ruiz Zamarripa y Cía, S.C. and is a member of the Colegio de Contadores Públicos de México, A.C., of the Instituto Mexicano de Contadores Públicos, A.C., and the Instituto Mexicano de Ejecutivos de Finanzas. He has given conferences regarding tax matters in national forums, and has written several articles on taxation and accounting. He participates as Board Member of the audit committees of several companies, including Grupo Televisa, S.A.B., Controladora Vuela Compañía de Aviación, S.A.P.I. de C.V. (Volaris), Grupo Financiero Banamex, S.A. de C.V., Banco Nacional de Mexico, S.A. and Arca Continental, S.A.B. de C.V.

*Juan Marco Gutiérrez Wanless.* Mr. Gutiérrez has been a member of our board of directors since 2015, he is Founder and Managing Partner of Anteris Capital S.A.P.I. de C.V. since May 2015, and has held several executive positions, including CEO of Grupo KUO, S.A.B. de C.V., Desc Corporativo, S.A. de C.V. and Pegaso, S.A. de C.V., as well as Deputy General Manager of Telefónica Móviles, S.A. and Managing Director of Promecap, S.A. de C.V. Currently he is a member of the board of directors of Quálitas Controladora, S.A.B. de C.V. and of Quálitas Compañía de Seguros, S.A.B. de C.V., and member of the Investment Committee of Quálitas Compañía de Seguros, S.A.B. de C.V., and member of the Board to the School of Engineering of Universidad Anáhuac. He holds an Industrial Engineering degree from Universidad Anáhuac and an MBA studies from ITAM.

*Juan José Trevilla Rivadeneyra.* Since 2012 Mr. Trevilla has been the Board Secretary and a non-voting member of our board of directors. He is the Board's Secretary of several public and private companies, as well as an active founding member of Larena, Trevilla, Fernández y Fábregas. He is a legal consultant for companies in the tourist, construction, infrastructure development, service delivery, contractors and concessionaires of public services industries. Mr. Trevilla holds a Law Degree from Universidad Autónoma de México.

*Guillermo Manuel García San Pedro.* Mr. García San Pedro is our Legal Executive Director and has held the position of Alternate Secretary not a member of the board of directors since 2017. Mr. Guillermo García San Pedro has more than ten years of experience as a lawyer in financial institutions and in recognized corporate offices. Prior to joining Unifin, Mr. García was Legal Director of Corporate and Investment Banking, Treasury and Capital Markets of Banco Nacional de México, SA, a member of Grupo Financiero Citibanamex, and was responsible for advising and negotiating various operations of local and international financing. Mr. García served as a member of several internal committees of Citibanamex. He holds a Law Degree from Universidad Anáhuac and a Master of Laws (LL.M.) from Georgetown University.

## Executive Officers

Our executive officers are appointed by our board of directors and hold office at the discretion of the board of directors. The following are our current executive officers:

Name	Position	Age	Years of Experience	Years at Unifin
Sergio José Camacho Carmona .....	Chief Executive Officer	43	23	3
Sergio Manuel Cancino Rodriguez .....	Chief Financial Officer	52	33	5
Juan Jose del Cueto Martinez .....	Chief Operations Officer	59	39	13
Eduardo Alejandro Castillo Sánchez Mejorada.	Chief Business Officer	59	37	5
David Pernas Sanchez .....	IR & Corporate Finance	32	12	9
Guillermo Manuel García San Pedro .....	Legal Counsel	39	20	2
Rafael Caballero Fernandez .....	Human Resources	59	42	6

Certain biographical information with respect to the members of our senior management that has not been disclosed above in “—Board of Directors” is set forth below:

On August 14, 2018, our board of directors approved the appointment of Mr. Sergio José Camacho Carmona as our Chief Executive Officer, effective October 1, 2018. Mr. Luis Gerardo Barroso Gonzalez was appointed as the Chairman of our Executive Committee.

*Sergio José Camacho Carmona.* Mr. Camacho is our Chief Executive Officer. He has more than 20 years of experience in various companies such as Kimberly Clark de México S.A.B. de C.V. and Fermaca Global. He holds a degree in Economics and a Master's in Business Administration with a specialization in Finance from the Instituto Tecnológico Autónomo de México (ITAM), as well as a degree in Global Management Program from Harvard Business School. He is certified by the Stanford Graduate School of Business Emerging CFO: Strategic Financial Leadership Program.

*Sergio Manuel Cancino Rodriguez.* Mr. Cancino is our Chief Financial Officer. He has more than 30 years of financial experience in various industries, including telecommunications, finance, infrastructure and consumer goods. He has extensive experience in financial planning, accounting and taxes and has been the leader of various ERP implementation projects. For 14 years, Mr. Cancino served as Corporate Director of Administration and Finance

for companies like CMR, S.A.B. de C.V. and Grupo Mexicano de Desarrollo, S.A.B. He has a degree in Public Accountancy from the Escuela Bancaria y Comercial, with a specialization in Finance and Auditing from the same institution.

*Juan Jose del Cueto Martinez.* Mr. del Cueto is our Chief Operations Officer. He has more than 30 years of experience in directing, developing and implementing new businesses, as well as in internal and administrative control processes. He was the founder and Chief Financial Officer of Grupo Barca, S.A. de C.V., where he participated actively in developing various real estate projects. He has an undergraduate degree in Economics from the Instituto Tecnológico Autónomo de México (ITAM).

*Eduardo Alejandro Castillo Sánchez Mejorada.* Mr. Castillo is our Chief Business Officer. He has more than 30 years of experience. Prior to joining Unifin in 2014, he held several executive positions from 1983 to 1991. He was a partner at Impulsora Dinámica de Empresas where he had an active role in the privatization of the Mexican banks. In 1992 he was a member of the group acquiring Bursamex Casa de Bolsa and he is a founding member of Grupo Financiero del Sureste, where he served as member of the Board and executive officer until 1994. He was also a founding member of Castillo Consultores e Interasesores, both firms specialized in estate planning. Mr. Castillo has a degree in Business Administration from Universidad Anáhuac.

*David Pernas Sanchez.* Mr. Pernas is our Director of Corporate Finance and Investor Relations. Joined the Company in 2010, having held several positions in the Company. Prior to joining Unifin, he worked in retail and consumer industries. He has a Bachelor's degree in Business Administration and a Master's degree in Finance from Escuela de Graduados en Administracion y Direccion de Empresas with a specialty in banking and financial sector (EGADE).

*Guillermo Manuel García San Pedro.* See biographical information above under “—Board of Directors.”

*Rafael Caballero Fernandez.* Mr. Caballero is our Chief Human Resources Officer. He has more than 40 years of experience in Human Resources, 15 of them specifically for companies in the financial industry, such as GBM and Grupo Financiero Santander. He has an undergraduate degree in Business Administration from the Instituto Tecnológico Autónomo de México (ITAM) and a diploma in Business Law from the same university.

### **Relationship between Directors and Executive Officers**

Mr. Rodrigo Lebois Mateos is the father of Mrs. Almudena Lebois Mateos and Mr. Rodrigo Lebois Ocejo, both members of the board of directors. Mr. Enrique Luis Castillo Sánchez Mejorada, member of our board of directors and Mr. Eduardo Alejandro Castillo Sánchez Mejorada, Chief Business Officer, are brothers.

### **Audit and Corporate Practices Committee**

We maintain an audit and corporate practices committee, which is comprised of three members (all independent directors). Our audit and corporate practices committee meets once every quarter.

The responsibilities and duties of the audit and corporate practices committee are outlined in the Mexican Securities Market Law and our by-laws. Our audit and corporate practices committee's responsibilities include (i) appointing and removing our external auditor, (ii) supervising our external auditors and analyzing their reports, (iii) analyzing and supervising the preparation of our Financial Statements, (iv) informing our board of directors of our internal controls and their adequacy, (v) requesting reports from our board of directors and executive officers whenever it deems appropriate, (vi) informing our board of directors of any irregularities that it may encounter, (vii) investigating potential irregularities with our operations, rules and policies, internal control systems and internal audit and accounting practices; (viii) receiving and analyzing recommendations and observations made by our shareholders, members of our board of directors, executive officers, our external auditors or any third party and taking the necessary actions, (ix) calling shareholders' meetings, (x) supervising the activities of our Chief Executive Officer, (xi) evaluating the performance of and the documentation prepared by our external auditor, (xii) providing an annual report to the board, (xiii) rendering its opinion to our board of directors in connection with the performance of our key officers, (xiv) reviewing transactions with related parties, (xv) supporting our board of directors in assessing internal control, which includes the supervision of related party transactions and compensation plans and the reports delivered by both external and internal auditors and (xvi) receiving communications and

recommendations from Mexican regulatory entities and recommending measures to be taken by management in its response to such communications and recommendations.

The audit and corporate practices committee is further responsible for providing its opinion to the board of directors regarding the performance of our officers, the compensation of the Chief Financial Officer and other relevant officers and transactions with related parties. Also, the committee may obtain opinions from independent third party experts, call shareholders' meetings and assist the board of directors in the preparation of reports.

Under the Mexican Securities Market Law and to our by-laws, all the members of our audit committee must be independent and at least one of them must qualify as a financial expert. Currently José Luis Fernández is the Chairman and José Luis Llamas Figueroa and Juan Marco Gutiérrez Wanless are members of our audit and corporate practices committee.

### **Executive Committee**

Pursuant to our by-laws, we have formed an executive committee, which is responsible for evaluating finance issues, general planning, strategic and organizational issues and any other issues related to the development of our business and our operations. Luis Gerardo Barroso González is the Chairman and Rodrigo Lebois Mateos, Rodrigo Balli Thiele, Gerardo Erwin Tietzsch Rodríguez Peña and Sergio José Camacho Carmona are members of the executive committee.

### **Finance and Planning Committee**

We maintain a finance and planning committee, which is comprised of three members. Our finance and planning committee is in charge of our macroeconomic and our financial strategy and capital structure strategy. The current members of the finance and planning committee are Luis Gerardo Barroso González, Sergio José Camacho Carmona and José Luis Llamas Figueroa.

### **Corporate Credit Committee**

We maintain a corporate credit committee, which is comprised of nine members. Our corporate credit committee reviews and approves credit transactions and leasing, factoring or auto loans and other lending transactions between Ps.7.5 million and Ps.150 million. Rodrigo Lebois Mateos, Luis Gerardo Barroso González, Rodrigo Balli Thiele, Sergio José Camacho Carmona, Federico Noel Castillo Sánchez Mejorada, Juan José del Cueto Martínez and Eduardo Alejandro Castillo Sánchez Mejorada. Mr. Guillermo Manuel García San Pedro acts as Secretary of this Committee with no vote.

### **Credit Committee**

We maintain a credit committee, which is comprised of four members. Our credit committee reviews and approves credit transactions exceeding Ps.150 million. The current members of the credit committee are Luis Gerardo Barroso González, Rodrigo Balli Thiele, Sergio José Camacho Carmona, Federico Noel Castillo Sánchez Mejorada, Juan José del Cueto Martínez, Sergio Manuel Cancino Rodríguez, Eduardo Alejandro Castillo Sánchez Mejorada and Ángel Octavio Tamariz Galindo. Mr. Guillermo Manuel García San Pedro acts as Secretary of this Committee with no vote.

### **Communication and Control (Anti-Money Laundering) Committee**

We, together with Unifin Credit, maintain a communication and control (anti-money laundering) committee. Our communication and control (anti-money laundering) committee assures compliance with our obligations in terms of anti-money laundering, evaluates any operation that needs to be reported to the competent authorities pursuant to applicable law, such as unusual operations (*operaciones inusuales*), relevant operations (*operaciones relevantes*) and watchful operations (*operaciones internas preocupantes*), approves AML training programs and guarantees that we, together with Unifin Credit, comply with all applicable AML regulation. On a quarterly basis, the Committee informs the audit committee or the board of directors, as applicable, the results of the implementation of our compliance policies, as well as any material affair identified by such Committee.

We, together with Unifin Credit, have implemented compliance policies (*manual de cumplimiento*) which provide, among others, a *know-your-customer* policy, including the criteria, measures and procedures to comply with such policy, as well as the applicable procedures to identify, verify and update the information provided by our clients. Such policies are submitted by the communication and control (anti-money laundering) committee for the approval of our audit committee or board of directors, as applicable.

The current members of the communication and control (anti-money laundering) committee are Sergio José Camacho Carmona (president), Juan José del Cueto Martínez, Sergio Manuel Cancino Rodríguez, Eduardo Alejandro Castillo Sánchez Mejorada, Federico Noel Castillo Sánchez Mejorada, Juan Manuel Cantellán Moreno and Antinea Azul Mata Gutiérrez (Compliance Officer). Mr. Guillermo Manuel García San Pedro acts as Secretary of this Committee. The members of the communication and control (anti-money laundering) committee of Unifin Credit are Sergio José Camacho Carmona (president), Sergio Manuel Cancino Rodríguez, Eduardo Alejandro Castillo Sánchez Mejorada, Federico Noel Castillo Sánchez Mejorada, Juan Manuel Cantellán Moreno and Rubicela Zamora Pastrana (Compliance Officer). Mr. Guillermo Manuel García San Pedro acts as Secretary of this committee.

### **Compensation**

For the year ended December 31, 2018, we paid wages and benefits to our executive officers through outsourcing companies in the amount of Ps.136.8 million, comprised of fixed and variable compensation and any corresponding statutory labor costs. See “Business – Employees and Labor Relations” for a description of our variable compensation.

Our board of directors approves, based on the favorable opinion of our corporate practices committee, the compensation of the Chief Executive Officer. Also, our corporate practices committee issues recommendations regarding the compensation of the other relevant officers.

Our directors’ compensation for their services rendered in such capacity is determined by our shareholders. The shareholders’ meeting held on March 21, 2019 approved the following directors’ compensation: (i) Ps.70,000.0 to the independent directors and the secretary non-member of our board for each meeting of the board that they attend; (ii) Ps.70,000.0 to the Chairman of the audit and corporate practices committee for each session of the committee that the Chairman attends; and (iii) Ps.35,000.0 to the members of these committees for each session of the committee that they attend.

### **Employee Stock Incentive Plan**

The shareholders approved, in an ordinary and extraordinary shareholders’ meeting held on February 26, 2015, the implementation of an officers’ and employee incentive plan for an amount equal to 4.0% of our outstanding share capital (the “Stock Incentive Plan”). The shareholders delegated authority to the board of directors to structure, implement, administer and modify (with certain exceptions) our Stock Incentive Plan and establish the criteria and policies applicable for the determination of the officers and employees that will participate in this plan and the amount of the shares that they may receive or acquire under the same.

We created Administration Trust Number 2405 with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, for purposes of the implementation and management of the Stock Incentive Plan (the “Administration Trust”). The Administration Trust will hold shares of our capital stock to be sold to employees pursuant to the terms and subject to the conditions of the Stock Incentive Plan.

### **Duties of Directors and Executive Officers**

Our directors and executive officers are subject to the duties of care and loyalty and other obligations arising from their positions under the Mexican Securities Market Act, the Issuers Circular (*Circular Única de Emisoras*) and other applicable regulations on insider trading and transactions in securities issued by us, among others.

**Share Ownership**

See “Principal Shareholders” for a description of the current ownership of our common stock by our directors.

## SUPERVISION AND REGULATION OF THE MEXICAN FINANCIAL INDUSTRY

### General

As a public company and with shares registered with the RNV and listed with the BMV, we are primarily regulated by the Mexican Securities Market Law (*Ley del Mercado de Valores* or “LMV”), the Mexican General Regulations Applicable to Securities Issuers (*Disposiciones de carácter general aplicables a las emisoras de valores y otros participantes del Mercado de valores*, or “CUE”), the Mexican General Regulations Applicable to Entities and Issuers Supervised by the CNBV that hire Auditing Services with respect to 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*) and the General Corporations Law, with respect to corporate governance, transparency and other maintenance requirements for public companies.

Pursuant to the LMV and the CUE, we are required to furnish periodically certain information to the CNBV and to the BMV, including an annual report (*reporte anual*), quarterly and annual financial reports, certain information with respect to our controlling shareholders and our board of directors, press releases and other corporate governance and compliance matters.

The principal authority that regulates us as a public company is the CNBV.

Our subsidiary Unifin Credit is a non regulated *Sofom* (*sociedad financiera de objeto múltiple, entidad no regulada*). *Sofomes* are Mexican companies (*sociedades anónimas*) registered before CONDUSEF, and their main purpose is to engage in lending, financial leasing and factoring services. *Sofomes* can either be regulated entities (affiliates to financial institutions) or non-regulated entities. *Sofomes* that are regulated entities are subject to the supervision of the CNBV, and are required to include in their denomination the words “*Entidad Regulada*” (regulated entity) or the abbreviation thereof “E.R.” All other entities whose main purpose is engaging in lending, financial leasing and factoring activities are non-regulated *Sofomes* and must indicate so in their corporate denomination by including the words “*Entidad No Regulada*” (non-regulated entity) or the abbreviation thereof, “E.N.R.”

Unifin Credit’s operations, as a non-regulated *Sofom*, are primarily regulated by the GLACOA, certain regulations of the *Banco de México*, the Mexican Law for the Protection and Defense of Financial Services Users, the Law for the Transparency and Ordering of Financial Services, the Anti-Money Laundering Provisions, its regulations and general rules, the regulations issued by CONDUSEF and *Sofom* GAAP, and other regulations issued by the CNBV. Unifin Credit is a non-regulated *Sofom* (*sociedad financiera de objeto múltiple, entidad no regulada*) and is not subject to the supervision of the CNBV, except with respect to provisions related to money laundering.

Considering that we carry out our credit transactions through Unifin Credit, a non-regulated *Sofom*, we are required to comply with the Federal Law for the Identification and Prevention of Transactions with Illegal Sources (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita* or “Anti-Money Laundering Law”), including identifying and reporting vulnerable activities (*actividades vulnerables*) to the Tax Administration Service (*Servicio de Administración Tributaria*), which forms part of the Ministry of Finance (*SHCP*). Furthermore, Unifin Credit, as a *sociedad financiera de objeto múltiple, entidad no regulada* has implemented all controls and processes provided by the Anti-Money Laundering Provisions (*Disposiciones de carácter general a la 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 Auxiliares del Crédito y 95-Bis de éste último ordenamiento, aplicables a las sociedades financieras de objeto múltiple*), including, without limitation, our communication and control (anti-money laundering) committee and our know-your-customer procedures in accordance with local and international practices.

Unifin Credit’s operations, as a non-regulated *Sofom* (*sociedad financiera de objeto múltiple, entidad no regulada*), are primarily regulated by the GLACOA, certain regulations of the *Banco de México*, the Mexican Law for the Protection and Defense of Financial Services Users, the Law for the Transparency and Ordering of Financial Services, the Anti-Money Laundering Provisions, its regulations and general rules, the regulations issued by CONDUSEF and *Sofom* GAAP, and other regulations issued by the CNBV. Unifin Credit is a non-regulated *Sofom*

(*sociedad financiera de objeto múltiple, entidad no regulada*) and is not subject to the supervision of the CNBV, except with respect to provisions related to money laundering.

### **Law for the Protection and Defense of Financial Services Users**

The Mexican Law for the Protection and Defense of Financial Services Users became effective in April 1999. The purpose of this law is to protect and defend the rights and interests of users of financial services. This law created and now regulates the CONDUSEF, an autonomous governmental entity that protects the interests of users of financial services. CONDUSEF acts as a mediator and/or arbitrator with respect to disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial services and the financial institutions. Unifin Credit, as a non-regulated *Sofom*, must submit to CONDUSEF's jurisdiction in all customer administrative proceedings and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it by customers. In case of a claim by a customer where the parties fail to reach a settlement and there is no submission to arbitration, CONDUSEF is authorized to issue a resolution which may result in the attachment of Unifin Credit's assets for the benefit of our customers. Unifin Credit is also subject to certain required amendments by the CONDUSEF regarding our standard agreements or information used to provide our services. Unifin Credit may be subject to coercive measures or sanctions imposed by CONDUSEF.

The Law for the Protection and Defense of Financial Services Users requires *Sofomes*, such as Unifin Credit, to maintain an internal specialized unit (*unidad especializada*) designated to resolve any and all controversies submitted by our customers. Unifin Credit maintains such unit. CONDUSEF also maintains a Registry of Financial Services Providers (*Registro de Prestadores de Servicios Financieros*), in which all providers of financial services must be registered, that 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 institutions. All *Sofomes*, including non-regulated *Sofomes*, are required to register their standard form of agreements (*contratos de adhesión*) in the Registry for Standard Form 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. All of Unifin Credit's standard form agreements have been registered before CONDUSEF.

### **Rules on Interest Rates**

The rules of the Law for the Transparency and Ordering of Financial Services issued by CONDUSEF applicable to *Sofomes* provide that the standard form agreements are required to include provisions 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 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.

As of today, Mexican law does not currently impose any limit on the interest rate or fees that a non-regulated *Sofom*, such as Unifin Credit, may charge its customers.

The Law for the Transparency and Ordering of Financial Services grants the *Banco de México* the authority to specify the basis upon which each financial institution must calculate its aggregate annual cost (*costo anual total*), which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly included by a *Sofom* in its standard form agreements and disclosed in their statements of account and advertisements. Unifin Credit regularly publishes its aggregate annual cost pursuant to this law.

### **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 customers, (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. Additionally, the Law for the Transparency and Ordering of Financial Services provides that, among other restrictions, *Sofomes* (1) may only charge fees related to services provided to customers, (2) may not charge more than one fee for a single act or event, (3) may not charge fees that are intended to prevent or hinder the mobility or migration of customers from one financial institution to another and (4) may not charge fees for payments received from customers or users in relation to loans granted by other financial entities.

The *Banco de México*, on its own initiative or as per request from CONDUSEF, banks, or *Sofomes*, may assess whether reasonable competitive conditions exist in connection with fees charged by banks, or *Sofomes* in performing financial operations. The *Banco de México* must obtain the COFECE's opinion to carry out this assessment. The *Banco de México* may take measures to address these issues.

### **Law for the Protection of Personal Data held by Private Entities**

The Federal Law for Protection of Personal Data held by Private Entities (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*, or "LFPDP") protects personal data collected, held or provided by individuals, and to enforce controlled and informed processing of personal data in order to ensure data privacy and individuals' right to consent with respect to the use or deletion of protected information.

The LFPDP requires companies to inform individuals 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 LFPDP 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 LFPDP, such as the exercise of a right or holding information required under applicable law). The LFPDP requires that, if disclosure of data is permitted, the transferee agrees to the same restrictions as those set forth in the documentation permitting the original receipt and subsequent disclosure of information. The LFPDP also provides that data may be disclosed without the consent of the data subject in certain limited circumstances: (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 LFPDP requires immediate notice to a data subject, of any security breach that significantly affects his/her property or moral rights.

The National Institute for Transparency, Access to Information and Personal Data Protection (*Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales*, or "Institute"), is authorized to monitor and enforce compliance with the LFPDP by private entities processing personal data. Such entities can be held liable for interfering with a data subjects' exercise of their rights under the LFPDP and for failing to safeguard their personal data. Data subjects who believe that a company is not processing their personal data in accordance with the LFPDP 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 a company's answer to a data subject's claim. Penalties for violating the LFPDP's provisions include a fine up to the equivalent of Ps.27.0 million (approximately US\$1.4 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 & Identification and Prevention of Transactions with Illegal Sources Provisions**

On March 17, 2011, the Anti-Money Laundering 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*), issued by the SHCP, were published in the Mexican Federal Official Gazette. On December 23, 2011, December 31, 2014 and March 9, 2017 a series of amendments to such Anti-Money Laundering Provisions were also published on the Mexican Federal Official Gazette. The purposes of such Anti-Money Laundering Provisions, which have been published and become effective is to establish anti-money laundering rules and guidelines.

The Anti-Money Laundering Provisions require *Sofomes* to (1) establish identification (“know-your-customer”) policies and guidelines similar to those imposed on Mexican banks and other regulated financial entities, subject to strict identification methods and controls on customers and users of the *Sofomes* services; (2) recording and keeping information on customers and on money transfer and exchange transaction; and (3) reporting to authorities on relevant, unusual and suspicious transactions, among other obligations. Unifin Credit complies on a regular basis with such requirements.

On October 17, 2012, the Anti-Money Laundering Law was published in the Mexican Federal Official Gazette, followed by certain amendments published on March 9, 2018. The purpose of the Illegal Funds Law is to protect the financial system by establishing guidelines and procedures to prevent and identify transactions involving funds from illegal sources.

The Anti-Money Laundering Law requires us to identify certain activities that are considered as vulnerable activities (*actividades vulnerables*), such as the offering of credit facilities on a regular and professional basis, whether unsecured or secured, and comply with certain other requirements, such as know-your-customer, record-keeping of information and classifying our customers according to a risk ranking. The Illegal Funds Law also grants authority to the Federal Attorney General (*Procuraduría General de la República*) to investigate and prosecute illegal activities, in coordination with the SHCP. To ensure full compliance with the Illegal Funds Law, the Mexican President and the Minister of Finance and Public Credit (*Secretario de Hacienda y Crédito Público*) issued regulations and general rules on August 16, 2013, which have now become effective.

Pursuant to the Illegal Funds Law, we are required to establish procedures to monitor and detect unlawful activities regulated by this law and to report any suspicious activity to the SHCP.

### ***Insolvency Law***

The Mexican Insolvency Law (*Ley de Concursos Mercantiles*) was enacted on May 12, 2000 and has been frequently used as a mean 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 Mexican Insolvency Law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor and bankruptcy. Recent amendments permit parties to move directly to the bankruptcy stage.

The Mexican Insolvency 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) 35.0% or more of a debtor’s outstanding liabilities are at least 30 days past-due; and (2) the debtor fails to have certain specifically defined liquid assets and receivables to support at least 80.0% of its obligations which are due and payable. The Mexican Insolvency Law includes the ability of a debtor to request the initiation of insolvency proceedings 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 Mexican Insolvency Law allows the consolidation of insolvency proceedings of companies that are part of the same corporate group.

The Mexican Insolvency 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 that the insolvency judgment is rendered, all peso-denominated obligations are converted into UDIs, and foreign currency-denominated obligations are converted into pesos at the exchange rate for that date and then converted into UDIs. Only creditors with a perfected security interest (*i.e.*, mortgage, pledge or security trust) continue to accrue interest on their loans up to the value of the assets that constitute the security interest. The Mexican Insolvency Law mandates the netting of derivative transactions upon the declaration of insolvency.

The Mexican Insolvency Law provides a period of 270 days (540 days in the case of transactions entered into with inter-company creditors) prior to the declaration of an insolvency judgement, as the period when transactions may be scrutinized by the judge in order to determine if they were entered into for fraudulent purposes. 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 determine that a longer retroactive period may apply.

A restructuring agreement must be subscribed to by the debtor, as well as recognized creditors representing more than 50.0% of (i) the sum of the total recognized amount corresponding to common and subordinated creditors and (ii) the total recognized amount corresponding to secured or privileged creditors subscribing the agreement. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

The Mexican Insolvency 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, which also provides protection against dissident minority creditors.

The Insolvency Bankruptcy Law recognizes subordinated creditors, including inter-company creditors in accordance with certain rules, and sets forth that such inter-company creditors will not be allowed to vote for the approval of the debt restructuring agreement when such inter-company creditors represent 25.0% or more of the aggregate amount of recognized claims, unless such inter-company creditors consent to the agreement adopted by the rest of the recognized creditors.

## **PRINCIPAL SHAREHOLDERS**

The Trust 2452 constituted with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero is the owner, directly or indirectly, of approximately 60.0% of the shares of the Company, and exercises control of the Company. Mr. Rodrigo Lebois Mateos and members of his immediate family, and Mr. Luis Gerardo Barroso González, hold indirectly, more than 10.0% of the Company's capital stock. Mr. Rodrigo Lebois Mateos, indirectly, exercises control of Unifin. Pursuant to the terms of the Trust 2452, the shares held by the Trust will always be voted in block and in the same way. Likewise, Trust 2452 establishes certain restrictions regarding the transfer and encumbrance of the trustee rights.

Mr. Rodrigo Lebois Mateos, and members of his immediate family, and Mr. Luis Gerardo Barroso González, are directors of the Company, and are jointly and indirectly beneficiaries of more than 60.0% of the Company's capital stock. Except for the aforementioned persons, to the knowledge of the Company, none of the other directors or senior executives of the Company has an individual share interest higher than 1.0% and lower than 10.0% of the Company's capital stock.

For the last three years, there has been no significant changes in the share of interest of the principal shareholders.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

From time to time, we may enter into transactions with parties that have relationships with us, our officers, directors or entities in which we have an ownership interest. It is our policy to conduct all of these transactions on an arm's-length basis.

Amounts from transactions with related parties during the years ended December 31, 2016, 2017 and 2018 and the three months ended March 31, 2019, which were carried out at an arm's-length basis, were as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2016	2017	2018	2019
	(in millions of Ps.)			
	(Sofom GAAP)			(IFRS)
<b>Income</b>				
Other income .....	-	-	4.8	1.6
Auto sales .....	21.1	-	-	-
<b>Expense</b>				
Administrative services .....	508.2	650.7	871.9	264.6
Donations or gift.....	8.8	18.1	13.9	2.8

As of December 31, 2017 and 2018 and March 31, 2019, the balances with related parties were as follows:

	As of December 31,		As of March 31,
	2017	2018	2019
	(in millions of Ps.)		
	(Sofom GAAP)		(IFRS)
<b>Receivables</b>			
Administradora Brios, S.A. de C.V. <sup>(1)</sup> .....	314.8	359.0	357.8
Unifin Administración Corporativa, S.A. de C.V.....	8.4	36.9	31.1
Unifin Servicios Administrativos, S.A. de C.V.....	4.8	10.0	11.2

<sup>(1)</sup> Related to credit agreements entered into between us as creditor and Administradora Brios, S.A. de C.V. as debtor.

## DESCRIPTION OF THE NOTES

We will issue the notes under an Indenture, to be dated the Issue Date, between us, as issuer, and Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V., as subsidiary guarantors, The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent (the “Trustee”), and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Luxembourg paying agent. We summarize below certain provisions of the Indenture, but do not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights. You can obtain a copy of the Indenture in the manner described under “Available Information,” and, for so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange, at the office of the paying agent in Luxembourg.

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

- (i) the Company in this section, we mean Unifin Financiera, S.A.B. de C.V., and not any of its subsidiaries; and
- (ii) “notes” in this section, we mean the notes originally issued on the Issue Date and Additional Notes.

### General

The notes will:

- (i) be general unsecured obligations of the Company;
- (ii) rank equal in right of payment with all other existing and future Senior Indebtedness of the Company (subject to certain labor, tax and social security obligations for which preferential treatment is given under Mexican Insolvency Law);
- (iii) rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any;
- (iv) be effectively subordinated to all existing and future Secured Indebtedness of the Company to the extent of the value of the assets securing such Indebtedness; and
- (v) be structurally subordinated to all existing and future Indebtedness and trade payables of the Company’s Subsidiaries that are not Guarantors.

As of March 31, 2019, we had total consolidated Indebtedness (excluding accrued interest, commissions and expenses) of Ps.52,839.7 million (US\$2,726.6 million), of which Ps.20,521.7 million (US\$1,058.9 million) was secured by collateral. Of our Ps.20,521.7 million (US\$1,058.9 million) of secured indebtedness, Ps.5,521.2 million (US\$284.9 million) related to secured bank debt and the remainder was in connection with our lease securitization transactions which involve limited recourse to us considering that any claim against us is limited exclusively to the value of the pledged assets. As of March 31, 2019, after giving pro forma effect to (i) the offer and sale of the 2028 Senior Notes and the use of the proceeds therefrom, and (ii) the offer and sale of the notes and the application of the net proceeds from this offering as described under “Use of Proceeds”:

- we and the Guarantors would have had total Indebtedness (including accrued interest) of Ps.61,685.7 million (US\$3,183.1 million) of which Ps.16,701.7 million (US\$861.8 million) would have been secured by collateral (Ps.1,701.2 million related to secured bank debt and the remainder in connection with our lease securitization transactions);
- our non-Guarantor subsidiaries would not have had any Indebtedness (other than inter-company indebtedness).

## **Additional Notes**

Subject to the limitations set forth under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness,” the Company and its Subsidiaries may incur additional Indebtedness. At the Company’s option, this additional Indebtedness may consist of additional notes (“Additional Notes”) issued by the Company in one or more transactions, which have identical terms (other than issue date and issue price) as the notes issued on the Issue Date; *provided* that any Additional Notes that are not issued in a “qualified reopening” of the original series, with no more than a *de minimis* amount of original issue discount or otherwise treated as part of the same “issue” of debt instruments as the original series, in each case for U.S. federal income tax purposes, shall be issued under a separate CUSIP, ISIN or other identifying number. Holders of Additional Notes would have the right to vote together with holders of notes issued on the Issue Date as one class.

## **Principal, Maturity and Interest**

The Company will issue notes in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The notes will mature on August 12, 2022, at which time the principal amount of the notes outstanding on such date will become due and payable. The redemption price of the notes outstanding on such date will be 100.0%, plus accrued and unpaid interest; however, the Company may redeem the notes, at its option, in whole or in part, prior to such date. See “—Optional Redemption” below. The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will accrue at the rate of 7.000% per annum and will be payable semi-annually in arrears on each February 12 and August 12, commencing on February 12, 2020. Payments will be made to the persons who are registered holders at the close of business on January 28 and July 28, respectively, immediately preceding the applicable interest payment date. The final payment on any registered note, however, will be made only upon presentation and surrender of such note at the office of the Trustee or any Paying Agent (excluding the Luxembourg Paying Agent).

Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The redemption of notes with unpaid and accrued interest to the date of redemption will not affect the right of holders of record on a record date to receive interest due on an interest payment date.

Initially, the Trustee will act as Paying Agent and Registrar for the notes. The Company may change the Paying Agent and Registrar without notice to holders. Except as required by the practices and procedures of DTC as depositary, payments on the notes will be made at the office or agency of the Paying Agent and Registrar in New York City. 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. As long as the notes are listed on this market, the Company will also maintain a Paying Agent and a transfer agent in Luxembourg.

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

## **Guarantees**

The Guarantors will, subject to applicable law, fully and unconditionally guarantee the full and punctual payment of principal, premiums, if any, interest, Additional Amounts and any other amounts that may become due and payable by the Company in respect of the notes and under the Indenture (a “Note Guarantee”). The Note Guarantees will provide that the Guarantors will immediately pay any amount that the Company fails to punctually pay but is required to pay pursuant to the terms of the notes and/or the Indenture.

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

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the notes, or a Guarantor may have effectively no obligation under its Note Guarantee. The above limitation may not protect the Note Guarantees from fraudulent transfer challenges or, if it does, the remaining amount due and collectible under the Note Guarantees may not suffice, if necessary, to pay the notes in full when due. See "Risk Factors—Risks Related to the Notes."

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

The Note Guarantee of a Guarantor will terminate upon:

- (i) a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture,
- (ii) if the Note Guarantee was required pursuant to the terms of the Indenture, the cessation of the circumstances requiring the Note Guarantee,
- (iii) the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary, or
- (iv) defeasance or discharge of the notes, as provided in "— Legal Defeasance and Covenant Defeasance" and "— Satisfaction and Discharge."

### **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 and other amounts on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes) made to investors who are not residents of Mexico for tax purposes, and will pay additional amounts on those payments to the extent described in this subsection.

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

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

- (i) any Taxes imposed solely because at any time there is or was a connection between the holder or beneficial owner of the note and the Relevant Jurisdiction (or any political subdivision or taxing authority thereof or therein), including such holder or beneficial owner (i) being or having been a



- citizen or resident thereof for tax purposes, (ii) maintaining or having maintained an office, permanent establishment, or branch, in all cases subject to taxation therein, or (iii) being or having been present or engaged in a trade or business therein (other than the receipt of payments or the ownership or holding of a note),
- (ii) any estate, inheritance, gift, transfer or similar tax, assessment or other governmental charge imposed with respect to the notes,
  - (iii) any Taxes imposed solely because the holder or any other person having a beneficial interest in the notes fails to comply with any information, documentation or other reporting requirement concerning the nationality, residence for tax purposes or identity of the holder 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, 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, if applicable) have given the holders at least 60 days' notice that holders will be required to provide any such information, documentation or reporting requirement,
  - (iv) any Taxes payable otherwise than by deduction or withholding from payments on the notes,
  - (v) 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 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,
  - (vi) 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, and
  - (vii) any combination of the items in the clauses above.

The limitations on our obligations to pay Additional Amounts stated in item (iii) above will not apply if (a) the provision of information, documentation or other evidence described in such item (iii) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note, taking into account any relevant differences between U.S. and Mexican law, rule, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulation and published administrative practice, or (b) with respect to taxes imposed by Mexico or any political subdivision or taxing authority thereof or therein, Article 166, Section II, Subsection (a) of the Mexican income tax law (or a substantially similar successor of such Article) is in effect, unless the provision of the information, documentation or other evidence described in the item (iii) is expressly required by statute, rule or regulation in order to apply Article 166, Section II, Subsection (a) of the Mexican income tax law (or a substantially similar successor of such Article), the Company, or the relevant Guarantor, cannot obtain such information, documentation or other evidence on its own through reasonable diligence and the Company otherwise would meet the requirements for application of Article 166, Section II, Subsection (a) of the Mexican income tax law (or such successor of such Article).

In addition, such item (iii) does not require, and should not be construed as requiring, that any person, including any non-Mexican pension fund, retirement fund or financial institution, of any nature, register with, or provide information to, the Ministry of Finance and Public Credit or Tax Administration Service to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

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

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

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

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

### **Optional Redemption**

Except as stated below, the Company may not redeem the notes.

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

“Make-Whole Amount” means, with respect to any note on any redemption date, the excess of:

- (a) the present value at such redemption date of each remaining scheduled payment of principal and interest that would otherwise be due to be paid on such note (excluding accrued but unpaid interest), in each case discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate *plus* 50 basis points; *over*
- (b) 100% of the principal amount of the note.

“Treasury Rate” means, with respect to any redemption date, the rate per annum, as determined by an Independent Investment Banker, equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) 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 such redemption date.

“Comparable Treasury Issue” means 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 notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Company.

“Comparable Treasury Price” means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer” means Barclays Capital Inc. or its affiliates which are primary United States government securities dealers and not less than three other leading primary United States government securities dealers in New York City reasonably designated by the Company; *provided, however*, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), the Company will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked price 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 time on the third Business Day preceding such redemption date.

### ***Optional Redemption for Changes in Withholding Taxes***

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

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

- (i) a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred, and
  - (ii) an opinion of legal counsel (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.
- This notice, once delivered by us to the Trustee, will be irrevocable.

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

### ***Optional Redemption Procedures***

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements of the principal securities exchange or market, if any, on which notes are listed or, if the notes are not then listed on a securities exchange or market, on a *pro rata*

basis or by any other method as may be required by DTC in accordance with its applicable procedures. No notes of a principal amount of US\$200,000 or less may be redeemed in part and notes of a principal amount in excess of US\$200,000 may be redeemed in multiples of US\$1,000 only.

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

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

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

If the redemption date falls after a record date but on, or prior to, the corresponding interest payment date, we will pay accrued interest to the holder of record on the corresponding record date, which may or may not be the person who will receive payment of the redemption price (which will exclude such accrued interest).

### **Change of Control Triggering Event**

Upon the occurrence of a Change of Control Triggering Event, each holder will have the right to require that the Company purchase all or a portion (in minimum principal amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof) of the holder’s notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and any Additional Amounts, if any, through the date of purchase (the “Change of Control Triggering Event Payment”).

Within 30 days following the date upon which the Change of Control Triggering Event occurred, the Company must send, by first-class mail, a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a “Change of Control Triggering Event Offer”) and, so long as the rules of the Luxembourg Stock Exchange so require, 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 or before 12:00 p.m. noon New York time on the Business Day immediately preceding the Change of Control Triggering Event Payment Date, the Company shall deposit with the Trustee or a Paying Agent funds in an amount equal to the Change of Control Triggering Event Payment in respect of all notes or portions thereof so tendered.

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

- (1) accept for payment all notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Triggering Event Offer; and
- (2) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

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

The Company will not be required to make a Change of Control Triggering Event Offer upon a Change of Control Triggering Event if (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 Indenture applicable to a Change of Control Triggering Event Offer made by the Company and purchases all notes properly tendered and not withdrawn under the Change of Control Triggering Event Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption “— Optional Redemption,” unless and until there is a default in payment of the applicable redemption price.

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

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

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

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

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of notes in connection with a Change of Control Triggering Event Offer. To the extent that the provisions of any securities laws or regulations conflict with the “Change of Control Triggering Event” provisions of the Indenture, the Company will comply with the applicable

securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

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

### **Suspension of Covenants**

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

“— Limitation on Incurrence of Additional Indebtedness;”

“— Limitation on Guarantees;”

“— Limitation on Restricted Payments;”

“— Limitation on Asset Sales and Sales of Subsidiary Stock;”

“— Limitation on Lease Securitizations and Receivables Transactions;”

“— Limitation on Designation of Unrestricted Subsidiaries;”

“— Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”

“— Limitation on Layered Indebtedness;”

clause (b) of “— Limitation on Merger, Consolidation or Sale of Assets;” and

“— Conduct of Business;”

(collectively, the “Suspended Covenants”).

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

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified as having been incurred pursuant to clause (1) of “— Limitation on Incurrence of Additional Indebtedness” below or one of the clauses set forth in clause (2) of “— Limitation on Incurrence of Additional Indebtedness” below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to the first or second clauses of “— Limitation on

Incurrence of Additional Indebtedness,” such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause 2(c) of “— Limitation on Incurrence of Additional Indebtedness.” Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under “— Limitation on Restricted Payments” will be made as though the covenant described under “— Limitation on Restricted Payments” had been in effect since the Issue Date and throughout the Suspension Period. The Company will notify the Trustee of the occurrence of any Suspension Date or Reversion Date within ten (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.

### **Certain Covenants**

For so long as any note is outstanding, the Company will, and to the extent specified below will cause its Restricted Subsidiaries to, comply with the terms of the following covenants:

#### ***Limitation on Incurrence of Additional Indebtedness***

(1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, except that the Company may Incur Indebtedness, including Acquired Indebtedness, if, at the time of and immediately after giving *pro forma* effect to the Incurrence thereof and the application of the proceeds therefrom the Capitalization Ratio of the Company and its Restricted Subsidiaries is greater than 13.5%.

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

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

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

(c) Indebtedness of the Company and/or any of its Restricted Subsidiaries outstanding on the Issue Date;

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

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

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

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

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

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

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

(i) Refinancing Indebtedness in respect of:

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

(B) Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date and Indebtedness Incurred pursuant to clause (a) of this definition of Permitted Indebtedness or this clause (i);

(j) Capitalized Lease Obligations and Purchase Money Indebtedness of the Company or any Restricted Subsidiary at any one time outstanding in an aggregate principal amount not to exceed the greater of (x) US\$60 million (or the equivalent in other currencies) and (y) 5% of Consolidated Tangible Assets;

(k) Permitted Acquisition Indebtedness;

(l) Capital Securities;

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

(n) indebtedness incurred pursuant to a Lease Securitization; and

(o) additional Indebtedness of the Company or any Restricted Subsidiary at any time outstanding in an aggregate principal amount not to exceed the greater of (x) US\$75 million and (y) 7.5% of Consolidated Tangible Assets.



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

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

### ***Limitation on Guarantees***

Except to the extent that the limitations set forth below expressly contravene, or result in a violation of, Mexican law, the Company will not permit any Restricted Subsidiary of the Company (other than a Guarantor), to Guarantee any Indebtedness of the Company unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee all obligations under the notes and the Indenture on an equal and ratable basis with such Guarantee for so long as such Guarantee remains effective, and in an amount equal to the amount of Indebtedness so Guaranteed.

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

- a) there is a Legal Defeasance or a Covenant Defeasance of the notes;
- 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 Company; 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 Indenture.

***Limitation on Restricted Payments***

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

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

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

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

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

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

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

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

- (1) a Default or an Event of Default shall have occurred and be continuing;
- (2) the Company is not able to Incur at least US\$1.00 of additional Indebtedness pursuant to clause (1) of “— Limitation on Incurrence of Additional Indebtedness;” or
- (3) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof, shall exceed the sum of:

(A) 50.0% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100.0% of the loss, accrued during the period, treated as one accounting period, beginning on January 1, 2017 to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*

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

- contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Company, in each case, subsequent to January 1, 2017,
- issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company, or
- issuance and sale subsequent to the Issue Date of any Capital Securities,

excluding, in each case, any net proceeds:

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

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

(C) any Investment Return; *plus*

(D) an amount not to exceed US\$50 million in the aggregate since the Issue Date.

As of March 31, 2019, we estimate that the amount available for Restricted Payments pursuant to clause (3) above would have been approximately US\$61.8 million (calculated using the exchange rate of Ps.19.3793 published in the Mexican Federal Official Gazette by the Banco de México on March 29, 2019).

Notwithstanding the preceding paragraph, this covenant does not prohibit:

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

(2) the making of any Restricted Payment,

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

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

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

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

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of Refinancing Indebtedness for such Subordinated Indebtedness;

(4) repurchases by the Company of Common Stock of the Company or options, warrants or other securities exercisable or convertible into Common Stock of the Company from any current or former employees, officers, directors or consultants of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of such employees, officers or directors, or the termination of retention of any such consultants, in an amount not to exceed US\$2 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 million) plus the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries;

(5) repurchases by the Company of Common Stock pursuant to the Company's stock repurchase plan (*fondo de compra*), as in effect on the Issue Date;

(6) 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;

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

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

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

(10) if no Default or Event of Default shall have occurred and be continuing, other Restricted Payments in an aggregate amount not to exceed US\$10 million in any fiscal year.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (4), (5), (7) and (9) above shall be included in such calculation and amounts expended pursuant to clauses (2), (3), (6), (8) and (10) above shall not be included in such calculation.

#### ***Limitation on Asset Sales and Sales of Subsidiary Stock***

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

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

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

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

(1) any liabilities that are included on the balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets and as a result of which the Company or such Restricted Subsidiary, as the case may be, are fully and unconditionally released from any further liability in connection therewith;

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

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

(4) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale; *provided* that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (4) less the amount of Net Proceeds previously realized in cash or Cash Equivalents from the sale of prior Designated Non-cash Consideration is less than the greater of (x) 4.0% of Consolidated Tangible Assets at the time of the receipt of such Designated Non-cash Consideration and (y) US\$25 million, in each case with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value;

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

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

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

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

(c) purchase

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

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

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

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within the 365 days of the Asset Sale as described in clause (a), (b) and/or (c) of the immediately preceding paragraph, the Company will make an offer to purchase notes (the “Asset Sale Offer”), at a purchase price equal to 100.0% of the principal amount of the notes to be purchased, plus accrued and unpaid interest thereon, to the date of purchase (the “Asset Sale Offer Amount”). The Company will purchase pursuant to an Asset Sale Offer from all tendering holders on a *pro rata* basis, and, at the Company’s option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

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

Each notice of an Asset Sale Offer will be mailed first class, postage prepaid, to the record holders as shown on the register of holders within 20 days following such 365th day, with a copy to the Trustee, offering to purchase the notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the “Asset Sale Offer Payment Date”). Upon receiving notice of an Asset Sale Offer, holders may elect to tender their notes in whole or in part in minimum principal amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof in exchange for cash.

On or before 12:00 p.m. noon New York time on the Business Day immediately prior to the Asset Sale Offer Payment Date, the Company shall deposit with the Trustee or any Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all notes or portions thereof so tendered.

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

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

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

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

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the “Asset Sale” provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the “Asset Sale” provisions of the Indenture by doing so.

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

#### ***Limitation on Lease Securitizations and Receivables Transactions***

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

(1) the sale, transfer or other disposition is in connection with a Lease Securitization or a Receivables Transaction; and

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

#### ***Limitation on Designation of Unrestricted Subsidiaries***

Except to the extent that the limitations set forth below expressly contravene, or result in a violation of, Mexican law, the Company may designate after the Issue Date any Subsidiary of the Company as an “Unrestricted Subsidiary” under the Indenture (a “Designation”) only if:

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

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

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

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

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

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

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

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

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

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

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by a certificate of the Chief Financial Officer of the Company, delivered to the Trustee certifying compliance with the preceding provisions.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

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

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

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

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

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

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

(2) the Indenture or the notes;

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

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

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

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



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

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

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

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

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

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

(13) restrictions customarily granted in connection with any Lease Securitizations.

#### ***Limitation on Layered Indebtedness***

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

#### ***Limitation on Liens***

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

#### ***Limitation on Merger, Consolidation and Sale of Assets***

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

(a) either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) any transfer of the properties or assets of a Restricted Subsidiary to the Company;
- (2) any merger of a Restricted Subsidiary into the Company; or
- (3) any merger of the Company into a Wholly-Owned Subsidiary of the Company created for the purpose of holding the Capital Stock of the Company.

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

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

- (a) such Person (if such Person is the surviving entity) assumes all of the obligations of such Guarantor in respect of its Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the Indenture;
- (b) such Note Guarantee is to be released as provided under “—Note Guarantees;” or
- (c) such sale or other disposition of substantially all of such Guarantor's assets is made in accordance with “—Limitation on Asset Sales and Sales of Subsidiary Stock.”

***Limitation on Transactions with Affiliates***

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

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

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US\$15 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of US\$25 million, the Company must in addition obtain and deliver to the Trustee a favorable written opinion from an internationally recognized investment banking or accounting firm as to the fairness of the transaction to the Company and its Restricted Subsidiaries from a financial point of view.

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

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

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

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

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

(e) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding US\$2 million outstanding at any one time;

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

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

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

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

### ***Conduct of Business***

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

### ***Reports to Holders***

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

(a) Within 120 days following the end of each of the Company's fiscal years, 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" and with scope and content substantially similar to the corresponding sections in this offering memorandum (after taking into consideration any changes to the business and operations of the Company after the Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Company for the two most recent fiscal years in accordance with IFRS, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with an audit report thereon by the Company's independent auditors; and

(b) Within 60 days following the end of each of the first three fiscal quarters in each of the Company's fiscal years (beginning with the fiscal quarter ended September 30, 2019), quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto for the Company and the Restricted Subsidiaries 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 IFRS, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such quarterly period and condensed footnote disclosure (in each case, presented in the English language).

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

In addition, if and so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the 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 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 or actual notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of the respective covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

### ***Listing***

Application will be made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market of the Luxembourg Stock Exchange; however, the notes are not yet listed and the Company cannot assure the holders of the notes that they will be accepted for listing. Following the issuance of the notes, the Company will use its commercially reasonable efforts to obtain and maintain such admission to listing and trading; *provided* that if the Company is unable to list the notes on the Official List of the Luxembourg Stock Exchange and/or the notes do not trade on the Euro MTF Market of the Luxembourg Stock Exchange, or if as a result of any applicable rule, requirement or legislation, the Company would be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the notes in accordance with the rules of the Luxembourg Stock Exchange and it will use its commercially reasonable efforts to list and maintain a listing of the notes on a different section of the Luxembourg Stock Exchange or on such other listing authority, stock exchange and/or

quotation system inside or outside the European Union and recognized by the U.S. Securities and Exchange Commission as the Company may decide.

### ***Notices***

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary in accordance with its applicable policies in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail of such notices to holders of the notes at their registered addresses as they appear in the registrar's records.

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

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*);

(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions; or

(3) on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu).

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of notes at their registered addresses.

### **Events of Default**

The following are "Events of Default":

(1) default in the payment when due of the principal of or premium, if any, on any notes, including the failure to make a required payment to purchase notes tendered pursuant to an optional redemption, Change of Control Triggering Event Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest or Additional Amounts, if any, on any notes;

(3) the failure to perform or comply with any of the provisions described under "—Certain Covenants—Merger, Consolidation and Sale of Assets;"

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 30 days or more after written notice to the Company from the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes;

(5) default by the Company or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which:

(a) is caused by a failure to pay principal or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in the instrument governing such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its stated maturity;

and, in each case, the principal or accreted amount of Indebtedness at the relevant time, aggregates US\$20 million or more;

(6) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary to pay one or more non-appealable final judgments against any of them, aggregating US\$20 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;

(7) certain events of bankruptcy affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries, including the declaration of their *concurso mercantil* or *quiebra*; or

(8) any Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or a Guarantor denies or disaffirms its obligations under its Note Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) shall occur and be continuing, the Trustee and the holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company and a Responsible Officer of the Trustee, in case of notice from holders of at least 25% in principal amount of outstanding notes, specifying the Event of Default and that it is a “notice of acceleration.” If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its reasonable compensation and reimbursed and/or indemnified the Trustee for its reasonable expenses (including the fees and expenses of its counsel), disbursements, losses and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premiums, if any, Additional Amounts or interest on any notes or any amounts due and owing to the Trustee.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders, if within 30 days after such Event of Default arose the Company delivers an Officers’ Certificate to the Trustee stating that (x) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged, or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default, or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the notes as described above be annulled, waived or rescinded upon the happening of any such events.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless such holders have offered to the Trustee indemnity satisfactory to the Trustee. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then

outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

- (1) such holder gives to a Responsible Officer of the Trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in principal amount of the then outstanding notes make a written request to pursue the remedy;
- (3) such holders of the notes provide to the Trustee satisfactory indemnity;
- (4) the Trustee does not comply within 60 days; and
- (5) during such 60 day period the holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

*provided*, that a holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

Upon becoming aware of any Default or Event of Default, the Company is required to deliver to a Responsible Officer of the Trustee written notice of events which would constitute such Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to a Responsible Officer of the Trustee, within 105 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to a Responsible Officer of the Trustee, the Trustee must mail to each holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premiums, if any, or interest on any note, the Trustee may withhold notice if and so long as its trust officer in good faith determines that withholding notice is in the interests of the holders.

### **Legal Defeasance and Covenant Defeasance**

The Company may, at its option and at any time, elect to have its obligations with respect to outstanding notes discharged ("Legal Defeasance"). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes after the deposit specified in clause (1) of the second following paragraph, except for:

- (1) the rights of holders to receive payments in respect of the principal of, premiums, if any, and interest on the notes when such payments are due;
- (2) the Company's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties and immunities of the Trustee and the Company's obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to certain covenants (including, without limitation, obligations to make Change of Control Triggering Event Offers, Asset Sale Offers, the obligations described under "—Certain Covenants" and the cross-acceleration



provisions and judgment default provisions described under “Events of Default”) that are described in the Indenture (“Covenant Defeasance”) and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including nonpayment, bankruptcy, receivership, reorganization and insolvency events) described under “Events of Default” will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust for the benefit of the holders, cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, 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 delivered to the Trustee, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from counsel of recognized standing in the United States and independent of the Company to the effect that (subject to customary exceptions and exclusions):

(a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

(b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel of recognized standing in the United States to the effect that (subject to customary exceptions and exclusions) the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee:

(a) an Opinion of Counsel from Mexican legal counsel of recognized standing and independent of the Company to the effect that (subject to customary exceptions and exclusions), based upon Mexican law then in effect, holders will not recognize income, gain or loss for Mexican tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Mexican taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or

(b) a ruling directed to the Trustee received from the tax authorities of Mexico to the same effect as the Opinion of Counsel described in clause (a) above;

(5) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” as a result of the borrowing of the funds required to effect such deposit);

(6) the Company has delivered to a Responsible Officer of the Trustee an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(7) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(8) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from counsel of recognized standing and independent of the Company, each stating that (subject to customary exceptions and exclusions) all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(9) the Company has delivered to the Trustee an Opinion of Counsel from counsel of recognized standing and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

(1) either:

(a) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all notes not theretofore delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(2) the Company has paid all other sums payable under the Indenture and the notes by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

### **Modification of the Indenture or the Notes**

From time to time, the Company and the Trustee, without the consent of the holders, may amend the Indenture or the notes for certain specified purposes, including curing ambiguities, omissions, defects or inconsistencies; to provide for uncertificated notes in addition to or in place of certificated notes; to provide for the assumption of the Company's obligations to holders of notes in the case of a merger or consolidation or sale of all or substantially all of the Company's assets, as applicable; to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder; to

comply with applicable requirements of the U.S. Securities and Exchange Commission; to conform the text of the Indenture or the notes to any provision of this Description of Notes; to comply with the requirements of any applicable securities depository; to provide for a successor Trustee in accordance with the terms of the Indenture; to otherwise comply with any requirement of the Indenture; to issue Additional Notes; and make any other changes which do not adversely affect the rights of any of the holders in any material respect. In formulating its opinion on such matters, the Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officers' Certificate, and shall have no liability whatsoever in reliance upon the foregoing.

Other modifications and amendments of the Indenture or the notes may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each holder affected thereby, no amendment may (with respect to any notes held by a non-consenting holder):

- (1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes;
- (3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;
- (4) make any notes payable in currency other than that stated in the notes;
- (5) make any change in provisions of the Indenture entitling each holder to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce such payment, or permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;
- (6) amend, change or modify in any material respect any obligation of the Company to make and consummate a Change of Control Triggering Event Offer in respect of a Change of Control Triggering Event that has occurred, or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;
- (7) make any change in the provisions of the Indenture described under “— Additional Amounts” that adversely affects the rights of any holder or amend the terms of the notes in a way that would result in a loss of exemption from Taxes;
- (8) make any change to the provisions of the Indenture or the notes that adversely affects the ranking of the notes; and
- (9) eliminate or modify in any manner a Guarantor's obligation with respect to its Note Guarantee which adversely affects the holders of the notes in any material respect, except as contemplated in the Indenture.

### **Governing Law; Jurisdiction**

The Indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York. The Company and the Guarantors will consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the notes.

### **The Trustee**

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such

rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

### **No Personal Liability**

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or any Guarantor shall not have any liability for any obligations of the Company or any Guarantor under the notes or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each holder waives and releases all such liability.

### **Currency Indemnity**

The Company and the Guarantors will pay all sums payable under the Indenture or the notes solely in U.S. Dollars. Any amount that the Trustee or a holder receives or recovers in a currency other than U.S. Dollars in respect of any sum expressed to be due to the Trustee or such holder from the Company or any Guarantors will only constitute a discharge to us, to the greatest extent permitted under applicable law, to the extent of the U.S. Dollar amount which the Trustee or such holder is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which the Trustee or such holder is able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the Trustee or such holder under the Indenture or any note, to the greatest extent permitted under applicable law, the Company and the Guarantors will indemnify the Trustee or such holder against any loss such holder may sustain as a result. In any event, the Company and the Guarantors will indemnify the Trustee or any such holder against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for the Trustee or such holder to certify in a reasonably satisfactory manner that the Trustee or such holder would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which the Trustee or such holder was able to do so. In addition, any such holder will also be required to certify in a reasonably satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by the Trustee or any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

### **Certain Definitions**

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

*“Acquired Indebtedness”* means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person; provided that such Indebtedness is not incurred in connection with, or in anticipation or contemplation of such merger, consolidation, amalgamation or acquisition. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

*“Additional Amounts”* has the meaning set forth under “— Additional Amounts” above.

*“Additional Notes”* has the meaning set forth under “— Payment of Additional Notes” above.

*“Affiliate”* means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

*“Affiliate Transaction”* has the meaning set forth under “—Certain Covenants—Limitation on Transactions with Affiliates” above.

*“Asset Acquisition”* means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;

(2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

*“Asset Sale”* means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a “disposition”), by the Company or any Restricted Subsidiary of:

(a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Company); or

(b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Company) of the Company or any Restricted Subsidiary.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under “—Certain Covenants—Merger, Consolidation and Sale of Assets;”

(2) for purposes of “—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock” only, the making of a Restricted Payment permitted under “—Certain Covenants—Limitation on Restricted Payments” or any Permitted Investment;

(3) a disposition to the Company or a Guarantor, including a Person that is or will become a Guarantor immediately after the disposition;

(4) transactions that involve assets or Capital Stock of a Restricted Subsidiary having a Fair Market Value of less than US\$20 million (or the equivalent in other currencies) during the life of the notes;

(5) a transfer of assets between or among the Company and any Guarantor;

(6) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Company to the Company or any Restricted Subsidiary;

(7) the disposition of accounts receivable as permitted under “—Certain Covenants—Limitation on Lease Securitizations and Receivables Transactions;”

(8) any sale or other disposition of inventory, goods, equipment or other assets in the ordinary course of business in the Company’s leasing operations;

(9) the sale of delinquent loans to unaffiliated third parties;

(10) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;

(11) the sale of assets received by the Company or any of its Restricted Subsidiaries upon the foreclosure of a Lien in the ordinary course of business;

(12) the granting of Liens permitted under “—Certain Covenants—Limitation on Liens;”

(13) 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

(14) a disposition to a Restricted Subsidiary that is not a Guarantor from another Restricted Subsidiary that is not a Guarantor.

“*Asset Sale Offer*” has the meaning set forth under “—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock.”

“*Asset Sale Transaction*” means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

“*Attributable Debt*” in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; *provided, however*, that if such Sale and Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capitalized Lease Obligation.”

“*Board of Directors*” means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Business Day*” means a day other than a Saturday, Sunday or any day on which banking institutions are authorized or required by law to close in New York City, United States or in Mexico City, Mexico.

“*Capitalization Ratio*” means, as of any date of determination, the result (expressed as a percentage) obtained by dividing (x) Consolidated Net Worth of the Company by (y) Net Loan Portfolio of the Company.

“*Capital Securities*” means, with respect to the Company, any bonds, debentures, notes or other similar instruments of the Company (i) which are expressly subordinated in right of payment and in insolvency to the prior payment in full of any note and any other Senior Indebtedness, (ii) which have a scheduled maturity date of at least 10 years after the Issue Date, (iii) the first principal payment in respect of which (pursuant to any redemption provision, amortization schedule or otherwise) may not occur until at least 12 months after the last scheduled principal payment of any note and any other Senior Indebtedness, (iv) the principal of which may not be accelerated

so long as any note remains outstanding (except pursuant to a customary bankruptcy event of default with respect to the Company), (v) are senior only to Capital Stock of the Company, (vi) in respect of which interest may be deferred and cancelled and (vii) which, prior to their issuance, are provided equity-like treatment by at least two Rating Agencies pursuant to their respective rating criteria.

“*Capital 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.

“*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 IFRS. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with IFRS.

“*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 Moody’s 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 P-2 from Moody’s;

(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 P-1 or Aaa from Moody’s with maturities of one year or less from the date of acquisition; and

(8) investments in money market funds, which invest substantially all of their assets in securities of the types described in clauses (1) through (7) above.

“*Change of Control*” means the occurrence of one or more of the following events:

(1) any Person or a Group other than the Permitted Holders is or becomes the beneficial owner, directly or indirectly, in the aggregate of 35% or more of the total voting power of the Voting Stock of the Company; *provided* that the Permitted Holders beneficially own, directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) than such other Person or Group and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company or such successor (for the purposes of this clause, such other Person or Group shall be deemed to beneficially own any Voting Stock of a specified entity held by a parent entity, if such other Person or Group “beneficially owns” directly or indirectly, more than 35.0% of the voting power of the Voting Stock of such parent entity and the Permitted Holders “beneficially own” directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of such parent entity);

(2) the Company consolidates with, or merges with or into, another Person, or the Company sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Company, determined on a consolidated basis, to any Person, other than a transaction where the Person or Persons that, immediately prior to such transaction “beneficially owned” the outstanding Voting Stock of the Company are, by virtue of such prior ownership, or Permitted Holders are, the “beneficial owners” in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee person (or if such surviving or transferee Person is a direct or indirect wholly-owned subsidiary of another Person, such Person who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with the Indenture;

(3) individuals who on the Issue Date constituted the Board of Directors of the Company, together with any new directors whose election by the Board of Directors or whose nomination for election by the stockholders of the Company was voted upon favorably by the Permitted Holders, cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or

(4) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of the Indenture.

For purposes of this definition:

(a) “beneficial owner” will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any Person or Group will be deemed to have “beneficial ownership” of all securities that such Person or Group has the right to acquire, whether such right is exercisable immediately, only after the passage of time or, except in the case of the Permitted Holders, upon the occurrence of a subsequent condition.

(b) “Person” and “Group” will have the meanings for “person” and “group” as used in Sections 13(d) and 14(d) of the Exchange Act; and

(c) the Permitted Holders or any other Person or Group will be deemed to beneficially own any Voting Stock of a corporation held by any other corporation (the “parent corporation”) so long as the Permitted Holders or such other Person or Group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50.0% of the voting power of the Voting Stock of the parent corporation and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent corporation.

“*Change of Control Triggering Event*” means the occurrence of a Change of Control; *provided* that, at any time during a Suspension Period, a “Change of Control Triggering Event” shall mean the occurrence of both a Change of Control and a Rating Downgrade Event.



*“Change of Control Triggering Event Offer”* has the meaning set forth under “— Change of Control Triggering Event.”

*“Change of Control Triggering Event Payment”* has the meaning set forth under “— Change of Control Triggering Event.”

*“Change of Control Triggering Event Payment Date”* has the meaning set forth under “— Change of Control Triggering Event.”

*“Common Stock”* of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

*“Consolidated Net Income”* means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with IFRS; provided, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary gains or losses;

(3) the net income (but not loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that, solely for purposes of calculating Consolidated Net Income pursuant to clause (3) of the first paragraph of “—Certain Covenants—Limitation on Restricted Payments” only, Consolidated Net Income of the Company will include the Company’s proportionate share of the net income of:

(a) any Person acquired in a “pooling of interests” transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with the Company or any Restricted Subsidiary; or

(b) a Surviving Entity prior to assuming the Company’s obligations under the Indenture and the notes pursuant to “—Certain Covenants—Limitation on Merger, Consolidation and Sales of Assets;”

(4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that (and only so long as) a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;

(5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiary in the case of the Company);

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness and Hedging Obligations; and

(8) the cumulative effect of changes in accounting principles.

*“Consolidated Net Worth”* means, as of any date of determination, the consolidated stockholders’ equity of the Company and its Restricted Subsidiaries as of the last day of the most recent fiscal quarter prior to such date of

determination, prepared in accordance with IFRS, less (without duplication) amounts attributable to Disqualified Capital Stock of the Company and its Restricted Subsidiaries.

“*Consolidated Tangible Assets*” means, for any Person at any time, the total consolidated assets of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) as set forth on the consolidated balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with IFRS, less Intangible Assets.

“*Covenant Defeasance*” has the meaning set forth under “— Legal Defeasance and Covenant Defeasance.”

“*Currency Agreement*” means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

“*Default*” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“*Designated Non-cash Consideration*” means the Fair Market Value of non-cash consideration used in a Permitted Business (other than securities) received by the Company or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an officers’ certificate, setting forth the basis of such valuation, executed by the Chief Executive Officer or the Chief Financial Officer of the Company and delivered to the Trustee, less the amount of cash or Cash Equivalents received in connection with a sale of such Designated Non-cash Consideration.

“*Designation*” and “*Designation Amount*” have the meanings set forth under “—Certain Covenants— Limitation on Designation of Unrestricted Subsidiaries” above.

“*Disqualified Capital Stock*” means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the final maturity of the notes shall not constitute Disqualified Stock if:

(1) the “asset sale” or “change of control” provisions applicable to such Capital Stock are not materially more favorable to the holders of such Capital Stock than the terms applicable to the notes and described under “—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock” and “— Change of Control Triggering Event;” and

(2) any such requirement only becomes operative after compliance with such terms applicable to the notes, including the purchase of any notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

“*DTC*” means The Depository Trust Company, its nominees and their respective successors and assigns, or such other depository institution hereinafter appointed by the Company that is a clearing agency registered under the Exchange Act.

“*Eligible Subsidiary*” means a Restricted Subsidiary that is a Wholly-Owned Subsidiary of the Company or of a Guarantor that constitutes a “Significant Subsidiary” within the meaning of Rule 1-02(w) of Regulation S-X under the Securities Act but excluding any Subsidiary that is contractually restricted from acting as a Guarantor of the notes pursuant to an agreement in effect on the Issue Date; *provided* that the aggregate amount of tangible assets of Restricted Subsidiaries that are not Eligible Subsidiaries must not exceed 15% of the Consolidated Tangible Assets of the Company and its Subsidiaries.

“*Event of Default*” has the meaning set forth under “Events of Default.”

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“*Fair Market Value*” means, with respect to any asset (including, without limitation, accounts receivable), the price (after deducting any liabilities relating to such assets) which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided*, that the Fair Market Value of any such asset (including, without limitation, accounts receivable) will be determined conclusively by the senior management of the Company acting in good faith.

“*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 Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V., any successor obligor pursuant to provisions of the section titled “—Certain Covenants—Merger, Consolidation and Sale of Assets” and any Eligible Subsidiary that provides a Note Guarantee pursuant to the Indenture unless and until such Guarantor is released from its Note Guarantee pursuant to the Indenture.

“*Hedging Obligations*” means the obligations of any Person pursuant to any Interest Rate Agreement or Currency Agreement.

“*IFRS*” means the International Financial Reporting Standards as issued by the International Accounting Standards Board, as in effect from time to time.

“*Incur*” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and “Incurrence,” “Incurred” and “Incurring” will have meanings correlative to the preceding).

“*Indebtedness*” means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) all obligations under Hedging Obligations of such Person;

(9) to the extent not otherwise included in this definition, all liabilities required to be recorded on the consolidated balance sheet of such Person in accordance with IFRS 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 Lease Securitization or Receivables Transaction; and

(10) all Disqualified Capital Stock issued by such Person.

*"Intangible Assets"* means with respect to any Person 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 consolidated balance sheet of such Person prepared in accordance with IFRS.

*"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, loans, leases, factoring or deposits arising in the ordinary course of business in connection with the Company's leasing, factoring and lending operations. *"Invest," "Investing"* and *"Invested"* will have corresponding meanings.

For purposes of the "Limitation on Restricted Payments" covenant, the Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be

valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

*“Investment Grade Rating”* means a rating equal to or higher than (i) Baa3 (or the equivalent) by Moody’s or (ii) BBB- (or the equivalent) by S&P, or, if either such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other Rating Agency.

*“Investment Return”* means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Company or any Restricted Subsidiary:

(1) (x) the proceeds in cash and the Fair Market Value of property other than cash received by the Company or any Restricted Subsidiary upon the sale, liquidation or repayment of such Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Company and its Restricted Subsidiaries in full, less any payments previously made by the Company or any Restricted Subsidiary in respect of such Guarantee and (y) any dividends or distributions received by the Company or any Restricted Subsidiary from an Unrestricted Subsidiary, to the extent such amounts were not otherwise included in Consolidated Net Income;

(2) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:

(a) the Company’s Investment in such Unrestricted Subsidiary at the time of such Revocation;

(b) that portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of Revocation that is proportionate to the Company’s equity interest in such Unrestricted Subsidiary at the time of Revocation; and

(c) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and

(3) in the event the Company or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, the Fair Market Value of the Investment of the Company and its Restricted Subsidiaries in such Person,

in the case of each of (1), (2) and (3), up to the amount of such Investment that was treated as a Restricted Payment under “—Certain Covenants—Limitation on Restricted Payments” less the amount of any previous Investment Return in respect of such Investment.

*“Issue Date”* means August 12, 2019.

*“Lease Securitization”* means any securitization, factoring, discounting or similar financing transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries directly or indirectly through a Securitization Vehicle securitizes a pool of specified Receivables, Residual Interests, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary on terms that the Board of Directors has concluded are customary and market terms fair to the Company and its Restricted Subsidiaries and the proceeds of which are used to repay any Senior Indebtedness of the Company, make capital expenditures in a Permitted Business, fund working capital needs of a

Permitted Business and/or purchase assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business.

“*Legal Defeasance*” has the meaning set forth under “Legal Defeasance and Covenant Defeasance.”

“*Lien*” means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

“*Marketable Securities*” has the meaning ascribed to such term under IFRS.

“*Mexican Restructuring*” means any case or other proceeding against the Company or any Subsidiary with respect to it or its debts under any bankruptcy, *concurso mercantil*, *quiebra*, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, *conciliador*, liquidator, custodian or other similar official of it or any substantial part of its property.

“*Moody’s*” means Moody’s Investors Service, Inc. and its successors and assigns.

“*Net Cash Proceeds*” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(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 reasonably estimated to be payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

“*Net Auto Loans & Other Portfolio*” means, as of any date of determination, the auto loans and other portfolio – net of the Company and its Restricted Subsidiaries as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with IFRS.

“*Net Factoring Portfolio*” means, as of any date of determination, the factoring portfolio – net of the Company and its Restricted Subsidiaries as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with IFRS.

“*Net Leasing Portfolio*” means, as of any date of determination, the leasing portfolio – net of the Company and its Restricted Subsidiaries as of the last day of the most recent fiscal quarter prior to such date of determination, prepared in accordance with IFRS.

“*Net Loan Portfolio*” means, as of any date of determination, an amount equal to the sum of Net Leasing Portfolio, *plus* Net Factoring Portfolio, *plus* Net Auto Loans & Other Portfolio.

“*Obligations*” means, with respect to any Indebtedness, any principal, premium, interest (including, without limitation, Post-Petition Interest), Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes, the Indenture.

“*Officer*” means, when used in connection with any action to be taken by the Company, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, the General Counsel, the Controller or the Secretary of the Company.

“*Officers’ Certificate*” means, when used in connection with any action to be taken by the Company, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company and delivered to the Trustee.

“*Opinion of Counsel*” means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture) and which opinion shall be reasonably acceptable to the Trustee.

“*Permitted Acquisition Indebtedness*” means Indebtedness of the Company to the extent such Indebtedness was (i) Indebtedness of a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary, (ii) Indebtedness of a Person that was merged, consolidated or amalgamated into the Company or (iii) assumed in connection with the acquisition of assets from a Person; *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged, consolidated or amalgamated into the Company or assumed in connection with an Asset Acquisition, as applicable, after giving *pro forma* effect thereto, (a) the Company would be permitted to incur at least US\$1.00 of additional Indebtedness pursuant to clause (1) under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness,” or (b) the Capitalization Ratio of the Company and its Restricted Subsidiaries would be equal to or greater than the Capitalization Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction.

“*Permitted Business*” means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date, and any business related, ancillary or complementary thereto or otherwise arising out of those activities, including, without limitation, any activities relating to durable goods lending, auto loans, loans to small- and medium-enterprises (SMEs), other entities and individuals, the extension of group loans and other consumer goods and receivables financing services.

“*Permitted Holders*” means (i) Rodrigo Lebois Mateos, (ii) Luis Gerardo Barroso González, (iii) a parent, brother or sister of an individual named in clauses (i) and (ii), (iv) the spouse or a former spouse of any individual named in clauses (i), (ii) or (iii), (v) the lineal descendants of any person named in clauses (i), (ii), (iii) and (iv), (vi) the estate or any guardian, custodian or other legal representative of any individual named in clauses (i), (ii) and (iii) through (v), (vii) any trust or other vehicle established principally for the benefit of any one or more of the individuals named in clauses (i), (ii) and (iii) through (vi), and (viii) any Person, including investment funds, in which a majority of the Voting Stock is owned or controlled, directly or indirectly, by any one or more of the Persons named in clauses (i) through (vii).

“*Permitted Indebtedness*” has the meaning set forth under clause (2) of “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.”

“*Permitted Investments*” means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary, except for a Guarantee of Indebtedness of a Restricted Subsidiary;

(2) Investments by the Company, or any Restricted Subsidiary, in the Company;

(3) Investments in cash and Cash Equivalents;

(4) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(5) Investments permitted pursuant to clause (2)(b), (c) or (e) of “—Certain Covenants—Limitation on Transactions with Affiliates;”

(6) Investments received as a result of the bankruptcy or reorganization of any Person, or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under “—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock;”

(8) Investments in the form of Hedging Obligations permitted under clause 2(d) of “—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) since the Issue Date, shall not exceed (a) 2.5% of the Consolidated Tangible Assets of the Company *plus* (b) US\$15 million, *plus* (c) returns received from Investments made under this clause (9), *provided, however*, that these returns (i) are not included in the Consolidated Net Income of the Company, (ii) are in the form of cash and (iii) do not exceed the amount of Investments in such Person made after the Issue Date in reliance on this clause (9). For the avoidance of doubt, Investments in Restricted Subsidiaries shall not be affected by this clause (9);

(10) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(11) payroll, travel, entertainment, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(12) loans or advances to employees in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers’ compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(14) payroll loans, durable goods loans, small business loans, group loans, used car loans and other loans (including loan portfolios) made or acquired by the Company in the ordinary course of business, including, without limitation, the acquisition of loans or loan portfolios from third parties; and

(15) Investments in any Person in connection with a Lease Securitization or Receivables Transaction; *provided* that such Investment in any such Person is in the form of a receivables financing facility, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary and transferred to such Person in connection with a Lease Securitization or Receivables Transaction (including by way of transfers of receivables to any Person or Securitization Vehicle);

*provided, however*, that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to, one or more of the above clauses (1) through (15) so that the entire Investment would be a Permitted Investment.



“*Permitted Liens*” means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith;

(2) Liens Incurred or deposits made in the ordinary course of business (x) in connection with workers’ compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or (y) to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens Incurred on accounts receivable and/or related assets securing obligations under Receivables Transactions, in an aggregate amount not to exceed 10% of Consolidated Tangible Assets;

(4) 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;

(5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(6) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” and that are secured by the same assets as secure such Hedging Obligations;

(7) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under “—Certain Covenants—Limitation on Liens” not incurred pursuant to clauses (8) and (9) of this definition of “Permitted Liens” and which Indebtedness has been Incurred in accordance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;” *provided*, that such new Liens:

(a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced, and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(8) Liens securing Acquired Indebtedness Incurred in accordance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided*, that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary, and

(b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

(9) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided*, that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired, and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(10) 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;

(11) 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;

(12) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligations and forward contracts, options, futures contracts, futures options or similar agreements or arrangements designed to protect the Company and its Restricted Subsidiaries from fluctuations in interest rates;

(13) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(14) licenses of intellectual property in the ordinary course of business;

(15) Liens to secure a defeasance trust to the extent such defeasance is otherwise permitted pursuant to the terms of the Indenture;

(16) easements, rights-of-way, zoning and similar restrictions, reservations, restrictions or encumbrances in respect of real property or title defects that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties (as such properties are used by the Company or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(17) 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;

(18) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(19) Liens Incurred on accounts receivable and/or related assets securing obligations under Lease Securitizations;

(20) Liens on any property, assets, rights, accounts receivable or proceeds therefrom that are not required to be recorded as assets on the consolidated balance sheet of the Company or a Restricted Subsidiary in accordance with IFRS, in an aggregate amount not to exceed 10.0% of Consolidated Tangible Assets; or

(21) other Liens at any time outstanding securing obligations, including obligations under credit facilities, in an aggregate amount not to exceed 10.0% of Consolidated Tangible Assets.

“*Person*” means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust (*fideicomiso*) or joint venture, or a governmental agency or political subdivision thereof.

“*Post-Petition Interest*” means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

“*Preferred Stock*” of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

“*Purchase Money Indebtedness*” means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

“*Qualified Capital Stock*” means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

“*Qualified Merger Jurisdiction*” means (i) the United States, any State thereof or the District of Columbia; (ii) any member state of the European Union; or (iii) any other nation that has a sovereign debt rating from two Rating Agencies that is equal to or higher than the sovereign debt rating assigned to Mexico by such Rating Agencies.

“*Rating Agencies*” means (i) S&P and (ii) Moody’s or (iii) if S&P or Moody’s or both shall not make a rating of the notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, as the case may be.

“*Rating Downgrade Event*” means that one of the Rating Agencies withdraws its Investment Grade Rating or downgrades its rating assigned to the notes below an Investment Grade Rating on any date during the period (the “*Trigger Period*”) commencing on the date of the first public announcement of any Change of Control and ending 90 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced prior to the end of the Trigger Period that it is considering a possible ratings change). In no event shall the Trustee be charged with knowledge of the rating of the notes or the Company, nor shall it be charged with monitoring such rating.

“*Receivables*” means loans, other loan-related receivables, factoring and factoring-related receivables, leases and other lease-related receivables purchased or originated by the Company or any Restricted Subsidiary; *provided, however*, that for purposes of determining the amount of a Receivable at any time, such amount shall be determined in accordance with IFRS, consistently applied, as of the most recent practicable date.

“*Receivables Transaction*” means any securitization, factoring, discounting or similar financing transaction or series of transactions, including any debt facility, bridge loan (warehousing) or line of credit, entered into by the Company or any of its Restricted Subsidiaries (other than a Lease Securitization) pursuant to which the Company or any of its Restricted Subsidiaries may, sell, convey, assign or otherwise transfer to any Person, or may grant a security interest in, any specified Receivables, Residual Interests, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary.

“*Refinance*” means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. “Refinanced” and “Refinancing” will have correlative meanings.

“*Refinancing Indebtedness*” means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is:

(a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company,

(b) Indebtedness of a Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Guarantor, and

(c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the notes, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

“*Residual Interests*” means (i) any residual interests in Lease Securitizations, Receivables Transactions, 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 Lease Securitization or Receivables Transactions, regardless of whether required to appear on the face of the consolidated financial statements of such Person and its Subsidiaries in accordance with IFRS.

“*Responsible Officer*” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including the vice president, assistant vice president, assistant treasurer, trust officer or other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time are such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Indenture.

“*Restricted Payment*” has the meaning set forth under “—Certain Covenants—Limitation on Restricted Payments.”

“*Restricted Subsidiary*” means any Subsidiary of the Company, which at the time of determination is not an Unrestricted Subsidiary.

“*Revocation*” has the meaning set forth under “—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.”

“*S&P*” means Standard & Poor’s Ratings Services and its successors and assigns.

*“Sale and Leaseback Transaction”* means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

*“Secured Indebtedness”* means any Indebtedness secured by a Lien upon the property or assets of the Company and/or its Restricted Subsidiaries.

*“Securitization Securities”* has the meaning set forth in the definition of “Securitization Vehicle.”

*“Securitization Vehicle”* means (i) any Person (whether or not a Restricted Subsidiary of the Company) established for the purpose of issuing asset-backed securities of any kind or issuing any other Indebtedness (whether or not in the form of securities) backed by Receivables or Residual Interests (“Securitization Securities”) and (ii) any special purpose, bankruptcy remote Restricted Subsidiary of the Company or any of its Restricted Subsidiaries established in connection with the issuance of Securitization Securities and any other entity (or several entities) that serves as an intermediate entity between a Restricted Subsidiary, as the case may be, that initially purchases or originates 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 Lease Securitizations and any activity necessary, incidental or related thereto,

(2) no portion of the Debt or any other obligation, contingent or otherwise, of which

(A) is Guaranteed by the Company or any Restricted Subsidiary of the Company,

(B) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way (other than in respect of a Lien on any assets under leases, the Receivables of which are subject to a Lease Securitization), or

(C) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof (other than in respect of a Lien on any assets under leases, the Receivables of which are subject to a Lease Securitization),

(3) with respect to which neither the Company nor any Restricted Subsidiary of the Company (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results

other than, in respect of clauses (2) and (3), (x) pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Lease Securitization, and (y) any Guarantees by the Company or a Restricted Subsidiary of any Indebtedness of a Securitization Vehicle that would constitute Permitted Indebtedness or which would be permitted under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.”

*“Senior Indebtedness”* means the notes (and any Note Guarantee thereof) and any other Indebtedness of the Company or a Guarantor that is not, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes, or the relevant Note Guarantee.

*“Significant Subsidiary”* means a Subsidiary of the Company constituting a “Significant Subsidiary” of the Company in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

*“Subordinated Indebtedness”* means, with respect to the Company or a Guarantor, any Indebtedness of the Company or a Guarantor that is, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes, the relevant Note Guarantee or any other Senior Indebtedness, as the case may be.

“*Subsidiary*” means, with respect to any Person, any other Person (i) of which such Person owns, directly or indirectly, more than 50.0% of the voting power of the other Person’s outstanding Voting Stock, and (ii) that is required to be included in such Person’s consolidated financial statements in accordance with IFRS.

“*Surviving Entity*” has the meaning set forth under “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“*U.S. Dollar Equivalent*” means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in *The Wall Street Journal* in the “Exchange Rates” column under the heading “Currency Trading” on the date two Business Days prior to such determination.

Except as described under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness,” whenever it is necessary to determine whether the Company has complied with any covenant in the Indenture or a Default has occurred and an amount is expressed in a currency other than U.S. dollars, such amount will be treated as the U.S. Dollar Equivalent determined as of the date such amount is initially determined in such currency.

“*Unrestricted Subsidiary*” means any Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to “—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.” Any such Designation may be revoked by a certificate of the Chief Financial Officer of the Company, subject to the provisions of such covenant.

“*Voting Stock*” with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

“*Wholly-Owned Subsidiary*” means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person and/or one or more Persons that satisfy this definition in respect of such Person (or a combination thereof).

## **BOOK-ENTRY, DELIVERY AND FORM**

The notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A (“Rule 144A notes”). Notes also may be offered and sold in offshore transactions in reliance on Regulation S (“Regulation S notes”). Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “Rule 144A global notes”). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “Regulation S global notes” and, together with the Rule 144A global notes, the “global notes”).

The global notes will be deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “restricted period”), beneficial interests in the Regulation S global notes may be transferred to a U.S. person only in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See “—Exchanges Between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions.” Regulation S notes will also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

### **Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the “participants”) and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the “indirect participants”). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and
- (2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the

participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

**Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the Indenture for any purpose.**

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Issuer and the Trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the transfer agent, registrar, the paying agent nor any agent of the Issuer or the Trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC, the Trustee or any paying agent. Neither the Issuer nor the Trustee nor any of their respective agents will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the Issuer and the Trustee and each such agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the



case may be, by its respective depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### **Exchange of Global Notes for Certificated Notes**

A global note is exchangeable for definitive notes in registered certificated form (“certificated notes”) if:

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the global notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) The Issuer, at its option, notifies the Trustee in writing that it has elected to cause the issuance of the certificated notes; or
- (3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

#### **Exchanges Between Regulation S Notes and Rule 144A Notes**

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes during the restricted period only if:

- (1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the notes are being transferred to a person:
- (3) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
- (4) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

- (5) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of DTC for payment.

## TAXATION

The following summary contains a description of the material U.S. and Mexican federal income tax consequences of the purchase, ownership and disposition of the notes, by holders that are non-residents of Mexico for tax purposes.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the Tax Treaty, all of which are subject to change. This summary does not purport to be a comprehensive description of all the U.S. or Mexican federal tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States.

Prospective investors should consult their own tax advisors as to the Mexican and U.S. tax consequences of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign (non-Mexican and non-U.S.), state, municipal or local tax laws.

Mexico has also entered into or is negotiating several double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

### **Mexican Federal Tax Considerations**

#### ***General***

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes, by holders that are not residents of Mexico for Mexican federal income tax purposes and that do not hold such notes through a permanent establishment in Mexico, to which income under the notes is attributable for tax purposes. For purposes of this summary, each such holder is referred to as a non-Mexican Holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and the Mexican Federal Tax Code (*Código Fiscal de la Federación*) in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not constitute tax advice, does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered as a resident of Mexico for tax purposes, as specified below, is deemed as a non-resident of Mexico for tax purposes and a non-Mexican Holder for purposes of this summary.

Tax residency is a highly technical definition that involves the application of a number of factors that are described in the Mexican Federal Tax Code and the tax treaties applicable to non-Mexican Holders. Individuals are residents of Mexico for tax purposes, if they have established their home in Mexico or if they have established their principal place of residence outside Mexico, if their core of vital interests (*centro de intereses vitales*) is located in Mexican territory. This will be deemed to occur if (i) more than 50.0% of their aggregate annual income, in any calendar year, derives from a Mexican source or (ii) the main center of their professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico, in which their income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years.

Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes. 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 core of vital interests.

A legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business or the effective location of its management in Mexico.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed a resident of Mexico for tax purposes, any and all income attributable to that permanent establishment of such resident will be subject to Mexican income taxes, in accordance with applicable tax Mexican laws.

Mexico has entered into, and is negotiating, several double taxation treaties with various countries, that may affect the Mexican withholding tax liabilities applicable to Non-Mexican Holders. Prospective purchasers of the notes should consult their own tax advisers as to the tax consequences, if any, of such treaties.

### ***Payments of Interest***

Under the Mexican Income Tax Law, payments of interest on the notes (including payments of principal in excess of the issue price of the notes, if any, which, under Mexican law, are deemed to be interest) made by us or the subsidiary guarantors in respect of the notes to a non-Mexican Holder will generally be subject to Mexican withholding tax assessed at a rate of 4.9%, if, as expected, the following requirements are met (which we plan to meet):

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the general regulations applicable to issuers and other market participants issued by the CNBV;
- the notes, as expected, are placed outside of Mexico through banks or broker-dealers, in a country with which Mexico has entered into a tax treaty for the avoidance of double taxation which is in effect (which currently includes the United States); and
- we timely comply with the documentation and information requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria*, or "SAT") of certain information regarding the issuance of the notes and this offering memorandum.

If any of the above mentioned requirements is not met, the Mexican withholding tax applicable to interest payments or amounts deemed interest paid by us to non-Mexican Holders in respect of the notes, would be imposed at a rate of 10.0% or higher under certain circumstances.

We have agreed to pay additional amounts, that we will deem as interest, so that non-Mexican Holders receive the net amount each of them would have received, had no withholding taxes been imposed.

If the effective beneficiaries, whether acting directly or indirectly, individually or jointly with related parties, that receive more than 5% of the aggregate amount of each interest payment under the notes are (i) persons who own, directly or indirectly, individually or with related parties, 10% of our voting stock, or (ii) corporations or other entities, of which 20% or more of the voting stock is owned, directly or indirectly, jointly or severally, by persons related to us, then the Mexican withholding tax rate applicable to payments of interest under our notes will increase to the maximum applicable rate according to the Mexican Income Tax Law. For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;
- both persons have common interests; or

- a third party has an interest in the business or assets of both persons.

Payments of interest on the notes made by us or the subsidiary guarantors to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;
- such income is exempt from taxes in its country of residence; and
- such fund is registered with the SAT, through us, in accordance with rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested by us or on our behalf, subject to specified exceptions and limitations, to provide certain information or documentation necessary to enable us or any subsidiary guarantor to determine the appropriate Mexican withholding tax rate on interest payments under the notes, made by us to holders of the notes that are not residents of Mexico. Additionally, the Mexican Income Tax Law provides that, in order for a non-Mexican Holder to be entitled to the benefits under the effective treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the non-Mexican Holder to meet the procedural requirements set forth in such Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided to us, or on our behalf, on a complete or timely basis our obligation to pay Additional Amounts may be limited as described under “Description of the Notes—Additional Amounts.”

### ***Payments of Principal***

Under Mexican Income Tax Law, payments of principal on the notes made by us or any subsidiary guarantor to non-Mexican Holders will not be subject to any Mexican withholding or similar tax.

### ***Taxation of Capital Gains***

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a non-Mexican Holder to another holder of the notes that is not a resident of Mexico, will not be subject to Mexican withholding taxes. However, gains resulting from the sale of the notes by a holder of the notes that is not resident of Mexico to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to Mexican federal income or other taxes pursuant to the rules described above applicable to interest payments, in respect of the difference between the nominal value (or the face value) or the acquisition price of the notes and the price obtained upon sale by the seller, and any such withholding taxes will not benefit from our obligations to pay Additional Amounts, except in the case of a redemption by us.

### ***Taxation of Make-Whole Amount***

Under the Mexican Income Tax Law, the payment of the Make-Whole Amount as a result of the optional redemption of the notes, as provided in “Description of the Notes—Optional Redemption,” will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments, as the Make-Whole Amount will be deemed as interest under Mexican law.

### ***Other Mexican Taxes***

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes applicable to the purchase, ownership or disposition of the notes by a holder of the notes that is not resident of Mexico. Gratuitous transfers of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamps, issuer registration or similar taxes or duties payable by foreign holders of the notes with respect to the notes.

## U.S. Federal Income Tax Considerations

The following summary addresses certain U.S. federal income tax consequences of the ownership and disposition of the notes. This discussion deals only with a note held as a “capital asset” within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”) by a U.S. Holder (as defined below) who purchases the note upon its original issuance at its original offering price and does not address particular tax considerations that may be applicable to taxpayers that may be subject to special tax rules, such as (i) banks, thrifts, or certain other financial institutions, (ii) pension funds, (iii) tax-exempt organizations, (iv) retirement plans, (v) regulated investment companies, (vi) real estate investment trusts, (vii) partnerships or other pass-through entities for U.S. federal income tax purposes, (viii) persons who hold notes through a partnership or other pass-through entity, (ix) controlled foreign corporations, (x) passive foreign investment companies, (xi) small business investment companies, (xii) insurance companies, (xiii) broker/dealers, (xiv) dealers in securities, (xv) traders in securities or commodities that elects mark-to-market treatment, (xvi) holders who hold notes as part of a hedge, straddle, synthetic security, conversion transaction, other risk reduction transaction, or who have entered into a “constructive sale” with respect to a note, (xvii) U.S. Holders (as defined below) whose “functional currency” is not the U.S. dollar, (xviii) former citizens or residents of the United States, (xix) taxpayers subject to the alternative minimum tax, or (xx) a nonresident alien individual present in the United States for more than 182 days in a taxable year. In addition, this discussion does not describe the application of the Medicare net investment income tax, or any tax consequences arising out of the tax laws of any state, local or foreign jurisdiction, or any possible applicability of U.S. federal gift or estate tax.

This discussion is for general information only and is based on the provisions of the Code, the Treasury regulations promulgated or proposed thereunder, judicial authority, published administrative positions of the Internal Revenue Service (“IRS”) and other applicable authorities, all as in effect on the date of this offering memorandum, and all of which are subject to change or differing interpretations, possibly on a retroactive basis. We have not sought any ruling from the IRS with respect to the tax consequences discussed herein, and there can be no assurance that the IRS or a court will agree with our statements and conclusions.

The term “U.S. Holder” means any beneficial owner of a note that is, for U.S. federal income tax purposes, a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the note.

U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the “book/tax conformity rule”). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you regarding ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

### ***Stated Interest***

The amount of stated interest payments on a note will generally be taxable to you as ordinary interest income at the time it is accrued or received in accordance with your method of accounting for tax purposes. While it is not anticipated that the notes will be issued with more than *de minimis* original issue discount (“OID”), if the notes are issued with OID in excess of a *de minimis* amount, a U.S. Holder will be required to include the OID in ordinary income during the term of the notes on a constant yield accrual basis, regardless of the U.S. Holder’s method of accounting. The remainder of this discussion assumes that the notes are not issued with OID in excess of a *de minimis* amount.

In addition to interest on the notes, you will be required to include in income any Additional Amounts and any tax withheld from (i) the interest payments and (ii) Additional Amounts. You may be entitled to deduct or

credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including Mexican taxes withheld from the interest payments and any Additional Amounts) on a note generally will be considered foreign source income and generally should constitute “passive category income.” You may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you are entitled to a refund of the tax but do not seek to obtain the refund. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

### ***Sale, Exchange, Retirement or Other Disposition of Notes***

A U.S. Holder will generally recognize gain or loss upon the sale, exchange, retirement or other disposition of a note in an amount equal to the difference between the amount realized (less amounts received attributable to accrued interest, which will be taxed as such) and the U.S. Holder’s adjusted tax basis in the note at the time of such disposition. A U.S. Holder’s adjusted tax basis in a note generally will be the cost of the note to the holder. Any gain or loss recognized on a disposition of a note generally will be capital gain or loss, and such capital gain or loss will generally be long-term capital gain or loss if the U.S. Holder has held the note for more than one year at the time of disposition. Certain non-corporate U.S. Holders are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

If a Mexican income tax is withheld on the sale or other disposition of our notes, the amount of cash considered received will include the gross amount of the proceeds of that sale or other disposition before deduction of the Mexican income tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of our 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 our notes that is subject to Mexican income tax, a U.S. Holder may not be able to benefit from the foreign tax credit for that Mexican income tax (because the gain from the disposition would be United States 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 or is entitled to treat such gain as Mexican source under the Tax Treaty because the U.S. Holder is considered a resident of the United States for purposes of, and otherwise meets the requirements of, the Tax Treaty. Alternatively, a U.S. Holder may take a deduction for the Mexican income tax if the U.S. Holder does not take a credit for any foreign taxes paid or accrued during the taxable year. The foreign tax credit rules are complex, and U.S. Holders should consult their own tax advisors regarding the foreign tax credit implications of the sale, exchange, retirement or other disposition of the notes.

### ***Specified Foreign Financial Assets***

Individual U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of \$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. 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. You should consult your own tax advisors concerning the application of these rules to your investment in the notes, including the application of the rules to your particular circumstances.

### ***Backup Withholding and Information Reporting***

Information reporting requirements will generally apply to the payments on the notes made to, and the proceeds of dispositions of notes effected by, certain U.S. Holders. In addition, backup withholding may apply to such payments to a U.S. Holder unless such U.S. Holder (a) falls within certain exempt categories and demonstrates this fact when required or (b) provides an IRS Form W-9 containing such U.S. Holder’s correct taxpayer identification number and otherwise complies with the applicable backup withholding rules.

A holder that is not a U.S. Holder may be required to comply with applicable certification procedures to establish that the holder is not a U.S. taxpayer in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment made to a holder generally may be claimed as a refund or credit against such holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.



## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated the date of this offering memorandum among us, the subsidiary guarantors and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us the principal amount of notes set forth opposite its name below.

<b>Initial Purchasers</b>	<b>Principal Amount of Notes</b>
Barclays Capital Inc. ....	US\$66,667,000
Santander Investment Securities Inc. ....	\$66,667,000
Scotia Capital (USA) Inc. ....	\$66,666,000
<b>Total</b> .....	<b>US\$200,000,000</b>

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. The initial purchasers may offer and sell the notes through certain of their affiliates. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased, the commitments of the defaulting initial purchaser may be assumed by other persons satisfactory to us or the purchase agreement may be terminated.

We have agreed to indemnify the several initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

### Notes Are Not Being Registered

The notes have not been, and will not be, registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales that occur outside of the United States pursuant to Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

The notes have not been registered in Mexico with the RNV maintained by the CNBV. Accordingly, the notes may not be offered or sold in Mexico, absent an available registration exemption under the Mexican Securities Market Law. We will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. Such notice will be submitted for informational purposes only to the CNBV to comply with Article 7, second paragraph, of the Mexican Securities Market Law and regulations thereunder. The delivery to, and receipt by, the CNBV of such notice does not constitute or imply any certification as to the investment quality of the notes, our

solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum is solely our responsibility and has not been reviewed or authorized by the CNBV, and may not be publicly distributed in Mexico.

### **New Issue of Notes**

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any U.S. national securities exchange. Application 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. However, we cannot assure you that the listing application will be approved. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so, and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

### **Settlement**

We expect that delivery of the notes will be made to investors on or about August 12, 2019, which will be the second business day following the date of this offering memorandum.

### **No Sales of Similar Securities**

We have agreed that we will not, for a period of 10 days after the date of this offering memorandum, without first obtaining the prior written consent of each initial purchaser, directly or indirectly, (i) offer, sell, issue, contract to sell, pledge or otherwise dispose, (ii) grant any option, right or warrant to purchase, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position or (v) file with the SEC a registration statement under the Securities Act, in each case in respect of any U.S. dollar-denominated debt securities having a maturity of more than one year from the date of issue or securities exchangeable for, or convertible into, such securities issued or guaranteed by us and sold in the international capital markets, except for certain customary exceptions, including the notes sold to the initial purchasers pursuant to the purchase agreement.

### **Short Positions**

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes, or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Certain Relationships**

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. In particular, certain of the initial purchasers or their affiliates (i) are lenders under certain of our credit facilities, including bilateral and syndicated credit facilities and facilities through lease securitizations and receivables transactions, and (ii) acted as initial purchasers in our offering of the 2028 Senior Notes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness.” They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, certain of the initial purchasers or their affiliates are counterparties to several of our derivative transactions.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates may hedge their credit exposure to us, consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to customers that they acquire, long and/or short positions in such securities and instruments.

## **Sales Outside the United States**

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

### ***Notice to Prospective Investors in European Economic Area***

In relation to each Member State of the EEA, no offer of the notes may be made to the public in that Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Regulation; provided that no such offer of the notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 16 of the Prospectus Regulation.

For the purposes of this section, (i) the expression an “offer of the 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, as the same may be varied in that Member State by any measure implementing the Prospectus Regulation in that Member State and (ii) the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended, and includes any relevant implementing measure in any Member State.

This offering memorandum has been prepared on the basis that any offer of the notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

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 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; or (ii) a customer within the meaning of the Insurance Mediation 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 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.

#### ***Notice to Prospective Investors in United Kingdom***

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth companies, and other persons to whom it may 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 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.

#### ***Notice to Prospective Investors in Switzerland***

The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or the rules of any other stock exchange or regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

#### ***Notice to Prospective Investors in Hong Kong***

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

#### ***Notice to Prospective Investors in Japan***

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act. No. 25 of 1948, as amended; the FIEA), and the initial purchasers have represented and agreed that they 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 a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Notice to Prospective Investors in Singapore***

Each of the initial purchasers has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each of the initial purchasers has represented, warranted and undertaken that it has not offered or sold any notes or caused the notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the notes or cause the notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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.

This offering memorandum has not been registered as a prospectus with the MAS. Accordingly, 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 may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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 (as defined in Section 239(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:

- (i) to an institutional investor or to a relevant person (as 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;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), we have determined, and hereby notified all relevant persons (as defined in Section 309A of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice

on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

***Notice to Prospective Investors in Canada***

The notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the 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 purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

***Notice to Prospective Investors in Brazil***

The offer of notes described in this offering memorandum will not be carried out by any means that would constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets under Federal Law No. 6,385, of December 7, 1976, as amended, and under Rule (*Instrução*) No. 400, of December 29, 2003, as amended, of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the "CVM"). The offer and sale of the notes have not been and will not be registered with the CVM in Brazil. Any public offering or distribution, as defined under Brazilian laws and regulations, of securities in Brazil is not legal without such prior registration with the CVM or is exempted. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the notes is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sale of the notes to the public in Brazil. This offering memorandum is confidential and addressed to you personally, for your sole benefit, and is not to be transmitted to anyone else, to be relied upon by anyone else or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

***Notice to Prospective Investors in Luxembourg***

The notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and, neither this offering memorandum nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except for the sole purpose of the admission to trading and listing of the notes on the Official List of the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities to the public.

***Notice to Prospective Investors in Colombia***

The notes have not been, and will not be, registered in the National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*) of Colombia or traded on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Therefore, the notes may not be publicly offered in Colombia or traded on the Colombian Stock Exchange.

The offering memorandum is for the sole and exclusive use of the addressee as an offeree in Colombia, and the offering memorandum shall not be interpreted as being addressed to any third party in Colombia or for the use of any third party in Colombia, including any shareholders, administrators or employees of the addressee.

The recipient of the notes acknowledges that certain Colombian laws and regulations (specifically foreign exchange and tax regulations) are applicable to any transaction or investment made in connection with the notes being offered and represents that it is the sole party liable for full compliance with any such laws and regulations.

#### ***Notice to Prospective Investors in Dubai***

In the Dubai International Financial Centre (the “DIFC”), the notes have not been and are not being, publicly offered, sold, promoted or advertised other than in compliance with the laws of the DIFC and applicable rules of the Dubai Financial Services Authority (the “DFSA”). No offer of the notes shall be made to any person in or from the DIFC unless such offer is

- (a) an “Exempt Offer” for the purposes of the Markets Rules (“MKT”) module of the DFSA Rulebook; and
- (b) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.3 of the Conduct of Business module of the DFSA Rulebook.

This document has not been and will not be filed with the DFSA or with any other authority in the DIFC and no such authority assumes any liability for its contents.

#### ***Notice to Prospective Investors in Ireland***

Each initial purchaser has represented, warranted and agreed (and each additional initial purchaser appointed under the offering will be required to represent, warrant and agree) that:

- (a) it will not offer, underwrite the issue of, or place, the notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;
- (b) it will not offer, underwrite the issue of, or place, the notes, otherwise than in conformity with the provisions of the Central Banks Acts 1942 to 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not offer, underwrite the issue of, or place, or do anything in Ireland in respect of the Securities otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland (the “Central Bank”);
- (d) it will not offer, underwrite the issue of, place, or otherwise act in Ireland in respect of the notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank; and
- (e) no notes will be offered or sold with a maturity of less than 12 months except in full compliance with Notice BSD C 01/02 issued by the Central Bank.

#### ***Notice to Prospective Investors in 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. Accordingly, each initial purchaser has represented and agreed that it has not offered, sold or delivered, directly or indirectly, any notes to the public in the Republic of Italy.

For the purposes of this provision, the expression “offer of notes to the public” in Italy 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 the notes, including the placement through authorized intermediaries.

Each initial purchaser has represented and agreed that it will not offer, sell or deliver, directly or indirectly, any note or distribute copies of this offering memorandum or of any other document relating to the notes in the Republic of Italy except:

- (1) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the “Italian Financial Act”), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended (“Regulation No. 16190”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“Regulation No. 11971”); or
- (2) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB regulations including Regulation No. 11971.

Any such 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 must be in compliance with the selling restriction under (1) and (2) above and:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 16190, Legislative Decree No. 385 of September 1, 1993 as amended (the “Banking Act”) and any other applicable laws or regulation;
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the notes is solely responsible for ensuring that any offer, sale, delivery or resale of the notes by such investor occurs in compliance with applicable Italian laws and regulations.

#### ***Notice to Prospective Investors in Peru***

Neither this offering memorandum nor the notes have been registered with the Peruvian Securities Market Regulator (*Superintendencia del Mercado de Valores*). Accordingly, each initial purchaser has further represented and agreed, and each further initial purchaser appointed under the offering will be required to represent and agree, that it and each of its affiliates has not offered or sold, and will not offer or sell, any notes in Peru except that they may offer notes in circumstances which do not constitute a public offering under Peruvian laws and regulations.

The notes will not be registered in the *Registro Público del Mercado de Valores*. As a result, the offering of the notes is limited to the restrictions set forth in the Peruvian Securities Market Law. Holders of the notes are not permitted to transfer the notes in Peru unless said transfer involves an institutional investor or the notes are previously registered in the *Registro Público del Mercado de Valores*.

#### ***Notice to Prospective Investors in Chile***

The offer of the notes is subject to General Rule No. 336 issued by the *Superintendencia de Valores y Seguros de Chile* (Chilean Securities and Insurance Superintendency or “SVS”). The commencement date of this offering is the one contained in the cover pages of this offering memorandum. The notes will not be registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS and will not be subject to the supervision of the SVS. As unregistered securities, the Company



has no obligation to deliver/disclose public information about the notes in Chile. The notes cannot and will not be publicly offered in Chile unless registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS. If the notes are offered within Chile, they will be offered and sold only pursuant to General Rule 336 of the SVS, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities under Chilean law.

*“La oferta de los valores se acoge a la Norma de Carácter General N°336 de la Superintendencia de Valores y Seguros o “SVS”. La fecha de inicio de la presente oferta es la indicada en la portada de este offering memorandum. Los valores no estarán inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, y tales valores no estarán sujetos a la fiscalización de la SVS. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores o el Registro de Valores Extranjeros que lleva la SVS. Si los valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General N°336 de la SVS, una excepción a la obligación de inscripción, o en circunstancias que no constituyan una oferta pública de valores en Chile de conformidad a la ley chilena.”*

## TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except as set forth below;
- (3) It shall not resell or otherwise transfer any of such notes except:
  - to the Company or any of its subsidiaries;
  - pursuant to a registration statement which has been declared effective under the Securities Act;
  - within the United States to a QIB in compliance with Rule 144A under the Securities Act;
  - outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
  - pursuant to another available exemption from the registration requirements of the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (5) It understands that the certificates evidencing the notes (other than the Regulation S global notes) will bear a legend substantially to the following effect unless otherwise determined by us:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND

IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND SHALL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40-day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a U.S. global note, and that each Regulation S global note will contain a legend to substantially the following effect:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”)) UNDER THE SECURITIES ACT, THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

- (7) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;
- (8) It acknowledges that the Company will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Company that the restrictions set forth herein have been complied with; and

- (9) It acknowledges that the Company, the Trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the Company, the Trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are organized as a publicly traded company with variable capital stock (*sociedad anónima bursátil de capital variable*) under the laws of Mexico. All of our 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 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.

No treaty exists between the United States and Mexico for the reciprocal enforcement of foreign judgments. Generally, Mexican courts would enforce final judgments rendered in the United States if certain requirements were met, including the review in Mexico of the U.S. judgment to ascertain compliance with certain basic principles of due process and the non-violation of Mexican law or public policy, provided that U.S. courts would grant reciprocal treatment to Mexican judgments. Additionally, there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated, in whole or in part, on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated on the civil liability provisions of U.S. federal securities laws.

## LISTING AND GENERAL INFORMATION

1. The notes are expected to be accepted for clearance and settlement through DTC, Euroclear and Clearstream. The CUSIP, ISIN and Common Codes for the notes are as follows:

	<u>Rule 144A Global Note</u>	<u>Regulation S Global Note</u>
CUSIP.....	90471M AB8	P9485M AB5
ISIN.....	US90471MAB81	USP9485MAB56
Common Code.....	204188386	204188394

2. Application will be made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market of the Luxembourg Stock Exchange; however, the notes are not yet listed and the Company cannot assure the holders of the notes that they will be accepted for listing. We will maintain a paying agent in Luxembourg for so long as any of the notes are listed on the Luxembourg Stock Exchange.
3. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market and it is required by the rules of such exchange, all notices to holders of notes will be published in English: (i) in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be *Luxemburger Wort*); or (ii) on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. 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. See “Description of the Notes—Notices.”
4. Copies of our Financial Statements, and future financial statements, and copies of our *estatutos*, or by-laws, as well as the Indenture (including forms of notes), will be available free of charge at the offices of the principal paying agent and any other paying agent, including the Luxembourg listing agent.
5. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since December 31, 2018, the date of our most recent audited financial statements included in this offering memorandum.
6. The issuance of the notes has been duly authorized by the Company’s board of directors on June 25, 2019. On such date, we had all necessary consents, approvals and authorizations in connection with the issuance or performance of the notes.
7. The notes will be guaranteed by the following subsidiaries of the Company: (i) Unifin Credit, S.A. de C.V., SOFOM, E.N.R.; and (ii) Unifin Autos, S.A. de C.V. The address of the subsidiary guarantors is Presidente Masaryk 111, 5th Floor, Polanco V Section, Alcaldía Miguel Hidalgo, 11560, Mexico City, Mexico.

## **LEGAL MATTERS**

The validity of the notes will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, our United States counsel, and for the initial purchasers by Skadden, Arps, Slate, Meagher & Flom LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon for us by Mancera, S.C., our Mexican counsel, and Galicia Abogados, S.C., Mexican counsel to the initial purchasers.

## INDEPENDENT ACCOUNTANTS

The financial statements as of December 31, 2017 and 2018, and for each of the three years in the period ended 2018 included in this offering memorandum, have been audited by PricewaterhouseCoopers, S.C., independent accountants as stated in their report appearing herein.

PricewaterhouseCoopers, S.C., is an independent certified public accountants firm in Mexico within the applicable rules and regulations of the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos, A.C.*).



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### Unifin Financiera, S.A.B. de C.V.

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***Unifin Financiera, S. A. B. de C. V., Sociedad  
Financiera de Objeto Múltiple, Entidad No  
Regulada and subsidiaries***

Audited Consolidated Financial Statements  
December 31, 2018, 2017 and 2016



## **Independent Auditor's Report**

To the Shareholders and Directors of Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

### **Opinion**

We have audited the consolidated financial statements of Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and its subsidiaries (the Company), which comprise the consolidated balance sheets as at December, 31, 2018, 2017 and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries at December 31, 2018, 2017 and for each of the three years in the period ended December 31, 2018, are prepared, in all material respects, in accordance with accounting standards applicable to multiple purpose financial entities regulated in México, issued by the National Banking and Securities Commission (CNBV, for its initials in Spanish).

### **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 the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Ethics Standards of Mexican Institute of Public Accountants, together with other requirements applicable to our audit of the consolidated financial statements in Mexico. We have fulfilled our other ethical responsibilities in accordance with these requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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.



### **Key audit matter**

#### Preventive loan loss reserve (PLLR)

As mentioned in Note 1, the Company is mainly engaged in conducting commercial loan, factoring and consumer loan operations, which are presented under loan portfolio caption, net of its reserve, in the balance sheet. Recoverability of the loan portfolio is periodically evaluated, recognizing a PLLR as needed, which is determined in accordance with the Company's internal policies.

For determining the aforementioned reserve, the Company classifies its clients considering their total exposure at the date of determination of the PLLR and the respective classification as performing or non-performing loan portfolio. In the case of clients with exposure above 4,000,000 Investment Units (UDIs, for its initials in Spanish), the PLLR is determined applying a 0.5% to the total balance of the performing portfolio and a variable percentage to the non-performing loan portfolio, considering mainly the classification assigned to the client based on its financial risk and payment history. In the case of clients whose total exposure is below 4,000,000 UDIs, the PLLR is determined applying a 0.5% to the total balance. The ending PLLR recorded is the higher of i) the result of the aforementioned criteria and ii) 100% of the non-performing loan portfolio balance.

We focused our audit work mainly on this caption due to the significance of the book value of the loan portfolio and the related PLLR (\$7,429,683 and \$199,899 thousands of Mexican pesos, respectively, at December 31, 2018), and because the process for determining the PLLR involves Management's judgment.

### **How our audit addressed the key audit matter**

As part of our audit, we:

- Evaluated the design and operation of the controls related to the process for classifying the loan portfolio as performing and non-performing.
- Obtained the Company's report containing the balances of the loan portfolio at December 31, 2018, classified as over and under 4,000,000 UDIs and as performing or non-performing. On a sample basis, we compared the balances to the respective contracts and agreements held in the loan files, and with our specialists support we evaluated that the system that determines automatically this information is properly parameterized.
- We compared, on a sample basis, the following input data used in calculating the PLLR:
  - Financial ratios (Liquidity, leverage, yield and efficiency) used by Management to determine financial risk, with the related determination based on the financial statements balances available of each client.
  - Payment historic records with the credit bureau report.
  - Client risk classification considering amount of balance, financial risk and payment history, with the Company's internal policies.



<b><u>Key audit matter</u></b>	<b><u>How our audit addressed the key audit matter</u></b>
We specifically focused our work on the internal methodology for qualifying the loan portfolio applied by the Company, including the basis of classification (balances over and under 4,000,000 UDIs, performing and non-performing balances and risk rating) and the percentages applied.	<ul style="list-style-type: none"><li>• Recalculated the PLLR considering the Company's internal policy.</li><li>• Conducted a comparative analysis of the performing and non-performing loan portfolios recorded at the end of each quarter during the year and their relation to the respective PLLR, with prior year's balances.</li><li>• Evaluated the historical trends of balances not recovered and compared them to the respective PLLR.</li><li>• Recalculated the PLLR using the method established in the CNBV regulations, and compared it to the balance recorded.</li></ul>

### **Other Information**

Management is responsible for the other information. The other information comprises the Offering Memorandum of a private offering and placement of debt securities in the form international notes in the foreign markets, in accordance with rule 144A and Regulation S of the US Securities Act of 1933, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement on this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of the consolidated financial statements in accordance with accounting standards applicable to multiple purpose financial entities regulated in Mexico issued by CNBV and for such internal control as management determines is necessary to enable the



preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

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

We also provide those charged with governance 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, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is stated below.

PricewaterhouseCoopers, S. C.

A handwritten signature in black ink, appearing to read "Nicolás Germán Ramírez", written over a light blue horizontal line.

Nicolás Germán Ramírez  
Audit Partner

Mexico City, July 8, 2019

# Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries

## Consolidated Balance Sheets (Notes 1, 2, 3, 4, 18, 19 and 23)

	Thousands of Mexican pesos		December 31,	
	2018	2017	2018	2017
<b>Assets</b>				
Cash and cash equivalents (Note 5)	Ps 376,186	Ps 197,165		
Investments in securities (Note 6)	3,530,359	2,238,172	Ps 289,037	Ps 503,832
Securities held to maturity			38,056,606	34,525,090
Derivatives held-for-hedging (Note 7)	5,103,120	4,598,117	38,345,643	35,028,922
Performing loan portfolio (Note 8)	8,337,556	5,323,350	8,391,781	4,258,070
Commercial loans	86,317	119,792	4,081,189	3,880,702
Consumer loans				
Total performing loan portfolio	8,423,873	5,443,142	12,472,970	8,138,772
Non-performing loan portfolio (Note 8):				
Commercial loans	192,105	31,158	108,220	252,362
Consumer loans	7,794	7,586	3,179,612	2,913,726
Total non-performing loan portfolio	199,899	38,744	3,287,832	3,166,088
Total loan portfolio	8,623,772	5,481,886	692,073	697,277
Less:			54,798,518	47,031,059
Preventive loan loss reserve (Note 8)	(199,899)	(38,744)		
Loan portfolio - Net	8,423,873	5,443,142		
Other accounts receivable - Net (Note 9)	4,297,780	5,057,165	957,774	957,774
Foreclosed assets - Net (Note 10)	692,067	510,484	1,935,900	1,935,900
Property, machinery and equipment - Net (Note 11)	40,680,441	32,728,822	4,531,330	-
Permanent investments (Note 12)	75,441	49,541	7,425,004	2,893,674
Deferred taxes (Note 17)	2,328,539	1,718,511		
Other assets:				
Deferred charges, prepayments and intangible assets	2,276,334	2,067,219	274,062	185,528
Other current and non-current assets	5,518	7,090	2,695,105	1,850,456
	2,281,852	2,074,309	670,373	881,250
			1,923,919	1,770,682
			5,563,459	4,687,916
			12,988,463	7,581,590
			2,677	2,779
			12,991,140	7,584,369
<b>Total assets</b>	Ps 67,789,658	Ps 54,615,428	Ps 67,789,658	Ps 54,615,428
Memorandum accounts (Note 21)				
	2018	2017		
Other recording accounts	Ps 38,781,558	Ps 31,805,242		

The accompanying twenty-three notes are an integral part of these consolidated financial statements, which were authorized for issuance on July 8, 2019 by the undersigned officers.

Mr. Sergio José Camacho Carmona  
Chief Executive Officer

Mr. Sergio Manuel Cancino Rodríguez  
Chief Financial Officer

Mr. Luis Xavier Castro López  
Corporate Controller



***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

**Consolidated Statements of Income**  
(Notes 1, 2, 3, 18, 19, 20 and 22)

*Thousands of Mexican pesos, except for profit per share*

	<u>Year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating lease income	Ps 14,761,002	Ps 11,216,938	Ps 7,773,136
Interest income	2,587,574	2,087,677	1,183,770
Other lease benefits	1,595,730	1,010,812	528,719
Depreciation of assets under operating lease (Note 11)	(8,005,085)	(6,357,394)	(4,537,348)
Interest expense	(5,514,552)	(3,845,159)	(1,988,852)
Other lease expenses	<u>(1,619,179)</u>	<u>(930,502)</u>	<u>(583,567)</u>
Financial margin	3,805,490	3,182,372	2,375,858
Preventive loan loss reserve (Note 8)	<u>250,635</u>	<u>115,000</u>	<u>81,500</u>
Financial margin adjusted for credit risk	<u>3,554,855</u>	<u>3,067,372</u>	<u>2,294,358</u>
Commissions and fees paid	(43,100)	(68,710)	(51,214)
Intermediation results	-	-	-
Other operating income - Net	25,933	192,111	16,357
Administration and promotion expenses	<u>(1,091,911)</u>	<u>(890,885)</u>	<u>(797,408)</u>
	<u>(1,109,079)</u>	<u>(767,484)</u>	<u>(832,265)</u>
Operating income	2,445,777	2,299,888	1,462,093
Results of non-consolidated subsidiaries and associated companies (Note 12)	<u>36,311</u>	<u>31,874</u>	<u>13,417</u>
Income before income taxes	2,482,088	2,331,762	1,475,510
Income taxes payable (Note 17)	(1,168,197)	(1,096,983)	(656,117)
Deferred income taxes (Note 17)	<u>610,028</u>	<u>535,903</u>	<u>390,956</u>
Income taxes	<u>(558,169)</u>	<u>(561,080)</u>	<u>(265,161)</u>
Consolidated net income	<u>Ps 1,923,919</u>	<u>Ps 1,770,682</u>	<u>Ps 1,210,349</u>
Net income attributable to:			
Controlling interest	Ps 1,923,919	Ps 1,770,682	Ps 1,210,349
Non-controlling interest	<u>(102)</u>	<u>2,779</u>	<u>-</u>
Consolidated net income	<u>Ps 1,923,817</u>	<u>Ps 1,773,461</u>	<u>Ps 1,210,349</u>

The accompanying twenty-three notes are an integral part of these consolidated financial statements, which were authorized for issuance on July 8, 2019 by the undersigned officers.

Mr. Sergio José Camacho Carmona  
Chief Executive Officer

Mr. Sergio Manuel Cancino Rodríguez  
Chief Financial Officer

Mr. Luis Xavier Castro López  
Corporate Controller

# Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries

## Consolidated Statements of Changes in Stockholders' Equity (Note 16)

Thousands of Mexican pesos

	Contributed capital				Earned capital					
	Capital Stock	Premium on subscription of shares	Subordinated debentures outstanding	Capital reserves	Prior years' income	Result of valuation of instruments for hedging cash flows	Net Income	Total controlling interest	Non-controlling interest	Total stockholder's equity
	Ps	Ps	Ps	Ps	Ps	(Ps)	Ps	Ps	Ps	Ps
Balances at January 1, 2016	963,111	1,935,900	-	70,335	365,002	81,259	1,093,477	4,346,566	-	4,346,566
Changes arising from decisions made by stockholders:										
Transfer of consolidated net income to prior years' results	-	-	-	-	1,093,477	-	(1,093,477)	-	-	-
Creation of reserves	-	-	-	54,674	(54,674)	-	-	(352,509)	-	(352,509)
Dividend payments	(2,770)	-	-	-	(352,509)	-	-	(2,770)	-	(2,770)
Share issue expenses	-	-	-	-	-	-	-	-	-	-
Total	(2,770)	-	-	-	686,294	-	(1,093,477)	(355,279)	-	(355,279)
Movimientos inherentes al reconocimiento de la utilidad Integral:										
Resultado por valuación de instrumentos de cobertura	-	-	-	-	-	298,997	-	298,997	-	298,997
Otros	-	-	-	-	-	-	-	-	-	-
Resultado neto consolidado	-	-	-	-	-	-	1,210,349	1,210,349	-	1,210,349
Total	-	-	-	-	-	298,997	1,210,349	1,509,346	-	1,509,346
Balances at January 1, 2017	960,341	1,935,900	-	125,009	1,051,296	217,738	1,210,349	5,500,633	-	5,500,633
Changes arising from decisions made by stockholders:										
Transfer of consolidated net income to prior years' results	-	-	-	-	1,210,349	-	(1,210,349)	-	-	-
Creation of reserves	-	-	-	60,519	(60,519)	-	-	(350,670)	-	(350,670)
Dividend payments	(2,567)	-	-	-	(350,670)	-	-	(2,567)	-	(2,567)
Share issue expenses	-	-	-	-	-	-	-	-	-	-
Total	(2,567)	-	-	60,519	799,160	-	(1,210,349)	(353,237)	-	(353,237)
Changes arising from recognition of comprehensive income:										
Result from valuation of hedge instruments	-	-	-	-	-	663,512	1,770,682	663,512	-	663,512
Consolidated net income	-	-	-	-	-	-	1,770,682	1,770,682	2,779	1,773,461
Total	-	-	-	-	-	663,512	1,770,682	2,434,194	2,779	2,436,973
Balances at December 31, 2017	957,774	1,935,900	-	185,528	1,850,456	881,250	1,770,682	7,581,590	2,779	7,584,369
Changes arising from decisions made by stockholders:										
Transfer of consolidated net income to prior years' results	-	-	-	-	1,770,682	-	(1,770,682)	-	-	-
Creation of reserves	-	-	-	88,534	(88,534)	-	-	(352,800)	-	(352,800)
Dividend payments	-	-	-	-	(352,800)	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	88,534	1,329,348	-	(1,770,682)	(352,800)	-	(352,800)
Changes arising from recognition of comprehensive income:										
Result from valuation of hedge instruments	-	-	4,531,330	-	(484,699)	(210,877)	-	(210,877)	-	(210,877)
Subordinated debentures outstanding	-	-	-	-	-	-	1,923,919	1,923,919	(102)	4,046,631
Consolidated net income	-	-	-	-	(484,699)	(210,877)	1,923,919	5,759,673	(102)	1,923,817
Total	-	-	-	-	-	-	1,923,919	5,759,673	(102)	5,759,571
Balances at December 31, 2018	957,774	1,935,900	4,531,330	274,062	2,695,105	670,373	1,923,919	12,988,463	2,677	12,991,140

The accompanying twenty -three notes are an integral part of these consolidated financial statements, which were authorized for issuance on July 8, 2019 by the undersigned officers.

Mr. Sergio José Camacho Carmona  
Chief Executive Officer

Mr. Sergio Manuel Cancino Rodríguez  
Chief Financial Officer

Mr. Luis Xavier Castro López  
Corporate Controller

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Consolidated Statements of Cash Flows**

*Thousands of Mexican pesos*

	<u>Year ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net income	Ps 1,923,817	Ps 1,770,682	Ps 1,210,349
Adjustments for items not involving cash flows:			
Preventive loan loss reserve	250,635	115,000	81,500
Depreciation and amortization	8,005,086	6,357,394	4,537,348
Income taxes payable and deferred	558,169	561,080	265,161
Equity of other permanent investments	<u>(36,209)</u>	<u>(31,874)</u>	<u>(13,417)</u>
	10,701,498	8,772,282	6,080,941
<b>Operating activities</b>			
Change in investments in securities	(1,310,412)	(832,722)	(197,485)
Change in derivatives	(505,003)	(48,286)	(1,445,396)
Change in loan portfolio	(2,463,200)	(251,626)	(1,501,115)
Change in foreclosed assets	(181,584)	(373,340)	(984)
Change in other accounts receivable	759,385	365,201	(4,551,371)
Change in other operating assets	(1,219,117)	(1,531,792)	698,444
Change in debt securities	3,316,720	13,449,049	8,030,774
Change in bank borrowings and loans from other entities	4,334,198	(203,877)	2,845,361
Change in deferred commissions	(5,204)	251,589	207,091
Change in other operating liabilities	<u>116,570</u>	<u>(2,575,414)</u>	<u>3,928,973</u>
Net cash flows provided by operating activities	<u>13,543,851</u>	<u>17,021,064</u>	<u>14,095,233</u>
<b>Investing activities</b>			
Payment for acquisition of property, machinery and equipment - Net	(17,545,489)	(16,744,107)	(13,706,989)
Acquisition cost on permanent investments	<u>-</u>	<u>-</u>	<u>(9,349)</u>
Net cash flows used in investing activities	<u>(17,545,489)</u>	<u>(16,744,107)</u>	<u>(13,716,338)</u>
<b>Financing activities</b>			
Dividend payments in cash	(350,670)	(350,670)	(352,509)
Collections on issue of subordinated debentures	4,531,330	-	-
Stock issue expenses	<u>-</u>	<u>(2,568)</u>	<u>(2,770)</u>
	<u>4,180,660</u>	<u>(353,238)</u>	<u>(355,279)</u>
Net increase (decrease) in cash and cash equivalents	179,022	(76,281)	23,616
Cash and cash equivalents at beginning of year	<u>197,165</u>	<u>273,446</u>	<u>249,830</u>
Cash and cash equivalents at end of year	<u>Ps 376,187</u>	<u>Ps 197,165</u>	<u>Ps 273,446</u>

The accompanying twenty-three notes are an integral part of these consolidated financial statements, which were authorized for issuance on July 8, 2019 by the undersigned officers.

Mr. Sergio José Camacho Carmona  
Chief Executive Officer

Mr. Sergio Manuel Cancino Rodríguez  
Chief Financial Officer

Mr. Luis Xavier Castro López  
Corporate Controller

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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*Thousands of Mexican pesos [Ps] (Note 2), except foreign currency, exchange rates, nominal value, number of securities, shares and price per share*

### **Note 1 - Company operations:**

Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (Company) was incorporated on February 3, 1993 in accordance with Mexican laws.

The Company is mainly engaged in providing operating leases for automotive vehicles, machinery and equipment, among other lease arrangements, and in granting loans, carrying out financial factoring operations, acting as administrator for guarantee trusts, obtaining loans, guaranteeing obligations through different means, and issuing, subscribing, accepting, endorsing, selling, discounting and pledging all kinds of credit.

The Company is an unregulated non-bank financial entity or Sofom E. N. R., as specified in article 87-B of General Law on Credit Organizations and Auxiliary Activities (LGOAAC for its acronym in Spanish).

The Company has no employees, and all legal, accounting and administrative services are provided by a related party.

On May 22, 2015, the Company issued its Initial Public Bid on the Mexican Stock Exchange (BMV for its acronym in Spanish), and for international purposes it made the issue under rule 144 A/Reg S for a total of Ps3,606,400, comprised of 50% primary shares and 50% of secondary shares. The amount includes the overallotment option, which comprised 15% of the total offer. On May 22, 2015, the Company started trading its shares on the BMV. As a result of the foregoing, it changed its business name to Sociedad Anónima Bursátil (S. A. B.).

The purpose of the aforementioned Public Bid was to strengthen the Company's capital stock structure and support the projected growth.

These consolidated financial statements include the figures of the Company and its subsidiaries as of December 31, 2018 and 2017 in which the Company has control, as mentioned in the following page:

<u>Entity</u>	<u>Business activity</u>	<u>Ownership (%)</u>	
		<u>2018</u>	<u>2017</u>
Unifin Credit, S. A. de C. V. SOFOM, E. N. R. (Unifin Credit)	Financial factoring	99.99	99.99
Unifin Autos, S. A. de C. V. (Unifin Autos)	Purchase and sale of cars	99.99	99.99
Inversiones Inmobiliarias Industriales, S.A.P.I. de C. V. (Inversiones Inmobiliarias)	Property leases	94.08	94.08

The financial information of the subordinated companies at the year ended on December 31, 2018 follows:

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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	<u>Unifin Credit</u>	<u>Unifin Autos</u>	<u>Inversiones Inmobiliarias</u>
Assets	Ps 8,459,916	Ps 28,283	Ps 234,242
Liabilities	7,533,513	548	22,460
Capital	926,403	27,735	211,781
Income for the period	132,205	(119)	1,893

### **Note 2 - Basis for preparation of the financial information:**

#### Preparation of the financial statements

The accompanying consolidated financial statements have been prepared specifically for use in a private placement of debt securities in the form international notes in the foreign markets, in accordance with rule 144A and Regulation S of the US Securities Act of 1933.

In accordance with article 78 of the General Provisions of the Sole Circular for Issuers of Securities and Other Participants of the Securities Market (Sole Circular) issued by the Mexican National Banking and Securities Commission (Commission), Unregulated Non-Bank Financial Entities issuing securities other than debt instruments must prepare and have their financial statements in accordance with the accounting standards applicable to multiple purpose financial entities regulated in México issued by the Commission (Accounting Criteria or Accounting Standards).

On the basis of the foregoing, the enclosed consolidated financial statements at December 31, 2018 and 2017 have been prepared in accordance with the Accounting Criteria established by the Commission, which observe the accounting guidelines of the Mexican Financial Reporting Standards (MFRS), except when the Commission considers it is necessary to apply a specific accounting standard or criterion. For that purpose, the Company has prepared its financial statements in accordance with the Commission's presentation requirements, the purpose of which it is to present information on the entity's operation, as well as other economic occurrences affecting it, which do not necessarily result from the decisions or transactions of the entity's stockholders over a specific period.

According to accounting criteria, in the absence of a specific accounting rule issued by the Commission, the Company must apply supplementary criteria, as established in MFRS A-8 "Supplementation" in the following order: MFRS, International Financial Reporting Standards, approved and issued by the International Accounting Standards Board (IASB), Generally Accepted Accounting Principles applicable in the United States, or otherwise any accounting standard that forms part of a group of formal and accepted standards.

The Company is mainly engaged in carrying out operating leases; therefore, the statements of income for the years ended December 31, 2018, 2017 and 2016 are shown in accordance with the provisions of Statement B-3 of the MFRS, which establishes that the "income" caption must reflect the entity's main source of income, and the "other income and expenses caption" must not include items considered operating items. Consequently, that caption must only include immaterial amounts. On the basis of the foregoing, the reported statements of income properly and transparently reflect the Company's main business activities. It should be mentioned that if the Accounting Criteria are applied literally, operating lease income should have been included under "Other income (expenses)", net of depreciation, and not under "operating net income", which, if applied, would distort the phrasing of the financial statements as a whole.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

Despite the foregoing and for transparency purposes, following is a comparison of the Company's Statement of Income for the years ended December 31, 2018, 2017 and 2016, between the contents reported in the Financial Statements and the contents that would have resulted from only applying the Accounting Criteria. That comparative analysis clearly shows that the differences between both reporting methods strictly relate to the form and that the operating results, before taxes on income and net taxes, remain the same:

	<u>December 31, 2018</u>	
	<u>According to the MFRS</u>	<u>According to the accounting criteria of the Commission</u>
Operating lease income	Ps 14,761,002	Ps -
Interest income	2,587,574	2,001,845
Other lease benefits	1,595,730	-
Depreciation of goods under operating leasing	(8,005,085)	-
Interest expense	(5,514,552)	(1,369,485)
Other lease expenses	<u>(1,619,179)</u>	<u>-</u>
Financial margin	3,805,490	632,360
Preventive loan loss reserve	<u>250,635</u>	<u>161,155</u>
Financial margin adjusted for credit risks	<u>3,554,855</u>	<u>471,205</u>
Commissions and fees paid	(43,100)	(43,100)
Intermediation results	-	-
Administration and promotion expenses	(1,091,911)	(1,091,911)
Other operating income (expenses) 1)	<u>25,932</u>	<u>3,109,583</u>
	<u>(1,109,079)</u>	<u>1,974,572</u>
Operating income	2,445,777	2,445,777
Results of subsidiaries and associated companies	<u>36,209</u>	<u>36,209</u>
Income before income taxes	<u>2,481,986</u>	<u>2,481,986</u>
Income taxes payable	1,168,197	1,168,197
Deferred income taxes	<u>(610,028)</u>	<u>(610,028)</u>
Income taxes	<u>558,169</u>	<u>558,169</u>
Consolidated net income	<u>Ps 1,923,817</u>	<u>Ps 1,923,817</u>
Net income attributable to:		
Controlling interest	Ps 1,923,919	Ps 1,923,919
Non-controlling interest	<u>(102)</u>	<u>(102)</u>
Consolidated net income	<u>Ps 1,923,817</u>	<u>Ps 1,923,817</u>

***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

**Notes to the Consolidated Financial Statements**  
December 31, 2018, 2017 and 2016

1) The other operating income (expenses) caption is made up as follows:

Operating lease Income	Ps 3,083,651
Other operating income (expenses)	<u>25,932</u>
Total	<u>Ps 3,109,583</u>

December 31, 2017

	According to the MFRS	According to the accounting criteria of the Commission
Operating lease income	Ps 11,216,938	Ps -
Interest income	2,087,677	1,451,905
Other lease benefits	1,010,812	-
Depreciation of goods under operating leasing	(6,357,396)	-
Interest expense	(3,845,159)	(873,101)
Other lease expenses	<u>(930,500)</u>	<u>-</u>
Financial margin	3,182,372	578,804
Preventive loan loss reserve	<u>115,000</u>	<u>25,844</u>
Financial margin adjusted for credit risks	<u>3,067,372</u>	<u>552,960</u>
Commissions and fees paid	(68,710)	(68,710)
Intermediation results	-	-
Administration and promotion expenses	(890,885)	(890,885)
Other operating income (expenses) 1)	<u>192,111</u>	<u>2,706,523</u>
Operating income	2,299,888	2,299,888
Results of subsidiaries and associated companies	<u>31,874</u>	<u>31,874</u>
Income before income taxes	<u>2,331,762</u>	<u>2,331,762</u>
Income taxes payable	1,096,983	1,096,983
Deferred income taxes	<u>(535,903)</u>	<u>(535,903)</u>
Income taxes	<u>561,080</u>	<u>(561,080)</u>
Consolidated net income	<u>Ps 1,770,682</u>	<u>Ps 1,770,682</u>
Net income attributable to:		
Controlling interest	Ps 1,770,682	Ps 1,770,682
Non-controlling interest	<u>2,779</u>	<u>2,779</u>
Consolidated net income	<u>Ps 1,773,461</u>	<u>Ps 1,773,461</u>



***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

**Notes to the Consolidated Financial Statements**  
December 31, 2018, 2017 and 2016

2) The other operating income (expenses) caption is made up as follows:

Operating lease Income		Ps 2,514,412
Other operating income (expenses)		<u>192,111</u>
Total		<u>Ps 2,706,523</u>

	<u>December 31, 2016</u>	
	<u>According to MFRS</u>	<u>According to The Accounting Criteria of the Commission</u>
Operating lease income	Ps 7,773,136	Ps -
Interest income	1,183,770	1,032,943
Other lease benefits	528,719	-
Depreciation of goods under operating leasing	(4,537,348)	-
Interest expense	(1,988,852)	(593,475)
Other lease expenses	<u>(583,569)</u>	<u>-</u>
Financial margin	2,375,858	439,468
Preventive loan loss reserve	<u>81,500</u>	<u>14,000</u>
Financial margin adjusted for credit risks	<u>2,294,358</u>	<u>425,468</u>
Commissions and rates paid	(51,214)	(51,214)
Intermediation income (loss)	-	-
Administration expenses	(797,408)	(797,408)
Other operating income (expenses) <sup>1)</sup>	<u>16,357</u>	<u>1,885,247</u>
Operating results	1,462,093	1,462,092
Equity in results of subsidiaries and associated companies	<u>13,417</u>	<u>13,417</u>
Income before taxes on income	1,475,510	1,475,510
Taxes on income payable	(656,117)	(656,117)
Deferred taxes on income	<u>390,956</u>	<u>390,956</u>
Taxes on income	<u>265,161</u>	<u>265,161</u>
Consolidated net income	<u>Ps 1,210,349</u>	<u>Ps 1,210,349</u>
Net income attributable to:		
Controlling interest	Ps 1,210,349	Ps 1,210,349
Non-controlling interest	<u>-</u>	<u>-</u>
Consolidated net income	<u>Ps 1,210,349</u>	<u>Ps 1,210,349</u>



# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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1) The other operating income (expenses) caption is made up as follows:

Operating lease income	Ps 1,868,890
Other operating income (expenses)	<u>16,357</u>
Total	<u>Ps 1,885,247</u>

### New MRFS and Revisions to MFRS and Accounting Criteria

No new MFRS, Revisions to MFRS and Accounting Criteria came into force in 2018 and 2017 that would significantly affect the Company's financial information.

### Financial statements authorization

The accompanying consolidated financial statements and the notes thereto as of December 31, 2018, 2017 and for the years ended December 31, 2018, 2017 and 2016 were authorized for issuance on July 8, 2019 by Mr Sergio José Camacho Carmona, Chief Executive Officer, Mr. Sergio Manuel Cancino Rodríguez, Chief Financial Officer, and Mr. Luis Xavier Castro, Corporate Controller.

### **Note 3 - Summary of significant accounting policies:**

The most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

The accounting criteria require the use of some critical accounting estimates in the preparation of the financial statements. They also require management's judgment in the process of determining and applying the Company's accounting policies.

#### **a. Consolidation**

##### *Subsidiaries*

Subsidiaries are all entities over which the Company has control to direct their relevant activities, has the right (and is exposed) to variable returns from its share and has the ability to affect those returns through its power. In assessing whether the Company controls an entity, the existence and effect of potential voting rights that are currently exercisable or convertible were considered. The existence of control in cases where the Company has no more than 50% of voting rights but it may decide the financial and operating policies is also assessed.

Subsidiaries consolidate as from the date on which the Company acquires control, and consolidation ceases when that control is lost

Transactions, balances and unrealized profit and loss resulting from transactions between the consolidated companies have been eliminated. Accounting policies applied by subsidiaries have been amended to ensure consistency with the accounting policies adopted by the Company, where necessary.

Consolidation was performed considering the financial statements of the subsidiaries.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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### **Other permanent investments**

Other permanent investments are represented by investments in shares of other entities where the Company has no control or the ability to have significant influence. The other permanent investments are initially measured at acquisition cost and subsequently at equity method.

### **b. Recording, functional and reporting currency**

Given that the recording, functional and reporting currency of the Company and its subsidiaries is the Mexican peso, it was not necessary to translate any of the figures.

### **c. Inflation effects on the financial information**

According to the MFRS B-10 "Inflation effects", the Mexican economy is not in an inflationary environment, since cumulative inflation for the last three years is below 26% (maximum limit for an economy to be considered non-inflationary under MFRS). Therefore, as of January 1, 2008, the entity discontinued recognition of the effects of inflation on the financial information. Consequently, the figures at December 31, 2018 and 2017 shown in the accompanying consolidated financial statements are expressed in historical pesos, modified by the effects of inflation on the financial information recognized until December 31, 2007.

Following are the percentages of inflation in Mexico:

	<u>December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
	(%)	(%)	(%)
For the year	4.83	6.77	3.36
Cumulative in the last three years	15.69	12.26	9.57

### **d. Cash and cash equivalents**

Cash and cash equivalents are recorded at nominal value, and cash and cash equivalents in foreign currencies are valued at the exchange rate published by Banco de México (Banxico) at the date of the consolidated financial statements.

### **e. Investments in securities**

Investments in securities include debt and capital securities, which are classified on the basis of the intended use assigned by Company's management at the time they are acquired as "for trading". Interest is recorded in the statement of income as it is earned.

Investments in securities are valued as described below.

Financial securities and instruments forming part of the investment portfolio are valued using restated valuation prices provided by specialists in calculating security portfolios (price vendors); those prices are authorized by the Commission.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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Securities for trading are valued at fair value, which is similar to market value, on the basis of market values provided by price vendors. Fair value is the amount for which a financial instrument may be exchanged between interested and willing parties in a transaction free of influence.

Adjustments resulting from valuation of these categories are applied directly to income for the period or the Company's stockholders' equity, depending on whether involving trading or available-for-sale securities, respectively.

At December 31, 2018 and 2017, the Company did not assess whether there is objective evidence that a security had deteriorated considering, among others, that investments in securities are highly liquid and mature on one or less than one day.

### **f. Derivative Financial Instruments (DFI)**

DFIs are initially recognized at fair value in the balance sheet as assets and/or liabilities on the date on which the respective derivative financial instrument agreement is entered into. They are classified depending on their intended use (established by Management) and are subsequently re-measured at fair value, provided by a price vendor.

The fair values of DFIs are determined based on recognized market prices, and when not traded on a market, they are determined based on discounted cash flows.

The method for recognizing the profit or loss on changes in fair value of derivative financial instruments depends on whether or not they are designated as hedges.

Derivatives, other than those that form part of a hedge relationship, are valued at fair value, without deducting the transaction costs incurred in the sale or other type of disposal, applying said valuation effect to income for the period. Valuation effects are recognized in the statement of income under "Intermediation result", except when Management designates them as hedges, in which case the effective portion is temporarily recorded in comprehensive income under Stockholders' equity, and is later reclassified to income (loss) at maturity. The ineffective portion is immediately recorded in income as part of intermediation income.

Additionally, the result from the purchase/sale of a derivative and the loss for impairment of financial assets stemming from the rights established in DFIs are recorded under Intermediation income (loss), and where applicable, the reversal effect too. At December 31, 2018 and 2017, the Company has no losses for impairment of DFI transactions, and it made no sales that could have an effect on intermediation income (loss).

DFIs used by the Company are regulated by an internal policy called "Policy for managing risks through Derivative Financial Instruments", which was adopted by all of the Company's businesses.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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### **g. Loan portfolio**

#### **Financial factoring**

Factoring operations are recorded at nominal value, for which a 90% advance is made (the remaining 10% is the guarantee) on the value of the document that the Company receives for factoring. The maximum term for a factoring loan is 120 days.

Interest recognized on secured factoring operations is determined based on the differences arising between the value of the assignment received deducted from the guarantee deposit, while in the case of unsecured factoring operations it is recognized on the total value of the assignment received. Said interest is recognized in income for the period under Interest income.

The outstanding balance of the factoring portfolio is recorded as non-performing portfolio when there is knowledge that the borrower has filed for bankruptcy, as per the provisions of the Bankruptcy Law, or when amortizations towards the loan have not been duly settled in the terms originally agreed upon.

The unpaid balance of the financial factoring portfolio in which outstanding balances are settled, or if restructured or renewed, show sustained payment, are classified as current portfolio. Commissions collected on initial granting of credit lines and commissions known after granting the loan are recognized as interest income on the date on which they are incurred.

Costs and expenses associated with the initial granting of the loan are recorded as an expense over the same accounting period in which the respective commission income collected is recorded.

#### **Unsecured loans**

Loans and commercial loans, both performing and non-performing, represent the amount actually delivered to borrowers, plus interest as it arises, as per the loan payment schedule.

Loans are made after analyzing the financial position of the borrower, the economic feasibility of investment projects and other general factors established in the Company's internal manuals and policies.

Unpaid loan balances are recorded as non-performing portfolio when it is known that the borrower has been declared bankrupt in accordance with the Bankruptcy Law. Regardless of whether a borrower that has filed for bankruptcy continues making payments, the loan will be considered non-performing if payments thereon have not been settled in full in the terms originally agreed upon, considering the following:

- The debts consist of loans payable in a lump sum plus interest upon maturity, and are more than 30 calendar days overdue.
- Loans are payable in a lump sum at maturity and with periodic interest payments, and the respective interest payment is 90 or more calendar days past due, or 30 calendar days past due on the outstanding principal.
- If the debts consist of periodic installment payments on the principal and interest, which are 90 or more days past due.

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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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Past due loans that are restructured or renewed remain in the non-performing portfolio as long as there is no evidence of sustained payment, as established in the accounting criteria. Loans with a lump sum payment on the principal at maturity and periodic interest payments, as well as loans with a lump sum payment on the principal and interest at maturity that are restructured during the term of the loan or renewed at any given moment, are considered past-due portfolio.

Loans classifying from the outset as revolving loans that are restructured or renewed at any time are considered to be performing only when the borrower has paid all interest accrued, when the loan shows no periods of past-due invoices, and when there are elements demonstrating the debtor's payment capacity, that is to say, when there is high likelihood of the debtor covering the payment.

An loan is not considered to be restructured when the full amount of lease payments due has been made at the realization date and where any of the following original conditions are modified:

- i. Guarantees: only when they are extended or replaced by others of better quality.
- ii. Interest rate: when the agreed interest rate is improved.
- iii. Currency: provided that the rate corresponding to the new currency is applied.
- iv. Date of payment: only when the change does not involve exceeding or modifying the periodicity of payments. In no case does the change in payment date allow parties to omit payment in a given period.

When a loan is considered past due, it stops accruing interest, even in the case of loans which, for contractual purposes, capitalize interest on the amount of the debt. During the time loans are held in the past-due portfolio, interest earned is recorded in memorandum accounts. For interest accrued not collected on such loans, the Company sets up a reserve for an equivalent amount when said loans are transferred to the non-performing portfolio, which is canceled when there is evidence of sustained payment. If past due interest is collected, it is recognized directly in income for the year.

Non-performing loans where outstanding balances are settled in full (principal and interest, among others) or, in the case of restructured or renewed loans, when there is evidence of sustained payment on the loan as required by the Accounting Criteria, are reclassified to the performing portfolio.

Commissions on the initial granting of loans are recorded as a deferred credit, which is amortized against income for the period by the straight-line method for the duration of the loan, except for those giving rise to revolving loans, which are amortized over a twelve-month period. Commissions known after the loan is granted are recorded on the date they are generated against income for the period.

Costs and expenses associated with the initial granting of the loan are recorded as a deferred charge, which is amortized against income for the period as an interest expense over the same accounting period in which the respective commission income collected is recorded.

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### **h. Accounts receivable from operating leases**

#### **Operating leases**

Leases in which a significant portion of the risks and benefits related to the leased items are retained by the lessor are classified as operating leases. Income received under an operating lease is recorded in income by the straight-line method throughout the lease period.

Accounts receivable on operating leases relate to amounts due pursuant to the contractual terms.

Leases paid in advance are recorded in deferred credits and early collections and are applied to leases as monthly rent payments come due.

Commissions charged on initial granting of operating loans are recorded as deferred credits under Interest income in income for the period and are recognized as rent payments accrue.

Lease payments received as guarantee deposited by clients are recorded as other accounts payable and are returned to the client upon conclusion of the agreement.

The balances of the operating lease portfolio are recorded as past due with respect to the amount of the monthly amortization not settled in its entirety after 30 calendar days of default.

When rent payments not collected become past due as per the payment arrangement, billing of rents incurred not collected is suspended. As long as loans are classified as part of the non-performing portfolio, control thereon is kept in memorandum accounts.

The past-due balances of the operating lease portfolio are transferred to the performing loan portfolio if outstanding balances are settled entirely.

The allowance for bad debts from operating leases is the same as the past-due balances.

Costs and expenses associated to a new lease agreement are recognized as a deferred charge and are amortized over the operating lease period and must be recorded in income as lease income is recognized

### **i. Preventive loan loss reserve (PLLR)**

Recoverability of the preventive loan loss reserve is determined periodically, recognizing the respective PLLR, based on the internal methodology for rating the Company's loan portfolio.

In determining the aforementioned allowance, the Company classifies its clients considering its total exposure at the date of determining the PLLR and its performing loan and non-performing loan portfolio classification. In the case of clients with total exposure above 4,000,000 Investment Units (UDIs), the PLLR is determined applying the 0.5% to the total balance of the performing portfolio and a variable percentage to the non-performing loan portfolio, considering the classification assigned to each client mainly based on its financial risk and payment history. In the case of clients with total exposure under 4,000,000 UDIs, the PLLR is determined applying 0.5% to the total performing loan balance. The PLLR recorded is the higher of i) the result of the aforementioned criterion and ii) 100% of the non-performing loan portfolio.

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The Company periodically evaluates whether a past due loan must remain in the balance sheet or be written off instead. In the latter case, the balance is written off by canceling the unpaid balance of the loan against the preventive loan loss reserve. In the event that the loan to be written off exceeds the amount of its allowance, before writing the respective amount off, the estimation for the allowance must be increased up to the amount of the difference.

Amounts recovered associated with written off or eliminated loans in the balance sheet are recorded in income for the year.

Pardons, quitclaims, rebates and discounts, either partial or total, are recorded with a charge to the preventive loan loss reserve. In the event that the amount of those items exceeds the balance of the respective allowance, the Company sets up an allowance for up to the amount of the difference.

The most recent operating lease and loan portfolio rating was performed at December 31, 2018; Management considers that the resulting allowance is sufficient to absorb portfolio loan risk losses.

### **j. Foreclosed assets**

Foreclosed assets are recorded at the date on which the approval of the auction resulting in the award of assets enters into effect, and assets received as a result of payment in kind are recorded at the date on which the agreement for payment in kind is signed, or when transfer of ownership over the assets is formalized.

The carrying value at which the foreclosed assets or assets received as payment in kind (hereinafter foreclosed assets) are recorded is the lower of the cost or the net realization value at the award date, less the lower of strictly indispensable costs or expenses incurred. On the date on which foreclosed assets are recorded, the total value of the assets giving rise to the award, and the respective allowance, if any, are removed from the balance sheet. Also, if the portion corresponding to payments accrued or past due is only covered by a partial payment in kind, it is removed as well.

The amount of the allowance that recognizes potential value losses due to the aging of the foreclosed assets is determined based on the value of the foreclosed assets, following the procedures established in the applicable provisions.

Foreclosed assets are valued to recognize potential losses according to the type of assets, and the effect of the valuation is recorded in the statement of income for the period under Other operating income (expenses). This valuation is determined by applying the following percentages to each foreclosed asset:

<u>Time elapsed as from the date the award is made (months)</u>	<u>Percentage of reserve (%)</u>
Up to 12	0
More than 12 and up to 24	10
More than 24 and up to 30	15
More than 30 and up to 36	25
More than 36 and up to 42	30
More than 42 and up to 48	35
More than 48 and up to 54	40
More than 54 and up to 60	50
More than 60	100



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The amount of the estimate that recognizes the potential loss of value over time of foreclosed assets is determined based on the value of the award, based on the procedures established in the applicable provisions.

At the time of sale, the difference between the sales price and the book value of the respective foreclosed assets, net of allowances, is recognized in income for the period under other operating income (expenses).

### **k. Permanent investments in shares**

The Company recognizes its investments in associated companies and joint businesses over which it has significant influence without having control or joint control, by the equity method based on the book value, according to the most recent financial statements of those entities.

### **l. Property, machinery and equipment**

Property, machinery and equipment for own use and for assigning under operating leases are expressed as follows: i) acquisitions made as from January 1, 2008 at historical cost, and ii) acquisitions made until December 31, 2007, restated by applying National Consumer Price Index (NCPI) factors to their acquisition costs. Consequently, they are expressed at modified historical cost, less accumulated depreciation and, when applicable, impairment loss.

The acquisition cost of property, machinery and equipment is depreciated systematically by the straight-line method based on the estimated useful lives of components of property, machinery and equipment.

Property, machinery and equipment are subject to annual impairment tests only when there is indication of impairment. At December 31, 2018 and 2017, there were no signs of impairment, and accordingly no impairment tests were performed.

### **m. Other assets**

Prepayments recorded under other assets represent expenditures made by the Company where the risks and benefits of the goods to be acquired or services to be received have not been transferred. Prepayments are recorded at cost and presented in the balance sheet as other assets, depending on the item under which they are to be recorded. Prepayments in foreign currencies are recognized at the exchange rate in effect at the transaction date, without changes for subsequent fluctuations between currencies. Once the goods and/or services related to prepayments are received, they must be recognized as an asset or an expense in the statement of income for the period, depending on their respective nature.

### **n. Debt securities**

Debt securities relate to long-term debt issued to generate working capital (international notes and debt securities), which are recorded at the contractual value of the obligations, recognizing interest in income as it accrues.

All issuance costs incurred are recorded under other assets as deferred charges, and are recognized in income for the period as interest expenses by the straight-line method over the term of each instrument. These costs are shown in income as part of interest paid.



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### *Securitization*

Securitization refers to a transaction, whereby certain assets are transferred to a vehicle created for that purpose (usually a trust), in order for the latter to issue debt securities to be placed with public and private investors. Securitizations conducted by the Company failed to meet the conditions set forth in the accounting criteria to qualify as a transfer of ownership.

Under a financing securitization, the seller records the financing but not the outflow of assets in the balance sheet. Yields generated by financial assets (collection rights over operating lease loan portfolios) under securitization are recorded in income for the period.

#### **o. Bank loans and loans from other entities**

Bank loans and loans from other entities refer to credit lines and other loans obtained from financial institutions that are recorded at the contractual value of the obligation, recognizing interest expenses in income as they accrue.

#### **p. Provisions**

Liability provisions represent current obligations for past events where the outflow of economic resources is possible (more likely than not). These provisions have been recorded based on management's best estimation.

#### **q. Payable and deferred income tax**

Payable and deferred taxes are applied to income for the period as an expense, except when arising from a transaction or event recognized outside income for the period as other comprehensive income or an item recognized directly in stockholders' equity.

Deferred income tax is recorded based on the comprehensive asset-and-liability method, which consists of recognizing deferred tax on all temporary differences between the accounting and tax values of assets and liabilities that will be materialized in the future, at the rates enacted in the effective tax provisions at financial statement date.

#### **r. Perpetual subordinated debentures**

Perpetual subordinated debentures are recognized at nominal value, based on the contractual value of operations, and is recorded directly in stockholders' equity, including the respective yields.

#### **s. Stockholders' equity**

The capital stock, share premium, capital reserve and prior years' income are expressed as follows:

i) movements made after January 1, 2008 at historical cost, and ii) movements made before January 1, 2008 at restated values determined by applying NCPI factors to their historical values. Consequently, the different stockholders' equity items are expressed at modified historical cost.

The net share premium represents the surplus between the payment for subscribed shares and the value of Ps3.1250 per share at the date of subscription.

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### **t. Other comprehensive income**

Comprehensive (loss) income is comprised of the net gain (loss), plus the effects of conversion and the effects from valuation of derivative financial instruments available for sale, which is reflected in stockholders' equity and does not constitute capital contributions, reductions and distributions.

### **u. Memorandum accounts**

The Company keeps memorandum accounts to control future collection rights associated to operating lease agreements, classified as lease fees to be accrued held in trust (collection rights transferred to a trust) and other lease fees to be accrued (the Company's own portfolio).

### **v. Revenue recognition**

Interest on the loan portfolio is recognized as it accrues, except for interest on the overdue portfolio, which is recorded when the respective amounts are actually collected. Commissions collected on the initial granting of operating leasing and loans are recorded as a deferred credit, which is amortized against income for the year on a straight-line basis over the life of the lease arrangements and loans.

Income arising from management of trusts and income arising from administration or custodial services is recorded in income for the period as it accrues.

Income from the sale of property, machinery and equipment is recorded in income when all of the following requirements are met: a) the asset is sold, b) the risks and benefits associated to the goods are transferred to the purchaser and no significant control over such property is kept by the seller; c) income and costs incurred or to be incurred are determined reliably, and d) it is probable that the Company will receive the economic benefits associated to the sale.

### **w. Earnings per share**

Basic earnings per share are calculated by dividing the net income for the year by the weighted average number of outstanding shares issued during the year.

There are no effects arising from potentially dilutive shares.

### **x. Related parties**

The Company carries out transactions with related parties in the regular course of business. Related party transactions are understood to be transactions where related parties owe amounts payable to the Company in relation to deposit transactions or other cash and cash equivalents or loans, credit or discount operations, or revocable or irrevocable discounts granted, and documented through debt securities or agreements, or restructurings, renewals or amendments to existing loans.

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### **y. Exchange differences**

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the dates they are entered into and/or settled. Assets and liabilities denominated in such currencies are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising from fluctuations in the exchange rates between the transactions and settlement dates, or the valuation at the period closing date, are recognized in interest income (losses) according to their respective nature.

### **z. Financial information by segment**

The accounting criteria establish that in identifying the different operating segments, the Company must segregate its activities based on its credit operations. Additionally, given the importance of this matter, the Company may identify additional operating segments or sub segments in the future.

The accounting criteria do not require disclosure per each geographic area in which the Company operates, in which the identified segment generates income or holds productive assets.

### **Note 4 - Foreign currency position:**

At December 31, 2018 and 2017, the Company held the following US dollar (DlIs.) position:

	<u>2018</u>	<u>2017</u>
Assets	DlIs. 1,190,197	DlIs. 1,088,384
Liabilities	<u>(1,183,988)</u>	<u>(1,085,617)</u>
Net long position	<u>DlIs. 6,209</u>	<u>DlIs. 2,767</u>

At December 31, 2018 and 2017, the exchange rates used by the Company to value its foreign currency assets and liabilities were Ps19.6566 and Ps19.7354, per dollar, respectively. At July 8, 2019, date of issue of these financial statements, the exchange rate was Ps19.0446 per US dollar.

### **Note 5 - Cash and cash equivalents:**

This item is comprised as follows:

	<u>Local currency</u>		<u>Foreign currency restated to pesos</u>		<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash on hand	Ps -	Ps 23,583	Ps -	Ps -	Ps -	Ps 23,583
Local and foreign banks	<u>191,702</u>	<u>107,280</u>	<u>184,484</u>	<u>66,302</u>	<u>376,186</u>	<u>173,582</u>
Total cash and cash equivalents	<u>Ps191,702</u>	<u>Ps130,863</u>	<u>Ps184,484</u>	<u>Ps66,302</u>	<u>Ps376,186</u>	<u>Ps 197,165</u>

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Balances in foreign currencies total Dlls.9,385,397 and Dlls.3,359,547, converted at the exchange rate of Ps19.6566 in 2018 and Ps19.7354 in 2017.

### **Note 6 – Investments in securities:**

The investments in securities caption is comprised as follows:

	<u>Foreign currency</u>		<u>Foreign currency restated to pesos</u>		<u>Total at December 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Promissory notes with yields:						
Payable at maturity (PRLV)	Ps 114,405	Ps 185,100	Ps 784,829	Ps 986,770	Ps 899,235	Ps 1,171,870
Federal Government Development Bonds (Bondes)	<u>2,631,202</u>	<u>1,066,302</u>	<u>-</u>	<u>-</u>	<u>2,631,202</u>	<u>1,066,302</u>
Total investments in securities	<u>Ps2,745,530</u>	<u>Ps1,251,402</u>	<u>Ps 784,829</u>	<u>Ps 986,770</u>	<u>Ps3,530,359</u>	<u>Ps2,238,172</u>

At December 31, 2018 and 2017, investments in Bondes relate to cash flows intended for the Company's securitization trusts.

PRLVs and Bondes bear daily interest of approximately 7.45 and 6.91% per year, respectively. The weighted average maturity of these securities is approximately 1.5 days in 2018 and 2017.

Foreign currency balances totaled Dlls.39,927,013 and Dlls.50,000,000, converted at the exchange rate of Ps19.6566 in 2018 and Ps19.7354 in 2017.

### **Note 7 - Operations with DFI:**

At December 31, 2018 and 2017, the Company has contracted interest-rate swaps (IRS), cross-currency swaps (CCS) and CAP options, all classified as instruments to hedge cash flows, in compliance with the conditions in place for use of accounting for hedges established by the Commission.

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As of December 31, 2018 and 2017 the DFI are compressed as follows:

Hedged liability	Type of DFI	DFI rating	Notional value	Value of Underlying asset at December 31		Fair value of DFI at December 31		Maturity year	Short/Long position
				2018	2017	2018	2017		
International notes	CCS	Hedge	Ps2,370,000	19.6566	19.7354	Ps 303,403	Ps465,132	2025	Long dollar
International notes	CCS	Hedge	1,422,000	19.6566	19.7354	242,146	273,450	2025	Long dollar
International notes	CCS	Hedge	948,000	19.6566	19.7354	161,887	182,836	2025	Long dollar
International notes	CCS	Hedge	1,422,000	19.6566	19.7354	243,515	275,059	2025	Long dollar
International notes	CCS	Hedge	1,422,000	19.6566	19.7354	281,278	274,254	2025	Long dollar
International notes	CCS	Hedge	1,387,500	19.6566	19.7354	428,523	423,087	2023	Long dollar
International notes	CCS	Hedge	1,850,000	19.6566	19.7354	574,303	676,939	2023	Long dollar
International notes	CCS	Hedge	1,850,000	19.6566	19.7354	574,303	681,361	2023	Long dollar
International notes	CCS	Hedge	1,156,250	19.6566	19.7354	358,480	422,534	2023	Long dollar
International notes	CCS	Hedge	1,156,250	19.6566	19.7354	358,939	505,051	2023	Long dollar
Bank loan	CCS	Hedge	2,901,377	19.6566	19.7354	116,920	118,391	2020	Long dollar / Long Libor
Bank loan	CCS	Hedge	1,575,340	19.6566	-	61,188	-	2025	Long dollar / Long Libor
Bank loan	CCS	Hedge	472,563	-	19.7354	-	29,273	2019	Long dollar / Long Libor
Private strcutre	IRS	Hedge	2,250,000	8.5956	7.6241	(3,792)	80,269	2023	Long TIIE 28
UNFINCB 17-3	IRS	Hedge	2,500,000	8.5956	7.6241	(5,225)	85,654	2022	Long TIIE 28
UNFINCB 17-2	IRS	Hedge	1,500,000	8.5956	7.6241	4,494	22,008	2022	Long TIIE 28
UNFINCB 16	CAP	Hedge	250,000	8.5956	7.6241	5,826	2,824	2021	Long TIIE 28
UNFINCB 16	CAP	Hedge	1,000,000	8.5956	7.6241	22,427	11,295	2021	Long TIIE 28
UFINCB 16	CAP	Hedge	2,500,000	8.5956	7.6241	36,847	21,799	2021	Long TIIE 28
UNFINCB 15	CAP	Hedge	2,000,000	8.5956	7.6241	26,907	28,697	2020	Longa TIIE 28
UFINCB 15	CAP	Hedge	2,000,000	-	7.6241	-	18,204	2020	Long TIIE 28
International notes	CCS	Hedge	1,854,250	19.6566	-	44,913	-	2025	Long dollar
International notes	CCS	Hedge	927,125	19.6566	-	21,985	-	2025	Long dollar
International notes	CCS	Hedge	1,854,250	19.6566	-	43,969	-	2025	Long dollar
International notes	CCS	Hedge	1,895,000	19.6566	-	403,763	-	2026	Long dollar
International notes	CCS	Hedge	947,500	19.6566	-	198,825	-	2026	Long dollar
International notes	CCS	Hedge	1,421,250	19.6566	-	298,687	-	2026	Long dollar
International notes	CCS	Hedge	1,421,250	19.6566	-	<u>298,611</u>	<u>-</u>	2026	Long dollar
Total derivatives						<u>Ps5,103,120</u>	<u>Ps4,598,117</u>		

In 2018, the following DFIs were contracted:

Ten CCS contracts to mitigate the risks of fluctuations in the exchange rate and reference interest rate (TIIE) for the issue of 144A Reg/S international notes in the amount of 300 million dollars, 200 million dollars and 250 million dollars, as well as the Barclays USD bank loan for 83 million dollars..

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In 2018 and 2017, the effects recognized in stockholders' equity for valuation of derivative financial instruments, segmented per type of instrument, were as follows:

<u>2018</u>				
<u>Balance at January 1, 2018</u>	<u>Cross currency swap</u>	<u>Interest rate swap</u>	<u>Options CAP</u>	<u>Balance at December 31, 2018</u>
<u>Ps 881,250</u>	<u>(Ps 203,479)</u>	<u>(Ps 4,802)</u>	<u>(Ps 2,596)</u>	<u>Ps 670,373</u>
<u>2017</u>				
<u>Balance at January 1, 2017</u>	<u>Cross currency swap</u>	<u>Interest rate swap</u>	<u>Options CAP</u>	<u>Balance at December 31, 2017</u>
<u>Ps 217,738</u>	<u>Ps 624,431</u>	<u>Ps 27,138</u>	<u>Ps 11,943</u>	<u>Ps 881,250</u>

Interest accrued on liabilities hedged by DFIs bear quarterly and bi-annual interest. The valuation differences of those payments between the value set in the respective agreements and the market variable at payment date are recorded in the statement of income.

Given that the reference variables per exchange rate and interest rate differed from those contracted in for DFIs at December 31, 2018 and 2017, the Company had a positive (negative) impact in the statement of income for interest paid, as opposed to the effects that would have resulted had it not contracted any DFIs at those dates. Following is the effect of hedges contracted by the Company at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cross currency swap	(Ps 775,964)	(Ps 366,634)
Interest rate swap	17,225	21,350
CAP options	<u>135,271</u>	<u>9,193</u>
	<u>(Ps 623,468)</u>	<u>(Ps 336,091)</u>

In general terms, Management considers the effect to be mostly negative in 2018 and 2017, but expects it to reverse in subsequent periods when it expects to see an increase in the reference exchange rate. Additionally, at December 31, 2018 and 2017, the negative effect is compensated by the positive book entry for valuation of DFIs in stockholders' equity.

The hedge level at December 31, 2018 and 2017 is for 100% of obligations contracted in dollars for debt securities, both exchange rate and interest rate.

At December 31, 2018 and 2017, the Company has no financial assets arising from derivative financial operations.

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At December 31, 2018 and 2017, the Company has given no cash or financial assets as collateral for liabilities arising from DFIs.

### FDI Management

The acquisition of an FDI contract must be associated to a hedge for a primary position, as could be the Company's payment of interest at a specific rate and a foreign currency payment at a specific exchange rate, among others.

The Company may not conduct derivatives transactions for speculation purposes, but rather only for hedging purposes, unless the Finance and Planning Committee determines otherwise, and the Company issues prior notice of changes in its operations with derivative instruments.

Any proposals for contracting, extending, renewing and canceling DFIs are submitted for review to the Finance and Planning Committee, which relies on relevant judgment factors to decide on the advisability of the hedge. Once the Committee issues a favorable opinion, it is submitted to Senior Management for approval.

At its quarterly meetings, the Audit and Corporate Practices Committee is presented with a report that includes all DFI operations conducted in the quarter.

Following are the main Company objectives of conducting FDI operations:

- Reducing to a minimum the Company's obligations with regard to the volatility of financial and market variables to which it is exposed.
- Ensuring effective control over the financial hedge portfolio.
- Having long-term coverage, mainly of interest rates and exchange rates for financing assets, in order to provide certainty to lease, factoring and loan operations conducted by the Company.

The main derivatives operations designated as hedges by the Company in 2018 and 2017 are:

- Cross-Currency Swaps (CCS) agreements entered into to mitigate the risks of exchange fluctuations in the peso/dollar and interest rates.
- Interest-Rate Swaps (IRS) agreements entered into to mitigate the risks of interest rate fluctuations.
- Interest rate options (CAP) aimed at hedging interest rate fluctuations.

Management establishes the applicable limits (amounts and parameters) for conducting DFI operations in accordance with market conditions and the cost of each instrument. Financial risk hedging strategies are included in the Governance standards and/or practices established by Management.

The financial markets in which the Company conducts its derivative financial instruments operations are known as Over The Counter (OTC) markets.

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The Company uses hedging DFIs commonly traded in OTC markets, which can be quoted with two or more financial entities to ensure ideal transaction conditions. The financial entities and counterparts with which the Company contracts said instruments have a good standing in the market. Additionally, the Company approaches financial entities with which it has a reciprocal business relationship, which, among other benefits, allows it to balance the risk positions of its counterparts. The Company designates the counterparts as the calculation agents, who periodically send in statements of account of the open positions of those DFIs. However, the Company's General Administration and Finance Office is responsible for: i) calculating the fair value of DFIs (better known as Mark to Market); ii) preparing the respective comparative analyses with the financial entities that serve as the counterparts, and; iii) supplying the necessary information to Senior Management and to the Finance and Planning Committee and the Audit and Corporate Practices Committee, where applicable.

DFIs are documented through master agreements, which contain the guidelines and policies established in international agreements, such as the rules approved by the International Swap and Derivatives Association, Inc. (ISDA), and adhere at all times to the applicable regulations and are formalized by the Company's and its counterparts' legal representatives. The additional obligations of derivatives operations contained in the master agreement include the following:

- Supplying periodic legal financial information agreed by the parties when confirming those operations.
- Documenting and managing judicial and extrajudicial processes followed in the event of non-compliance by either party.
- Complying with the applicable laws and regulations.
- Keeping internal, government or other types of authorizations in force required to comply with its obligations pursuant to the signed agreement.
- Immediately notifying the counterpart when it becomes aware of a cause for early termination.

Operations are conducted in strict adherence to the guidelines, terms and conditions set forth in the master agreements. They also establish obligations for the Company to guarantee prompt and timely compliance with the accords reached; therefore, if any of the established obligations are not met, the counterpart may demand payment of the amount established under the contractual terms

In keeping a certain level of exposure to risk within the limits approved by the Finance and Planning Committee and the Audit and Corporate Practices Committee, the General Administration and Finance Office periodically reports information on DFIs to the Senior Management, the aforementioned Committees and the Board of Directors.

The Company's Board of Directors appoints the Comprehensive Risk Management office as the body responsible for following up on the main risks to which the Company is exposed. In carrying out that work, the Board of Directors relies on the Audit and Corporate Practices Committee, which oversees the analysis of FDI operations.



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In order to measure and assess the risks assumed in FDI operations, the Company has programs in place to calculate the value at risk (VaR), conduct stress tests in extreme conditions and monitor liquidity.

The latter task considers the Company's financial assets and liabilities, as well as the loans granted by the Company.

At December 31, 2018 and 2017, current DFIs are designated in full as hedge instruments, which means that the effects of changes in fair value are recognized under stockholders' equity in the "Result for valuation of cash flow hedge instruments" line item.

The hedge relationship is assessed monthly from the beginning through all its subsequent phases, through the sum of discounted flows, taking into account current and future market conditions that affect the assessment.

The present hedge ratio is 100% of the obligation contracted in US dollars, since the full amount of dollar payments is covered at a fixed exchange rate and a fixed interest rate.

DFI effectiveness is determined through prospective tests using the sensitivity method and stressing the exchange rate. The hedge percentage is arrived at, which is within the permitted parameters (80%-125%). In conducting retrospective tests, the Company uses the dollar offset method, which compares changes in fair value of the hedge instrument and the primary position. As a result of the aforementioned effectiveness tests, at December 31, 2018 and 2017 it was unnecessary to recognize an ineffective portion in the statement of income.

DFI related requirements are addressed with internal and external sources of liquidity. Internal sources of liquidity include the Company's own generation of resources from its operations and capital, which have been sufficient to cover the risks associated to those instruments, and the external source is supplied by revolving lines of credit held at different lending entities.

### Comprehensive risk management (CRM)

Comprehensive risk management is overseen by the Comprehensive Risk Management Office, which, according to the Securities Market Law in force, is the body in charge of following up on the main risks to which the Company and its subsidiaries are exposed.

When entering into FDI agreements, the Company is mainly exposed to liquidity risks to comply with the obligations acquired through said FDI agreements. Prior to contracting DFIs, Management prepares projections of the cash flows it expects to receive from its credit and lease operations, in order to verify the sufficiency of future cash flows.

The Comprehensive Risk Management department monthly monitors the Company's risk exposure to liquidity, credit and market risk, in order to reduce to a minimum the potential negative effects arising from its financial operations.

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### Credit risk

Exposure to credit risk arises from the possibility of a counterpart not complying with its contractual payment obligations, which could cause the Company to incur losses. A counterpart, also known as the borrower, is the business entity or individual bound by an agreement in a business transaction.

The Company mitigates said risk by contracting FDIs only with well-known international financial entities with headquarters abroad and investment grade ratings recognized by the main international rating agencies.

Effective credit risk management requires ensuring accurate, timely, agile communications and knowledge on financial entities, jurisdictions, industries and products. The process for managing credit risk includes:

- Approving transactions and establishing and reporting credit limit exposures.
- Monitoring compliance with exposure to established risk limits.
- Determining the likelihood of a counterpart defaulting on its obligations.
- Measuring the Company's current and potential exposure and the losses resulting from counterpart default.
- Communicating and collaborating with other independent control and support areas, such as Operations, Legal and Compliance.

As part of the process, the credit risk management area carries out credit reviews that include initial and recurring analyses of counterparts. A credit review is an independent judgment of a counterpart's capacity and disposition to comply with its financial obligations. The core aspect of that process is a periodic review of counterparts and their exposure to credit risk. A counterpart review is an analysis of its business profile and financial capabilities.

### Liquidity risk

The Company has sufficient liquidity from its own operations to settle its obligations to the counterpart. That risk is verified through stress tests whereby, in a completely adverse scenario, the Company is able to continue complying with its obligations on a timely basis.

Maturities of financial liabilities arising from issue of international bonds of Ps25,304,62, debt issue of \$12,000,000 and bank loans of Ps4,476,717 hedged by DFIs at December 31, 2018, not including interest, are as follows:

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	<u>Amount</u>
1 year	Ps -
2 years	4,901,377
3 years	5,325,340
4 years	4,000,000
5 years	9,650,000
More than 5 years	<u>17,904,625</u>
<b>Total</b>	<b><u>Ps41,781,342</u></b>

### Market risk

Market risk is the loss in value of positions due to changes in market conditions. The Company applies the following market risk measurements:

- Interest rate risk: resulting from exposure to volatility in interest rates.
- Exchange rate risk: resulting from exposure to changes in prices due to exchange rate volatility.

The Company mitigates market risk by contracting interest rate and exchange rate derivatives, thus covering market risk arising from macroeconomic aspects of the movements of those underlying items. For this purpose, it is necessary to ensure constant communication between the cash generating areas, the risk managers and senior management.

In order to measure and assess the risks assumed in DFI operations, the Company has programs in place to calculate the value at risk (VaR), conduct stress tests in extreme conditions and monitor liquidity. The latter task considers the Company's financial assets and liabilities, as well as the loans made by the Company.

Following is a summary of prospective tests classified per liability hedged by the DFIs to measure hedge effectiveness at December 31, 2018.

Exchange rate hedge for issue of international notes maturing in 2026:

<u>Type of contract:</u>	<u>DFI rate</u>	<u>Notional value In thousands (DlIs)</u>	<u>Type of DFI</u>	<u>Starting date</u>	<u>Termination date</u>
CCS	8.85%	100,000	Hedge	12-feb-2018	12-feb-2026
CCS	8.90%	75,000	Hedge	12-feb-2018	12-feb-2026
CCS	8.91%	50,000	Hedge	12-feb-2018	12-feb-2026
CCS	8.89%	75,000	Hedge	12-feb-2018	12-feb-2026

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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

Results of prospective tests to measure hedge effectiveness:

	<u>Fair value of DFI</u>	<u>Primary position</u>	<u>Change in derivative</u>	<u>Change in primary position</u>	<u>Percentage of effectiveness</u>
Fair value at December 31, 2018	Ps1,199,887	Ps1,199,887	Ps -	Ps -	-
Estimated value with -30%	9,520,321	9,520,321	(8,320,435)	(8,320,435)	100%
Estimated value with -20%	6,034,318	6,034,318	(4,834,432)	(4,834,432)	100%
Estimated value with -10%	3,322,983	3,322,983	(2,123,097)	(2,123,097)	100%
Estimated value with 10%	(620,778)	(620,778)	1,820,664	1,820,664	100%
Estimated value with 20%	(2,099,688)	(2,099,688)	3,299,574	3,299,574	100%
Estimated value with 30%	(3,351,073)	(3,351,073)	4,550,960	4,550,960	100%

Exchange rate hedge for issuing international notes maturing in 2025:

<u>Type of contract:</u>	<u>DFI rate</u>	<u>Notional value In thousands (DlIs)</u>	<u>Type of DFI</u>	<u>Starting Date</u>	<u>Termination date</u>
CCS	11.71%	125,000	Hedge	15-may-2017	15-jan-2025
CCS	11.78%	75,000	Hedge	15-may-2017	15-jan-2025
CCS	11.77%	50,000	Hedge	15-may-2017	15-jan-2025
CCS	11.76%	75,000	Hedge	15-may-2017	15-jan-2025
CCS	11.71%	75,000	Hedge	15-may-2017	15-jan-2025

Results of prospective tests to measure hedge effectiveness:

	<u>Fair value of DFI</u>	<u>Primary position</u>	<u>Change in derivative</u>	<u>Change in primary position</u>	<u>Percentage of effectiveness</u>
Fair value at December 31, 2018	Ps1,232,229	Ps 1,378,494	Ps -	Ps -	
Estimated value with -30%	9,776,934	10,937,456	(8,544,706)	(9,558,962)	112%
Estimated value with -20%	6,196,969	6,932,549	(4,964,740)	(5,554,055)	112%
Estimated value with -10%	3,412,551	3,817,621	(2,180,323)	(2,439,127)	112%
Estimated value with 10%	(637,510)	(713,183)	1,869,739	2,091,677	112%
Estimated value with 20%	(2,156,283)	(2,412,234)	3,388,512	3,790,728	112%
Estimated value with 30%	(3,441,399)	(3,849,893)	4,673,628	5,228,387	112%

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Exchange rate hedge for issuing international notes maturing in 2023:

<u>Type of contract:</u>	<u>DFI rate</u>	<u>Notional value In thousands (DlIs)</u>	<u>Type of DFI</u>	<u>Starting date</u>	<u>Termination date</u>
CCS	8.38%	100,000	Hedge	27-sep-2016	27-sep-2023
CCS	8.42%	75,000	Hedge	27-sep-2016	27-sep-2023
CCS	8.33%	100,000	Hedge	27-sep-2016	27-sep-2023
CCS	8.38%	62,500	Hedge	27-sep-2016	27-sep-2023
CCS	8.39%	62,500	Hedge	27-sep-2016	27-sep-2023

Results of prospective tests to measure hedge effectiveness:

	<u>Fair value of DFI</u>	<u>Primary position</u>	<u>Change in derivative</u>	<u>Change in primary position</u>	<u>Percentage of effectiveness</u>
Fair value at December 31, 2018	Ps 2,294,548	Ps 2,294,548	Ps -	Ps -	
Estimated value with -30%	11,030,738	11,030,738	(8,736,190)	(8,736,190)	100%
Estimated value with -20%	7,588,416	7,588,416	(5,293,868)	(5,293,868)	100%
Estimated value with -10%	4,911,055	4,911,055	(2,616,507)	(2,616,507)	100%
Estimated value with 10%	1,016,712	1,016,712	1,277,836	1,277,836	100%
Estimated value with 20%	(443,667)	(443,667)	2,738,215	2,738,215	100%
Estimated value with 30%	(1,679,372)	(1,679,372)	3,973,920	3,973,920	100%

Exchange rate hedge for bank loans:

<u>Type of contract:</u>	<u>DFI rate</u>	<u>Notional value In thousands (DlIs)</u>	<u>Type of DFI</u>	<u>Starting date</u>	<u>Termination date</u>
CCS	11.85%	151,500	Hedge	14-dic-2017	14-apr-2020
CCS	11.00%	83,000	Hedge	10-aug-2018	09-aug-2021

Results of prospective tests to measure hedge effectiveness:

Interest rate hedge for issuing debt instruments in domestic markets:

	<u>Fair value of DFI</u>	<u>Primary position</u>	<u>Change in derivative</u>	<u>Change in primary position</u>	<u>Percentage of effectiveness</u>
Fair value at December 31, 2018	Ps 178,107	Ps 178,107	Ps -	Ps -	
Estimated value with -30%	2,675,551	2,675,551	(2,497,444)	(2,497,444)	100%
Estimated value with -20%	1,525,243	1,525,243	(1,347,136)	(1,347,136)	100%
Estimated value with -10%	630,559	630,559	(452,452)	(452,452)	100%
Estimated value with 10%	(670,799)	(670,799)	848,906	848,906	100%
Estimated value with 20%	(1,158,808)	(1,158,808)	1,336,915	1,336,915	100%
Estimated value with 30%	(1,571,739)	(1,571,739)	1,749,846	1,749,846	100%

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Exchange rate hedge for bank loans:

<u>Type of contract:</u>	<u>DFI rate</u>	<u>Notional value In thousands (DIs)</u>	<u>Type of DFI</u>	<u>Starting date</u>	<u>Termination date</u>
IRS	9.45%	1,500,000	Hedge	28-apr-2017	28-mar-2022
IRS	8.99%	2,500,000	Hedge	18-sep-2017	23-sep-2022
IRS	8.89%	2,250,000	Hedge	21-mar-2017	21-mar-2023

Results of prospective tests to measure hedge effectiveness:

	<u>Fair value of DFI</u>	<u>Primary position</u>	<u>Change in derivative</u>	<u>Change in primary position</u>	<u>Percentage of effectiveness</u>
Fair value at December 31, 2018	(Ps 4,523)	(Ps 4,523)	Ps -	Ps -	
Estimated value with -30%	35,890	35,890	(40,413)	(40,413)	100%
Estimated value with -20%	22,748	22,748	(27,272)	(27,272)	100%
Estimated value with -10%	12,527	12,527	(17,050)	(17,050)	100%
Estimated value with 10%	(2,340)	(2,340)	(2,183)	(2,183)	100%
Estimated value with 20%	(7,915)	(7,915)	3,392	3,392	100%
Estimated value with 30%	(12,633)	(12,633)	8,110	8,110	100%

### **Note 8 - Loan portfolio:**

The classification of performing and non-performing loans at December 31, 2018 and 2017 is as follows:

<u>Performing portfolio</u>	<u>2018</u>	<u>2017</u>
Commercial loans:		
Unsecured loans	Ps4,018,038	Ps 1,170,512
Car loans	1,720,813	1,668,249
Factoring	<u>2,598,705</u>	<u>2,484,589</u>
	8,337,556	5,323,350
Consumer loans:		
Car loans	<u>86,317</u>	<u>119,792</u>
Total performing portfolio	8,423,873	5,443,142
<u>Non-performing portfolio</u>		
Commercial loans:		
Factoring	147,762	26,046
Car loans	<u>44,343</u>	<u>5,112</u>
Consumer loans	<u>192,105</u>	<u>31,158</u>
	7,794	7,586
Car loans		
Total non-performing portfolio	<u>199,899</u>	<u>38,744</u>
Total loan portfolio	<u>Ps8,623,772</u>	<u>Ps 5,481,886</u>

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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

At December 31, 2018 and 2017, the aging of the total non-performing portfolio is as shown below:

<u>Type of portfolio</u>	<u>2018</u>			<u>2017</u>		
	<u>1 to 180</u>	<u>181 onwards</u>	<u>Total</u>	<u>1 to 180</u>	<u>181 onwards</u>	<u>Total</u>
Factoring	Ps24,330	Ps 123,432	Ps147,762	Ps 6,721	Ps19,325	Ps 26,046
Consumer loans	4,765	3,029	7,794	7,586	-	7,586
Car loans	<u>35,170</u>	<u>9,173</u>	<u>44,343</u>	<u>5,112</u>	<u>-</u>	<u>5,112</u>
Total past due portfolio	<u>Ps64,265</u>	<u>Ps 135,634</u>	<u>Ps199,899</u>	<u>Ps19,419</u>	<u>Ps19,325</u>	<u>Ps 38,744</u>

At December 31, 2018 and 2017, the loan portfolio rating and the preventive loan loss reserve are comprised as follows:

<u>Risk</u>	<u>Portfolio</u>				<u>Global preventive reserve</u>		
	<u>%</u>		<u>Amount</u>		<u>Amount</u>		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Provision (%)</u>	<u>2018</u>	<u>2017</u>
A-1	99.22	74.74	Ps8,297,847	Ps4,097,225	0.50	Ps 82,688	Ps32,928
A-2	-	0.92	-	50,438	0.51	-	250
B-1	-	2.59	-	141,818	1.00	-	709
B-2	0.11	12.63	8,725	692,174	5.00	380	3,460
B-3	2.74	9.12	235,741	500,228	10.00	1,230	2,697
C-1	0.01	-	1,497	-	30.00	416	-
C-2	-	-	-	-	40.00	-	-
E	<u>0.92</u>	<u>-</u>	<u>79,963</u>	<u>-</u>	<u>60.00</u>	<u>39,981</u>	<u>-</u>
	<u>100.00</u>	<u>100.00</u>	<u>Ps8,623,773</u>	<u>Ps5,481,883</u>		<u>Ps124,695</u>	<u>Ps40,044</u>

At December 31, 2018 and 2017, the loan portfolio rated per type of loan is made up as follows:

<u>Risk level</u>	<u>December 31, 2018</u>				<u>December 31, 2017</u>
	<u>Financial factoring</u>	<u>Unsecured loans</u>	<u>Car loans</u>	<u>Total</u>	<u>Total</u>
A-1	Ps2,422,838	Ps4,018,040	Ps 1,856,969	Ps 8,297,847	Ps4,097,225
A-2	-	-	-	-	50,438
B-1	-	-	-	-	141,818
B-2	8,725	-	-	8,725	692,174
B-3	234,939	-	802	235,741	500,228
C-1	-	-	1,497	1,497	-
C-2	-	-	-	-	-
E	<u>79,963</u>	<u>-</u>	<u>-</u>	<u>79,963</u>	<u>-</u>
Total portfolio	<u>Ps2,746,465</u>	<u>Ps4,018,040</u>	<u>Ps 1,859,268</u>	<u>Ps 8,623,773</u>	<u>Ps5,481,883</u>

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December 31, 2018, 2017 and 2016

The preventive loan loss reserve per type of loan is comprised as shown below:

	December 31, 2018				December 31, 2017
<u>Risk level</u>	<u>Financial factoring</u>	<u>Unsecured loans</u>	<u>Car loans</u>	<u>Total</u>	<u>Total</u>
A-1	Ps53,313	Ps20,090	Ps9,285	Ps 82,688	Ps32,928
A-2	-	-	-	-	250
B-1	-	-	-	-	709
B-2	380	-	-	380	3,460
B-3	1,175	-	55	1,230	2,697
C-1	-	-	416	416	-
C-2	-	-	-	-	-
E	<u>39,981</u>	<u>-</u>	<u>-</u>	<u>39,981</u>	<u>-</u>
Total portfolio	<u>Ps94,849</u>	<u>Ps20,090</u>	<u>Ps9,756</u>	<u>Ps124,695</u>	<u>Ps40,044</u>

At December 31, 2018 and 2017, the preventive loan loss reserve totaled Ps199,899 and Ps40,044, which was set up for the higher of the result of the loan portfolio rating and 100% of the non-performing loan portfolio.

The movements in the preventive loan loss reserve are as follows:

	December 31,	
	2018	2017
Balances at the beginning of the year	Ps 38,744	Ps 12,900
Increases	<u>161,155</u>	<u>25,844</u>
Balances at year end	<u>Ps 199,899</u>	<u>Ps 38,744</u>

The behavior of the loan loss reserve hedge is shown below:

	December 31,	
	2018	2017
Recorded loan loss reserve	Ps 199,899	Ps 38,744
Required loan loss reserve	<u>199,899</u>	<u>40,044</u>
(Deficit) excess in loan loss reserve	<u>Ps -</u>	<u>(Ps 1,300)</u>
Total non-performing loan portfolio hedge	<u>100.00%</u>	<u>100.00%</u>

At December 31, 2018 and 2017, no quitclaims, pardons and total or partial discounts have been made with a charge to the preventive loan loss reserve.



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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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### Policies for granting loans

The main policies and procedures in place to grant, control and recover loans, as well as those for evaluation and follow up on credit risk, are shown below:

### Criteria for acceptance

Loan applicants must comply with the following requirements:

1. The entity must not be in a state of bankruptcy.
2. The amount of the funding must not be excessive in light of the level of sales and/or stockholders' equity.
3. The total liability/total stockholders' equity leveraging financial ratio must not be above 2.0, depending on the entity's line of business.
4. The applicant's entity must not be a newly created company, unless it is an investment project that can attest to having a proper level of experience or that has successfully completed two projects similar to the project in question.
5. It must not be or have been in a state of suspension of payments.
6. The rating of the requesting party's payment history issued by other banks through the credit bureau report must be A1, A2 or B at the lowest.
7. It must not be involved in any type of lawsuits or preventive attachments.
8. It must not have reported losses in the most recent two-year period, unless the most recent financial statements of the applicant can show that the loss trend has been reversed and that profits are being generated.

### Loan management policies:

1. Creation and maintenance of a loan file for the purpose of following up on a borrower and on the loans granted.
2. All documentation supporting loan transactions must be kept in the operations file, which must be safeguarded by the factoring operations deputy director's office.
3. Compulsory quarterly reviews of the rating issued for the total loan client portfolio.
4. Semiannual visual reviews and reports of such visits to the company or business.
5. Client payment behavior must be monitored through semiannual consultations with the credit bureau, which will also issue a portfolio rating.

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6. Recording of preventive loan loss reserves derived from the loan rating process.

### Collection policies

1. Management of a loan ends when the capital, interest and any surcharges are fully collected on each factoring operation processed with a client.
2. Collection can be made in one of three forms:
  - a. Regular.
  - b. Administrative.
  - c. Through litigation or contentious procedures.
3. Policies for loan restructuring or loans under observation.

The heads of the collection and business departments are in charge of monitoring problem loans where the probability of default is very high.

### Policies for credit risk concentrations

Amounts to be granted to each of the principal economic sectors and subsectors, determining the maximum amount to be granted in terms of a percentage of the Company's net capital, both for individuals and for business entities, establishing the desired concentrations according to the types of loans, terms and currency, that will allow locating and concentrating the effects of the rating of the portfolio from which they stem, at the levels demanding fewer preventive loan loss reserve-related requirements.

Portfolio concentration goals and quarterly follow up thereon is established, in order to properly diversify the loan portfolio based on the Company's target market.

### **Note 9 - Other accounts receivable - Net:**

Other accounts receivable at December 31, 2018 and 2017 are comprised as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Operating lease accounts receivable	Ps 1,815,371	Ps 1,298,948
Past-due operating lease accounts receivable	316,476	269,057
Operating lease preventive reserve	<u>(366,418)</u>	<u>(269,057)</u>
Operating lease accounts receivable, net	1,765,429	1,298,948
Other	<u>2,532,351</u>	<u>3,758,217</u>
	<u>Ps 4,297,780</u>	<u>Ps 5,057,165</u>

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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At December, 2018 and 2107, the Others caption includes mainly advances for fixed asset acquisitions related to the accounts payable shown under sundry creditors and accounts payable of Ps2,532,351 and Ps2,816,696, respectively.

At December 31, 2018, total future minimum lease payments under operating leases relate to the following maturities:

	<u>Amount</u>
Up to one year	Ps 12,976,853
Two years	11,893,020
Three years	9,313,010
Four years	<u>4,598,675</u>
Total	<u>Ps 38,781,558</u>

The terms and conditions of operating leases agreed by the Company at December 31, 2018 and 2017 are as follows:

The parties agree to the master agreement in order to establish the bases and general parameters that apply to the legal relationship between the parties, noting that the master agreement will govern multiple leases that will be documented in lease contracts known as "Amending agreements", which must include the following information:

1. A description of Goods: brand, type, serial number, engine number, etc.
2. Term of the lease.
3. Date of the first and second payment.
4. Initial payment date.
5. Where applicable, the customer will pay the first rent in advance.
6. Monthly rent.
7. Guarantee deposit.
8. Origination fee.
9. Late- payment interest rate.
10. On vehicles, the mileage authorized.
11. Rental type, fixed or variable.
12. Legal representative's data.
13. Where applicable, joint obligor and/or joint guarantor.
14. Designation of the depositary of the leased goods.
15. Where appropriate, constitution of further guarantees or obligations.
16. Signatures of the parties.

### **Use of leased property**

The lessee may only use the good(s) leased in the territory of Mexico and they may be used by people or employees at its service or by persons authorized by the lessee as the solely liable party.

The lessee may only use the good(s) leased for use in accordance with the agreed terms or the nature and purpose thereof.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

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The lessee must not sublet or lease in any way the goods to third parties, or assign, in whole or in part, the rights and obligations under the master agreement, without the prior written consent of the lessor. Conversely, the lessor may assign, transfer or otherwise encumber all or part of its rights under the master agreement and exhibits to contract, which will be sufficient to notify the lessee.

The lessee is solely liable for all expenses directly or indirectly related to the conservation, functionality, safety and maintenance of (the) good(s) leased.

### **Insurance**

The lessor must contract one or more insurance policies with reputable insurers, whereby the Company is designated as the first beneficiary of any sums payable in the event of an incident.

### **Cases of termination**

The master agreement may be cancelled or terminated in advance without liability to the lessor in the following cases, among others:

- a. Any breach in relation to the principal and accessory obligations of the lessee or any of (the) joint obligor(s) and/or (the) joint guarantor(s) under the master agreement or the contract amendments.
- b. If the lessee is an individual, a business entity or a commercial entity and it files for bankruptcy or is declared bankrupt, either voluntarily or at the request of any of its creditors.
- c. If the good(s) leased (is) are subject to foreclosure, preventive attachment, limiting domain or any other similar charge.
- d. If the lessee is subject to dissolution or a liquidation procedure by agreement of the partners or shareholders; by the authorities or any third party.
- e. If the lessee makes a transfer of property or rights to the detriment of its creditors.
- f. If the shares or equity participation units of the lessee are sold, foreclosed or in any way affected.
- g. If the lessee is a commercial entity and it merges or its merged into another company or companies.
- h. If the lessee is an individual, business entity or commercial entity and it is subjected to processing procedures by their partners or shareholders.
- i. If one of the joint obligor(s) and/or joint guarantor(s) dies, except when the lessor assigns a new person as joint obligor(s) and/or joint guarantor(s).
- j. If the designated depositary in all or any of the agreements, including the exhibits thereto, fails to meet its obligations assumed or presumed or, if there is an event that threatens the availability of the goods in their favor.
- k. If the lessee in any form transfers or sells a substantial part of its property, assets or rights, thus falling under temporary or permanent state of insolvency.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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- l. If the collateral or additional requirements that relate to the last paragraph of clause twenty of the master agreement are not met.
- m. If the lessee and/or any of (the) joint obligor(s) and/or joint guarantor(s) is (are) a business entity or an individual making dividend payments, reducing its capital stock or making payments for liabilities to related parties without the prior written consent of the lessor.

In the event that any of the aforementioned grounds for termination materializes, a contractual penalty is set at the rate of seven monthly rent payments if the cause for expiration takes place during the first year of the master agreement, and of five rent payments if the cause for monthly expiration takes place in years subsequent to the master agreement.

### *Promissory notes*

The lessee undertakes to subscribe, at the request of the lessor, one or more debt securities (notes) to document the amounts of agreed monthly rent payments.

In any case, the credits must be signed by (the) joint obligor(s) and/or (the) joint guarantor(s) as guarantor(s) of the lessee. The lessor reserves the right to request the lessee to establish additional collateral for all obligations stipulated in the master agreement and the respective addendums or for specific agreement without thereby decreasing or releasing the lessee from the obligations that the joint obligor(s) and/or (the) joint guarantor(s) assume under the master agreement and its respective addenda.

Following is an analysis of the changes in the preventive loan loss reserve:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Balances at beginning of year	Ps 269,057	Ps 195,327
Increases	<u>97,361</u>	<u>73,730</u>
Balances at year end	<u>Ps 366,418</u>	<u>Ps 269,057</u>

### **Note 10 - Foreclosed assets:**

At December 31, 2018 and 2017, foreclosed assets or dation in payment are comprised as follows:

	<u>2018</u>	<u>2017</u>
Foreclosed assets:		
Property	Ps 825,617	Ps 590,391
Transportation equipment	2,931	366
Allowance for impairment	<u>(136,481)</u>	<u>(80,273)</u>
	<u>Ps 692,067</u>	<u>Ps 510,484</u>

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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

Following are the movements in the allowance for impairment of foreclosed assets:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Balances at beginning of year	Ps 80,273	Ps35,875
Increases	<u>56,208</u>	<u>44,398</u>
Balances at year end	<u>Ps 136,481</u>	<u>Ps80,273</u>

In the years ended on December 31, 2018 and 2017, the Company recognized increases in the foreclosed asset reserve of Ps56,208 and Ps44,582, respectively, in accordance with the policy in place. Additionally, no cancellations were made in the reserve in those years.

### **Note 11 - Property, machinery and equipment:**

At December 31, 2018 and 2017, property, machinery and equipment were made up as follows:

<u>Components subject to depreciation or amortization</u>	<u>2018</u>			<u>Useful life (years)</u>
	<u>Own</u>	<u>Leased</u>	<u>Total</u>	
Building	Ps 2,483	Ps -	Ps 2,483	20
Transportation equipment	112,364	11,285,187	11,397,551	5
Aircraft/Ships	-	3,400,060	3,400,060	5
Computer equipment	51,543	1,875,787	1,927,330	3
Machinery and equipment	3,186	30,249,750	30,252,936	5
Furniture and equipment	52,517	6,880,327	6,932,844	10
Medical equipment	-	2,046,509	2,046,509	5
Satellite equipment	-	297,795	297,795	5
Lamps	-	1,357,376	1,357,376	5
Telecommunication	-	724,242	724,242	5
Other	<u>20,113</u>	<u>126,546</u>	<u>146,659</u>	5
	242,206	58,243,579	58,485,785	
Less:				
Accumulated depreciation	<u>(152,418)</u>	<u>(18,587,587)</u>	<u>(18,740,005)</u>	
Installation expenses	316,638	131,686	448,324	20
Accumulated amortization	<u>(32,572)</u>	<u>(43,441)</u>	<u>(76,013)</u>	
Total components subject to depreciation or amortization	373,854	39,744,237	40,118,091	
Components not subject to depreciation or amortization:				
Land	<u>562,350</u>	<u>-</u>	<u>562,350</u>	
Total property, machinery and equipment	<u>Ps 936,204</u>	<u>Ps39,744,237</u>	<u>Ps40,680,441</u>	

***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

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December 31, 2018, 2017 and 2016

Components subject to depreciation or amortization	2017			Useful life (years)
	Own	Leased	Total	
Building	Ps 31,079	Ps -	Ps 31,079	20
Transportation equipment	99,355	9,306,871	9,406,226	5
Aircraft/Ships	-	2,795,849	2,795,849	5
Computer equipment	42,232	1,305,175	1,347,407	3.3
Machinery and equipment	-	24,147,910	24,147,910	5
Furniture and equipment	47,120	3,750,821	3,797,941	10
Medical equipment	-	1,107,342	1,107,342	5
Satellite equipment	-	294,345	294,345	5
Lamps	-	885,132	885,132	5
Telecommunication	-	601,265	601,265	5
Other	<u>351,824</u>	<u>818,628</u>	<u>1,170,452</u>	5
	571,610	45,013,338	45,584,948	
Less:				
Accumulated depreciation	<u>(147,108)</u>	<u>(13,498,399)</u>	<u>(13,645,507)</u>	
	<u>424,502</u>	<u>31,514,939</u>	<u>31,939,441</u>	
Installation expenses	110,261	148,199	258,460	20
Accumulated amortization	<u>(22,505)</u>	<u>(25,840)</u>	<u>(48,345)</u>	
Total components subject to depreciation or amortization	512,258	31,637,298	32,149,556	
Components not subject to depreciation or amortization:				
Land	<u>579,266</u>	<u>-</u>	<u>579,266</u>	
Total property, machinery and equipment	<u>Ps1,091,524</u>	<u>Ps31,637,298</u>	<u>Ps32,728,822</u>	

Depreciation and amortization recorded in income for 2018, 2017 and 2016 amounted to Ps7,948,877, Ps6,312,996 and Ps.4,515,941, respectively.

At December 31, 2018 and 2017, transportation equipment offered on lease and other leased assets amounting to Ps23,516,513 and Ps25,686,830, respectively, were pledged to guarantee the payment of each of the collection rights under trusts.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

### **Note 12 - Permanent investments:**

Permanent investments of other companies at December 31, 2018 and 2017, over which there is no significant influence, are comprised as follows:

<u>Companies</u>	<u>Shareholding (%)</u>		<u>Value at al December 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Operadora de Arrendamiento Puro, S. A. de C. V.	0.01	0.01	Ps 668	Ps 668
Bosque Real, S. A. de C. V.	0.01	0.01	1,408	1,408
Club de Empresarios Bosques, S. A. de C. V.	0.01	0.01	305	305
Unión de Crédito para la Contaduría Pública, S. A. de C. V.	0.01	0.01	1,299	1,299
Unifin Agente de Seguros y Fianzas, S.A. de C.V.	49.00	49.00	<u>71,761</u>	<u>45,861</u>
Total			<u>Ps75,441</u>	<u>Ps49,541</u>

### **Note 13- Debt securities:**

Debt securities at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Short term:		
International notes (accrued interest)	Ps 611,436	Ps 442,868
Debt certificate program:		
Stock structure (accrued interest)	46,713	55,408
Private stock structure (accrued interest)	6,615	5,556
Private structure gouging	<u>(375,727)</u>	<u>-</u>
Total short term	<u>289,037</u>	<u>503,832</u>
Long term:		
International notes	22,605,090	16,775,090
Debt certificate program:		
Stock structure	13,201,516	15,500,000
Private stock structure	<u>2,250,000</u>	<u>2,250,000</u>
	<u>38,056,606</u>	<u>34,525,090</u>
Total long term	<u>Ps38,345,643</u>	<u>Ps35,028,922</u>



# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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### International notes

- a. On February 8, 2018, the Company concluded a private offering and placement of debt securities in the form of senior notes in the US and other foreign markets, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:
- Amount issued: DIs.300,000,000.
  - Agreed annual rate: 7.00%.
  - Payable at maturity: 8 years (maturing in February 2026).
  - Interest payable in six-month periods over the term of the Bond.
  - Place of issuance of the bond listing:: Luxemburg Stock Exchange.
  - Ratings granted: BB / BB / HR BBB- (Standard & Poor's, Fitch Ratings and HR Ratings).
  - Guarantors: Unifin Credit y Unifin Autos.
- b. On May 15, 2017, the Company issued a number of International Notes through a private offering, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made. The main features of the international notes issued are as follows:
- \* Amount issued: DIs. 450,000,000.
  - \* Agreed annual rate: 7.0%.
  - \* Payable at maturity: 7.8 years (maturing in January 2025).
  - \* Interest payable semi-annually during the term of the Notes.
  - \* Place of issuance of the bond listing: Luxemburg Stock Exchange.
  - \* Granted Ratings: BB / BB (Standard & Poor's and Fitch Ratings).
  - \* Guarantors: Unifin Credit and Unifin Autos.
- c. On September 14, 2016, the Company repurchased the equivalent of 86.2% of the international notes issued in July 2014 for a total of DIs.315.9 million, of which DIs.311.9 million were acquired at the unit price of USD105 and USD4.1 million were acquired at the unit price of DIs.102.
- d. On September 22, 2016, the Company conducted a private offering and placing of debt securities in the form of notes (Senior notes) in the US and other foreign markets, in accordance with rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made. Following are the main features of the international notes issued:
- Amount issued DIs.400,000,000.
  - Agreed annual rate: 7.25%.
  - Payable at maturity: 7 years (maturing in September 2023).
  - Interest payable semi-annually over the term of the Bond.
  - Place of issuance of the bond listing: Luxemburg Stock Exchange.
  - Ratings granted: BB / BB (Standard & Poor's and Fitch Ratings).
  - Guarantors: Unifin Credit and Unifin Autos.

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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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### Commitments

The international notes impose certain provisions to the Company that limit its ability to incur additional debt; create liens; pay dividends; make certain investments; reduce its share capital, among others. It also establishes that the Company and its subsidiaries may partially or totally merge or dispose of their assets if the respective transaction meets certain requirements; establishes minimum requirements for carrying out portfolio securitizations and limit the Company's ability to enter into transactions with related parties.

### Trust notes under a securitization program (share structure)

The share structure is the set of operations whereby the Company transfers certain rights over certain financial assets to a securitization vehicle created for that specific purpose (usually a trust), in order for that vehicle to issue securities to be placed among the general investing public and for the Company to diversify its funds and increase its operating capacity. The Company entered into an administration, commercial commission and deposit agreement, in order for those rights to be transferred back to the Company for management purposes.

Additionally, a pledge agreement has been signed by the Company (collateral guarantor) and the trustee (Pledgee) whereby the Company pledges in first order of preference for payment, each of the leased assets from which the aforementioned collection rights are derived on behalf of the Pledgee to guarantee timely and full payment of all amounts payable by each of the Company's clients, in accordance with the lease agreements of which these clients participate.

On November 19, 2013 and September 8, 2015, the Commission issued rulings number 153/7644/2013 and 153/5726/2015 authorizing the revolving trust bonds programs (Trustee programs) for an amount up to Ps20,000 million and Ps10,000 million, respectively.

On September 14, 2017, April 5, 2017, November 29, 2016, February 9, 2016, September 8, 2015 and February 4, 2015, the Commission issued rulings number 153/10740/2017, 153/10194/2017, 153/105977/2016, 153/105236/2016, 153/5727/2015 and 153/5047/2015 authorizing the public offering of Trust Bonds under the respective trust bond programs (Trustee programs). Those bonds were issued under ticker symbols UNFINCB17-4 and UNFINCB17-3, UNFINCB17-2 and UNFINCB17, UNFINCB16-2 and UNFINCB16, UNFINCB16, UNFINCB15 and UNFINCB15, for an amount up to Ps1,000.0 million, Ps2,500.0 million, Ps1,500.0 million, Ps1,500.0 million, Ps1,250.0 million, Ps1,250.0 million, Ps2,500.0 million, Ps2,000.0 million and Ps2,000.0 million, respectively.

The Company has conducted issuances under such Trust programs, entering into trust agreements whereby it acts as trustor of the Trust; as trustees, Banco Nacional de México, S. A., Institución de Banca Múltiple, Grupo Financiero Banamex División Fiduciaria (Banamex) and INVEX Banco, Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario; Monex Casa de Bolsa, S. A. de C. V., Grupo Financiero Monex as common representative; and the holders of the stock certificates and the Company as first and second place trustees, respectively.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

According to the supplements to the Trustee Programs, the Company and the issuing trustee are not responsible for paying amounts due under these debt certificates in the event that the equity of the issuing trust is insufficient to pay in full the amounts owed under the notes, and the holders of those notes are not entitled to claim from the trustor nor the trustee payment thereof. The trustor and trustee are responsible for ensuring that the Trust equity is sufficient to cover amounts owed.

The secured notes of trust programs at December 31, 2018 are described below:

<u>Ticker symbol</u>	<u>Issuing trust</u>	<u>Number of titles*</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Total amount of issue</u>	<u>Rating S&amp;P</u>	<u>Trustee</u>
UNFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	Ps 1,701,516	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,500,000	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	1,000,000	mxAAAS&P/HRAAA	Banamex
Total					13,201,516		
Interest accrued in the short-term					46,713		
Total current issues and interest					<u>Ps 13,248,229</u>		

The current issues of Trust Programs at December 31, 2017 are described below:

<u>Ticker symbol</u>	<u>Issuing trust</u>	<u>Number of titles*</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Total amount of issue</u>	<u>Rating S&amp;P</u>	<u>Trustee</u>
*UNFINCB15	F/17598-4	20,000,000	Feb-2020	TIIE+1.60	Ps 2,000,000	mxAAAS&P/HRAAA	Banamex
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	2,000,000	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,500,000	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,250,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,500,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	1,000,000	mxAAAS&P/HRAAA	Banamex
Total					15,500,000		
Interest accrued in the short-term					55,408		
Total current issues and interest					<u>Ps 15,555,408</u>		

\* A voluntary advance amortization was conducted on March 9, 2018 of all debt certificates with ticker symbol UNFINCB 15.

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At December 31, 2018 and 2017, issuance expenses are as follows:

Ticker symbol	Issuance expenses						
	Opening balance 2017	Increase	Decrease	Ending balance 2017	Increase	Decrease	Ending balance 2018
UNFINCB13	Ps 18,144	Ps 549	Ps 18,693	Ps -	Ps -	Ps -	Ps -
UNFINCB15	108,728	2,247	56,674	54,301	-	54,301	-
UFINCB15	103,514	1,004	57,696	46,822	1,654	17,822	30,654
UFIN CB16	177,283	22,100	46,266	153,117	3,388	47,263	109,242
UNFIN CB16-2	1,401	71,626	17,255	55,772	1,509	19,185	38,096
UFINCB 17	-	50,324	7,210	43,114	1,658	14,703	30,069
UFINCB 17-2	-	25,062	2,950	22,112	1,658	6,202	17,568
UFINCB 17-3	-	45,615	2,440	43,175	1,465	10,481	34,159
UFINCB 17-4	-	32,523	1,708	30,815	1,190	7,440	24,565
Private structure	-	64,507	5,145	59,362	313	32,456	27,219
Bank loans	-	46,246	-	46,246	46,238	15,424	76,060
International notes 2019	147,814	-	147,814	-	-	-	-
International notes 2023	525,392	3,220	28,557	500,055	3,161	95,109	408,107
International notes 2025	-	575,348	985	574,363	1,445	94,378	481,430
International notes 2026	-	-	-	-	181,816	15,898	165,918
Total	<u>Ps 1,082,276</u>	<u>Ps 940,371</u>	<u>Ps 393,393</u>	<u>Ps 1,629,254</u>	<u>Ps 245,495</u>	<u>Ps 430,662</u>	<u>Ps 1,444,087</u>

### Private trust bonds

On November 30, 2012, the Company in its capacity as Trustor and Second Beneficiary, entered into Irrevocable Transfer of Ownership Trust agreement "F/1355" (Trust), with Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero as Trustee (Invex) and Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (Scotiabank) as first Beneficiary, whereby the collection rights (Trust equity) are assigned to secure the payment of cash withdrawals from the revolving credit line of Ps2,250,000 (amount of the credit line at December 31, 2017) contracted by Invex with Scotiabank on that same date.

At December 31, 2018 and 2017, private trust bonds were as follows:

	Outstanding amount					
	2018	2017	Currency	Maturity	Rate	Type
Invex	Ps2,250,000	Ps2,250,000	MXN	11/21/20	TIIE+1.60	Collection rights
Interest accrued	<u>6,615</u>	<u>5,556</u>				
	<u>Ps2,256,615</u>	<u>Ps2,255,556</u>				

At December 31, 2018 and 2017, collection rights assignments amount to Ps 7,863,986 and Ps 6,118,412, respectively.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

The Company and Invex entered into an agreement for administration, commercial commission and deposit services for the purpose of managing collection rights.

Some of the Company's issues establish obligations to do and not to do, which have been covered at December 31, 2018 and 2017.

### **Note 14 - Bank borrowings and loans from other entities:**

At December 31, 2018 and 2017, bank borrowings and loans from other entities were as follows:

	2018				
<u>Short term:</u>	<u>Outstanding amount</u>	<u>Currency</u>	<u>Maturity</u>	<u>Rate</u>	<u>Guarantee</u>
Nacional Financiera	Ps 2,500,000	MXN	Apr/19	Variable	Unsecured
Banamex	2,500,000	MXN	Jun/19	Variable	Unsecured
Scotiabank	190,685	MXN	Nov/19	Variable	Lease portfolio
Banamex USD	393,132	USD	Jan/19	Variable	Unsecured
Bancomext	349,414	MXN	Nov/19	Variable	Lease portfolio
Santander	900,005	MXN	Mar/19	Variable	Lease portfolio
Bladex USD	1,488,987	USD	Mar/19	Variable	Unsecured
Subtotal	8,322,223				
Interest accrued payable	69,558				
Total short term	8,391,781				
<u>Long term</u>					
Bladex USD	1,488,987	USD	Dec/20	Variable	Unsecured
Barclays	1,631,498	USD	Aug/21	Variable	Excess in guaranteed stock
Scotiabank	333,701	MXN	Sep/21	Variable	Lease portfolio
Bancomext	627,003	MXN	Dec/23	Variable	Lease portfolio
Total long term	4,081,189				
Total short and long term	Ps 12,472,970				

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

	<u>2017</u>				
<u>Short term:</u>	<u>Outstanding amount</u>	<u>Currency</u>	<u>Maturity</u>	<u>Rate</u>	<u>Guarantee</u>
Nacional Financiera	Ps 2,500,000	MXN	Apr/18	Variable	Unsecured
Banamex	394,708	USD	Jan/18	Variable	Unsecured
Barclays	296,031	USD	Dec/18	Variable	Unsecured
Actinver	300,000	MXN	Jul/18	Variable	Lease portfolio
Scotiabank	322,561	MXN	Jul/18	Variable	Unsecured
Multivalores	200,000	MXN	Feb/18	Variable	Factoring portfolio
Bancomext	170,109	MXN	Nov/18	Variable	Lease portfolio
Invex	5,264	MXN	May/18	Variable	Excess in guaranteed stock
Banco del Bajío	<u>39,084</u>	MXN	Nov/18	Variable	Lease portfolio
Subtotal	4,227,757				
Interest accrued payable	<u>30,313</u>				
Total short term	<u>4,258,070</u>				
<u>Long term</u>					
Bladex USD	2,989,913	USD	Jun/19	Variable	Excess in guaranteed stock
Barclays	197,354	USD	Jun/19	Variable	Unsecured
Scotiabank	404,897	MXN	Jun/20	Variable	Lease portfolio
Bancomext	211,545	MXN	Nov/20	Variable	Lease portfolio
Banco del Bajío	<u>76,993</u>	MXN	Aug/21	Variable	Lease portfolio
Total long term	<u>3,880,702</u>				
Total short and long term	<u>Ps 8,138,772</u>				

The unused amounts of the lines of credit received by the Company are as follows:

	<u>2018</u>	<u>2017</u>
Banorte	Ps 1,500,000	Ps 1,000,000
Scotiabank	725,613	522,542
Banco del Bajío, S. A.	175,000	58,923
Santander	99,995	1,000,000
Bancomext	23,583	118,346
Multiva	-	100,000
Interacciones	-	118,000
CI Banco	-	200,000
Banamex	<u>-</u>	<u>1,500,000</u>
	<u>Ps 2,524,191</u>	<u>Ps 4,617,811</u>

At December 31, 2018 and 2017, the Company is in compliance with all restrictive financial covenants to do and not do.

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

### **Note 15 - Sundry creditors and other accounts payable:**

At December 31, 2018 and 2017, this balance is made up as follows:

	<u>2018</u>	<u>2017</u>
Liabilities relating to acquisition of fixed assets	Ps 2,677,873	Ps 2,544,119
Sundry creditors	352,535	106,759
Guarantee deposits	<u>149,204</u>	<u>262,848</u>
	<u>Ps 3,179,612</u>	<u>Ps 2,913,726</u>

### **Note 16 - Stockholders' equity:**

On May 22, 2015, the Company issued its Initial Public Offering on the BMV, and for international purposes it issued it under rule 144/Reg S, for a total of Ps3,606,400, comprised of 50% primary shares and 50% secondary shares. The amount includes the over-allotment option, which comprised 15% of the total offering.

The capital stock at December 31, 2018 and 2017 is made up as follows:

<u>Number of shares *</u>		<u>Description</u>	<u>Amount</u>	
<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
320,000	320,000	Series "A" fixed portion of capital	Ps 1,000	Ps 1,000
		Series "A" variable portion		
<u>352,480,000</u>	<u>352,480,000</u>	of capital with withdrawal rights	<u>1,101,500</u>	<u>1,101,500</u>
<u>352,800,000</u>	<u>352,800,000</u>	Capital stock at December 31, 2018 and 2017	<u>Ps1,102,500</u>	<u>Ps1,102,500</u>

\* Common, nominative shares with no par value, fully subscribed and paid in.

At December 31, 2018 and 2017, expenses incurred in issuing, placing and registering shares total Ps144,726 and Ps144,726, respectively, and have been recorded under capital stock.

The profit for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock.

The profit per weighted share for 2018, 2017 and 2016 Ps5.57, Ps5.02 and Ps.3.65 (pesos), respectively.

Dividends are free from income tax if paid out from the After-Tax Earnings Account (CUFIN). Dividends in excess of the CUFIN and CUFINRE are subject to 42.86% tax if paid in 2017. Tax incurred is payable by the Company and may be credited against income tax for the current period or for the following two periods. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payments. For the purpose of the foregoing, the IT Law establishes the obligation to keep the CUFIN balance with the profits generated until December 31, 2013 and to start another CUFIN with the profits generated as from January 1, 2014.



# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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At the April 25, 2018, March 16, 2017 and March 9, 2016 Ordinary General Meetings, the shareholders agreed to pay dividends of Ps352,800, Ps350,670 and Ps. 217,738, respectively, arising from prior years' income.

At December 31, 2018 and 2017, the Company's stockholders' equity includes Ps670,373 and Ps881,250, respectively, corresponding to the effect of valuation of derivative financial instruments, the accounting effects of which arise from valuations of assets not necessarily realized, which could represent a restriction for reimbursement to stockholders, as this could be considered to give rise to future liquidity problems for the Company.

On January 24, 2018, the Company concluded a private offering and placement of debt securities in the form of Subordinated Perpetual Notes in the US and other foreign markets, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made. Following are the main features of the international notes issued:

- Amount issued: Dlls.250,000,000.
- Agreed anual rate: 8.875%.
- Payable at maturity: Perpetual
- Interest payable in six-month periods over the term of the Bond (subject to the discretion of the Company).
- Place of issuance of the bond listing: Luxemburg Stock Exchange.
- Ratings granted: B / B+ (Standard & Poor's y Fitch Ratings).

The Subordinated Perpetual notes neither specified a date of redemption, nor they could be redeemable at the discretion of the noteholders. Any payment related to these notes is subject to the terms and conditions set forth in the corresponding notes document.

### **Note 17 - Income tax (IT):**

Income tax for the period is determined applying the 30% rate to the base of the individual tax results of the Company and its subsidiaries. At December 31, 2018, 2017 and 2016, the Company determined taxable income of Ps3,893,989, Ps3,615,586 and Ps. 2,166,662, respectively. The tax result differs from the accounting result mainly due to items accrued over time and deducted differently for accounting and tax purposes, to recognition of the effects of inflation for tax purposes, and to items only affecting the book or tax result.

The IT Law establishes that income tax rate applicable in 2014 and subsequent periods is 30% of taxable profit.

The income tax provision is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income tax payable	(Ps 1,168,197)	(Ps 1,096,983)	(\$ 656,117)
Deferred income tax asset	<u>610,028</u>	<u>535,903</u>	<u>390,956</u>
	<u>(Ps 558,169)</u>	<u>(Ps 561,080)</u>	<u>(\$ 265,161)</u>



# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

The reconciliation between the incurred and effective income tax rates is shown below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income before income taxes	Ps 2,481,986	Ps 2,331,762	Ps 1,475,510
Income tax payable rate	<u>30%</u>	<u>30%</u>	<u>30%</u>
Income tax at statutory rate	744,596	699,529	442,653
Plus (less) effect of the following permanent items:			
Nondeductible expenses	6,871	2,969	578
Annual inflation adjustment	508,468	405,844	181,019
Own and leased machinery and equipment	(416,126)	(411,146)	(226,850)
Deferred commissions	56,604	(43,470)	(62,127)
Bad debt reserve	(2,338)	1,046	(8,782)
Liability provisions	1,257	321	(1,155)
Deferred charges	(244,088)	(84,013)	(42,432)
Prepayments	(91,643)	(16,338)	(17,091)
Other assets	<u>(5,432)</u>	<u>6,338</u>	<u>(652)</u>
Income tax recorded in income	<u>Ps 558,169</u>	<u>Ps 561,080</u>	<u>Ps 265,161</u>
Effective income tax rate	<u>22.82%</u>	<u>24.40%</u>	<u>17.97%</u>

The main temporary differences on which deferred income tax is recognized are shown below:

	<u>December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Own and leased machinery and equipment	Ps 8,182,074	Ps 5,952,780	Ps 3,947,751
Deferred commissions	692,073	697,277	445,688
Bad debt reserve	566,317	307,888	171,283
Liability provisions	(413,962)	7,471	8,536
Deferred charges and other assets)	(825,533)	(1,237,246)	(640,151)
Expenses related to perpetual bond	(325,490)	-	8,977
Tax losses of subsidiaries	<u>30,062</u>	<u>-</u>	<u>(57)</u>
	7,761,797	5,728,370	3,942,027
Applicable income tax rate	<u>30%</u>	<u>30%</u>	<u>30%</u>
Deferred income tax asset	<u>Ps 2,328,539</u>	<u>Ps 1,718,511</u>	<u>Ps 1,182,608</u>

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

### **Note 18- Financial information by segment:**

Following are the main assets and liabilities per Company segment:

	December 31, 2018			
<u>Assets</u>	<u>Operating leasing</u>	<u>Financial factoring</u>	<u>Other loans</u>	<u>Total</u>
Cash and cash equivalents	Ps 300,040	Ps 16,347	Ps 59,799	Ps 376,186
Investments in securities	2,815,750	153,406	561,203	3,530,359
DFI held for hedging	4,255,051	-	848,069	5,103,120
Loan portfolio	-	2,746,467	5,877,305	8,623,772
Preventive loan loss reserve	-	(147,762)	(52,137)	(199,899)
Other accounts receivable	4,297,780	-	-	4,297,780
Foreclosed assets	347,709	344,358	-	692,067
Property, machinery and equipment	40,063,535	-	616,906	40,680,441
Other assets	<u>4,367,752</u>	<u>19,025</u>	<u>299,055</u>	<u>4,685,832</u>
	<u>Ps56,447,617</u>	<u>Ps3,131,841</u>	<u>Ps8,210,200</u>	<u>Ps67,789,658</u>
<u>Liabilities</u>				
Debt securities	Ps31,910,681	Ps -	Ps6,434,962	Ps38,345,643
Bank loans and other entities' loans	8,296,357	2,523,078	1,653,536	12,472,970
Other accounts payable	3,197,625	12,077	78,129	3,287,831
Deferred commissions	<u>692,073</u>	<u>-</u>	<u>-</u>	<u>692,073</u>
	<u>Ps44,096,736</u>	<u>Ps2,535,155</u>	<u>Ps8,166,627</u>	<u>Ps54,798,518</u>
	December 31, 2017			
<u>Assets</u>	<u>Operating leasing</u>	<u>Financial factoring</u>	<u>Other loans</u>	<u>Total</u>
Cash and cash equivalents	Ps 102,345	Ps 94,820	Ps -	Ps 197,165
Investments in securities	1,858,452	-	379,720	2,238,172
DFI held for hedging	3,861,005	-	737,112	4,598,117
Loan portfolio	-	2,510,635	2,971,251	5,481,886
Preventive loan loss reserve	-	(26,046)	(12,698)	(38,744)
Other accounts receivable	2,229,890	-	2,827,275	5,057,165
Foreclosed assets	380,988	129,496	-	510,484
Property, machinery and equipment	32,728,822	-	-	32,728,822
Other assets	<u>3,482,775</u>	<u>346,658</u>	<u>12,928</u>	<u>3,842,361</u>
	<u>44,644,277</u>	<u>3,055,563</u>	<u>6,915,588</u>	<u>54,615,428</u>
<u>Liabilities</u>				
Debt securities	Ps29,413,527	Ps -	Ps5,615,395	Ps35,028,922
Bank loans and other entities' loans	4,725,730	2,510,844	902,198	8,138,772
Deferred commissions	697,277	-	-	697,277
Other accounts payable	<u>2,891,274</u>	<u>106,785</u>	<u>168,029</u>	<u>3,166,088</u>
	<u>Ps37,727,808</u>	<u>Ps2,617,629</u>	<u>Ps6,685,622</u>	<u>Ps47,031,059</u>

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

Given that management considers that the useful information for stakeholders is the Adjusted Financial Margin, in 2018, 2017 and 2016, the respective information is as follows:

	Year ended December 31, 2018			
	Operating leasing	Financial factoring	Other lending	Total
Operating lease income	Ps 14,761,002	Ps -	Ps -	Ps 14,761,002
Interest income	585,728	504,911	1,496,934	2,587,573
Other leasing benefits	1,595,730	-	-	1,595,730
Depreciation of goods under operating leases	(8,005,085)	-	-	(8,005,085)
Interest expenses	(4,145,065)	(272,732)	(1,096,753)	(5,514,550)
Other leasing expenses	(1,619,179)	-	-	(1,619,179)
Preventive loan loss reserve	(89,480)	(121,716)	(39,439)	(250,635)
	<u>Ps 3,083,651</u>	<u>Ps 110,463</u>	<u>Ps 360,742</u>	<u>Ps 3,554,856</u>
	Year ended on December 31, 2017			
	Operating leasing	Financial factoring	Other loans	Total
Operating lease income	Ps 11,216,938	Ps -	Ps -	Ps 11,216,938
Interest income	635,772	566,779	885,126	2,087,677
Other leasing benefits	1,010,812	-	-	1,010,812
Depreciation of goods under operating leases	(6,357,394)	-	-	(6,357,394)
Interest expenses	(2,972,058)	(284,317)	(588,784)	(3,845,159)
Other leasing expenses	(930,502)	-	-	(930,502)
Preventive loan loss reserve	(89,156)	(9,729)	(16,115)	(115,000)
	<u>Ps 2,514,412</u>	<u>Ps 272,733</u>	<u>Ps 280,227</u>	<u>Ps 3,067,372</u>
	Year ended on December 31, 2016			
	Operating leasing	Financial factoring	Other loans	Total
Operating lease income	Ps 7,773,136	Ps -	Ps -	Ps 7,773,136
Interest income	150,828	497,611	535,331	1,183,770
Other leasing benefits	528,719	-	-	528,719
Depreciation of goods under operating leases	(4,537,348)	-	-	(4,537,348)
Interest expenses	(1,395,377)	(235,425)	(358,050)	(1,988,852)
Other leasing expenses	(583,567)	-	-	(583,567)
Preventive loan loss reserve	(67,500)	(14,000)	-	(81,500)
	<u>\$ 1,868,891</u>	<u>\$ 248,186</u>	<u>\$ 177,281</u>	<u>\$ 2,294,358</u>

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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### **Note 19 - Related parties:**

The main balances with related parties at December 31, 2018 and 2017 are shown below:

<u>Receivable:</u>	<u>2018</u>	<u>2017</u>
Administradora Bríos, S. A. de C. V.	Ps359,029	Ps 314,766
Unifin Administración Corporativa, S. A. de C. V.	36,941	8,437
Unifin Servicios Administrativos, S. A. de C. V.	<u>9,994</u>	<u>4,800</u>
Total	<u>Ps405,964</u>	<u>Ps 328,003</u>

In the years ended on December 31, 2018, 2017 and 2016, the following operations were carried out with related parties:

	<u>Year ended December 31,</u>		
<u>Income</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Car leases	Ps 71	Ps 107	Ps -
Other income	4,807	38	40
Car Sale	<u>-</u>	<u>-</u>	<u>21,054</u>
	<u>Ps 4,878</u>	<u>Ps 145</u>	<u>Ps 21,094</u>
<u>Expenses</u>			
Administrative services	Ps 871,908	Ps 650,738	Ps 508,174
Donations	<u>13,942</u>	<u>18,054</u>	<u>8,784</u>
	<u>Ps 885,850</u>	<u>Ps 668,792</u>	<u>Ps 516,958</u>

### **Note 20 - Breakdown of the main items of the statement of income:**

Following is the breakdown of the main items of the statement of income for the years ended on December 31, 2018, 2017 and 2016:

<u>Financial margin</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
a. Operating lease income			
Leases	<u>Ps 14,761,002</u>	<u>Ps 11,216,938</u>	<u>Ps 7,773,136</u>

***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

Notes to the Consolidated Financial Statements  
December 31, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
b. Interest income			
Cash and cash equivalents	Ps 181,169	Ps 83,315	Ps 52,527
Loan portfolio	1,757,810	1,736,347	898,997
Commissions for opening line of credit	417,482	162,703	271,572
Gain (loss) on restatement to pesos - Net	<u>231,113</u>	<u>105,312</u>	<u>(39,326)</u>
Total interest income	<u>Ps 2,587,574</u>	<u>Ps 2,087,677</u>	<u>Ps 1,183,770</u>
c. Other lease benefits			
Income from sale of fixed assets	Ps 1,416,223	Ps 853,229	Ps 524,643
Other lease benefits	<u>179,507</u>	<u>157,583</u>	<u>4,076</u>
Total other lease benefits	<u>Ps 1,595,730</u>	<u>Ps 1,010,812</u>	<u>Ps 528,719</u>
d. Depreciation of assets under operating lease			
Depreciation of assets under operating lease	<u>Ps 8,005,085</u>	<u>Ps 6,357,394</u>	<u>Ps 4,537,348</u>
e. Interest expense			
Debt securities	Ps 3,838,599	Ps 2,505,930	Ps 1,019,146
Issuance costs	555,952	414,916	264,550
Interbank loans and other entities' loans	820,017	641,671	575,129
Costs and expenses incurred in granting loans	<u>299,984</u>	<u>282,642</u>	<u>130,027</u>
Total interest expenses	<u>Ps 5,514,552</u>	<u>Ps 3,845,159</u>	<u>Ps 1,988,852</u>
f. Other lease expenses			
Cost of sale of fixed assets	Ps 1,449,317	Ps 827,840	Ps 523,826
Fixed asset insurance	<u>169,862</u>	<u>102,662</u>	<u>59,741</u>
Total other lease expenses	<u>Ps 1,619,179</u>	<u>Ps 930,502</u>	<u>Ps 583,567</u>
<u>Operating income</u>			
g. Commissions and rates charged and paid			
Commission for trust management paid	<u>(Ps 43,100)</u>	<u>(Ps 68,710)</u>	<u>(Ps 51,214)</u>

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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
h. Other income and expenses			
Other income	Ps 39,874	Ps 210,265	Ps 25,592
Other expenses	<u>(13,941)</u>	<u>(18,154)</u>	<u>(9,235)</u>
Total other income and expenses - Net	<u>Ps 25,933</u>	<u>Ps 192,111</u>	<u>Ps 16,357</u>
i. Administrative and promotion expenses			
Personnel management	Ps 556,343	Ps 486,158	Ps 401,659
Administrative expenses	215,568	181,850	144,784
Advertising expenses	86,685	69,323	38,501
Depreciation and amortization		5,814	34,691
Other expenses	137,490	83,870	109,531
Communications	14,303	8,877	6,950
Leasing	55,979	41,316	48,809
Insurance	19,626	7,863	11,107
Electric power	<u>5,917</u>	<u>5,814</u>	<u>1,376</u>
Total administration and promotion expenses	<u>Ps 1,091,911</u>	<u>Ps 890,885</u>	<u>Ps 797,408</u>

### **Note 21 - Memorandum accounts:**

Following is the breakdown of memorandum accounts for the years ended on December 31, 2018 and 2017:

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Accounts receivable under trust	Ps 23,616,513	Ps 25,686,830
Own lease fees receivable	<u>15,165,045</u>	<u>6,118,412</u>
Other recording accounts	<u>Ps 38,781,558</u>	<u>Ps 31,805,242</u>

### **Note 22 - New accounting pronouncements:**

#### Accounting criteria

On the basis of transitory article four of the 115th Amending Resolution published in the November 15, 2018 Official Gazette amending the General Provisions Applicable to Credit Institutions (the Provisions), published on December 27, 2017, 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

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## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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receivable and interest", D-1 "Revenue from client contracts" and D-2 "Costs of client contracts" issued by the IASB and referred to in paragraph 3 of Criterion A-2 "Application of specific standards" of Exhibit 33 to the Provisions, which was amended through said Resolution, become effective on January 1, 2020.

The aforementioned new Accounting Criteria will not have a significant effect on the financial information reported by the Company.

MFRS B-17 "Fair value determination". Establishes the rules for determining and disclosing fair value. States that fair value must rely on the assumptions used by market participants when setting the price for an asset or liability in current market conditions at a specific date, including risk assumptions. Establishes that consideration must be given to the particular asset or liability being valued and whether it is monetary and is used in combination with other assets or on an independent basis, the market in which the asset or liability will be valued, and the appropriate valuation technique or techniques for determining fair value, as well as maximizing the use of relevant observable input data and minimizing non-observable input data.

MFRS C-2 "Investment in financial instruments". Establishes standards for valuation, representation and disclosure of investments in financial instruments. Discards the concept of intention to acquire and use of an investment in financial debt or capital instruments when determining classification and eliminates the categories of instrument held to maturity and disposable for sale. Adopts the concept of business model for administration of investments in financial instruments.\*

MFRS C-3 "Accounts Receivable". Establishes the valuation, presentation and disclosure standards for initial and subsequent recognition of commercial accounts receivable and other accounts receivable in the financial statements of an economic entity. This standard also specifies that accounts receivable based on a contract qualify as financial instruments.\*

MFRS C-9 "Provisions, contingencies and commitments". Establishes standards for valuation, reporting and disclosure of liabilities, provisions and commitments, reducing their scope and relocating the matter of financial liabilities to MFRS C-19. The definition of "liability" has been modified to eliminate the concept of "virtually unavoidable" and include the term "likely".\*

MFRS C-10, "Derivative Financial Instruments and hedging operations". Establishes the features required in order for a financial instrument to be considered a derivative for trading or coverage, determines presentation and disclosure rules as well as recording and valuation rules for derivative financial instruments, including instruments for coverage and those applicable to coverage operations structured via derivatives; separate implicit derivative financial instruments existing when the host instrument is a financial asset are not allowed; if the amount of the hybrid agreement is to be modified, the modified amount will be charged; a net income and disbursement position may be designated as the covered item if it reflects the entity's risk management strategy.

MFRS C-16 "Impairment of financial instruments receivable". Establishes standards for valuation, accounting recognition, presentation and disclosure of losses from impairment of financial instruments receivable.\*

# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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MFRS C-19 "Financial instruments payable". Establishes valuation, reporting and disclosure standards for initial and subsequent recognition of accounts payable, loans and other financial liabilities in the financial statements of an economic entity. Introduces the concepts of amortized cost to value financial liabilities and the effective interest method, which uses the effective interest rate, to carry out said valuation.

Both discounts and costs of issuance of a financial liability are deducted from the liability.

MFRS C-20 "Financial instruments receivable". Establishes standards for valuation, presentation and disclosure for initial and subsequent recognition of financing instruments receivable in the financial statements of an economic entity engaged in conducting financing operations.

Eliminates the concept of intent to acquire and hold financial instruments under assets when determining their classification. Adopts the administration business model.\*

MFRS D-1 "Revenue from client contracts". Establishes standards for valuation, reporting and disclosure of income incurred in order to obtain or comply with contracts with clients. Establishes the most significant aspects for recognition of income through the transfer of control, identification of contractual obligations to be complied with, assignment of the amount of the transaction and recognition of collection rights. Eliminates the use as a supplement of IAS 18 "Income from regular Operations" and the respective interpretations, as established in MFRS A-8 "Supplementation".

MFRS D-2 "Costs of client contracts". Establishes standards for valuation, reporting and disclosure of costs incurred in connection with client contracts. Establishes standards for recognizing costs arising from client contracts, and includes the accounting treatment for costs pertaining to contracts for the construction and manufacture of capital goods, including the costs related to client contracts. This MFRS, together with MFRS D-1 "Income from contracts with clients" replaces Statement D-7 "Contracts for the construction and manufacture of certain capital goods" and IFRS 14, "Contracts for the construction, sale and rendering of services pertaining to real property".

### **MFRS**

The CINIF has issued the following MFRS applicable for annual periods:

MFRS B-11 "Disposal of long-lived assets and discontinued operations". Effective for years beginning as of January 1, 2020. Early application is not allowed, as it must be applied jointly with MFRS C-15, which will be reissued in 2019 and will also be applicable as of 2020.

First-time application of this MFRS generates no accounting changes in the financial statements. The main aspects covered by this MFRS include:

- Explains that long-lived assets are not classified as current assets until they meet the criteria for being classified as held for sale. Additionally, assets of a certain type usually considered by an entity to be non-current assets, but that are acquired solely for the purpose of reselling them, must not be reclassified as current assets, unless they meet the criteria for being classified as held for sale.



# ***Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and subsidiaries***

## **Notes to the Consolidated Financial Statements December 31, 2018, 2017 and 2016**

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- With regard to assets shown in the statement of financial position under a criterion based on liquidity, this MFRS considers non-current assets to include assets expected to be recovered in a period exceeding 12 months after the date of the statement of financial position, or the date of the cycle of operations if that period is greater than twelve months.
- Establishes the information to be disclosed on long-lived assets or groups of assets to be disposed of that classify as held for sale, as well as for discontinued operations.

MFRS D-5 "Leases". Establishes standards for valuation, reporting and disclosure of leases by through a single accounting model by the lessee. Requires the lessee to recognize the following from the start of a lease: a) a lease liability (rents payable at present value), and b) in that same amount, an asset known as right-of-use asset, which represents the lessee's right to use the leased underlying asset.

Modifies the presentation of the statement of cash flows by showing payments to reduce lease liabilities under the financing activities caption. Additionally, it modifies recognition of lease back transactions by requiring that the seller-lessee recognize as a sale any rights transferred to the purchaser-lessor that do not return to the former.

### **2019 MFRS revisions**

In December 2018, the CINIF issued a document known as "2019 MFRS Revisions", which contains modifications to certain existing MFRS. Those revisions do not give rise to changes in the annual financial statements, since the Company is compliance with the matters specified therein.

### **Note 23 - Subsequent events:**

#### **2018**

On February 28, 2019, with the approval of the Audit and Corporate Practices Committee, the Board of Directors agreed to amend the Company's tax regime to no longer operate as a unregulated non-bank financial entity or (SOFOM), in the terms of the General Law on Credit Organizations and Auxiliary Activities, and consequently apply the International Financial Reporting Standards (IFRS and interpretations of IFRS) in preparing and auditing its financial statements, in the terms of the applicable provisions.

Said change in the regime and accounting policies will provide the Company with a more flexible corporate structure to pursue its growth strategy and will allow it to disclose financial information based on the nature of its business and to ensure greater comparability of said information for the investing public.

Mr. Sergio José Camacho Carmona  
Chief Executive Officer

Mr. Sergio Manuel Cancino Rodríguez  
Chief Financial Officer

Mr. Luis Xavier Castro López  
Corporate Controller

***Unifin Financiera, S. A. B. de C. V. (formerly  
Unifin Financiera, S. A. B. de C. V., Sociedad  
Financiera de Objeto Múltiple, Entidad No  
Regulada) and subsidiaries***

Unaudited Consolidated Interim Financial Statements as of March 31, 2019, December 31, 2018 and January 1, 2018 and for the three-month periods ended March 31, 2019 and 2018

***Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries***

**Unaudited Consolidated Interim Statements of Financial Position**

Thousands of Mexican pesos				
	Note	March 31, 2019	December 31, 2018	January 1, 2018
<b>Assets:</b>				
<b>Current assets</b>				
Cash and cash equivalents	3	Ps. 4,800,056	Ps. 4,282,274	Ps. 2,435,337
Loan portfolio, net	4	19,034,554	19,478,072	14,639,160
Derivative financial instruments	6	166,102	90,183	82,723
Other current assets	7	654,187	556,560	586,132
<b>Total current assets</b>		<u>24,654,899</u>	<u>24,407,089</u>	<u>17,743,352</u>
Non-current assets held for sale	8	945,892	830,972	590,757
<b>Non-current assets</b>				
Loan portfolio, net	4	27,096,682	24,717,957	20,137,292
Property, furniture and equipment, net	9	864,023	896,409	860,123
Investment properties	10	168,194	168,300	168,725
Intangible assets	11	121,107	121,107	77,827
Derivative financial instruments	6	3,560,826	4,761,375	4,300,487
Deferred taxes	16	5,263,984	4,980,118	3,916,794
Other non-current assets	7	86,108	75,441	49,541
<b>Total non-current assets</b>		<u>37,160,924</u>	<u>35,720,707</u>	<u>29,510,789</u>
<b>Total assets</b>		<u>Ps. 62,761,715</u>	<u>Ps. 60,958,768</u>	<u>Ps. 47,844,898</u>
<b>Liabilities:</b>				
<b>Current liabilities</b>				
Banks loans	12	Ps. 11,651,360	Ps. 8,391,781	Ps. 4,258,070
Sundry creditors	14	72,719	65,349	701,378
Debt securities	13	2,704,545	2,259,470	583,333
Senior notes	13	125,310	664,765	503,832
Tax payable	16	177,634	190,645	252,362
Other accounts payable	14	1,425,622	1,320,033	385,295
Derivatives financial instruments	6	103,206	4,523	-
<b>Total current liabilities</b>		<u>16,260,396</u>	<u>12,896,566</u>	<u>6,684,270</u>
<b>Non-current liabilities</b>				
Banks loans	12	3,877,632	4,004,130	3,880,702
Debt securities	13	12,189,866	13,158,734	16,969,751
Senior notes	13	21,065,506	21,273,888	15,439,761
Derivative financial instruments	6	42,888	-	-
<b>Total non-current liabilities</b>		<u>37,175,892</u>	<u>38,436,752</u>	<u>36,290,214</u>
<b>Total liabilities</b>		<u>53,436,288</u>	<u>51,333,318</u>	<u>42,974,484</u>
<b>Equity:</b>				
Stockholders' equity	15	2,893,674	2,893,674	2,893,674
Retained earnings		2,411,504	759,826	(425,294)
Net Income		473,722	1,983,322	1,770,682
Subordinated perpetual notes	15	4,531,330	4,531,330	-
Accumulated other comprehensive income		(987,378)	(545,379)	631,352
Controlling interest		9,322,852	9,622,773	4,870,414
Non-controlling interest		2,575	2,677	-
<b>Total equity</b>		<u>9,325,427</u>	<u>9,625,450</u>	<u>4,870,414</u>
<b>Total liabilities and equity</b>		<u>Ps. 62,761,715</u>	<u>Ps. 60,958,768</u>	<u>Ps. 47,844,898</u>

**Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries**

**Unaudited Consolidated Interim Statements of Comprehensive Income**

Thousands of Mexican pesos, except for profit per share

	For the three-months period ended March 31,	
	2019	2018
Interest income from leasing	Ps. 1,844,076	Ps. 1,415,802
Interest income from factoring	123,467	81,859
Interest income from car loans	272,998	236,369
Other lease benefits	<u>158,861</u>	<u>240,061</u>
Total income	<u>2,399,402</u>	<u>1,974,091</u>
Interest expense	1,528,731	1,218,897
Allowance for loan portfolio (Note 5)	59,060	54,060
Other lease expenses	<u>18,627</u>	<u>59,622</u>
Total costs	<u>1,606,418</u>	<u>1,332,579</u>
Gross margin	<u>792,984</u>	<u>641,512</u>
Operating and financial expense (income)		
Bank commissions and fees	7,274	15,650
Investment interest	(66,845)	(114,526)
Foreign exchange loss - Net	(57,517)	(64,610)
Other net, operating (income) loss	(20,942)	(3,023)
Administrative services	197,326	135,662
Legal and professional fees	52,145	53,481
Depreciation	28,713	27,953
Other administrative expenses	<u>75,179</u>	<u>61,898</u>
	<u>215,333</u>	<u>112,485</u>
Profit before result of associated companies	577,651	529,027
Results of associated companies	<u>10,569</u>	<u>(1,250)</u>
Income before income tax	588,220	527,777
Income tax expense (Note 16)	<u>114,600</u>	<u>131,283</u>
Consolidated net income	<u>Ps. 473,620</u>	<u>Ps. 396,494</u>
Net income attributable to:		
Controlling interest	Ps. 473,722	Ps. 393,817
Non-controlling interest	<u>(102)</u>	<u>2,677</u>
Consolidated net income	<u>Ps. 473,620</u>	<u>Ps. 396,494</u>
Profit per share	<u>Ps. 1.43</u>	<u>Ps. 1.13</u>

**Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries**

Unaudited Consolidated Interim Statements of Other Comprehensive Income

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*Thousands of Mexican pesos*

	For the three-month periods ended March 31,	
	<u>2019</u>	<u>2018</u>
Consolidated net income	Ps. 473,620	Ps. 396,494
Items that may be reclassified to profit or loss:		
Changes in the effective portion of the fair value of cash flow hedges	(1,114,414)	579,871
Hedging gains reclassified to profit or loss	672,415	(524,642)
Income tax relating to these items	<u>-</u>	<u>277,005</u>
Other comprehensive income for the period - net of tax	<u>(441,999)</u>	<u>332,234</u>
Total comprehensive income for the period	31,621	728,728
Less comprehensive income attributable to non-controlling interest	<u>(102)</u>	<u>2,677</u>
Net comprehensive income attributable to the Company	<u>Ps. 31,519</u>	<u>Ps. 731,405</u>

**Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries**  
Unaudited Consolidated Interim Statements of Changes in Stockholders' Equity

Thousands of Mexican pesos

	Stockholders' equity						
	Capital Stock	Additional paid-in capital	Senior notes outstanding	Retained earnings	Accumulated other comprehensive income	Controlling interest	Non-controlling interest
							Total equity
Balances at January 1, 2018	Ps. 957,774	Ps. 1,935,900	Ps. -	Ps. 1,345,388	Ps. 631,352	Ps. 4,870,414	Ps. -
Net income attributable to shareowners of the Company	-	-	-	(352,800)	-	(352,800)	-
Dividend declared	-	-	-	-	332,234	332,234	-
Gain from cash flow hedge derivatives	-	-	-	-	-	4,531,330	-
Subordinated perpetual notes	-	-	4,531,330	-	-	393,817	-
Consolidated net income	-	-	-	393,817	-	393,817	2,677
Balance as of March 31, 2018	<u>Ps. 957,774</u>	<u>Ps. 1,935,900</u>	<u>Ps. 4,531,330</u>	<u>Ps. 1,386,405</u>	<u>Ps. 963,586</u>	<u>Ps. 9,774,995</u>	<u>Ps. 2,677</u>
							<u>Ps. 9,777,672</u>
Balances at January 1, 2019	Ps. 957,774	Ps. 1,935,900	Ps. 4,531,330	Ps. 2,743,148	Ps. (545,379)	Ps. 9,622,773	Ps. 2,677
Net income attributable to shareowners of the Company	-	-	-	-	(441,999)	(441,999)	-
Loss from cash flow hedge derivatives	-	-	-	(331,644)	-	(331,644)	-
Dividend declared	-	-	-	473,722	-	473,722	(102)
Consolidated net income	-	-	-	473,722	-	473,722	-
Balance as of March 31, 2019	<u>Ps. 957,774</u>	<u>Ps. 1,935,900</u>	<u>Ps. 4,531,330</u>	<u>Ps. 2,885,226</u>	<u>Ps. (987,378)</u>	<u>Ps. 9,322,852</u>	<u>Ps. 2,575</u>
							<u>Ps. 9,325,427</u>

**Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries**

Unaudited Consolidated Interim Statements of Cash Flows

Thousands of Mexican pesos

	For the three-month periods ended March 31,	
	2019	2018
Net income	Ps. 473,620	Ps. 396,494
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	28,713	27,953
Allowance for doubtful accounts	59,060	54,060
Income tax expense	114,600	131,283
Interest income	(2,240,541)	(1,734,030)
Interest expense	1,528,731	1,218,897
Changes in fair value for derivatives	(441,999)	332,234
Foreign exchange loss - Net	57,517	64,610
Operating activities	(893,919)	95,007
Changes in:		
Loan portfolio - Net	(1,994,267)	(8,985,165)
Investment properties	(319)	-
Other current assets	36	(263,472)
Other non-current assets	(394,873)	(1,226,897)
Derivative financial instruments	1,266,201	637,045
Sundry creditors	7,370	551,204
Other accounts payable	(226,157)	(35,429)
Interest paid	(1,935,574)	(1,391,362)
Interest received	2,240,541	1,734,030
Income tax paid	(127,611)	(69,236)
Net cash flows provided by operating activities	(1,164,653)	(9,049,282)
<b>Investing activities</b>		
Increase in assets held for sale due to the guarantees execution	(114,920)	(325,929)
Proceeds from sale of property, machinery and equipment	97,078	51,195
Payments for acquisition of property, machinery and equipment	(92,980)	(247,307)
Net cash flows used in investment activities	(110,822)	(522,041)
<b>Financing activities</b>		
Bank loans	3,485,186	2,230,983
Debt securities and senior notes	(1,271,630)	4,009,920
Dividend payment in cash	-	210,625
Stock issue expenses	-	108,241
Collections on issue of subordinated debentures	-	4,531,330
Cash flows from financing activities	2,213,556	11,091,099
Net increase in cash and cash equivalents	517,782	2,011,277
Cash and cash equivalents at the beginning of the period	4,282,274	2,435,337
Cash and cash equivalents at the end of the period	Ps. 4,800,056	Ps. 4,446,614

***Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries***

Notes to the Unaudited Consolidated Interim Financial Statements as of March 31, 2019 and December 31, 2018 and January 1, 2018 and for the three-months periods ended March 31, 2019 and 2018

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*Thousands of Mexican pesos [Ps.] (Note 2) and foreign currency, except exchange rates, nominal value, number of securities, shares and price per share*

**Note 1 - Description of the business:**

Unifin Financiera, S. A. B. de C. V. (formerly, Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) (the Company), was incorporated on February 3, 1993 in accordance with Mexican laws, the tax domicile and main place of business is Av. Pdte. Masaryk 111, Col. Polanco III Sección, 11550, in Mexico City.

The Company is mainly engaged in providing leases for automotive vehicles, machinery and equipment, among other lease arrangements, and in granting loans, carrying out financial factoring operations, acting as administrator for guarantee trusts, obtaining loans, guaranteeing obligations through different means, and issuing, subscribing, accepting, endorsing, selling, discounting and pledging all kinds of credit.

The Company has no employees, and all legal, accounting and administrative services are provided by a related party.

On May 22, 2015, the Company issued its Initial Public Offer on the Mexican Stock Exchange (BMV for its acronym in Spanish), and for international purposes it made the issue under rule 144 A/Reg S for a total of Ps.3,606,400, comprised of 50% primary shares and 50% of secondary shares. The amount includes the overallotment option, which comprised 15% of the total offer. On May 22, 2015, the Company started trading its shares on the BMV. As a result of the foregoing, it changed its business name to Sociedad Anónima Bursátil (S. A. B.).

The purpose of the aforementioned public offer was to strengthen the Company's capital stock structure and support the projected growth.

On March 21, 2019 at the General Shareholders' Meeting, it was resolved to modify the Company's Bylaw by modifying the business name from a S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada to an S. A.B. de C.V. and adoption of the International Financial Reporting Standards or (IFRS) for their preparation of its financial information and notes. This change in regime and accounting standards principles will provide the Company with more flexibility in its corporate structure to continue with its growth strategy, enhance financial information quality and comparability for the public investors.

The Company was a non-regulated financial institution or Sociedad Financiera de Objeto Múltiple, Entidad No Regulada), as specified in article 87-B of General Law on Credit Organizations and Auxiliary Activities (LGOAAC for its acronym in Spanish).

As mentioned in note 2 (a) the audited financial statements as of December 31, 2018 and 2017, were the last set of financial statements prepared in accordance with the accounting criteria established by the National Banking and Securities Commission (CNBV) applicable to the Company, which conforms to the accounting criteria of the Mexican Financial Reporting Standards (NIF), issued by the Mexican Board for the Research and Development of Financial Reporting Standards (CINIF), except where the CNBV deems necessary to apply an specific accounting criteria. This first consolidated financial statements of the Company were prepared in accordance with IFRS and IFRS 1 "First-time Adoption of International Financial Reporting Standards" consistently to March 31, 2019; December 31 and January 1, 2018.



***Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries***

Notes to the Unaudited Consolidated Interim Financial Statements as of March 31, 2019 and December 31, 2018 and January 1, 2018 and for the three-months periods ended March 31, 2019 and 2018

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**Note 2 - Summary of significant accounting policies:**

The most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated.

The accounting criteria requires the use of some critical accounting estimates in preparation of the financial statements. They also require management's judgment in the process of determining and applying the Company's accounting policies.

a. Basis of preparation:

i. Compliance with IFRS

The unaudited consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Group operates on a going concern basis.

The audited financial statements as of December 31, 2018 and 2017, were the last set of financial statements prepared in accordance with the accounting criteria established by the National Banking and Securities Commission (CNBV) applicable to SOFOM E.N.R, which conforms to the accounting criteria of the Mexican Financial Reporting Standards (NIF), issued by the Mexican Board for the Research and Development of Financial Reporting Standards (CINIF), except where the CNBV deems necessary to apply an specific accounting criteria.

These consolidated interim financial statements as of March 31, 2019 and for the three-month periods ended March 31, 2019 and 2018 are unaudited and are the Company's first IFRS interim financial statements after its transition to reporting in accordance with IFRS and before the issuance of its first publicly issued consolidated annual IFRS financial statements. The Company will adopt IFRS for the first time in its consolidated financial statements for the year ended December 31, 2019. IFRS 1, "First-time Adoption of International Financial Reporting Standards" (herein addressed as "IFRS 1") was applied to the March 31, 2019 consolidated interim financial statements. These Consolidated Interim Financial Statements have been prepared also in accordance with IAS 34, 'Interim financial reporting' but, there is a considerable amount of additional disclosures and explanations compared to standard interim financial reports. The disclosures required by IAS 34 are based on an assumption that users will have had access to the reporting Company's last annual financial statements prepared under IFRS. The financial statements presented in accordance with IFRS differ significantly from those previously presented in accordance with criteria of the CNBV, with significant changes to the presentation, recognition, measurement and disclosure of items. Due to the information necessary in addition to the minimum requirements of IAS 34, to understanding the transition to IFRS is substantial and similar to a full set of annual financial statements. As First-time adopter, the Company discloses new accounting policies adopted and their effect on the financial statements, some material required disclosures of IFRS, events and transactions, as well as the reconciliations and descriptions of the effects of the transition from the CNBV accounting criteria to IFRS, required by IFRS 1, which are explained in Note 20.

The comparative balances as of December 31, 2018, as well as the quarter ended March 31, 2018, under criteria of the CNBV, were modified to present the financial statements in accordance with accounting criteria under IFRS.

***Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries***

Notes to the Unaudited Consolidated Interim Financial Statements as of March 31, 2019 and December 31, 2018 and January 1, 2018 and for the three-months periods ended March 31, 2019 and 2018

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As of March 6, 2019, the Company issued its last financial statements prepared under the accounting criteria of the CNBV as of December 31, 2018 and 2017.

ii. Functional and presentation currency

These consolidated interim financial statements are presented in its reporting currency Mexican pesos, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated, generating rounding of the final unit only and resulting in immaterial divergences.

iii. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

- Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Note 2 (g) - Lease classification

Based on technical assessments performed on the characteristics of lease contracts, established by the accounting lease standard, were analyzed for their classification as either financial or operational lease, the purpose was to identify who maintains the risks and benefits associated to the leased asset. Based on the characteristics of the lease agreement, it was concluded that substantially all risks and benefits are transferred to the lessee for a certain population of lease agreements. See Note 5.

- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as of March 31, 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 2 (f, iv) - Impairment estimations regarding the adoption of IFRS 9.

iv. Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

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This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 2 (j) - Investment property and
- Note 2 (h) Derivative financial instruments

v. Historical cost conversion

The financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities (including derivative instruments).

vi. Financial statements authorization

The issuance of these unaudited consolidated interim financial statements and the notes thereto as of March 31, 2019, December 31, 2018 and January 1, 2018 and for the quarters ended March 31, 2019 and 2018 were authorized on July 5, 2019 by Mr. Sergio José Camacho Carmona, Chief Executive Officer, Mr. Sergio Manuel Cancino Rodríguez, Chief Financial Officer, and Mr. Luis Xavier Castro López, Corporate Controller.

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b. Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date that control is obtained until the date on which control over the subsidiary ceases.

Intercompany transactions, balances and unrealized gains on transactions between the consolidated companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of other comprehensive income, statement of changes in stockholder's equity and statement of financial position respectively.

The consolidated financial statements include balances of the Company and its subsidiaries as of March 31, 2019, December 31, 2018 and January 1, 2018 in which the Company has control as follows:

Entity	Business activity	Ownership (%)		
		March 31, 2019	December 31, 2018	January 1, 2018
Unifin Credit, S. A. de C. V. SOFOM, E. N. R. (Unifin Credit)	Financial factoring	99.99	99.99	99.99
Unifin Autos, S. A. de C. V. (Unifin Autos)	Purchase and sale of cars	99.99	99.99	99.99
Inversiones Inmobiliarias Industriales, S.A.P.I. de C. V. (Real estate investments)	Property leases	94.08	94.08	94.08

The financial information of the Company's subsidiaries for the periods ended on March 31, 2019, December 31, 2018 and January 1, 2018 is as follows:

Summarized Unaudited Interim of Financial Position

March 31, 2019	Unifin credit	Unifin autos	Real estate investments
<u>Assets</u>			
Current assets	Ps. 6,479,842	Ps. 32,011	Ps. 235,748
Non-current assets	<u>2,357,392</u>	<u>-</u>	<u>-</u>
Total assets	<u>Ps. 8,837,234</u>	<u>Ps. 32,011</u>	<u>Ps. 235,748</u>
<u>Liabilities</u>			
Current liabilities	Ps. 7,866,450	Ps. 1,917	Ps. 21,448
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>Ps. 7,866,450</u>	<u>Ps. 1,917</u>	<u>Ps. 21,448</u>

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Equity

Controlling interest	Ps. 970,687	Ps. 30,091	Ps. 213,143
Non-controlling interest	<u>97</u>	<u>3</u>	<u>1,157</u>
Total equity	<u>Ps. 970,784</u>	<u>Ps. 30,094</u>	<u>Ps. 214,300</u>

Summarized Unaudited of Financial Position

<u>December 31, 2018</u>	<u>Unifin credit</u>	<u>Unifin autos</u>	<u>Real estate investments</u>
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Assets

Current assets	Ps. 6,569,107	Ps. 28,283	Ps. 234,242
Non-current assets	<u>1,892,097</u>	<u>-</u>	<u>-</u>
Total assets	<u>Ps. 8,461,204</u>	<u>Ps. 28,283</u>	<u>Ps. 234,242</u>

Liabilities

Current liabilities	Ps. 7,533,513	Ps. 548	Ps. 22,460
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>Ps. 7,533,513</u>	<u>Ps. 548</u>	<u>Ps. 22,460</u>

Equity

Controlling interest	Ps. 927,598	Ps. 27,732	Ps. 210,639
Non-Controlling interest	<u>93</u>	<u>3</u>	<u>1,143</u>
Total equity	<u>Ps. 927,691</u>	<u>Ps. 27,735</u>	<u>Ps. 211,782</u>

<u>January 1, 2018</u>	<u>Unifin credit</u>	<u>Unifin autos</u>	<u>Real estate investments</u>
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Assets

Current assets	Ps. 5,955,912	Ps. 30,610	Ps. 40,803
Non-current assets	<u>1,797,116</u>	<u>-</u>	<u>-</u>
Total assets	<u>Ps. 7,753,028</u>	<u>Ps. 30,610</u>	<u>Ps. 40,803</u>

Liabilities

Current liabilities	Ps. 6,608,538	Ps. 2,757	Ps. 10,347
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>Ps. 6,608,538</u>	<u>Ps. 2,757</u>	<u>Ps. 10,347</u>

Equity

Controlling Interest	Ps. 1,144,379	Ps. 27,850	Ps. 30,292
Non-controlling Interest	<u>111</u>	<u>3</u>	<u>164</u>
Total equity	<u>Ps. 1,144,490</u>	<u>Ps. 27,853</u>	<u>Ps. 30,456</u>

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Summarized Unaudited Statement of Comprehensive Income

For the three-month periods ended March 31, 2019	<u>Unifin credit</u>	<u>Unifin autos</u>	<u>Real estate investments</u>
Operating income	Ps. 289,774	Ps. 7,110	Ps. 4,800
Net income	44,381	2,360	2,518
Total comprehensive income for the period	44,381	2,360	2,518
Profit allocated to Non-controlling interests	<u>444</u>	<u>24</u>	<u>138</u>
For the three-month periods ended March 31, 2018	<u>Unifin credit</u>	<u>Unifin autos</u>	<u>Real estate investments</u>
Operating income	Ps. 145,309	Ps. 157,514	Ps. 4,800
Net income	(63)	4,070	(5,086)
Total comprehensive income for the period	(63)	4,070	(5,086)
Profit allocated to Non-controlling interests	<u>-</u>	<u>41</u>	<u>(275)</u>

Summarized Unaudited Statement of Cash Flow

For the three-month periods ended March 31, 2019	<u>Unifin credit</u>	<u>Unifin autos</u>	<u>Real estate investments</u>
Cash flows provided by operating activities	Ps. 56,545	(Ps. 1,316)	(Ps. 1)
Cash flows provided by investing activities	<u>(16,278)</u>	<u>-</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents	<u>Ps. 40,267</u>	<u>(Ps. 1,316)</u>	<u>(Ps. 1)</u>
For the three-month periods ended March 31, 2018	<u>Unifin credit</u>	<u>Unifin autos</u>	<u>Real estate investments</u>
Cash flows provided by operating activities	(Ps. 295,323)	Ps. 45	(Ps. 8,079)
Cash flows provided by investing activities	232,175	-	-
Cash flows provided by financing activities	<u>-</u>	<u>-</u>	<u>8,200</u>
Net increase / (decrease) in cash and cash equivalents	<u>(Ps. 63,148)</u>	<u>Ps. 45</u>	<u>Ps. 121</u>

ii. Associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

c. Financial information by segment

The operating segments are reported to the CEO, who is responsible for attending the Board of Directors of the Company. The CEO is considered the Key Decision Maker who makes decisions about any resources to be allocated into any and all segments of the business and assess its performance.

d. Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated interim financial statements are presented in Mexican Peso, which is the Company's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/losses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, banks and short-term deposits in financial institutions, which are highly liquid investments with maturities of three days or less, readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



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f. Loan portfolio

i. Leasing

Accounting policy related to loan portfolio from leasing is outlined at "g. Leases – Lessor b) leasing".

Financial factoring, car loans and other loans are financial assets classified at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost.

At initial recognition, the group measures a financial asset measured at amortized cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

ii. Financial factoring

Factoring operations are recognized at amortized cost, for which a 90% advance is made (the remaining 10% is the guarantee) on the document that the Company receives for factoring. The maximum term for a factoring loan is 120 days.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Financial factoring assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company, this is when the debtor fails to make contractual payments greater than 120 days past due. Where these assets have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.



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iii. Car consumer and commercial loans (Car loans) and other loans

Loans are made after analyzing the financial position of the borrower, the economic feasibility of investment projects and other general factors established in the Company's internal manuals and policies.

Unpaid loan balances are recorded as non-performing portfolio when it is known that the borrower has been declared bankrupt in accordance with the Bankruptcy Law. Regardless of whether a borrower that has filed for bankruptcy continues making payments, the loan will be considered non-performing if payments thereon have not been settled in full in the terms originally agreed upon, considering the following:

- The debts consist of loans payable in a lump sum plus interest upon maturity and are more than 30 calendar days overdue.
- Loans are payable in a lump sum at maturity and with periodic interest payments, and the respective interest payment is 90 or more calendar days past due, or 30 calendar days past due on the outstanding principal.
- If the debts consist of periodic installment payments on the principal and interest, which are 90 or more days past due.

Past due loans that are restructured or renewed remain in the non-performing portfolio as long as there is no evidence of sustained payment, as established in the accounting criteria. Loans with a lump sum payment on the principal at maturity and periodic interest payments, as well as loans with a lump sum payment on the principal and interest at maturity that are restructured during the term of the loan or renewed at any given moment, are considered past-due portfolio.

Loans classifying from the outset as revolving loans that are restructured or renewed at any time are considered to be performing only when the borrower has paid all interest accrued, when the loan shows no periods of past-due invoices, and when there are elements demonstrating the debtor's payment capacity, that is to say, when there is high likelihood of the debtor covering the payment.

iv. Allowance for impairment losses

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is more than 90 days past
- for financial factoring when the borrower is more than 60 days past due
- the borrower is likely to go bankrupt or file for bankruptcy or similar action.

Inputs used in the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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Expected Credit Loss (ECL) Measurement

Main inputs related to ECL measurement are usually the following parameters:

- Probability of Default (PD),
- Loss Given Default (LGD), and
- Exposure at Default (EAD).

PD methodology uses information derived from statistical models using historical data.

The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted loans. The LGD models considers cash and collateral recoveries. EAD represents the expected exposure at the moment of default.

The EAD of a financial asset is the gross carrying amount at default. In addition, the undrawn amount of a financial asset is consider based on potential future amounts that may be drawn.

In case of financial factoring portfolio, the IFRS 9 simplified approach has been applied.

Significant increase in credit risk

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost.

The impairment methodology applied depends on whether there has been a significant increase in credit risk, once the Company has classified its financial assets according to its credit risk, they are individually or collectively assessed for impairment in order to recognize the allowance for impairment losses arising from credit risk.

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort, including quantitative and qualitative information. As a backstop, the Company will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The expected credit losses model is based on changes in credit quality since initial recognition and considers the following stages:

Stage	Definition	Basis for recognition of expected credit loss provision
Stage 1 (performing)	This stage includes loans that have not had a significant increase in credit risk.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2 (underperforming)	This stage includes loans that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. Interest revenue is still calculated on the gross carrying amount of the asset.	Lifetime expected losses
Stage 3 (non-performing)	This stage includes loans that have objective evidence of impairment at the reporting date. Interest revenue is calculated on the net carrying amount (net of allowance for impairment losses).	Lifetime expected losses

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Write-off	Loans where there is no reasonable expectation of recovery. The Company classified loans in this stage when debtor has been declared bankrupt in accordance with the Bankruptcy Law or the Management of the Company has decided to write-off it.	Asset is written off
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For stage 1 the PD estimates de probability that the credit will default in the next 12 months, while the PD in stage 2 is the result of the probabilities for the remaining life of the loan. The probability in Stage 3 is defined as 100%.

Forward-looking information incorporated in ECL

Forward-looking economic information is included in determining the ECL at portfolio level.

The Company uses forward-looking information considering historic data and has leveraged its experience in the management of such information. In addition, the Company has performed historical analysis trying to identify key macroeconomic variables affecting expected credit losses.

The Company considers possible forward-looking scenarios along with scenario weightings. The number of scenarios and their weights are reassessed on a quarterly basis.

g. Leases

Lessor

The Company classifies each of its leases as an operating lease or a finance lease based on a technical analysis of each of its lease agreements considering the following: a lease is classified as a finance lease if it transfers substantially all the risks and rewards associated of ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership of an underlying asset. Whether a lease is a finance lease, or an operating lease depends on the substance of the transaction rather than the form of the contract.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

i. Operating leases

Leases in which the risks and rewards related to the underlying asset are retained by the Company (lessor) are classified as operating leases. Income received under an operating lease is recorded in income by the straight-line method throughout the lease period. Accounts receivable on operating leases relate to amounts due pursuant to the contractual terms. Leases paid in advance are recorded in deferred credits and early collections and are applied to leases as monthly rent payments come due.

ii. Finance leases

Leases in which the risks and rewards related to the underlying asset are transferred to the lessee are classified as finance leases. The lessor will derecognize the underlying asset of its plant, furniture and equipment and recognize an account receivable for the net investment in the lease. The Company will also

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recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Lessee

The Company recognizes, for each of its lease agreements as a lessee, a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the minimum lease and subsequently, the lease payments are distributed between the financial expenses and the reduction of the lease obligations in order to reach a constant base on the remaining balance of the liability. Variable lease payments are recognized in profit or loss in the periods in which they are incurred. Increases to lease payments directly associated to an index or rate will represent a remeasurement of the lease liability.

The right-of-use asset of the leased assets is initially calculated at cost on a present value basis and it is subsequently measured at cost less accumulated depreciation and impairment losses.

The Company chose to apply the IFRS 16 practical expedient, by class of underlying asset, in order to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. This determination involves measuring the lease liability including payments associated with service components.

h. Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company designates for hedging purposes derivatives of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Company documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedge items.

Movements on the hedging reserve in shareholders' equity are shown in note 6. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 6.

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*Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within "Other net, operating income (loss)".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within "Other net, operating income (loss)".

i. Property, furniture and equipment

Property, furniture and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Company are disclosed in note 9. Depreciation expenses are recognized in profit or loss statement during the reporting period in which they are incurred.

The assets' residual value, useful lives and depreciation method are reviewed when the lease operation had finished, and the assets is returned to the Company. In this moment the depreciation method is adjusted with the Company's internal policy, giving the same treatment as another Company's asset, as was described in the previous paragraph.

An item of property, furniture and equipment is written off when it is sold or when it is not expected obtain future economic benefits that derive from the continuous use of the asset. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

j. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

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Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs (see Note 10).

After initial recognition, investment property is carried at cost.

k. Intangible assets

i. Software

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

ii. Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

l. Other assets

Other assets include prepayments, investments in associates under the equity method, advances to suppliers and deferred charges.

Prepayments and advances to suppliers recorded under other assets represent expenditures made by the Company where the risks and rewards of the goods to be acquired or services to be received have not been transferred. Prepayments and advances to suppliers are recorded at cost and presented in the balance sheet as other assets, depending on the item under which they are to be recorded. Prepayments and advances to suppliers in foreign currencies are recognized at the exchange rate in effect at the transaction date, without changes for subsequent fluctuations between currencies. Once the goods and/or services related to prepayments and advances to suppliers are received, they must be recognized as an asset or an expense in the statement of income for the period, depending on their respective nature.

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m. Bank loans

Bank loans are initially recognized at fair value, net of transaction costs incurred. Bank loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

n. Debt securities

Debt securities relate to long-term debt issued to generate working capital (international notes and debt securities). Debt securities are initially recognized at fair value, net of transaction costs incurred. Debt securities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

***Securitization***

Securitization refers to a transaction, whereby certain assets are transferred to a vehicle created for that purpose (usually a trust), in order for the latter to issue debt securities to be placed with public and private investors. Securitizations conducted by the Company failed to meet the conditions set forth in the IFRS to qualify as a transfer of ownership.

Under a financing securitization, the seller records the financing but not the outflow of assets in the balance sheet. Yields generated by financial assets (collection rights over operating lease portfolios) under securitization are recorded in income for the period.

o. Subordinated Perpetual Notes

Subordinated perpetual debentures are recognized at nominal value, based on the contractual value of operations, and are recorded directly in stockholders' equity, including the respective yields.

The subordinated perpetual notes neither specified a date of redemption, nor they could be redeemable at the discretion of the noteholders. Any payment related to these notes is subject to the terms and conditions set forth in the corresponding notes document, and completely discretionary for the Company.



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p. Provisions

Liability provisions represent current obligations for past events where the outflow of economic resources is possible (more likely than not). These provisions have been recorded based on management's best estimation.

q. Income tax

The income tax item in the income statement represents the sum of the current income tax and the deferred income tax.

The amount of income tax that is presented in the income statement represents the current income tax at the end of the reporting period, as well as the effects of deferred income tax determined by the asset and liability method, applying the rate established by tax laws enacted or substantively enacted at the date of the balance sheet where the Company operates and generates taxable income to the total of temporary differences resulting from comparing the accounting and tax values of the assets and liabilities and that are expected to apply when the deferred asset tax is realized or the deferred tax liability is settled, considering, where appropriate, the tax losses to be amortized, previous analysis of their recovery.

The effect due to a change in current tax rates is recognized in the results of the period in which the rate change is determined.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. According to this evaluation, as of March 31, 2019, December 31, 2018 and January 1, 2018, there are no uncertain fiscal positions.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

r. Stockholders' equity

The capital stock, share premium, capital reserve and prior years' income are expressed at modified historical cost.

The net share premium represents the surplus between the payment for subscribed shares and the value of Ps. 3.1250 per share at the date of subscription.

The company does not have any instrument that can dilute the profit per share.

s. Other comprehensive income (OCI)

Comprehensive income (loss) is comprised of the net gain (loss) and the effects from valuation of derivative financial instruments, which is reflected in stockholders' equity and does not constitute capital contributions, reductions and distributions.



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t. Income and costs

Income includes interest income, interest generated by accounts receivable for leasing, changes in the fair value of financial assets and net foreign exchange profits, which are recognized directly in profit or loss.

Interest income is recognized in profit or loss as accrued, using the effective interest method.

Costs include interest expense on loans, changes in the fair value of financial assets, impairment losses on financial assets is recognized directly in profit or loss.

Incremental costs that are directly associated to the acquisition or creation of a financial liability are recognized in profit or loss using the effective interest method.

u. Related parties

The Company carries out transactions with related parties in the regular course of business. Related party transactions are understood to be transactions where related parties owe amounts payable to the Company in relation to deposit transactions or other cash and cash equivalents or loans, credit or discount operations, or revocable or irrevocable discounts granted, and documented through debt securities or agreements, or restructurings, renewals or amendments to existing loans.

v. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

w. Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

ii. Diluted earnings per share

The company does not have any instrument that can dilute the profit per share.

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**Note 3 - Cash and cash equivalents:**

For purposes of the unaudited consolidated statements of cash flows, cash and cash equivalents include cash, banks and short-term deposits. Cash and cash equivalents at the end of the period as shown in the statement of cash flows can be reconciled with the related items in the unaudited consolidated statement of financial position as follows:

	Local currency			Foreign currency restated to pesos			Total		
	March 31, 2019	December 31, 2018	January 1, 2018	March 31, 2019	December 31, 2018	January 1, 2018	March 31, 2019	December 31, 2018	January 1, 2018
Cash	Ps. -	Ps. -	Ps. 23,583	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 23,583
Local and foreign banks	91,373	191,702	107,280	200,577	184,484	66,302	291,950	376,186	173,582
Overnights	<u>3,723,277</u>	<u>3,121,259</u>	<u>1,251,402</u>	<u>784,829</u>	<u>784,829</u>	<u>986,770</u>	<u>4,508,106</u>	<u>3,906,088</u>	<u>2,238,172</u>
Total cash and cash equivalents	<u>Ps.3,814,650</u>	<u>Ps.3,312,961</u>	<u>Ps.1,382,265</u>	<u>Ps.985,406</u>	<u>Ps. 969,313</u>	<u>Ps.1,053,072</u>	<u>Ps.4,800,056</u>	<u>Ps.4,282,274</u>	<u>Ps.2,435,337</u>

The balances of banks in foreign currency as of March 31, 2019, December 31, 2018 and January 1, 2018, correspond to, US 50,848, US 49,312 and US 53,360, respectively, converted at the exchange rate Ps. 19.3793, Ps. 19.6566 and Ps. 19.7354, per dollar respectively.

The Company invests excess cash flow in short-term deposits in banking institutions, these investments are presented as cash equivalents because its maturity is less than 3 days and are subject to an insignificant risk of changes in value. The interest rate earned daily related to these short-term deposits is approximately 7.47%, 7.45% and 6.91% per annum, as of March 31, 2019, December 31, 2018 and January 1, 2018, respectively.

**Note 4 - Loan Portfolio:**

As of March 31, 2019, December 31, 2018 and January 1, 2018, the loan portfolio is classified as shown below:

	March 31, 2019	December 31, 2018	January 1, 2018
<u>Current loan portfolio</u>			
Leasing	Ps. 11,939,315	Ps. 12,990,041	Ps. 8,645,291
Factoring	2,704,858	2,864,023	2,538,801
Car consumer loans	41,347	41,830	58,245
Car commercial loans	853,969	823,309	770,623
Credit	<u>3,495,065</u>	<u>2,758,869</u>	<u>2,626,200</u>
Subtotal current loan portfolio	<u>19,034,554</u>	<u>19,478,072</u>	<u>14,639,160</u>
<u>Non-Current loan portfolio</u>			
Leasing	24,687,909	23,168,172	18,397,089
Car consumer loans	54,802	52,450	70,715
Car commercial loans	1,392,889	962,980	909,539
Credit	<u>1,972,668</u>	<u>1,486,879</u>	<u>1,384,701</u>
Subtotal non-current loan portfolio	<u>28,108,268</u>	<u>25,670,481</u>	<u>20,762,044</u>
Total loan portfolio	<u>47,142,822</u>	<u>45,148,553</u>	<u>35,401,204</u>
Allowance for impairment	<u>1,011,586</u>	<u>952,524</u>	<u>624,752</u>
Loan Portfolio, net	<u>Ps. 46,131,236</u>	<u>Ps.44,196,029</u>	<u>Ps. 34,776,452</u>

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The following is a breakdown of portfolio and reserve balances by stages and days of delay.

Leasing:

Stage	March 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
1	Ps. 29,195,450	Ps. 208,897	0.72%	Ps. 29,555,975	Ps. 213,270	0.72%	Ps. 23,527,497	Ps. 176,951	0.75%
2	5,952,427	216,748	3.64%	5,412,046	245,107	4.53%	2,761,122	203,879	7.38%
3	1,479,347	412,854	27.91%	1,190,192	313,206	26.32%	753,761	175,173	23.24%
	<u>Ps. 36,627,224</u>	<u>Ps. 838,499</u>		<u>Ps. 36,158,213</u>	<u>Ps. 771,583</u>		<u>Ps. 27,042,380</u>	<u>Ps. 556,003</u>	

Factoring

	March 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
Unimpaired	Ps. 2,563,653	Ps. 24,547	0.96%	Ps. 2,716,262	Ps. 24,837	0.91%	Ps. 2,512,451	Ps. 25,726	1.02%
Impaired	141,205	87,275	61.81%	147,761	92,720	62.75%	26,350	2,440	9.26%
	<u>Ps. 2,704,858</u>	<u>Ps. 111,822</u>		<u>Ps. 2,864,023</u>	<u>Ps. 117,557</u>		<u>Ps. 2,538,801</u>	<u>Ps. 28,166</u>	

Car commercial loans

Stage	March 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
1	Ps. 2,213,844	Ps. 11,420	0.52%	Ps. 1,735,325	Ps. 9,623	0.55%	Ps. 1,670,272	Ps. 4,115	0.25%
2	9,716	1,387	14.28%	24,738	3,484	14.08%	6,829	1,253	18.35%
3	23,298	5,340	22.92%	26,226	5,960	22.73%	3,061	702	22.93%
	<u>Ps. 2,246,858</u>	<u>Ps. 18,147</u>		<u>Ps. 1,786,289</u>	<u>Ps. 19,067</u>		<u>Ps. 1,680,162</u>	<u>Ps. 6,070</u>	

Car consumer loans

Stage	March 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
1	Ps. 87,840	Ps. 291	0.33%	Ps. 86,044	Ps. 435	0.51%	Ps. 120,816	Ps. 725	0.60%
2	852	74	8.69%	519	46	8.86%	1,970	168	8.53%
3	7,457	1,709	22.92%	7,717	1,754	22.73%	6,174	1,418	22.97%
	<u>Ps. 96,149</u>	<u>Ps. 2,074</u>		<u>Ps. 94,280</u>	<u>Ps. 2,235</u>		<u>Ps. 128,960</u>	<u>Ps. 2,311</u>	

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Credit

Stage	March 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts	Balance	Allowance for doubtful accounts	% Allowance for doubtful accounts
1	<u>Ps. 5,467,733</u>	Ps. 41,044	0.75%	<u>Ps. 4,245,748</u>	Ps. 42,082	0.99%	<u>Ps. 4,010,901</u>	Ps. 32,202	0.80%

Allowance for impairment

As of March 31, 2019, December 31, 2018 and January 1, 2018, the movements of the allowance recognized in the unaudited consolidated statement of financial position for impairment of leasing, loans to customers and other accounts receivable are shown below:

Leasing

		Impairment Allowance			
		Stage 1	Stage 2	Stage 3	Total
<b>As of January 1, 2018</b>		<b>Ps. 176,951</b>	<b>Ps. 203,879</b>	<b>Ps. 175,173</b>	<b>Ps. 556,003</b>
	Remaining in same stage	- 30,733	- 17,262	- 554	- 48,549
	From Stage 1 to Stage 2	- 102,887	102,887	-	-
	From Stage 1 to Stage 3	- 115,626	-	115,626	-
	From Stage 2 to Stage 1	3,142	- 3,142	-	-
	From Stage 2 to Stage 3	-	- 168,493	168,493	-
	From Stage 3 to Stage 1	3,761	-	- 3,761	-
	From Stage 3 to Stage 2	-	8,991	- 8,991	-
	Originated Financial Assets	114,689	107,854	23,860	246,403
	Financial assets that have been derecognized during the period	163,973	10,393	- 156,640	17,726
<b>As of December 31, 2018</b>		<b>Ps. 213,270</b>	<b>Ps. 245,107</b>	<b>Ps. 313,206</b>	<b>Ps. 771,583</b>
	Remaining in same stage	23	653	- 3,696	- 3,020
	From Stage 1 to Stage 2	- 94,182	94,182	-	-
	From Stage 1 to Stage 3	- 3,026	-	3,026	-
	From Stage 2 to Stage 1	15,259	- 15,259	-	-
	From Stage 2 to Stage 3	-	- 145,774	145,774	-
	From Stage 3 to Stage 1	2,074	-	- 2,074	-
	From Stage 3 to Stage 2	-	8,768	- 8,768	-
	Originated Financial Assets	33,730	3,066	8,960	45,756
	Financial assets that have been derecognized during the period	41,749	26,005	- 43,574	24,180
<b>As of March 31, 2019</b>		<b>Ps. 208,897</b>	<b>Ps. 216,748</b>	<b>Ps. 412,854</b>	<b>Ps. 838,499</b>

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Factoring

	March 31, 2019	Movement	December 31, 2018	Movement	January 1, 2018
Unimpaired	Ps. 24,547	Ps. (290)	Ps. 24,837	(Ps. 889)	Ps. 25,726
Impaired	<u>87,275</u>	<u>(5,445)</u>	<u>92,720</u>	<u>90,280</u>	<u>2,440</u>
	<u>Ps. 111,822</u>	<u>(Ps. 5,735)</u>	<u>Ps. 117,557</u>	<u>Ps. 89,391</u>	<u>Ps. 28,166</u>

Car commercial loans

		Impairment Allowance			
		Stage 1	Stage 2	Stage 3	Total
<b>As of January 1, 2018</b>		<b>Ps. 4,115</b>	<b>Ps. 1,253</b>	<b>Ps. 702</b>	<b>Ps. 6,070</b>
	Remaining in same stage	365	- 111	113	367
	From Stage 1 to Stage 2	- 656	656	-	-
	From Stage 1 to Stage 3	- 4,791	-	4,791	-
	From Stage 2 to Stage 1	12	- 12	-	-
	From Stage 2 to Stage 3	-	- 683	683	-
	From Stage 3 to Stage 1	-	-	-	-
	From Stage 3 to Stage 2	-	-	-	-
	Originated Financial Assets	5,549	2,621	80	8,250
	Financial assets that have been derecognized during the period	5,029	- 240	- 409	4,380
<b>As of December 31, 2018</b>		<b>Ps. 9,623</b>	<b>Ps. 3,484</b>	<b>Ps. 5,960</b>	<b>Ps. 19,067</b>
	Remaining in same stage	387	53	54	494
	From Stage 1 to Stage 2	- 997	997	-	-
	From Stage 1 to Stage 3	- 93	-	93	-
	From Stage 2 to Stage 1	62	- 62	-	-
	From Stage 2 to Stage 3	-	- 197	197	-
	From Stage 3 to Stage 1	3	-	- 3	-
	From Stage 3 to Stage 2	-	20	- 20	-
	Originated Financial Assets	1,701	1	3	1,705
	Financial assets that have been derecognized during the period	734	- 2,909	- 944	- 3,119
<b>As of March 31, 2019</b>		<b>Ps. 11,420</b>	<b>Ps. 1,387</b>	<b>Ps. 5,340</b>	<b>Ps. 18,147</b>

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Car consumer loans

		Impairment Allowance			
		Stage 1	Stage 2	Stage 3	Total
		Ps. 725	Ps. 168	Ps. 1,418	Ps. 2,311
<b>As of January 1, 2018</b>					
Remaining in same stage	-	256	-	30	286
From Stage 1 to Stage 2	-	46	46	-	-
From Stage 1 to Stage 3	-	726	-	726	-
From Stage 2 to Stage 1	1	-	1	-	-
From Stage 2 to Stage 3	-	-	216	216	-
From Stage 3 to Stage 1	5	-	-	6	1
From Stage 3 to Stage 2	-	-	-	-	-
Originated Financial Assets	138	-	-	-	138
Financial assets that have been derecognized during the period	594	49	-	570	73
<b>As of December 31, 2018</b>		<b>Ps. 435</b>	<b>Ps. 46</b>	<b>Ps. 1,754</b>	<b>Ps. 2,235</b>
Remaining in same stage	-	169	4	48	117
From Stage 1 to Stage 2	-	63	61	-	2
From Stage 1 to Stage 3	-	90	-	90	-
From Stage 2 to Stage 1	2	-	2	-	-
From Stage 2 to Stage 3	-	-	54	54	-
From Stage 3 to Stage 1	-	-	-	-	-
From Stage 3 to Stage 2	-	4	-	4	-
Originated Financial Assets	33	-	19	-	52
Financial assets that have been derecognized during the period	143	15	-	252	94
<b>As of March, 31, 2019</b>		<b>Ps. 291</b>	<b>Ps. 74</b>	<b>Ps. 1,709</b>	<b>Ps. 2,074</b>

Credit

	March 31, 2019	Movement	December 31, 2018	Movement	December 31, January 1, 2018
Stage 1	Ps. 41,044	Ps. (1,038)	Ps. 42,082	Ps. 9,881	Ps. 32,201

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Leasing portfolio

The integration of the leasing portfolio denominated in their functional currency, which is the Mexican peso as of March 31, 2019, December 31, 2018 and January 1, 2018, is as follows:

	<u>Minimum payments</u>	<u>Unguaranteed residual value</u>	<u>Financial income to accrue</u>	<u>Allowance for doubtful accounts</u>	<u>Upfront costs</u>	<u>Accounts receivable lease</u>
March 31, 2019	Ps. 37,723,568	Ps. 8,400,754	Ps. (9,209,694)	Ps. (838,499)	Ps. 551,095	Ps. 36,627,224
December 31, 2018	36,479,596	9,545,200	(9,638,749)	(771,583)	543,749	36,158,213
January 1, 2018	28,845,273	7,729,595	(9,449,847)	(556,003)	473,362	27,042,380

As of March 31, 2019, December 31, 2018 and January 1, 2018, accounts receivable from the leases granted support loans received from banking institutions and debt securities.

The lessor has entered into leasing agreements with validity between 4 years average.

Lease agreements

The interest rate inherent to the lease agreements is fixed at the date of the contract considering the duration of the lease contract. The average annual effective interest rate contracted as of March 31, 2019, December 31, 2018 and January 1, 2018, is approximately 20.5%, 20.2%, and 19.4%.

The minimum charges for the next five years, established in the lease contracts are as follows:

	<u>Present value of minimum payments for lease agreements</u>			<u>Future minimum payments of lease agreements</u>		
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
2018	Ps. -	Ps. -	Ps. 9,454,434	Ps. -	Ps. -	Ps. 14,459,401
2019	10,483,725	12,469,607	5,814,242	11,264,420	15,535,579	9,016,719
2020	8,001,741	7,989,931	5,343,612	13,682,191	13,563,940	7,645,486
2021	7,888,025	7,529,600	4,391,901	10,725,990	9,365,364	2,441,882
2022 onwards	<u>10,253,733</u>	<u>8,169,075</u>	<u>2,038,191</u>	<u>10,164,317</u>	<u>7,332,079</u>	<u>2,928,739</u>
Total	<u>Ps. 36,627,224</u>	<u>Ps. 36,158,213</u>	<u>Ps. 27,042,380</u>	<u>Ps. 45,836,918</u>	<u>Ps. 45,796,962</u>	<u>Ps. 36,492,227</u>

Factoring

The interest rate inherent to the factoring agreements is fixed at the date of the contract considering the duration of the factoring contract. The average annual effective interest rate contracted as of March 31, 2019, December 31, 2018 and January 1, 2018, is approximately 22%, 21% and 21%.

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Car loans

The interest rate inherent to the car loans agreements is fixed at the date of the contract considering the duration of the car loans contract. The average annual effective interest rate contracted as of March 31, 2019, December 31, 2018 and January 1, 2018, is approximately 16.9%, 16.9% and 15.7%.

**Note 5 - Fair value disclosures:**

Judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This is the case for all financial derivatives (see Note 6)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the loan portfolio.

Valuation techniques used to value financial instruments include:

- Use of quoted market prices or dealer quotes for similar instruments
- The present value of the estimated future cash flows based on observable yield curves
- Option pricing models (e.g. Black-Scholes model), and
- Discounted cash flow analysis.

The loan portfolio valuation to fair value compared with the portfolio valued to amortized cost is the follow:

<u>March 31, 2019</u>	<u>Amortized cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Leasing	Ps. 35,788,725	Ps. 37,105,798	Ps. 1,317,073
Factoring	2,593,036	2,704,858	111,822
Car Consumer Loans	94,075	88,716	(5,359)
Car Commercial Loans	2,228,711	2,221,244	(7,467)
Credit	<u>5,426,689</u>	<u>5,467,733</u>	<u>41,044</u>
Total	<u>Ps. 46,131,236</u>	<u>Ps. 47,588,349</u>	<u>Ps. 1,457,113</u>



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<u>December 31, 2018</u>	<u>Amortized cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Leasing	Ps. 35,386,630	Ps. 36,188,095	Ps. 801,465
Factoring	2,746,466	2,864,023	117,557
Car Consumer Loans	92,045	91,649	(396)
Car Commercial Loans	1,767,222	1,804,208	36,986
Credit	<u>4,203,666</u>	<u>4,245,748</u>	<u>42,082</u>
Total	<u>Ps. 44,196,029</u>	<u>Ps. 45,193,723</u>	<u>Ps. 997,694</u>
<u>January 1, 2018</u>	<u>Amortized cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Leasing	Ps. 26,486,377	PS. 26,916,001	Ps. 429,624
Factoring	2,510,635	2,538,801	28,166
Car Consumer Loans	126,649	126,588	(61)
Car Commercial Loans	1,674,092	1,678,079	3,987
Credit	<u>3,978,699</u>	<u>4,010,900</u>	<u>32,201</u>
Total	<u>PS. 34,776,452</u>	<u>PS. 35,270,369</u>	<u>Ps. 493,917</u>

**Note 6 - Risk management**

This note explains the Company's exposure to financial risks and how these risks could affect The Company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

<b>Risk</b>	<b>Exposure arising from</b>	<b>Measurement</b>	<b>Management</b>
Market risk – foreign exchange	Future commercial transactions	Conduct stress tests in extreme conditions	Cross-Currency Swaps (CCS) agreements
	Recognized financial assets and liabilities denominated in US dollars currency units (US dollar)	Monitor liquidity	
Market risk – interest rate	Long term debt issued at variable rates	Calculate the value at risk (VaR)	Interest-Rate Swaps (IRS) agreements
		Conduct stress tests in extreme conditions	Interest rate options (CAP)
		Monitor liquidity	Cross-Currency Swaps (CCS) agreements

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Credit risk	Cash and cash equivalents  Loan portfolio- net  Derivative financial instruments	Maturity analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit Investment guidelines for debt investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Company's risk management is predominantly controlled under policies approved by the board of directors. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investment of excess liquidity.

**Derivative Financial Instruments (DFI)**

The Company identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments and non-derivative financial instruments.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for loans and hedged floating rate debt instruments, and instruments at a fixed exchange rate for instruments denominated in foreign currency.

As of March 31, 2019, December 31, 2018 and January 1, 2018, the Company has DFI as follows:

	March 31, 2019	December 31, 2018	January 1, 2018
<b>Current assets</b>			
Cross Currency Swaps – cash flow hedge	Ps. -	Ps. -	Ps. 6,039
Interest rate options – cash flow hedge	33,092	52,205	33,608
Cross Currency Swaps – held for trading	133,010	-	-
Interest rate Swaps – held for trading	-	37,978	43,076
Total current assets of DFI	166,102	90,183	82,723
<b>Non-current assets</b>			
Cross Currency Swap – cash flow hedge	1,917,334	3,017,655	4,150,215
Foreign exchange option contracts (Call Spread) – cash flow hedge	1,509,876	1,523,165	-
Interest rate options – cash flow hedge	5,937	25,684	35,898
Cross Currency Swaps – held for trading	52,804	136,319	-
Interest rate Swaps – held for trading	74,875	58,552	114,374
Total non-current assets of DFI	3,560,826	4,761,375	4,300,487
Total assets of DFI	3,726,928	4,851,558	4,383,210
<b>Current liabilities</b>			
Cross Currency Swaps – cash flow hedge	79,338	4,003	-

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Cross Currency Swaps – held for trading	9,046	520	-
Interest rate Swaps – held for trading	14,822	-	-
Total current liabilities of DFI	103,206	4,523	-
<b>Non-current liabilities</b>			
Cross Currency Swaps – cash flow hedge	33,307	-	-
Interest rate Swaps – held for trading	9,581	-	-
Total non-current liabilities of DFI	42,888	-	-
Total liabilities of DFI	146,094	4,523	-
Net DFI Position	3,580,834	4,847,035	4,383,210

In the period between January 1, 2018 and March 31, 2019, the following DFIs were contracted:

Ten CCS contracts to mitigate the risks of fluctuations in the exchange rate and reference interest rate (TIIE) for the issue of 144A Reg/S international notes in the amount of US\$ 300,000, US\$ 200,000 and US\$ 250,000, as well as the Barclays USD bank loan for US\$ 83,000.

The interest on the liabilities covered by the DFI quarterly and half-yearly accrues interests. The valuation effects of these payments between the value set in the contracts and the market variable at the date of payment are recognized in the income statement.

As of March 31, 2019, December 31, 2018 and January 31, 2018, the Company has not granted cash nor financial assets as collateral for liabilities resulting from derivatives.

The Company's exposure to the foreign exchange risk at the end of the period:

<b>Risk Exposure / Hedging instrument</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Market risk - exchange rate			
Cross Currency Swaps	Ps. 2,034,034	Ps. 3,202,029	Ps. 4,208,831
Foreign exchange options (FX Call)	1,509,876	1,523,165	-
Total	Ps. 3,543,910	Ps. 4,725,194	Ps. 4,208,831

<b>Risk Exposure / Hedged item</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Market risk - exchange rate			
Foreign currency bank loans	Ps. 5,305,082	Ps. 4,964,849	Ps. 3,899,759
International debt in foreign currency	21,190,816	21,938,653	15,943,593
Total	Ps. 26,495,898	Ps. 26,903,502	Ps. 19,843,352

The sensitivity of the results to changes in exchange rates arises mainly from financial instruments denominated in US Dollar and the impact on other components of net capital arises from derivative contracts of foreign currency designated as cash flow hedges:

<b>March 31, 2019</b>	<b>Increase</b>	<b>Increase</b>	<b>Decrease</b>	<b>Decrease</b>
Market risk - exchange rate	<b>+8%</b>	<b>+4%</b>	<b>-4%</b>	<b>-8%</b>
Cross Currency Swaps	Ps. (1,895,559)	Ps. (947,780)	Ps. 947,780	Ps. 1,895,559
Foreign exchange options	(274,082)	(142,045)	150,667	308,027
Total	Ps. (2,169,641)	Ps. (1,089,825)	Ps. 1,098,447	Ps. 2,203,586

<b>March 31, 2019</b>	<b>Increase</b>	<b>Increase</b>	<b>Decrease</b>	<b>Decrease</b>
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Market risk - exchange rate	8%	4%	-4%	-8%
International debt in foreign currency	Ps. -1,695,265	Ps. -847,633	Ps. 847,633	Ps. 1,695,265
Foreign currency bank loans	-424,407	-212,203	212,203	424,407
Total	Ps. -2,119,672	Ps. -1,059,836	Ps. 1,059,836	Ps. 2,119,672

The Company's main interest rate risk arises from long-term debt with variable rates, which exposes to cash flow interest rate risk. During the periods ended as of March 31, 2019, December 31, 2018, and January 1, 2018, variable rate loans were denominated mainly in Mexican pesos and USD Dollars.

The exposure of debt to changes in interest rates and the contractual revaluation dates of the loans at the end of the reporting period is shown below:

	March 31, 2019	% of total loans	December 31, 2018	% of total loans	January 1, 2018	% of total loans
Variable rates loans						
< 1 year	Ps. 14,047,096	49.08%	Ps. 2,322,543	13.21%	Ps. 431,036	1.53%
1-3 years	3,344,335	11.69%	2,910,666	16.55%	4,130,359	14.66%
3-5 years	647,729	2.26%	807,995	4.59%	8,742,139	31.03%
5 – 10 years	-	0.00%	-	0.00%	191,379	0.68%
Variable rate other (CEBURES)						
< 1 year	3,257,057	11.38%	1,910,058	10.86%	2,208,488	7.84%
1-3 years	6,505,774	22.73%	8,032,586	45.68%	8,074,931	28.66%
3-5 years	818,402	2.86%	1,602,054	9.11%	4,393,971	15.60%
5 – 10 years	-	0.00%	-	0.00%	-	0.00%
Total	Ps. 28,620,393	100.00%	Ps. 17,585,902	100.00%	Ps. 28,172,303	100.00%

Risk Exposure	March 31, 2019	December 31, 2018	January 1, 2018
Market risk - interest rate			
Cross currency swaps	Ps. 1,981,457	Ps. 3,149,451	Ps. 4,156,254
Interest rate options	39,029	77,889	69,506
Interest rate swaps	50,472	96,530	157,450
Foreign exchange options	1,509,876	1,523,165	
Total	Ps. 3,580,834	Ps. 4,847,035	Ps. 4,383,210

The profit or loss is sensitive to higher or lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of capital change as a result of an increase / decrease in the fair value of the cash flow hedges of the loans, and the fair value of debt investments through other comprehensive income.

March 31, 2019	Increase 50pb	Increase 25pb	Decrease -25pb	Decrease -50pb
Market risk - Interest rate				
Cross currency swaps	Ps. 94,849	Ps. 47,970	Ps. (51,027)	Ps. (103,296)
Interest rate options	(19,771)	(9,771)	9,405	18,236
Exchange rate options	59,386	30,501	(29,698)	(61,072)

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Interest rate swaps	(37,541)	(18,861)	19,044	38,273
Total	Ps. 96,922	Ps. 49,839	Ps. (52,275)	Ps. (107,860)

Credit risk is managed at the level of the whole Company. Regarding to banks and institutions, financial institutions are only accepted if their risk ratings are at least "A".

The liquidity risk management involves maintaining sufficient cash and negotiable instruments, and the availability of financing through an adequate amount of credit facilities to meet obligations at maturity and liquidate market positions.

The tables shown below analyze the financial liabilities in expiration buckets according to their contractual maturities; derivatives show only the ones with a net liability as of March 31, 2019.

March 31, 2019	< 1 year	1-3 years	3-5 years	5 - 10 years	Contractual cash flows
National currency bank loans	Ps. (10,122,553)	Ps. (2,204,045)	Ps. (647,729)	Ps. -	Ps. (12,974,326)
Foreign currency bank loans	(3,924,544)	(1,140,290)	-	-	(5,064,834)
Cebures at a fixed rate	(577,234)	(3,559,522)	(352,013)	-	(4,488,768)
Cebures at a variable rate	(3,257,057)	(6,505,774)	(818,402)	-	(10,581,233)
Foreign currency international debt	(1,326,170)	(3,215,531)	(10,966,060)	(16,015,558)	(31,523,318)
Total debt	Ps. (19,207,558)	Ps. (16,625,162)	Ps. (12,784,204)	Ps. (16,015,558)	Ps. (64,632,479)

Cross currency swaps	(741,947)	(301,254)	-	-	(1,043,201)
Total derivatives	Ps. (741,947)	Ps. (301,254)	Ps. -	Ps. -	Ps. (1,043,201)

The amounts presented in the table correspond to the undiscounted cash flows.

**Financial liabilities**

Instrument	Notional Amount	Currency	Initial Date	Maturity Date	Agreed rate/ Agreed Exchange rate	March 31, 2019	March 31, 2019
						Fair Value MXN (for information purposes)	Amortized Cost MXN
National currency bank loans	12,473,910	MXN	Mar '17	Mar '23	TIIE + 2.2%	Ps. 12,479,229	Ps. 12,422,847
Cebures at a fixed rate	3,750,000	MXN	Apr '17	Sep '22	9.50%	3,722,662	3,678,728
Cebures at a variable rate	9,750,000	MXN	Dec '16	Sep '21	TIIE + 2.1%	9,007,638	8,973,266
Total MXN						Ps. 25,209,529	Ps. 25,074,841

Instrument	Notional Amount	Currency	Initial Date	Maturity Date	Agreed rate/ Agreed Exchange rate	March 31, 2019	March 31, 2019
						Fair Value USD (for information purposes)	Amortized Cost USD
Foreign currency bank loans	294,000	USD	Dec '17	Dec '20	LIBOR + 4.5%	Ps. 275,450	Ps. 273,750
Foreign currency international debt	1,150,000	USD	May '15	Jan '25	7.25%	1,114,995	1,093,477

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Total USD	1,351,809	1,327,610
Total MXN	26,945,847	26,495,898
Gran Total MXN	Ps. 52,155,376	Ps. 51,570,739

**Hedge accounting**

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss, giving rise to an economic coverage. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

**Coverage relationships description**

The Company is exposed to currency risk in foreign currency, mainly with regard to the dollar in its 144 Reg / S international notes issuance of US\$ 750,000 and to bank loans in foreign currency. The foreign exchange risk arises from this type of transactions which recognizes liabilities denominated in a foreign currency.

The purpose of hedging foreign exchange risk is to minimize the volatility of the exchange rate in cash flows of interest payments in dollars.

The risk management policy is to hedge 100% of expected cash flows from financial liabilities using a combination of foreign currency options and currency and foreign exchange swaps to hedge its exposure to foreign currency risk.

The Company designates the spot and forward component of the foreign currency derivatives in the hedging relationships; as well as, the extrinsic value of the foreign currency options and interest rate options.

During the periods ended as of March 31, 2019, December 31, 2018 and January 1, 2018, the movements of the valuation effects recognized in stockholders' equity by valuation of derivative financial instruments, segmented by type of instrument, are detailed below:

	Currency and rate swaps	Foreign exchange options (Callspread)	Interest rate options (CAP)	Total
Initial balance as of January 1, 2018	4,091,305	-	82,197	4,173,502
Change in the fair value of the hedging instrument recognized in OCI	570,326	289,214	(2,664)	856,876
Reclassified from OCI to profit and loss	(576,879)	-	52,237	(524,642)
Deferred income tax	-	-	-	-
Final balance as of December 31, 2018	Ps.4,034,174	Ps.289,214	Ps.131,770	Ps. 4,455,158
Change in the fair value of the hedging instrument recognized in OCI for the year	(1,388,120)	171,431	(38,455)	(1,114,414)
Reclassified from OCI to profit and loss	552,267	-	120,148	672,415
Deferred income tax	-	-	-	-
Final balance as of March 31, 2019	Ps.3,339,051	Ps.460,645	Ps.213,463	Ps. 4,013,159

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Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The hedging relationship must be evaluated from the beginning and during all subsequent phases, as the minimum evaluation period, through the sum of the discounted flows, taking into consideration the current and future market conditions that affect the valuation. The objective is to mitigate the exchange risk and interest exposure where the Company is exposed in the funding of assets, in order to provide viability and certainty to the leasing, factoring and credit operations carried out by the Company, ensuring effective control of the financial hedge portfolio.

The Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. Therefore, the Company performs a qualitative assessment of effectiveness. As all the critical terms matched during the year, the economic relationship was close to 100% effective.

As of March 31, 2019, December 31, 2018 and January 1, 2018, results confirm that hedge effectiveness is highly effective given that changes in fair value and in cash flows are compensated within the Company's established range.

**Amounts recognized in profit or loss**

During the period, the following amounts were recognized in profit and loss in relation to foreign currency transactions and interest rate derivatives:

	March 31, 2019	December 31, 2018	March 31, 2018	January 1, 2018
Net foreign exchange gain (loss) included in other income / (loss)	59,405	71,617	(55,933)	106,992
Foreign exchange (loss) from loans in foreign currency included in financial costs	(1,888)	146,427	120,543	(105,312)
Total net foreign exchange gain (loss) recognized in income before tax for the period	57,517	218,044	64,610	1,680
Net gain / (loss) in foreign currency forwards that do not qualify as hedges included in other income / (loss)	113,926	197,539	25,639	185,615

**Covenants:**

Certain of our loan agreements contain a number of covenants requiring us to comply with certain financial ratios and other tests. As of March 31, 2019, the main restrictive financial covenants under these loan agreements require us to maintain the following ratios:

- Capitalization Ratio (total stockholders' equity / total assets):  $\geq 9.5\%$
- Capitalization Ratio (total stockholders' equity / total loan portfolio, including off-balance sheet loans):  $\geq 10.0\%$



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- Consolidated Leverage Ratio (total financial liabilities, excluding securitizations and the Perpetual Notes / total stockholders' equity):  $\leq 7$  times
- Non-performing Loans (non-performing loans, plus future rentals / total loan portfolio, including off-balance sheet loans):  $\leq 9.0\%$
- Non-performing Loans (non-performing loans / total loan portfolio, including off-balance sheet accounts):  $\leq 4.0\%$
- Non-performing Loan Portfolio Coverage Ratio (loan loss reserves / total non-performing loans portfolio):  $\geq 1$
- Debt Coverage Ratio (cash and cash equivalents plus net loan portfolio / total indebtedness, excluding securitizations and the Perpetual Notes):  $\geq 1$  time

In addition, the instruments governing our debt, including the indentures governing our 2023 Senior Notes, 2025 Senior Notes and 2026 Senior Notes, contain covenants restricting our and our subsidiaries' ability to, among other things incur additional debt, make certain dividend payments, redeem capital stock and make certain investments, transfer and sell assets, engage in lease securitizations and receivables transactions for less than fair market value, enter into agreements that would limit the ability of subsidiaries to pay dividends or make distributions, create liens, effect a consolidation, merger or sale of assets and enter into transactions with affiliates, each subject to certain conditions and/or exclusions. These debt instruments also contain customary events of default.

As of March 31, 2019, the Company is in compliance with all of the covenants under our loans and debt instruments. See Note 20 for subsequent events.

**Note 7 - Other assets:**

As of March 31, 2019, December 31, 2018 and January 1, 2018, other assets are comprised as follows:

	March 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Other current assets			
Advance to suppliers	Ps. 525,758	Ps. 428,095	Ps. 7,089
Prepaid expenses	<u>128,429</u>	<u>128,465</u>	<u>91,680</u>
Total other current assets	<u>654,187</u>	<u>556,560</u>	<u>98,769</u>
Other non-current assets			
Investments in associates	<u>86,108</u>	<u>75,441</u>	<u>49,541</u>
Total other non-current assets	<u>86,108</u>	<u>75,441</u>	<u>49,541</u>
Total	<u>Ps. 740,295</u>	<u>Ps. 632,001</u>	<u>Ps. 148,310</u>

The investments in associates as of March 31, 2019, December 31, 2018 and January 1, 2018, over which the Company has no control, are comprised as follows:



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	March 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Operadora de Arrendamiento Puro, S. A. de C. V.	Ps. 668	Ps. 668	Ps. 668
Bosque Real, S. A. de C. V.	1,408	1,408	1,408
Club de Empresarios Bosques, S. A. de C. V.	305	305	305
Unión de Crédito para la Contaduría Pública, S. A. de C. V.	1,299	1,299	1,299
Unifin Agente de Seguros y Fianzas, S. A. de C. V.	<u>82,428</u>	<u>71,761</u>	<u>45,861</u>
Total	<u>Ps. 86,108</u>	<u>Ps. 75,441</u>	<u>Ps. 49,541</u>

**Note 8 - Assets held for sale:**

As of March 31, 2019, December 31, 2018 and January 1, 2018, assets held for sale refers to foreclosed assets and are comprised as follows:

	March 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Assets held for sale:			
Property	Ps. 945,976	Ps. 829,968	Ps. 590,069
Transportation equipment	2,675	1,548	687
Allowance for impairment	<u>(2,759)</u>	<u>(544)</u>	<u>-</u>
Total	<u>Ps. 945,892</u>	<u>Ps. 830,972</u>	<u>Ps. 590,756</u>

Following are the movements in the allowance for impairment of assets held for sale:

	March 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Balances at beginning of year	Ps. (544)	Ps. -	Ps. -
Increases	<u>(2,215)</u>	<u>(544)</u>	<u>-</u>
Balances at year end	<u>(Ps. 2,759)</u>	<u>(Ps. 544)</u>	<u>Ps. -</u>

On the periods ended as of March 31, 2019, December 31, 2018 and January 1, 2018, the Company recognized increases in the allowance for impairment of assets held for sale reserve of Ps. 2,759, Ps. 544 and Ps. 0, respectively, in accordance with the policy in place. Additionally, no cancellations were made in the allowance reserve in those years.

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**Note 9 - Property, furniture and equipment:**

As of March 31, 2019, December 31, 2018 and January 1, 2018; property, furniture and equipment were comprised as follows:

	Building	Transportation equipment	Computer equipment	Furniture and equipment	Other	Lease hold Improvements	Total
Net initial balance in books							
As of January 1, 2018,	Ps. 439,384	Ps. 339,922	Ps. 42,280	Ps. 47,641	Ps.15,087	Ps.119,715	Ps. 1,004,029
Accumulated depreciation	<u>(20,386)</u>	<u>(48,905)</u>	<u>(25,978)</u>	<u>(28,444)</u>	<u>(7,130)</u>	<u>(28,213)</u>	<u>(159,056)</u>
Net book amount	<u>Ps. 418,998</u>	<u>Ps. 291,017</u>	<u>Ps. 16,302</u>	<u>Ps. 19,197</u>	<u>Ps. 7,957</u>	<u>Ps. 91,502</u>	<u>Ps. 844,973</u>
Leased asset							
Cost	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 21,070	Ps. -	Ps. 21,070
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,920)</u>	<u>-</u>	<u>(5,920)</u>
Net book amount	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. 15,150</u>	<u>Ps. -</u>	<u>Ps. 15,150</u>
Cost	Ps. 439,384	Ps. 339,922	Ps. 42,280	Ps. 47,641	Ps.36,157	Ps.119,715	Ps.1,025,099
Accumulated depreciation	<u>(20,386)</u>	<u>(48,905)</u>	<u>(25,978)</u>	<u>(28,444)</u>	<u>(13,050)</u>	<u>(28,213)</u>	<u>(164,976)</u>
Net initial balance in books							
As of January 1, 2018,	<u>Ps. 418,998</u>	<u>Ps. 291,018</u>	<u>Ps. 16,302</u>	<u>Ps. 19,197</u>	<u>Ps.23,105</u>	<u>Ps. 91,502</u>	<u>Ps. 860,123</u>
Year ended December 31, 2018							
Opening net book amount	Ps. 418,998	Ps. 291,017	Ps. 16,302	Ps. 19,197	Ps. 23,107	Ps. 91,502	Ps. 860,123
Additions	3,321	23,960	5,832	1,314	-	-	34,427
Disposals	(180,382)	(7,132)	(5,415)	(8,246)	(1,339)	(6,942)	(209,456)
Depreciation charges	<u>(333)</u>	<u>(3,286)</u>	<u>(6,042)</u>	<u>(4,526)</u>	<u>(1,246)</u>	<u>(7,714)</u>	<u>(23,147)</u>
Net book amount	<u>Ps. 241,604</u>	<u>Ps. 304,560</u>	<u>Ps. 10,677</u>	<u>Ps. 7,739</u>	<u>Ps. 20,522</u>	<u>Ps. 76,846</u>	<u>Ps. 661,947</u>
Leased asset							
Additions	Ps. -	Ps. -	Ps. -	Ps. -	Ps.280,280	Ps. -	Ps. 280,280
Depreciation charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,818)</u>	<u>-</u>	<u>(45,818)</u>
Net book amount	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. 234,462</u>	<u>Ps. -</u>	<u>Ps. 234,462</u>
Cost	Ps. 262,323	Ps. 356,750	Ps. 42,697	Ps. 40,709	Ps.315,098	Ps.112,773	Ps. 1,130,350
Accumulated depreciation	<u>(20,719)</u>	<u>(52,190)</u>	<u>(32,020)</u>	<u>(32,970)</u>	<u>(60,114)</u>	<u>(35,927)</u>	<u>(233,941)</u>
Net Book Value							
As of December 31, 2018,	<u>Ps. 241,604</u>	<u>Ps. 304,560</u>	<u>Ps. 10,677</u>	<u>Ps. 7,739</u>	<u>Ps.254,984</u>	<u>Ps. 76,846</u>	<u>Ps. 896,409</u>
Period ended March 31, 2019							
Opening net book amount	Ps. 241,604	Ps. 304,559	Ps. 10,677	Ps. 7,739	Ps.254,984	Ps. 76,846	Ps. 896,409
Additions	-	5,087	1,822	1,708	-	-	8,617
Disposals	(14,824)	(1,418)	-	-	-	-	(16,242)
Depreciation charges	<u>(80)</u>	<u>(3,861)</u>	<u>(1,991)</u>	<u>(2,209)</u>	<u>(1,614)</u>	<u>(1,723)</u>	<u>(11,478)</u>
Net book amount	<u>Ps. 226,700</u>	<u>Ps. 304,367</u>	<u>Ps. 10,508</u>	<u>Ps. 7,238</u>	<u>Ps.253,370</u>	<u>Ps. 75,123</u>	<u>Ps. 877,306</u>
Leased asset							
Additions	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
Depreciation charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,283)</u>	<u>-</u>	<u>(13,283)</u>
Net book amount	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. -</u>	<u>Ps. (13,283)</u>	<u>Ps. -</u>	<u>Ps. (13,283)</u>
Cost	Ps. 247,499	Ps. 360,419	Ps. 44,519	Ps. 42,417	Ps.315,098	Ps.112,773	Ps. 1,122,725
Accumulated depreciation	<u>(20,799)</u>	<u>(56,052)</u>	<u>(34,011)</u>	<u>(35,179)</u>	<u>(75,011)</u>	<u>(37,650)</u>	<u>(258,702)</u>
Net Book Value							
As of March 31, 2019,	<u>Ps. 226,700</u>	<u>Ps. 304,367</u>	<u>Ps. 10,508</u>	<u>Ps. 7,238</u>	<u>Ps.240,087</u>	<u>Ps. 75,123</u>	<u>Ps. 864,023</u>

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(i) Impairment loss

Property, machinery and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As of March 31, 2019, December 31, 2018 and March 31, 2018 there were no signs of impairment identify so there was no impairment test done. In case of impairment, the whole amount is recognized as administrative expense in profit or loss.

(ii) Depreciation methods and useful lives

Property, machinery and equipment is recognized at historical cost less accumulated depreciation and any accumulated impairment losses if applicable.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives of each component of the depreciable asset. Leasehold improvements are amortized based on the lease term.

Depreciation and amortization recorded in income as of March 31, 2019, December 31, 2018 and March 31, 2018 amounted to Ps.28,730, Ps.33,758 and Ps.27,953, respectively.

The useful lives used in the calculation of depreciation of the main groups of assets are shown below:

	<u>Years</u>
Building	20
Lease hold improvements	5
Transportation Equipment	5
Computer Equipment	5
Furniture and office equipment	5
Others	5

(iii) Property, furniture and equipment as lessee.

The movements of the Company's liabilities leases as lessee are shown below:

	December 31, 2018	Increase	Decrease	Interest	Payment	Currency exchange	March 31, 2019
Liability leases	Ps. 266,629	Ps. 0	Ps. 0	Ps. 2,217	(Ps. 15,197)	(Ps. 3,516)	Ps. 250,133

	January 1, 2018	Increase	Decrease	Interest	Payment	Currency exchange	December 31, 2018
Liability leases	Ps. 15,688	Ps. 280,280	Ps. 0	Ps. 7,992	(Ps. 50,573)	(Ps. 13,242)	Ps. 266,629

The property, furniture and equipment as lessee is booked as fix asset in Property, furniture and equipment for the use right and in other account payables for the minimum lease payment for the lease.

**Note 10 - Investment properties**

Investment properties include an industrial building that is leased to a third party. The lease is for a non-cancelable period of five years and subsequent renovations are negotiated with the lessee. Investment properties are measured according to the cost model.

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As of March 31, 2019, December 31, 2018 and January 1, 2018, the Company has not carried out any additions, disposals and transfers of investment properties.

	March 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Investment properties	Ps.170,000	Ps.170,000	Ps.170,000
Accumulated depreciation	<u>(1,806)</u>	<u>(1,700)</u>	<u>(1,275)</u>
Total	<u>Ps.168,194</u>	<u>Ps.168,300</u>	<u>Ps.168,725</u>

Minimum lease payments to be accrued for the lease of the industrial building are Ps. 20,400, Ps. 19,200 and Ps. 14,400, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

The amounts recognized in income associated with the industrial building are the following:

	March 31, <u>2019</u>	December 31, <u>2018</u>	March 31, <u>2018</u>
Operating lease income	Ps. 4,800	Ps. 19,200	Ps. 4,800
Depreciation of investment properties	<u>(425)</u>	<u>(1,700)</u>	<u>(425)</u>
Total	<u>Ps. 4,375</u>	<u>Ps. 17,500</u>	<u>Ps. 4,375</u>

**Note 11 - Intangible assets**

Intangible assets consist of capitalized development costs of Software that are internally generated. As of March 31, 2019, December 31, 2018 and January 1, 2018, the intangible assets were integrated as follows:

Non-current assets	<u>Software</u>
Opening book amount as of January 1, 2018	Ps. 77,827
Additions – internal development	<u>43,280</u>
Closing book amount as of December 31, 2018	<u>Ps.121,107</u>
Opening book amount as of January 1, 2019	Ps.121,107
Additions – internal development	<u>-</u>
Closing book amount as of March 31, 2019	<u>Ps.121,107</u>

The Company is researching new software that could replace the current subledger named UNICS. It has incurred research and development expenses as of March 31, 2019, December 31, 2018 and January 1, 2018 of Ps. 0, Ps. 43,280 and Ps. 77,827, respectively, which are included in general administrative expenses in the statement of comprehensive income.

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**Note 12 - Bank loans:**

As of March 31, 2019, December 31, 2018 and January 1, 2018, bank loans were as follows:

March 31, 2019									
Entities	Credit line	Currency	Principal	Interest accrued payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current									
Nacional financiera	Ps. 2,500,000	MXN	Ps. 2,500,000	Ps.11,694	(Ps.12,781)	Ps. 2,498,913	Variable	Jun '19	Unsecured
Banamex	1,000,000	MXN	1,000,000	959	-	1,000,959	Variable	Mar '20	Lease portfolio
Banamex	2,000,000	MXN	1,800,000	1,581	-	1,801,581	Variable	Jul '19	Unsecured
Scotiabank	2,250,000	MXN	1,674,796	7,031	-	1,681,827	Variable	Jan '20	Lease portfolio
Banamex USD	387,586	USD	387,586	4,803	-	392,389	Variable	Apr '19	Unsecured
Bancomext	1,000,000	MXN	355,876	117	(219)	355,774	Variable	Nov '19	Lease portfolio
Santander	1,000,000	MXN	1,000,000	5,622	(7,917)	997,705	Variable	Nov '19	Lease portfolio
Bladex USD	2,880,318	USD	1,181,902	10,179	(35,564)	1,156,517	Variable	Dec '19	Unsecured
HSBC	1,000,000	MXN	1,000,000	5,067	-	1,005,067	Variable	Jun '19	Unsecured
Barclays	2,338,476	USD	775,172	6,035	(20,579)	760,628	Variable	Mar '20	Unsecured
Total	<u>Ps.16,356,380</u>		<u>Ps.11,675,332</u>	<u>Ps. 53,088</u>	<u>(Ps.77,060)</u>	<u>Ps.11,651,360</u>			
Non-Current									
Bladex USD		USD	Ps. 1,387,066			Ps. 1,387,066	Variable	Dec '20	Unsecured
Barclays		USD	1,608,482			1,608,482	Variable	Aug '21	Unsecured
Scotiabank		MXN	301,920			301,920	Variable	Aug '21	Lease portfolio
Bancomext		MXN	580,164			580,164	Variable	Dec '23	Lease portfolio
Total			<u>Ps. 3,877,632</u>			<u>Ps. 3,877,632</u>			

At March 31, 2019 the interest effective rate for Bladex, Barclays is incremented by 44 pbs and 60 pbs respectively.

December 31, 2018									
Entities	Credit line	Currency	Principal	Interest accrued payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current									
Nacional financiera	Ps. 2,500,000	MXN	Ps. 2,500,000	Ps.16,568	Ps.(12,781)	Ps. 2,503,787	Variable	Apr '19	Unsecured
Banamex	2,500,000	MXN	2,500,000	23,078		2,523,078	Variable	Jun '19	Lease portfolio
Scotiabank	1,250,000	MXN	190,685	675		191,360	Variable	Nov '19	Lease portfolio
Banamex USD	393,132	USD	393,132	2,174		395,306	Variable	Jan '19	Lease portfolio
Bancomext	1,000,000	MXN	349,414	5,976	(198)	355,192	Variable	Nov '19	Lease portfolio
Santander	1,000,000	MXN	900,005	4,853	(7,917)	896,941	Variable	Mar '19	Lease portfolio
Bladex USD	2,977,974	USD	1,566,046	10,179	(35,564)	1,540,661	Variable	Mar '19	Unsecured
Barclays	1,631,498	USD		6,035	(20,579)	(14,544)	Variable	Aug '21	Unsecured
Total	<u>Ps.13,252,604</u>		<u>Ps. 8,399,282</u>	<u>Ps.69,538</u>	<u>Ps. 77,039</u>	<u>Ps. 8,391,781</u>			
Non-Current									
Bladex USD		USD	Ps. 1,411,928			Ps. 1,411,928	Variable	Dec '20	Unsecured
Barclays		USD	1,631,498			1,631,498	Variable	Aug '21	Unsecured
Scotiabank		MXN	333,701			333,701	Variable	Sep '21	Lease portfolio
Bancomext		MXN	627,003			627,003	Variable	Dec '23	Lease portfolio
Total			<u>Ps. 4,004,130</u>			<u>Ps. 4,004,130</u>			

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At December 31, 2018 the interest effective rate for Bladex, Barclays is incremented by 44 pbs and 60 pbs respectively.

January 1, 2018									
Entities	Credit line	Currency	Principal	Interest accrued payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current									
Nacional Financiera	Ps. 2,500,000	MXN	Ps. 2,500,000	Ps. 10,844	Ps. -	Ps. 2,510,844	Variable	Apr '18	Unsecured
Banamex USD	394,708	USD	394,708	1,820	-	396,528	Variable	Jan '18	Unsecured
Barclays USD	296,031	USD	296,031	2,497	-	298,528	Variable	Dec '18	Unsecured
Actinver	300,000	MXN	300,000	1,734	-	301,734	Variable	Jul '18	Lease portfolio
Scotiabank	750,000	MXN	322,561	2,586	-	325,147	Variable	Jul '18	Unsecured
Multivalores	300,000	MXN	200,000	1,328	-	201,328	Variable	Feb '18	Factoring portfolio
Bancomext	500,000	MXN	170,109	488	(8,720)	161,877	Variable	Nov '18	Lease portfolio
Invex	100,000	MXN	5,265	21	-	5,286	Variable	May '18	Excess in guaranteed stock
Banco del Bajío	175,000	MXN	39,084	278	-	39,362	Variable	Nov '18	Lease portfolio
Bladex USD	2,989,913	USD	8,718	8,718	-	17,436	Variable	Jun '19	Unsecured
Total	<u>Ps. 8,305,652</u>		<u>Ps. 4,236,476</u>	<u>Ps. 30,314</u>	<u>Ps. (8,720)</u>	<u>Ps. 4,258,070</u>			
Non-Current									
Bladex USD		USD	Ps. 2,989,913			Ps. 2,989,913	Variable	Jun '19	Unsecured
Barclays USD		USD	197,354			197,354	Variable	Jun '19	Unsecured
Scotiabank		MXN	404,897			404,897	Variable	Jun '20	Lease portfolio
Bancomext		MXN	211,545			211,545	Variable	Nov '20	Lease portfolio
Banco del Bajío		MXN	76,993			76,993	Variable	Aug '21	Lease portfolio
Total			<u>Ps. 3,880,702</u>			<u>Ps. 3,880,702</u>			

At January 1, 2018 the interest effective rate for the bank loans is the same that the nominal rate.

For the periods ended as of March 31, 2019, December 31, 2018 and March 31, 2018, interest charged to expense from bank loans was Ps. 366,543, Ps. 820,017 and Ps. 146,160, respectively.

The unused amounts of the lines of credit received by the Company are as follows:

	March 31, 2019	December 31, 2018	January 1, 2018
Banorte	Ps. 1,500,000	Ps. 1,500,000	Ps. 1,000,000
Scotiabank	273,284	725,613	522,542
Banco del Bajío	175,000	175,000	58,923
Santander	-	99,995	1,000,000
Bancomext	63,961	23,583	118,346
Multiva	-	-	100,000
Interacciones	-	-	118,000
CIBanco	-	-	200,000
Banamex	200,000	-	1,500,000
Total	<u>Ps. 2,212,245</u>	<u>Ps. 2,524,191</u>	<u>Ps. 4,617,811</u>

As of March 31, 2019, December 31, 2018 and January 1, 2018, the Company in compliance with all restrictive financial covenants to do and not do (see note 6 "risk management" for more detail).

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**Note 13 - Debt securities and senior notes:**

Debt securities as of March 31, 2019, December 31, 2018 and January 1, 2018, are integrated as follows:

	March 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Short term:			
Senior notes (accrued interest)	Ps. 125,310	Ps. 664,765	Ps. 503,832
Debt certificate program:			
Stock structure (accrued interest)	43,480	46,713	55,408
Private stock structure (accrued interest)	6,698	6,615	5,556
Stock structure	<u>2,654,367</u>	<u>2,206,142</u>	<u>522,369</u>
Total	<u>2,704,545</u>	<u>2,259,470</u>	<u>583,333</u>
Total short term	<u>2,829,855</u>	<u>2,924,235</u>	<u>1,087,165</u>
Long term:			
Senior notes	<u>21,065,506</u>	<u>21,273,888</u>	<u>15,439,761</u>
Debt certificate program:			
Stock structure	9,997,627	11,003,740	14,810,345
Private stock structure	<u>2,192,239</u>	<u>2,154,994</u>	<u>2,159,406</u>
Total	<u>12,189,866</u>	<u>13,158,734</u>	<u>16,969,751</u>
Total long term	<u>33,255,372</u>	<u>34,432,622</u>	<u>32,409,512</u>
Total debt securities and senior notes	<u>Ps. 36,085,227</u>	<u>Ps. 37,356,857</u>	<u>Ps. 33,496,677</u>

The Company's exposure to various risks associated with the financial instruments is discussed in Note 7 (Derivative Financial Instruments).

i. Senior Notes:

- a. On February 8, 2018, the Company concluded a private offering and placement of debt securities in the form of senior notes in the US and other foreign markets, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made:

- Amount issued: US\$ 300,000,000.
- Agreed annual rate: 7.00%.
- Payable at maturity: 8 years (maturing in February 2026).
- Interest payable in six-month periods over the term of the Bond.
- Place of issuance of the bond listing: Luxemburg Stock Exchange.
- Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings and HR Ratings).
- Guarantors: Unifin Credit and Unifin Autos.

- b. On May 15, 2017, the Company issued a number of International Notes through a private offering, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in



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the countries in which the offering was made. The main features of the international notes issued are as follows:

- \* Amount issued: US\$ 450,000,000.
- \* Agreed annual rate: 7.0%.
- \* Payable at maturity: 7.8 years (maturing in January 2025).
- \* Interest payable semi-annually during the term of the Notes.
- \* Place of issuance of the bond listing: Luxemburg Stock Exchange.
- \* Granted Ratings: BB / BB (Standard & Poor's and Fitch Ratings).
- \* Guarantors: Unifin Credit and Unifin Autos.

- c. On Sep 22, 2016, the Company issued a number of International Notes through a private offering, further to rule 144 A and Regulation S of the US Securities Act of 1933 and the regulations applicable in the countries in which the offering was made. The main features of the international notes issued are as follows:

- \* Amount issued: US\$ 400,000,000.
- \* Agreed annual rate: 7.25%.
- \* Payable at maturity: 7 years (maturing in sept 2023).
- \* Interest payable semi-annually during the term of the Notes.
- \* Place of issuance of the bond listing: Luxemburg Stock Exchange.
- \* Granted Ratings: BB / BB (Standard & Poor's and Fitch Ratings).
- \* Guarantors: Unifin Credit and Unifin Autos.

Commitments

The international notes impose certain provisions to the Company that limit its ability to incur additional debt; create liens; pay dividends; make certain investments; reduce its share capital, among others. It also establishes that the Company and its subsidiaries may partially or totally merge or dispose of their assets if the respective transaction meets certain requirements; establishes minimum requirements for carrying out portfolio securitizations and limit the Company's ability to enter into transactions with related parties.

Trust notes under a securitization program (share structure)

The share structure is the set of operations whereby the Company transfers certain rights over certain financial assets to a securitization vehicle created for that specific purpose (usually a trust), in order for that vehicle to issue securities to be placed among the general investing public and for the Company to diversify its funds and increase its operating capacity. The Company entered into an administration, commercial commission and deposit agreement, in order for those rights to be transferred back to the Company for management purposes.

Additionally, a pledge agreement has been signed by the Company (collateral guarantor) and the trustee (Pledgee) whereby the Company pledges in first order of preference for payment, each of the leased assets from which the aforementioned collection rights are derived on behalf of the Pledgee to guarantee timely and full payment of all amounts payable by each of the Company's clients, in accordance with the lease agreements of which these clients participate.



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On November 19, 2013 and September 8, 2015, the Commission issued rulings number 153/7644/2013 and 153/5726/2015 authorizing the revolving trust bonds programs (Trustee programs) for an amount up to Ps.20,000 and Ps.10,000, respectively.

On September 14, 2017, April 5, 2017, November 29, 2016, February 9, 2016, September 8, 2015 and February 4, 2015, the Commission issued rulings number 153/10740/2017, 153/10194/2017, 153/105977/2016, 153/105236/2016, 153/5727/2015 and 153/5047/2015 authorizing the public offering of Trust Bonds under the respective trust bond programs (Trustee programs). Those bonds were issued under ticker symbols UNFINCB17-4 and UNFINCB17-3, UNFINCB17-2 and UNFINCB17, UNFINCB16-2 and UNFINCB16, UNFINCB16, UNFINCB15 and UNFINCB15, for an amount up to Ps.1,000,000, Ps.2,500,000, Ps.1,500,000, Ps.1,500,000, Ps.1,250,000, Ps.1,250,000, Ps.2,500,000, Ps.2,000,000 and Ps.2,000,000, respectively.

The Company has conducted issuances under such Trust programs, entering into trust agreements whereby it acts as trustor of the Trust; as trustees, Banco Nacional de México, S. A., Institución de Banca Múltiple, Grupo Financiero Banamex División Fiduciaria (Banamex) and INVEX Banco, Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario; Monex Casa de Bolsa, S. A. de C. V., Grupo Financiero Monex as common representative; and the holders of the stock certificates and the Company as first and second place trustees, respectively.

According to the supplements to the Trustee Programs, the Company and the issuing trustee are not responsible for paying amounts due under these debt certificates in the event that the equity of the issuing trust is insufficient to pay in full the amounts owed under the notes, and the holders of those notes are not entitled to claim from the trustor nor the trustee payment thereof. The trustor and trustee are responsible for ensuring that the Trust equity is sufficient to cover amounts owed.

The secured notes of trust programs (stock structure) as of March 31, 2019, December 31, 2018 and January 1, 2018 are described below:

<u>As of March 31, 2019</u>							
<u>Ticker symbol</u>	<u>Issuing trust</u>	<u>Number of titles</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Total amount issued</u>	<u>Rating</u>	<u>Trustee</u>
UNFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	Ps. 1,411,590	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,369,885	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,248,628	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,226,166	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,466,651	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,469,930	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,488,000	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	<u>971,144</u>	mxAAAS&P/HRAAA	Banamex
Total					12,651,994		
Interest accrued (short term)					<u>43,480</u>		
Total current issues and interest					<u>Ps.12,695,474</u>		

<u>As of December 31, 2018</u>							
<u>Ticker symbol</u>	<u>Issuing trust</u>	<u>Number of titles</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Total amount issued</u>	<u>Rating</u>	<u>Trustee</u>
UNFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	Ps. 1,773,648	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,519,262	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,250,692	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,224,137	mxAAAS&P/HRAAA	Banamex

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UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,491,521	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,502,091	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	10,000,000	Sep-2022	TIIE+2.10	2,471,467	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	25,000,000	Sep-2022	9.38	<u>977,064</u>	mxAAAS&P/HRAAA	Banamex
Total					13,209,882		
Interest accrued (short term)					<u>46,713</u>		
Total current issues and interest					<u>Ps.13,256,595</u>		

As of January 1, 2018

<u>Ticker symbol</u>	<u>Issuing trust</u>	<u>Number of titles</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Total amount issued</u>	<u>Rating</u>	<u>Trustee</u>
UNFINCB15*	F/17598-4	20,000,000	Feb-2020	TIIE+1.60	Ps. 1,994,459	mxAAAS&P/HRAAA	Banamex
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	2,025,713	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	2,487,962	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	1,237,674	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	1,210,645	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,466,905	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,485,537	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,457,284	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	<u>966,535</u>	mxAAAS&P/HRAAA	Banamex
Total					15,332,714		
Interest accrued (short term)					<u>55,408</u>		
Total current issues and interest					<u>Ps.15,388,122</u>		

For the years ended March 31, 2019, December 31, 2018 and March 31, 2018, the interest charged to expense for stock certificates were Ps. 315,564, Ps. 1,328,875 and Ps. 345,129, respectively.

As of the date of issuance of these financial statements, the settlement of said issues had been fulfilled under the conditions established in the corresponding issuance program.

**Covenants**

As of March 31, 2019, December 31, 2018, and January 1, 2018, the Company was in compliance with all restrictive financial covenants to do and not do (see Note 6 "Risk management" for more detail).

\* A voluntary advance amortization was conducted on March 9, 2018 of all debt certificates with ticker symbol UNFINCB 15.

**Private trust bonds**

On November 30, 2012, the Company in its capacity as Trustor and Second Beneficiary, entered into Irrevocable Transfer of Ownership Trust agreement "F/1355" (Trust), with Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero as Trustee (Invex) and Scotiabank Inverlat, S. A. , Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (Scotiabank) as first Beneficiary, whereby the collection rights (Trust equity) are assigned to secure the payment of cash withdrawals from the revolving credit line of Ps.2,250,000 (amount of the credit line as of March 31, 2019) contracted by Invex with Scotiabank on that same date.

As of March 31, 2019, December 31, 2018, and January 1, 2018; private trust bonds were as follows:

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	March 31, 2019	December 31, 2018	January 1, 2018	Currency	Maturity	Rate	Type
Invex	Ps. 2,192,239	Ps. 2,154,994	Ps. 2,159,406	MXN	11/21/20	TIIE + 1.60	Collection Rights
Interest accrued	<u>6,698</u>	<u>6,615</u>	<u>5,556</u>				
	<u>Ps. 2,198,937</u>	<u>Ps. 2,161,609</u>	<u>Ps. 2,164,962</u>				

As of March 31, 2019, December 31, 2018, and January 1, 2018; collection rights assignments amount to Ps.3,113,079 Ps.3,336,913 and Ps.2,867,666 respectively.

The Company and Invex entered into an agreement for administration, commercial commission and deposit services for the purpose of managing collection rights.

Some of the Company's issues establish obligations to do and not to do, which have been covered at March 31, 2019, December 31, 2018 and January 1, 2018.

On March 14, 2019, the Company in its capacity as Trustor and Second Beneficiary, entered into Irrevocable Transfer of Ownership Trust agreement "F/18247-6" (Trust), with Banco Nacional de México, S. A., integrante del Grupo Financiero Banamex, División Fiduciaria as Trustee (Banamex) and Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (Santander) as first Beneficiary, whereby the collection rights (Trust equity) are assigned to secure the payment of cash withdrawals from the revolving credit line of Ps.2,500,000 respectively contracted by Banamex with Santander on that same date.

**Note 14 - Sundry creditors and other accounts payable:**

Other account payable as of March 31, 2019, December 31, 2018 and January 1, 2018, are comprised as follows:

	March 31, 2019	December 31, 2018	January 1, 2018
Sundry creditors	<u>Ps. 72,719</u>	<u>Ps. 65,349</u>	<u>Ps. 701,378</u>
Other accounts payable <sup>(1)</sup>			
Guarantee deposits	139,844	149,456	262,848
Dividends	328,925	-	-
Others <sup>(2)</sup>	<u>956,853</u>	<u>1,170,577</u>	<u>122,447</u>
Total other accounts payable	<u>1,425,622</u>	<u>1,320,033</u>	<u>385,295</u>
Total	<u>Ps. 1,498,341</u>	<u>Ps. 1,385,382</u>	<u>Ps. 1,086,673</u>

<sup>(1)</sup> The sundry creditors include the payables to fix assets suppliers.

<sup>(2)</sup> Others include the payables for coverage fees, expense provisions and lease liability.

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**Note 15 - Equity:**

On May 22, 2015, the Company issued its Initial Public Offering in the BMV and internationally under rule 144 A / Reg S for a total amount of Ps. 3,606,400, consisting of: 50% of primary offering and 50% of secondary offering; the amount includes the over-allocation option, which represented 15% of the total offer.

i. Stockholders' equity

As of March 31, 2019, December 31, 2018 and January 1, 2018, the stockholders' equity is integrated as follows:

	Number of shares			Amount		
	March 31, 2019	December 31, 2018	January 1, 2018	March 31, 2019	December 31, 2018	January 1, 2018
Fixed capital Series "A"	320,000	320,000	320,000	Ps. 1,000	Ps. 1,000	Ps. 1,000
Variable capital Series "A"	<u>352,480,000</u>	<u>352,480,000</u>	<u>352,480,000</u>	<u>1,101,500</u>	<u>1,101,500</u>	<u>1,101,500</u>
Total	<u>352,800,000</u>	<u>352,800,000</u>	<u>352,800,000</u>	<u>Ps.1,102,500</u>	<u>Ps.1,102,500</u>	<u>Ps.1,102,500</u>

- a. The capital stock is composed of nominative common shares with a par value of Ps. 3.125 per share. The variable capital is unlimited and is represented by the shares of Series A. All shares are fully subscribed and paid.
- b. The Company's equity shall be variable and shall be represented by ordinary, registered shares of Series "A", without a par value. The variable part of the share capital shall be unlimited. All the ordinary shares shall grant their holders equal rights and shall imply equal obligations. The fixed minimum share capital and the variable part of the share capital of the Company shall be represented by Series "A" shares.

***Subordinated Perpetual Notes***

On January 24, 2018, the Company concluded a private offering and placement of debt securities in the form of Subordinated Perpetual Notes in the United States and other foreign markets in accordance with rule 144A and Regulation "S" of the Securities Act of 1933 of the United States and the applicable regulations in the countries in which said offer was made. The main characteristics of the international Notes issued were the following:

- Amount issued: US\$ 250,000,000.
- Annual agreed rate: 8.875%.
- Due at maturity: Perpetual
- Interest payable semiannually during the validity of the Bond (subject to the discretion of the Company).
- Place of listing of Bond issue: Luxemburg Stock Exchange.
- Ratings given: B / B + (Standard & Poor's and Fitch Ratings).

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ii. Retained earnings

Dividends are free from income tax if paid out from the After-Tax Earnings Account (CUFIN). Dividends in excess of the CUFIN and CUFINRE are subject to 42.86% tax if paid in 2017. Tax incurred is payable by the Company and may be credited against income tax for the current period or for the following two periods. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payments. For the purpose of the foregoing, the IT Law establishes the obligation to keep the CUFIN balance with the profits generated until December 31, 2013 and to start another CUFIN with the profits generated as from January 1, 2014.

On March 21, 2019, Ordinary and Extraordinary General Meetings, the shareholders agreed to pay dividends of Ps. 328,967, arising from prior years' income. Dividends were paid on April 30, 2019.

On April 25, 2018, and March 16, 2017, Ordinary General Meetings, the shareholders agreed to pay dividends of Ps. 352,800 and Ps. 350,670, respectively, arising from prior years' income.

As of March 31, 2019, December 31, 2018, and January 1, 2018, the Company's stockholders' equity includes Ps. (934,800), Ps. (492,801) and Ps. 683,930, respectively, corresponding to the effect of valuation of derivative financial instruments and their related deferred income tax, the accounting effects of which arise from valuations of assets not necessarily realized, which could represent a restriction for reimbursement to stockholders, as this could be considered to give rise to future liquidity problems for the Company.

In 2015 the expenses incurred in issuing, placing and registering shares total Ps. 144,726, and have been recorded under capital stock.

The profit for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock.

The earning per share as of March 31, 2019, December 31, 2018 and January 1, 2018 are Ps. 1.43, Ps. 5.75 and Ps. 5.02 (pesos), respectively.

**Note 16 – Current and deferred income tax:**

Income tax for the period is determined applying the 30% rate to the base of the individual tax results of the Company and its subsidiaries. As of March 31, 2019, and March 31, 2018 the Company determined taxable income of Ps. 1,328,220, Ps. 1,016,850, respectively. The tax result differs from the accounting result mainly due to items accrued over time and deducted differently for accounting and tax purposes, to recognition of the effects of inflation for tax purposes, and to items only affecting the book or tax result.

The Income Tax (IT) Law establishes that income tax rate applicable in 2014 and subsequent periods is 30% of taxable profit.

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As of March 31, 2019, and 2018, the Company recorded income tax expense of Ps. 114,600 and Ps. 131,283, respectively.

The income tax expense is as follows:

	March 31, 2019	March 31, 2018
Current income tax	Ps. 398,466	Ps. 305,055
Deferred income tax asset	<u>(283,866)</u>	<u>(173,772)</u>
Total	<u>Ps. 114,600</u>	<u>Ps. 131,283</u>

Income tax expense is recognized based on Company's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to March 31, 2019 is 20%, compared to 23% for the three months ended March 31, 2018.

The main temporary differences on which deferred income tax is recognized are shown below:

	March 31, 2019	December 31, 2018	January 1, 2018
Property, furniture and equipment and lease portfolio	Ps. 14,895,542	Ps. 13,833,052	11,888,834
Upfront fee for hedge derivatives	2,459,193	2,459,193	2,459,193
Other current and non-current assets	(740,295)	(632,001)	(1,299,119)
Provision for derivatives fees	923,350	923,350	-
Liability provisions	<u>8,823</u>	<u>16,799</u>	<u>7,070</u>
	17,546,613	16,600,393	13,055,978
Applicable income tax rate	<u>30%</u>	<u>30%</u>	<u>30%</u>
Deferred income tax asset	<u>Ps. 5,263,684</u>	<u>Ps. 4,980,118</u>	<u>Ps. 3,916,794</u>

The reconciliation between the incurred and effective income tax rates is shown below:

	March 31, 2019	March 31, 2018
Income before income taxes	Ps. 588,220	Ps. 527,777
Income tax payable rate	<u>30%</u>	<u>30%</u>
Income tax at statutory rate	176,466	158,333
Plus (less) effect of the following permanent items on:		
Property, furniture and equipment and lease portfolio, net	(124,750)	(77,722)
Annual inflation adjustment	186,504	68,039
Other assets	(132,800)	(14,352)
Liability provisions	11,354	66
Nondeductible expenses	2,708	607
Other current and non-current assets	<u>(4,882)</u>	<u>(3,688)</u>
Income tax recorded in income	<u>Ps. 114,600</u>	<u>Ps. 131,283</u>

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The tax income reconciliation is showing in the next table:

	Asset (liability) deferred March 31, 2019	Increases Net income	Equity	Decreases Net income	Equity	Asset (liability) deferred December 31, 2018	Increases Net income	Equity	Decreases Net income	Equity	Asset (liability) deferred January 1, 2018
Lease portfolio	Ps. (32,515,900)	Ps. (13,891,209)	Ps. 0	Ps. 14,761,002	Ps. 0	Ps. (33,385,693)	Ps. (19,349,220)	Ps. 0	Ps. 11,216,938	Ps.-	Ps. (25,253,411)
Property, furniture and equipment	47,411,442	17,545,459	-	(17,352,762)	-	47,218,745	16,744,107	-	(6,667,607)	-	37,142,245
Upfront fee for hedge derivatives	2,459,193	-	-	-	-	2,459,193	-	-	-	-	2,459,193
Other current and non-current assets	(740,295)	(330,258)	-	221,964	-	(632,001)	-	-	667,118	-	(1,299,119)
Provision for derivatives fees	923,350	-	-	-	-	923,350	-	923,350	-	-	-
Liability provisions	8,823	8,823	-	(16,799)	-	16,799	16,799	-	(7,070)	-	7,070
	17,546,613	3,332,815	-	(2,386,595)	-	16,600,393	(2,588,314)	923,350	5,209,379	-	13,055,978
Applicable income tax rate	30%	30%	-	30%	30%	30%	30%	30%	30%	30%	30%
Deferred income tax asset	Ps. 5,263,984	999,845	-	(715,979)	-	Ps. 4,980,118	(776,494)	277,005	1,562,814	-	Ps. 3,916,793

**Note 17 – Financial information by segment:**

Segment assets, liabilities, income and expenses are measured in the same way as in the financial statements and they are allocated based on the operations of the segment.

Following are the main assets and liabilities per Company segment:

	March 31, 2019			
Assets	Leasing	Factoring	Other Loans	Total
Cash and cash equivalents	3,967,858	178,656	653,542	4,800,056
Loan portfolio, net	35,615,639	2,704,858	7,810,739	46,131,236
Non-current assets held for sale	0	291,943	653,949	945,892
Property, furniture and Equipment-Net	773,519	-	90,504	864,023
Investment properties	-	-	168,194	168,194
Intangible assets	121,107	-	-	121,107
Derivative financial instruments	3,726,928	-	-	3,726,928
Deferred taxes	5,263,984	-	-	5,263,984
Other assets	736,995	3,210	90	740,295
	<u>50,206,030</u>	<u>3,178,667</u>	<u>9,377,018</u>	<u>62,761,715</u>
Liabilities				
Sundry creditors	60,516	-	12,203	72,719
Debt issued	14,894,411	-	-	14,894,411
Senior notes	16,079,688	383,514	4,727,614	21,190,816
Bank loans	12,658,753	2,500,000	370,239	15,528,992
Tax payable	177,634	-	-	177,634
Other accounts payable	1,425,622	-	-	1,425,622
Derivative financial instruments	146,094	-	-	146,094
	<u>45,442,718</u>	<u>2,883,514</u>	<u>5,110,056</u>	<u>53,436,288</u>



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December 31, 2018

Assets	<u>Leasing</u>	<u>Factoring</u>	<u>Other Loans</u>	<u>Total</u>
Cash and cash equivalents	3,415,473	186,086	680,715	4,282,274
Loan portfolio, net	36,339,156	2,746,467	5,110,406	44,196,029
Non-current assets held for sale	417,498	413,474		830,972
Property, furniture and Equipment-Net	878,427		17,982	896,409
Investment properties	0		168,300	168,300
Intangible assets	121,107			121,107
Derivative financial instruments	4,037,309		814,249	4,851,558
Deferred taxes	4,980,118			4,980,118
Other assets	589,099	2,567	40,335	632,001
	<u>50,778,187</u>	<u>3,348,594</u>	<u>6,831,987</u>	<u>60,958,768</u>
Liabilities				
Sundry creditors	65,349			65,349
Debt issued	15,418,204			15,418,204
Senior notes	21,938,653			21,938,653
Bank loans	5,437,871	2,523,078	4,434,962	12,395,911
Tax payable	190,645			190,645
Other accounts payable	1,300,626	2,598	16,809	1,320,033
Derivative financial instruments	4,523			4,523
	<u>44,355,871</u>	<u>2,525,676</u>	<u>4,451,771</u>	<u>51,333,318</u>

January 1, 2018

Assets	<u>Leasing</u>	<u>Factoring</u>	<u>Other Loans</u>	<u>Total</u>
Cash and cash equivalents	1,942,386	105,827	387,124	2,435,337
Loan portfolio, net	28,594,128	2,161,108	4,021,216	34,776,452
Non-current assets held for sale	296,809	293,948	0	590,757
Property, furniture and Equipment-Net	842,869	0	17,254	860,123
Investment properties	0	0	168,725	168,725
Intangible assets	77,827	0	0	77,827
Derivative financial instruments	3,647,565	0	735,645	4,383,210
Deferred taxes	3,916,794	0	0	3,916,794
Other assets	592,522	2,582	40,569	635,673
	<u>39,910,900</u>	<u>2,563,465</u>	<u>5,370,534</u>	<u>47,844,898</u>



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Liabilities

Sundry creditors	701,378			701,378
Debt issued	17,553,084			17,553,084
Senior notes	15,943,593			15,943,593
Bank loans	3,570,338	1,656,575	2,911,859	8,138,772
Tax payable	252,362			252,362
Other accounts payable	379,631	758	4,906	385,295
Derivative financial instruments				0
	<u>38,400,386</u>	<u>1,657,333</u>	<u>2,916,765</u>	<u>42,974,484</u>

Given that management considers that the useful information for stakeholders is the Gross Financial Margin, as of March 31, 2019 and March 31, 2018 the respective information is as follows:

	Year ended as of March 31, 2019			
	<u>Leasing</u>	<u>Factoring</u>	<u>Other Loans</u>	<u>Total</u>
Interest income	Ps. 1,844,076	Ps. 123,467	Ps. 272,998	Ps. 2,240,541
Other leasing benefits	158,861	-	-	158,861
Interest expenses	(1,163,685)	(94,670)	(270,376)	(1,528,731)
Other leasing expenses	(18,627)	-	-	(18,627)
Allowance for loan portfolio	(60,109)	-	1,049	(59,060)
	<u>Ps. 760,516</u>	<u>Ps. 28,797</u>	<u>Ps. 3,671</u>	<u>Ps. 792,984</u>

	Year ended as of March 31, 2018			
	<u>Leasing</u>	<u>Factoring</u>	<u>Other Loans</u>	<u>Total</u>
Interest income	Ps. 1,415,802	Ps. 81,859	Ps. 236,369	Ps. 1,734,030
Other leasing benefits	240,061	-	-	240,061
Interest expenses	(995,785)	(40,305)	(182,807)	(1,218,897)
Preventive loan loss reserve	(54,060)	-	-	(54,060)
Other leasing expenses	(10,341)	(39,398)	(9,883)	(59,622)
	<u>Ps. 595,677</u>	<u>Ps. 2,156</u>	<u>Ps. 43,679</u>	<u>Ps. 641,512</u>

**Note 18 - Related party transactions:**

The main balances with related parties as of March 31, 2019, December 31, 2018 and January 1, 2018, are integrated as follows:

	March 31 <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
<u>Commercial loans - Net</u>			
Related parties:			
Administradora Bríos, S.A. de C.V. <sup>(1)</sup>	Ps. 357,717	Ps. 359,029	Ps. 314,766
Unifin Administración Corporativa, S. A. de C. V. <sup>(1)</sup>	31,084	36,941	8,437
Unifin Servicios Administrativos, S. A. de C. V. <sup>(1)</sup>	11,213	9,994	4,800
Total	<u>Ps. 400,014</u>	<u>Ps. 405,964</u>	<u>Ps. 328,003</u>

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- (1) The Company has granted several commercial loans to its related parties to finance ongoing operations. Outstanding balances are recognizing under the loan portfolio financial statement caption. The commercial loans and credit lines are under transfer pricing valuation and the term is 24 months and 48 months respectively.

As of March 31, 2019, December 31, 2018 and January 1, 2018, the Company has no accounts payables with related parties. Transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Transactions during the periods ended as of March 31, 2019, December 31, 2018 and January 1, 2018, were as follows:

	March 31, 2019	March 31, 2018
<u>Income</u>		
Car loans	Ps. 15	Ps. 25
Related Parties:		
Unifin Administración Corporativa, S. A. de C. V. <sup>(1)</sup>	1,465	2,039
Unifin Servicios Administrativos, S. A. de C. V. <sup>(1)</sup>	<u>86</u>	<u>583</u>
Other income	<u>1,551</u>	<u>2,622</u>
Total income	<u>Ps. 1,566</u>	<u>Ps. 2,647</u>
	March 31, 2019	March 31, 2018
<u>Expenses</u>		
Related Party:		
Administradora Bríos, S.A. de C.V. <sup>(1)</sup>	Ps. 2,845	Ps. 5,100
Unifin Administración Corporativa, S. A. de C. V. <sup>(2)</sup>	132,924	74,831
Unifin Servicios Administrativos, S. A. de C. V. <sup>(2)</sup>	<u>128,790</u>	<u>96,344</u>
Administrative services	264,559	176,275
Donations <sup>(3)</sup>	<u>2,796</u>	<u>4,050</u>
Total expenses	<u>Ps. 267,355</u>	<u>Ps. 180,325</u>

- (1) The Company has administrative services agreements with Administradora Bríos, S. A. de C. V., which provide advisory services.
- (2) The Company has administrative services agreements with Unifin Administración Corporativa, S. A. de C. V., and Unifin Servicios Administrativos, S. A. de C. V., which provide among others, consulting, accounting and finance services.
- (3) The Company has granted to a non-for-profit organization several donations to Fundación Unifin, S. C.

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***ii. Relevant directors' compensation***

As of March 31, 2019, and March 31, 2018, the total amount paid to the relevant executives of the Company amounted to Ps.51,000 and Ps.23,417 pesos, respectively, including fixed, variable and other benefits in terms of the applicable law.

The Board of Directors approves, based on the favorable opinion of the Audit and Corporate Practices Committee, the full remuneration of the General Director. Likewise, said Committee issues its opinion on the full remuneration of the other relevant directors.

The Ordinary General Shareholders' Meeting determines the emoluments payable annually to the directors for the services rendered to the Company in that capacity. The Ordinary and Extraordinary Annual General Shareholders' Meeting held on March 21, 2019, approved to pay each of the independent directors of the Board of Directors and the non-member Secretary of the Board, the amount of Ps.70 for each session of the Board to which attend, as well as the amount of Ps.70 to the Chairman of the Audit and Corporate Practices Committee and the amount of Ps.35 to the members of said Committee, for each Committee session that they attend.

**Note 19 - IFRS transition effects:**

The restated consolidated financial statements of the Company, prepared in accordance with IFRS, have been derived from consolidated financial statements prepared in accordance with generally accepted accounting principles in the CNBV criteria, by making the appropriate IFRS adjustments and reclassifications to reflect the changes in the presentation, recognition and valuation required by IFRS.

In particular, adjustments have been made to conform with IFRS that are effective as at December 31, 2019 (end of first annual reporting period under IFRS) and which have been used for the preparation of the opening consolidated statement of financial position as at January 1, 2018 (date of transition) and the consolidated financial statements prepared in accordance with IFRS as at December 31, 2018 (comparative period), unless otherwise indicated.

The effects of the transition to IFRS are the result of changes in accounting principles and, consequently, as required by IFRS 1 are reflected in the opening equity at the date of transition (January 1, 2018). In the transition to IFRS, the estimates previously formulated in accordance with in the CNBV criteria have been maintained, unless the estimate and related information under previous GAAP are no longer relevant because the Company elected a different accounting policy upon adoption of IFRS.

The Company did not depart from any IFRS in the preparation of these consolidated financial statements.

The Company prepared its consolidated statement of financial position at the date of transition (January 1, 2018), except for the mandatory exemptions provided for by IFRS 1 and detailed below, based on the following:

- Recognizing all assets and liabilities whose recognition is required by IFRS;
- Derecognizing all assets and liabilities whose recognition is not allowed by IFRS;

The Company has not applied any optional exemptions in accordance with IFRS 1.

**OPTIONAL EXEMPTIONS TO IFRS**

***Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries***

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IFRS 1 allows entities that adopt IFRS for the first time to consider certain one-time exemptions. Such exemptions have been established by the IASB to make the first application of certain IFRS simpler, eliminating the mandatory nature of their retrospective application.

Below are the optional exemptions applicable to the Company under IFRS 1:

Deemed Cost of Property, Plant and Equipment: The fair value of certain items of property, plant and equipment has been adopted as deemed cost as of the date of transition to IFRS.

2.

Business Combinations: The Company has opted for not applying IFRS 3 "Business Combinations" retrospectively for business combinations prior to the date of transition to IFRS.

3.

The Group has not made use of other exemptions available in IFRS 1.

### 3.3.MANDATORY EXCEPTIONS TO IFRS

Below are the mandatory exceptions applicable to the Group under IFRS 1:

1.

Estimates: The estimates made by the Company under to IFRS as of January 1, 2018 (date of transition to IFRS) are consistent with the estimates made as of the same date according to the prior accounting framework.

2.

Derecognition of financial assets and liabilities: The Company applied the derecognition criteria of financial assets and liabilities under IFRS 9 prospectively for transactions occurred after January 1, 2018.

3.

Classification and measurement of financial assets: The Company has considered the facts and circumstances at the date of transition to IFRS (January 1, 2018) to assess the classification of financial assets in the three measurement categories established by IFRS 9.

4.

Impairment of financial assets: At the date of transition to IFRSs, the Company used reasonable and supportable information that was available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised and compare that to the credit risk at the date of transition to IFRSs. If, at the date of transition to IFRSs, determining whether there has been a significant increase in credit risk since the initial recognition of a financial instrument required undue cost or effort, the company

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recognised a loss allowance at an amount equal to lifetime expected credit losses until that financial instrument is derecognised.

5. Other mandatory exceptions established by IFRS 1 that have not been applied because of not being material to the Company are:

- Hedge accounting.
- Non-controlling interests
- Embedded derivatives
- Government loans

The other exceptions established by IFRS 1 have not been applied because of not being material to the Company.

Reconciliation of CNBV criteria to IFRS

The following reconciliations shows the quantification of the major impacts of the IFRS transition:

1. Consolidated Statement of Financial Position as of January 1, 2018.
2. Consolidated Statement of Financial Position as of December 31, 2018.
3. Consolidated Statement of Comprehensive Income from January 1 to March 31, 2018.
4. Consolidated Statement of Comprehensive Income from January 1 to December 31, 2018.

This Note does not present the reconciliation to show the quantification of the major impacts of the IFRS transition in our Consolidated Interim Financial Statement of Financial Position as of March 31, 2018, since Management consider that this information could not affect significantly the analysis of their financial information considered as a whole and the possible impacts of the IFRS transition as of this period are of the same nature of the explained and disclosed for our Consolidated Statement of Financial Position as of December 31 and January 1, 2018.

1. Consolidated Statement of Financial Position as of January 1, 2018

<b>Assets</b>	<b>NIF/CNBV as of January 1, 2018</b>	<b>IFRS adjustments Reclassifications</b>	<b>IFRS as of January 1, 2018</b>
<b>Current assets</b>			
Cash and cash equivalents	197,165	2,238,172 (1)	2,435,337
Investments in securities	2,238,172	-2,238,172 (1)	0
Derivative financial instruments	4,598,117	-4,515,394 (2)	82,723
Loan portfolio, net (current)	5,443,055	9,196,105 (3) (4)	14,639,160
Other accounts receivable - Net	5,057,161	-5,057,161 (3) (7)	0
Other current asset		586,132	586,132
<b>Total Current assets</b>	<b>17,533,670</b>	<b>209,682</b>	<b>17,743,352</b>
 Non-current assets held for sale	 510,484	 80,273 (9)	 590,757
 Loan portfolio, net (non- current)	 0	 20,137,292 (3) (4)	 20,137,292
Property, machinery and equipment - Net	32,728,822	-31,868,699 (3) (5)	860,123
Investment properties	0	168,725	168,725

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Derivatives financial instruments	0	4,300,487	(2)	4,300,487
Intangible assets	0	77,827		77,827
Permanent investments	49,541	-49,541		0
Deferred taxes	1,718,511	2,198,283	(10)	3,916,794
Deferred charges, prepayments and intangible assets	2,067,310	-2,067,310	(3) (6)	0
Other non-current assets	7,090	42,451		49,541
<b>Total Non-Current assets</b>	<b>36,571,274</b>	<b>-7,060,485</b>		<b>29,510,789</b>
<b>Total Assets</b>	<b>54,615,428</b>	<b>-6,770,530</b>		<b>47,844,898</b>
<b><u>Liabilities and Stockholders' Equity</u></b>				
Liabilities				
Debt securities				
Short-term	503,832	-503,832		0
Senior notes	0	503,832		503,832
Debt securities	0	16,969,751	(6)	16,969,751
Senior notes	0	15,439,761	(6)	15,439,761
Debt securities	0	583,333	(6)	583,333
Long-term	34,525,090	-34,525,090	(6)	0
	35,028,922	-1,532,245		33,496,677
Bank borrowings and loans from other entities (Note 14)				
Banks loans Short-term	4,258,070	0		4,258,070
Banks loans Long-term	3,880,702	0		3,880,702
	8,138,772	0		8,138,772
Taxes on income payable	252,362	0		252,362
Sundry creditors	2,913,726	-2,212,348	(7)	701,378
Other accounts payable	0	385,295	(5)	385,295
Deferred loans and advance collections	697,277	-697,277	(3)	0
<b>Total liabilities</b>	<b>47,031,059</b>	<b>-4,056,575</b>		<b>42,974,484</b>
Stockholders' equity (Note 16):				
Stockholders' equity	2,893,674	0		2,893,674
	2,893,674	0		2,893,674
Earned capital:				
Capital reserves	185,528	-185,528		0
Retained earnings	1,850,456	-2,278,529		-428,073
Accumulated other comprehensive income	881,250	-249,898	(2)	631,352
Net Income	1,770,682	0		1,770,682
	4,687,916	-2,713,955		1,973,961
Stockholders' investment:				
Controlling interest	7,581,590	-2,713,955		4,867,635
Non-controlling interest	2,779	0		2,779
<b>Total stockholders' equity</b>	<b>7,584,369</b>	<b>-2713955</b>		<b>4,870,414</b>
<b>Total liabilities and stockholders' equity</b>	<b>54,615,428</b>	<b>-6,770,530</b>		<b>47,844,898</b>

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2. Consolidated Statement of Financial Position as of December 31, 2018.

	NIF/CNBV as of December 31, 2018	IFRS adjustments Reclassifications	IFRS as of December 31, 2018
<b><u>Assets</u></b>			
Cash and cash equivalents	376,186	3,906,088 (1)	4,282,274
Investments in securities	3,530,359	-3,530,359 (1)	0
Derivative financial instruments	5,103,120	-5,012,937 (2)	90,183
Loan portfolio, net (current)	8,423,873	11,054,199 (3) (4)	19,478,072
Other accounts receivable - Net	4,297,780	-4,297,780 (3) (7)	0
Other current assets		556,560	556,560
	<u>21,731,318</u>	<u>2,675,771</u>	<u>24,407,089</u>
Non-current assets held for sale	692,067	138,905 (9)	830,972
Loan portfolio, net (non- current)	0	24,717,957 (3) (4)	24,717,957
Property, machinery and equipment - Net	40,680,441	-39,784,032 (3) (5)	896,409
Investment properties	0	168,300	168,300
Derivatives financial instruments	0	4,761,375 (2)	4,761,375
Intangible assets	0	121,107	121,107
Permanent investments	75,441	-75,441	0
Deferred taxes	2,328,539	2,651,579 (10)	4,980,118
Deferred charges, prepayments and intangible assets	2,276,334	-2,276,334 (3) (6)	0
Other non-current assets	5,518	69,923	75,441
	<u>45,366,273</u>	<u>-9,645,566</u>	<u>35,720,707</u>
<b>Total Non-Current assets</b>	<u>45,366,273</u>	<u>-9,645,566</u>	<u>35,720,707</u>
<b>Total Assets</b>	<u><b>67,789,658</b></u>	<u><b>-6,830,890</b></u>	<u><b>60,958,768</b></u>
<b><u>Liabilities and Stockholders' Equity</u></b>			
Liabilities			
Debt securities	0	2,259,470 (6)	225,9470
Short-term	0	0	0
Senior notes	0	664,765	664,765
Debt securities	0	13,158,734 (6)	13,158,734
Senior notes	289,037	20,984,851 (6)	21,273,888
Long-term	38,056,606	-38,056,606 (6)	0
Derivate financial instruments	0	4,523 (2)	4,523
	<u>38,345,643</u>	<u>-984,263</u>	<u>37,361,380</u>
Bank borrowings and loans from other entities			
Banks loans Short-term	8,391,781	0	8,391,781
Banks loans Long-term	4,081,189	-77,059	4,004,130
	<u>12,472,970</u>	<u>-77,059</u>	<u>12,395,911</u>

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Taxes on income payable	108,220	82,425		190,645
Sundry creditors	3,179,612	-3,114,263	(7)	65,349
Other accounts payable	0	1,320,033	(5)	1,320,033
Deferred loans and advance collections	692,073	-692,073	(3)	0
<b>Total liabilities</b>	<b>54,798,518</b>	<b>-3,465,200</b>		<b>51,333,318</b>
Stockholders' equity:				
Stockholders' equity	957,774	1,935,900		2,893,674
Share premium	1,935,900	-1,935,900		0
Subordinated perpetual notes	4,531,330	0		4,531,330
	<b>7,425,004</b>	<b>0</b>		<b>7,425,004</b>
Earned capital:				
Capital reserves	274,062	-274,062		0
Retained earnings	2,695,105	-1,935,279		759,826
Accumulated other comprehensive income	670,373	-1,215,752	(2)	-545,379
Net Income	1,923,919	59,403		1,983,322
	<b>5,563,459</b>	<b>-3,365,690</b>		<b>2,197,769</b>
Stockholders' investment:				
Controlling interest	12,988,463	-3,365,690		9,622,773
Non-controlling interest	2,677	0		2,677
<b>Total stockholders' equity</b>	<b>12,991,140</b>	<b>-3,365,690</b>		<b>9,625,450</b>
<b>Total liabilities and stockholders' equity</b>	<b>67,789,658</b>	<b>-6,830,890</b>		<b>60,958,768</b>

3. Consolidated Statement of Comprehensive Income from January 1 to March 31, 2018.

	NIF/CNBV as of March 31, 2018	IFRS adjustments Reclassifications	IFRS as of March 31, 2018
Operating lease income	Ps 3,332,483	-3,332,483 (3)	0
Interest income	543,127	-543,127	0
Interest income from leasing		1,415,802 (3)	1,415,802
Interest income from factoring		81,859 (3)	81,859
Interest income from car loans		236,369 (3)	236,369
Other lease benefits	459,898	-219,837 (3)	240,061
Depreciation of assets under operating lease	-1,796,438	1,796,438 (3)	0
Interest expense	-1,238,646	19,749	-1,218,897
Other lease expenses	-402,043	342,421	-59,622
Financial margin	898,381	-202,809	695,572
Allowance for loan portfolio	45,000	9,060 (4)	54,060
Financial margin adjusted for credit risk	853,381	-211,869	641,512



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Commissions and fees paid	-15,650		-15,650
Investment interest		114,526 (8)	114,526
Foreign exchange loss - Net		64,610 (8)	64,610
Other operating income - Net	51,819	-48,796 (8)	3,023
Administration and promotion expenses	-266,238	130,576 (8)	-135,662
Legal and professional fees		-53,481 (8)	-53,481
Depreciation		-27,953 (8)	-27,953
Other administrative expenses		-61,898 (8)	-61,898
	<u>-230,069</u>	<u>117,584</u>	<u>-112,485</u>
Profit before result of associated companies	623,312	-94,285	529,027
Results of non-consolidated subsidiaries and associated companies (Note 12)	<u>-1,250</u>		<u>-1,250</u>
Income before income taxes	622,062	-94,285	527,777
Income taxes payable (Note 17)	0	0	0
Deferred income taxes (Note 17)	<u>-151,070</u>	<u>19,787</u>	<u>-131,283</u>
Income taxes	<u>-151,070</u>	<u>19,787</u>	<u>-131,283</u>
Consolidated net income	470,992	-74,498	396,494
Net income attributable to:			
Controlling interest	470,992	-74,498	396,494
Non-controlling interest	<u>-2,677</u>		<u>-2,677</u>
Consolidated net income	<u>468,315</u>	<u>-74,498</u>	<u>393,817</u>

4. Consolidated Statement of Comprehensive Income from January 1 to December 31, 2018.

	NIF/CNBV as of December 31, 2018	IFRS adjustments Reclassifications	IFRS as of December 31, 2018
Operating lease income	Ps 14,761,002	-14,761,002 (3)	0
Interest income	2,587,574	-2,587,575	-1
Interest income from finance	0	6,147,275 (3)	6,147,275
Interest income from factoring	0	414,187 (3)	414,187
Interest income from car loans	0	1,114,659 (3)	1,114,659
Other lease benefits	1,595,730	-857,318 (3)	738,412
Depreciation of assets under operating lease	-8,005,085	8,005,082 (3)	-3
Interest expense	-5,514,552	500,056	-5,014,496
Other lease expenses	<u>-1,619,179</u>	<u>1,428,673</u>	<u>-190,506</u>
Financial margin	3,805,490	-595,963	3,209,527
Allowance for loan portfolio	<u>250,635</u>	<u>77,140 (4)</u>	<u>327,775</u>
Financial margin adjusted for credit risk	<u>3,554,855</u>	<u>-673,103</u>	<u>2,881,752</u>
Commissions and fees paid	-43,100	0	-43,100
Investment interest	0	236,952 (8)	236,952
Foreign exchange loss - Net	0	231,285 (8)	231,285
Other operating income - Net	25,933	0	25,933
Other net, operating (income) loss	0	146,574 (8)	146,574
Legal and professional fees	0	-193,648 (8)	-193,648
Depreciation	0	-58,622 (8)	-58,622
Other administrative expenses	0	-370,610 (8)	-370,610

**Unifin Financiera, S. A. B. de C. V. (formerly Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) and subsidiaries**

Notes to the Unaudited Consolidated Interim Financial Statements as of March 31, 2019 and December 31, 2018 and January 1, 2018 and for the three-months periods ended March 31, 2019 and 2018

Administration and promotion expenses	<u>-1,091,911</u>	<u>564,259</u>	(8)	<u>-527,652</u>
Intermediation results				0
	<u>-1,109,078</u>	<u>556,190</u>		<u>-552,888</u>
Operating income	<u>2,445,777</u>	<u>-116,913</u>		<u>2,328,864</u>
Results of non-consolidated subsidiaries and associated companies (Note 12)	<u>36,311</u>	<u>-</u>		<u>36,311</u>
Income before income taxes	2,482,088	-116,913		2,365,175
Income taxes payable (Note 17)	-1,168,197	0		-1,168,197
Deferred income taxes (Note 17)	<u>610,028</u>	<u>176,292</u>		<u>786,320</u>
Income taxes	<u>-558,169</u>	<u>176,292</u>		<u>-381,877</u>
Consolidated net income	<u>1,923,919</u>	<u>59,379</u>		<u>1,983,322</u>
Net income attributable to:				
Controlling interest	1,923,919	59,379		1,983,298
Non-controlling interest	<u>-102</u>	<u>-</u>		<u>-102</u>
Consolidated net income	<u>1,923,817</u>	<u>59,379</u>		<u>1,983,196</u>

1) Investments in securities Reclassification.

For CNBV accounting criteria, the Company classified Investments in securities considering the underlying securities on which the Bank supports the investment. They were represented by overnight investments with high liquidity and with maturities of less than five days. Upon adopting IFRS have been reclassified as cash equivalents based on their nature

2) Derivatives financial instruments

For CNBV's accounting criteria, the fair value measurement of over-the-counter ("OTC") derivatives does not consider the counterparty credit risk or the Company's own credit risk. For IFRS purposes, the counterparty credit risk and the Company's own credit risk is factored into the fair value measurements of OTC derivatives.

For the CNBV's accounting criteria, certain derivatives positions qualified for hedge accounting in accordance with their economic nature. Under IFRS, such derivatives were classified as trading since they do not comply with all documentation requirements.

For the CNBV's accounting criteria, the Call spread's financial premium were not recognized as liability. Under IFRS, the accounting treatment requires to present it as a liability.

3) Classification of leases as lessor and loan portfolio

Following CNBV accounting criteria, the Company classifies its lease agreements as Operating Lease. Under the Operating Lease accounting model, the Company recognized the fixed asset, its corresponding depreciation and impairments tests, as well as the account receivable and lease income corresponding to accrued lease payments.

Under IFRS the Company reassessed all the lease agreements to determine the classification and accounting model for each lease agreement or group of lease agreements and most were considered finance lease because the risk and rewards are transferred to the lessee with the transfer of the asset.

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Notes to the Unaudited Consolidated Interim Financial Statements as of March 31, 2019 and December 31, 2018 and January 1, 2018 and for the three-months periods ended March 31, 2019 and 2018

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As a result of this change the Property, machinery and equipment (fixed assets) was decreased to recognize assets held under a finance lease in the statements of financial position and present them as a receivable at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease present value of future cash flows as receivable. Additionally, there is not depreciation expense of the leased assets as well as lease income from operating leases.

Loans, Factoring and Other Financing in accordance to the CNBV accounting criteria, they were recorded at their contractual value or acquisition cost plus interest accrued based on the contractual rate. In compliance with the provisions set out in IFRS 9, they are measured at amortized cost.

4) Allowance for impairment losses

Impairment was determined in accordance with criteria for CNBV under which impairment losses and provisions for off-balance sheet risk are determined using prescribed formulas that are based primarily on an expected credit losses model. In some cases, CNBV can approve the use of internal models to determine the allowance for impairment losses under CNBV accounting criteria, as an alternative to the regulatory expected credit losses model. In accordance with IFRS 9, the Company assessed impairments based on an expected credit loss model, therefore measured impairment as described in the Note 2 - Summary of significant accounting policies

5) Recognition of leases as lessee

Under CNBV criteria, the Company classifies its lease agreements as Operating Lease. Under the Operating Lease accounting model, the Company recognized a lease expense.

Under IFRS, the Company recognizes a right-of-use asset and a lease liability for each of its lease agreements as lessee, so it is irrelevant to continue classifying. The lease liability is initially measured at the present value of the minimum lease payments as established. The lease payments are distributed between the financial expenses and the reduction of the lease obligations in order to reach a constant base on the remaining balance of the liability. The right-of-use asset is initially calculated at cost and is subsequently measured at cost less accumulated depreciation, impairment losses and interest expense of the lease liability. The reclassification showed in the reconciliation were realized in order to have all components in the leasing as part of the loan portfolio.

6) Under CNBV criteria the debt securities and senior notes was recognized as its contract value, in compliance with the provisions set out in IFRS 9, they are measured at amortized cost.

7) Under the CNBV criteria the engagement with clients to sign a lease agreement was recognized as a formal obligation and an asset and liability, were recognized. Under IFRS the this obligation is not recognized until the parties have signed a formal lease agreement.

8) Under CNBV criteria the income statement was presented following the model and structure required by the CNBV, IFRS requires a different presentation, the company opted present it under a functional

9) Impairment losses of assets held for sale

Under CNBV accounting criteria, impairment losses from non-current assets held for sale are determined

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Notes to the Unaudited Consolidated Interim Financial Statements as of March 31, 2019 and December 31, 2018 and January 1, 2018 and for the three-months periods ended March 31, 2019 and 2018

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based on formulas prescribed by the CNBV. For IFRS purposes, the Company determines an estimation based upon the comparison between the fair value less costs to sell and the carrying value of the non-current asset.

**Note 20 - Subsequent events:**

**Barclays**

On July 1, 2019, we amended and restated our loan agreement maturing on March 27, 2020 with a syndicate of lenders led by Barclays Bank plc. As part of the amendments, this loan was increased from US\$40,000 to US\$70,000. This loan contains covenants customary for a facility of this type, including restrictions on the creation of liens to secure indebtedness and certain financial ratios. The proceeds of this loan were used for general corporate purposes. The loan was fully disbursed and remains outstanding as of the date of this offering memorandum.

**Bladex**

On June 28, 2019, we entered into a credit agreement with a syndicate of lenders led by Banco Latinoamericano de Comercio Exterior, S.A. and Nomura Corporate Funding Americas, for an aggregate principal amount of up to US\$220,625, and maturing on June 28, 2022. This loan contains covenants customary for a facility of this type, including restrictions on the creation of liens to secure indebtedness and certain financial ratios. The proceeds of this loan were used to repay in full the outstanding amounts under our credit agreement, dated December 11, 2017, with a syndicate of lenders led by Banco Latinoamericano de Comercio Exterior, S.A. and Nomura Corporate Funding Americas, and the remainder for general corporate purposes.

**ResponsAbility Management Company**

On June 26, 2019, we subscribed certain promissory notes in favor of ResponsAbility Management Company in the amount of US\$20,000, which amount was paid to us on June 28, 2019. The amounts outstanding under these promissory notes are due on June 28, 2022.

**2023 Senior Notes, 2025 Senior Notes and 2026 Senior Notes**

On June 3, 2019, we and our subsidiary guarantors entered into supplemental indentures to the indentures governing our 2023 Senior Notes, 2025 Senior Notes and 2026 Senior Notes to amend certain provisions, including our debt incurrence and restricted payments covenants, to more closely align such provisions with our recent adoption of IFRS, industry peers and current market standards.

**ANNEX A:**  
**SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES**  
**BETWEEN *SOFOM* GAAP AND U.S. GAAP**

Our Audited Financial Statements are prepared and presented in accordance with *Sofom* GAAP as prescribed by the CNBV. See Note 2 to our Audited Financial Statements. Certain differences exist between *Sofom* GAAP and accounting principles generally accepted in the United States of America, or U.S. GAAP, which would be material to the financial information contained herein if reported under U.S. GAAP. The matters described below summarize certain differences between *Sofom* GAAP and U.S. GAAP. We have not prepared a reconciliation of our Audited 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. The certain differences described below are prepared in accordance with U.S. GAAP and *Sofom* GAAP applicable as of December 31, 2018 which is the date of our Audited Consolidated Financial Statements.

**Accounting for the Inflation Effects**

***Mexico***

Through December 31, 2007, *Sofom* GAAP required that the comprehensive effects of inflation be recorded in the financial information and that such financial statements be restated to present 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 26.0% 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. Since 2008, Mexico is considered to be a non-inflationary economy.

***United States***

Under U.S. GAAP, a highly inflationary economy is one that has cumulative inflation of approximately 100 percent or more over a 3-year period.

The determination of a highly inflationary economy must begin by calculating the cumulative inflation rate for the three years that precede the beginning of the reporting period, including interim reporting periods. If that calculation results in a cumulative inflation rate in excess of 100 percent, the economy shall be considered highly inflationary in all instances. However, if that calculation results in the cumulative rate being less than 100 percent, historical inflation rate trends (increasing or decreasing) and other pertinent economic factors should be considered to determine whether such information suggests that classification of the economy as highly inflationary is appropriate. Projections cannot be used to overcome the presumption that an economy is highly inflationary if the 3-year cumulative rate exceeds 100 percent.

The definition of a highly inflationary economy is necessarily an arbitrary decision. In some instances, the trend of inflation might be as important as the absolute rate. The definition of a highly inflationary economy shall be applied with judgment.

**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 against retained earnings.

#### ***United States***

Under U.S. GAAP, preoperating costs should be treated as period expenses and are not capitalized.

### **Labor Obligations**

#### ***Mexico***

Under *Sofom* GAAP, with respect to recognition of liabilities for post-retirement benefits, entities are permitted to defer the recognition of unrecognized items (such as variations in actuarial assumptions, prior service costs and plan amendments and transition assets or liabilities) and amortize such amounts into the liability over a specified period of time.

#### ***United States***

Under U.S. GAAP, the accounting for defined benefit post-retirement benefit 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.

### **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. In a classified statement of financial position, an entity shall classify deferred tax assets and liabilities as noncurrent amounts.

## **Impairment of Long-Lived Assets in Use**

### ***Mexico***

Under *Sofom* GAAP, long-lived assets with definite lives, such as property, machinery 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 takes into account specific criteria for the financial sector defined by the CNBV, that takes 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***

Current U.S. GAAP establishes that estimates surrounding credit losses for U.S. GAAP purposes are based on an incurred loss model. Estimated loan losses should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan has been impaired at the date of the financial statements and the amount of the loss can be reasonably estimated.

It is usually difficult, even with hindsight, to identify any single event that made a particular loan uncollectible. However, the concept in U.S. GAAP is that impairment of receivables shall be recognized when, based on all available information, it is probable that a loss has been incurred based on past events and conditions existing at the date of the financial statements.

Losses shall not be recognized before it is probable that they have been incurred, even though it may be probable based on past experience that losses will be incurred in the future. It is inappropriate to consider possible or expected future trends that may lead to additional losses.

### **Classification of leases as lessor**

#### ***Mexico***

*Sofom* GAAP classifies leases as operating lease or finance lease based on a technical analysis of each lease agreements considering the following: a lease is classified as a finance lease if it transfers substantially all the risks and rewards associated of ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

#### ***United States***

U.S. GAAP defines four classification of leases for lessors: i. Sales-type lease, ii. Direct financing lease, iii. Leveraged lease and iv. Operating lease.

A lessor shall consider whether a lease meets any of the following criteria as part of classifying the lease at its inception: a. transfer of ownership, b. bargain purchase option, c. lease term and d. minimum lease payments.

A lessor shall also consider that the collectibility of the minimum lease payments is reasonably predictable and that no important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease.

If the lease does not meet any of the four criteria listed above or both of the criteria in the preceding paragraph, it is classified as operating lease. Otherwise, lessor should consider the different conditions (such as if the lease give rise to manufacturer's or dealer's profit or loss to the lessor, it involves real state, it involves at least a lessee, a long-term creditor and a lessor, among others) to classify the lease as Sales-type lease, Direct financing lease or Leveraged lease.



**ISSUER**

**Unifin Financiera, S.A.B. de C.V.**  
Presidente Masaryk 111, 5th Floor  
Polanco V Section  
Alcaldía Miguel Hidalgo  
11560, Mexico City  
Mexico

**INDEPENDENT ACCOUNTANTS**

**PricewaterhouseCoopers, S.C.**  
Mariano Escobedo 573  
Colonia Rincón del Bosque  
11580, Mexico City  
Mexico

**LEGAL ADVISORS TO THE ISSUER**

*As to U.S. Law*  
**Cleary Gottlieb Steen & Hamilton LLP**  
One Liberty Plaza  
New York, New York 10006  
United States of America

*As to Mexican Law*  
**Mancera, S.C.**  
Av. Ejército Nacional 843-B, 4th Floor  
Colonia Granada  
11520, Mexico City  
Mexico

**LEGAL ADVISORS TO THE INITIAL PURCHASERS**

*As to U.S. Law*  
**Skadden, Arps, Slate, Meagher & Flom LLP**  
4 Times Square  
New York, New York 10036  
United States of America

*As to Mexican Law*  
**Galicía Abogados, S.C.**  
Torre del Bosque  
Blvd. M. Ávila Camacho No. 24, 7th Floor  
Colonia Lomas de Chapultepec  
11000, Mexico City  
Mexico

**TRUSTEE, PAYING AGENT, TRANSFER AGENT AND REGISTRAR**

**The Bank of New York Mellon**  
240 Greenwich St., Floor 7 East  
New York, New York 10286  
United States of America

**LUXEMBOURG LISTING AGENT AND PAYING AGENT**

**The Bank of New York Mellon SA/NV, Luxembourg Branch**  
Vertigo Building-Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg  
Luxembourg



**Unifin Financiera, S.A.B. de C.V.**  
*(incorporated under the laws of Mexico)*

**US\$200,000,000**  
**7.000% Senior Notes due 2022**

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