



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

(incorporated under the laws of Mexico)

US\$400,000,000

9.875% Senior Notes due 2029

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\$400,000,000 aggregate principal amount of our 9.875% Senior Notes due 2029 (the “notes”). We will pay interest on the notes at a fixed rate of 9.875% per year, payable semiannually in arrears on January 28 and July 28 of each year, beginning on July 28, 2021. The notes will mature on January 28, 2029, 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 on or after January 28, 2025, at the applicable redemption prices set forth in this offering memorandum, plus Additional Amounts (as defined in the “Description of Notes”) then due, if any, plus accrued and unpaid interest, if any, to the date of redemption. Prior to January 28, 2025, we may also redeem the notes, in whole or in part, 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, at any time on or prior to January 28, 2024, we may redeem up to 35% of the notes at a redemption price equal to 109.875% of their principal amount, plus Additional Amounts then due, if any, plus accrued and unpaid interest, if any, to the date of redemption, using the proceeds of certain equity sales. Furthermore, if tax laws currently in effect are modified and the change results in higher withholding taxes in respect of payments of interest or amounts deemed interest on the notes, we may redeem the notes in whole, but not in part, at 100.000% 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 101.000% 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.

Concurrently with the offering of the notes, we launched an exchange offer with respect to our 7.000% Senior Notes due 2022 (the “2022 Notes”), our 7.250% Senior Notes due 2023 (the “2023 Notes”) and our 7.000% Senior Notes due 2025 (the “2025 Notes”), to be exchanged for up to US\$200 million aggregate principal amount of the notes (the “Exchange Offer”). The notes to be issued as consideration in the Exchange Offer are expected to have identical terms (other than issue date and issue price), be consolidated, form a single series and be fully fungible with the notes offered hereby. The Exchange Offer is conditioned upon the satisfaction of customary conditions, including the closing of the sale of the notes offered hereby. The offering of the notes is not conditioned on the successful consummation of the Exchange Offer.

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 23 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 January 28, 2021.

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*). AFTER THE ISSUANCE OF THE NOTES, 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 are being offered pursuant to an exemption from the requirement to publish a prospectus under Regulation (EU) 2017/1129 (as amended and supplemented from time to time, the “Prospectus Regulation”), of the European Union, and this offering memorandum has not been approved by a competent authority within the meaning 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 European Economic Area or the United Kingdom.

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 January 28, 2021.

Global Coordinators and Joint Bookrunners

Barclays

Citigroup

Goldman Sachs & Co. LLC

Joint Bookrunners

BTG Pactual

Santander

Scotiabank

The date of this offering memorandum is January 25, 2021.

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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 U.S. state securities laws pursuant to registration or exemption therefrom. By purchasing the notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading “Transfer Restrictions” in this offering memorandum. You should be aware 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.

Notice to Prospective Investors in the European Economic Area

The notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where the customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA, has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

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

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

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, Colonia 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, S.A.B. de C.V.* 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 and on the CNBV’s website at 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 bylaws, 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. 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,” or “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 that 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 economic, political, social and other conditions in Mexico, the United States and elsewhere as a result of the pandemic caused by the coronavirus identified as SARS-CoV-2 that causes the disease known as COVID-19 (“COVID-19”);
- the continuous impact of the COVID-19 pandemic and of other pandemics on our business and on our results of operations, financial situation and cash flows, as well as our ability to timely and efficiently implement any necessary measures in response to, or to mitigate, the impacts of the COVID-19 pandemic on our business, operations, cash flow, prospects, liquidity and financial conditions
- changes in capital markets in general that may affect investment trends in Mexico or with respect to securities issued by companies in Mexico;
- 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*”);
- changes in government policies in Mexico, including in connection with government spending and permit and license requirements;
- 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, including regulations 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 strategies 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 and regulations, 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 car and commercial 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, and adverse judicial or administrative decisions in legal proceedings that we are party to or may become a party to in the future;
- inability to timely and duly enforce collateral or guarantees provided by borrowers and/or guarantors;
- possible disruptions to commercial activities due to natural and human-induced disasters, such as weather conditions, terrorist activities, armed conflicts and health epidemics;
- actions taken by the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*), the CNBV or the CONDUSEF (as defined below) with respect to our business and the Mexican financial industry, generally;
- the impact of U.S. and Mexican recent and upcoming elections, including recent political events and social unrest in the U.S. in connection with the results of the presidential elections;
- changes to, or withdrawals from, free trade agreements, including the United States Mexico Canada Agreement ("USMCA"); the implementation of the USMCA; and other changes in international trade barriers and tariffs;
- 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 CERTAIN FINANCIAL AND OTHER INFORMATION

Financial Information and Accounting Policies

This offering memorandum contains:

- (i) our audited consolidated financial statements as of and for the year ended December 31, 2019, together with the notes thereto (the “Audited Financial Statements”); and
- (ii) our condensed unaudited consolidated interim financial statements as of September 30, 2020, and for the nine-month periods ended September 30, 2019 and 2020, together with the notes thereto (the “Unaudited Interim Financial Statements” and, together with our Audited Financial Statements, our “Financial Statements”).

Our Audited Financial Statements and our Unaudited Financial Statements are stated in Mexican pesos.

We have prepared our Audited Financial Statements in accordance with *International Financial Reporting Standards* (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). We have prepared our Unaudited Interim Financial Statements in accordance with International Accounting Standards 34 “*Interim Financial Reporting*” (IAS 34), as issued by the IASB.

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 nonregulated 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 the accounting criteria established by the CNBV (“*Sofom GAAP*”). Effective as of January 1, 2019, we started to prepare our financial statements in accordance with IFRS. Accordingly, our annual consolidated financial statements as of and for the year ending December 31, 2019 are our first annual financial statements prepared in accordance with IFRS.

First-time Adoption of International Financial Reporting Standards (IFRS 1) has been applied in preparing our Audited Financial Statements, considering that the previous accounting standards used in the preparation of our financial statements were *Sofom GAAP* in effect on and prior to December 31, 2018, and that we have considered January 1, 2018 as the date of transition to IFRS. Description of the effects of our transition from *Sofom GAAP* to IFRS are included in note 19 to our Audited Financial Statements.

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.22.36 per U.S. dollar, the exchange rate published by *Banco de México* in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*) on September 30, 2020.

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. 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 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 car and commercial loans business lines for which collection became overdue, calculated from the ninety-first day the payment under the applicable contract becomes past due, all in accordance with applicable accounting principles;
- “performing loans” is defined as the total amount of leases, factoring and car and commercial loans 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 expected credit losses of accounts and notes receivable (loan portfolio); and
- “total net portfolio” is defined as the total amount of leases, factoring and car and commercial loans, 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. Information that has been sourced from third parties has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. 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 leading Mexican leasing company focused on the following business lines: leasing, factoring and car and commercial loans. Through our leasing business line, our core business line, we offer leases for all types of productive assets, including machinery and equipment, transportation vehicles 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 receivables and by providing vendor financing. Our car and commercial loans business line is focused on financing the acquisition of new and used vehicles, the acquisition of other capital assets, and financing short-term working capital and liquidity needs. Within our commercial lending business we maintain a structured finance area that delivers tailored financing solutions to our clients in the form of leasing or loans, or a combination of both. Through Uniclick, an online digital platform, we offer our leasing, factoring and lending products to small and medium-sized enterprises (“SMEs”).

We specialize in serving SMEs, which we believe are largely underserved by banking institutions despite driving most of the economic activity in Mexico, representing nine out of every ten businesses in Mexico and 50% of Mexico’s GDP; further, two out of every three jobs originate from this sector. We believe the SMEs sector will continue expanding and providing an attractive opportunity for growth.

The amount per transaction of our leases ranges at the time of origination from Ps.100,000 to Ps.150 million, with an average balance of Ps.9.4 million in the nine months ended September 30, 2020 and with maturities between 12 to 48 months and 31 months on average during such period. 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 at the time of origination ranges from Ps.500,000 to Ps.150 million, with an average balance of Ps.2.3 million in the nine months ended September 30, 2020, with maturities between 8 to 180 days and 98 days on average during such period, and with annual interest rates at the Mexican interbank lending rate (*Tasa de Interés Interbancaria de Equilibrio*, or “TIIIE”) plus 14.5% to 19.5%. The amount per transaction of our car loans at the time of origination ranges from Ps.50,000 to up to 80.0% of the vehicle’s price (with a maximum of up to Ps.100 million per client in car loans), with an average balance of Ps.2.0 million in the nine months ended September 30, 2020, with maturities between 12 and 60 months and 30 months on average during such period, and with fixed interest rates of 17.5% to 20.5%.

As of September 30, 2020, our leasing, factoring, and car and commercial loans business lines represented 74.9%, 3.2% and 21.9% (of which 4.2% was represented by car loans), respectively, of our total portfolio.

In 2018 and 2019 we experienced suitable levels of growth in terms of our portfolio, combined with high rates of return and low non-performing loan rates, primarily due to high asset quality. Between 2018 and 2019, our accounts and notes receivable (loan portfolio) grew 29.8%. In 2019, we had an average return on average equity of 19.6% and a return on average assets of 2.8 % during such period. Non-performing loans represented 3.7% of our accounts and notes receivable (loan portfolio) as of December 31, 2019. We believe our growth during these years was the result of various factors, including our geographic coverage and wide distribution network integrated by our headquarters in Mexico City and our eighteen regional offices, our industry knowledge and know-how, our efforts on development and innovation to meet customers’ needs (including developing and commercializing innovative financial solutions through online platforms), our customer loyalty resulting from our personalized service and our effective origination and collections processes, as well as risk mitigation strategies. Our resilient asset quality is the result of a seasoned origination process calibrated over the past five years, demonstrating the quality and improvement of our internal processes coupled with a balanced diversification strategy across multiple states that have historically presented higher economic growth levels than the national average. As a result, origination increased from Ps.19,799.8 million in 2015 to Ps.36,141.0 million in 2019, an increase of 82.5%. Our originations decreased by 28.5%, from Ps.25,039.0 million in the nine months end September 30, 2019 to Ps.17,894.0 million in the corresponding period in 2020, mainly as a result of the COVID-19 pandemic.

In 2020, our business, along with the financial services industry in Mexico, was adversely impacted by the COVID-19 pandemic and the actions taken by the Mexican federal and local governments to contain the spread of the disease. Since the beginning of the COVID-19 pandemic, we have adopted a more prudent origination policy, excluding certain sectors that we believe had been and will continue to be particularly affected by COVID-19. In addition, our proactive strategy during the COVID-19 pandemic has helped us provide solutions to targeted customers. For example, during the second and third quarters of 2020, we launched a COVID-19 support plan targeted to eligible clients consisting of the deferral of monthly payments, the majority of which were deferred for up to six months. This support plans helped our clients remain current on their financial obligations with us, which has resulted in lower non-performing loans and allowances for loan losses. See “Recent Developments—Recent Developments Relating to the COVID-19 Pandemic.”

As of December 31, 2019 and September 30, 2020, we had total assets of Ps.78,780.3 million (US\$3,523.3 million) and Ps.84,865.6 million (US\$3,795.5 million), respectively, our total portfolio amounted to Ps.58,611.1 million (US\$2,621.3 million) and Ps.65,357.1 million (US\$2,923.0 million), respectively, and we had stockholder’s equity of Ps.10,899.3 million (US\$487.4 million) and Ps.12,585.9 million (US\$562.9 million), respectively. For the nine-month periods ended September 30, 2019 and 2020, we had profit before income of associated companies of Ps.1,706.2 million (US\$76.3 million) and Ps.1,316.6 million (US\$58.9 million), respectively, and consolidated net income of Ps.1,397.8 million (US\$62.5 million) and Ps.1,058.4 million (US\$47.3 million), respectively.

For the years ended December 31, 2018 and 2019, we had profit before income of associated companies of Ps.2,328.2 million (US\$104.1 million) and Ps.2,369.5 million (US\$106.0 million), respectively, and consolidated net income of Ps.1,982.5 million (US\$88.7 million) and Ps.1,949.0 million (US\$87.2 million), respectively.

Industry Overview

Macroeconomic Environment. Mexico is the second largest country in Latin America in terms of gross domestic product (“GDP”) (approximately US\$1.3 trillion in 2019) and population (approximately 127 million as of December 31, 2019). Mexico’s GDP grew by 2.2% in 2018 and declined slightly by 0.3% in 2019, according to analyst consensus published by Bloomberg. For the nine months ended September 30, 2020, Mexico’s GDP declined by 9.8% as compared with the same period in 2019, according to analyst consensus published by Bloomberg.

	Mexico			Latin America			U.S.			Europe		
	2018	2019	2020 ⁽¹⁾	2018	2019	2020 ⁽¹⁾	2018	2019	2020 ⁽¹⁾	2018	2019	2020 ⁽¹⁾
GDP Growth ⁽¹⁾ ..	2.2%	(0.3)%	(9.0)%	1.8%	1.3%	(6.7)%	3.0%	2.2%	(3.5)%	1.9%	1.3%	(7.4)%
Inflation ⁽¹⁾	4.9%	3.6%	3.4%	7.5%	9.5%	8.0%	2.5%	1.8%	1.2%	1.8%	1.2%	0.3%

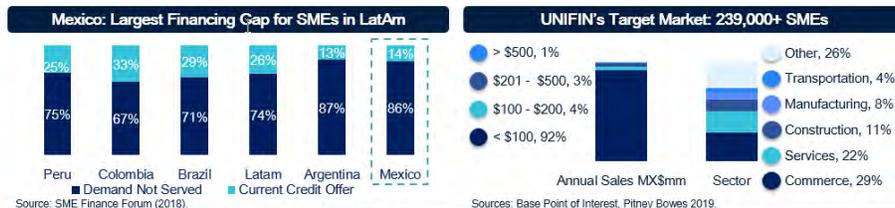
Source: Bloomberg

(1) Information as of 2020 represent estimated figures.

As of December 31, 2019, the gross public debt of the Mexican government represented 54.2% of GDP, compared to approximately 30.0% in Latin America, 83.9% in the Eurozone and 82.3 % in the United States, according to Bloomberg.

Additionally, Mexico has steadily maintained its international reserves in recent years, which amounted to US\$174.6 billion and US\$180.7 billion and US\$193.9 billion as of December 31, 2018 and 2019 and September 30, 2020, respectively.

Low National Credit Penetration. Mexico’s potential for the sustainable growth of the financial services industry is supported by the low levels of credit penetration relative to other markets in the region. According to the latest information available from the SME Finance Forum, as of December 31, 2018, credit offer represented 14% of Mexico’s actual demand, as compared to the average across Latin-American countries of 25%. We believe this represents an important growth opportunity for us further benefiting from being selective in the origination process while maintaining strict origination criteria and growing the portfolio.



Developing SMEs Sector. Within Mexico's overall market, SMEs remain significantly underserved with respect to access to financial services relative to other countries. According to information published by SME Financial Forum, as of December 31, 2018, only 14% of the total SMEs in Mexico received any type of credit.

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 National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía e Informática*, or "INEGI"), as of January 24, 2020, 69.6% of the SMEs in Mexico were located in regions where we have a physical presence.

The Mexican Leasing Market.

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



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 car and commercial loans markets:

Leader in the Mexican Leasing Market. Since beginning operations in 1993, we have experienced significant growth and have consolidated our position as a leader in the leasing market 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. On a consolidated basis, we had a return on average equity of 21.1% for 2018 and 19.6% for 2019.

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 eighteen regional offices located throughout Mexico. Our regional offices are located in the fastest growing geographical areas in Mexico, such as Chihuahua, Nuevo León and Yucatán with year-over-year growth rates of 3.2%, 3.0% and 2.5% in 2019, respectively, according to INEGI's latest available information. 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 80.4% of Mexico's 2019 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, generating important business intelligence ("BI") that differentiates us from our competitors. Despite the growth of our commercial structure and sales force, we have been able to maintain high levels of operational efficiency and attractive margins.

Developing Innovative and Accessible Financing Solutions. We plan to continue transforming the lending market in Mexico by making financial products available in an efficient and convenient manner for our customers. On March 10, 2020, we launched Uniclick, a digital platform that seeks to become the leader for new product showcasing and client acquisition in the SMEs segment. Unifin and Uniclick customers have privileged access to digital tools to help them increase their sales and boost their growth. In order to develop Uniclick, we joined Google in a commercial and strategic partnership that enables the platform to increase its wide network of affiliated businesses and strengthen the financial ecosystem of SMEs using technology. Google's technological tools drive our digital capabilities towards establishing solid and long-lasting relationships with our clients and increasing our portfolio with sophisticated solutions. Google receives a fee paid by the clients, depending on the plan they select that befits their business model. With this partnership, Uniclick is developing its capabilities in Digital Marketing and Artificial Intelligence alongside Google to gain more clients and reduce origination costs. By working together, Uniclick and Google see an opportunity to boost Mexican SMEs in their digital transformation.

On July 2, 2020, we announced the launch of our digital accelerator, Uniclick Accelerator, a unique offering in Mexico that provides our clients a platform for their digitalization process focused on enhancing their business. The Uniclick Accelerator was created to facilitate SMEs' introduction to the digital world, providing them with knowledge, tools and access to expertise to help them achieve their business goals. Uniclick Accelerator integrates all the digital tools to enable SMEs to improve their brand positioning, customer experience and development of their marketing capabilities. The primary objective of the program is to empower businesses that have a physical presence only, using a one-stop-shop digital approach to help them develop online sales. We expect to provide SMEs an increased digital presence, expanding the scope of their businesses by attracting new consumers to their physical selling points. Moreover, our clients have exclusive access to the *Academia Digital UNIFIN*, which offers a comprehensive online digital training program with Google experts. The Uniclick Accelerator is a platform offered exclusively to our clients, targeting companies from all industries. Our partnership with Google helps clients grow their businesses through step-by-step guides concerning the implementation of digital strategies. This partnership enables customers to design their own websites and marketing campaigns, among other things, using simplified processes while expanding customers' knowledge through course offerings adapted to the individual's level and needs.

Unifin has also developed in-house software based on artificial intelligence to provide fast and efficient insights and information to current and prospective clients. Our complementary in-house software helps us serve our clients by (i) collecting and synthesizing large volumes of information from multiple sources and formats, (ii) consolidating information from the SMEs sector, (iii) generating brand attachment and key business insights into clients and prospects and (iv) increasing loan placement without compromising the quality of the portfolio using non-traditional models and variables.

We believe that these new technological processes and digital products combined with our broad experience, know-how and market intelligence will allow us to continue to offer comprehensive business solutions to our clients. In addition, the opportunity exists to further expand our online solutions and capabilities and to offer our customers comprehensive, convenient and user-friendly products via online technology and services platforms. We continue to evaluate new product and market opportunities that fit into our overall strategic goal of delivering next-generation online and mobile credit products, including strategic alliances.

Streamlined Origination Process Supported by Comprehensive Risk Management Policies. Through our extensive experience and expertise, we continue to strengthen and accelerate our credit approval process, maintaining our high credit standards, as 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 54.1% as of December 31, 2019. In the nine months ended September 30, 2020, mainly as a result of COVID-19, we became more restrictive with respect to our credit processes, maintaining an acceptance rate of approximately 43.3%. 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. Our rigorous and well-developed processes have enabled us to adequately face the recent pandemic without effecting any major changes in strategy. Since the beginning of the COVID-19 pandemic, we have adopted a more prudent origination policy excluding certain sectors that we believe have been and are going to continue to be affected by the effects of the COVID-19 pandemic. We have also implemented more rigorous credit acceptance policies, considering COVID-19 specific factors such as regional, industry and labor considerations.

Effective Collection Process That Results in Low Default Rates and High Recovery. 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 car and commercial loans business lines. Due to the COVID-19 pandemic, we have implemented various measures, including support programs for our clients. See "Recent Developments—Recent Developments Relating to the COVID-19 Pandemic" for a detailed description of our risk management practices related to COVID-19.

Diversified Portfolio Across Customers and Sectors. 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. 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, 2018 and 2019, and September 30, 2020:

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Economic sector			
Trade.....	5,242.9	4,365.2	4,772.5
Construction.....	3,398.9	2,690.0	3,224.0
Transportation.....	2,892.7	2,938.0	2,357.3
Services.....	12,040.7	20,751.6	21,636.6
Other (Industry & Manufacturing).....	12,583.0	12,237.4	16,955.6
Total	36,158.2	42,982.2	48,946.0

The following table sets forth the composition of our total factoring portfolio by economic sector, as of December 31, 2018 and 2019, and September 30, 2020:

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Economic sector			
Trade.....	584.2	676.9	626.4
Construction.....	378.1	26.4	42.9
Transportation.....	63.0	150.8	94.2
Services.....	1,440.6	1,569.5	1,015.6
Other (Industry & Manufacturing).....	398.1	832.2	297.0
Total	2,864.1	3,255.8	2,076.1

The following table sets forth the composition of our total car loans portfolio by economic sector, as of December 31, 2018 and 2019, and September 30, 2020:

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Economic sector			
Trade.....	76.9	106.9	105.6
Construction.....	12.9	12.3	11.0
Transportation.....	797.9	824	829.9
Services.....	852.5	1,861.7	1,749.6
Other (Industry & Manufacturing).....	140.4	90.1	25.0
Total	1,880.6	2,895.0	2,721.1

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. In 2020, our access to short-term sources of funding was not significantly affected by the COVID-19 pandemic, and we were able to refinance certain of our existing short-term facilities, including facilities with development banks. As of September 30, 2020, 71.6% of our total indebtedness consisted of long-term debt, of which 30.4% matures between one and three years and 69.6% has a maturity term of three or more years. As of the same date, 29.0% of our total indebtedness was Mexican peso-denominated and 71.0% was U.S. dollar-denominated. 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 September 30, 2020, our total stockholders' equity was Ps.12,585.9 million (US\$562.9 million), which represented 19.9% of our total net accounts and notes receivable (total net loan portfolio). In August 2020, we completed a successful capital increase in the amount of Ps.2,520

million (US\$112.7 million), which was anchored by our controlling shareholder and received strong support from new institutional investors. This capital increase shows the commitment of our controlling shareholder with respect to our business and growth plans, as well as our continued ability to raise capital despite the COVID-19 pandemic, confirming our solid position in the financial markets.

Highly Efficient Operating Platform That Presents Significant Barriers to Entry for New Market Participants. Our platform is designed to efficiently, effectively and precisely manage our growing volume of operations. Together with our disciplined cost controls, our platform allows us to achieve economies of scale with low administrative and promotion expenses as a percentage of our total originations. 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 and 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; (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; and (v) compensation structure, development opportunities, and a diverse and fair work environment that allows us to attract and retain talent across functions.

Market Knowledge, Experienced Management Team, and Board and Shareholder Support. We believe that our more than 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. The members of 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 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 as well as their knowledge, experience and support are key differentiating advantages of the Company. Upon the completion of our capital increase in August 2020, our controlling shareholder holds, directly or indirectly, approximately 51.6% of our capital stock.

Adherence to Strong Corporate Governance and Industry Best Practices. Our shares are listed and trade on the BMV, 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 are also subject to supervision from the CNBV and other financial authorities. We believe that this distinguishes us from other nonbanking and privately held competitors and fosters a high degree of trust among our customers and investors. Our board of directors currently consists of 40% independent directors, and we have established an audit and corporate practices committee, entirely comprised of independent members. We also maintain other committees, including credit and risk committees that comply substantially with the standards of the financial industry in Mexico.

Our Business Strategy

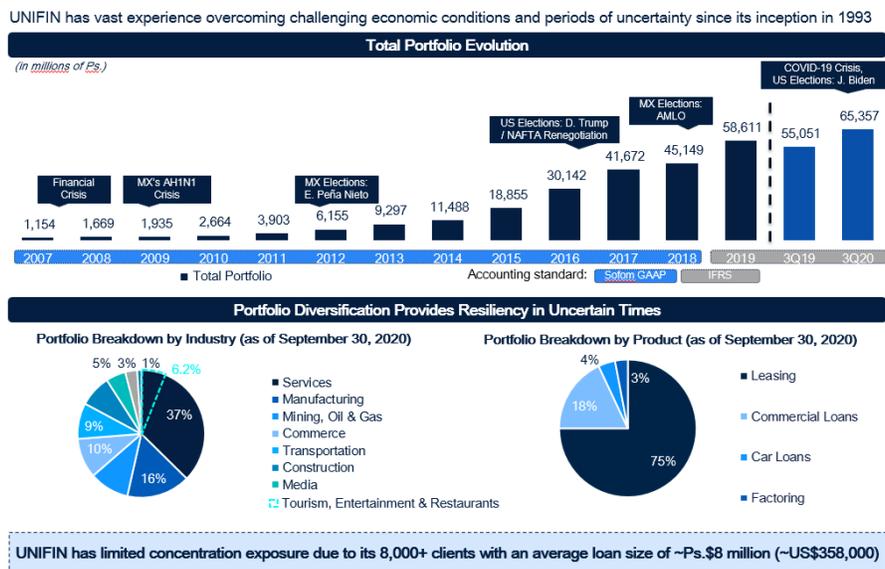
Our business strategy is to leverage our competitive strengths and operating efficiency in order to maintain our portfolio growth while increasing our profitability and our product market share. We plan to continue pursuing our business strategy by doing the following:

Maintaining Our Leading Position in the Leasing Market and 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 SMEs 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 other lending business through the development and implementation of innovative and flexible digital lending platforms, and in our car loans business 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 our total accounts and notes receivable (loan portfolio) and our total portfolio distribution:



Our non-performing loan portfolio as a percentage of our loan portfolio represented 4.8% as of September 30, 2020, as compared to 3.7% as of December 31, 2019, representing an increase of Ps.994.6 million. Our coverage ratio—calculated as allowances for loan losses divided by the sum of the balance of leases, impaired factoring account and car and commercial loans, in each case in stage 3— as of September 30, 2020 increased to 71.8% as a result of our provisioning methodology and prudent risk management practices related to the COVID-19 pandemic.

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. We also use our branches to develop cross-selling opportunities through our sales force.

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 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. Our origination process is focused on identifying and pursuing business opportunities in economic sectors with high expected growth rates and low default risk. Our risk rating model takes into account region and economic activity risk variables that are analyzed together with the Mexican GDP by sector. In order to achieve maximum efficiency and reduce time, we have designed and implemented artificial intelligence platforms for document and data analysis.

Identifying and Pursuing Business Opportunities in Economic Sectors With High Expected Growth and Low Default Risk. 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 and solid outlooks throughout and subsequent to the COVID-19 pandemic.

Preserving 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. Our proactive strategy during the COVID-19 pandemic reflected that approach, providing solutions to targeted customers. 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. As of September 30, 2020, our leases had an average term of 30 months and our factoring operations had an average term of 98 days compared to our principal financial liabilities which had an average term of 41 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 September 30, 2020, our principal sources of funding were international bonds, securitizations and bank debt, which amounted to Ps.39,354.1 million (US\$1,760.0 million), Ps.11,773.4 million (US\$526.5 million) and Ps.19,473.6 million (US\$870.9 million), respectively, equivalent to 55.7%, 16.7% and 27.6% of our total indebtedness (excluding interest, commissions and expenses), respectively. See “Recent Developments” for more updated information regarding our principal sources of funding.

Recent Developments

Recent Developments Relating to Our 2020 Year-End Financial Results

Our financial information and results for the year ended December 31, 2020 are not yet available as of the date of this offering memorandum. We expect to finalize our consolidated financial statements as of and for the year ended December 31, 2020 (the “2020 Financial Statements”) after this offering is completed, and we expect to report our results to the CNBV thereafter consistent with past practice and in accordance with applicable law. Based on preliminary information available to us as of the date of this offering memorandum, we expect our loan portfolio as of December 31, 2020 and our consolidated results for 2020, in each case to be reflected in the 2020 Financial Statements to be consistent with our loan portfolio as of September 30, 2020 and our consolidated results for the nine months ended September 30, 2020, in each case reflected in the Unaudited Interim Financial Statements included elsewhere in this offering memorandum.

The information above is based on our reasonable estimates and preliminary information available as of the date of this offering memorandum. Internal reviews, procedures and authorizations necessary to complete our 2020 Financial Statements are ongoing as of the date of this offering memorandum. Therefore, we cannot provide any assurances that our actual loan portfolio or that our consolidated results to be reflected in our 2020 Financial Statements will be consistent with our loan portfolio as of September 30, 2020 or our consolidated results for the nine months ended September 30, 2020, or that our consolidated results and financial condition to be reflected in our 2020 Financial Statements (or the market perception of such consolidated results and financial condition) will not adversely affect the trading prices of our securities, including the notes

Recent Developments Relating to the COVID-19 Pandemic

The novel strain of coronavirus identified as SARS-CoV-2, which causes the disease known as “COVID-19,” was first identified in Wuhan, China in December 2019 and has spread to nearly all regions around the world. The rapid outbreak and further measures taken by governments to contain its spread have had dramatic adverse consequences for the global economy, including demand, operations, supply chains and financial markets. The magnitude and scope of the effects of the pandemic are difficult to evaluate and predict.

Similar to other emerging countries, the Mexican economy suffered from a significant economic slowdown during 2020, which is expected to continue throughout 2021. The International Monetary Fund estimates a 9.0% GDP contraction in 2020 and a weak recovery of only 3.5% in 2021. After a few months of national confinement, in June 2020, the Mexican government launched a four-color coding system to resume the gradual return to activities. Based on several metrics related to the COVID-19 spread, the Mexican government conducts a biweekly update for each state and depending on the risk level, some activities are allowed to resume provided that they comply with strict hygiene measures. As the COVID-19 outbreak continues to evolve, and given the uncertainty of its lasting effect, the financial impact on Mexico's economy will depend on future developments that cannot yet be determined. Furthermore, even though the *Banco de México* has joined other institutions globally by reducing interest rates and by implementing measures to mitigate the impact on the financial system and markets, fiscal stimulus and other government aid have been limited.

The COVID-19 pandemic has had, and will continue to have, a material negative impact on our business, revenues, expenses, credit costs and overall results of operations and financial condition. Moreover, the spread of COVID-19 and the resulting regulatory measures implemented by the Mexican government have caused us to modify our business activities, including changes in collection procedures, limiting travel, temporarily closing offices and branches and implementing remote work capabilities. In addition, the impact of COVID-19 in the Mexican financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain financing in favorable terms or at all. In addition, the slowdown of the economic activity has resulted in a significant decrease in the demand for our financial products and services and has caused a substantial increase in credit defaults by our clients. Financial distress among SMEs has adversely affected their ability to service their leases and loans with us, which had and may continue to have an adverse impact on our income, collections and the quality of our portfolio, and may impact our capacity to repay our debt and comply with the covenants (including financial ratios) of our debt instruments.

The negative economic effects caused by the COVID-19 pandemic have exceeded our initial estimates. Despite the limited availability of a vaccine, the COVID-19 pandemic may not be fully contained for the foreseeable future and certain regions may be subject to an increase in the number of people infected and deaths. Although Mexico has already launched its vaccine campaign, manufacturing and logistic challenges persist. Therefore, a prolonged health crisis could continue to reduce economic activity in Mexico, resulting in a further decline in employment, as well as in confidence among businesses and consumers. For some sectors uncertainty still prevails and the strong increase in unemployment rates will affect the expected recovery of consumption. These factors could further negatively impact economic activity and our customers, cause a continued decline in our revenues and the demand for our products and services, increase our non-performing loans, which as of September 30, 2020 were 4.8% of our total portfolio, as compared with 3.7% as of December 31, 2019, cause us to recognize write-offs, such as the Ps.196.0 million (US\$8.8 million) write-off recognized as of September 30, 2020, relating to a client in our factoring business, and further increase our credit and other costs. Additionally, we could face a continued increase in our balance sheet and risk-weighted assets, resulting in a decline in capital ratios or liquidity measures. Moreover, any disruption or failure of our performance of, or our ability to perform, key business functions, as a result of the continued spread of COVID-19 or otherwise, could adversely affect our operations. Furthermore, it is unclear how the macroeconomic business environment or social norms may be impacted after the pandemic. The post-COVID-19 environment may undergo unexpected developments or changes in financial markets, the fiscal, tax and regulatory environments and client behavior. These developments and changes could have an adverse impact on our results of operations and financial condition. Ongoing business and regulatory uncertainties and changes may make our longer-term business, balance sheet and budget planning more difficult or costly. To the extent that we are not able to adapt to the new business environment, we could experience loss of business and our results of operations and financial condition could materially suffer.

During the second and third quarters of 2020, we launched a COVID-19 support plan targeted to eligible clients consisting of the deferral of monthly payments, the majority of which were deferred for up to six months. This support plan was offered to clients who were current on their payments and belonged to an industry or type of business affected by the pandemic. The first phase of our COVID-19 Support Plan was offered to 1,205 clients, and amounted to Ps.5,801.4 million (US\$259.5 million), representing 9.1% of our accounts and notes receivable (loan portfolio). The deferred payment amount of the first phase of such plan totaled Ps.1,291.6 million (US\$57.8 million). The second phase of the COVID-19 Support Plan was offered to 548 clients, including 528 clients that participated in the first phase, and amounted to Ps.3,672.6 million (US\$164.2 million), representing 5.6% of our accounts and notes receivable (loan portfolio). The deferred payment for the second phase totaled Ps.602.1 million (US\$26.9 million).

Our COVID-19 support plan was broken-down by economic sector as follows:

	As of September 30, 2020
Economic Sector:	
Services	26%
Manufacturing	26%
Transportation	16%
Commerce	15%
Construction	11%
Agriculture	2%
Oil and Gas.....	2%
Other.....	2%
Total	<u>100.0%</u>

The extent to which COVID-19 may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on financial markets and the financial condition of our clients and the availability of a vaccine, all of which are highly uncertain and cannot be predicted. We will continue to closely monitor and evaluate the nature and extent of the impact of COVID-19 on our operations, liquidity, financial condition, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, suppliers and clients. Furthermore, throughout the COVID-19 pandemic and despite widespread lockdowns, we were able to maintain full operations due to our remote work polices and capabilities, robust technology and contingency plans, which had already been in place prior to the pandemic and have been continuously reinforced.

See “Risk Factors—Risks Related to Our Business—The COVID-19 pandemic has had, and will likely continue to have, a material negative impact on our business, revenues, expenses, credit costs and overall results of operations and financial condition” and “Risk Factors—Risks Related to Our Business—We have offered COVID-19 support plans to some of our clients, which have had an adverse impact on our results and may have an adverse impact on our non-performing loan ratios.”

Recent Developments Relating to the Increase in Our Capital Stock

On August 24, 2020, we completed a capital increase in the amount of Ps.2,520 million (US\$112.7 million) through the issuance of 140 million new shares at a price of Ps.18 per share. This capital increase was anchored by our controlling shareholder, who subscribed for 50 million shares for a total capital contribution of Ps.900.0 million (US\$40.3 million). The remaining shares were subscribed for by other existing shareholders, approximately 20.6 million shares for a total capital contribution of Ps.370.8 million (US\$16.6 million), and new institutional and strategic investors (approximately 69 million shares for a total capital contribution of Ps.1,249.2 million (US\$55.9 million). See “Principal Shareholders.”

Recent Developments Relating to Our Indebtedness

ResponsAbility Management Company

On December 17, 2020, we subscribed certain promissory notes in favor of ResponsAbility Management Company in the amount of US\$15.0 million. The amounts outstanding under these promissory notes are due on June 17, 2021. This loan contains covenants customary for a facility of this type, including certain financial ratios. The outstanding amount under these promissory notes as of the date of this offering memorandum was US\$15.0 million.

Banobras

On December 23, 2020, the internal credit committee of Banco Nacional de Obras y Servicios Públicos, S.N.C approved a credit line of up to Ps.4,000 million, with a maximum maturity of 360 months. We expect to enter into this credit agreement and begin disbursing the loan during the second quarter of 2021. The proceeds of this loan will be used for portfolio growth.

BTG Pactual

On December 29, 2020, we entered into a credit agreement with Banco BTG Pactual S.A.—Cayman Branch, for an aggregate principal amount of up to US\$20.0 million and maturing on December 30, 2021. This loan is unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. 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 outstanding amount under this facility as of the date of this offering memorandum was US\$20.0 million. We intend to use a portion of the net proceeds from the notes to repay the outstanding balance under this facility.

Banco Azteca

On January 5, 2021, we entered into a credit agreement with Banco Azteca, S.A., Institución de Banca Múltiple, for an aggregate principal amount of up to Ps.3,000.0 million and maturing on January 5, 2025. We have disbursed Ps.460.5 million (US\$20.6 million) of the total available loan amount. This loan is collateralized with certain receivables from our lease portfolio. The proceeds of this loan were used for general corporate purposes. The outstanding amount under this facility as of the date of this memorandum was Ps.460.5 million.

Concurrent Exchange Offer for Our 2022 Notes, 2023 Notes and 2025 Notes

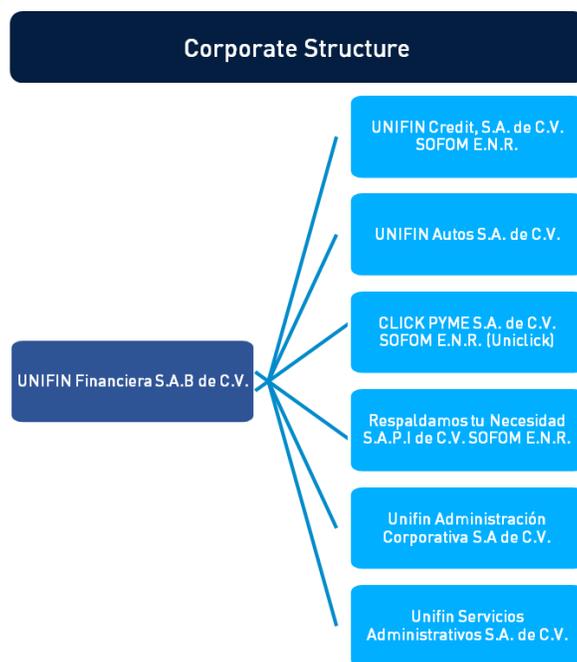
Concurrently with the offering of the notes, we launched an exchange offer with respect to our 2022 Notes, our 2023 Notes and our 2025 Notes, to be exchanged for up to US\$200 million aggregate principal amount of the notes. The notes to be issued as consideration in the Exchange Offer are expected to have identical terms (other than issue date and issue price), be consolidated, form a single series and be fully fungible with the notes offered hereby. The Exchange Offer is conditioned upon the satisfaction of customary conditions, including the closing of the sale of the notes offered hereby. The offering of the notes is not conditioned on the successful consummation of the Exchange Offer.

This offering memorandum is not deemed to be an offer to exchange any of our 2022 notes, our 2023 Notes or our 2025 Notes in the Exchange Offer.

The initial purchasers or their affiliates are acting as dealer managers in the Exchange Offer. In addition, certain of the initial purchasers or their affiliates may hold positions in the 2022 Notes, the 2023 Notes or the 2025 Notes and may decide to participate in the Exchange Offer. See “Plan of Distribution.”

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 nine-month period ended September 30, 2020:



Company Information

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

Our Legal Entity Identifier (LEI) code is 5493007GRMPGDJG93Z17.

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. and Unifin Autos, S.A. de C.V.
Notes Offered	US\$400,000,000 aggregate principal amount of 9.875% Senior Notes due 2029.
Offering Price	100.000%, <i>plus</i> accrued interest, if any, from January 28, 2021.
Maturity Date	January 28, 2029.
Interest Rate	Interest on the notes will accrue at a rate of 9.875% per year.
Interest Payment Dates	January 28 and July 28 of each year, payable in arrears beginning on July 28, 2021.
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">• 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, the Mexican Insolvency Law or <i>Ley de Concursos Mercantiles</i>); and• senior to all of our and the subsidiary guarantors’ existing and future subordinated indebtedness. <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 September 30, 2020, we had total consolidated indebtedness (excluding accrued interest, commissions and expenses) of Ps.70,601.0 million (US\$3,157.5 million), of which Ps.19,178.5 million (US\$857.7) was secured by collateral, and our non-guarantor subsidiaries did not have any indebtedness. Of our Ps.19,178.5 million (US\$857.7 million) of</p>

secured indebtedness, Ps.7,405.1 million (US\$331.2 million) related to secured bank debt and the remainder related 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 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 September 30, 2020, we and our subsidiary guarantors would have had total indebtedness (excluding accrued interest, commissions and expenses) of Ps.76,716.7 million (US\$3,431.0 million) of which Ps.17,227.6 million (US\$770.5 million) would have been secured by collateral, and our non-guarantor subsidiaries would not have had any indebtedness.

In the nine months ended September 30, 2020, the subsidiary guarantors had total income of Ps.61.5 million, which represented 5.8% of our consolidated total income.

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 101.000% 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, to the purchase date. See “Description of the Notes—Change of Control Triggering Event.”

Optional Redemption

Prior to January 28, 2025, we may, at our option, redeem the notes, in whole or in part, at a redemption price equal to 100.000% 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.”

On or after January 28, 2025, we may, at our option, redeem the notes, in whole or in part, at any time at the redemption prices set forth in “Description of the Notes—Optional Redemption,” *plus* Additional Amounts then due, if any, and any accrued and unpaid interest, if any, to the date of redemption.

Optional Redemption Upon Equity Sales

At any time, or from time to time, on or prior to January 28, 2024, we may, at our option, use the net cash proceeds of certain Equity Sales (as defined under “Description of the Notes”) to redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 109.875% of their principal amount, *plus* Additional Amounts then due, if any, and accrued and unpaid interest to the date of redemption; *provided* that:

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

- we make such redemption not more than 90 days after the consummation of such Equity Sale.

See “Description of the Notes—Optional Redemption—Optional Redemption upon Equity Sales.”

Optional Redemption for Changes in Withholding Taxes

We may redeem the notes, in whole but not in part, at a redemption price equal to 100.000% 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 Mexican withholding tax rate of 4.9% with respect to payments of amounts deemed interest 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 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; *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.

Concurrent Exchange Offer

Concurrently with the offering of the notes, we launched an exchange offer with respect to our 2022 Notes, our 2023 Notes and our 2025 Notes, to be exchanged for up to US\$200 million aggregate principal amount of the notes. The notes to be issued as consideration in the Exchange Offer are expected to have identical terms (other than issue date and issue price), be consolidated, form a single series and be fully fungible with the notes offered hereby. The Exchange Offer is conditioned upon the satisfaction of customary conditions, including the closing of the sale of the notes offered hereby. The offering of the notes is not conditioned on the successful consummation of the Exchange Offer.

This offering memorandum is not deemed to be an offer to exchange any of our 2022 notes, our 2023 Notes or our 2025 Notes in the Exchange Offer.

The initial purchasers or their affiliates are acting as dealer managers in the Exchange Offer. In addition, certain of the initial purchasers or their affiliates may hold positions in the 2022 Notes, the 2023 Notes or the 2025 Notes and may decide to participate in the Exchange Offer. See “Plan of Distribution.”

Use of Proceeds

We estimate that we will receive net proceeds from the offer and sale of the notes, after deducting the initial purchasers' discount and other offering expenses, of approximately US\$394.1 million.

We intend to use the net proceeds from the notes to repay the outstanding balance of our credit facilities with Banco BTG Pactual S.A.—Cayman Branch and Deutsche Bank, to repay approximately US\$25.0 million of our credit facility with Barclays Bank PLC, and the remainder, if any, for general corporate purposes.

Banco BTG Pactual S.A.—Cayman Branch who is acting as initial purchaser in this offering, and Barclays Bank PLC (an affiliate of Barclays Capital Inc., who is also acting as an initial purchaser in this offering), are lenders under credit facilities that are expected to be repaid, in whole or in part, with the proceeds of this offering. In addition, the initial purchasers or their affiliates are acting as dealer managers in the Exchange Offer. Certain of the initial purchasers or their affiliates may hold positions in the 2022 Notes, the 2023 Notes or the 2025 Notes and may decide to participate in the Exchange Offer. See "Plan of Distribution."

Taxation

For a summary of the main 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 one or more 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 only 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, *société anonyme*, Luxembourg, or Clearstream.

Transfer Restrictions

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, after the issuance of the notes, we will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. The notes may not be offered or

sold publicly in Mexico. The notes have not been and will not be registered with the RNV maintained by the CNBV.

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.”

Listing of the Notes

Application is expected to be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. We cannot assure you that this application will be accepted.

Governing Law

The Indenture, the notes and the guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Trustee, Registrar, Transfer Agent
and Paying Agent

The Bank of New York Mellon

Luxembourg Listing Agent

The Bank of New York Mellon SA/NV, Luxembourg Branch

Risk Factors

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.

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 December 31, 2018 and 2019 and the comprehensive income data for the years then ended are derived from our Audited Financial Statements included elsewhere in this offering memorandum. The statements of financial position data as of September 30, 2020, and the comprehensive income data for the nine-month periods ended September 30, 2019 and 2020, are derived from our Unaudited Interim Financial Statements included elsewhere in this offering memorandum.

	For the Year Ended December 31,			For the Nine-Month Period Ended September 30,		
	2018	2019	2019 ⁽¹⁾	2019	2020	2020 ⁽¹⁾
	(in millions of Ps.)		(in millions of US\$)	(in millions of Ps.)		(in millions of US\$)
Statements of Income Data						
Interest income from leasing	6,588.9	8,109.6	362.7	5,912.6	6,435.0	287.8
Interest income from factoring	414.2	656.1	29.3	407.1	311.1	13.9
Interest income from car loans	309.4	459.5	20.6	342.5	347.2	15.5
Interest income and commissions from commercial loans	1,305.4	1,332.2	59.6	812.8	1,053.6	47.1
Other lease benefits	109.0	204.4	9.1	386.6	187.5	8.4
Total income	8,726.9	10,761.8	481.3	7,861.6	8,334.5	372.7
Interest expense	5,512.4	6,945.3	310.6	5,135.6	5,204.9	232.8
Depreciation of leased assets	-	-	-	-	27.1	1.2
Allowance for expected credit losses of accounts and notes receivable (loan portfolio)	327.8	427.7	19.1	154.3	1,149.7	51.4
Total cost	5,840.2	7,373.0	329.7	5,289.9	6,381.7	285.4
Gross margin	2,886.8	3,388.8	151.6	2,571.7	1,952.8	87.3
Loss from the recognition of financial assets at amortized cost	-	7.3	0.3	-	-	-
Exchange gains	(715.5)	(1,333.4)	(59.6)	(387.3)	(8,189.3)	(366.3)
Exchange losses	484.2	1,176.4	52.6	368.6	7,728.3	345.6
Interest from investments and commissions	(391.7)	(390.5)	(17.5)	(196.5)	(215.3)	(9.6)
Other expenses (products)	31.1	19.6	0.9	(87.2)	44.7	2.0
Administrative and promotion expenses	1,150.5	1,539.9	68.9	1,167.8	1,267.8	56.7
Profit before income of associated companies	2,328.2	2,369.5	106.0	1,706.2	1,316.6	58.9
Income from associates	36.2	33.6	1.5	24.4	18.2	0.8
Profit before income tax	2,364.4	2,403.1	107.5	1,730.6	1,334.8	59.7
Income tax expense	381.9	454.1	20.3	332.8	276.4	12.4
Consolidated net income	1,982.5	1,949.0	87.2	1,397.8	1,058.4	47.3

	As of December 31,			As of September 30,	
	2018	2019	2019 ⁽¹⁾	2020	2020 ⁽¹⁾
	(in millions of Ps.)		(in millions of US\$)	(in millions of Ps.)	(in millions of US\$)
Statements of Financial Position Data					
Assets					
Current Assets					
Cash and cash equivalents.....	4,282.3	3,831.3	171.3	3,001.4	134.2
Accounts and notes receivable, net (Loan portfolio, net).....	19,187.8	27,797.5	1,243.2	27,299.5	1,220.9
Derivative financial instruments	90.2	66.2	3.0	982.9	44.0
Other current assets	302.0	97.1	4.3	-	-
Recoverable income tax	63.9	634.7	28.4	207.2	9.3
Total current assets.....	23,926.2	32,426.8	1,450.2	31,491.1	1,408.4
Noncurrent assets held for sale	831.0	1,384.4	61.9	1,372.3	61.4
Noncurrent Assets					
Accounts and notes receivable, net (Loan portfolio, net).....	25,008.2	29,513.4	1,319.9	35,803.5	1,601.2
Property, furniture and equipment, net.....	896.4	6,435.5	287.8	6,066.8	271.3
Investment properties	168.3	250.2	11.2	684.2	30.6
Intangible assets	121.1	110.1	4.9	129.0	5.8
Derivative financial instruments	4,761.4	4,909.7	219.6	5,555.5	248.5
Deferred taxes	4,980.1	3,657.0	163.6	3,418.5	152.9
Other noncurrent assets	75.4	93.3	4.2	344.5	15.4
Total noncurrent assets.....	36,011.0	44,969.2	2,011.2	52,002.2	2,325.7
Total assets.....	60,768.1	78,780.3	3,523.3	84,865.6	3,795.5
Liabilities					
Current Liabilities					
Bank loans.....	8,419.3	8,432.2	377.1	15,153.1	677.7
Debt instruments	2,259.5	4,437.7	198.5	4,823.8	215.7
Senior notes.....	664.8	1,020.7	45.6	279.5	12.5
Suppliers and other accounts payable.....	1,175.3	1,816.9	81.3	744.9	33.3
Tax income payable	-	-	-	38.7	1.7
Derivative financial instruments	4.5	1,330.3	59.5	1,508.9	67.5
Total current liabilities	12,523.4	17,037.9	762.0	22,548.9	1,008.5
Noncurrent Liabilities					
Bank loans.....	3,976.6	6,234.8	278.8	4,174.6	186.7
Debt instruments	13,158.7	10,197.8	456.1	6,689.2	299.2
Senior notes.....	21,273.9	32,611.3	1,458.5	38,205.1	1,708.7
Derivative financial instruments	-	1,646.0	73.6	440.8	19.7
Other account payable.....	210.1	153.3	6.9	221.0	9.9
Total noncurrent liabilities	38,619.3	50,843.1	2,273.9	49,730.7	2,224.1
Total liabilities	51,142.7	67,881.0	3,035.9	72,279.6	3,232.6
Stockholders' Equity					
Capital stock.....	958.2	958.2	42.9	1,083.9	48.5
Premium on issuance of shares	1,935.9	1,935.9	86.6	3,949.3	176.6
Legal reserve	274.1	274.1	12.3	274.1	12.3
Treasury stock	-	(1,325.1)	(59.3)	(1,082.9)	(48.4)
Perpetual notes	4,531.3	4,531.3	202.7	4,531.3	202.7
Retained earnings	2,471.3	3,670.5	164.2	4,142.9	185.3
Hedging derivative financial instruments.....	(545.4)	(1,524.7)	(68.2)	(2,639.4)	(118.0)
Asset revaluation surplus	-	2,379.0	106.4	2,326.7	104.1
Total stockholders' equity	9,625.5	10,899.3	487.6	12,585.9	562.9
Total liabilities and stockholders' equity	60,768.1	78,780.3	3,523.3	84,865.6	3,795.5

Selected Financial Metrics	As of and for the Years Ended December 31,		As of and for the Nine-
			Month Period Ended
	2018	2019	September 30,
			2020
Total leverage ⁽²⁾	3.71	4.89	4.83
Financial leverage ⁽³⁾	3.57	4.43	4.59
Ratio of non-performing loans ⁽⁴⁾	3.09%	3.66%	4.80%
Coverage ratio ⁽⁵⁾	68.2%	60.6%	71.8%
Efficiency ratio ⁽⁶⁾	35.8%	40.3 %	40.5%
Operating margin ⁽⁷⁾	3.02	3.18	4.27
Net margin ⁽⁸⁾	68.7%	57.5%	54.2%
Return on average equity ⁽⁹⁾	21.1 %	19.6%	13.7%
Return on average assets ⁽¹⁰⁾	3.4 %	2.8%	1.9%
Total stockholders' equity/total assets.....	15.8%	13.8%	14.8%
Dividend payout ratio ⁽¹¹⁾	17.6%	16.9%	-
Capitalization ratio ⁽¹²⁾	21.8%	19.0%	19.9%
Administrative expenses/total revenue ⁽¹³⁾	13.2%	14.3%	15.2%
Net income/number of employees.....	3.35	2.82	1.53

- (1) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps.22.36 per U.S. dollar, the exchange rate published by *Banco de México* in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*) on September 30, 2020. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.
- (2) Calculated as total liabilities (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (3) Calculated as total financial debt (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (4) Calculated as the sum of the balances of leases, impaired factoring account and car and commercial loans, in each case in stage 3 (or stage 2 for impaired factoring account and car and commercial loans in 2018 and 2019) divided by total portfolio.
- (5) Calculated as allowances for loan losses divided by the sum of the balances of leases, impaired factoring account and car and commercial loans, in each case in stage 3 (or stage 2 for impaired factoring account and car and commercial loans in 2018 and 2019).
- (6) Calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by the sum of gross margin *minus* allowance for expected credit losses of accounts and notes receivable.
- (7) Calculated as total income for the period divided by the gross margin.
- (8) Calculated as consolidated net income for the period divided by the gross margin.
- (9) As of December 31, 2018 and 2019, calculated as consolidated net income for the previous twelve months divided by the average total stockholders' equity for the previous twelve months. As of September 30, 2020, calculated as consolidated net income for the previous twelve months divided by total equity as of September 30, 2020.
- (10) As of December 31, 2018 and 2019, calculated as consolidated net income for the previous twelve months divided by the average assets for the previous twelve months. As of September 30, 2020, calculated as consolidated net income for the previous twelve months divided by total assets as of September 30, 2020.
- (11) As of December 31, 2018 and 2019, calculated as dividends paid in the current period divided by consolidated net income. As of September 30, 2020, calculated as dividends paid in the current period divided by annualized consolidated net income. Annualized consolidated net income was calculated by dividing consolidated net income for the nine months ended September 30, 2020 by three and multiplying the result times four. Annualized consolidated net income is inherently uncertain and may differ substantially from the actual consolidated net income for 2020.
- (12) Calculated as stockholders' equity divided by total net accounts and notes receivable (loan portfolio).
- (13) 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 us or investments in Mexico in general. Additional risks and uncertainties not currently known to us or that we currently deem nonmaterial may also materially and adversely impair our business and our ability to make payments on the notes.

Risks Related to Our Business

The COVID-19 pandemic has had, and will likely continue to have, a material negative impact on our business, revenues, expenses, credit costs and overall results of operations and financial condition.

The novel strain of coronavirus identified as SARS-CoV-2, which causes the disease known as “COVID-19,” was first identified in Wuhan, China in December 2019 and has spread to nearly all regions around the world. The rapid outbreak and further measures taken by governments to contain its spread have had dramatic adverse consequences for the global economy, including demand, operations, supply chains and financial markets. The magnitude and scope of the effects of the pandemic are difficult to evaluate and predict.

Similar to other emerging countries, the Mexican economy suffered from a significant economic slowdown during 2020, which is expected to continue throughout 2021. The International Monetary Fund estimates a 9.0% GDP contraction in 2020 and a weak recovery of only 3.5% in 2021. After a few months of national confinement, in June 2020, the Mexican government launched a four-color coding system to resume the gradual return to activities. Based on several metrics related to the COVID-19 spread, the Mexican government conducts a biweekly update for each state and depending on the risk level, some activities are allowed to resume provided that they comply with strict hygiene measures. As the COVID-19 outbreak continues to evolve, and given the uncertainty of its lasting effect, the financial impact on Mexico’s economy will depend on future developments that cannot yet be determined. Furthermore, even though the *Banco de México* has joined other institutions globally by reducing interest rates and by implementing measures to mitigate the impact on the financial system and markets, fiscal stimulus and other government aid have been limited.

The COVID-19 pandemic has had, and will continue to have, a material negative impact on our business, revenues, expenses, credit costs and overall results of operations and financial condition. Moreover, the spread of COVID-19 and the resulting regulatory measures implemented by the Mexican government have caused us to modify our business activities, including changes in collection procedures, limiting travel, temporarily closing offices and branches and implementing remote work capabilities. In addition, the impact of COVID-19 in the Mexican financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain financing in favorable terms or at all. In addition, the slowdown of the economic activity has resulted in a significant decrease in the demand for our financial products and services and has caused a substantial increase in credit defaults by our clients. Financial distress among SMEs has adversely affected their ability to service their leases and loans with us, which had and may continue to have an adverse impact on our income, collections and the quality of our portfolio, and may impact our capacity to repay our debt and comply with the covenants (including financial ratios) of our debt instruments.

The negative economic effects caused by the COVID-19 pandemic have exceeded our initial estimates. Despite the limited availability of a vaccine, the COVID-19 pandemic may not be fully contained for the foreseeable future and certain regions may be subject to an increase in the number of people infected and deaths. Although Mexico has already launched its vaccine campaign, manufacturing and logistic challenges persist. Therefore, a prolonged health crisis could continue to reduce economic activity in Mexico, resulting in a further decline in employment, as well as in confidence among businesses and consumers. For some sectors uncertainty still prevails and the strong increase in unemployment rates will affect the expected recovery of consumption. These factors could further negatively impact economic activity and our customers, cause a continued decline in our revenues and the demand for our products and services, increase our non-performing loans, which as of September 30, 2020 were 4.8% of our total portfolio, as compared with 3.7% as of December 31, 2019, cause us to recognize write-offs, such as the Ps.196.0 million (US\$8.8 million) write-off recognized as of September 30, 2020, relating to a client in our factoring business, and further increase our credit and other costs. Additionally, we could face a continued increase

in our balance sheet and risk-weighted assets, resulting in a decline in capital ratios or liquidity measures. Moreover, any disruption or failure of our performance of, or our ability to perform, key business functions, as a result of the continued spread of COVID-19 or otherwise, could adversely affect our operations. Furthermore, it is unclear how the macroeconomic business environment or social norms may be impacted after the pandemic. The post-COVID-19 environment may undergo unexpected developments or changes in financial markets, the fiscal, tax and regulatory environments and client behavior. These developments and changes could have an adverse impact on our results of operations and financial condition. Ongoing business and regulatory uncertainties and changes may make our longer-term business, balance sheet and budget planning more difficult or costly. To the extent that we are not able to adapt to the new business environment, we could experience loss of business and our results of operations and financial condition could materially suffer.

The extent to which COVID-19 may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on financial markets and the financial condition of our clients and the availability of a vaccine, all of which are highly uncertain and cannot be predicted. We will continue to closely monitor and evaluate the nature and extent of the impact of COVID-19 on our operations, liquidity, financial condition, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, suppliers and clients. Furthermore, throughout the COVID-19 pandemic and despite widespread lockdowns, we were able to maintain full operations due to our remote work policies and capabilities, robust technology and contingency plans, which had already been in place prior to the pandemic and have been continuously reinforced.

We have offered COVID-19 support plans to some of our clients, which have had an adverse impact on our results and may have an adverse impact on our non-performing loan ratios.

During the second and third quarters of 2020, we launched a COVID-19 support plan targeted to eligible clients consisting of the deferral of monthly payments, the majority of which were deferred for up to six months. This support plan was offered to clients who were current on their payments and belonged to an industry or type of business affected by the pandemic. The first phase of our COVID-19 Support Plan was offered to 1,205 clients, and amounted to Ps.5,801.4 million (US\$259.5 million), representing 9.1% of our accounts and notes receivable (loan portfolio). The deferred payment amount of the first phase of such plan totaled Ps.1,291.6 million (US\$57.8 million). The second phase of the COVID-19 Support Plan was offered to 548 clients, including 528 clients that participated in the first phase, and amounted to Ps.3,672.6 million (US\$164.2 million), representing 5.6% of our accounts and notes receivable (loan portfolio). The deferred payment for the second phase totaled Ps.602.1 million (US\$26.9 million).

Our COVID-19 support plan has had the practical effect of helping our clients avoid payment defaults under their leases, factoring products and loans. By avoiding payment defaults, we have also been able to prevent an increase in our non-performing loans and in the allowance for expected credit losses of our accounts and notes receivable (loan portfolio). Our non-performing loan ratio as of September 30, 2020 was 4.8% of our total portfolio – as compared with 3.7% as of December 31, 2019 – and our allowance for expected credit losses of accounts and notes receivable (loan portfolio) as of such date was Ps.1,149.7 million – a 645.1% increase as compared with September 30, 2019. However, this percentage and amount of allowance may not be representative of the actual performance of our portfolio as a result of the COVID-19 support plan offered to our clients. We can provide no assurances that this COVID-19 support plan will continue or, if continued, if they will help our clients avoid events of default under their leases, factoring products or loans, which would have an adverse effect on our business, financial condition and results of operations.

Our results of operations may continue to 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

nonpayment or inability to perform obligations owed to us. The volatility in oil prices since 2014, the uncertainties around the United Kingdom's exit from and future relationship with the European Union, changes in U.S. trade policies, which have resulted in retaliatory measures from other countries, and geopolitical tensions in the Middle East have had a significant impact on the worldwide economy and in Mexico.

By the end of 2018, the global economy appeared to have overcome a long period of turbulence and volatility, which began in 2007 with the global financial crisis. However, in 2019, the global economy saw its slowest growth rate in a decade at 2.3%, the result of a prolonged trade dispute among various key players. These conflicts fueled uncertainty over the course of the world's economy and a slowdown in domestic investment in Mexico. In 2019, the Chinese economy grew by 6.1%, its lowest rate in almost three decades. At the same time, political tensions persisted in various regions of the world. In contrast to the previous year, the United States Federal Reserve lowered interest rates to stimulate the economy. Certain economic indicators continue to evolve, and the long-term effects of current global events, including the COVID-19 pandemic and the United States-China trade war, are uncertain. Investor sentiment regarding the outlook of the global economy has fluctuated and we cannot assure you that past developments will not occur again in the future or that recent volatility in the international markets will not affect us, including our results of operations.

In March 2020, after the failure by the members of the Organization of the Petroleum Exporting Countries ("OPEC") and Russia to reach an agreement to stabilize the oil market, Saudi Arabia decided to increase its oil production, flooding the market and launching a price war. This decision, at a time when global demand for oil was falling due to the impact of COVID-19 on global trade and the economy, triggered a 30% decline in the price of oil, representing the most significant decline since 1991. This drop in international oil prices and its derivatives added to the already fragile economic environment in Mexico, which in 2019 entered into a recession as a result of various factors, including uncertainty regarding the productivity and development of the country, and which coincided with a period of elevated volatility in the exchange rate of the Mexican peso and the U.S. dollar. Rating agencies cut Mexico's sovereign rating and the stand-alone rating of Petróleos Mexicanos (Pemex, a productive state-owned company of the Mexican federal government), as Pemex's creditworthiness had been under pressure due to debt burdens, depressed oil prices and the extraordinary need for proactive government support.

On April 12, 2020, Saudi Arabia, Russia and the members of OPEC agreed to decrease oil production by 9.7 million barrels a day in May and June 2020, the deepest cut ever agreed to by the group. After the agreed-upon duration of decreased oil production ends, OPEC members will steadily ramp up production until the agreement expires in April 2022. Although oil prices have slightly recovered, lockdown measures designed to slow the spread of COVID-19 continue affecting energy markets. There can be no assurances about the impact of this agreement or other trends affecting international oil prices on the Mexican economy, and the related impact on our business and results of operations.

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 resources, the availability of consumer credit, interest rates, consumer confidence, debt levels, retail trends, foreign currency exchange rates and government policies generally. 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 mercantil* 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 mercantil* 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.

On November 3, 2020, the U.S. held a presidential election in which Joseph R. Biden, Jr. was elected president of the United States. Mr. Biden was inaugurated on January 20, 2021. The full extent of Mr. Biden's legislative agenda, the relationship between the executive and legislative powers and future U.S. policies with respect to matters of importance to Mexico and its economy, particularly trade and migration, remain uncertain and will start to be developed in the coming months. During the past several weeks, there has been political instability and civil unrest associated with the transition of the U.S. administration. If such social unrest continues or worsens, it could have a negative impact on economic growth and the business environment overall, which could have an adverse effect on the U.S., which has an indirect impact on Mexico.

Economic conditions in Mexico are highly correlated with economic conditions in the United States as a result of the USMCA and increased economic activity between the two countries. On October 1, 2018, the United States, Canada and Mexico formally agreed to renegotiate the terms and conditions of the North American Free Trade Agreement ("NAFTA"), under the USMCA. Unlike NAFTA, the USMCA includes a sunset provision that requires it to be analyzed and modified, if applicable, after six years and after 16 years, it will be renegotiated. This treaty also includes amendments to the rules of origin in practically all sectors, rules to deter artificial changes to exchange rates to obtain commercial advantages, and additional intellectual property protections, as well as amendments in labor matters and information technologies, among other provisions. The USMCA effectively replaced NAFTA on July 1, 2020. There can be no assurance as to the outcome of the USMCA or any subsequent trade agreements made as a response thereto, and the impact on the financial services industry of these measures or any other measure adopted by the United States cannot be predicted.

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 2020, 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, on April 15, 2020, Fitch Ratings lowered Mexico's sovereign debt rating from BBB to BBB- with a stable outlook, on April 17, 2020, Moody's lowered Mexico's sovereign debt rating to Baa1 with a negative outlook.

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 accounts and notes receivable (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 accounts and notes receivable (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 accounts and notes receivable (loan portfolio). If the quality of our leases and accounts and notes receivable (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.

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 car and commercial loans 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 accounts and notes receivable (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 September 30, 2020, we had total consolidated indebtedness (excluding accrued interest, commissions and expenses) of Ps.70,601.0 million (US\$3,157.5 million), of which Ps.20,463.8 million (US\$915.2 million) was denominated in Mexican pesos and Ps.50,138.0 million (US\$2,242.3 million) was denominated in U.S.

dollars. Of our total indebtedness as of September 30, 2020, Ps.20,081.8 million (US\$898.2 million), or 28.4%, 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.50,519.2 million (US\$2,259.5 million), or 71.6%, of our total outstanding indebtedness consisted of indebtedness with maturities greater than one year that becomes due more than one year after September 30, 2020, 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 accounts and notes receivables (loan portfolio). 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 nonstrategic 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 September 30, 2020, we had assigned a total of Ps.24,542.8 million of collection rights, which represented 37.6% 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 within 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 50.0% 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 refinance 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 accounts and notes receivable (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 interest rates may adversely affect our business, financial condition and results of operations.

In recent years, interest rates in Mexico have decreased considerably. As of the end of 2017, 2018 and 2019 and September 30, 2020, the 28-day TIIE was 7.62%, 8.34%, 7.30% and 4.55%, 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.

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

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

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

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 2019, the peso appreciated by 8.7% against the U.S. dollar. However, since January 1, 2020, the peso has lost approximately 5.1% of its value 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.

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, including with respect to the deployment of key digital platforms, such as Uniclick, which depend on the proper functioning of our information technology systems. 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.

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 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 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 International Financial Reporting Standard, *Leases* (IFRS 16) has had a material effect on how we report our interest income from leasing. 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 as well as any amendments to financial disclosure regulations and review new pronouncements and drafts thereof that are relevant to us. In the event that our estimates or judgments relating to our critical accounting policies prove to be or in any way become incorrect or different as a result of new standards or regulations, changes to existing standards and regulations 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 published financial statements, we may be required to restate such published financial statements. Such changes to assumptions, estimates present any material errors, 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. To the extent we may fail to fully comply with applicable laws and regulations related to money laundering activities, the relevant governmental agencies to which we report have the power and authority to impose fines and other penalties on us. Furthermore, 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.

Proposed amendments to outsourcing regulations may adversely affect our business, financial condition and results of operations.

In November 2020, President López Obrador introduced a draft bill seeking to amend certain regulations relating to outsourcing services in Mexico. As proposed, the bill would effectively eliminate the ability of entities to contract professional services through outsourcing companies, except for a limited type of specialized services. In December 2020, President López Obrador announced an agreement among the Mexican Government, the business sector and the labor sector to postpone further discussion and legislative action on the bill to February 2021. As a result, the details of the reform are still unclear, but we expect to make a final assessment of the impact on our business, financial condition and results of operations once all details around the reform become known. We can provide no assurances that the bill, when and if enacted, would not have an adverse effect on our business, 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. 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.

Mr. Rodrigo Lebois Mateos and members of his immediate family hold 51.6% of our capital stock, directly or indirectly through trust number 2452 ("Trust 2452") held with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, ("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.

Our controlling shareholder has the ability to enter into credit facilities backed by a pledge of the shares of our capital stock 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.

Our controlling shareholder may enter into credit facilities and pledge shares of our capital stock 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 our controlling shareholder 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 is 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 financial 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. 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. 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. Further, we cannot predict the outcome of the upcoming elections for the deputies in the chambers of the Mexican Congress. The outcome of these elections, including which political party will constitute the majority in the Mexican Congress, will also affect Mexico's political environment in the coming years and, consequently, the operations and financial performance of businesses in Mexico.

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

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

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 6.77% in 2017, 4.83% in 2018, 2.83% in 2019 and 4.01% for September 30, 2020. If Mexico experiences high levels of inflation as it has in the past, these might adversely affect 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.

Reforms to 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 Protección y 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 to the judge. The mandatory and partly discretionary application of such criteria in the lawsuits affecting our accounts and notes receivable (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 September 30, 2020, we had total consolidated indebtedness (excluding accrued interest, commissions and expenses) of Ps.70,601.0 million (US\$3,157.5 million), of which Ps.19,178.5 million (US\$857.7 million) was secured by collateral, and our non-guarantor subsidiaries did not have any indebtedness. Of our Ps.19,178.5 million (US\$857.7 million) of secured indebtedness, Ps.7,405.1 million (US\$331.2 million) related to secured bank debt and the remainder related 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 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 September 30, 2020, we and our subsidiary guarantors would have had total indebtedness (excluding accrued interest, commissions and expenses) of Ps.76,716.7 million (US\$3,431.0 million), of which Ps.17,227.6 million (US\$770.5 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 registering 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 became 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 of 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 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 specified change of control events at a purchase price equal to 101.000% 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 we will receive net proceeds from the offer and sale of the notes, after deducting the initial purchasers' discount and other offering expenses, of approximately US\$394.1 million.

We intend to use the net proceeds from the notes to repay the outstanding balance of our credit facilities with Banco BTG Pactual S.A.—Cayman Branch and Deutsche Bank, to repay approximately US\$25.0 million of our credit facility with Barclays Bank PLC, and the remainder, if any, for general corporate purposes.

Banco BTG Pactual S.A.—Cayman Branch who is acting as initial purchaser in this offering, and Barclays Bank PLC (an affiliate of Barclays Capital Inc., who is also acting as an initial purchaser in this offering), are lenders under credit facilities that are expected to be repaid, in whole or in part, with the proceeds of this offering. In addition, the initial purchasers or their affiliates are acting as dealer managers in the Exchange Offer. Certain of the initial purchasers or their affiliates may hold positions in the 2022 Notes, the 2023 Notes or the 2025 Notes and may decide to participate in the Exchange Offer. See "Plan of Distribution."

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2020 (i) on an actual historical basis and (ii) as adjusted to give effect to (x) debt incurred and the use of proceeds therefrom after September 30, 2020 and (y) the issuance of the notes and the use of the proceeds therefrom.

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

	As of September 30, 2020 (Unaudited)			
	Actual		As Adjusted	
	(in millions of Ps.)	(in millions of US\$) ⁽¹⁾	(in millions of Ps.)	(in millions of US\$) ⁽¹⁾
Cash and cash equivalents.....	3,001.4	134.2	7,799.5	348.8
Current liabilities:				
Bank loans.....	15,153.1	677.7	12,382.3	553.8
Debt instruments	4,823.8	215.7	4,823.8	215.7
Senior notes.....	279.5	12.5	279.5	12.5
Suppliers and other accounts payable	744.9	33.3	744.9	33.3
Tax income payable	38.7	1.7	38.7	1.7
Derivative financial instruments	1,508.9	67.5	1,508.9	67.5
Noncurrent liabilities:				
Bank loans.....	4,174.6	186.7	4,174.6	186.7
Debt instruments	6,689.2	299.2	6,689.2	299.2
Senior notes.....	38,205.1	1,708.7	47,017.1	2,102.8
Derivative financial instruments	440.8	19.7	440.8	19.7
Other accounts payable	221.0	9.9	221	9.9
Total liabilities	<u>72,279.6</u>	<u>3,232.6</u>	<u>78,320.8</u>	<u>3,502.8</u>
Total stockholders’ equity.....	<u>12,585.9</u>	<u>562.9</u>	<u>12,585.9</u>	<u>562.9</u>
Total liabilities and stockholders' equity	<u>84,865.6</u>	<u>3,795.5</u>	<u>90,906.7</u>	<u>4,065.6</u>

(1) Mexican peso amounts have been translated solely for the convenience of the reader into U.S. dollars at an exchange rate of Ps.22.36 per U.S. dollar, the exchange rate published by *Banco de México* in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*) on September 30, 2020. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present certain 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,” “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 December 31, 2018 and 2019 and the comprehensive income data for the years then ended are derived from our Audited Financial Statements included elsewhere in this offering memorandum. The statements of financial position data as of September 30, 2020, and the comprehensive income data for the nine-month periods ended September 30, 2019 and 2020, are derived from our Unaudited Interim Financial Statements included elsewhere in this offering memorandum.

	For the Year Ended December 31,			For the Nine-Month Period Ended September 30,		
	2018	2019	2019 ⁽¹⁾	2019	2020	2020 ⁽¹⁾
	(in millions of Ps.)		(in millions of US\$)	(in millions of Ps.)		(in millions of US\$)
Statements of Income Data						
Interest income from leasing	6,588.9	8,109.6	362.7	5,912.6	6,435.0	287.8
Interest income from factoring	414.2	656.1	29.3	407.1	311.1	13.9
Interest income from car loans	309.4	459.5	20.6	342.5	347.2	15.5
Interest income and commissions from commercial loans	1,305.4	1,332.2	59.6	812.8	1,053.6	47.1
Other lease benefits	109.0	204.4	9.1	386.6	187.5	8.4
Total income	8,726.9	10,761.8	481.3	7,861.6	8,334.5	372.7
Interest expense	5,512.4	6,945.3	310.6	5,135.6	5,204.9	232.8
Depreciation of leased assets	-	-	-	-	27.1	1.2
Allowance for expected credit losses of accounts and notes receivable (loan portfolio)	327.8	427.7	19.1	154.3	1,149.7	51.4
Total cost	5,840.2	7,373.0	329.7	5,289.9	6,381.7	285.4
Gross margin	2,886.8	3,388.8	151.6	2,571.7	1,952.8	87.3
Loss from the recognition of financial assets at amortized cost	-	7.3	0.3	-	-	-
Exchange gains	(715.5)	(1,333.4)	(59.6)	(387.3)	(8,189.3)	(366.3)
Exchange losses	484.2	1,176.4	52.6	368.6	7,728.3	345.6
Interest from investments and commissions	(391.7)	(390.5)	(17.5)	(196.5)	(215.3)	(9.6)
Other expenses (products)	31.1	19.6	0.9	(87.2)	44.7	2.0
Administrative and promotion expenses	1,150.5	1,539.9	68.9	1,167.8	1,267.8	56.7
Profit before income of associated companies	2,328.2	2,369.5	106.0	1,706.2	1,316.6	58.9
Income from associates	36.2	33.6	1.5	24.4	18.2	0.8
Profit before income tax	2,364.4	2,403.1	107.5	1,730.6	1,334.8	59.7
Income tax expense	381.9	454.1	20.3	332.8	276.4	12.4
Consolidated net income	1,982.5	1,949.0	87.2	1,397.8	1,058.4	47.3

	As of December 31,			As of September 30,	
	2018	2019	2019 ⁽¹⁾	2020	2020 ⁽¹⁾
	(in millions of Ps.)		(in millions of US\$)	(in millions of Ps.)	(in millions of US\$)
Statements of Financial Position Data					
Assets					
Current Assets					
Cash and cash equivalents.....	4,282.3	3,831.3	171.3	3,001.4	134.2
Accounts and notes receivable, net (Loan portfolio, net).....	19,187.8	27,797.5	1,243.2	27,299.5	1,220.9
Derivative financial instruments	90.2	66.2	3.0	982.9	44.0
Other current assets	302.0	97.1	4.3	-	-
Recoverable income tax	63.9	634.7	28.4	207.2	9.3
Total current assets.....	23,926.2	32,426.8	1,450.2	31,491.1	1,408.4
Noncurrent assets held for sale	831.0	1,384.4	61.9	1,372.3	61.4
Noncurrent Assets					
Accounts and notes receivable, net (Loan portfolio, net).....	25,008.2	29,513.4	1,319.9	35,803.5	1,601.2
Property, furniture and equipment, net.....	896.4	6,435.5	287.8	6,066.8	271.3
Investment properties	168.3	250.2	11.2	684.2	30.6
Intangible assets	121.1	110.1	4.9	129.0	5.8
Derivative financial instruments	4,761.4	4,909.7	219.6	5,555.5	248.5
Deferred taxes	4,980.1	3,657.0	163.6	3,418.5	152.9
Other noncurrent assets	75.4	93.3	4.2	344.5	15.4
Total noncurrent assets.....	36,011.0	44,969.2	2,011.2	52,002.2	2,325.7
Total assets.....	60,768.1	78,780.3	3,523.3	84,865.6	3,795.5
Liabilities					
Current Liabilities					
Bank loans.....	8,419.3	8,432.2	377.1	15,153.1	677.7
Debt instruments	2,259.5	4,437.7	198.5	4,823.8	215.7
Senior notes.....	664.8	1,020.7	45.6	279.5	12.5
Suppliers and other accounts payable.....	1,175.3	1,816.9	81.3	744.9	33.3
Tax income payable	-	-	-	38.7	1.7
Derivative financial instruments	4.5	1,330.3	59.5	1,508.9	67.5
Total current liabilities	12,523.4	17,037.9	762.0	22,548.9	1,008.5
Noncurrent Liabilities					
Bank loans.....	3,976.6	6,234.8	278.8	4,174.6	186.7
Debt instruments	13,158.7	10,197.8	456.1	6,689.2	299.2
Senior notes.....	21,273.9	32,611.3	1,458.5	38,205.1	1,708.7
Derivative financial instruments	-	1,646.0	73.6	440.8	19.7
Other account payable.....	210.1	153.3	6.9	221.0	9.9
Total noncurrent liabilities	38,619.3	50,843.1	2,273.9	49,730.7	2,224.1
Total liabilities	51,142.7	67,881.0	3,035.9	72,279.6	3,232.6
Stockholders' Equity					
Capital stock.....	958.2	958.2	42.9	1,083.9	48.5
Premium on issuance of shares	1,935.9	1,935.9	86.6	3,949.3	176.6
Legal reserve	274.1	274.1	12.3	274.1	12.3
Treasury stock	-	(1,325.1)	(59.3)	(1,082.9)	(48.4)
Perpetual notes	4,531.3	4,531.3	202.7	4,531.3	202.7
Retained earnings	2,471.3	3,670.5	164.2	4,142.9	185.3
Hedging derivative financial instruments.....	(545.4)	(1,524.7)	(68.2)	(2,639.4)	(118.0)
Asset revaluation surplus	-	2,379.0	106.4	2,326.7	104.1
Total stockholders' equity	9,625.5	10,899.3	487.6	12,585.9	562.9
Total liabilities and stockholders' equity	60,768.1	78,780.3	3,523.3	84,865.6	3,795.5

	As of and for the Years Ended December 31,		As of and for the Nine-
			Month Period Ended
	2018	2019	September 30,
Selected Financial Metrics			2020
Total leverage ⁽²⁾	3.71	4.89	4.83
Financial leverage ⁽³⁾	3.57	4.43	4.59
Ratio of non-performing loans ⁽⁴⁾	3.09%	3.66%	4.80%
Coverage ratio ⁽⁵⁾	68.2%	60.6%	71.8%
Efficiency ratio ⁽⁶⁾	35.8%	40.3 %	40.5%
Operating margin ⁽⁷⁾	3.02	3.18	4.27
Net margin ⁽⁸⁾	68.7%	57.5%	54.2%
Return on average equity ⁽⁹⁾	21.1 %	19.6%	13.7%
Return on average assets ⁽¹⁰⁾	3.4 %	2.8%	1.9%
Total stockholders' equity/total assets.....	15.8%	13.8%	14.8%
Dividend payout ratio ⁽¹¹⁾	17.6%	16.9%	-
Capitalization ratio ⁽¹²⁾	21.8%	19.0%	19.9%
Administrative expenses/total revenue ⁽¹³⁾	13.2%	14.3%	15.2%
Net income/number of employees.....	3.35	2.82	1.53

- (1) Translated into U.S. dollars, solely for the convenience of the reader, using an exchange rate of Ps.22.36 per U.S. dollar, the exchange rate published by *Banco de México* in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*) on September 30, 2020. These convenience translations should not be construed as representations that the peso amounts actually represent U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.
- (2) Calculated as total liabilities (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (3) Calculated as total financial debt (excluding securitizations and subordinated perpetual notes) divided by total stockholders' equity, as of the date of calculation.
- (4) Calculated as the sum of the balances of leases, impaired factoring account and car and commercial loans, in each case in stage 3 (or stage 2 for impaired factoring account and car and commercial loans in 2018 and 2019) divided by total portfolio.
- (5) Calculated as allowances for loan losses divided by the sum of the balances of leases, impaired factoring account and car and commercial loans, in each case in stage 3 (or stage 2 for impaired factoring account and car and commercial loans in 2018 and 2019).
- (6) Calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by the sum of gross margin minus allowance for expected credit losses of accounts and notes receivable.
- (7) Calculated as total income for the period divided by the gross margin.
- (8) Calculated as consolidated net income for the period divided by the gross margin.
- (9) As of December 31, 2018 and 2019, calculated as consolidated net income for the previous twelve months divided by the average total stockholders' equity for the previous twelve months. As of September 30, 2020, calculated as consolidated net income for the previous twelve months divided by total equity as of September 30, 2020.
- (10) As of December 31, 2018 and 2019, calculated as consolidated net income for the previous twelve months divided by the average assets for the previous twelve months. As of September 30, 2020, calculated as consolidated net income for the previous twelve months divided by total assets as of September 30, 2020.
- (11) As of December 31, 2018 and 2019, calculated as dividends paid in the current period divided by consolidated net income. As of September 30, 2020, calculated as dividends paid in the current period divided by annualized consolidated net income. Annualized consolidated net income was calculated by dividing consolidated net income for the nine months ended September 30, 2020 by three and multiplying the result times four. Annualized consolidated net income is inherently uncertain and may differ substantially from the actual consolidated net income for 2020.
- (12) Calculated as stockholders' equity divided by total net accounts and notes receivable (loan portfolio).
- (13) Calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by total income.

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. Our Audited Financial Statements were prepared in accordance with IFRS. Our Unaudited Interim Financial Statements were prepared in accordance with IAS 34, as issued by IASB.

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 leading Mexican leasing company focused on the following business lines: leasing, factoring and car and commercial loans. Through our leasing business line, our core business line, we offer leases for all types of productive assets, including machinery and equipment, transportation vehicles 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 receivables and by providing vendor financing. Our car and commercial loans business line is focused on financing the acquisition of new and used vehicles, the acquisition of other capital assets, and financing short-term working capital and liquidity needs. Within our commercial lending business we maintain a structured finance area that delivers tailored financing solutions to our clients in the form of leasing or loans, or a combination of both. Through Uniclick, an online digital platform, we offer our leasing, factoring and lending products to the SMEs sector.

As of December 31, 2019 and September 30, 2020, we had total assets of Ps.78,780.3 million (US\$3,523.3 million) and Ps.84,865.6 million (US\$3,795.5 million), respectively, our total portfolio amounted to Ps.58,611.1 million (US\$2,621.3 million) and Ps.65,357.1 million (US\$2,923.0 million), respectively, and we had stockholder's equity of Ps.10,899.3 million (US\$487.4 million) and Ps.12,585.9 million (US\$562.9 million), respectively. For the nine-month periods ended September 30, 2019 and 2020, we had profit before income of associated companies of Ps.1,706.2 million (US\$76.3 million) and Ps.1,316.6 million (US\$58.9 million), respectively, and consolidated net income of Ps.1,397.8 million (US\$62.5 million) and Ps.1,058.4 million (US\$47.3 million), respectively.

For the years ended December 31, 2018 and 2019 we had profit before income of associated companies of Ps.2,328.2 million (US\$104.1 million) and Ps.2,369.5 million (US\$106.0 million), respectively, and consolidated net income of Ps.1,982.5 million (US\$88.7 million) and Ps.1,949.0 million (US\$87.2 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:

The COVID-19 Pandemic

The COVID-19 pandemic has had, and will continue to have, a material negative impact on our business, revenues, expenses, credit costs and overall results of operations and financial condition. Moreover, the spread of COVID-19 and the resulting regulatory measures implemented by the Mexican government have caused us to modify our business activities, including changes in collection procedures, limiting travel, temporarily closing offices and branches and implementing remote work capabilities. In addition, the impact of COVID-19 in the Mexican financial markets has adversely affected the cost of borrowing, hedging activities and access to capital in general which could limit our ability to obtain financing in favorable terms or at all. In addition, the slowdown of the economic activity has resulted in a significant decrease in the demand for our financial products and services and has caused a substantial increase in credit defaults by our clients. Financial distress among SMEs has adversely affected their ability to service their leases and loans with us, which had and may continue to have an adverse impact on our income, collections and the quality of our portfolio, and may impact our capacity to repay our debt and comply with the covenants (including financial ratios) of our debt instruments.

Similar to other emerging countries, the Mexican economy suffered from a significant economic slowdown during 2020, which is expected to continue throughout 2021. The International Monetary Fund estimates a 9.0% GDP contraction in 2020 and a weak recovery of only 3.5% in 2021. We have taken strict measures to protect our business and mitigate possible risks, while maintaining support and credit for our clients. Since the beginning of the pandemic, we decided to slow down new originations and redefine our risk scorecard to better identify sectors that could suffer a greater impact from COVID-19. As a result, our total originations decreased by 28.5% during the nine-month period ended September 30, 2020, as compared to the same period in 2019. The negative economic effects caused by the spread of the COVID-19 pandemic have exceeded our initial estimates. For some sectors uncertainty still prevails and the strong increase in unemployment rates will affect the expected recovery of consumption.

During the second and third quarters of 2020, we launched a COVID-19 support plan targeted to eligible clients consisting of the deferral of monthly payments, the majority of which were deferred for up to six months. This support plan was offered to clients who were current on their payments and belonged to an industry or type of business affected by the pandemic. The first phase of our COVID-19 Support Plan was offered to 1,205 clients, and amounted to Ps.5,801.4 million (US\$259.5 million), representing 9.1% of our accounts and notes receivable (loan portfolio). The deferred payment amount of the first phase of such plan totaled Ps.1,291.6 million (US\$57.8 million). The second phase of the COVID-19 Support Plan was offered to 548 clients, including 528 clients that participated in the first phase, and amounted to Ps.3,672.6 million (US\$164.2 million), representing 5.6% of our accounts and notes receivable (loan portfolio). The deferred payment for the second phase totaled Ps.602.1 million (US\$26.9 million). Our COVID-19 support plan was broken-down by economic sector as follows:

	<u>As of</u> <u>September 30, 2020</u>
Economic Sector:	
Services	26%
Manufacturing	26%
Transportation	16%
Commerce	15%
Construction	11%
Agriculture	2%
Oil and Gas.....	2%
Other.....	2%
Total	<u>100.0%</u>

Our COVID-19 support plan has had the practical effect of helping our clients avoid payment defaults under their leases, factoring products and loans. By avoiding payment defaults, we have also been able to prevent an increase in our non-performing loans and in the allowance for expected credit losses of our accounts and notes receivable (loan portfolio). Our non-performing loan ratio as of September 30, 2020 was 4.8% of our total portfolio – as compared with 3.7% as of December 31, 2019 – and our allowance for expected credit losses of accounts and notes receivable (loan portfolio) as of such date was Ps.1,149.7 million – a 645.1% increase as compared with September 30, 2019. However, this percentage and amount of allowance may not be representative of the actual performance of our portfolio as a result of the COVID-19 support plan offered to our clients. We can provide no assurances that this COVID-19 support plan will continue or, if continued, if they will help our clients avoid events of default under their leases, factoring products or loans, which would have an adverse effect on our business, financial condition and results of operations.

The extent to which COVID-19 may impact our operations, liquidity, financial condition, and results of operations will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on financial markets and the financial condition of our clients and the availability of a vaccine, all of which are highly uncertain and cannot be predicted. We will continue to closely monitor and evaluate the nature and extent of the impact of COVID-19 on our operations, liquidity, financial condition, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, suppliers and clients. Furthermore, throughout the COVID-19 pandemic and despite widespread lockdowns, we were able to maintain full

operations due to our remote work polices and capabilities, robust technology and contingency plans, which had already been in place prior to the pandemic and have been continuously reinforced.

See “Risk Factors—Risks Related to Our Business—The COVID-19 pandemic has had, and will likely continue to have, a material negative impact on our business, revenues, expenses, credit costs and overall results of operations and financial condition” and “Risk Factors—Risks Related to Our Business—We have offered COVID-19 support plans to some of our clients, which have had an adverse impact on our results and may have an adverse impact on our non-performing loan ratios.”

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 have been and may continue to be impacted by the uncertainty caused by economic downturns, volatility and deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions that negatively affect us or parties with whom we do business resulting in a reduction in our customers’ spending and increased risk of nonpayment or inability to perform obligations owed to us. Further, the unforeseen economic impact and market volatility caused by the COVID-19 pandemic during 2020 has affected and may continue to affect our business in expected ways, including our originations, collections, results and strategies.

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 been duly ratified by the United States, Mexico and Canada, 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 car and commercial loans business lines for the periods indicated:

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Leasing ⁽¹⁾	22.0%	23.0%	23.0%
Factoring	TIE + 14.5%	TIE + 14.5%	TIE + 14.5%
Car and commercial loans	17.0%	17.5%	17.5%

⁽¹⁾ 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. In 2020, our access to short-term sources of funding was not significantly affected by the COVID-19 pandemic and we were able to refinance certain of our existing short-term facilities, including facilities with development banks.

As of September 30, 2020, our principal sources of funding were international bonds, securitizations and bank debt, which amounted to Ps.39,354.1 million (US\$1,760.0 million), Ps.11,773.4 million (US\$526.5 million) and Ps.19,473.6 million (US\$870.9 million), respectively, equivalent to 55.7%, 16.7% and 27.6% 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.

As of December 31, 2018 and 2019, and September 30, 2020, our lease portfolio represented 80.1%, 73.3% and 74.9%, respectively, of our total portfolio. As of December 31, 2018 and 2019, and September 30, 2020, our factoring portfolio represented 6.3%, 5.6% and 3.2%, of our total portfolio. As of December 31, 2018 and 2019, and September 30, 2020, our car and commercial loans portfolio represented 13.6%, 21.1% and 21.9%, respectively, of our total portfolio.

Loan Quality

We 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 expected credit losses of accounts and notes receivable (loan portfolio) if we determine there is a likelihood of continued payment. For more information on our policies on loan quality, see Notes 3, 4 and 5 to our Audited Financial Statements, included elsewhere in this offering memorandum.

The following table sets forth the allowances for our leasing, factoring, and car and commercial loans business lines for the periods indicated:

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Leasing	771.6	1,093.3	1,671.1
Factoring	117.6	100.6	260.1
Car and commercial loans.....	63.4	106.3	322.8
Total.....	<u>952.5</u>	<u>1,300.2</u>	<u>2,254.0</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.

Operating Segments

For management and financial reporting purposes, as of and for each of the years ended December 31, 2018 and 2019, and as of and for the nine-month period ended September 30, 2020, we were organized into the following three business segments:

- leases;
- factoring; and
- car and commercial loans.

The following tables show the main revenue and expense items for each of our business segments for the years ended December 31, 2018 and 2019, and the nine-month period ended September 30, 2020:

For the Nine Months Ended September 30, 2020				
Leasing	Factoring	Car and commercial loans		Total
(in millions of Ps.)				
Interest income	6,435.0	311.1	1,588.4	8,334.5
Interest expense	(4,149.7)	(163.0)	(892.2)	(5,204.9)
Allowance for expected credit losses of accounts and notes receivable (loan portfolio).....	(944.9)	(107.6)	(97.2)	(1,149.7)
	<u>1,340.4</u>	<u>40.5</u>	<u>599.0</u>	<u>1,979.9</u>
For the Year Ended December 31, 2019				
Leasing	Factoring	Car and commercial loans		Total
(in millions of Ps.)				
Interest income	8,109.2	656.1	1,996.5	10,761.8
Interest expense	(5,213.6)	(351.8)	(1,379.9)	(6,945.3)
Allowance for expected credit losses of accounts and notes receivable (loan portfolio).....	(452.2)	81.4	(56.9)	(427.7)
	<u>2,443.4</u>	<u>385.8</u>	<u>559.7</u>	<u>3,388.8</u>
For the Year Ended December 31, 2018				
Leasing	Factoring	Car and commercial loans		Total
(in millions of Ps.)				
Interest income	6,514.8	488.3	1,723.9	8,726.9
Interest expense	(4,837.1)	(361.8)	(313.4)	(5,512.3)
Allowance for expected credit losses of accounts and notes receivable (loan portfolio).....	(225.5)	(89.4)	(12.9)	(327.8)
	<u>1,452.2</u>	<u>37.1</u>	<u>1,397.6</u>	<u>2,886.8</u>

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 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 car and commercial loans, 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 car and commercial loans, which includes revenue from car and commercial loans 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 Financial Statements included elsewhere in this offering memorandum.

	For the Year Ended		Percentage Change	For the Nine-Month		Percentage Change
	December 31,			Periods Ended		
	2018	2019	2018 vs. 2019	2019	2020	2019 vs. 2020
	(in millions of Ps., except for percentages)					
Statements of Income Data						
Interest income from leasing	6,588.9	8,109.6	23.1%	5,912.6	6,435.0	8.8%
Interest income from factoring	414.2	656.1	58.4%	407.1	311.1	(23.6)%
Interest income from car loans	309.4	459.5	48.5%	342.5	347.2	1.4%
Interest income and commissions from commercial	1,305.4	1,332.2	2.1%	812.8	1,053.6	29.7%

	For the Year Ended		Percentage Change	For the Nine-Month		Percentage Change
	December 31,			Periods Ended		
	2018	2019	2018 vs. 2019	2019	2020	2019 vs. 2020
(in millions of Ps., except for percentages)						
Statements of Income Data						
loans.....						
Other lease benefits.....	109.0	204.4	87.5%	386.6	187.5	(51.5)%
Total income.....	8,726.9	10,761.8	23.3%	7,861.6	8,334.5	6.0%
Interest expense.....	5,512.4	6,945.3	26.0%	5,135.6	5,204.9	1.3%
Depreciation of leased assets.....	-	-	-	-	27.1	100.0%
Allowance for expected credit losses of accounts and notes receivable (loan portfolio).....	327.8	427.7	30.5%	154.3	1,149.7	645.1%
Total cost.....	5,840.2	7,373.0	26.2%	5,289.9	6,381.7	20.6%
Gross margin.....	2,886.8	3,388.8	17.4%	2,571.7	1,952.8	(24.1)%
Loss from the derecognition of financial assets at amortized cost.....	-	7.3	17.4%	-	-	-
Exchange gains.....	(715.5)	(1,333.4)	86.4%	(387.3)	(8,189.3)	2,014.5%
Exchange losses.....	484.2	1,176.4	142.9%	368.6	7,728.3	1,996.7%
Interest from investments and commissions.....	(391.7)	(390.5)	(0.3)%	(196.5)	(215.3)	9.6%
Other expenses (products).....	31.1	19.6	(36.9)%	(87.2)	44.7	151.3%
Administrative and promotion expenses.....	1,150.5	1,539.9	33.8%	1,167.8	1,267.8	8.6%
Profit before income of associated companies.....	2,328.2	2,369.5	1.8%	1,706.2	1,316.6	(22.8)%
Income from associates.....	36.2	33.6	(7.2)%	24.4	18.2	(25.4)%
Profit before income tax.....	2,364.4	2,403.1	1.6%	1,730.6	1,334.8	(22.8)%
Income tax expense.....	381.9	454.1	18.9%	332.8	276.4	(16.9)%
Consolidated net income.....	1,982.5	1,949.0	(1.7)%	1,397.8	1,058.4	(24.3)%

Nine-Month Period Ended September 30, 2019 Compared to the Nine-Month Period Ended September 30, 2020

Interest Income from Leasing

Interest income from leasing increased by Ps.522.4 million, or 8.8%, to Ps.6,435.0 million for the nine-month period ended September 30, 2020 from Ps.5,912.6 million for the same period in 2019. This increase was primarily due to portfolio growth over the period.

Interest Income from Factoring

Interest income from factoring operations decreased by Ps.96.0 million, or 23.6%, to Ps.311.1 million for the nine-month period ended September 30, 2020 from Ps.407.1 million for the same period in 2019. This decrease was primarily due to a reduction in our factoring activities during the nine months ended September 30, 2020 as a result of decisions made by us in the context of the COVID-19 pandemic.

Interest Income from Car Loans

Interest income from car loans increased by Ps.4.7 million, or 1.4%, to Ps.347.2 million for the nine-month period ended September 30, 2020 from Ps.342.5 million for the same period in 2019. This marginal growth was due to an increase in our car loan portfolio despite a slowdown experienced as a result of the COVID-19 pandemic.

Interest Income and Commissions from Commercial Loans

Interest income and commissions from commercial loans increased by Ps.240.8 million, or 29.6%, to Ps.1,053.6 million for the nine-month period ended September 30, 2020 from Ps.812.8 million for the same period

in 2019. This marginal growth was due to an increase in our commercial accounts and notes receivable (loan portfolio), driven, in part, by our new structured finance loan offerings launched at the beginning of 2020, despite a slowdown experienced as a result of the COVID-19 pandemic.

Other Lease Benefits

Other lease benefits consist of income from insurance products related to our leasing contracts with clients.

Other lease benefits decreased by Ps.199.1 million, or 51.5%, to Ps.187.5 million for the nine-month period ended September 30, 2020 from Ps.386.6 million for the same period in 2019. This decrease was primarily due to the adverse effects of the COVID-19 pandemic which affected our product origination.

Total Income

Total income increased by Ps.472.9 million, or 6.0%, to Ps.8,334.5 million for the nine-month period ended September 30, 2020 from Ps.7,861.6 million for the same period in 2019. This increase was primarily due to an increase in our lease and accounts and notes receivable (loan portfolio) as compared with our portfolio as of September 30, 2019.

Interest Expense

Interest expense increased by Ps.69.3 million, or 1.3%, to Ps.5,204.9 million for the nine-month period ended September 30, 2020 from Ps.5,135.6 million for the same period in 2019. This increase was primarily due to an increase in our outstanding debt, which was partially offset by reduced interest rates which resulted in a lower cost of capital.

Allowance for Expected Credit Losses of Accounts and Notes Receivable (Loan Portfolio)

Allowance for expected credit losses of accounts and notes receivable (loan portfolio) increased by Ps.995.4 million, or 645.1%, to Ps.1,149.7 million for the nine-month period ended September 30, 2020 from Ps.154.3 million for the same period in 2019. This increase was primarily due to higher provisions made as a result of an increase in non-performing loans by clients that have been adversely affected by the COVID-19 pandemic.

Gross Margin

Gross margin decreased by Ps.618.9 million, or 24.1%, to Ps.1,952.8 million for the nine-month period ended September 30, 2020 from Ps.2,571.7 million for the same period in 2019. This decrease was primarily due to higher allowance for expected credit losses of accounts and notes receivable (loan portfolio) as a result of the COVID-19 pandemic.

Exchange Gains (Losses)

Exchange gains increased by Ps.7,802.0 million, or 2,014.5%, to Ps.8,189.3 million for the nine-month period ended September 30, 2020 from Ps.387.3 million for the same period in 2019. Exchange losses decreased by Ps.7,359.7 million, or 1,996.7%, to Ps.7,728.3 million for the nine-month period ended September 30, 2020 from Ps.368.6 million for the same period in 2019. These variations were primarily due to fluctuation in exchange rates and the cancellation of hedge instruments as a result of the underlying debt being repaid during the period.

Interest from Investments and Commissions

Interest from investments and commissions increased by Ps.18.8 million, or 9.6%, to Ps.215.3 million for the nine-month period ended September 30, 2020 from Ps.196.5 million for the same period in 2019. This increase was primarily due to increased operations.

Other Expenses (Products)

Other expenses (products) increased by Ps.131.9 million, or 151.3%, to a product of Ps.44.7 million for the nine-month period ended September 30, 2020 from an expense of Ps.87.2 million for the same period in 2019.

Administrative and Promotion Expenses

Administrative and promotion expenses increased by Ps.100.0 million, or 8.6%, to Ps.1,267.8 million for the nine-month period ended September 30, 2020 from Ps.1,167.8 million for the same period in 2019. As a percentage of revenue, administrative and promotion expenses increased by 0.3% from 14.9% for the nine-month period ended September 30, 2019 to 15.2% for the nine-month period ended September 30, 2020. This increase was primarily due to costs associated with a reduction in headcount and the development of our business intelligence and Uniclick businesses.

Income from Associates

Income from associates decreased by Ps.6.2 million, or 25.4%, to Ps.18.2 million for the nine-month period ended September 30, 2020 from Ps.24.4 million for the same period in 2019. This decrease was primarily due to lower income generated by our associates as a result of the COVID-19 pandemic.

Income Tax Expense

Income tax expense decreased by Ps.56.4 million, or 16.9%, to Ps.276.4 million for the nine-month period ended September 30, 2020 from Ps.332.8 million for the same period in 2019. This decrease was primarily due to increased financial expenses and other obligations paid and deducted during the period, which resulted in a lower tax expense.

Consolidated Net Income

For the reasons explained above, consolidated net income decreased by Ps.339.4 million, or 24.3%, to Ps.1,058.4 million for the nine-month period ended September 30, 2020 from Ps.1,397.8 million for the same period in 2019.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2019

Interest Income from Leasing

Interest income from leasing increased by Ps.1,520.7 million, or 23.1%, to Ps.8,109.6 million in 2019 from Ps.6,588.9 million in 2018. This increase was primarily due the portfolio growth experienced during the period, which was further reinforced by the marketing campaign launched during 2019 known as “*Poder para tu negocio*,” which helped boost the leasing business.

Interest Income from Factoring

Interest income from factoring operations increased by Ps.241.9 million, or 58.4%, to Ps.656.1 million in 2019 from Ps.414.2 million in 2018. This increase was primarily due to the growth of our factoring business during the period as a result of an increase in the operating volume, driven by the demand from capital lines during the year and the promotional efforts our “*Poder para tu negocio*” campaign.

Interest Income from Car Loans

Interest income from car loans increased by Ps.150.1 million, or 48.5%, to Ps.459.5 million in 2019 from Ps.309.4 million in 2018. This increase was primarily due to an increase in our car accounts and notes receivable (loan portfolio) during the period, driven mainly by an increase in our client’s preference to obtain a car loan rather than a car lease.

Interest on Commercial Loans

Interest on commercial loans increased by Ps.26.8 million, or 2.1%, to Ps.1,332.2 million in 2019 from Ps.1,305.4 million in 2018. This marginal growth was due to an increase in our commercial accounts and notes receivable (loan portfolio) during the period as a result of our product offering through our new Uniclick platform.

Other Lease Benefits

Other lease benefits increased by Ps.95.4 million, or 87.5%, to Ps.204.4 million in 2019 from Ps.109.0 million in 2018. This growth was due to an increase in our lease benefits portfolio and revenues related to the commission and insurance of leased assets.

Total Income

For the reasons explained above, total income increased by Ps.2,034.9 million, or 23.3%, to Ps.10,761.8 million in 2019 from Ps.8,726.9 million in 2018.

Interest Expense

Interest expense increased by Ps.1,432.9 million, or 26.0%, to Ps.6,945.3 million in 2019 from Ps.5,512.4 million in 2018. This increase was primarily due to an increase in our outstanding debt despite being able to incur debt at reduced interest rates as compared to 2018.

Allowance for Expected Credit Losses of Accounts and Notes Receivable (Loan Portfolio)

Allowance for expected credit losses of accounts and notes receivable (loan portfolio) increased by Ps.99.9 million, or 30.5%, to Ps.427.7 million in 2019 from Ps.327.8 million in 2018. This increase was primarily due to higher provisions made as a result of an increase in non-performing loans that required higher provisions and an adjustment in the determination of non-performing loans and calculation of provisions, in each case due to the implementation of IFRS.

Gross Margin

Gross margin increased by Ps.502.1 million, or 17.4%, to Ps.3,388.8 million in 2019 from Ps.2,886.7 million in 2018. This increase was primarily due to an increase in our portfolios in all of our business lines and our ability to access diverse types of funding, which allowed us to improve our margins.

Exchange Gains (Losses)

Exchange gains decreased by Ps.617.9 million, or 86.4%, to a loss of Ps.1,333.4 million in 2019 from a loss of Ps.715.5 million in 2018. Exchange losses increased by Ps.692.2 million, or 143.0%, to Ps.1,176.4 million in 2019 from Ps.484.2 million in 2018. These variations were primarily due to variation in exchange rates as they relate to our assets and liabilities.

Interest from Investments and Commissions

Interest from investments and commissions increased by Ps.1.2 million, or 0.3%, to a loss of Ps.390.5 million in 2019, from a loss of Ps.391.7 million in 2018. This decrease was primarily due to the slowdown in our credit originations, which resulted in less operations.

Other Expenses (Products)

Other expenses (products) decreased by Ps.11.5 million, or 37.0%, to Ps.19.6 million in 2019 from Ps.31.1 million in 2018.

Administrative and Promotion Expenses

Administrative and promotion expenses increased by Ps.389.4 million, or 33.8%, to Ps.1,539.9 million in 2019 from Ps.1,150.5 million in 2018. As a percentage of revenue, administrative and promotion expenses increased by 1.1% from 13.2% for 2018 to 14.3% for 2019. This increase was primarily due to an increase in headcount and marketing expenses during 2019.

Income from Associates

Income from associates decreased by Ps.2.6 million, or 7.2%, to Ps.33.6 million in 2019 from Ps.36.2 million in 2018. This decrease was primarily due to a decrease in revenues originated by operations from associates.

Income Tax Expense

Tax expense increased by Ps.72.2 million, or 18.9%, to Ps.454.1 million in 2019 from Ps.381.9 million in 2018. This increase was primarily due to increased income as a result of growth of our business.

Consolidated Net Income

For the reasons explained above, consolidated net income decreased by Ps.33.5 million, or 1.7%, to Ps.1,949.0 million in 2019 from Ps.1,982.5 million in 2018.

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, 2019. 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 2020.

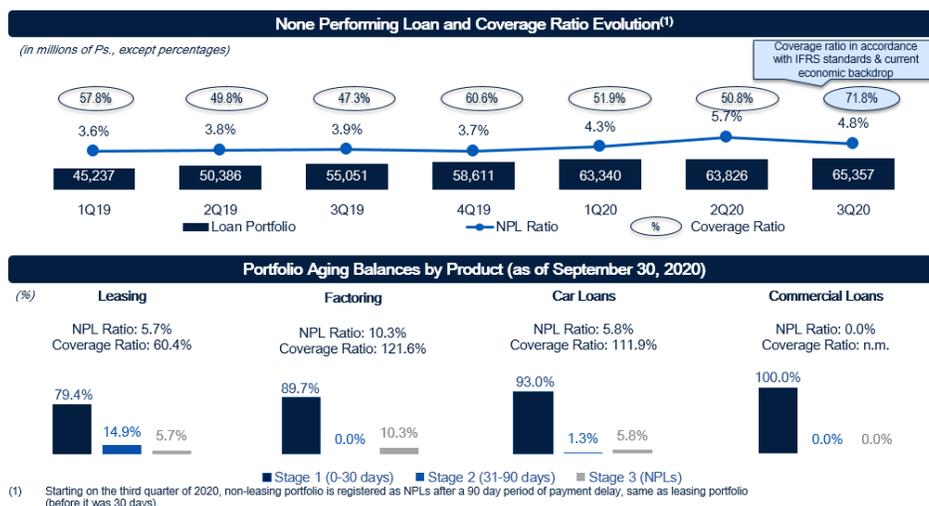
Loan and Leasing Portfolio

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 portfolio (defined as performing loans 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 car loans and other non-performing loans.

As of September 30, 2020, our total portfolio amounted to Ps.65,357.1 million. From December 31, 2019 to September 30, 2020, our total portfolio grew by 11.5%, primarily due to new originations during such period.

As of December 31, 2018 and 2019, our total portfolio amounted to Ps.45,148.6 million and Ps.58,611.1 million respectively.

The following chart presents the aging balances of our loan portfolio, non-performing loan ratios and coverage ratio as of September 30, 2020:



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

As of September 30, 2020

	Total loans	Performing loans	Non-performing loans	Allowances	Net loans
	(in millions of Ps.)				
Leasing	48,946.0	46,177.4	2,768.6	(1,671.1)	47,274.9
Factoring	2,076.1	1,862.3	213.8	(260.1)	1,816.0
Car and commercial loans	14,335.0	14,177.9	157.1	(322.8)	14,012.2
Total	65,357.1	62,217.6	3,139.5	(2,254.0)	63,103.1

As of December 31, 2019

	Total loans	Performing loans	Non-performing loans	Allowances	Net loans
	(in millions of Ps.)				
Leasing	42,982.2	41,036.4	1,945.8	(1,093.3)	41,888.9
Factoring	3,255.8	3,160.3	95.5	(100.6)	3,155.2
Car and commercial loans	12,373.1	12,269.5	103.6	(106.3)	12,266.8
Total	58,611.1	56,466.2	2,144.9	(1,300.2)	57,310.9

As of December 31, 2018					
Total loans	Performing loans	Non-performing loans	Allowances	Net loans	
(in millions of Ps.)					
Leasing.....	36,158.2	34,968.0	1,190.2	(771.6)	35,386.6
Factoring.....	2,864.1	2,716.3	147.8	(117.6)	2,746.5
Car and commercial loans.....	6,126.3	6,067.1	59.2	(63.4)	6,062.9
Total.....	45,148.6	43,751.4	1,397.2	(952.6)	44,196.0

For additional information on our accounts and notes receivable (loan portfolio), see Note 3 to our Audited Financial Statements included elsewhere in this offering memorandum.

Total Loans as of December 31, 2019 Compared to September 30, 2020

Total loans amounted to Ps.65,357.1 million as of September 30, 2020, reflecting an increase of Ps.6,746.0 million, or 11.5%, compared to December 31, 2019.

Our total lease portfolio amounted to Ps.48,946.0 million as of September 30, 2020, reflecting an increase of Ps.5,963.7 million, or 13.9%, compared to December 31, 2019. Leases outstanding as a percentage of our total accounts and notes receivable (loan portfolio) were 74.9% as of September 30, 2020 and 73.3% as of December 31, 2019.

Factoring totaled Ps.2,076.1 million as of September 30, 2020, reflecting a decrease of Ps.1,179.6 million, or 36.2%, compared to December 31, 2019. Factoring outstanding as a percentage of our total accounts and notes receivable (loan portfolio) were 3.2% as of September 30, 2020 and 5.6% as of December 31, 2019.

Car and commercial loans totaled Ps.14,335.0 million as of September 30, 2020, reflecting an increase of Ps.1,961.9 million, or 15.9%, compared to December 31, 2019. Car and commercial loans outstanding as a percentage of our total accounts and notes receivable (loan portfolio) were 21.9% as of September 30, 2020 and 21.1% as of December 31, 2019.

Total non-performing loans as September 30, 2020 amounted to Ps.3,139.5 million, or 4.8% of our total accounts and notes receivable (loan portfolio). The total non-performing loans increased by Ps.994.6 million or 31.7%, as of September 30, 2020 compared to December 31, 2019.

Total Loans as of December 31, 2018 Compared to December 31, 2019

Total loans totaled Ps.58,611.1 million as of December 31, 2019, reflecting an increase of Ps.13,462.5 million, or 29.8%, compared to December 31, 2018.

Our total lease portfolio as of December 31, 2019 and December 31, 2018 amounted to Ps.42,982.2 million and Ps.36,158.2 million, respectively, or 73.3% and 80.1%, respectively, of our total accounts and notes receivable (loan portfolio).

Factoring totaled Ps.3,255.8 million as of December 31, 2019, reflecting an increase of Ps.391.7 million, or 13.7%, compared to December 31, 2018. Factoring outstanding as a percentage of our total accounts and notes receivable (loan portfolio) were 5.6% as of December 31, 2019 and 6.3% as of December 31, 2018.

Car and commercial loans totaled Ps.12,373.1 million as of December 31, 2019, reflecting an increase of Ps.6,246.8 million, or 102.0%, compared to December 31, 2018. Car and commercial loans outstanding as a percentage of our total accounts and notes receivable (loan portfolio) were 21.1% as of December 31, 2019 and 13.6% as of December 31, 2018.

Our total non-performing loans as of December 31, 2019 and December 31, 2018 amounted to Ps.2,144.9 million and Ps.1,397.2 million, respectively, or 3.7% and 3.1%, respectively, of our total accounts and notes

receivable (loan portfolio). The total non-performing loans increased by Ps.747.7 million or 53.5%, as of December 31, 2019.

The following table presents the past due accounts and notes receivable (loan portfolio) of our leasing, factoring and car and commercial loans business lines for the periods indicated, taking into account our COVID-19 support plan offered to certain of our clients, which has had the practical effect of helping our clients avoid payment defaults under their leases, factoring products and loans:

	Days	Past due Installments		
		As of December 31,		As of September 30,
		2018	2019	2020 ⁽¹⁾
(in millions of Ps.)				
Leasing	>90	1,190.2	1,945.8	2,768.6
Factoring	>31	147.8	95.5	213.8
Car and commercial loans.....	>31	59.2	103.6	157.1

⁽¹⁾ Past due after 90 days for all products.

Maturity Composition of the Loan and Leasing Portfolio

The following table sets forth the maturity profile of our accounts and notes receivable (loan portfolio).

	As of December 31,		As of December 31,		As of September 30,	
	2018	2019	2018	2019	2020	2020
	Loan and Leasing Amount	% of Portfolio ⁽²⁾	Loan and Leasing Amount	% of Portfolio ⁽²⁾	Loan and Leasing Amount	% of Portfolio ⁽²⁾
Due within 180 days	11,555.9	25.6%	11,716.4	20.0%	18,013.8	27.6%
Between 181 and 365 days	6,786.6	15.0%	12,837.3	21.9%	11,968.0	18.3%
Over 365 days	26,806.1	59.4%	34,057.4	58.1%	35,401.8	54.1%
Total loan portfolio ⁽¹⁾	<u>45,148.6</u>	100.0%	<u>58,611.1</u>	100.0%	<u>65,357.1</u>	100.0%

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

⁽²⁾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 car and commercial loans business lines:

	As of December 31,		As of September 30,
	2018	2019	2020
Leasing	4,714	4,565	5,228
Factoring	1,197	1,126	899
Car and commercial loans	2,304	1,645	1,484

The classification of the required allowance for expected credit losses of accounts and notes receivable (loan portfolio) is as follows:

Stage	As of December 31, 2019		As of September 30, 2020	
	Balance	Allowance for Expected Credit Losses of Accounts and notes receivable (loan portfolio)	Balance	Allowance for Expected Credit Losses of Accounts and notes receivable (loan portfolio)
(in millions of Ps.)				
1	51,925.0	252.0	54,881.2	801.3
2	4,583.1	332.6	7,336.4	323.0
3	2,103.0	715.6	3,139.5	1,129.7
Total	58,611.1	1,300.2	65,357.1	2,254.0

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

	As of December 31,		As of September 30,
	2018	2019	2020
(in millions of Ps.)			
Balance at beginning of the period	624.7	952.5	1,300.2
Provisions applied to portfolio.....	-	(80.0)	(196.0)
Additions to provisions.....	327.8	42.7.7	1,149.8
Balance at end of the period.....	952.5	1,300.2	2,254.0

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 Nine Months Ended September 30,	
	2018	2019	2019	2020
(in millions of Ps.)				
Net cash flows provided by operating activities.....	(8,521.0)	(9,023.0)	(7,295.7)	(1,169.6)
Net cash flows used in investing activities.....	(87.2)	(2,227.7)	(487.5)	(700.7)
Net cash flows provided by financing activities.....	11,279.3	11,801.0	9,434.5	(829.3)

Cash Flows for the Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2020

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.986.8 million for the nine months ended September 30, 2020 from Ps.1,392.5 million for the same period in 2019.

Operating Activities. Our net cash provided by operating activities decreased to Ps.1,169.6 million for the nine months ended September 30, 2020 from Ps.7,295.7 million for the same period in 2019. 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 nine months ended September 30, 2020 to Ps.700.7 million from Ps.487.5 million for the same period in 2019. This change was primarily due to an increase of leasing acquisitions.

Financing Activities. Our net cash used in financing activities decreased for the nine months ended September 30, 2020 to Ps.829.3 million from Ps.9,434.5 million for the same period in 2019. This decrease was primarily due to a reduction of short-term debt payable during the period.

Cash Flows for the Year Ended December 31, 2018 Compared to the Year Ended December 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.363.0 million for the year ended December 31, 2019 compared to a net cash inflow of Ps.1,778.6 million for the year ended December 31, 2018.

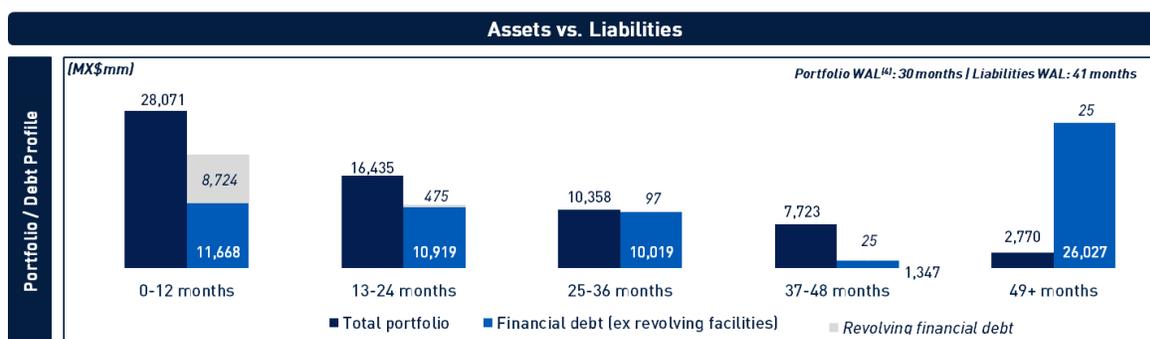
Operating Activities. Our net cash provided by operating activities increased to Ps.9,023.0 million for the year ended December 31, 2019, from Ps.8,521.0 million for the year ended December 31, 2018. This change was primarily due to an increase in credit originations across our business lines.

Investing Activities. Our net cash used in investing activities increased for the year ended December 31, 2019 to Ps.2,227.7 million, from Ps.87.2 million for the year ended December 31, 2018. 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, 2019 to Ps.11,801.0 million from Ps.11,279.3 million for the year ended December 31, 2018. This increase was primarily due to inflows from the issuance of our Senior Notes due 2022 and 2028.

Indebtedness

The following chart presents the maturity profile of our assets and liabilities as of September 30, 2020:



The following chart presents our financial liabilities and weighted average rate as of the periods presented:



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

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Short-term debt:			
Bank borrowings and loans from other entities.....	8,322.2	8,248.6	15,258.0
Securitized program	-	9,910.9	4,823.8
Long-term debt:			
Senior Notes.....	22,605.1	33,970.9	39,354.1
Securitized program	15,451.5	5,000.0	6,949.6
Bank borrowings and loans from other entities.....	4,081.2	6,260.9	4,215.5
Total	50,460.0	63,391.3	70,601.0

The following is a summary of our significant indebtedness:

Secured Notes or Financings under Trust Securitization Programs

As of September 30, 2020, the total principal amount of trust notes issued and outstanding under securitization programs (the “Secured Notes Programs”) was Ps.11,773.4 million, or Ps.11,513.0 million including accrued interest. The following table contains a summary of the secured notes issued under our trust securitization programs outstanding as of September 30, 2020:

As of September 30, 2020							
Ticker Symbol	Issuing Trust	Number of Securities	Maturity	Interest Rate (%)	Amount at Amortized Cost	Rating S&P	Trustee
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	231.1	mxAAA S&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	483.1	mxAAA S&P/HRAAA	Citibanamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	482.2	mxAAA S&P/HRAAA	Citibanamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	939.5	mxAAA S&P/HRAAA	Citibanamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	949.3	mxAAA S&P/HRAAA	Citibanamex
UNFINCB17-3	F/180406	10,000,000	Sep-2022	TIIE+2.10	2,493.2	mxAAA S&P/HRAAA	Citibanamex
UNFINCB17-4	F/180406	25,000,000	Sep-2022	9.38	986.5	mxAAA S&P/HRAAA	Citibanamex
					6,564.9		
Interest accrued in the short time					14.5		
Total current issues and interest					<u>6,579.4</u>		

Private Trust

As of September 30, 2020						
Issuing trust	Amount (in millions of Ps.)	Currency	Interest Rate (%)	Rating	Trustee	
F/1355.....	2,449.0	MXN	TIIE+2.00	mxAAA S&P/HRAAA/Fitch AAA	Invex	
F/180406.....	2,479.8	MXN	TIIE+2.20	Fitch AAA	Citibanamex	
Total current issues.....	4,928.8					
Interest accrued in short term.....	4.8					
	<u>4,933.6</u>					

Bank Debt

As of September 30, 2020, we had the following bank borrowings and loans from other entities:

As of September 30, 2020					
	Principal (in million Ps.)	Denomination	Maturity Date	Interest Rate	Type of Collateral
Short-term:					
Nacional Financiera	2,400.0	Ps.	Revolving	Variable	Unsecured
Nacional Financiera	92.0	USD	Revolving	Variable	Unsecured
Banamex	2,000.0	Ps.	Revolving	Variable	Lease portfolio
Scotiabank Bilateral	371.6	Ps.	Revolving	Variable	Lease portfolio
Banamex USD.....	447.2	USD	Revolving	Variable	Lease portfolio
Bladex USD	2,432.9	USD	Jul-22	Variable	Unsecured
Santander Mexico.....	1,000.0	Ps.	Revolving	Variable	Lease portfolio
Bancomext	367.4	Ps.	Revolving	Variable	Lease portfolio
Bancomext	76.5	USD	Revolving	Variable	Lease portfolio
Deutsche Bank ⁽¹⁾	558.9	USD	Sep-21	Variable	Unsecured
Barclays ⁽²⁾	1,565.2	USD	Jul-21	Variable	Unsecured
ResponsAbility Management Company ...	216.3	USD	Oct-22	Variable	Unsecured
Barclays.....	1,520.5	USD	Aug-21	Variable	Unsecured
Blue Orchard.....	209.6	USD	Feb-24	Variable	Unsecured
Citibanamex	500.0	USD	Nov-20	Variable	Lease portfolio
Scotiabank W.H.....	500.0	Ps.	Revolving	Variable	Lease portfolio
Scotiabank.....	1,000.0	Ps.	Dec-20	Variable	Unsecured
Total Short-term.....	15,258.0				
Long-term:					
Bladex USD	2,500.20	USD	Jul-22	Variable	Unsecured
Scotiabank Bilateral	154.5	Ps.	Aug-21	Variable	Lease portfolio
Blue Orchard.....	527.0	USD	Feb-24	Variable	Unsecured
ResponsAbility Management Company ...	566.3	USD	Oct-22	Variable	Unsecured
Bancomext	71.2	Ps.	Revolving	Variable	Lease portfolio
Bancomext	396.3	USD	Revolving	Variable	Lease portfolio
Total long-term	4,215.5				
Total bank debt.....	19,473.5				

⁽¹⁾ We intend to use a portion of the net proceeds from the notes to repay the outstanding balance under this facility.

⁽²⁾ We intend to use a portion of the net proceeds from the notes to repay approximately US\$25.0 million under this facility and to repay the remaining outstanding balance with cash on hand, promptly after the consummation of this offering.

Since September 30, 2020, there have been certain recent developments with respect to our bank debt:

ResponsAbility Management Company

On December 17, 2020, we subscribed certain promissory notes in favor of ResponsAbility Management Company in the amount of US\$15.0 million. The amounts outstanding under these promissory notes are due on June 17, 2021. This loan contains covenants customary for a facility of this type, including certain financial ratios. The outstanding amount under these promissory notes as of the date of this offering memorandum was US\$15.0 million.

Banobras

On December 23, 2020, the internal credit committee of Banco Nacional de Obras y Servicios Públicos, S.N.C approved a credit line of up to Ps.4,000 million, with a maximum maturity of 360 months. We expect to enter into this credit agreement and begin disbursing the loan during the second quarter of 2021. The proceeds of this loan will be used for portfolio growth.

BTG Pactual

On December 29, 2020, we entered into a credit agreement with Banco BTG Pactual S.A.—Cayman Branch, for an aggregate principal amount of up to US\$20.0 million and maturing on December 30, 2021. This loan is unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. 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 outstanding amount under this facility as of the date of this offering memorandum was US\$20.0 million. We intend to use a portion of the net proceeds from the notes to repay the outstanding balance under this facility.

Banco Azteca

On January 5, 2021, we entered into a credit agreement with Banco Azteca, S.A., Institución de Banca Múltiple, for an aggregate principal amount of up to Ps.3,000.0 million and maturing on January 5, 2025. We have disbursed Ps.460.5 million (US\$20.6 million) of the total available loan amount. This loan is collateralized with certain receivables from our lease portfolio. The proceeds of this loan were used for general corporate purposes. The outstanding amount under this facility as of the date of this memorandum was Ps.460.5 million.

International Notes

2023 Notes

On September 27, 2016, we issued US\$400 million aggregate principal amount of the 2023 Notes 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. On June 3, 2019, we and our subsidiary guarantors entered into a supplemental indenture to the indenture governing the 2023 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. As of September 30, 2020, the aggregate outstanding amount of 2023 Notes was US\$398.0 million.

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. As of September 30, 2020, the aggregate outstanding amount of 2025 Senior Notes was US\$442.6 million.

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 payment covenants, to more closely align such provisions with our recent adoption of IFRS, industry peers and current market standards. As of September 30, 2020, the aggregate outstanding amount of 2026 Senior Notes was US\$291.5 million.

2028 Senior Notes

On July 11, 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. As of September 30, 2020, the aggregate outstanding amount of 2028 Senior Notes was US\$428.0 million.

2022 Senior Notes

On August 12, 2019, we issued US\$200 million aggregate principal amount of 7.000% Senior Notes due 2022 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.

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 nonrecourse to the Company. As of September 30, 2020, we had issued publicly traded trust bonds and private trust structures for a total principal amount of Ps.11,513.0 million. See “—Secured Notes or Financings under Trust Securitization Programs” and “—Bank Debt.”

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 similarly to a public securitization program, except that the source of our funding comes from a credit line granted by the financial institution. Under these private structures, we assign the collection rights of our lease portfolio in favor of the securitization trust, 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 September, 30, 2020, our principal financial covenants under these loan agreements required us to maintain the following ratios:

- Capitalization Ratio (total stockholders’ equity / total assets): $\geq 9.99\%$
- Capitalization Ratio (total stockholders’ equity / accounts and notes receivable (loan portfolio)): $\geq 13.5\%$
- Consolidated Leverage Ratio (total liabilities, excluding debt instruments / total stockholders’ equity): $\leq 7.5x$
- Consolidated Leverage Ratio (financial liabilities, excluding debt instruments / total stockholders’ equity): $\leq 7x$
- Past due accounts and notes receivable (loan portfolio) (past due accounts and notes receivable (loan portfolio) / total accounts and notes receivable (loan portfolio)): $\leq 7.0\%$
- Debt Coverage Ratio of past due lease accounts and notes receivable (loan portfolio) (allowance for lease accounts and notes receivable (loan portfolio) / total past due lease accounts and notes receivable (loan portfolio)): $\geq 0.4x$

- Coverage Ratio of past due factoring accounts and notes receivable (loan portfolio) (allowance for factoring accounts and notes receivable (loan portfolio) / total past due factoring accounts and notes receivable (loan portfolio)): $\geq 1x$
- Coverage Ratio of past due car loan accounts and notes receivable (loan portfolio) (allowance for car loan accounts and notes receivable (loan portfolio) and commercial loans / total past due car loan accounts and notes receivable (loan portfolio)): $\geq 1x$
- Debt Coverage Ratio (cash and cash equivalents *plus* accounts and notes receivable (loan portfolio), net / total financial liabilities, excluding debt instruments): $\geq 1x$

In addition, the instruments governing our debt, including the indentures governing our 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, 2018 and 2019 and September 30, 2020, we had outstanding derivative financial instruments with a fair market value of assets and liabilities of Ps.4,851.6 million and Ps.4.5 million, Ps.4,975.8 million and Ps.2,976.3 million, and Ps.6,538.4 million and Ps.1,949.7 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. However, when these instruments fail to meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are recorded at fair value through profit or loss, giving rise to an economic hedging.

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.

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 September 30, 2020, the composition of our derivative financial instruments portfolio was as follows, which includes the effects that the recent increase in price volatility has had on the fair market value of these instruments. See Note 4 of the Unaudited Financial Statements:

Cross Currency Swaps

Hedged liability	Type of DFI	DFI Rating	Notional Value	Value of underlying asset as of			Fair value of DFI as of			Short/Long Position
				December 31, 2018	December 31, 2019	September 30, 2020	December 31, 2018	December 31, 2019	September 30, 2020	
				Intl. Notes	CCS	Hedge	1,772	-	18.8642	
Intl. Notes	CCS	Hedge	2,657	-	18.8642	22.1438	-	(32.0)	143.5	Long USD
Intl. Notes	CSPRD	Hedge	1,772	-	0	22.1438	-	-	230.6	Long USD
Intl. Notes	CSPRD	Hedge	2,657	-	0	22.1438	-	-	345.1	Long USD
Intl. Notes	CCS	Hedge	2,214	19.6512	18.8642	22.1438	549	312.0	18.6	Long USD
Intl. Notes	CCS	Hedge	2,214	-	-	22.1438	410	315.0	185.1	Long USD
Intl. Notes	CCS	Hedge	1,340	19.6512	18.8642	22.1438	553	194.0	11.2	Long USD
Intl. Notes	CCS	Hedge	1,661	19.6512	18.8642	22.1438	698	426.0	140.7	Long USD
Intl. Notes	CSPRD	Hedge	2,214	-	0	22.1438	-	-	355.7	Long USD
Intl. Notes	CSPRD	Hedge	1,661	-	-	22.1438	-	-	140.8	Long USD
Intl. Notes	CSPRD	Hedge	2,214	-	0	22.1438	-	-	367.3	Long USD
Intl. Notes	CSPRD	Hedge	1,340	-	0	22.1438	-	-	221.8	Long USD
Intl. Notes	CCS	Hedge	2,768	19.6512	9.4321	22.1438	155	(164.0)	65.7	Long USD
Intl. Notes	CCS	Hedge	1,107	-	-	22.1438	(94)	34.0	91.7	Long USD
Intl. Notes	CCS	Hedge	1,496	19.6512	18.8642	22.1438	197	(9.0)	36.8	Long USD
Intl. Notes	CCS	Hedge	1,661	19.6512	18.8642	22.1438	238	101.0	121.3	Long USD
Intl. Notes	CSPRD	Hedge	2,768	-	0	22.1438	-	335.0	521.3	Long USD
Intl. Notes	CSPRD	Hedge	1,661	-	-	22.1438	-	-	142.1	Long USD
Intl. Notes	CSPRD	Hedge	1,496	19.6512	6.2881	22.1438	230	202.0	221.1	Long USD
Intl. Notes	CSPRD	Hedge	1,107	19.6512	18.8642	22.1438	384	-	163.0	Long USD
Intl. Notes	CCS	Hedge	918	19.6512	18.8642	22.1438	79	(8.0)	29.9	Long USD
Intl. Notes	CCS	Hedge	1,661	-	-	22.1438	56	(11.0)	54.3	Long USD
Intl. Notes	CCS	Hedge	2,214	19.6512	18.8642	22.1438	37	(10.0)	77.2	Long USD
Intl. Notes	CCS	Hedge	1,661	19.6512	18.8642	22.1438	56	(11.0)	50.4	Long USD
Intl. Notes	CSPRD	Hedge	918	19.6512	18.8642	22.1438	301	141.0	174.9	Long USD
Intl. Notes	CSPRD	Hedge	1,661	-	-	22.1438	226	211.0	309.8	Long USD
Intl. Notes	CSPRD	Hedge	2,214	19.6512	18.8642	22.1438	150	283.0	357.1	Long USD
Intl. Notes	CSPRD	Hedge	1,661	19.6512	18.8642	22.1438	226	212.0	316.4	Long USD
Intl. Notes	CCS	Hedge	1,174	-	18.8642	22.1438	-	(277.0)	113.2	Long USD
Intl. Notes	CCS	Hedge	1,661	-	-	22.1438	-	(277.0)	160.6	Long USD
Intl. Notes	CCS	Hedge	3,322	-	-	22.1438	-	(561.0)	329.1	Long USD
Intl. Notes	CCS	Hedge	3,322	-	18.8642	22.1438	-	(561.0)	328.6	Long USD
Intl. Notes	CSPRD	Hedge	3,322	-	18.8642	22.1438	-	468.2	568.5	Long USD
Intl. Notes	CSPRD	Hedge	1,174	-	-	22.1438	-	235.0	206.6	Long USD
Intl. Notes	CSPRD	Hedge	1,661	-	-	22.1438	-	234.0	280.5	Long USD
Intl. Notes	CSPRD	Hedge	3,322	-	18.8642	22.1438	-	454.0	460.6	Long USD
Intl. Notes	CCS	Hedge	1,107	19.6512	18.8642	22.1438	18	(28.0)	46.6	Long USD
Intl. Notes	CCS	Hedge	2,214	-	-	22.1438	37	(55.0)	93.4	Long USD
Intl. Notes	CCS	Hedge	2,214	19.6512	18.8642	22.1438	36	(55.0)	97.4	Long USD
Bank Loans	CSPRD	Hedge	166	-	0	22.1438	-	-	22.2	Long USD
Bank Loans	CSPRD	Hedge	168	-	-	22.1438	-	-	22.5	Long USD
Bank Loans	CSPRD	Hedge	111	-	-	22.1438	-	-	13.2	Long USD
Bank Loans	CSPRD	Hedge	277	-	-	22.1438	-	-	17.1	Long USD
Bank Loans	CSPRD	Hedge	166	-	-	22.1438	-	-	22.3	Long USD
Bank Loans	CSPRD	Hedge	168	-	-	22.1438	-	-	22.5	Long USD
Bank Loans	CCS	Hedge	1,506	19.6512	18.8642	22.1438	(138)	(105.0)	68.7	Long USD
Bank Loans	CSPRD	Hedge	104	-	0	22.1438	-	-	12.5	Long USD
Bank Loans	CSPRD	Hedge	277	-	0	22.1438	-	-	18.2	Long USD
Bank Loans	CSPRD	Hedge	166	-	0	22.1438	-	-	22.4	Long USD
Bank Loans	CSPRD	Hedge	168	-	-	22.1438	-	-	22.7	Long USD
Bank Loans	CSPRD	Hedge	83	-	-	22.1438	-	-	10.1	Long USD
Bank Loans	CSPRD	Hedge	111	-	-	22.1438	-	-	13.6	Long USD
Bank Loans	CSPRD	Hedge	277	19.6512	18.8642	22.1438	186	-	19.2	Long USD
Bank Loans	CSPRD	Hedge	166	-	-	22.1438	-	-	22.7	Long USD
Bank Loans	CSPRD	Hedge	168	-	-	22.1438	-	-	22.9	Long USD
Bank Loans	CSPRD	Hedge	104	-	-	22.1438	-	-	12.8	Long USD
Bank Loans	CSPRD	Hedge	1,506	-	-	22.1438	-	97.0	215.5	Long USD
Bank Loans	CSPRD	Hedge	277	-	-	22.1438	-	-	20.0	Long USD
Bank Loans	CSPRD	Hedge	166	-	-	22.1438	-	-	22.9	Long USD
Bank Loans	CSPRD	Hedge	168	-	-	22.1438	-	-	23.2	Long USD
Bank Loans	CSPRD	Hedge	83	-	-	22.1438	-	-	10.4	Long USD
Bank Loans	CSPRD	Hedge	111	-	-	22.1438	-	-	13.9	Long USD
Bank Loans	CSPRD	Hedge	277	-	-	22.1438	-	-	20.7	Long USD
Bank Loans	CSPRD	Hedge	166	-	-	22.1438	-	-	23.0	Long USD
Bank Loans	CSPRD	Hedge	168	-	-	22.1438	-	-	23.3	Long USD
Bank Loans	CCS	Hedge	1,175	19.6512	-	22.1438	-	(32.0)	60.3	Long USD
Bank Loans	CCS	Hedge	1,163	19.6512	18.8642	22.1438	-	(32.0)	57.8	Long USD
Bank Loans	CCS	Hedge	1,938	19.6512	18.8642	22.1438	-	(54.0)	125.4	Long USD
Bank Loans	CCS	Hedge	-	19.6512	-	22.1438	-	-	-	Long USD
Bank Loans	CCS	Hedge	-	19.6512	18.8642	22.1438	-	-	-	Long USD
Bank Loans	CSPRD	Hedge	104	-	-	22.1438	-	-	13.1	Long USD
Bank Loans	CSPRD	Hedge	277	-	-	22.1438	-	-	21.2	Long USD
Bank Loans	CSPRD	Hedge	166	-	-	22.1438	-	-	23.2	Long USD
Bank Loans	CSPRD	Hedge	168	-	-	22.1438	-	-	23.4	Long USD
Bank Loans	CSPRD	Hedge	83	-	-	22.1438	-	-	10.6	Long USD
Bank Loans	CSPRD	Hedge	111	-	-	22.1438	-	-	14.2	Long USD
Bank Loans	CSPRD	Hedge	277	-	-	22.1438	-	-	21.7	Long USD
Bank Loans	CSPRD	Hedge	166	-	0	22.1438	-	-	23.3	Long USD
Bank Loans	CSPRD	Hedge	168	-	0	22.1438	-	-	23.6	Long USD
Bank Loans	CSPRD	Hedge	104	-	-	22.1438	-	-	13.3	Long USD
Bank Loans	CSPRD	Hedge	83	-	-	22.1438	-	-	10.7	Long USD
Bank Loans	CSPRD	Hedge	104	-	-	22.1438	-	-	13.5	Long USD
Bank Loans	CSPRD	Hedge	104	-	0	22.1438	-	-	13.6	Long USD
Bank Loans	CSPRD	Hedge	108	-	0	22.1438	-	-	14.2	Long USD
Bank Loans	CCS	Hedge	-	19.6512	-	22.1438	-	-	-	Long USD
Bank Loans	CCS	Hedge	-	19.6512	-	22.1438	-	-	-	Long USD

Hedged liability	Type of DFI	DFI Rating	Notional Value	Value of underlying asset as of			Fair value of DFI as of			Short/Long Position
				December 31, 2018	December 31, 2019	September 30, 2020	December 31, 2018	December 31, 2019	September 30, 2020	
Bank Loans	CSPRD	Hedge	-	19.6512	-	22.1438	-	-	-	Long USD
Bank Loans	CSPRD	Hedge	-	19.6512	-	22.1438	-	-	-	Long USD
UFINCB15	CALL	Economic Hedge	2,000	8.5956	7.5555	4.5495	23	1.0	-	Long TIE 28
UNIFCB16	CALL	Economic Hedge	250	8.5956	7.5555	4.5495	34	-	-	Long TIE 28
UNIFCB16	CALL	Economic Hedge	1,000	8.5956	7.5555	4.5495	21	-	-	Long TIE 28
UNIFCB16	CALL	Economic Hedge	2,500	8.5956	7.5555	4.5495	5	1.0	-	Long TIE 28
UNFINCB 17-2	IRS	Economic Hedge	1,500	8.5956	7.5555	4.5495	35	(10.0)	25.5	Long TIE 28
UNFINCB 17-3	IRS	Economic Hedge	2,500	8.5956	7.5555	4.5495	104	(7.0)	61.0	Long TIE 28
Private structure Santander	IRS	Economic Hedge	2,500	8.5956	7.5555	4.5495	-	107.0	202.3	Long TIE 28
Private structure Scotia	IRS	Economic Hedge	2,500	8.5956	7.5555	4.5495	34	(42.0)	150.4	Long TIE 28
							4,847.0	1,999.5	4,588.7	

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.

Interest Rate Benchmark Reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates (“IBORs”) has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition existing contracts and agreements that reference LIBOR, adjustments for term differences and credit differences might need to be applied and enable LIBOR and the new benchmark rate to be economically equivalent on transition.

During the period of change for IBORs, we have been approaching all our financial counterparties to discuss the adoption of an alternative overnight risk-free rate. This adoption will be in full compliance of the IBOR Protocol, or bilateral amendments in its legacy transactions, to apply terms of the IBOR Protocol, without the need to adhere to it. We will be in a constant discussion to find the most certain alternative, to determine a reference rate as a fallback to the current hedges or other products.

All of the new derivatives transactions to be incorporated in 2021 are expected to be adhered under the amended version of the 2006 ISDA (International Standard Derivate Association), which will become effective on January 25, 2021, and is expected to include all the possible fallbacks.

Even though there is no cut-off date to adhere to the terms of the IBOR Protocol and therefore changing the current contracts, relevant changes are planned to be discussed and executed in the short-term and before a pre-cessation or permanent cessation of any of the relevant LIBORs.

As of September 30, 2020, we held bank loans with credit lines of US\$623.0 million referenced with LIBOR rate. We have three credit lines for US\$68.0 million with variable rate that are referenced to the LIBOR rate and mature after December 31, 2021; however, we have a hedge for two of these credit lines and therefore the exposure to this change is already minimal.

As of September 30, 2020, we held 25 cross currency swaps and 57 call spreads out of 89 contracts which are valued using LIBOR curves, and those contracts hedge US\$2,074 million in notional amount, which is our current exposure to this reform. In addition, the fair value disclosure of our international notes is measured using LIBOR reference. The rest of our liabilities are measured under different references such as TIE.

Our systems calculate fair market value using LIBOR curves; however, we are ready to use new reference whenever it is needed. We will conduct an analysis later in 2021 in order to anticipate impacts on fair market value in our contracts due to the new reference rate.

We have applied the following reliefs that were introduced by the amendments made to IFRS 9, Financial Instruments in September 2019:

- When considering the “highly probable” requirement, the group has assumed that the LIBOR interest rate on which the group’s hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis we have assumed that the LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, we have made the following assumptions that reflect our current expectations:

- The floating-rate debt will move to alternative overnight risk-free rate during 2022 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument.
- No other changes to the terms of the floating-rate debt are anticipated.
- We have incorporated the uncertainty over when the floating-rate debt will move to an overnight risk-free rate, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalized by adding an additional spread to the discount rate used in the calculation.

Off-Balance Sheet Liabilities

As of September 30, 2020, we did not have any off-balance sheet liabilities.

Tax Credits or Tax Liabilities

As of September 30, 2020, we do 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 nine-month period ended September 30, 2020 and the years ended December 31, 2018 and 2019, we invested Ps.381.7 million, Ps.2,207.5 million and Ps.12.7 million, respectively, in capital expenditures mainly to support the growth of our operations as well as the expansion of our regional offices.

Tabular Disclosure of Contractual Obligations

The table below is a summary of our contractual obligations and other commitments as of September 30, 2020:

	Payments Due by Period			
	Total	Less Than 1 Year	1 to 3 Years	More Than 3 Years
	(in millions of Ps.)			
Obligation:				
Long-term debt obligations.....	50,519.2	-	15,373.9	35,145.3
Short-term debt obligations.....	20,081.8	20,081.8		
Other liabilities ⁽¹⁾	1,004.6	818.4	186.2	-
Total ⁽²⁾	<u>71,605.7</u>	<u>20,900.3</u>	<u>15,560.1</u>	<u>35,145.3</u>

⁽¹⁾ Includes taxes payable, commercial paper, other accounts payable and allowances.

⁽²⁾ Excluding accrued interest and other costs.

The amounts shown in the table above represent existing contractual obligations only. Our actual expenditures for certain 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 an 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 Notes 3, 4 and 5 to our Audited Financial Statements included elsewhere in this offering memorandum.

Our accounts receivable are categorized either as leases, factoring or loans. The recoverability of our portfolio is assessed periodically by recognizing estimates of the expected credit losses based on a model. We identify for each type of customer (i) the risk phase (determined based on the customers' payment behavior), (ii) the exposure at default (i.e., amounts due and payable net of percentages covered by the guarantees received from customers), (iii) the probability of default and (iv) the loss given default. To estimate the probability of default, we classify accounts receivable based on the customers' payment behavior, taking into account the type of product, customer and days past due. To estimate the loss given default, we also take into account the type of product, customer and pending litigation as of the classification date. See Note 5 to our Audited Financial Statements 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 predetermined 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 September 30, 2020, 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 semiannual payment of interests to the 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 and planning 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 and planning 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.

The Company has implemented the necessary measures for the application of the expected credit loss models, including internal policies such as updating the parameters used for the calculation of reserves on an annual basis to ensure the anticipation of adverse impacts on our financial condition.

BUSINESS

Overview

We are a leading Mexican leasing company focused on the following business lines: leasing, factoring and car and commercial loans. Through our leasing business line, our core business line, we offer leases for all types of productive assets, including machinery and equipment, transportation vehicles 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 receivables and by providing vendor financing. Our car and commercial loans business line is focused on financing the acquisition of new and used vehicles, the acquisition of other capital assets, and financing short-term working capital and liquidity needs. Within our commercial lending business we maintain a structured finance area that delivers tailored financing solutions to our clients in the form of leasing or loans, or a combination of both. Through Uniclick, an online digital platform, we offer our leasing, factoring and lending products to the SMEs sector.

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 on February 3, 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 bylaws 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* or “LGSM”) 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 bylaws 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 to our corporate structure from a no-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 changed 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 substantial expertise in the financial industry to our board of directors. All of these changes have 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 May 27, 2015, we completed our initial public offering, which consisted of a public offering in Mexico through the BMV and a concurrent international offering to investors in the U.S. pursuant to Rule 144A and outside the U.S. pursuant to Regulation S under the Securities Act. We and the selling shareholders offered 112,000,000 shares of our common stock at a price of Ps.28.00 per share, for a total value of Ps.3,606.4 million (US\$237 million).

The initial public offering allowed us to expand our capitalization levels by increasing stockholders' equity as a percentage of total assets.

In August 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.

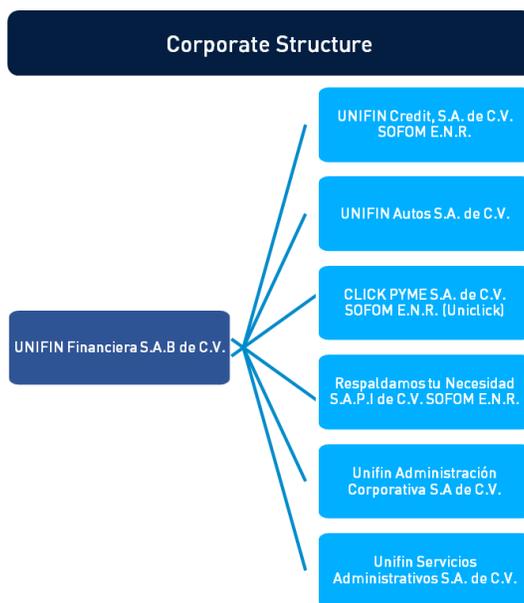
On March 10, 2020, we launched Uniclick, a digital platform that seeks to become the leader for new product showcasing and client acquisition in the SMEs segment.

On August 24, 2020, we completed a capital increase in the amount of Ps.2,520 million (US\$112.7 million) through the issuance of 140 million new shares at a price of Ps.18 per share. This capital increase was anchored by our controlling shareholder, who subscribed for 50 million shares for a total capital contribution of Ps.900.0 million (US\$40.3 million). The remaining shares were subscribed for by other existing shareholders (approximately 20.6 million shares for a total capital contribution of Ps.370.8 million (US\$16.6 million) and new institutional and strategic investors (approximately 69.4 million shares for a total capital contribution of Ps.1,249.2 million (US\$55.9 million). See "Principal Shareholders."

Our Business Lines

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

The following chart⁽¹⁾ summarizes our corporate structure as of the date of this offering memorandum, including our principal subsidiaries for the nine-month period ended September 30, 2020:



⁽¹⁾ Click Pyme, S.A. de C.V, SOFOM ENR and Respaldamos tu Necesidad, S.A.P.I. de C.V., SOFOM ENR are recently incorporated entities and are currently not operating.

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 for the nine-month period ended September 30, 2020 by which we operate the following business lines: (i) leasing, (ii) factoring and (iii) car and commercial loans:

Three main products that provide valuable and complementary financing options for Mexican SMEs:

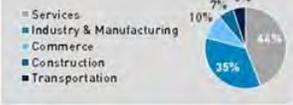
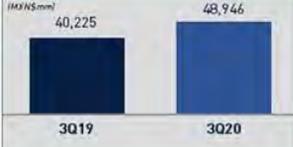
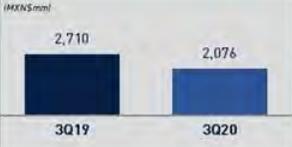
	Leasing 	Factoring 	Auto Loans 
Financing Uses	<ul style="list-style-type: none"> Machinery, equipment & vehicles 	<ul style="list-style-type: none"> Working capital 	<ul style="list-style-type: none"> Any type of vehicle
Target Clients	<ul style="list-style-type: none"> SMEs Individuals with business activities 	<ul style="list-style-type: none"> SMEs Individuals with business activities 	<ul style="list-style-type: none"> SMEs Individuals
Loan Range	<ul style="list-style-type: none"> MXN\$100k - \$150mm 	<ul style="list-style-type: none"> MXN\$500k - \$150mm 	<ul style="list-style-type: none"> Up to 80% of the vehicle's price
Tenor Range	<ul style="list-style-type: none"> 12-48 months 	<ul style="list-style-type: none"> 8-180 days 	<ul style="list-style-type: none"> 12-60 months
Interest Rate & Fee	<ul style="list-style-type: none"> Rate: 23% - 27% fixed¹ Fee: 1.0% - 3.0% of the loan per operation 	<ul style="list-style-type: none"> Rate: TIIE + 14.5% - 19.5% Fee: 0.5% - 1.5% of the total amount per month term 	<ul style="list-style-type: none"> Rate: 17.5% - 20.5% fixed² Fee: 12-48 months: 2% origination; 60 month: 3% origination

Source: Internal development

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

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

As of 3Q20, UNIFIN had a highly diversified portfolio of +7,300 clients, with an average ticket per client of ~MXN\$7.2mm¹

	Leasing 	Factoring 	Auto Loans 
% of Total Portfolio²	75%	3%	4%
Number of Active Clients	5,228	899	1,338
Average Ticket	MXN\$9.4 mm	MXN\$2.3 mm	MXN\$2.0 mm
Weighted Average Maturity	30 months	98 days	30 months
Total Loan Portfolio Growth (3Q19-3Q20)	21.7%	{23.4%}	{8.8%}
Loan Portfolio Breakdown by Economic Sector			
Total Loan Portfolio Evolution			

Source: Internal development

- (1) Based on total loan portfolio and total clients
 (2) Other lending accounts represent 16.3% of the Company's total portfolio

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, 2018 and 2019, and as of and for the nine months ended September 30, 2020:

	As of and for the years ended December 31,				As of and for the nine months ended September 30,	
	2018		2019		2020	
	(in millions of Ps., except for percentages)					
Leasing.....	6,588.9	75.5%	8,109.6	75.4%	6,435.0	77.2%
Factoring.....	414.2	4.7%	656.1	6.1%	311.1	3.7%
Car and commercial loans.....	1,723.8	19.8%	1,996.1	18.5%	1,588.4	19.1%
Total.....	8,726.9	100.0%	10,761.8	100.0	8,334.5	100.0%

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 30 months.

Our leasing business accounted for 74.9% of our total portfolio and 77.2% of our total revenues for the nine months ended September 30, 2020.

Leases by Industry

The following table sets forth the composition of our total leasing portfolio by industry as of the dates indicated:

	As of December 31,				As of September 30,	
	2018		2019		2020	
	(in millions of Ps., except percentages)					
Economic Sector:						
Trade	5,242.9	14.5%	4,365.2	10.2%	4,772.5	9.8%
Construction.....	3,398.9	8.0%	2,690.0	6.3%	3,224.0	6.6%
Services.....	2,892.7	9.4%	2,938.0	6.8%	2,357.3	4.8%
Transportation.....	12,040.7	34.8%	20,751.6	48.3%	21,636.6	44.2%
Others (Industry & Manufacturing)	12,583.0	33.4%	12,237.4	28.5%	16,955.6	34.6%
Total.....	36,158.2	100.0%	42,982.2	100.0%	48,946.0	100.0%

Leases Data

The following table sets forth the number of our lease customers, portfolio and average loans as of the dates indicated:

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps., except number of customers which is expressed in thousands)		
Number of Customers.....	4,714	4,565	5,228
Total Portfolio	36,158.2	42,928.2	48,946.0
Average Loans.....	7.7	9.3	9.4

Leases by Type of Asset

The following table sets forth our total leasing products portfolio by type of asset as of the dates indicated:

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Boats	1,264.2	2,207.2	2,200.0
Medical equipment	794.2	634.7	743.7
Transportation.....	7,339.2	12,429.3	11,977.2
Machinery	12,520.5	12,067.4	15,544.3
Others.....	14,240.0	15,643.5	18,480.7
Total.....	36,158.2	42,982.2	48,946.0

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 3.7% of our revenues for the nine months ended September 30, 2020.

Factoring Operations, Current and Noncurrent

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

	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Factoring portfolio balance.....	2,864.1	3,255.8	2,076.1
Allowance for loan losses of factoring transactions.....	(117.6)	(100.6)	(260.1)
Factoring portfolio balance – net	2,746.5	3,155.2	1,816.0

Factoring Loans Data

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

	<u>As of December 31,</u>		<u>As of September</u>
	<u>2018</u>	<u>2019</u>	<u>30,</u>
	<u>2020</u>		
	<i>(in millions of Ps., except number of customers which is expressed in thousands)</i>		
Number of Customers.....	1,195	1,126	899
Portfolio Balance	2,864.1	3,255.8	2,076.1

Factoring Portfolio by Economic Activity

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

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>(in millions of Ps.)</i>		
Economic Sector:			
Trade.....	584.2	676.9	626.4
Construction.....	378.1	26.4	42.9
Services.....	63.0	150.8	94.2
Transportation.....	1,440.6	1,569.5	1,015.6
Others (Industry & Manufacturing)	398.1	832.2	297.0
Total.....	<u>2,864.1</u>	<u>3,255.8</u>	<u>2,076.1</u>

Car and Commercial Loans

Business Overview

Our car and commercial loans business accounted for 4.2% of our total revenues for the nine months ended September 30, 2020. 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.

We are implementing new technologies, including a digital platform for online lending to SMEs and individuals with entrepreneurial activities, and plan to continue to transform the lending market in Mexico by making it efficient and convenient for small businesses and certain individuals to access financial products. This platform and its technological upgrades will allow us to provide services in a more expeditious and efficient manner. All new technological processes and digital products will be leveraged by our broad experience and know-how in the SME lending market and will allow us to offer comprehensive business solutions to our clients. We believe the opportunity exists to further expand our online solutions and capabilities and to offer our customers comprehensive, convenient and user-friendly products via online technology and services platforms.

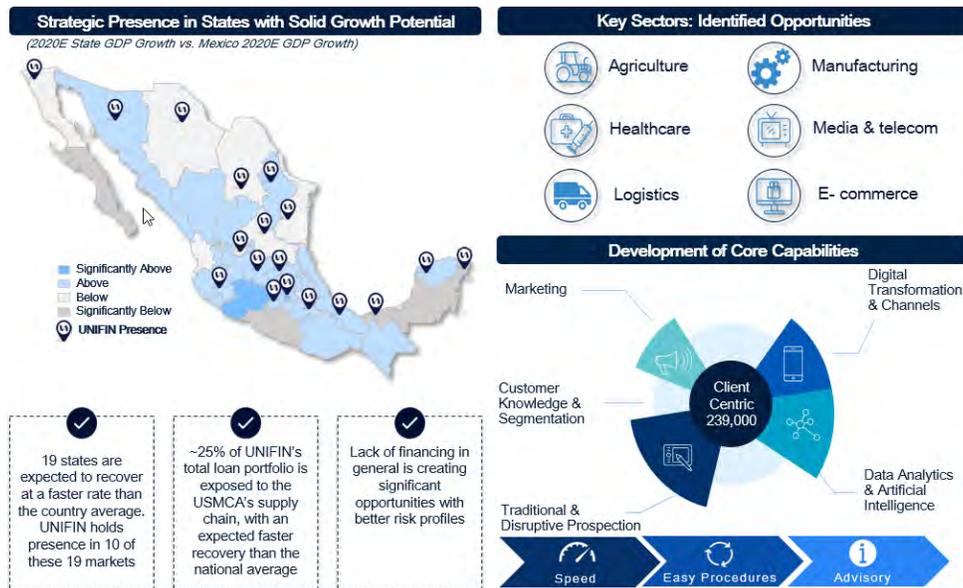
Car Loans

The following table sets forth the composition of our car loans by economic sector as of the dates indicated:

Economic sector	As of December 31,		As of September 30,
	2018	2019	2020
	(in millions of Ps.)		
Trade.....	76.9	106.9	105.6
Construction	12.9	12.3	11.0
Transportation.....	797.9	824	829.9
Services	852.5	1,861.7	1,749.6
Other (Industry & Manufacturing) ...	140.4	90.1	25.0
Total	1,880.6	2,895.0	2,721.1

Distribution Channels

Our corporate headquarters is located in Mexico City and we have regional offices in Monterrey, Guadalajara, Cancún, Chihuahua, Puebla, Hermosillo, Querétaro, Mérida, Veracruz, Toluca, San Luis Potosí, Tijuana, León, Aguascalientes, Torreón, Villahermosa and Tampico. There are 19 Mexican states that are expected to recover at a faster rate than the country average, and we have physical presence in 10 of those 19 states.



We provide our leasing and factoring products through the following distribution channels:

- **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.
- *Technological Processes and Digital Products:* We have developed a digital platform, Uniclick, to offer our leasing, factoring and lending products to the SMEs sector, a market that is vastly underserved by banks in Mexico but with which we are highly familiar, given our unique positioning for cross-selling opportunities. Uniclick leverages existing technology to reach clients more efficiently, improves our coverage and reduces our acquisition costs, which are 8.3 times lower than our acquisition cost through traditional platforms. Uniclick currently has 432 clients and a portfolio of Ps.288 million (US\$12.9 million). Uniclick Accelerator, our digital accelerator, is a platform offered exclusively to our clients, targeting companies from all industries, to achieve their business goals. Uniclick Accelerator provides our clients with knowledge, tools and access to expertise to improve their brand positioning, customer experience and development of their marketing capabilities using a one-stop-shop digital approach. We estimate that the market size for Uniclick is approximately Ps.78 billion pesos. As of September 30, 2020, we had less than 1% of market share, and a portfolio yield of approximately 29%.

Our complementary in-house software helps us serve our clients by (i) collecting and synthesizing large volumes of information from multiple sources and formats through streamlined, reliable processes, (ii) consolidating information from the SMEs sector that is otherwise unavailable in the market, (iii) generating brand attachment and key business insights into clients and prospects and (iv) increasing loan placement without compromising the quality of the portfolio using non-traditional models and variables. This software includes:

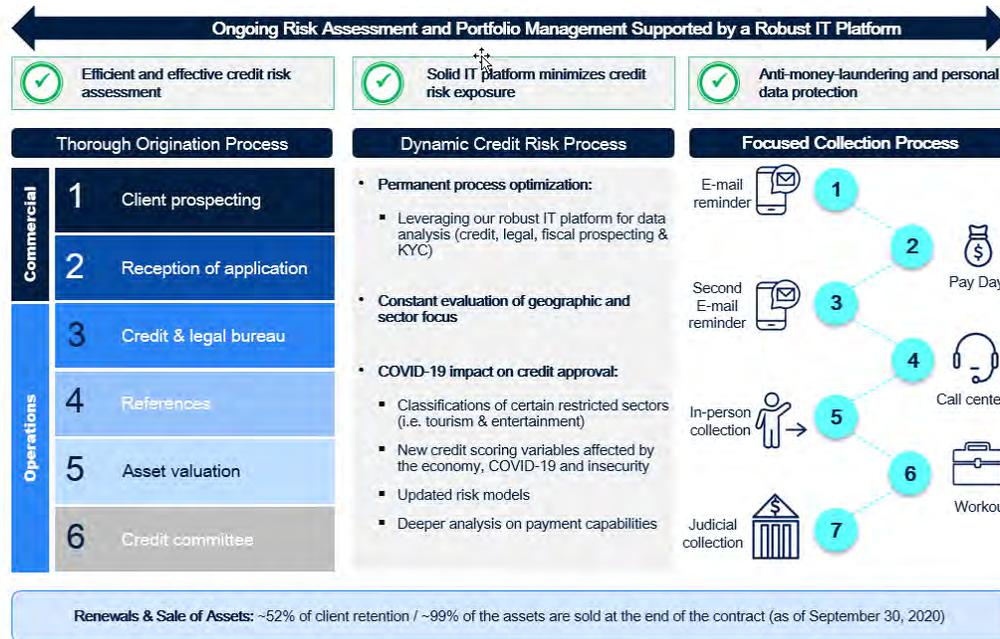
- *Lenia* - an interpreter that improves customers' experiences by classifying verbal language based on the needs and interests of clients and prospects.
- *Literata* - a network that enables the intelligent synthesis of data, including articles and by-laws of corporations, and also validates files and creates networks to improve customers' experiences and reduce acquisition costs.
- *Robina* - an intelligent interface streamlined for reliable data extraction and real-time consultation that applies to a range of sources and formats, including photographic images, QR codes and text identifications.
- *Clarivia* - an SME information center that consolidates data otherwise unavailable in the market, generating brand attachment and improving customers' experiences.
- *Casia* - a credit score model that increases approval rates without compromising the quality of the portfolio using non-traditional models and variables, improving overall profitability.

We offer our leasing, factoring and car loans products through our headquarters located in Mexico City and our regional offices in Monterrey, Guadalajara, Cancún, Chihuahua, Puebla, Hermosillo, Querétaro, Mérida, Veracruz, Toluca, San Luis Potosí, Tijuana, León, Aguascalientes, Torreón, Villahermosa and Tampico.

Our leasing and car and commercial loans 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:



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.10.0 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.10.0 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 its 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 accounts and notes receivable (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 comprising 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 workout team comprised of specialized litigation attorneys pursues intensive collection efforts, which include preparing for a possible judicial proceeding. During this stage, the workout 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 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.

Car and Commercial 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

As of December 31, 2018 and 2019 and September 30, 2020, our non-performing loans accounted for 3.1%, 3.7 % and 4.8%, respectively, of our total accounts and notes receivable (loan portfolio). This ratio considers the full outstanding balance of our leasing, factoring and car and commercial 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.

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 September 30, 2020, we had 691 employees, all of whom were nonunionized.

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 September 30, 2020, our sales force, which accounted for 44% of our total work force, is subject to variable compensation plans, based on sales and other financial benchmarks as well as the behavior of our loan portfolios and collections. 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. It has also allowed us to be continuously and fully operational despite lockdowns imposed as a result of the COVID-19 pandemic. Further, 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. In 2019 and the nine months ended September 30, 2020, we invested Ps.94.9 million and Ps.102.6 million, respectively, 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 eighteen 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.Credit® , Uniauto y diseño®, Uniautos y diseño®, Unicash y diseño®, Uniclick®, Unifactoring y diseño®, Unifactoraje®, Unifin Capital®, Unifin Financiera®, Unifin Credit®, Unifin Fleet®, Unifin sos®, Unifin.Leasing y diseño®, Unifin.Insurance y diseño®, Unifin.Factoring y diseño®, Unifin.Credit y diseño®, Unifinanciar y diseño®, Unileasing y diseño®, Unimagazine y diseño®, Unisecurity y diseño®, Unidos Por Un Mismo Fin®, Soluciones Financieras A Tu Medida®, Enfócate En Tu Negocio, Nosotros Administramos Tu Flotilla®, Unifin Tecnología y Consultoría Financiera ®, Unifin Poder Para Tu Negocio ® and Uniclick Te Hace Crecer®.

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.

Material 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 “—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 bylaws, may consist of up to 21 directors, of which at least 25.0% must be independent according to our bylaws. Each director may have an alternate, and the alternate directors of independent directors also must be independent.

Currently, our board of directors consists of ten directors and their respective alternates, elected or ratified at our shareholders' meeting on June 5, 2020, 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	57	1993
Almudena Lebois Ocejo	Vice President	31	2015
Luis Gerardo Barroso González	Director	56	2001
Rodrigo Balli Thiele	Director	46	2005
Rodrigo Lebois Ocejo.....	Director	29	2016
Juan Ignacio Casanueva Pérez	Director	51	2020
Federico Chávez Peón Mijares	Director ⁽¹⁾	54	2003
José Luis Llamas Figueroa	Director ⁽¹⁾	56	2007
José Luis Fernández Fernández.....	Director ⁽¹⁾	61	2012
Juan Marco Gutiérrez Wanless.....	Director ⁽¹⁾	59	2015
Jimena González de Cossío Higuera	Secretary Non-member of the Board	39	2020
Paola Osuna San Martín	Alternate Secretary	32	2020
	Non-member of the Board		

⁽¹⁾ 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 a 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 Fianzas, S.A. de C.V. Mr. Lebois is also Chairman of Aralpa Capital, S.A. de C.V., a 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 a member of the investment committee of Terrafondo I. Mr. Lebois completed studies in Business Administration from Universidad Anáhuac and several executive administration programs.

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., a member of the Board of Itera Capital, S.A.P.I. de C.V. and 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.

Luis Gerardo Barroso González. 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 Insurance 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).

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.

Juan Ignacio Casanueva Pérez. Mr. Casanueva was appointed to the Board of Directors of the Company on June 5, 2020. He currently serves as Chairman of the Board of Directors of Interprotección Agente de Seguros y Fianzas. He is also a member of the Board of Directors of Grupo AXO, S.A. de C.V., Genera, S.A.B. de C.V., Aterna, Agente de Seguros y de Fianzas, Casa Dragones, Bolsa Institucional de Valores, S.A. de C.V. and Financiera Compartamos Perú.

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 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 Chevez 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.

Jimena González de Cossío Higuera. Mrs. González de Cossío was appointed as the Secretary non-member of the board of Directors as of June 5, 2020. She is a law partner of Mancera, S.C. (a member of Ernst & Young) and focuses her practice in mergers and acquisitions, capital markets and financing transactions. Prior to joining Mancera, S.C., she was a partner at Forastieri Abogados, S.C. Mrs. González de Cossío holds a law degree from Universidad Iberoamerica in Mexico City and a Master of Laws (LL.M.) from Boston University, as well as continuing studies certificates in corporate governance from Harvard University, SMU and Northwestern University

Paola Osuna San Martín. Mrs. Osuna is our General Counsel and has held the position of Alternate Secretary not member of the board of directors since November 2020. Mrs. Osuna joined Unifin in 2017 and served as our Legal Director for Corporate Finance, Corporate Governance and Structured Finance. She has more than ten years of experience as a lawyer in banking and finance. Prior to joining Unifin, Mrs. Osuna was Senior Counsel of Corporate and Investment Banking, Treasury and Capital Markets at Banco Nacional de México, SA, integrante del Grupo Financiero Citibanamex (Citibanamex), and was responsible for advising and negotiating various local and cross-border financial transactions, including project finance, derivatives and structured finance transactions. She holds a Law Degree from Universidad Iberoamericana and a Master of Laws (LL.M.) in International Financial Law from King’s College London.

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	44	24	4
Sergio Manuel Cancino Rodríguez.....	Chief Financial Officer	53	34	6
Juan José del Cueto Martínez	Chief Operations Officer	60	40	14
Federico Noel Castillo Sánchez Mejorada.....	Chief Credit Officer	72	50	1
José Ramón Díaz Arnau	Chief Business Officer	39	17	2
David Pernas Sanchez	IR & Corporate Finance	33	13	10
Paola Osuna San Martín	General Counsel	32	12	3
Rafael Caballero Fernandez.....	Human Resources	60	43	7
Claudia Ortega Vettoretti.....	Business Innovation Officer	55	32	2

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:

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 the 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).

Federico Noel Castillo Sánchez Mejorada. Mr. Castillo is our Chief Credit Officer. He has more than 45 years of experience in the banking and finance sector, having held several positions at major financial institutions such as Banco Interacciones, S.A. and Banco Santander, S.A. He was also part of the team responsible for the liquidation of Banca Quadrum, S.A., under the supervision of IPAB (the Mexican Institute for Protection of Banking Savings), in addition to broad experience as an independent financial advisor. Mr. Castillo holds a degree in Business Administration from the Universidad Iberoamericana and post-graduate studies in Senior Management from IPADE. Since 2000, he has been a member of the Executive Committee and the Board of Fomento de Investigación y Cultura Superior, AC. (FICSAC), as well as a member of the Universidad Iberoamericana's patronage and senate.

José Ramón Díaz Arnau. Mr. Díaz is our Chief Business Officer. He has more than 15 years of experience in diverse finance areas, including structured finance and capital markets. Mr. Díaz joined Unifin in 2019 as executive director to create the structured finance area and on June 2020 he was appointed as Chief Business Officer. Mr. Díaz worked for more than 12 years at Citibanamex, holding several positions including Capital Markets and Project Finance Director. Prior to joining Unifin, he served as CEO of Sinia Renovables, a fund specialized in renewable energies with investments in Mexico and Latin America. Mr. Díaz hold a Bachelor's degree in industrial engineering and Master in Business Administration (MBA) from Universidad Anáhuac, in addition to several diplomas and courses.

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 Administración y Dirección de Empresas with a specialty in banking and financial sector (EGADE).

Paola Osuna San Martin. 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.

Claudia Ortega Vettoretti. Ms. Ortega is our Business Innovation Officer. She has more than 32 years of experience in developing business models through innovation and marketing intelligence and strategic management in companies such as Genomma Lab International and PepsiCo México. Ms. Ortega holds a Bachelor's degree in industrial systems engineering and a Master in marketing, both from Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM) and she holds a diploma from Harvard Business School in International Digital Business Program and is certified by the Instituto Superior para el Desarrollo de Internet (ISDI).

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

Audit and Corporate Practices Committee

We maintain an audit and corporate practices committee, which consists 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 bylaws. 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, our board of directors, executive officers, our external auditors or any third party and taking necessary actions, if any, pertaining to such recommendations and observations; (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 of directors; (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 supervising related party transactions and compensation plans for relevant officers 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.

Under the Mexican Securities Market Law and to our bylaws, all the members of our audit and corporate practices 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 bylaws, we have formed an executive committee, which is responsible for evaluating financial issues, general planning, strategic and organizational issues and any other issues related to the development of our business and our operations. Sergio José Camacho Carmona is the Chairman and Federico Noel Castillo Sánchez Mejorada, Rodrigo Balli Thiele and Sergio Manuel Cancino Rodríguez are members of the executive committee.

Finance and Planning Committee

We maintain a finance and planning committee, which consists of three members. Our finance and planning committee is in charge of our macroeconomic, financial and capital structure strategies. The current members of the finance and planning committee are Sergio José Camacho Carmona (Chairman), Sergio Manuel Cancino Rodríguez and José Luis Llamas Figueroa.

Corporate Credit Committee

We maintain a corporate credit committee, which consists of nine members. Our corporate credit committee reviews and approves transactions exceeding Ps.150 million. Current members of this committee include Rodrigo Lebois Mateos (Chairman), Federico Noel Castillo Sánchez Mejorada (Vice President), Almudena Lebois Ocejo, Eduardo Alejandro Castillo Sánchez Mejorada, Sergio José Camacho Carmona, Rodrigo Balli Thiele and Juan José del Cueto Martínez.

Credit Committee

We maintain a credit committee, which consists of six members. Our credit committee reviews and approves credit transactions between Ps.7.5 million and Ps.150 million. The current members of the credit committee are Sergio José Camacho Carmona (Chairman), Federico Noel Castillo Sánchez Mejorada (Vice President), Almudena Lebois Ocejo, Juan José del Cueto Martínez, Sergio Manuel Cancino Rodríguez, Eduardo Alejandro Castillo Sánchez Mejorada and Rodrigo Balli Thiele.

Communication and Control (Anti-Money Laundering) Committee

Unifin Credit maintains a communication and control (anti-money laundering) committee which assures compliance with obligations to 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 Unifin Credit complies with all applicable AML regulation. On a quarterly basis, the communication and control (anti-money laundering) committee informs the audit and corporate practices 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 the communication and control (anti-money laundering) 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 and corporate practices committee or board of directors, as applicable.

The current members of the communication and control (anti-money laundering) committee of the Company are Sergio José Camacho Carmona (Chairman), Paola Osuna San Martín, Juan José del Cueto Martínez, Sergio Manuel Cancino Rodríguez, Federico Noel Castillo Sánchez Mejorada, José Ramón Díaz Arnau, Gerardo Campos Hernández and Antinea Azul Mata Gutiérrez (Compliance Officer). The current members of the communication and control (anti-money laundering) committee of Unifin Credit are Sergio José Camacho Carmona (Chairman), Paola Osuna San Martín, Juan José del Cueto Martínez, Sergio Manuel Cancino Rodríguez, Federico Noel Castillo Sánchez Mejorada, José Ramón Díaz Arnau, María José Alonso Rodríguez, Gabriela Guadalupe Zetina Hernández, Federico Javier Cuevas Olvera, Gerardo Campos Hernández and Rubicelia Zamora Pastrana (Compliance Officer).

Compensation

For the year ended December 31, 2019, we paid wages and benefits to our executive officers through outsourcing companies in the amount of Ps.126.0 million, comprising 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 audit and 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 June 5, 2020 approved the following directors’ compensation: (i) Ps.75,000 to the independent directors and the secretary non-member of our board of directors for each meeting of the board that they attend; (ii) Ps.80,000 to the Chairman of the audit and corporate practices committee for each session of the committee that the Chairman attends and (iii) Ps.40,000 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. Our shareholders' meeting held on June 5, 2020 approved an increase to the maximum amount of our outstanding capital stock to be allocated to our Stock Incentive Plan to a maximum of 5.0%.

We created Administration Trust Number 2405 with Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, for the 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 a 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 LGSM, 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. The CNBV, in the exercise of its supervisory authority, is empowered to request and review certain accounting, legal, economic, financial and administrative information of, among others, public companies and, as a result, make formal observations, recommendations and, in certain instances, order the adoption of corrective actions and measures or the implementation of mandatory compliance programs.

Furthermore, we are required to comply with the Federal Law for the Identification and Prevention of Transactions with Illegal Resources (*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”).

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 nonregulated 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 nonregulated *Sofomes* and must indicate so in their corporate denomination by including the words “*Entidad No Regulada*” (nonregulated entity) or the abbreviation thereof, “E.N.R.”

Unifin Credit’s operations, as a nonregulated *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 nonregulated *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.

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.

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; CONDUSEF may initiate class actions for the benefit of consumers. Unifin Credit, as a nonregulated *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 nonregulated *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 nonregulated *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 opinion of Mexico's Federal Economic Antitrust Commission (*Comisión Federal de Competencia Económica* or "COFECE") 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.27.8 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 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 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 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 intercompany 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 predetermined 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 intercompany creditors in accordance with certain rules, and sets forth that such intercompany creditors will not be allowed to vote for the approval of the debt restructuring agreement when such intercompany creditors represent 25.0% or more of the aggregate amount of recognized claims, unless such intercompany creditors consent to the agreement adopted by the rest of the recognized creditors.

PRINCIPAL SHAREHOLDERS

As of the date of this offering memorandum, Mr. Rodrigo Lebois Mateos and members of his immediate family hold, directly and indirectly through Trust number 2452, 51.6% of the Company's capital stock. Mr. Rodrigo Lebois Mateos, indirectly, exercises control of Unifin. Pursuant to the terms of 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 trust beneficiary rights.

Except for the aforementioned persons and Mr. Luis Gerardo Barroso González, to the knowledge of the Company, none of the other directors or senior executives of the Company has an individual share interest greater than 1.0% and lower than 10.0% of the Company's capital stock.

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, 2018 and 2019 and the nine months ended September 30, 2020, which were carried out at an arm's-length basis, were as follows:

	<u>For the Year Ended December 31,</u>		<u>For the Nine Months Ended</u>
	<u>2018</u>	<u>2019</u>	<u>September 30,</u>
	<u>2020</u>		
	(in millions of Ps.)		
Income			
Other income	4.9	3.6	46.3
Auto sales	-	-	-
Expense			
Administrative services.....	871.9	1,058.6	658.4
Donations or gift.....	13.9	15.6	14.1

As of December 31, 2018, 2019 and September 30, 2020, the balances with related parties were as follows:

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	(in millions of Ps.)		
Receivables			
Administradora Brios, S.A. de C.V. ⁽¹⁾	359.0	301.5	567.1
Unifin Administración Corporativa, S.A. de C.V.	36.9	133.2	-
Unifin Servicios Administrativos, S.A. de C.V.	10.0	88.1	-

⁽¹⁾ 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, Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V., as subsidiary guarantors and The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent (the “Trustee”). 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.”

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 September 30, 2020, we had total consolidated indebtedness (excluding accrued interest, commissions and expenses) of Ps.70,601.0 million (US\$3,157.5 million), of which Ps.19,178.5 million (US\$857.7) was secured by collateral, and our non-guarantor subsidiaries did not have any indebtedness. Of our Ps.19,178.5 million (US\$857.7 million) of secured indebtedness, Ps.7,405.1 million (US\$331.2 million) related to secured bank debt and the remainder related 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 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. 76,716.7 million (US\$3,431.0 million) of which Ps.17,227.6 million (US\$770.5 million) would have been secured by collateral (Ps.5,454.2 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 intercompany indebtedness).

For the nine-month period ended September 30, 2020, the subsidiary guarantors had total income of Ps.61.5 million, which represented 5.81% of our consolidated total income.

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 January 28, 2029, 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 100.000%, *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 9.875% per annum and will be payable semiannually in arrears on each January 28 and July 28, commencing on July 28, 2021. Payments will be made to the persons who are registered holders at the close of business on January 13 and July 13, 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 a 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 comprising 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 (the “Paying Agent”) and registrar (the “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.

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 (a) being or having been a

citizen or resident thereof for tax purposes, (b) maintaining or having maintained an office, permanent establishment, or branch, in all cases subject to taxation therein, or (c) 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, or 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 such 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).

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 may redeem the notes, at its option, in whole at any time or in part from time to time, on and after January 28, 2025 at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on January 28 of any year set forth below, *plus* any Additional Amounts then due, if any, *plus* accrued and unpaid interest to the date of the redemption:

<u>Year</u>	<u>Percentage</u>
2025	104.938%
2026	102.469%
2027 and thereafter	100.000%

Prior to January 28, 2025, the Company will have the right, at its option, to redeem any of the notes, in whole or in part, at a redemption price equal to 100.000% 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 (x) the redemption price of the notes to be redeemed at January 28, 2025 (such redemption price being set forth in the table appearing above, the “First Call Date”), *plus* (y) all required interest payments that would otherwise be due to be paid on such note during the period between the redemption date and the First Call Date (excluding accrued but unpaid interest), in each case discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate *plus* 50 basis points; *over*
- (b) 100.000% 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 semiannual 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 through the First Call Date, 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 through the First Call Date.

“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., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC or their respective affiliates that are primary United States government securities dealers and not less than two 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 upon Equity Sales

At any time, or from time to time, on or prior to January 28, 2024, the Company may, at its option, use the net cash proceeds of one or more Equity Sales to redeem up to 35% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture at a redemption price equal to 109.875% of the principal amount thereof, *plus* Additional Amounts then due, if any, and accrued and unpaid interest to the date of redemption; *provided that*:

- (1) after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture remains outstanding; and
- (2) the Company shall make such redemption not more than 90 days after the consummation of such Equity Sale.

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

Optional Redemption for Changes in Withholding Taxes

If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or any political subdivision or taxing authority or other instrumentality thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change 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 payments of amounts deemed interest on the notes (see “—Additional Amounts” and “Taxation—Mexican Federal Tax Considerations”), 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 100.000% 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 “Certain Covenants—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 15 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 101.000% 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:

“—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;”

“—Certain Covenants—Limitation on Guarantees;”

“—Certain Covenants—Limitation on Restricted Payments;”

“—Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock;”

“—Certain Covenants—Limitation on Lease Securitizations and Receivables Transactions;”

“—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries;”

“—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”

“—Certain Covenants—Limitation on Layered Indebtedness;”

clause (b) of “—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets;” and

“—Certain Covenants 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 “—Certain Covenants—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 “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.” Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under “—Certain Covenants—Limitation on Restricted Payments” will be made as though the covenant described under “—Certain Covenants—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 and the Guarantors may incur Indebtedness, including Acquired Indebtedness, if, at the time of and immediately after giving *pro forma* effect to the incurrence thereof and the application of the proceeds therefrom the Capitalization Ratio of the Company 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 (i) 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 (m) and (ii) in the case of a disposition, the maximum aggregate liability in respect of all such obligations outstanding under this clause (m) 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 that 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 redivide 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 September, 2020, we estimate that the amount available for Restricted Payments pursuant to clause (3) above would have been approximately US\$65.9 million (calculated using the exchange rate of Ps.22.36 per U.S. dollar, the exchange rate published by *Banco de México* in the Mexican Federal Official Gazette (*Diario Oficial de la Federación*) on September 30, 2020).

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 or 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 Noncash 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 Noncash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Noncash 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 Noncash Consideration is less than the greater of (x) 4.0% of Consolidated Tangible Assets at the time of the receipt of such Designated Noncash Consideration and (y) US\$25 million, in each case with the Fair Market Value of each item of Designated Noncash 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 100.000% 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 by first-class mail, 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, that 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 that 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 nonrecourse 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 clause (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) Clause (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 nonassignment 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 that 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 that 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 “—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\$25 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\$35 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) Clause (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 a 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 that are materially different from the accounting principles that 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 depository 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*.

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—Limitations on 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 that:

(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 nonappealable 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 other 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 a Responsible Officer of the Trustee has actual knowledge 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 noncallable 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; or

(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, noncallable 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 to 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 nonconsenting 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 exclusive 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 “—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 “—Limitation on 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 ten (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 twelve (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) which 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 (7) 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 nonvoting) 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 Noncash Consideration*” means the Fair Market Value of noncash 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 Noncash 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 Noncash 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 of any Person 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 Assets Sales and Sales of 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—Limitation on 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 January 28, 2021.

“*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 Car and Commercial Loan Portfolio*” means, as of any date of determination, the car and commercial loan 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 Car and Commercial Loan 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 or any Guarantor, 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 or such Guarantor, as applicable.

“*Officers’ Certificate*” means, when used in connection with any action to be taken by the Company or any Guarantor, a certificate signed by two Officers of the Company or such Guarantor, as applicable, or by an Officer

and either an Assistant Treasurer or an Assistant Secretary of the Company or such Guarantor, as applicable, 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 leasing, lending, car 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, fleet services, insurance brokerage and other structured financing and equity investments in companies or assets related to or associated with any leasing or lending transaction by the Company.

“*Permitted Holders*” means (i) Rodrigo Lebois Mateos, (ii) a parent, brother or sister of the individual named in clause (i), (iii) the spouse or a former spouse of any individual named in clauses (i) or (ii), (iv) the lineal descendants of any individual named in clauses (i), (ii) or (iii), (v) the estate or any guardian, custodian or other legal representative of any individual named in clauses (i) through (iv), (vi) any trust or other vehicle established principally for the benefit of any one or more of the individuals named in clauses (i) through (v), and (vii) 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 (vi).

“*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 noncash 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 and commercial loans (including accounts and notes receivable (loan portfolio)) made or acquired by the Company in the ordinary course of business, including, without limitation, the acquisition of loans or accounts and notes receivable (loan portfolio) 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 reallocate 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 that 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 20.0% 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 Transaction, 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, none of the Issuer, the Trustee, the transfer agent, the 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 depository; 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 depository 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 depository for the global notes and DTC fails to appoint a successor depository 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 depository (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;
- (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, 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 (including one with the United States which is in effect) 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.

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% 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.

Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes. 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, all income attributable to that permanent establishment of such resident will be subject to Mexican income taxes, in accordance with applicable tax Mexican laws.

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:

- the issuance 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 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; 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 higher rate.

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 the notes will be higher:

- 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 delivers certain information to us, that we may in turn provide to the *Servicio de Administración Tributaria* (Mexican Tax Administration Service) in accordance with certain rules issued for these purposes.

Payments of Principal

Under the 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 taxes.

Taxation of Capital Gains

Under Mexican federal income tax law, gains resulting from the sale or other disposition of the notes by a non-Mexican Holder to another non-Mexican Holder are not subject to income or other tax in Mexico. Gains resulting from the sale of the notes by a non-Mexican Holder to a purchaser who is a Mexican resident for tax purposes, or to a non-Mexican Holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to Mexican federal income or other taxes pursuant to the rules described above in respect of interest payments, unless an applicable income tax treaty provides otherwise. The acquisition of the notes at a discount by a non-Mexican Holder will be deemed interest income, and subject to Mexican withholding taxes if the seller is a Mexican resident or non-Mexican Holder resident with a permanent establishment in Mexico.

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, 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 elect mark-to-market treatment, (xvi) holders who hold notes as part of a hedge, straddle, synthetic security, conversion transaction, or 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 non-resident 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, special timing rules prescribed under section 451(b) of the Code, 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.

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 a *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 noncorporate 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 US\$50,000 on the last day of the taxable year or US\$75,000 at any time during the taxable year 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.

Initial Purchasers	Principal Amount of Notes
Barclays Capital Inc.	US\$ 66,667,000
Banco BTG Pactual S.A.—Cayman Branch	US\$ 66,667,000
Citigroup Global Markets Inc.	US\$ 66,667,000
Goldman Sachs & Co. LLC	US\$ 66,667,000
Santander Investment Securities Inc.	US\$ 66,666,000
Scotia Capital (USA) Inc.	US\$ 66,666,000
Total	US\$400,000,000

Banco BTG Pactual S.A.—Cayman Branch is not a broker dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A.—Cayman Branch intends to sell the notes in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker dealers, or otherwise as permitted by applicable U.S. law.

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. After the issuance of the notes, 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 against payment therefor on or about January 28, 2021, which is the third business day following the date of this offering memorandum (such settlement being referred to as “T+3”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes prior to the day that is two business days prior to the delivery of the notes will be required, by virtue of the fact that the notes initially will settle in T+3, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to the day that is two business days prior to their date of delivery should consult their advisors.

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 are lenders under certain of our credit facilities, including bilateral and syndicated credit facilities and facilities through lease securitizations and receivables transactions. In particular,

Banco BTG Pactual S.A.—Cayman Branch who is acting as initial purchaser in this offering, and Barclays Bank PLC (an affiliate of Barclays Capital Inc., who is also acting as an initial purchaser in this offering), are lenders under credit facilities that are expected to be repaid, in whole or in part, with the proceeds of this offering. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” In addition, the initial purchasers or their affiliates are acting as dealer managers in the Exchange Offer. Certain of the initial purchasers or their affiliates may hold positions in the 2022 Notes, the 2023 Notes or the 2025 Notes and may decide to participate in the Exchange Offer.

The initial purchasers 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 are 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 the European Economic Area

The notes are not intended to be offered, sold or otherwise made available to and will 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 the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive (EU) 2014/65 (as amended, “MiFID II”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

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

Each of the initial purchasers has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the UK.

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 reoffering 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, place, or do anything in Ireland in respect of the Securities otherwise than in conformity with the provisions of the European Union (Prospectus) Regulations 2019 (as amended), Irish prospectus law and any rules issued under Section 1363 of the Irish Companies Act 2014 (as amended);;

- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the notes otherwise than in conformity with the provisions of Regulation (EU) No. 596/2014 on market abuse (as amended) the European Union (Market Abuse) Regulations 2016 (as amended) and any rules issued under Section 1370 of the Irish Companies Act 2014 (as amended);
- (e) it will not offer, sell, place or underwrite the notes, or do anything in Ireland in respect of the notes, otherwise than in conformity with the provisions of the Irish Companies Act 2014 (as amended); and
- (f) no notes will be offered or sold with a maturity of less than one year except in full compliance with the Central Bank Notice BSD C 01/02.

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 regulations;
- (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 requirements 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 notes being offered will not be registered under the Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF and, therefore, the notes are not subject to the supervision of the CMF. As unregistered securities in Chile, we are not required to disclose public information about the notes in Chile. Accordingly, the notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding Securities Registry. The notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with CMF Rule 336. Pursuant to the Securities Market Law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law. However, pursuant to CMF Rule 336, the notes may be privately offered in Chile to certain “qualified investors” identified as such therein (which in turn are further described in CMF Rule 216, dated June 12, 2008).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: January 20, 2021. The offer of the notes is subject to General Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF;
2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the CMF, nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF, due to the notes not being subject to the oversight of the CMF;
3. Since the notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the notes in Chile; and
4. The notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the CMF.

CMF Rule 336 further requires the following information to be included in the Spanish language:

Aviso a los Inversionistas Chilenos

La oferta de los bonos se acoge a la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero. Los bonos que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos en Chile, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los bonos no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente. Los bonos solo podrán ser ofrecidos en Chile en circunstancias que no constituyan una oferta pública o cumpliendo con lo dispuesto en la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero. De conformidad con la Ley de Mercado de Valores Chilena, se entiende por oferta pública de valores la dirigida al

público en general o a ciertos sectores o a grupos específicos de éste. Considerando lo amplio de dicha definición, incluso una oferta dirigida a un pequeño grupo de inversionistas puede ser considerada como una oferta dirigida a ciertos sectores o a grupos específicos del público y por lo tanto considerada como pública bajo la ley aplicable. Sin embargo, en conformidad con lo dispuesto por la Norma de Carácter General N°336, los bonos podrán ser ofrecidos privadamente a ciertos “inversionistas calificados,” identificados como tal en dicha norma (y que a su vez están descritos en la Norma de Carácter General N°216 de la Comisión para el Mercado Financiero de fecha 12 de junio de 2008).

La siguiente información se proporciona a potenciales inversionistas de conformidad con la Norma de Carácter General N°336:

1. La oferta de los bonos comienza el 20 de enero de 2021, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF;

2. La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de la CMF;

3. Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos; y

4. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

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 nonviolation 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 AD4	P9485M AC3
ISIN.....	US90471MAD48	USP9485MAC30

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.
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—Certain Covenants—Notices.”
4. Copies of our Financial Statements, and future financial statements, and copies of our *estatutos*, or bylaws, as well as the Indenture (including forms of notes), may be inspected physically or electronically and will be available free of charge at the offices of the Paying Agent and any other paying agent.
5. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since December 31, 2019, 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 October 22, 2020. 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, Colonia 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., special Mexican counsel to the initial purchasers.

INDEPENDENT AUDITORS

The financial statements as of December 31, 2019 and for the year in the period ended December 31, 2019 included in this offering memorandum have been audited by PricewaterhouseCoopers, S.C., independent auditors as stated in their report appearing herein.

PricewaterhouseCoopers, S.C., is an independent certified public accountant 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. and subsidiaries
Consolidated Financial Statements as of December 31, 2019 and
2018 and January 1, 2018, and for the years ended December 31,
2019 and 2018

Unifin Financiera, S. A. B. de C. V. and subsidiaries

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Report of Independent Auditors Translated from Spanish

To the Shareholders and Board of

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

Opinion

We have audited the consolidated financial statements of Unifin Financiera, S. A. B. de C. V. and its subsidiaries (Company), which comprise the consolidated Statement of Financial Position as at December 31, 2019, and the related consolidated Statements of Income, Other Comprehensive Income, of Changes in Stockholders' equity and of Cash Flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit 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	How our audit addressed the key audit matter
<p data-bbox="272 491 841 554">First-time adoption of International Financial Reporting Standards (IFRS)</p> <p data-bbox="272 583 867 919">As mentioned in Note 1, since March 21, 2019 the Company is no longer a Multiple Purpose Financial Institution (SOFOM by its initial in Spanish) under the terms of the General Law on Credit Organizations and Auxiliary Activities and, consequently, it has adopted IFRS for the preparation of its consolidated financial statements as from the year ended December 31, 2019, adjusting the December 31 and January 1, 2018 balances to recognise the initial effects of adoption of IFRS.</p> <p data-bbox="272 949 867 1285">We have focused on this matter in view as the significance of adjustments and reclassifications recognised in the comparative consolidated financial statements upon initial application of IFRS and because of the complexity of the process relating to the implementation of this accounting framework, which involved changes in the accounting recognition, presentation and disclosure standards regarding transactions associated with the core business of the Company.</p> <p data-bbox="272 1314 867 1591">Particularly, we have focused our audit efforts on the adjustments relating to i) the lease transactions conducted by the Company as lessor, as the Management reassess all lease agreements to determine the classification and the accounting model for each lease agreement or group of similar lease agreements; ii) the valuation of accounts receivable; and iii) the estimate of expected credit losses.</p>	<p data-bbox="893 491 1497 554">The following procedures were applied as part of our audit:</p> <ul data-bbox="893 583 1490 1562" style="list-style-type: none"> <li data-bbox="893 583 1490 856">• We evaluated the technical analysis performed by Management to identify the differences between IFRS and the previously applied accounting criteria. We have also carried out inquiries of the Administrative and Finance Management to obtain an understanding of the IFRS adoption process and the changes in the associated internal control. <li data-bbox="893 886 1490 1075">• Based on selective tests, we evaluated the classification of lease agreements or groups of lease agreements into operating and finance leases by analyzing their economic substance under the contracts and agreements entered into. <li data-bbox="893 1104 1490 1562">• We have recalculated the amortised cost and the implicit interest rate of accounts receivable as of January 1 and December 31, 2018 on a selective basis, which include finance leases. Furthermore, we collated data on the following conditions from agreements and invoices: i) as for finance leases: the value of the leased assets, lease term, amount and related transaction costs; ii) as for receivables: the amount of the credit granted, terms, interest rate and related transaction costs; and iii) as for factoring: the nominal value of invoices, rebate percentage, terms, interest rate applied and assignment amount.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="272 491 841 583">First-time adoption of International Financial Reporting Standards (IFRS) (Cont'd)</p> <p data-bbox="272 764 834 793">Valuation of derivative financial instruments</p> <p data-bbox="272 827 867 1314">As mentioned in Notes 3d and 6, the Company enters into transactions with derivative financial instruments for hedging purposes: Interest rate swaps, foreign currency swaps and options. The asset position of derivative financial instruments amounts to \$4,975,843 thousand and represents 6.32% of total assets. The liability position of derivative financial instruments amounts to \$2,976,309 thousand and represent 4.38% of total liabilities. Most of these transactions are plain vanilla and are carried out in the over-the-counter market. Their counterparties are mainly national and international banking institutions and brokerage firms with contracts for financial guarantees enforceable in cash and determined on a daily basis.</p> <p data-bbox="272 1348 867 1587">We have focused on this account during our audit basically because of the significance of the carrying amount of derivative financial instruments and because Management uses its judgment in determining their fair value and the key assumptions used in valuation models, as these instruments are traded in the over-the-counter market.</p>	<p data-bbox="899 428 1484 457">How our audit addressed the key audit matter</p> <ul data-bbox="899 491 1484 705" style="list-style-type: none"> • We have evaluated the estimate of expected credit losses of accounts receivable as of December 31 and January 1, 2018 by applying procedures similar to the ones detailed in the key audit matter "Determination of the estimate of expected credit losses" below. <p data-bbox="899 827 1468 886">The following procedures were applied as part of our audit:</p> <ul data-bbox="938 928 1484 1696" style="list-style-type: none"> - We considered the design and operation of the controls implemented by Management over the valuation process, including the assumptions and models used. Particularly, we considered the key controls related to the obtainment of market inputs and key assumptions for the valuation models. - We compared the interest rate curves and the foreign exchange rate curves with the data obtained from independent market sources. - With the support of our valuation experts, we confirmed that the valuation model used by the Company is commonly accepted for this type of instruments. Furthermore, we independently determined the fair value of a sample of derivative financial instruments using other valuation models commonly accepted in the industry and gathering data from market sources, and compared them with the values determined by Management.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="272 491 834 554">Valuation of derivative financial instruments (Cont'd)</p> <p data-bbox="272 583 850 735">Particularly, we have focused our audit efforts on the model and key assumptions used in the valuation of derivative financial instruments such as the interest rate curves and the foreign exchange rate curves.</p> <p data-bbox="272 798 834 856">Determination of the allowance for expected credit losses</p> <p data-bbox="272 890 873 1314">As mentioned in Note 5 to the financial statements, the Company's accounts receivable are classified into: Lease, Financial factoring and Loan. Recoverability of these accounts is assessed periodically by recognising the estimates of expected credit losses based on a model, which means identifying for each type of customer the risk phase (determined based on their customer payment behavior), the exposure at default (amounts due and payable net of percentages covered by the guarantees received from customers at the date of the consolidated Statement of Financial Position), the probability of default and loss given default.</p> <p data-bbox="272 1348 863 1558">To estimate the probability of default, the Company classifies accounts receivable based on customer payment behavior, considering the type of product, customer and days past due. To estimate loss given default the type of product, customer and pending litigation at the classification date are also considered.</p>	<p data-bbox="902 491 1484 520">How our audit addressed the key audit matter</p> <p data-bbox="893 890 1471 949">The following procedures were applied as part of our audit:</p> <ul data-bbox="893 982 1484 1570" style="list-style-type: none"> <li data-bbox="893 982 1471 1134">• We have evaluated and considered the policies and procedures to determine the allowance for expected credit losses by comparing them with the usual practices in the industry. <li data-bbox="893 1167 1484 1293">• We compared, for a sample of accounts receivable, their rating based on the type of product, client, days past due and customers' payment behavior. <li data-bbox="893 1327 1484 1570">• We evaluated the percentages of probability of default and loss given default applied to the balances of the different credit ratings to determine the allowance for expected credit losses, considering the historical trends of the unrecoverable balance ratio in each category obtained from prior year audited accounting records.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="272 491 837 552">Determination of the allowance for expected credit losses (Cont'd)</p> <p data-bbox="272 583 862 827">We have focused on this account during our audit mainly because of the significance of the carrying amount of accounts receivable and of the related allowance for expected credit losses of accounts and notes receivable for \$58,611,100 and \$1,300,240, respectively, as of December 31, 2019 and because this estimate requires application of judgment by Management.</p> <p data-bbox="272 856 854 978">Particularly, we have focused our audit efforts on i) the probability of default, the loss given default and the changes in the interest rate that affect customers' payment ability in the future.</p>	<ul style="list-style-type: none"> <li data-bbox="894 583 1490 856">• We evaluated the past and projected changes in interest rates and their relationship with the customers' payment ability and their impact on the probability of default and loss given default, by comparing these rates with external public sources recognised in the financial environment and with the past trends of loss given default and probability of default. <li data-bbox="894 890 1490 1833">• We have evaluated the key inputs based on selective tests, as follows: <ul style="list-style-type: none"> <li data-bbox="963 982 1469 1192">- Amounts due to date, which we recalculated considering the original amount of the credit obtained from the customer contracts and the collections received according to the deposits arising from the Company's account statements. <li data-bbox="963 1226 1490 1318">- Type of customer and type of product, which we have compared with customer contracts. <li data-bbox="963 1352 1490 1528">- Days past due, which we have recalculated considering the amortization table, as shown in the customer contracts, and the latest date of past due receivables, as shown in the Company's account statements. <li data-bbox="963 1562 1469 1684">- We have compared the customers' payment behavior by type of product and type of customer with the account statements and payments made. <li data-bbox="963 1717 1469 1833">- Percentages covered by the credit guarantees, which we have compared with the percentage set out in the customers' contract.



Key audit matter	How our audit addressed the key audit matter
<p>Determination of the allowance for expected credit losses (Cont'd)</p>	<ul style="list-style-type: none"> - Existence of pending litigation at the determination date, which we have compared with the confirmation obtained by the Company's legal department. - With the support of our team of specialists, we independently reprocessed, for a sample of accounts receivable, the calculation of the estimate of expected credit losses based on the data indicated above.

Other Information

Management is responsible for the other information. The other information comprises the annual report presented to Comisión Nacional Bancaria y de Valores (CNBV) and the annual information presented to shareholders, (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.



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

Other Matter

This version of our report is a translation from the original report, which was prepared in Spanish. In all matters of interpretation of information, views or opinions, the original Spanish language version of our report takes precedence over this translation.

PricewaterhouseCoopers, S.C.

Nicolás Germán Ramírez
Audit Partner
Mexico City, April 27, 2020

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Financial Position

Thousands of Mexican Pesos

Assets:	Note	December 31, 2019	December 31, 2018	January 1, 2018
Current assets				
Cash and cash equivalents	4	\$ 3,831,330	\$ 4,282,274	\$ 2,435,337
Accounts and notes receivable, net	5	27,797,479	19,187,825	15,575,212
Derivative financial instruments	6	66,176	90,183	82,723
Other current assets	7	97,134	301,967	329,165
Recoverable Income Tax	16	<u>634,663</u>	<u>63,948</u>	<u>4,605</u>
Total current assets		<u>32,426,782</u>	<u>23,926,197</u>	<u>18,427,042</u>
Non-current assets held for sale	8	1,384,358	830,972	590,757
Non-current assets				
Accounts and notes receivable, net	5	29,513,381	25,008,204	19,201,240
Property, furniture and equipment, net	9	6,435,531	896,409	860,123
Investment properties	10	250,190	168,300	168,725
Intangible assets	11	110,054	121,107	77,827
Derivative financial instruments	6	4,909,667	4,761,375	4,300,487
Deferred taxes	16	3,657,037	4,980,118	3,916,794
Other non-current assets	7	<u>93,308</u>	<u>75,441</u>	<u>49,541</u>
Total non-current assets		<u>44,969,168</u>	<u>36,010,954</u>	<u>28,574,737</u>
Total assets		<u>\$78,780,308</u>	<u>\$60,768,123</u>	<u>\$47,592,536</u>
Liabilities:				
Current liabilities				
Bank loans	12	\$ 8,432,249	\$ 8,419,335	\$ 4,258,268
Debt instruments	13	4,437,736	2,259,470	583,333
Senior notes	13	1,020,712	664,765	503,832
Suppliers and other accounts payable	14	1,816,870	1,175,264	1,077,062
Derivative financial instruments	6	<u>1,330,321</u>	<u>4,523</u>	<u>-</u>
Total current liabilities		<u>17,037,888</u>	<u>12,523,357</u>	<u>6,422,495</u>
Non-current liabilities				
Bank loans	12	6,234,794	3,976,576	3,880,504
Debt instruments	13	10,197,836	13,158,734	16,969,751
Senior notes	13	32,611,250	21,273,888	15,439,761
Derivative financial instruments	6	1,645,988	-	-
Other accounts payable		<u>153,280</u>	<u>210,118</u>	<u>9,611</u>
Total non-current liabilities		<u>50,843,148</u>	<u>38,619,316</u>	<u>36,299,627</u>
Total liabilities		<u>67,881,036</u>	<u>51,142,673</u>	<u>42,722,122</u>
Stockholders' equity:				
Capital stock	15	958,242	958,242	958,242
Premium on issuance of shares	15	1,935,900	1,935,900	1,935,900
Legal reserve		274,062	274,062	185,528
Treasury stock	15	(1,325,054)	-	-
Perpetual notes	15	4,531,330	4,531,330	-
Retained earnings		3,670,481	2,471,295	1,159,392
Hedging derivative financial instruments	6	(1,524,723)	(545,379)	631,352
Asset revaluation surplus	9	<u>2,379,034</u>	<u>-</u>	<u>-</u>
Total Stockholders' Equity		<u>10,899,272</u>	<u>9,625,450</u>	<u>4,870,414</u>
Total Liabilities and Stockholders' Equity		<u>\$78,780,308</u>	<u>\$60,768,123</u>	<u>\$47,592,536</u>

Sergio José Camacho Carmona
Chief Executive Officer

Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Income

Thousands of Mexican Pesos, except for earnings per share

	For the years ended December 31,	
	2019	2018
Interest income from leasing (Note 3p.)	\$ 8,109,566	\$ 6,588,901
Interest income from factoring (Note 3p.)	656,137	414,187
Interest income from car loans	459,540	309,420
Interest on other loans (Note 3p.)	1,332,200	1,305,402
Other lease benefits (Note 3p.)	<u>204,365</u>	<u>109,039</u>
Total income	<u>10,761,808</u>	<u>8,726,949</u>
Interest expense (Notes 12 and 13)	6,945,341	5,512,418
Allowance for expected credit losses of accounts and notes receivable (Notes 3b. and 4)	<u>427,679</u>	<u>327,776</u>
Total cost	<u>7,373,020</u>	<u>5,840,194</u>
Gross margin	<u>3,388,788</u>	<u>2,886,755</u>
Loss from the derecognition of financial assets at amortised cost	7,340	-
Exchange gains	(1,333,425)	(715,520)
Exchange losses	1,176,413	484,235
Interest from investments and commissions	(390,532)	(391,740)
Other expenses (products)	19,596	31,078
Administrative and promotion expenses	<u>1,539,922</u>	<u>1,150,533</u>
	<u>1,019,314</u>	<u>558,586</u>
Profit before income from associated companies	2,369,474	2,328,169
Income from associates	<u>33,614</u>	<u>36,209</u>
Profit before Income tax	2,403,088	2,364,378
Income tax expenses (Note 16)	<u>454,067</u>	<u>381,877</u>
Consolidated net income	<u>\$ 1,949,021</u>	<u>\$ 1,982,501</u>
Basic and diluted earnings per share	<u>\$ 5.97</u>	<u>\$ 5.74</u>

Sergio José Camacho Carmona
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Unifin Financiera, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Other Comprehensive Income

Thousands of Mexican Pesos

	For the years ended December 31,	
	2019	2018
Consolidated net income	\$1,949,021	\$ 1,982,501
Items that may be reclassified to profit or loss:		
Changes in the effective portion of the fair value of cash flow hedges (Note 6)	(941,833)	(1,453,735)
Deferred Income tax associated with the valuation of certain hedging derivative financial instruments (Note 16)	<u>(37,511)</u>	<u>277,005</u>
	(979,344)	(1,176,730)
Items that will not be reclassified to profit or loss:		
Asset revaluation surplus (Note 9)	3,398,613	-
Income tax relating to these items (Note 16)	<u>(1,019,579)</u>	<u>-</u>
	2,379,034	-
Other comprehensive income for the period, net of tax	<u>1,399,690</u>	<u>(1,176,730)</u>
Comprehensive income for the year	<u>\$ 3,348,711</u>	<u>\$ 805,771</u>

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Unifin Financiera, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Changes in Stockholders' equity

Thousands of Mexican Pesos

	Stockholders' equity								
	Capital Stock	Premium on issuance of shares	Legal reserve	Treasury Stock	Perpetual notes	Retained earnings	Hedging derivative financial instruments	Asset revaluation surplus	Stockholders' equity
Balances as of January 1, 2018	\$ 958,242	\$ 1,935,900	\$ 185,528	\$ -	\$ -	\$ 1,159,392	\$ 631,352	\$ -	\$ 4,870,414
Transactions with stockholders in their capacity as such:									
Dividend declared						(352,800)			(352,800)
Perpetual Notes issuance					4,531,330				4,531,330
Dividend declared to Perpetual Note holders						(229,264)			(229,264)
	-	-	-	-	4,531,330	(582,064)	-	-	3,949,266
Transactions other than stockholders in their capacity as such:									
Loss on cash flow hedge derivatives							(1,176,731)		(1,176,731)
Transfer to legal reserve			88,534			(88,534)			-
Consolidated net income			-			1,982,501			1,982,501
			88,534			1,893,967	(1,176,731)		805,770
Balance as of December 31, 2018	<u>\$ 958,242</u>	<u>\$ 1,935,900</u>	<u>\$ 274,062</u>	<u>\$ -</u>	<u>\$ 4,531,330</u>	<u>\$ 2,471,295</u>	<u>(\$ 545,379)</u>	<u>\$ -</u>	<u>\$ 9,625,450</u>
Transactions with stockholders in their capacity as such:									
Repurchase of shares				(1,325,054)					(1,325,054)
Declaration of dividends to Perpetual Note holders						(420,868)			(420,868)
Declaration of cash dividends						(328,967)			(328,967)
	-	-	-	(1,325,054)	-	(749,835)	-	-	(2,074,889)
Transactions other than stockholders in their capacity as such:									
Loss from cash flow hedge derivatives							(979,344)		(979,344)
Revaluation surplus, net of taxes								2,379,034	2,379,034
Consolidated net income						1,949,021			1,949,021
	-	-	-	-	-	1,949,021	(979,344)	2,379,034	3,348,711
Balances as of December 31, 2019	<u>\$ 958,242</u>	<u>\$ 1,935,900</u>	<u>\$ 274,062</u>	<u>(\$ 1,325,054)</u>	<u>\$ 4,531,330</u>	<u>\$ 3,670,481</u>	<u>(\$ 1,524,723)</u>	<u>\$ 2,379,034</u>	<u>\$ 10,899,272</u>

Sergio José Camacho Carmona
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Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Consolidated Statements of Cash Flows

Thousands of Mexican Pesos

	For the years ended December 31,	
	<u>2019</u>	<u>2018</u>
Net profit	\$ 1,949,021	\$ 1,982,502
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortisation	162,792	58,622
Allowance for expect credit losses (Note 5)	427,679	327,772
Income tax expense (Note 16)	445,623	381,877
Interest income	(10,557,445)	(8,726,950)
Interest expense	6,945,341	5,512,418
Exchange gains	(1,333,425)	(715,520)
Exchange losses	1,176,413	484,234
Changes in fair value of derivative financial instruments for trading purposes	<u>(129,278)</u>	<u>(197,539)</u>
	<u>(913,279)</u>	<u>(892,584)</u>
Operating activities		
Changes in:		
Accounts and notes receivable, net	(12,488,695)	(8,975,566)
Other non-current assets	432,311	(4,673)
Derivative financial instruments	821,474	(1,009,159)
Suppliers	584,769	(154,789)
Interest paid	(6,455,273)	(5,259,992)
Interest collected	9,679,050	8,168,505
Non-current assets held for sale	(638,500)	(240,215)
Income tax paid	<u>(958,183)</u>	<u>(1,045,075)</u>
Net cash flows from operating activities	<u>(9,023,047)</u>	<u>(8,520,964)</u>
Investment activities		
Payments for acquisition of property, machinery and equipment	(2,207,510)	(12,707)
Payments for the acquisition of intangible assets	<u>(20,143)</u>	<u>(74,477)</u>
Net cash flows from investing activities	<u>(2,227,653)</u>	<u>(87,184)</u>
Financing activities		
Payments for repurchased shares (Note 15)	(1,325,054)	-
Bank loans obtained (Note 12)	14,582,865	8,020,853
Repayment of bank loans (Note 12)	(12,226,423)	(3,804,514)
Proceeds from the issuance of debt instruments (Note 13)	2,750,000	-
Repayment of debt instruments (Note 13)	(3,527,127)	(2,126,184)
Proceeds from placement of senior notes (Note 13)	12,357,914	5,290,504
Dividend payment in cash (Note 15)	(749,836)	(582,067)
Office lease payments (Note 9)	(61,370)	(50,573)
Proceeds from the issuance of Perpetual Note (Note 15)	<u>-</u>	<u>4,531,330</u>
Net cash flows from financing activities	<u>11,800,969</u>	<u>11,279,349</u>
Net increase in cash and cash equivalents	(363,010)	1,778,617
Cash and cash equivalents at the beginning of period	<u>4,282,274</u>	<u>2,435,337</u>
Effect of exchange rate changes on cash and cash equivalents for the period	<u>(87,934)</u>	<u>68,320</u>
Cash and cash equivalents at period-end (Note 4)	<u>\$ 3,831,330</u>	<u>\$ 4,282,274</u>

Sergio José Camacho Carmona
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Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

thousands of Mexican Pesos [\$] (Note 2a and foreign currency, except for exchange rates, nominal value, number of securities, shares and earnings per share)

Note 1 - Description of the business:

Unifin Financiera, S. A. B. de C. V. and subsidiaries (formerly, Unifin Financiera, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada) (Company or UNIFIN), was incorporated on February 3, 1993 in accordance with Mexican laws. Its tax domicile and main place of business is 111 Pcte. Masaryk Ave., Col. Polanco III Sección, 11550, in Mexico City.

The Company's ultimate controlling interest belongs to a group of individuals who directly or indirectly hold 60% of shares in the Company and the remaining percentage belongs to investors.

The Company is mainly engaged in providing leases for automotive vehicles, machinery and equipment, among other lease arrangements, and in granting loans, carrying out 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 types of credit.

The Company does not have any employees, and all legal, accounting and administrative services are provided by related parties.

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 \$3,606,400, comprised of 50% primary shares and 50% of secondary shares. The amount includes the over-allotment option, comprising 15% of the total offer. On May 22, 2015, the Company started trading its shares on the BMV. As a result, it changed its business name to Sociedad Anónima Bursátil de Capital Variable (S. A. B. de C. V.).

The General Stockholders' Meeting dated March 21, 2019, decided to modify the Company's By-laws, changing the business name from an S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, to an S. A. B. de C.V. 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). Therefore, the Company adopted International Financial Reporting Standards (IFRS) for the preparation of its financial information. This change in regime and accounting standards provided the Company with more flexibility in its corporate structure to continue with its growth strategy and guarantee financial information comparability for public investors.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

Note 2 - Basis of preparation:

a. Basis of preparation:

i. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRS IC). The Consolidated Financial Statements comply with IFRS as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Company operates on a going concern basis.

ii. Transition to IFRS

These are the first Consolidated Financial Statements of the Company that have been prepared in accordance with IFRS, applying IFRS 1, First-time Adoption of International Financial Reporting Standards.

The Company's consolidated financial statements as of January 1 and December 31, 2018, prepared in accordance with IFRS, stem from consolidated financial statements that were prepared in accordance with the accounting criteria issued by the National Banking and Securities Commission (Accounting Criteria) applicable to Regulated Multiple Purpose Financial Institutions, making the adjustments and reclassification to reflect the changes in presentation, accounting recognition and valuation, as required by IFRS.

Particularly, the adjustments have been made pursuant to IFRS in force as of December 31, 2019 (the first annual reporting date), which have been consistently applied in preparing the consolidated Statement of Financial Position as of January 1, 2018 (transition date) and the consolidated financial statements as of December 31, 2018 and for the year then ended (the comparative period), unless otherwise indicated.

The reconciliations and descriptions of the effects of the transition from the CNBV accounting criteria to IFRS in the Statement of Financial Position, Statement of Income and Statement of Cash Flows are explained in Note 19.

iii. Authorization of Financial Statements

The issuance of these Consolidated Financial Statements and their notes as of December 31, 2019 and 2018, and January 1, 2018 and for the year ended December 31, 2019, were authorized on April 24, 2020 by Sergio José Camacho Carmona, Chief Executive Officer, Sergio Manuel Cancino Rodríguez, Chief Finance Officer, and Luis Xavier Castro López, Corporate Controller.

In accordance with the Mexican Corporations Law (LGSM, for its acronym in Spanish) and Company Bylaws, the stockholders are empowered to amend the financial statements after their issuance. The consolidated financial statements authorized by the officers mentioned in the preceding paragraph of this note will be submitted to the next Stockholders' Meeting for their approval.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

iv. Functional and reporting currency

The Financial Statements are presented in Mexican pesos, which is the Company's functional and reporting 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.

v. Use of judgments and estimates

In preparing these Consolidated Financial Statements, Management has made judgments 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 judgments are reviewed on an ongoing basis, according to past experience and other factors, including the probability of occurrence of future events that are considered reasonable in the circumstances.

• Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements is included in the following notes:

– Note 3 (b, i) - Lease classification

Based on the technical assessments performed on the characteristics of lease agreements established by the accounting lease standard, agreements were classified as finance or operating lease, to identify who maintains the risks and benefits associated to the leased asset. It was concluded that, substantially, all risks and benefits are transferred to the lessee. See Note 5.

• Assumptions and estimates uncertainties

Information about assumptions and estimates uncertainties as of December 31, 2019 that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

– Note 3 (b, iv) and 5 - Impairment estimates regarding the adoption of IFRS 9, Financial Instruments.

- Note 3 (e, i) and 9 – Revaluation surplus. The conditions of unobservable inputs are determined according to the Company's best estimate based on the assumptions established by the experts hired for such purpose about unobservable inputs and internal and external elements. The Company periodically analyses the valuation of the Drilling Rig to verify whether there are indicators of the need to revalue those assets.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

b. Historical cost

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) and certain property, plant and equipment measured at fair value.
- Assets held for sale measured at fair value less costs to sell.

c. Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those profits through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control over the subsidiary ceases.

Intercompany transactions, balances and unrealised gains on transactions between the consolidated companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset.

Non-controlling interest in subsidiaries' profit or loss and equity is not representative and, therefore, it is not disclosed separately.

The Consolidated Financial Statements include balances of the Company and its subsidiaries as of December 31, 2019 and 2018, and January 1, 2018, in which the Company has control as follows:

<u>Entity</u>	<u>Activity</u>	<u>Interest %</u>		
		<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Unifin Credit, S. A. de C. V. SOFOM, E. N. R. (Unifin Credit)	Factoring	99.99	99.99	99.99
Unifin Autos, S. A. de C. V. (Unifin Autos)	Car lease	99.99	99.99	99.99
Inversiones Inmobiliarias Industriales, S. A. P. I. de C. V. (Inversiones inmobiliarias)	Real estate lease	94.08	94.08	94.08
Fideicomisos de emisión de Certificados Bursátiles (Structured entities)	Issuance of certificates	100.00	100.00	100.00

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.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

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 account receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

iii. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee, and the Company's share of movements in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

iv. Structured entities

As described in Notes 3j and 13 ii), the Company assigns certain rights over financial assets to a securitization vehicle (usually a trust) so that the vehicle may issue securities that are placed among investors, in accordance with laws and regulations applicable to the stock market in Mexico. The Company has consolidated these Trusts when determining the existence of control considering the characteristics of the trust contracts and applicable legislation.

d. Segment reporting

The Chief Executive Officer is responsible for decision-making about the resources that are allocated to the different segments and for assessing their performance.

Company Management has identified the following main segments: leases, factoring and other loans including car loans, and it does a continuous follow-up of each of the segments through the statement of income.

e. Foreign currency translation

i. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. 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 recognised in the Statement of Comprehensive Income under Exchange gains (loss).

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

Foreign exchange gains and losses that relate to loans, cash and cash equivalents are disclosed in the Statement of Income, under Exchange gains and losses. The remaining foreign exchange gains and losses are disclosed in the Statement of Income on a net basis.

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 recorded in income/loss as part of the fair value gain or loss.

Note 3 – Summary of significant accounting policies:

A summary of the most significant accounting policies is shown below, which have been applied consistently to those of the reporting years, unless otherwise specified.

a. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, banks and short-term deposits in financial institutions, highly liquid investments with original maturities of three days or less that are, readily convertible to cash and which are subject to an insignificant risk of changes in value.

b. Accounts and notes receivable

Factoring, car loans and other loans are financial assets classified at amortised cost. This classification depends on the business model of the Company to manage its financial instruments and the terms of the instrument's contractual cash flows. Assets held for the collection of contractual cash flows when said cash flows solely represent the payment of principal and interest are measured at amortised cost.

At initial recognition, the Company measures a financial asset at fair value and later at amortised cost applying the effective interest rate, less Allowance for expected credit losses of accounts and notes receivable described in paragraph iv) below.

Income from those financial assets is included in profit or loss applying the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are disclosed as a separate line item in the Statement of Income as Allowance for expected credit losses of accounts and notes receivable.

Regular purchases and sales of financial assets are recognised at the transaction date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are no longer recognised when the rights to receive cash flows from financial assets have expired or been transferred and the Company has transferred substantially all the risks and benefits arising from ownership.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

Financial instruments disclosed under short-term and long-term assets and liabilities represent rights and obligations with maturities of less than 12 months (Current) and rights and obligations with maturities of more than 12 months (Non-current).

i. Leases

Lessor

The Company classifies each of its leases as operating leases or finance leases based on a technical analysis of each lease agreement considering the following: Whether a lease is a finance lease, or an operating lease depends on the economic substance of the transaction rather than the form of the agreement.

Lease classification is made at the inception date and is reassessed only in case of an amendment to the lease agreement. 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, non-compliance by the lessee), do not give rise to a new classification of a lease for accounting purposes.

i. Operating lease

Leases in which the risks and benefits relating to the underlying asset are retained by the Company (lessor) are classified as operating leases. Revenues received under an operating lease are charged to income, based on the straight-line method over the lease term. Accounts receivable from operating leases relate to amounts due pursuant to the contractual terms. Leases paid in advance are recorded under deferred credits and early collections and are applied to leases as monthly rent payments come due.

ii. Finance lease

Leases in which the risks and benefits relating to the underlying asset are transferred to the lessee are classified as finance leases. The lessor will derecognise the underlying asset of its plant, furniture and equipment and recognise an account receivable for the net investment in the lease. The Company will also recognise profit over the lease term, based on a pattern reflecting a constant interest return rate on the lessor's investment in the lease.

The Company manages the risks associated with the leased asset by contemplating certain policies to guarantee recovery of the asset at any stage of the lease agreement, including the recovery of residual values until termination of the lease term.

Some of the asset insurance policies that may be applied jointly or specifically, depending on the operating risk associated with the type of asset and the transaction amount, include, but are not limited to, insurance taken out for the asset itself the beneficiary of which is the Company, additional guarantees on properties or other assets, execution of contracts as legal depository and security interests.

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Lessee

The Company recognises, 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 to reach a constant base on the remaining balance of the 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 IFRS 16 practical expedient, by type of underlying asset to avoid separating 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.

ii. Factoring

Factoring operations are initially recognised at fair value and subsequently at amortised cost, for which an advance is made on the document that the Company receives for factoring. The maximum term of a factoring agreement is 120 days.

The Company considers the probability of non-compliance 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 default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition considering available reasonable historical information.

The Company assesses the possibility of writing off factoring accounts receivable when there are no reasonable expectations of recovery. When those assets have been written-off, the Company continues with its efforts to recover the amounts due. When recovery occurs, the respective amounts are recognised in other income, in the statement of income.

iii. Car consumer and commercial loans (Car loans) and other loans

Loans are granted after analysing 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.

In case of delays with payment, the borrower is considered in one of the stages of the model described in paragraph iv) below. When a loan is in stage 3 (non-performing) it is kept in that stage if payments have not been settled in full in the terms originally agreed upon, considering the following:

- If the balance due consist of loans with a single payment of principal and interest at maturity and are 30 or more calendar days overdue.
- If the balance due consist of loans with a single payment at maturity and with periodic interest payments, and the respective interest payment is 90 or more calendar days past due, or principal is 30 or more calendar days past due.

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- If the balance due consist of loans with partial payments of principal and interest and are 90 or more calendar days overdue.

Loans classified from the outset as revolving loans being restructured or renewed at any time are considered to be performing loans only when the borrower has paid all interest accrued, the loan shows no past due invoicing periods, and there are elements demonstrating the debtor's payment capacity, that is to say, when it is highly likely that the debtor will make the payment.

Loans with a one-off payment of principal upon maturity and periodical interest payments that are not met when due are identified for operating purposes as past due loans.

- iv. Allowance for expected credit losses of accounts and notes receivable

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.
- The payment delay is more than 90 days due.
- For factoring purposes, the payment delay is more than 60 days due.
- The borrower has been declared bankrupt.

Inputs used in the assessment of whether a financial instrument is in default may vary over time to reflect changes in circumstances.

Expected Credit Loss (ECL) Measurement

Main inputs related to ECL measurement are usually the following:

- Probability of Default (PD).
- Loss Given Default (LGD).
- Exposure at Default (EAD).

ECL methodology considers information of statistical models using historical data.

The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted loans. LGD model 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 considered based on potential future amounts that may be drawn.

In case of factoring portfolio, IFRS 9 simplified approach has been applied, as it is a product with a lifetime of less than a year, recognising 12-month default elements only.

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Significant increase in credit risk

The Company on a forward-looking basis assesses the expected credit losses associated to their financial assets at amortised cost.

The impairment methodology applied depends on whether there has been a significant increase in the credit risk. Once the Company has classified its financial assets according to its credit risk, they are individually or collectively assessed for impairment to recognise the allowance for expected credit losses of accounts and notes receivable 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 sustainable information that is relevant and available without disproportionate cost or effort, including quantitative and qualitative information. Additionally, the Company assumes 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 allowance for expected credit losses of accounts and notes receivable
Stage 1	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	This stage includes loans that have had a significant increase in credit risk since initial recognition but for which there is no objective evidence of impairment. Interest revenue is still calculated on the gross carrying amount of the asset.	Expected losses for the remaining lifetime of the loan.
Stage 3 (non-performing)	This stage includes loans with objective evidence of impairment as of the reporting date. Interest revenue is calculated on the net carrying amount (net of allowance for doubtful accounts and notes receivable).	Expected losses for the remaining lifetime of the loan.
Write-off	Loans with no reasonable expectation of recovery. The Company classifies loans in this stage when debtor has been declared bankrupt in accordance with the Bankruptcy Law or when the Management of the Company has decided to write-off the loan.	Upon authorization of the credit committee, the account receivable is written off from the consolidated Statement of Financial Position; however, collection efforts continue.

For stage 1, the PD estimates the probability that the credit will default in the next 12 months, while the PD in stage 2 is the result of the probabilities of default for the remaining lifetime of the loan. The probability of default in stage 3 is defined as 100%.

Forward-looking information incorporated in ECL.

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The Company uses forward-looking information for each type of account receivable considering historic data and past experience in the management of that information. In addition, the Company performed a historical analysis to identify key macroeconomic variables affecting expected credit losses.

The Company analyses and considers possible prospective scenarios. The number of scenarios and their considerations are reassessed on a quarterly basis.

c. Fair value measurement

Different accounting and disclosure policies of the Company require fair value measurement of financial and non-financial assets and liabilities.

The Company has set a control framework for fair value measurement.

This control includes a team responsible for supervising all significant fair value measurements; this team reports directly to the Chief Financial Officer.

The Company's valuation team periodically revises the significant unobservable inputs and the valuation adjustments. For the purposes of fair value measurement, the information provided by third parties, such as pricing providers, and market indicators are used to support the conclusion that those valuations meet the IFRS requirements, including the fair value hierarchy level at which financial instruments should be classified.

In estimating the fair value of an asset or a liability, the Company uses observable market inputs as far as possible. Fair values are classified into different fair value hierarchies based on inputs used in the valuation techniques, as shown below:

- Level 1: (unadjusted) prices quoted in active markets for identical financial instruments.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or the liability, whether directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Asset or liability inputs not based on observable market inputs, that is, unobservable inputs.

If the inputs used in determining fair value of an asset or a liability fall within different levels of the fair value hierarchy, the fair value measurement is fully classified into the same level of the fair value hierarchy as the lowest level of the significant inputs for full measurement.

The following notes include more information about the assumptions made in fair value measurement.

- Note 3 (d) Derivative financial instruments
- Note 3 (e, i) Property, plant and equipment – Drilling rig

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d. Derivative financial instruments (DFI)

Derivative financial instruments are initially recognised at fair value on the contract date and they 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 financial instruments are designated as a hedge instrument and, if so, the nature of the item being hedged.

For hedging purposes, the Company designates derivative financial instruments of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Derivative financial instruments are offset and the net amount is disclosed in the Consolidated Statement of Financial Position when there is an enforceable legal right to offset recognised amounts and there is an intention to settle them on a net basis or realise the asset and settle the liability simultaneously. These assumptions are presented as current assets or liabilities as long as they are expected to be settled within 12 months following the presentation date or in the long term if settled after 12 months.

The Company documents, at the inception of the hedge, the relationships between hedging instruments and hedged items, as well as the objective of its risk management and strategy for undertaking various hedging transactions. The Company also documents its assessment both at the inception of the hedge and on an ongoing basis of whether the derivative financial instruments used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in stockholders' equity are disclosed in Note 6. Full fair value of a hedging derivative financial instrument 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.

Fair values of derivative financial instruments used for hedging purposes are disclosed in Note 6 - Hedge Accounting.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Stockholders' equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss under Interest expense.

Amounts accumulated in Stockholders' 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 accumulated gain or loss existing in equity at that time remains in stockholders' equity and is recognised when the forecast transaction is recognised in the Statement of Income. When a forecast transaction is no longer expected to occur, the accumulated gain or loss reported in stockholders' equity is immediately transferred to the Statement of Comprehensive Income under Other expenses (products).

As of December 31, 2019 and 2018, the Company does not hold embedded derivatives requiring to be excluded from the main contract and recorded separately in compliance with IFRS 9.

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e. Property, furniture and equipment

Property, furniture and equipment -except for drilling rig described in paragraph i) of this point- are recognised at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenses directly attributable to assets acquisition.

Depreciation is calculated according to the straight-line method, which is applied to the cost or revalued carrying amount (in the case of the drilling rig) of assets up to their residual value, based on their estimated useful lives, or over the lease term, if shorter, in the case of leasehold improvements.

Subsequent costs are included in the asset carrying amount or recognised as a separate asset, as appropriate, only when it is likely that they generate future economic benefits for the Company and the cost can be measured reliably. The carrying amount of any component recognised as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the Statement of Income during the reporting period in which they are incurred.

i) Drilling rig:

The drilling rig is recognised at fair value, based on periodical valuations by independent valuation experts, less subsequent depreciation. Valuations are to be made with a sufficient frequency (on an annual basis) to make sure that the fair value of a revalued asset will not differ significantly from its carrying amount. The revaluation surplus is recorded in other comprehensive income (OCI), within the stockholders' equity. When the revalued asset is sold, amounts included in Other Comprehensive Income are transferred to accumulated gains/losses.

Increases in the carrying amounts arising on revaluation of the drilling rig are recognised, net of tax, in OCI and are accumulated in the revaluation surplus within the stockholders' equity. To the extent that the increase reverses a decrease in the same asset previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in OCI to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation calculated based on the revalued carrying amount of the asset charged to profit or loss, and depreciation based on the original cost of the asset must be transferred from revaluation surplus to retained earnings.

The useful lives used in the calculation of the straight-line depreciation of the main groups of assets are shown below:

	<u>Years</u>
Property	20
Drilling rig	16
Leasehold improvements	5
Transportation equipment	5
Computer equipment	5
Furniture and office equipment	5
Others	5

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Depreciation expenses are recognised in the Statement of Income during the reporting period in which they are incurred.

Assets' useful lives and residual values are reviewed and adjusted, if necessary, at the closing date of each year. When the carrying amount of an asset exceeds its estimated recoverable value, an impairment loss is recognised to reduce the carrying amount to its recoverable value.

For lease assets, residual value, useful lives and depreciation method are reviewed when the lease operation has finished and the assets are returned to the Company. At that moment, the depreciation method is adjusted with the Company's internal policy, giving the same treatment as any other Company's asset, as 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 to obtain future economic benefits from the continuous use of the asset.

The carrying amount of a property, furniture and equipment item is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses from assets' disposals are determined by comparing the fair value of the consideration collected with carrying amount. These are included under Other expenses (products) in the Statement of Income.

f. Investment properties

Investment properties represent an industrial plant that is leased to a third party and a plot of land for rent, to generate goodwill, or both. Investment properties are measured initially at cost, including related transaction costs and borrowing costs, where applicable.

After initial recognition, investment properties are measured at cost. Subsequent disbursements are capitalized at the carrying amount of the asset only if it is probable that the economic benefits associated with the expenses will flow to the Company and the cost of the item can be determined reliably. The rest of repair and maintenance costs are expensed as incurred. When part of an investment is replaced the carrying value of the replaced part is written off.

Investment properties are written off upon their disposal or when they are permanently retired from use and are not expected to generate future economic benefits.

The estimated useful life of the industrial plant is 10 years.

g. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount is expected to be recovered through a sale and a sale is considered highly probable. They are stated at the lower of their carrying amount or fair value less costs to sell. At present, this account is represented by real property and transportation equipment obtained through foreclosure of guarantees for loans granted.

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An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in the fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated while they are classified as held for sale.

h. Intangible assets

i. Intangible assets (internally developed software)

Costs associated with maintaining software programs are recognised as 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 recognised 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 the ability to use or sell the software.
- It can be demonstrate how the software will generate future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available.
- The expenditure attributable to the software during its development can be reliably measured.

Capitalized development costs are recorded as intangible assets and amortised from the moment in which the asset is ready for use by applying the straight-line method.

i. Impairment of non-financial assets

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount cannot be recovered. An impairment loss is recognised for the amount by which the asset's carrying amount exceeding its recoverable value. The recoverable amount is the higher of the assets's fair value less costs of disposal and value in use. For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are, largely, independent of other assets or groups of assets cash inflows (Cash-Generating Units, CGU). Impaired non-financial assets are reviewed to determine the possible impairment reversal at the end of each reporting period.

j. Other assets

Advance payments and advances to suppliers recorded under other assets represent expenses incurred by the Company where the risks and rewards inherent in the goods being acquired or the services being received have not been transferred. Advance payments and advances to suppliers are recorded at cost and are disclosed in the Consolidated Statement of Financial Position as other assets, depending on the heading of the destination item. Prepayments and advances to suppliers in foreign currencies are recognised at the exchange rate in effect at the transaction date.

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Once goods and/or services relating to prepayments and advances to suppliers are received, they are recognised as an asset or as an expense in the Statement of Income for the period, according to their nature.

Other assets are presented in the short term if they are recovered within 12 months, and in the long term if they are recovered after 12 months.

k. Financial liabilities

Financial liabilities include bank loans, debt instruments and senior notes, which are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost. Any difference between the yield (net of the transaction costs) and the redeemable amount is recognised in profit or loss over the period of the financial liabilities using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 loan facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Debt instruments through a stock structure represent a transaction whereby certain assets are transferred to a vehicle created for such purpose (usually a trust) so that the vehicle may issue debt securities to be placed among investors.

Debt instruments through a private stock structure represent a transaction whereby certain collection rights are assigned to a Trust as trust assets to guarantee payment of cash draw-downs under revolving loans taken out with banking institutions.

l. Perpetual Notes

Perpetual notes are recognised at nominal value in stockholders' equity deducting the amount of the cost attributable to their issuance; the yields paid to their holders, if applicable, are deducted from retained earnings in stockholders' equity.

The perpetual notes neither have no fixed date of redemption, nor they may be redeemable at the discretion of the holders of the note. Any payment related to these notes is subject to the terms and conditions set forth in the corresponding offering documents, and completely discretionary for the Company.

m. Income Tax

The Income Tax item in the Statement of Income represents the sum of the Income Tax payable and the deferred Income Tax.

Income Tax disclosed in the Statement of Income 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 passed or substantially passed at the date of the Consolidated Statement of Financial Position where the Company operates and generates taxable income to the total of temporary differences resulting from comparing the accounting and tax values of assets and liabilities that are expected to be applied when the deferred asset tax is realised or the

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deferred tax liability is settled, considering, where appropriate, the tax losses to be amortised, previous analysis of their recovery.

The effect due to a change in current tax rates is recognised in profit or loss for the period in which the rate change is determined.

Management periodically assesses positions taken in tax returns regarding the situations in which applicable tax regulation is subject to interpretation. It establishes the necessary provisions based on the amounts expected to be paid to the tax authorities. According to this assessment, as of December 31, 2019, December 31, 2018 and January 1, 2018, there are no uncertain fiscal positions.

Deferred tax assets are recognised only if it is probable that future taxable profits will be available against which temporary differences and losses may be offset.

No deferred Income Tax assets or liabilities are recognised for temporary differences between the carrying amounts and the tax bases of investments in which the Company can control the time of reversal of the temporary differences and it is probable that those differences will not be reversed in the foreseeable future.

Deferred Income Tax on temporary differences arising from investments in subsidiaries is recognised, except when the period of reversal of temporary differences is controlled by the Company and temporary differences might not be reversed in the near future.

Deferred tax assets and liabilities are offset against each other when there is a legal right to offset current tax assets and liabilities and when the deferred tax balances are related to the same tax authority.

n. Stockholders' equity

Stockholders' equity, share premium, legal reserve and prior years' profit or loss are stated at historical cost.

Treasury stock represent shares of stock purchased for the share repurchase reserve. When shares issued by the Company are purchased, they are recognised at acquisition cost, including the costs directly attributable to that acquisition (net of taxes), or are recognised as a reduction of Company's stockholders' equity until the shares are paid or re-issued. When the shares are re-issued, they are recognised at average cost.

The net share premium represents the surplus between the payment for subscribed shares and the nominal value of \$3.1250 per share at the date of subscription.

o. Other comprehensive income (OCI)

Comprehensive income (loss) comprises the net profit (loss), the effects from valuation of derivative financial instruments, the revaluation surplus and the deferred Income Tax associated to these items, which is reflected in stockholders' equity and does not constitute capital contributions, reductions and distributions.

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p. Income and Cost

Income includes interest generated by accounts receivable from leases, factoring, car loans, changes in the fair value of financial assets and net foreign exchange gains, which are recognised directly in profit or loss.

Interest on other receivables is interest on unsecured loan agreements.

Interest income are recognised in profit or loss as accrued, by applying the effective interest rate method.

Other lease benefits include income from insurance financing to customers through the collection of fees not directly related to the lease agreement.

Interest income accrued on investments in short-term deposits is recognised in Interest on investments and commissions.

Costs include interest expense on bank loans, debt instruments and senior notes, changes in the fair value of financial assets and impairment losses on financial assets, and are recognised 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 rate method.

q. Dividends

Dividend amount recognized as dividend distributions among the stockholders over the period and the respective amount per share are disclosed in the Statement of Changes in Stockholders' Equity or Note 15.

r. Basic earnings per share

Basic earnings per share is calculated by dividing

- the profit attributable to owners of the Company, excluding any expenses for managing shares other than ordinary shares
- by the weighted average outstanding ordinary shares outstanding the financial year.

s. Diluted earnings per share

The company does not have any instrument that can dilute the profit per share.

Note 4 - Cash and cash equivalents:

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash, banks and short-term deposits. Cash and cash equivalents at year-end as disclosed in the Statement of Cash Flows can be reconciled with the related items in the Consolidated Statement of Financial Position as follows:

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	Local currency			Foreign currency restated to Mexican pesos			Total		
	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018
Cash	\$ -	\$ -	\$ 23,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,583
Local and foreign banks	98,661	91,373	191,702	127,236	200,577	184,484	225,897	291,950	376,186
Short-term deposits	<u>3,507,869</u>	<u>3,205,495</u>	<u>1,048,798</u>	<u>97,564</u>	<u>784,829</u>	<u>986,770</u>	<u>3,605,433</u>	<u>3,990,324</u>	<u>2,035,568</u>
Total cash and cash equivalents	<u>\$3,606,530</u>	<u>\$3,296,868</u>	<u>\$1,264,083</u>	<u>\$224,800</u>	<u>\$985,406</u>	<u>\$1,171,254</u>	<u>\$3,831,330</u>	<u>\$4,282,274</u>	<u>\$ 2,435,337</u>

The balances of banks in foreign currency as of December 31, 2019 and 2018, and January 1, 2018, correspond to US 11,911, US 50,131 and US 59,347 respectively, converted at the exchange rate \$18.8727, \$19.6566 and \$19.7354 per dollar, respectively.

The Company invests excess cash flow in short-term deposits in banking institutions. The interest rate earned daily related to these short-term deposits is approximately 6.79%, 7.45% and 6.91% for the years ended December 31, 2019 and 2018 and January 1, 2018, respectively.

Note 5 - Accounts and notes receivable:

As of December 31, 2019 and 2018 and January 1, 2018, Accounts and notes receivable are made up as follows:

	December 31 2019	December 31 2018	January 1, 2018
<u>Current accounts and notes receivable</u>			
Leases	\$16,478,851	\$12,990,041	\$9,821,062
Financial factoring	3,255,748	2,864,023	2,538,801
Car consumer loans	36,383	41,830	58,245
Car commercial loans	1,114,669	823,309	770,623
Other loans	<u>7,229,593</u>	<u>2,758,869</u>	<u>2,626,200</u>
Subtotal	28,115,244	19,478,072	15,814,931
Allowance for expected credit losses	<u>317,765</u>	<u>290,247</u>	<u>239,719</u>
Current subtotal	<u>27,797,479</u>	<u>19,187,825</u>	<u>15,575,212</u>
<u>Non-current accounts and notes receivable</u>			
Leases	26,503,369	23,168,172	17,221,318
Car consumer loans	35,785	52,450	70,715
Car commercial loans	1,708,210	962,980	909,539
Other loans	<u>2,248,492</u>	<u>1,486,879</u>	<u>1,384,701</u>
Subtotal	30,495,856	25,670,481	19,586,273
Allowance for expected credit losses	<u>982,475</u>	<u>662,277</u>	<u>385,033</u>
Non-current subtotal	<u>29,513,381</u>	<u>25,008,204</u>	<u>19,201,240</u>
Total Accounts and notes receivable, net	<u>\$57,310,860</u>	<u>\$44,196,029</u>	<u>\$34,776,452</u>

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The following is a breakdown of the allowance for expected credit losses of accounts and notes receivable balances by stages:

Leases:

Stage	December 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	\$36,495,271	\$ 151,013	0.41%	\$29,555,975	\$213,270	0.72%	\$23,527,497	\$ 176,951	0.75%
2	4,541,116	321,751	7.09%	5,412,046	245,107	4.53%	2,761,122	203,879	7.38%
3	1,945,833	620,540	31.89%	1,190,192	313,206	26.32%	753,761	175,173	23.24%
	<u>\$42,982,220</u>	<u>\$1,093,304</u>		<u>\$36,158,213</u>	<u>\$771,583</u>		<u>\$27,042,380</u>	<u>\$556,003</u>	

Financial factoring

Stage	December 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
Non-defaulting	\$3,160,247	\$ 65,433	2.07%	\$2,716,262	\$ 24,837	0.91%	\$2,512,451	\$25,726	1.02%
Defaulting	95,501	35,181	36.84%	147,761	92,720	62.75%	26,350	2,440	9.26%
	<u>\$3,255,748</u>	<u>\$100,614</u>		<u>\$2,864,023</u>	<u>\$117,557</u>		<u>\$2,538,801</u>	<u>\$28,166</u>	

Car commercial loans

Stage	December 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	\$2,727,746	\$ 2,375	0.09%	\$1,735,325	\$ 9,623	0.55%	\$1,670,272	\$ 4,115	0.25%
2	41,346	10,786	26.09%	24,738	3,484	14.08%	6,829	1,253	18.35%
3	53,787	53,781	99.99%	26,226	5,960	22.73%	3,061	702	22.93%
	<u>\$2,822,879</u>	<u>\$66,942</u>		<u>\$1,786,289</u>	<u>\$19,067</u>		<u>\$1,680,162</u>	<u>\$6,070</u>	

Car consumer loans

Stage	December 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	\$63,712	\$ 367	0.58%	\$86,044	\$ 435	0.51%	\$120,816	\$ 725	0.60%
2	585	49	8.38%	519	46	8.86%	1,970	168	8.53%
3	7,871	6,126	77.83%	7,717	1,754	22.73%	6,174	1,418	22.97%
	<u>\$72,168</u>	<u>\$6,542</u>		<u>\$94,280</u>	<u>\$2,235</u>		<u>\$128,960</u>	<u>\$2,311</u>	

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Other loans

Stage	December 31, 2019			December 31, 2018			January 1, 2018		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	\$ 9,478,085	\$ 32,838	0.35%	\$ 4,245,748	\$ 42,082	0.99%	\$ 4,010,901	\$ 32,202	0.80%

Allowance for expected credit losses of accounts and notes receivable

As of December 31, 2019 and 2018, and January 1, 2018, the movements of the allowance recognised in the Consolidated Statement of Financial Position for expected credit losses of accounts and notes receivable are shown below:

Leases

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2018	\$ 176,951	\$ 203,879	\$ 175,173	\$ 556,003
Remeasurement of financial assets remaining in the same stage				
From stage 1 to stage 2	(30,733)	(17,262)	(554)	(48,549)
From stage 1 to stage 3	(102,887)	102,887	-	-
From stage 2 to stage 1	(115,626)	-	115,626	-
From stage 2 to stage 3	3,142	(3,142)	-	-
From stage 3 to stage 1	-	(168,493)	168,493	-
From stage 3 to stage 2	3,761	-	(3,761)	-
From stage 3 to stage 3	-	8,991	(8,991)	-
Financial assets granted over the period	114,689	107,854	23,860	246,403
Remeasurement of financial assets which changed stage over the period	186,314	27,773	(106,822)	107,265
Financial assets written off over the period	(22,341)	(17,380)	(49,818)	(89,539)
As of December 31, 2018	\$ 213,270	\$ 245,107	\$ 313,206	\$ 771,583
Remeasurement of financial assets remaining in the same stage				
From stage 1 to stage 2	(\$ 61,634)	\$ 9,198	\$ 364,266	\$ 311,830
From stage 1 to stage 3	(127,604)	127,604	-	-
From stage 2 to stage 1	(43,161)	-	43,161	-
From stage 2 to stage 2	5,755	(5,755)	-	-
From stage 2 to stage 3	-	(76,969)	76,969	-
From stage 3 to stage 1	333	-	(333)	-
From stage 3 to stage 2	-	52,551	(52,551)	-
Financial assets granted over the period	82,252	63,481	51,971	197,704
Remeasurement of financial assets remaining in the same stage	146,792	5,936	(91,975)	60,753
Financial assets written off over the period	(64,990)	(99,402)	(84,174)	(248,566)
As of December 31, 2019	\$ 151,013	\$ 321,751	\$ 620,540	\$ 1,093,304

Factoring

	January 1, 2018	Movement	December 31, 2018	Movement	December 31, 2019
	Non-defaulting	\$ 25,726	(\$ 889)	\$ 24,837	\$ 40,596
Defaulting	2,440	90,280	92,720	(57,539)	35,181
	<u>\$ 28,166</u>	<u>\$ 89,391</u>	<u>\$ 117,557</u>	<u>(\$ 16,943)</u>	<u>\$ 100,614</u>

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Car commercial loans

	<u>Allowance for expected credit losses</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
As of January 1, 2018	\$ 4,115	\$ 1,253	\$ 702	\$ 6,070
Remeasurement of financial assets remaining in the 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	-	-	-	-
Financial assets granted over the period	5,549	2,621	80	8,250
Remeasurement of financial assets which changed stage over the period	5,246	(82)	-	5,164
Financial assets written off over the period	(217)	(158)	(409)	(784)
As of December 31, 2018	<u>\$ 9,623</u>	<u>\$ 3,484</u>	<u>\$ 5,960</u>	<u>\$ 19,067</u>
Remeasurement of financial assets remaining in the same stage	(\$ 5,712)	\$ 181	\$ 14,866	\$ 9,335
From stage 1 to stage 2	(9,300)	9,300	-	-
From stage 1 to stage 3	(30,820)	-	30,820	-
From stage 2 to stage 1	7	(7)	-	-
From stage 2 to stage 3	-	(2,113)	2,113	-
From stage 3 to stage 1	-	-	-	-
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	989	455	1,752	3,196
Remeasurement of financial assets remaining which changed stage over the period	38,119	1,580	(660)	39,039
Financial assets written off over the period	(531)	(2,094)	(1,070)	(3,695)
As of December 31, 2019	<u>\$ 2,375</u>	<u>\$ 10,786</u>	<u>\$ 53,781</u>	<u>\$ 66,942</u>

Car consumer loans

	<u>Allowance for expected credit losses</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
As of January 1, 2018	\$ 725	\$ 168	\$ 1,418	\$ 2,311
Remeasurement of financial assets remaining in the 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	-	-	-	-
Financial assets granted over the period	138	-	-	138
Remeasurement of financial assets which changed stage over the period	673	58	(96)	635
Financial assets written off over the period	(79)	(9)	(474)	(562)
As of December 31, 2018	<u>\$ 435</u>	<u>\$ 46</u>	<u>\$ 1,754</u>	<u>\$ 2,235</u>
Remeasurement of financial assets remaining in the same stage	(\$ 216)	\$ 12	\$ 3,978	\$ 3,750
From stage 1 to stage 2	(46)	46	-	-
From stage 1 to stage 3	(739)	-	739	-
From stage 2 to stage 1	-	-	-	-
From stage 2 to stage 3	-	(17)	17	-
From stage 3 to stage 1	-	-	-	-
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	224	1	70	295
Remeasurement of financial assets which changed stage over the period	766	3	(1)	768
Financial assets written off over the period	(57)	(18)	(431)	(506)
As of December 31, 2019	<u>\$ 367</u>	<u>\$ 49</u>	<u>\$ 6,126</u>	<u>\$ 6,542</u>

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Unsecured loan

	January 1, 2018	Movement	December 31, 2018	Movement	December 31, 2019
Stage 1	<u>\$32,202</u>	<u>(\$ 9,880)</u>	<u>\$42,082</u>	<u>\$ 9,244</u>	<u>\$32,838</u>

Variations in the allowance for expected credit losses of accounts and notes receivable are analysed as follows:

Balance as of January 1, 2018:	\$ 624,752
(+) Increases in allowance	<u>327,772</u>
Balance as of December 31, 2018:	952,524
(+) Increases in allowance	427,679
(-) Uses	<u>(79,963)</u>
Balance as of December 31, 2019:	<u>\$ 1,300,240</u>

Leasing accounts and notes receivable

The breakdown of the leasing portfolio as of December 31, 2019 and 2018 and January 1, 2018, is as follows:

	<u>Minimum payments</u>	<u>Residual value</u>	<u>Financial income to be accrued</u>	<u>Accounts receivable for lease</u>
December 31, 2019	\$46,406,953	\$ 11,352,830	(\$ 14,777,563)	\$ 42,982,220
December 31, 2018	\$36,251,315	\$ 11,239,154	(\$ 11,332,256)	\$ 36,158,213
January 1, 2018	\$26,860,443	\$ 9,103,714	(\$ 8,921,776)	\$ 27,042,380

As of December 31, 2019 and 2018 and January 1, 2018, accounts and notes receivable from the leases granted support loans received from banking institutions and debt securities.

The Company has entered into leasing agreements with an average term of 4 years.

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Lease agreements

The minimum charges for the next five years, established in the lease agreements are as follows:

	<u>Value of minimum future payments</u>		
	December 31, 2019	December 31, 2018	January 1, 2018
2018	\$ -	\$ -	\$ 14,390,655
2019	-	18,317,264	9,016,719
2020	24,567,880	12,475,761	7,645,486
2021	14,735,111	9,365,364	4,041,766
2022 onwards	11,634,624	4,105,194	869,530
2023 onwards	5,429,867	3,226,887	-
2024 onwards	<u>1,392,301</u>	<u>-</u>	<u>-</u>
	<u>\$57,759,783</u>	<u>\$47,490,470</u>	<u>\$ 35,964,156</u>

Fair value of accounts and notes receivable

For the measurement of fair value of accounts and notes receivable, market rates for similar products to those of other lessors are used in the specific case of the lease product. For other products, some bank rates are used in addition to those of lessors. Fair value measurement of this item is Level 2, since it uses comparative market values.

The Company's valuation team periodically revises the significant unobservable inputs and the valuation adjustments. For the purposes of fair value measurement, the information provided by third parties, such as pricing providers, and market indicators are used to support the conclusion that those valuations meet the IFRS requirements, including the fair value hierarchy level at which financial instruments should be classified.

The methodology for measuring fair value of accounts and notes receivable is the discount of future cash flows considering the above-mentioned rates applicable to similar products.

The inputs used in fair value measurement include:

- Interest rates
- Surcharges
- Interest payment periods

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Accounts and notes receivable valuation to fair value compared with the valuation at amortised cost is as follows:

<u>December 31, 2019</u>	<u>Amortised cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Lease	\$ 42,982,220	\$ 41,794,350	(\$ 1,187,870)
Financial factoring	3,255,748	3,330,153	74,405
Car consumer loans	72,168	71,857	(311)
Car commercial loans	2,822,879	2,851,010	28,131
Other loans	<u>9,478,085</u>	<u>9,507,715</u>	<u>29,630</u>
Total	<u>\$ 58,611,100</u>	<u>\$ 57,555,085</u>	<u>(\$ 1,056,015)</u>
<u>December 31, 2018</u>	<u>Amortised cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Leases	\$ 36,158,213	\$ 36,959,678	\$ 801,465
Financial factoring	2,864,023	2,981,580	117,557
Car consumer loans	94,280	93,884	(396)
Car commercial loans	1,786,289	1,823,275	36,986
Other loans	<u>4,245,748</u>	<u>4,287,830</u>	<u>42,082</u>
Total	<u>\$ 45,148,553</u>	<u>\$ 46,146,247</u>	<u>\$ 997,694</u>
<u>January 1, 2018</u>	<u>Amortised cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Leases	\$ 27,042,380	\$ 27,472,004	\$ 429,624
Financial factoring	2,538,801	2,566,967	28,166
Car consumer loans	128,960	128,899	(61)
Car commercial loans	1,680,162	1,684,149	3,987
Other loans	<u>4,010,901</u>	<u>4,043,102</u>	<u>32,201</u>
Total	<u>\$ 35,401,204</u>	<u>\$ 35,895,121</u>	<u>\$ 493,917</u>

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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.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	<ul style="list-style-type: none">• Future commercial transactions• Recognised financial assets and liabilities denominated in US dollars (US)	<ul style="list-style-type: none">• Sensitivity analysis• Liquidity monitoring	<ul style="list-style-type: none">• Cross-Currency Swaps (CCS) and Foreign exchange option contracts (Call Spread)
Market risk - interest rate	<ul style="list-style-type: none">• Long-term debt issued at variable rates	<ul style="list-style-type: none">• Sensitivity analysis• Liquidity monitoring	<ul style="list-style-type: none">• Interest rate Swaps agreements (IRS)• Interest rate options (CAP)
Credit risk (Note 5)	<ul style="list-style-type: none">• Accounts and notes receivable, net	<ul style="list-style-type: none">• Analysis of due dates• Determination of credit estimates	<ul style="list-style-type: none">• Diversification of credit limits and accounts and notes receivable
Liquidity risk	<ul style="list-style-type: none">• Borrowings and other liabilities	<ul style="list-style-type: none">• Rolling cash flow forecasts	<ul style="list-style-type: none">• Availability of committed credit lines and borrowing facilities

The Company's Risk Management Division is responsible for establishing and supervising the Company's risk management structure and therefore it disclaims liability on the different areas of UNIFIN, such as treasury, portfolio administration, comptrollership and internal control through the policies adopted by the Board of Directors. This Division has created the Risk Management Committee, which is responsible for the development and monitoring of the Company's risk management policies. This Committee regularly reports on its activities to the Board of Directors.

The Company identifies, assesses and covers the financial risks in close co-operation with the group's operating units. The Company's risk management policies are established to identify and analyse the risks faced by the Company, set limits and adequate risk controls, and monitor the risks and compliance with those limits. The risk management policies and systems are reviewed regularly so that they reflect the changes in the market conditions and in the Company's business activities. Through its management rules and procedures, the Company seeks to develop a disciplined and constructive control environment in which all employees may understand their roles and responsibilities.

The Company's Audit Committee supervises how the Management controls compliance with the risk management policies and procedures and checks whether the risk management framework is appropriate for the risks faced by UNIFIN. This committee is assisted by internal audit in its supervisory role. Internal audit performs regular reviews of the risk management controls and procedures the results of which are reported to the Audit Committee.

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The Board of Directors issued general policies related to financial risks management and policies on specific risks, such as exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments, and investment of excess liquidity.

The Company applies its hedging policy to mitigate the risks associated with the exchange rate and the interest rate accrued on debt instruments and senior notes issued, as well as the bank loans acquired.

a) Derivative financial instruments

As of December 31, 2019 and 2018, and January 1, 2018, the Company has derivative financial instruments as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
<u>Current assets</u>			
Cross Currency Swaps – cash flow hedge	\$ -	\$ -	\$ 6,039
Interest rate options – cash flow hedge	1,157	52,205	33,608
Interest rate Swaps – held for trading	<u>65,019</u>	<u>37,978</u>	<u>43,076</u>
Total current assets	<u>66,176</u>	<u>90,183</u>	<u>82,723</u>
<u>Non-current assets</u>			
Cross Currency Swaps – cash flow hedge	1,825,098	3,017,655	4,150,215
Foreign exchange option contracts (Call Spread) – cash flow hedge	2,879,107	1,523,165	-
Interest rate options – cash flow hedge	1,052	25,684	35,898
Cross Currency Swaps – held for trading	-	136,319	-
Interest rate Swaps – held for trading	<u>204,409</u>	<u>58,552</u>	<u>114,374</u>
Total non-current assets	<u>4,909,667</u>	<u>4,761,375</u>	<u>4,300,487</u>
Total assets	<u>\$ 4,975,842</u>	<u>\$ 4,851,558</u>	<u>\$ 4,383,210</u>
<u>Current liabilities</u>			
Cross Currency Swaps – cash flow hedge	\$ 1,207,479	\$ 4,003	\$ -
Foreign exchange option contract (Call Spread) – cash flow hedge	5,304	-	-
Cross Currency Swaps – cash flow hedge	73,708	520	-
Interest rate Swaps – held for trading	<u>43,830</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>1,330,321</u>	<u>4,523</u>	<u>-</u>
<u>Non-current liabilities</u>			
Cross Currency Swaps – cash flow hedge	1,403,439	-	-
Cross Currency Swaps – held for trading	63,787	-	-
Interest rate Swaps – held for trading	<u>178,762</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>1,645,988</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 2,976,309</u>	<u>\$ 4,523</u>	<u>\$ -</u>
Net position	<u>\$ 1,999,533</u>	<u>\$ 4,847,035</u>	<u>\$ 4,383,210</u>

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Fair value of derivative financial instruments

The fair values of derivative financial instruments per hierarchical level and some characteristics of their measurement are shown below:

	12/31/2019 <u>Level 2</u>	12/31/218 <u>Level 2</u>	01/01/2018 <u>Level 2</u>
Financial assets:			
Derivative financial instruments	4,975,842	4,851,558	4,383,210
Financial liabilities:			
Derivative financial instruments	2,976,309	4,253	-

Aspects used in fair value measurement:

- The following fair value measurement methodology is used:
 - Swaps
 1. Fair value is measured by applying the standard market methodology through the discount of cash flows, considering the rates applicable to each exchange period.
 2. Fixed rates are used directly.
 3. In the case of variable rates, the forward rate for each period is obtained.
 - Options
 1. Fair value is determined according to the standard methodology through the Black Scholes model.
- The inputs used in fair value measurement include:
 - Risk-free nominal curves
 - Interbank Equilibrium Interest Rate (TIIE by its acronym in Spanish) curve
 - Basis Swap curve
 - LIBOR curves
 - Volatilities

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Transactions entered into

The transactions entered into in the fiscal year 2019 and still in effect at the end of that year are as follows:

Type of derivative	Notional amount is US dollars	Beginning	Due date	Underlying instrument
Cross currency swaps (CCS)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 60.63 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 100 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 60 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 75 m	Aug 2019	Aug 2022	Exchange rate
Cross currency swaps (CCS)	US 50 m	Aug 2019	Aug 2022	Exchange rate
Interest rate Swaps (IRS)	\$2,500 m	Mar 2019	Mar 2025	Interest rate

The transactions entered into in the fiscal year 2018 and still in effect at the end of that year are as follows:

Type of derivative	Notional amount is US dollars	Beginning	Due date	Underlying instrument
Cross currency swaps (CCS)	US 50 m	Jan 2018	Jan 2025	Exchange rate
Cross currency swaps (CCS)	US 100 m	Jan 2018	Jan 2025	Exchange rate
Cross currency swaps (CCS)	US 100 m	Jan 2018	Jan 2025	Exchange rate
Cross currency swaps (CCS)	US 50 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 100 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 50 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 100 m	Feb 2018	Feb 2026	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Feb 2018	Feb 2026	Exchange rate
Cross currency swaps (CCS)	US 68 m	Mar 2018	Aug 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	US 68 m	Mar 2018	Aug 2021	Exchange rate

Liabilities covered by the derivative financial instruments accrue interests on a quarterly and half-yearly basis. The foreign exchange effects of payments made at the payment date are recognised in the Statement of Income under Foreign exchange gain (loss).

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As of December 31, 2019 and 2018 and January 1, 2018, the Company has not granted cash nor financial assets as security interests for liabilities resulting from derivatives.

Hedge accounting

Derivatives are only used for economic hedging purposes and not for speculation investments. However, when they fail to meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are recorded at fair value through profit or loss, giving rise to an economic hedging.

Coverage relationships description

The Company is exposed to foreign exchange risk, mainly relating in the issuance of senior notes and bank loans in foreign currency (US dollar).

The purpose of hedging foreign exchange risk is to minimize the exchange rate volatility 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 cross-currency swaps, foreign exchange option contracts, interest rate swaps and interest rate options to hedge its exposure to rate and foreign currency risk.

During the periods ended on December 31, 2019 and 2018, and January 1, 2018, the movements of the valuation effects recognised in stockholders' equity by valuation of derivative financial instruments, segmented by type of instrument, are detailed below:

	Cross-currency swaps (CCS)	Foreign exchange option (Call Spread)	Interest rate options (CAP)	Total
Initial balance as of January 1, 2018	\$4,156,254	\$ -	\$ 69,506	\$4,225,760
Change in the fair value of the hedging instrument recognized in OCI	(1,167,185)	(283,886)	(2,664)	(1,453,735)
Derivative financial instruments recognised in the Statement of Income	<u>24,583</u>	<u>1,807,051</u>	<u>11,047</u>	<u>1,842,681</u>
Closing balance as of December 31, 2018	<u>\$3,013,652</u>	<u>\$1,523,165</u>	<u>\$77,889</u>	<u>\$4,614,706</u>
Change in the fair value of the hedging instrument recognized in OCI for the year	(\$ 852,143)	\$ -	(\$ 89,690)	(\$ 941,833)
Derivative financial instruments recognised in the Statement of Income	<u>(2,947,329)</u>	<u>1,350,639</u>	<u>14,009</u>	<u>(1,582,681)</u>
Closing balance as of December 31, 2019	<u>(\$ 785,820)</u>	<u>\$2,873,804</u>	<u>\$ 2,208</u>	<u>\$2,090,192</u>

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that there is an economic relationship between the hedged item and the hedging instrument.

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The hedging relationship must be assessed from inception and during all subsequent phases, as the minimum evaluation period, through the sum of the discounted flows, considering the current and future market conditions affecting the valuation. The objective is to mitigate the foreign exchange risk and interest exposure, as the Company is exposed to assets funding, to provide feasibility and certainty to the leasing, factoring and other accounts and notes receivable relating to loan performed by the Company, ensuring effective control of the financial hedge account receivable.

The Company initially assesses the effectiveness of the derivative financial instruments acquired by using the qualitative approach, the simplest effectiveness assessment method that does not require calculations to assess the hedge effectiveness prospectively, as it considers the hedge relationship will be highly effective if at least the following terms match exactly those of the primary position:

1. Notional
2. Due date
3. Payment date(s)
4. Interest rate "reset" dates
5. Underlying instrument(s), such as prices, indexes, interest rates, exchange rates, etc.

The coverage ratio is obtained from comparing the flows from the derivative financial instruments and the flows from the hedged item. This designation must not show a significant imbalance between the proportion of the hedged instrument and the hedging instrument. In this regard, the Company has adopted a range of tolerance considering some aspects, as follows:

- i) The Mexican financial market shows highly volatile variables, including those that have a direct impact on the valuation of the derivative financial instruments held by the Company; those variables are the exchange rates and the local and international market interest rates.
- ii) Considering that the Company's main business activity does not consist in the purchase and sale of derivative financial instruments, as it occurs in the case of investment funds, hedge funds or money desks, the Company is not entitled to the preferential benefits regarding conditions for recalibrating positions, therefore in view of the high volatility of the above-mentioned indicators, it is advisable to set a range based on the historical data documented by the Company.

As of December 31, 2019 and 2018 and January 1, 2018, the results confirm that the hedge is highly effective.

Interest expense, in the Statement of Income, includes \$129,278 and \$197,539 as of December 31, 2019 and 2018, respectively, for transactions with interest rate derivative financial instruments that did not qualify as hedges.

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Market risk

i. Exchange rate

The Company's exposure to the foreign exchange risk at period-end is as follows:

Risk Exposure/Hedging instrument	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Market risk - Exchange rate			
Cross currency swaps (CCS)	(\$ 923,315)	\$3,149,451	\$ 4,156,254
Foreign exchange option (Call Spread)	<u>2,873,803</u>	<u>1,523,165</u>	<u>-</u>
Total	<u>\$ 1,950,488</u>	<u>\$4,672,616</u>	<u>\$ 4,156,254</u>
Risk Exposure/Hedged item	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Market risk - Exchange rate			
Foreign currency bank loans	\$ 6,609,999	\$ 4,964,849	\$ 3,899,759
International debt in foreign currency	<u>33,631,961</u>	<u>21,938,653</u>	<u>15,943,593</u>
Total	<u>\$40,241,960</u>	<u>\$26,903,502</u>	<u>\$19,843,352</u>

Sensitivity of results to exchange rates fluctuations arises mainly from financial instruments denominated in US dollars designated as cash flow hedges:

December 31, 2019	<u>Increase</u>	<u>Increase</u>	<u>Decrease</u>	<u>Decrease</u>
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Cross currency swaps (CCS)	\$ 2,627,021	\$ 1,313,511	(\$ 1,313,511)	(\$ 2,627,021)
Foreign exchange option (Call Spread)	<u>573,290</u>	<u>292,088</u>	<u>(298,532)</u>	<u>(598,559)</u>
Total	<u>\$ 3,200,311</u>	<u>\$ 1,605,599</u>	<u>(\$ 1,612,043)</u>	<u>(\$ 3,225,580)</u>
December 31, 2018	<u>Increase</u>	<u>Increase</u>	<u>Decrease</u>	<u>Decrease</u>
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Cross currency swaps (CCS)	\$ 2,018,413	\$ 1,009,206	(\$ 1,009,206)	(\$ 2,018,413)
Foreign exchange option (Call Spread)	<u>220,377</u>	<u>114,153</u>	<u>(121,531)</u>	<u>(249,566)</u>
Total	<u>\$ 2,238,790</u>	<u>\$ 1,123,359</u>	<u>(\$ 1,130,737)</u>	<u>(\$ 2,267,979)</u>
January 1, 2018	<u>Increase</u>	<u>Increase</u>	<u>Decrease</u>	<u>Decrease</u>
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Cross currency swap (CCS)	\$ 1,942,327	\$ 971,163	(\$ 971,163)	(\$ 1,942,327)
Total	<u>\$ 1,942,327</u>	<u>\$ 971,163</u>	<u>(\$ 971,163)</u>	<u>(\$ 1,942,327)</u>

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ii. Interest rate

The Company's main interest rate risk arises from debt with variable rates. Over the periods ended on December 31, 2019 and 2018, and January 1, 2018, variable interest rate loans were denominated mainly in Mexican pesos and US dollars.

The exposure of debt to changes in interest rates and the contractual maturities at the end of each reporting period is shown below:

	December 31, 2019	% of total loans	December 31, 2018	% of total loans	January 1, 2018	% of total loans
Loans with variable rates						
< 1 year	\$ 8,406,160	32.42%	\$ 2,322,543	13.21%	\$ 431,036	1.53%
1-3 years	6,260,884	24.15%	2,910,666	16.55%	4,130,359	14.66%
3-5 years	-	- %	807,995	4.59%	8,742,139	31.03%
5 – 10 years	-	- %	-	0.00%	191,379	0.68%
	<u>\$14,667,044</u>	<u>56.57%</u>	<u>\$ 6,041,204</u>	<u>34.35%</u>	<u>\$13,494,913</u>	<u>47.90%</u>
Debt instruments with variable rates						
< 1 year	\$ 3,030,418	11.69%	\$ 1,910,058	10.86%	\$ 2,208,488	7.84%
1-3 years	5,237,918	20.20%	8,032,586	45.68%	8,074,931	28.66%
3-5 years	2,994,453	11.55%	1,602,054	9.11%	4,393,971	15.60%
5 – 10 years	-	- %	-	0.00%	-	0.00%
Total	<u>\$25,929,833</u>	<u>100.00%</u>	<u>\$17,585,902</u>	<u>100.00%</u>	<u>\$28,172,303</u>	<u>100.00%</u>

Sensitivity of results to interest rate fluctuations derives mainly from variable rate financial instruments known as cash flow hedges.

December 31, 2019	Increase 50pb	Increase 25pb	Decrease -25pb	Decrease -50pb
Market risk - interest rate				
Interest Rate Swaps (IRS)	\$ 27,291	\$ 14,125	(\$ 12,543)	(\$ 26,050)
Interest rate options (CAP)	6,790	4,172	(402)	(656)
Foreign exchange option (Call Spread)	(118,686)	(61,705)	58,289	121,496
Interest rate Swaps (CCS)	<u>(45,152)</u>	<u>(21,412)</u>	<u>30,290</u>	<u>58,390</u>
Total	<u>(\$129,757)</u>	<u>(\$ 64,820)</u>	<u>\$ 75,634</u>	<u>\$ 153,180</u>
December 31, 2018				
Market risk - interest rate				
Interest Rate Swaps (IRS)	\$ 39,821	\$ 20,010	(\$ 20,211)	(\$ 40,628)
Interest rate options (CAP)	23,976	11,905	(11,650)	(22,920)
Foreign exchange option (Call Spread)	(53,599)	(27,438)	27,016	55,359
Interest rate Swaps (CCS)	<u>(122,752)</u>	<u>(62,034)</u>	<u>65,994</u>	<u>133,496</u>
Total	<u>(\$112,554)</u>	<u>(\$ 57,557)</u>	<u>\$ 61,149</u>	<u>\$ 125,307</u>

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January 1, 2018	Increase <u>50pb</u>	Increase <u>25pb</u>	Decrease <u>-25pb</u>	Decrease <u>-50pb</u>
Market risk - interest rate				
Interest Rate Swaps (IRS)	\$ 36,195	\$ 18,223	(\$ 18,480)	(\$ 37,221)
Interest rate options (CAP)	43,215	21,155	(19,870)	(38,064)
Interest rate Swaps (CCS)	<u>(202,914)</u>	<u>(106,189)</u>	<u>98,896</u>	<u>207,653</u>
Total	<u>(\$ 123,504)</u>	<u>(\$ 66,811)</u>	<u>\$ 60,546</u>	<u>\$ 132,368</u>

Profit or loss is sensitive to higher or lower financial income from cash and cash equivalents as a result of changes in interest rates.

Credit risk

Credit risk is managed at Company level. Accounts and notes receivable are subject to the expected credit loss model described in section "Allowance for expected credit losses of accounts and notes receivable", in Notes 3 (b.iv) and 5. Regarding banks and institutions with which derivative financial instruments transactions are performed (Counterparties), only those with "A" risk ratings are accepted.

Such ratings are frequently monitored and disclosed every time a new derivative instrument is agreed upon in the so-called hedge files of each transaction. In case a Counterparty is downgraded under the level accepted by the Company, no new derivative transactions can be made with such Counterparty.

Ratings available for each Counterparty are indicated below:

Counterparty	Rating	Agency	Scale
Citibanamex	A-	Moody's	Local
Barclays	AAA	S&P	Local
Bank of America	AAA	S&P	Local
Credit Suisse	AAA	HR Ratings	Local
Goldman Sachs	AAA	S&P	Local
Morgan Stanley	AAA	Fitch	Local
Santander	A-	Moody's	Local
Scotiabank	AAA	Fitch	Local

Liquidity risk

Liquidity risk management involves maintaining sufficient cash and negotiable instruments and the availability of financing through an adequate amount of credit lines to meet obligations at maturity and settle trading positions.

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The tables shown below analyse the financial liabilities according to their contractual maturities:

As of December 31, 2019					
Item	1 year	1-3 years	3-5 years	More than 5 years	Contractual cash flows
Bank loans	\$ 8,250,311	\$ 6,259,213	\$ -	\$ -	\$ 14,509,524
Debt instruments	4,454,782	7,370,930	2,500,000	520,833	14,846,545
Senior notes	1,074,796	3,774,540	7,549,080	22,647,240	35,045,656
Suppliers	330,094	-	-	-	330,094
Lease liabilities	55,691	155,547	8,315	-	219,553
Derivative financial instruments	<u>5,499,663</u>	<u>13,120,366</u>	<u>14,192,292</u>	<u>26,389,479</u>	<u>59,201,800</u>
Total	<u>\$19,665,337</u>	<u>\$30,680,596</u>	<u>\$24,249,687</u>	<u>\$49,557,552</u>	<u>\$124,153,172</u>

As of December 31, 2018					
Item	1 year	1-3 years	3-5 years	More than 5 years	Contractual cash flows
Bank loans	\$ 8,391,781	\$ 4,081,189	\$ -	\$ -	\$ 12,472,970
Debt instruments	2,196,509	9,407,197	3,937,500	-	15,541,206
Senior notes	611,436	-	7,862,640	14,742,450	23,216,526
Suppliers	65,349	-	-	-	65,349
Lease liabilities	61,370	169,058	59,129	-	289,557
Derivative financial instruments	<u>3,489,579</u>	<u>7,510,941</u>	<u>12,434,929</u>	<u>16,066,251</u>	<u>39,501,700</u>
Total	<u>\$14,816,024</u>	<u>\$21,168,385</u>	<u>\$24,294,198</u>	<u>\$30,808,701</u>	<u>\$91,087,308</u>

January 1, 2018					
Item	1 year	1-3 years	3-5 years	More than 5 years	Contractual cash flows
Bank loans	\$4,258,070	\$ 3,880,702	\$ -	\$ -	\$ 8,138,772
Debt instruments	560,964	8,831,439	6,168,561	2,250,000	17,810,964
Senior notes	442,868	-	-	16,775,090	17,217,958
Suppliers	701,378	-	-	-	701,378
Lease liabilities	15,856	-	-	-	15,856
Derivative financial instruments	<u>2,395,859</u>	<u>4,449,331</u>	<u>3,442,323</u>	<u>17,315,390</u>	<u>27,602,903</u>
Total	<u>\$8,374,995</u>	<u>\$17,161,472</u>	<u>\$9,610,884</u>	<u>\$36,340,480</u>	<u>\$71,487,831</u>

Equity management

The following are the Company's objectives relating to Equity risk management:

- safeguard its ability to continue operating as a going concern,
- distribute returns to stockholders and benefits to other stakeholders, and
- maintain an optimal equity structure to reduce costs.

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In order to maintain or adjust the Stockholders' Equity structure, the Company may vary the amount of dividends to be paid to the stockholders, make a stock reduction, issue new shares of stock or sell assets and reduce its debt.

The Company monitors its Stockholders' Equity structure based on the following financial ratios:

- | | |
|-----------------------------------|---|
| 1. Financial leverage: | Financial liabilities (excluding asset securitizations)/total capital |
| 2. Capitalization (net portfolio) | Total Stockholders' Equity/net portfolio |
| 3. Capitalization (total assets): | Total Stockholders' Equity/total assets |

The Company's strategy as of December 31, 2019, 2018 and January 1, 2018 was to keep the financial leverage ratio below a seven fold (7x), the capitalization to net portfolio ratio above 13.5%, the capitalization to total assets ratio above 9% as well as an 'A' credit rating at local scale. The credit rating has remained unchanged over such periods. Below are the financial ratios as of December 31, 2019 and 2018 and January 1, 2018:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Financial liabilities (excluding Debt instruments)	\$ 48,299,005	\$ 34,334,564	\$ 24,082,365
Total assets	10,899,272	9,625,450	4,870,414
Financial leverage ratio	4.43x	3.6x	4.9x
	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Total capital	\$ 10,899,272	\$ 9,625,450	\$ 4,870,414
Accounts and notes receivable, net	57,310,860	44,196,029	34,776,452
Capitalization ratio (to Accounts and notes receivable, net)	19.0%	21.8%	14.0%
	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Total Stockholders' Equity	\$ 10,899,272	\$ 9,625,450	\$ 4,870,414
Total assets	78,780,308	60,768,123	47,592,536
Capitalization ratio (to total assets)	13.8%	15.8%	10.2%

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Note 7 - Other assets:

As of December 31, 2019 and 2018, and January 1, 2018 Other assets are made up as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Other current assets:			
Advances to suppliers	\$ 49,549	\$ 173,502	\$ 237,485
Guarantee deposits	5,604	5,605	5,605
Prepaid expenses	<u>41,981</u>	<u>122,860</u>	<u>86,075</u>
Total other current assets	97,134	301,967	329,165
Other non-current assets:			
Investments in associates	<u>93,308</u>	<u>75,441</u>	<u>49,541</u>
Total other non-current assets	<u>93,308</u>	<u>75,441</u>	<u>49,541</u>
Total	<u>\$ 190,442</u>	<u>\$ 377,408</u>	<u>\$ 378,706</u>

The investments in associates as of December 31, 2019 and 2018 and January 1, 2018 are comprised as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Operadora de Arrendamiento Puro, S. A. de C. V.	\$ 668	\$ 668	\$ 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.	49,629	71,761	45,861
Unidoc JV, S.A. de C.V. (1)	<u>40,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 93,309</u>	<u>\$ 75,441</u>	<u>\$ 49,541</u>

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The nature and stockholding of investments held in associates as of December 31, 2019, 2018 and January 1, 2018, are shown below:

<u>Company</u>	<u>Shareholding</u>
Operadora de Arrendamiento Puro, S. A. de C. V.	0.01%
Bosque Real, S. A. de C. V.	0.01%
Club de Empresarios Bosques, S. A. de C. V.	0.01%
Unión de Crédito para la Contaduría Pública, S. A. de C. V.	0.01%
Unifin Agente de Seguros y Fianzas, S. A. de C. V.	49.00%
Unidoc JV, S.A. de C.V. (1)	60.00%

- (1) Consumer goods entity. In accordance with the corporate bylaws and stockholders' agreements, the Company exerts no control over such entity for consolidation purposes.

Note 8 - Non-current assets held for sale:

As of December 31, 2019 and 2018, and January 1, 2018, assets held for sale refers to foreclosed assets and are made up as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Assets held for sale:			
Property	\$ 1,169,393	\$ 829,424	\$ 590,069
Transportation equipment	209,559	1,548	688
Machinery and equipment	<u>5,406</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,384,358</u>	<u>\$ 830,972</u>	<u>\$ 590,757</u>

During 2019, the Company reclassified \$85,114 from a property (land) to Investment property. See Note 10. As of December 31, 2019 and 2018 and January 1, 2018, no changes were made in sales plans relating to other assets.

Foreclosures are operating activities that do not involve cash flows exchange. For the years ended December 31, 2019 and 2018, foreclosures amounted to \$638,500 and \$240,215, respectively.

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Note 9 - Property, plant and equipment:

As of December 31, 2019 and 2018, and January 1, 2018; property, plant and equipment are broken down as follows:

	Property	Transportation equipment	Computer equipment	Furniture and equipment	Drilling rig	Right-of-use assets and other assets	Leasehold improvements	Total
Cost	\$ 593,667	\$ 85,157	\$49,042	\$53,951	\$ -	\$ 46,595	\$ 196,688	\$ 1,025,099
Accumulated depreciation	<u>(20,386)</u>	<u>(48,905)</u>	<u>(25,978)</u>	<u>(28,444)</u>	<u>-</u>	<u>(13,050)</u>	<u>(28,213)</u>	<u>(164,976)</u>
Net book amount								
As of January 1, 2018	<u>\$ 573,281</u>	<u>\$ 36,252</u>	<u>\$23,064</u>	<u>\$25,507</u>	<u>\$ -</u>	<u>\$ 33,545</u>	<u>\$ 168,475</u>	<u>\$ 860,123</u>
Year ended December 31, 2018								
Net initial balance in books	\$ 573,281	\$ 36,252	\$23,064	\$25,507	\$-	\$ 33,545	\$ 168,475	\$ 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>-</u>	<u>(1,246)</u>	<u>(7,714)</u>	<u>(23,147)</u>
Net book amount	<u>\$ 395,887</u>	<u>\$ 49,794</u>	<u>\$17,439</u>	<u>\$14,049</u>	<u>\$ -</u>	<u>\$ 30,960</u>	<u>\$ 153,819</u>	<u>\$ 661,947</u>
Leased assets								
Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280,280	\$ -	\$ 280,280
Depreciation charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,818)</u>	<u>-</u>	<u>(45,818)</u>
Net book amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,462</u>	<u>\$ -</u>	<u>\$ 234,462</u>
Cost	\$ 416,606	\$ 101,985	\$49,459	\$47,019	\$ -	\$ 325,536	\$ 189,746	\$ 1,130,350
Accumulated depreciation	<u>(20,719)</u>	<u>(52,191)</u>	<u>(32,020)</u>	<u>(32,970)</u>	<u>-</u>	<u>(60,114)</u>	<u>(35,927)</u>	<u>(233,941)</u>
Net book amount								
As of December 31, 2018	<u>\$ 395,887</u>	<u>\$ 49,794</u>	<u>\$17,439</u>	<u>\$14,049</u>	<u>\$ -</u>	<u>\$ 265,422</u>	<u>\$ 153,819</u>	<u>\$ 896,409</u>
Year ended December 31, 2019								
Net initial balance in books	\$ 395,887	\$ 49,794	\$17,439	\$14,049	\$-	\$ 265,422	\$ 153,819	\$ 896,410
Additions	-	24,765	10,153	37,982	1,687,580	442,835	79,922	2,283,237
Revaluation surplus	-	-	-	-	3,398,613	-	-	3,398,613
Disposals	-	(4,132)	(278)	-	-	-	(3,253)	(7,662)
Depreciation charges	<u>(300)</u>	<u>(17,769)</u>	<u>(8,913)</u>	<u>(6,712)</u>	<u>-</u>	<u>(38,475)</u>	<u>(10,342)</u>	<u>(82,511)</u>
Net book amount	<u>\$ 395,587</u>	<u>\$ 52,658</u>	<u>\$18,401</u>	<u>\$45,319</u>	<u>\$ 5,086,193</u>	<u>\$ 669,782</u>	<u>\$ 220,146</u>	<u>\$ 6,488,086</u>
Leased assets								
Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,555)</u>	<u>-</u>	<u>(52,555)</u>
Net book amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (52,555)</u>	<u>\$ -</u>	<u>\$ (52,555)</u>
Cost or fair value	\$ 416,606	\$ 122,618	\$59,334	\$85,001	\$ 5,086,193	\$ 768,371	\$ 266,415	\$ 6,804,537
Accumulated depreciation	<u>(21,019)</u>	<u>(69,960)</u>	<u>(40,933)</u>	<u>(39,682)</u>	<u>-</u>	<u>(151,144)</u>	<u>(46,269)</u>	<u>(369,006)</u>
Net book value								
As of December 31, 2019	<u>\$ 395,587</u>	<u>\$ 52,658</u>	<u>\$18,401</u>	<u>\$45,319</u>	<u>\$ 5,086,193</u>	<u>\$ 617,227</u>	<u>\$ 220,146</u>	<u>\$ 6,435,531</u>

Depreciation recorded in the Statement of Income as of December 31, 2019 and 2018 amounted to \$135,066 and \$68,965, respectively.

Drilling rig

On October 18, 2019, the Company entered into a purchase agreement for the acquisition of a semi-submersible drilling rig for deep and shallow waters to be leased to the participants of the oil industry in Mexico. Management has incurred in different transportation costs, taxes, fees, commissions and the purchase of the necessary equipment to put the asset in working condition for \$529,217, all of which are included in its carrying amount.

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As described in Note 3e., the drilling rig's value is frequently assessed by third-party appraisers. As of December 31, 2019, the fair value amounted to \$5,086,193. The revaluation surplus recognised in Other comprehensive income was \$3,398,613 (\$2,379,034, net of deferred Income Tax).

Fair value of drilling rig

(i) Fair value hierarchy

The Company classified its non-financial asset into one of the three levels indicated by the accounting standard. The drilling rig measured at fair value has a Level 2 hierarchy, as valuation techniques used are mainly based on international markets data.

No level transfers were made for fair value measurements during the year ended December 31, 2019.

(ii) Valuation techniques used to measure fair value

Below are the approaches applied in the valuation prepared by a third-party appraiser:

- i) *Cost approach:* According to this approach, the value of an asset is comparable with the amount required to replace or reproduce a new asset that is equally desirable and with a similar utility to that appraised. Impairment losses due to physical deterioration (age and preservation condition), economic, functional and technological obsolescence should be considered for each type of appraised asset based on its characteristics.

The cost approach provides an indication of value using the economic principle that a buyer will not pay more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. This approach provides an indication of value by calculating the current replacement or reproduction cost of a vessel, considering the physical deterioration and other relevant forms of obsolescence.

For the calculation of the Net Replacement Cost, a search of the new cost of reproduction of drilling rigs with similar features in the international market was conducted. This search provided for three rigs with similar capacities and features to the one bought.

- ii) *Market approach:* This approach establishes that a well-informed buyer will not pay for an asset more than the purchase price of another similar asset. Its utility must be supported and the approval factors must be clearly specified. Below are the main variables to be used in the approval of comparable assets that most influence in the price of an equipment: Length overall, power, main features, deadweight, age and type.

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This approach is applicable as long as some of the following scenarios occur:

- There are frequent and/or recent observable transactions of similar assets.
- The substantially similar assets are publicly traded.
- Information on market transactions is available, but the comparable assets have significant differences to the subject asset, potentially requiring subjective adjustments.

Another appropriate technique consists in using the COST-TO-CAPACITY equation, as long as comparable assets are similar to the appraised asset in several aspects, such as those indicated in the paragraph above and the result of this formula is more appropriate to assess the value of the appraised asset.

$$\frac{\text{Cost A}}{\text{Cost B}} = \left[\frac{\text{Capacity A}}{\text{Capacity B}} \right]^r$$

r= correlation coefficient

(iii) Measurement of fair value

For the drilling rig valuation, Level 2 input was used as no significant adjustments were applied to the prices obtained from international markets. The main input used is analysed as follows.

- New cost of reproduction of drilling rigs with similar capacities and features in the international market
- Offer sales prices of similar assets
- Useful lives of similar assets

(iv) The carrying amount that would have been recognised if the drilling rig had been recorded at cost
If the drilling rig had been recorded at its historical cost, the amount would have been \$1,687,580.

(v) Company's valuation process

The Assets Management department carries out periodical analysis necessary to report the fair value of the drilling rig in the consolidated financial statements. This department reports directly to the Chief Financial Officer of the Company and must verify that the conditions set forth in this accounting policy for the annual revaluation are still in force at each reporting date.

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The drilling rig valuation report as of December 31, 2019 was prepared by VIP Estates, S. de R. L. de C. V. ("VIP Estates"), who is a third-party appraiser. Based on the Management's and the third-party appraiser's discussions, it has been established that unobservable inputs, such as preservation conditions, physical and economic obsolescence and desirability index estimated by VIP Estates, as well as local economic factors on which valuations are based are comparable with the prices in the respective industry and location.

The relation between unobservable inputs and the fair value measurement is that the higher the preservation conditions and desirability index and the lower the physical obsolescence index, the higher the fair value.

Revaluation surplus

The conditions of unobservable inputs are determined according to the Company's best estimate based on the assumptions established by the experts hired for such purpose about unobservable inputs and internal and external elements. The Company periodically analyses the valuation of drilling rigs to verify whether there are indicators of the need to revalue those assets.

Properties as lessee

The Company conducts lease transactions as lessee relating to the lease of its main offices for the ordinary course of business.

The agreements entered into from January 1, 2018 through December 31, 2019 in full force and effect include the following characteristics:

- No extension or termination options are included to give rise to an obligation or change in the contractual cash flows.
- No obligation is generated in addition to regular rents.
- No additional liability or variable rent to be recognised are included that have an impact on the contractual cash flows expected from the agreement.
- There are clauses for safeguarding the asset relating to the general terms of use of real property that do not give rise to any change in contractual cash flows.
- No clause for asset restoration upon termination is included.
- There is no commitment for residual values no obligations to act or not to act.

From January 1, 2018 through December 31, 2019, the Company did not enter into any lease agreement as lessee with a future effective date.

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Properties as lessee are recognised in property, furniture and equipment for the right-of-use and in Suppliers and other accounts payable, current and non-current, as applicable, for the minimum lease payment. Changes in assets are as follows:

	December 31, <u>2018</u>	Increase	<u>Decrease</u>	December 31, <u>2019</u>
Right-of-use assets (Property)	\$301,349	\$ -	\$ -	\$301,349
Depreciation	<u>(51,737)</u>	<u>(52,556)</u>	<u>-</u>	<u>(104,293)</u>
Right-of-use assets, net of their depreciation	<u>\$249,612</u>	<u>(\$ 52,556)</u>	<u>\$ -</u>	<u>\$197,056</u>
	January 1, <u>2018</u>	<u>Increase</u>	<u>Decrease</u>	December 31, <u>2018</u>
Right-of-use assets (Property)	\$ 21,069	\$280,280	\$ -	\$301,349
Accumulated depreciation	<u>(5,919)</u>	<u>(45,818)</u>	<u>-</u>	<u>(51,737)</u>
Right-of-use assets, net of their depreciation	<u>\$ 15,150</u>	<u>(\$234,462)</u>	<u>\$ -</u>	<u>\$249,612</u>

Right-of-use assets are financing activities that required no cash flows exchange.

The movements of the Company's lease liabilities as lessee are shown below:

	December 31, <u>2018</u>	Increase	Decrease	Interest	Payment	Exchange rate effect	December 31, <u>2019</u>
Lease liabilities	\$ 266,629	<u>\$ -</u>	<u>\$ -</u>	\$ 8,210	(\$ 61,370)	(\$ 8,095)	\$205,374
	January 1, 2018	Increase	Decrease	Interest	Payment	Exchange rate effect	December 31, 2018
Lease liabilities	\$15,688	\$280,280	<u>\$ -</u>	\$ 7,992	(\$ 50,573)	\$ 13,242	\$266,629

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The maturities of the Company's lease liabilities as lessee are shown below:

	<u>2019</u>	<u>2018</u>
Less than a year	\$ 55,691	\$ 61,370
1-5 years	<u>163,862</u>	<u>228,187</u>
	219,553	289,557
(-) finance charges	<u>(14,179)</u>	<u>(22,928)</u>
Total	<u>\$ 205,374</u>	<u>\$ 266,629</u>
Part of long-term liability recorded in:		
Other accounts payable	<u>\$ 153,280</u>	<u>\$ 210,118</u>

Note 10 - Investment properties

Investment properties include an industrial plant that is leased to a third party and a plot of land. The lease is for a non-cancellable period of five years and subsequent renovations are negotiated with the lessee.

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Industrial plant and land	\$ 271,115	\$ 170,000	\$ 170,000
Accumulated depreciation	<u>(20,925)</u>	<u>(1,700)</u>	<u>(1,275)</u>
Total	<u>\$ 250,190</u>	<u>\$ 168,300</u>	<u>\$ 168,725</u>

In 2019, the Company transferred \$85,114 for a piece of property (land) from non-current assets held for sale to investment property, as an opportunity for a better revaluation in the local real estate market was identified. This transfer had no impacts on the income/loss for the year. As of December 31, 2018 and January 1, 2018, the Company made no other transfers.

Minimum lease payments to be accrued for the lease of the industrial plant are \$19,200, \$19,200 and \$14,400, as of December 31, 2019 and 2018 and January 1, 2018, respectively.

The amounts recognised in profit or loss associated with the industrial plant are as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Operating lease income	\$ 49,518	\$ 19,200
Depreciation of investment properties	<u>(19,225)</u>	<u>(1,700)</u>
Total	<u>\$ 30,293</u>	<u>\$ 17,500</u>

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Note 11 - Intangible Assets:

As of December 31, 2019 and 2018 and January 1, 2018, intangible assets were made up as follows:

Non-current assets	Software
Opening carrying amount as of January 1, 2018	\$ 77,827
Additions – internal development	<u>43,280</u>
Closing carrying amount as of December 31, 2018	<u>\$ 121,107</u>
Opening carrying amount as of January 1, 2019	\$ 121,107
Additions – internal development	20,143
Amortisation	<u>31,196</u>
Closing carrying amount as of December 31, 2019	<u>\$ 110,054</u>

The Company is developing new software that could replace UNICS, its current operating system. It has incurred research and development expenses as of December 31, 2019 and 2018, and January 1, 2018 of \$20,143, \$43,280 and \$77,827, respectively. In 2019, one of the system phases was implemented and, as a result, depreciation for \$31,196 was recognised in administrative and promotion expenses.

Note 12 - Bank loans:

As of December 31, 2019 and 2018, and January 1, 2018, Bank loans is made up as follows:

December 31, 2019									
Entities	Credit line	Currency	Principal	Accrued interest payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current:									
Nacional Financiera	\$ 2,500,000	\$	\$2,500,000	\$ 11,749	\$ -	\$ 2,511,749	Variable	Apr 2018	Accounts receivable for factoring
Banamex	2,000,000	\$	2,000,000	13,905	-	2,013,905	Variable	Mar-20	Unsecured
Scotiabank	750,000	\$	305,086	2,561	-	307,647	Variable	Jan '22	Accounts receivable for lease
Scotiabank (1)	1,000,000	\$	1,000,000	1,118	-	1,001,118	Variable	Dec-20	Unsecured
Banamex	377,454	US	377,454	1,951	-	379,405	Variable	Jan '20	Unsecured
Bancomext	1,000,000	\$	451,265	4,752	-	456,017	Variable	Jul-23	Accounts receivable for lease
Santander	1,000,000	\$	1,000,000	3,120	-	1,003,120	Variable	Mar-20	Accounts receivable for lease
Bladex (2)	4,163,789	US	520,474	148,544	(19,167)	649,851	Variable	Jun-22	Unsecured
Barclays	1,283,344	US	-	19,835	(6,116)	13,719	variable	Aug-21	Unsecured
Responsability	690,739	US	94,363	1,631	(276)	95,718	Variable	Oct-20	Accounts receivable for lease
Total	\$14,765,326		\$8,248,642	\$ 209,166	(\$25,559)	\$ 8,432,249			
Non-current:									
Barclays		US	\$ 1,283,344		(\$ 3,655)	\$ 1,279,689	Variable	Aug-21	Rights to received Excess Assets of trusts
Bladex (2)		US	3,643,316		(17,880)	3,625,436	Variable	Jun-22	Unsecured
Scotiabank		\$	266,948		(4,553)	262,395	Variable	Jan-22	Accounts receivable for lease
Bancomext		\$	501,093		-	501,093	Variable	Jul-23	Unsecured
Responsability (3)		US	592,269		(26,088)	566,181	Variable	Oct-22	Unsecured
Total			\$6,286,970		(\$52,176)	\$ 6,234,794			

During the year ended December 31, 2019, the Company executed addenda to the agreements with Nacional Financiera, Banamex and Scotiabank for the renewal of the loan agreements, updating main conditions, such as guarantees, financial ratios and credit line amounts.

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- (1) On December 26, 2019, the Company signed an unsecured loan agreement with Scotiabank Inverlat (in addition to the already existing line of credit) with a 12-month maturity and interest payable on a monthly basis over the term of the loan.
- (2) On June 28, 2019, the Company signed a syndicated unsecured loan agreement with Bladex and Nomura acting as structured leader agents and underwriters for US 220,625 with interest payable in six-month periods over the term of the loan.
- (3) In June and October 2019, the Company subscribed promissory notes in favor of ResponsAbility Management Company and ResponsAbility SICAV (collectively referred to as "Responsability") for US 15,500 and US 19,500, respectively, with interest payable in six-month periods over the term of the notes.

December 31, 2018									
Entities	Credit line	Currency	Principal	Accrued interest payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Current:									
Nacional financiera	\$ 2,500,000	\$	\$ 2,500,000	\$ 16,568	(\$ 12,781)	\$ 2,503,787	Variable	Apr 2019	Unsecured
Banamex (1)	2,500,000	\$	2,500,000	23,078	-	2,523,078	Variable	Jun 2019	Unsecured
Scotiabank	1,250,000	\$	190,685	675	-	191,360	Variable	Nov 2019	Accounts receivable for leases
Banamex. (2)	393,132	US	393,132	2,174	-	395,306	Variable	Jan 2019	Unsecured
Bancomext (5)	1,000,000	\$	349,414	5,976	(198)	355,192	Variable	Nov 2019	Accounts receivable for lease
Santander (4)	1,000,000	\$	900,005	4,853	(7,917)	896,941	Variable	Mar 2019	Accounts receivable for lease
Bladex	2,977,974	US	1,566,046	10,179	(17,782)	1,558,443	Variable	Mar 2019	Unsecured
Barclays (3)	1,631,498	US	-	6,035	(10,807)	(4,772)	Variable	Aug 2021	Unsecured
Total	\$ 13,252,604		\$ 8,399,282	\$ 69,538	(\$ 49,485)	\$ 8,419,335			
Non-current:									
Bladex		US	\$ 1,411,928		(\$ 17,782)	\$ 1,394,146	Variable	Dec 2020	Unsecured
Barclays (3)		US	1,631,498		(9,772)	1,621,726	Variable	Aug 2021	Rights to received Excess Assets of trusts
Scotiabank		\$	333,701		-	333,701	Variable	Sep 2021	Accounts receivable - lease
Bancomext (5)		\$	627,003		-	627,003	Variable	Dec 2023	Accounts receivable - lease
Total			\$ 4,004,130		(\$ 27,554)	\$ 3,976,576			

During the year ended December 31, 2018, the Company entered into revolving credit agreements and addenda to the agreements executed with Banamex, Scotiabank, Bancomext for the renewal of loan agreements and the increase in initial amounts, updating term conditions, drawdown dates, guarantees and definitions of terms.

- (1) On June 4, 2018, the Company signed a loan agreement with Banamex for \$2,500,000 with a 12-month maturity and interest payable quarterly over the term of the loan.
- (2) On January 9, 2018, the Company renewed the credit line with Banamex for US 20,000 with a 12-month effective term and principal and interest payable quarterly over the term of the loan.
- (3) On August 7, 2018, the Company signed a loan agreement with Barclays for US 83,000 with interest payable quarterly over the term of the loan. The credit is guaranteed by the excess of cash flows from collection rights assigned to securitization trusts of debt instruments "Rights to received Excess Assets of trusts".
- (4) On November 26, 2018, the Company signed a loan agreement for working capital with Banco Santander for \$ 1,000,000 with a 12-month maturity.

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- (5) On December 13, 2018, the Company executed an addendum with Bancomext for the discount of credit rights and/or documents to increase the amount to up to \$1,000,000 and the effective term to up to 365 days.

Entities	Credit line	Currency	Principal	January 1, 2018					Maturity	Guarantee
				Accrued interest payable	Commissions and expenses	Total	Interest rate			
Current:										
Nacional Financiera	\$ 2,500,000	\$	\$ 2,500,000	\$ 10,844	\$ -	\$ 2,510,844	Variable	Abr 2018	Unsecured	
Banamex. (1)	394,708	US	394,708	1,820	-	396,528	Variable	Jan 2018	Unsecured	
Barclays (2)	493,385	US	296,031	2,497	-	298,528	Variable	Dec 2018	Unsecured	
Actinver	300,000	\$	300,000	1,734	-	301,734	Variable	Jul 2018	Accounts receivable for lease	
Scotiabank	750,000	\$	322,561	2,586	-	325,147	Variable	Jul 2018	Unsecured	
Multivalores	300,000	\$	200,000	1,328	-	201,328	Variable	Feb 2018	Accounts receivable for factoring	
Bancomext	500,000	\$	170,109	488	(8,522)	162,075	Variable	Nov 2018	Accounts receivable for lease	
Invex	100,000	\$	5,265	21	-	5,286	Variable	May 2018	Residual values	
Banco del Bajío	175,000	\$	39,084	278	-	39,362	Variable	Nov 2018	Accounts receivable for lease	
Bladex. (3)	<u>2,989,913</u>	US	-	<u>17,436</u>	-	<u>17,436</u>	Variable	Jun 2019	Residual values	
Total	<u>\$ 8,503,006</u>		<u>\$ 4,227,758</u>	<u>\$ 39,032</u>	<u>(\$ 8,522)</u>	<u>\$ 4,258,268</u>				
Non-current:										
Bladex (3)		US	\$ 2,989,913			\$ 2,989,913	Variable	Jun 2019	Residual values	
Barclays		US	197,354			197,354	Variable	Jun 2019	Unsecured	
Scotiabank		\$	404,897			404,897	Variable	Jun 2020	Accounts receivable for lease	
Bancomext		\$	211,545		(\$ 198)	211,347	Variable	Nov 2020	Accounts receivable for lease	
Banco del Bajío		\$	<u>76,993</u>			<u>76,993</u>	Variable	Aug 2021	Accounts receivable for lease	
Total			<u>\$ 3,880,702</u>		<u>(\$ 198)</u>	<u>\$ 3,880,504</u>				

As of January 1, 2018, the Company entered into addenda to the agreements executed with Banamex, Scotiabank, BanBajío for the renewal of loan agreements and the increase in initial amounts, updating term conditions and drawdown dates, and amending guarantee clauses and definitions of terms.

- (1) On January 17, 2017, the Company signed a loan agreement with Banamex for US 20,000 with a 12-month effective term and principal and interest payable quarterly over the term of the loan.
- (2) On April 27, 2017, the Company and Barclays entered into a loan transaction for US 50,000 of which due on April 28, 2019 and interest payable quarterly over the term of the loan. On May 27, 2017, the Company paid US 25,000 in advance.
- (3) On December 11, 2017, the Company signed a syndicated unsecured loan agreement with Bladex and Nomura acting as structured leader agents and underwriters for US 151,500 with interest payable in six-month periods over the term of the loan.

For the periods ended December 31, 2019 and 2018, interest charged to expense from bank loans amounted to \$831,626 and \$820,017, respectively.

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The unused amounts of the credit lines received by the Company are as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Banamex	\$ -	\$ -	\$ 1,500,000
Banorte	-	1,500,000	1,000,000
Banco del Bajío	175,000	175,000	58,923
Bancomext	47,641	23,583	118,346
CI Banco	-	-	200,000
Interacciones	-	-	118,000
Invex	-	-	94,735
Multivalores	-	-	100,000
Santander	-	99,995	1,000,000
Scotiabank	<u>177,967</u>	<u>725,614</u>	<u>522,542</u>
Total	<u>\$400,608</u>	<u>\$2,524,192</u>	<u>\$4,712,546</u>

Fair value of bank loans:

The following is considered to measure the fair value of bank loans:

- The fair value hierarchy level for transactions is Level 2.
- The standard valuation technique is used to measure the fair value through future cash flows discount.
- The inputs used in fair value measurement include:
 - Interest rates
 - Surcharges
 - Interest payment periods
 - Risk-free nominal curves

As of December 31, 2019 and 2018 and January 1, 2018, the Company made no fair value hierarchy level reclassifications.

The analysis of discounted cash flows was used as a valuation technique to measure the fair value of financial instruments.

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Financial liabilities at fair value compared to valuation at amortised cost:

	As of December 31, 2019		As of December 31, 2018		January 1, 2018	
	Amortised cost	Fair value	Amortised cost	Fair value	Amortised cost	Fair value
Bank loans	<u>\$14,667,043</u>	<u>\$13,280,726</u>	<u>\$12,395,911</u>	<u>\$11,502,032</u>	<u>\$8,138,772</u>	<u>\$7,590,426</u>

Reconciliation of liabilities for financing activities

Liabilities for financing activities	Balance as of 12/31/2018	Cash flows (inflow)	Cash flows (outflows)	Accrued interest	Interest paid	Balance as of 12/31/2019
Bank loans	<u>\$ 12,395,911</u>	<u>\$ 14,582,865</u>	<u>(\$ 12,226,423)</u>	<u>\$ 1,238,554</u>	<u>(\$1,323,866)</u>	<u>\$ 14,667,043</u>

Liabilities for financing activities	Balance as of 01/01/2018	Cash flows (inflow)	Cash flows (outflows)	Accrued interest	Interest paid	Balance as of 12/31/2018
Bank loans	<u>\$ 8,138,772</u>	<u>\$ 8,020,853</u>	<u>(\$ 3,804,514)</u>	<u>\$ 818,441</u>	<u>(\$ 777,641)</u>	<u>\$ 12,395,911</u>

Contractual obligations:

Some of the loan agreements contain different covenants requiring compliance with certain financial ratios. As of December 31, 2019 and 2018 and January 1, 2018, the main covenants under those loan agreements require compliance with the following ratios:

- Capitalization Ratio (total stockholders' equity / total assets): $\geq 9.99\%$
- Capitalization Ratio (total stockholders' equity / accounts and notes receivable): $\geq 13.5\%$
- Consolidated Leverage Ratio (total liabilities, excluding debt instruments / total stockholders' equity): $\leq 7.5x$
- Consolidated Leverage Ratio (financial liabilities, excluding debt instruments / total stockholders' equity): $\leq 7x$
- Past due accounts and notes receivable (past due accounts and notes receivable / total accounts and notes receivable): $\leq 5.0\%$
- Debt Coverage Ratio of past due lease accounts and notes receivable (allowance for lease accounts and notes receivable / total past due lease accounts and notes receivable): $\geq 0.4x$
- Coverage Ratio of past due factoring accounts and notes receivable (allowance for factoring accounts and notes receivable / total past due factoring accounts and notes receivable): $\geq 1x$
- Coverage Ratio of past due car loan accounts and notes receivable (allowance for car loan accounts and notes receivable and other loans / total past due car loan accounts and notes receivable): $\geq 1x$
- Debt Coverage Ratio (cash and cash equivalents plus accounts and notes receivable, net / total financial liabilities, excluding debt instruments): $\geq 1x$

As of December 31, 2019 and 2018 and January 1, 2018, the Company was in compliance with all contractual covenants.

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Note 13 - Debt securities and senior notes:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
<u>Current:</u>			
Senior notes (accrued interest)	\$ <u>1,020,712</u>	\$ <u>664,765</u>	\$ <u>503,832</u>
Debt instruments:			
Stock structure (accrued interest)	33,928	46,713	55,408
Private stock structure (accrued interest)	7,278	6,615	5,556
Stock structure	<u>4,396,530</u>	<u>2,206,142</u>	<u>522,369</u>
Total debt instruments	<u>4,437,736</u>	<u>2,259,470</u>	<u>583,333</u>
Total current	<u>\$ 5,458,448</u>	<u>\$ 2,924,235</u>	<u>\$ 1,087,165</u>
Non-current:			
Senior notes	\$ <u>32,611,250</u>	\$ <u>21,273,888</u>	\$ <u>15,439,761</u>
Debt instruments:			
Stock structure	5,304,106	11,003,740	14,810,345
Private stock structure	<u>4,893,730</u>	<u>2,154,994</u>	<u>2,159,406</u>
Total debt instruments	<u>10,197,836</u>	<u>13,158,734</u>	<u>16,969,751</u>
Total non-current	<u>\$ 42,809,086</u>	<u>\$ 34,432,622</u>	<u>\$ 32,409,512</u>
Total debt instruments and senior notes	<u>\$ 48,267,534</u>	<u>\$ 37,356,857</u>	<u>\$ 33,496,677</u>

The Company's exposure to various risks associated with financial instruments is discussed in Note 6.

i. Senior notes:

- a. On August 8, 2019, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating of 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 200,000. (\$3,774,540)
- Agreed annual rate: 7.000%.
- Payable at maturity: 3 years (maturing in August 2022).
- Interest payable in six-month periods over the term of the Notes.

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- Place of issuance of the Note listing: Luxembourg Stock Exchange.
 - Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings and HR Ratings).
 - Guarantors: Unifin Credit and Unifin Autos.
- b. On July 11 2019, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating 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 450,000 (\$8,492,715)
 - Agreed annual rate: 8.375%.
 - Payable at maturity: 9 years (maturing in January 2028).
 - Interest payable in six-month periods over the term of the Notes.
 - Place of issuance of the Note listing: Luxembourg Stock Exchange.
 - Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings and HR Ratings).
 - Guarantors: Unifin Credit and Unifin Autos.
- c. On February 8 2018, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating 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 (\$5,661,810).
 - Agreed annual rate: 7.375%.
 - Payable at maturity: 8 years (maturing in February 2026).
 - Interest payable in six-month periods over the term of the Notes.
 - Place of issuance of the Note listing: Luxembourg Stock Exchange.
 - Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings and HR Ratings).
 - Guarantors: Unifin Credit and Unifin Autos.
- d. On May 10, 2017, the Company concluded a private offering and placement of debt securities in the form of Senior notes in foreign markets relating 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 450,000 (\$8,492,715)
 - * Agreed annual rate: 7.000%.
 - * Payable at maturity: 7.8 years (maturing in January 2025).
 - * Interest payable in six-month periods over the term of the Notes.
 - * Place of issuance of the Note listing: Luxembourg Stock Exchange.
 - * Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings).
 - * Guarantors: Unifin Credit and Unifin Autos.

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- e. On September 22, 2016, the Company concluded a private offering and placement of debt securities in the form of Senior Notes in foreign markets relating 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 400,000 (\$7,549,080).
- * Agreed annual rate: 7.250%.
- * Payable at maturity: 7 years (maturing in September 2023).
- * Interest payable in six-month periods over the term of the Notes.
- * Place of issuance of the Note listing: Luxembourg Stock Exchange.
- * Ratings granted: BB / BB / HR BBB - (Standard & Poor's, Fitch Ratings).
- * Guarantors: Unifin Credit and Unifin Autos.

Senior notes commitments

Senior 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, as well as minimum requirements for carrying out portfolio securitizations, and limits the Company's ability to enter into transactions with related parties.

As of December 31, 2019 and 2018 and January 1, 2018, the Company had fulfilled the commitments described above.

- ii. Debt instruments

- a. Stock structure

The stock structure corresponds to trust promissory notes as per a securitization program whereby the Company transfers certain rights over certain financial assets to a securitization vehicle created for that specific purpose (usually, a trust), 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 agreement for management, commercial commission and deposit services for those rights to be transferred back to the Company for management purposes.

Additionally, a pledge agreement was entered into 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 abovementioned collection rights are derived- on behalf of the Pledgee to guarantee timely and full payment of all accounts payable by each of the Company's clients, in accordance with the lease agreements these clients have entered into.

On November 19, 2013 and September 8, 2015, the National Banking and Securities Commission (the Commission or CNBV) issued letters number 153/7644/2013 and 153/5726/2015, authorizing the revolving trust bonds programs (Trustee programs) for an amount of up to \$20,000 and \$10,000, respectively.

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On September 14, 2017, April 5, 2017, November 29, 2016, February 9, 2016, September 8, 2015 and February 4, 2015, the CNBV issued letters 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 of up to \$1,000,000, \$2,500,000, \$1,500,000, \$1,500,000, \$1,250,000, \$1,250,000, \$2,500,000, \$2,000,000 and \$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 stocks and the Company as primary and secondary 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 securities in the event that the equity of the issuing trust is insufficient to pay in full the amounts owed under the debt securities, and the holders of those debt securities are not entitled to claim from the trustor nor the trustee payment thereof. The trustor and trustee are responsible for ensuring the Trust equity is sufficient to cover amounts owed.

Current issues of trust programs as of December 31, 2019 and 2018, and January 1, 2018 are described below:

<u>As of December 31, 2019</u>							
<u>Ticker symbol</u>	<u>Issuing trust</u>	<u>Number of securities</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Amount at amortised cost</u>	<u>Rating</u>	<u>Trustee</u>
UNFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	\$ 295,698	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	1,174,696	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	903,504	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	896,515	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,472,801	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,487,568	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,492,365	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	<u>977,490</u>	mxAAAS&P/HRAAA	Banamex
Total					9,700,637		
Accrued interest (current)					<u>33,927</u>		
Total current issues and interest					<u>\$ 9,734,564</u>		

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As of December 31, 2018

<u>Ticker symbol</u>	<u>Issuing trust trust</u>	<u>Number of securities</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Amount at amortised cost</u>	<u>Rating</u>	<u>Trustee</u>
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	\$ 1,773,648	mxAAAS&P/HRAAA	Invex
UFINCB16	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
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	25,000,000	Sep-2022	TIIE+2.10	2,471,467	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	<u>977,064</u>	mxAAAS&P/HRAAA	Banamex
Total					13,209,882		
Accrued interest (current)					<u>46,713</u>		
Total current issues and interest					<u>\$ 13,256,595</u>		

As of January 1, 2018

<u>Ticker symbol</u>	<u>Issuing trust trust</u>	<u>Number of securities</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Amount at amortised cost</u>	<u>Rating</u>	<u>Trustee</u>
UNFINCB15*	F/17598-4	20,000,000	Feb-2020	TIIE+1.60	\$ 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		
Accrued interest (current)					<u>55,408</u>		
Total current issues and interest					<u>\$ 15,388,122</u>		

* A voluntary early amortisation of all debt certificates with ticker symbol UNFINCB 15 was conducted on March 9, 2018.

For the years ended December 31, 2019 and 2018, the interest charged to profit or loss for debt instruments amounted to \$315,564, \$1,328,875 and \$345,129, respectively.

As of December 31, 2019 and 2018, and January 1, 2018, the settlement of those issues has been fulfilled under the conditions established in the corresponding issuance program.

b. Private stock structure

On March 14, 2019, the Company, in its capacity as Trustor and Second Beneficiary, entered into an Irrevocable Transfer of Ownership Trust agreement "F/18247-6" (Trust), with Banco Nacional de México, S. A., member of 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 assets) were assigned to secure payment of cash withdrawals from the revolving credit line of \$2,500,000, respectively, entered into by Banamex and Santander on that date.

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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 \$2,250,000 (amount of the credit line as of March 31, 2019) contracted by Invex with Scotiabank on that date.

On July 26, 2019, the initial conditions of the revolving credit line were amended, increasing its amount by \$250 million, from \$2,250,000 to \$2,500,000 as of December 31, 2019. Furthermore, as part of the amendments, the term of the credit line was extended and the rate spread was reduced by 20 basis points. The current conditions are as follows:

- Amount issued: \$2,500,000
- Agreed annual rate: TIIE + 200bps
- Revolving period: 2 years
- Amortisation period will start after two years and will expire on July 14, 2025.
- Interest payable monthly over the term.

As of December 31, 2019 and 2018, and January 1, 2018, private stock structure is made up as follows:

	December 31, 2019	December 31, 2018	January 1, 2018	Currency	Maturity	Rate	Type
Invex	\$2,426,841	\$2,154,994	\$2,159,406	\$	11/21/20	TIIE + 2.00	Collection
Santander	<u>2,466,889</u>	<u>-</u>	<u>-</u>	\$	11/04/25	TIIE + 2.20	Collection
Subtotal	4,893,730	2,154,994	2,159,406				
Accrued interest	<u>7,278</u>	<u>6,615</u>	<u>5,556</u>				
	<u>\$4,901,008</u>	<u>\$2,161,609</u>	<u>\$2,164,962</u>				

As of December 31, 2019 and 2018, and January 1, 2018, collection rights assignments amount to \$3,347,481, \$3,336,913 and \$2,867,666, respectively.

The Company and Invex entered into an agreement for management, commercial commission and deposit services for the purpose of managing collection rights.

Debt instrument commitments

Debt instruments contain covenants restricting the Company's and its subsidiaries' ability to 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.

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As of December 31, 2019 and 2018, and January 1, 2018, the Company is in compliance with all financial contractual obligations to do and not to do.

Fair value of debt instruments and senior notes:

The following is considered to measure the fair value of debt instruments and senior notes:

- The fair value hierarchy level is Level 2.
- Information publicly available by financial data service providers, such as Bloomberg and/or Valmer (BMV), is used in measuring fair value. If no information is found from those sources, the future discounted cash flow standard methodology is used.
- The inputs used in fair value measurement include:
 - Interest rates
 - Surcharges
 - Interest payment periods
 - Risk-free nominal curves

As of December 31, 2019 and 2018 and January 1, 2018, the Company made no transfers between the levels of the fair value hierarchy.

The valuation techniques used for fair value measurement of financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Discounted cash flow analysis.

Financial liabilities at fair value compared to valuation at amortised cost:

	<u>As of December 31, 2019</u>		<u>As of December 31, 2018</u>		<u>January 1, 2018</u>	
	Amortised cost	Fair value	Amortised cost	Fair value	Amortised cost	Fair value
Debt instruments	\$14,635,572	\$ 14,686,669	\$15,418,204	\$13,612,316	\$ 17,553,084	\$13,582,682
Senior notes	33,631,961	37,590,348	21,938,653	27,347,027	15,943,593	22,215,571

Reconciliation of liabilities for financing activities

<u>Liabilities for financing activities</u>	<u>Balance as of 12/31/2018</u>	<u>Cash flows (inflow)</u>	<u>Cash flows (outflows)</u>	<u>Interest accrued</u>	<u>Interest paid</u>	<u>Balance as of 12/31/2019</u>
Debt instruments	\$15,418,204	\$ 2,750,000	(\$ 3,527,127)	\$ 1,615,005	(\$ 1,620,510)	\$14,635,572
Senior notes	21,938,653	12,357,914		2,074,024	(2,738,629)	33,631,962

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Liabilities for financing activities	Balance as of 12/31/2018	Cash flows (inflow)	Cash flows (outflows)	Interest accrued	Interest paid	Balance as of 12/31/2019
Debt instruments	\$17,553,084		(\$ 2,126,185)	\$ 1,588,983	(\$ 1,597,678)	\$15,418,204
Senior notes	15,943,593	\$ 5,290,504		2,249,616	(1,545,060)	21,938,653

Note 14 - Suppliers and other accounts payable:

As of December 31, 2019, 2018 and January 1, 2018, Other accounts payable are made up as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Suppliers	\$ 330,094	\$ 65,349	\$ 701,378
Fees and commissions payable	798,313	803,350	-
Provisions	322,195	100,598	106,759
Guarantee deposits	314,174	149,456	262,848
Lease liabilities	<u>52,094</u>	<u>56,511</u>	<u>6,077</u>
Total current	<u>1,816,870</u>	<u>1,175,264</u>	<u>1,077,062</u>
Lease liabilities	<u>153,280</u>	<u>210,118</u>	<u>9,611</u>
Total non-current	<u>153,280</u>	<u>210,118</u>	<u>9,611</u>
Total suppliers and other accounts payable	<u>\$ 1,970,150</u>	<u>\$ 1,385,382</u>	<u>\$ 1,086,673</u>

Note 15 - Stockholders' equity:

i. Stockholders' equity

As of December 31, 2019 and 2018, and January 1, 2018, Stockholders' equity is made up as follows:

	Number of shares of stock			Amount		
	December 31, 2019	December 31, 2018	January 1, 2018	December 31, 2019	December 31, 2018	January 1, 2018
Fixed capital Series "A"	320,000	320,000	320,000	\$ 1,000	\$ 1,000	\$ 1,000
Variable capital Series "A"	<u>352,480,000</u>	<u>352,480,000</u>	<u>352,480,000</u>	<u>957,242</u>	<u>957,242</u>	<u>957,242</u>
Total	<u>352,800,000</u>	<u>352,800,000</u>	<u>352,800,000</u>	<u>\$ 958,242</u>	<u>\$ 958,242</u>	<u>\$ 958,242</u>

* Include share issuance, placement and registration expenses for \$144,258.

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- a. The fixed minimum capital stock and the variable part of the Company's capital stock will be represented by Series "A" shares of stock.
 - b. The capital stock is composed of nominative common shares with a par value of \$3.125 per share. All shares of stock are fully subscribed and paid.
 - c. The Company's equity shall be variable and shall be represented by ordinary, registered Series "A" shares of stock without a par value. The variable part of the capital stock is unlimited. All the ordinary shares of stock will grant their holders equal rights and imply equal obligations.
 - d. The stockholders owning shares representative of variable capital stock shall not be entitled to first refusal rights under the terms of Section 50 (fifty) of the Mexican Securities Act.
- ii. Perpetual Notes

On January 24, 2018, the Company concluded a private offering and placement of debt securities in the form of subordinated perpetual promissory notes in the United States and other foreign markets in accordance with rule 144A and Regulation "S" of the US Securities Act of 1933 and applicable regulations in the countries in which said offer was made. The net proceeds obtained amounted to \$4,531,330. The main characteristics of the international promissory notes issued were the following:

- Amount issued: US 250,000 (\$4,699,500)
- Agreed annual rate: 8.875%
- Payable at maturity: Perpetual
- Interest payable in six-month periods over the term of the Notes (subject to the Company's criteria).
- Place of issuance of the bond listing: Luxembourg Stock Exchange.
- Ratings granted: B / B + (Standard & Poor's and Fitch Ratings).

iii. Retained earnings

Dividends will not be subject to Income Tax if they come from the Net Tax Income Account (CUFIN). Dividends in excess of CUFIN and reinvested CUFIN will give rise to a tax equivalent to 42.86% based on the law in force as of December 31, 2019. Accrued tax shall be payable by the Institution and may be offset against Income Tax for the fiscal year or the two immediately following fiscal years. Dividends payable from profits previously subject to Income Tax will not be subject to any tax withholding or additional tax liability.

The CUFIN balance as of December 31, 2019 and 2018 and January 1, 2018 is \$9,350, \$9,102 and \$6,700, respectively.

On March 21, 2019, the Ordinary Stockholders' General Meeting agreed to pay dividends of \$328,967, arising from prior years' retained earnings. Dividends were paid on April 30, 2019 in the amount of \$1 per share (excluding shares of stock in the reserve for stock purchase).

On April 25, 2018, the Ordinary Stockholders' General Meetings agreed to pay dividends of \$352,800 arising from prior years' retained earnings. Dividends were paid on April 30, 2018 in the amount of \$1 per share (excluding shares of stock in the reserve for stock purchase).

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At the Ordinary General Meeting held on April 25, 2018, the Stockholders resolved to increase the Company's legal reserve by \$88,543 with the prior year profit.

At the Stockholders' Meetings held on April 25, 2018 and March 21, 2019, the redemption of Series "A" shares of variable capital stock for 2,500,000 and 5,000,000, respectively, was approved. On January 22 and 24, 2020, the Company received authorization from the CNBV to update registration with the National Securities Register of the shares representative of its variable capital stock. Consequently, its ordinary, registered Series "A" shares representative of capital stock, without a par value, were taken from 352,800,000 to 345,300,000.

At the Ordinary General Meeting held on March 21, 2019, the Stockholders authorized a fund for the repurchase of Company's own shares. The fund operates as established by the Securities Act and up to the limits approved by the Board of Directors. As of December 31, 2019, 32,347,132 shares were repurchased for an amount of \$1,325,054, which are disclosed under Treasury Stock, in the Stockholders' Equity.

iv. Basic and diluted earnings per share

	<u>2019</u>	<u>2018</u>
Net income attributable to:		
Profit attributable to interest		
Subject to calculation	\$ 1,949,021	\$ 1,982,501
Basic and diluted earnings per share (Mexican pesos)	\$ 5.97	\$ 5.74
Weighted average of shares used as denominator	326,582,611	345,149,256

Note 16 - Current and deferred Income Tax:

In 2019 and 2018, the Company determined a tax profit of \$445,590 and \$3,893,990, respectively. Tax income differs from accounting income mainly in those items which are accumulated over time and deducted differently for accounting and tax purposes, in the recognition of the effects of inflation for tax purposes, as well as in those items which only affect the accounting or tax income.

The Income Tax Law sets a tax rate of 30% of taxable profits applicable for fiscal years beginning on or after 2014.

In 2019 and 2018, the Company recorded Income Tax expenses amounting to \$454,067 and \$381,877, respectively.

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The income tax expense is analysed below:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Current Income Tax	\$133,677	\$1,168,197
Deferred Income Tax	<u>320,390</u>	<u>(786,320)</u>
Total	<u>\$454,067</u>	<u>\$ 381,877</u>

Deferred tax recognised in other comprehensive income for revaluation surplus of assets measured at fair value and valuation of hedging derivative financial instruments as of December 31, 2019 amounted to \$1,019,579 and \$239,494, respectively.

The main temporary differences based on which deferred Income Tax is recognised are as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
Account receivables from Leases	\$ 3,234,498	\$ 4,026,311	\$ 3,446,357
Property, furniture and equipment	83,249	123,605	120,293
Commissions paid (1)	737,758	737,758	737,758
Other current and non-current assets:	(14,276)	(189,600)	(389,736)
Provisions	<u>395,893</u>	<u>5,039</u>	<u>2,122</u>
	4,437,122	4,703,113	3,916,794
Items recognised in Other comprehensive income:			
Hedging derivative financial instruments	239,494	277,005	-
Revaluation surplus of fixed assets measured at fair value	<u>(1,019,579)</u>	<u>-</u>	<u>-</u>
Deferred Income Tax assets	<u>\$ 3,657,037</u>	<u>\$ 4,980,118</u>	<u>\$ 3,916,794</u>

(1) Corresponds to fees paid in 2016 to open certain derivative contracts with banking institutions pursuant to the Company's risk management policies.

The reconciliation of the effective Income Tax rate is as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Profit before Income Tax	\$2,403,088	\$2,364,378
Income Tax rate payable	<u>30%</u>	<u>30%</u>
Income Tax at the statutory rate	720,926	709,313
Plus (less) effect of the following permanent items:		
Property, furniture and equipment, net	(216,108)	(582,649)
Annual adjustment for inflation	301,649	473,202
Financing expenses	(360,573)	(224,860)
Non-deductible expenses	<u>8,173</u>	<u>6,871</u>
Income Tax recognised in profit or loss	<u>\$ 454,067</u>	<u>\$ 381,877</u>

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Income Tax reconciliation is shown below:

	Deferred assets (liabilities) December 31, 2019	Increases		Decreases		Deferred assets (liabilities) December 31, 2018	Increases		Decreases		Deferred assets (liabilities) January 1, 2018
		Net income	Other comprehensive income	Net income	Other comprehensive income		Net income	Other comprehensive income	Net income	Other comprehensive income	
Accounts receivable from leases	\$ 10,781,660	\$ -	\$ -	(\$ 2,639,377)	\$ -	\$ 13,421,037	\$ 1,933,180	\$ -	\$ -	\$ -	\$ 11,487,857
Property, furniture and equipment	277,497	-	-	(134,520)	-	412,017	11,040	-	-	-	400,977
Commissions paid	2,459,193	-	-	-	-	2,459,193	-	-	-	-	2,459,193
Other current and non-current assets	(47,585)	-	-	584,416	-	(632,001)	-	-	667,118	-	(1,299,119)
Hedging derivative financial instrument (1)	798,312	-	(125,038)	-	-	923,350	-	923,350	-	-	-
Asset revaluation surplus	(3,398,597)	-	(3,398,597)	-	-	-	-	-	-	-	-
Provisions	<u>1,319,642</u>	<u>1,302,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,797</u>	<u>16,799</u>	<u>-</u>	<u>(7,070)</u>	<u>-</u>	<u>7,070</u>
	12,190,122	1,302,842	(3,523,635)	(2,189,481)	-	16,600,393	1,961,019	923,350	660,048	-	13,055,978
Applicable Income Tax rate	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>
Deferred Income Tax asset	<u>\$ 3,657,037</u>	<u>\$ 390,853</u>	<u>(\$ 1,057,091)</u>	<u>(\$ 656,844)</u>	<u>\$ -</u>	<u>\$ 4,980,118</u>	<u>\$ 588,306</u>	<u>\$ 277,005</u>	<u>\$ 198,014</u>	<u>\$ -</u>	<u>\$ 3,916,794</u>

- (1) Pursuant to tax regulations, the Company may accumulate or deduct profits or losses upon maturity of certain derivative contracts, resulting in temporary differences of deferred Income Tax.

Tax losses as of December 31, 2019 amounted to \$38,061. Deferred tax assets for this item are kept until the Company generates tax profits to offset against those tax losses.

Note 17 - Segment reporting:

Reportable segments determined by the General Management comprise 3 operating segments, as described below:

Leases: as mentioned in Note 1, the Company's main business activity is the granting of leases for motor vehicles (including cars, trucks, helicopters, aircraft and ships); machinery, equipment and other assets of different industries in the middle-sized enterprises sector.

Factoring: Through its factoring business, the Company provides liquidity and financial solutions to its customers, acquiring or discounting accounts receivable from its customers or customer suppliers, as the case may be.

Other loans: Include loans granted for the acquisition of brand new or used vehicles for individuals and legal entities, and other receivables for financing working capital and the purchase of other capital goods.

The Company's main business activity is the granting of leases for motor vehicles, machinery and equipment, among others; its complementary activities include factoring, car loans and unsecured loan transactions.

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On this basis, the Company includes leases, factoring and other loans as representative operating segments in its financial statements, to provide an analysis of its assets, liabilities and results.

The main assets and liabilities per Company segment follow below:

December 31, 2019				
<u>Assets</u>	<u>Leases</u>	<u>Factoring</u>	<u>Other loans</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,191,716	\$ 442,154	\$ 197,460	\$ 3,831,330
Accounts and notes receivable, net	41,888,916	3,155,134	12,266,810	57,310,860
Derivative financial instruments	4,975,843	-	-	4,975,843
Non-current assets held for sale	1,007,476	-	376,882	1,384,358
Property, furniture and equipment	6,435,531	-	-	6,435,531
Investment properties	-	-	250,190	250,190
Intangible assets	80,798	6,113	23,143	110,054
Deferred taxes	3,046,521	422,039	188,477	3,657,037
Other assets	<u>605,088</u>	<u>45,833</u>	<u>174,184</u>	<u>825,105</u>
	<u>\$61,231,889</u>	<u>\$4,071,273</u>	<u>\$13,477,146</u>	<u>\$78,780,308</u>
<u>Liabilities</u>				
Bank loans	\$ -	\$ 3,495,910	\$ 11,171,133	\$ 14,667,043
Debt instruments	14,635,572	-	-	14,635,572
Senior notes	31,568,810	-	2,063,152	33,631,962
Suppliers and other accounts payable	1,816,870	-	-	1,816,870
Derivative financial instruments	2,976,309	-	-	2,976,309
Other accounts payable	<u>127,690</u>	<u>17,690</u>	<u>7,900</u>	<u>153,280</u>
	<u>\$51,125,251</u>	<u>\$3,513,600</u>	<u>\$13,242,185</u>	<u>\$67,881,036</u>
December 31, 2018				
<u>Assets</u>	<u>Leases</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
Accounts and notes receivable, net	35,386,630	2,746,466	6,062,933	44,196,029
Derivative financial instruments	4,037,309	-	814,249	4,851,558
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	-	-	168,300	168,300
Intangible assets	121,107	-	-	121,107
Deferred taxes	4,980,118	-	-	4,980,118
Other assets	<u>398,454</u>	<u>2,567</u>	<u>40,335</u>	<u>441,356</u>
	<u>\$49,635,016</u>	<u>\$3,348,593</u>	<u>\$7,784,514</u>	<u>\$60,768,123</u>

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	December 31, 2018			
<u>Liabilities</u>	Leases	Factoring	Other loans	Total
Bank loans	\$ 5,437,871	\$ 2,523,078	\$ 4,434,962	\$ 12,395,911
Debt instruments	15,418,204	-	-	15,418,204
Senior notes	21,938,653	-	-	21,938,653
Suppliers and other accounts payable	1,155,857	2,598	16,809	1,175,264
Derivative financial instruments	4,523	-	-	4,523
Other accounts payable	210,118	-	-	210,118
	<u>\$44,165,226</u>	<u>\$2,525,676</u>	<u>\$4,451,771</u>	<u>\$51,142,673</u>

	January 1, 2018			
<u>Assets</u>	Leases	Factoring	Other loans	Total
Cash and cash equivalents	\$ 1,942,386	\$ 105,827	\$ 387,124	\$ 2,435,337
Accounts and notes receivable, net	26,486,377	2,510,635	5,779,440	34,776,452
Derivative financial instruments	3,647,565	-	735,645	4,383,210
Non-current assets held for sale	296,809	293,948	-	590,757
Property, furniture and equipment, net	842,869	-	17,254	860,123
Investment properties	-	-	168,725	168,725
Intangible assets	77,827	-	-	77,827
Deferred taxes	3,916,794	-	-	3,916,794
Other assets	340,160	2,582	40,569	383,311
	<u>\$37,550,787</u>	<u>\$2,912,992</u>	<u>\$7,128,757</u>	<u>\$47,592,536</u>

<u>Liabilities</u>				
Bank loans	\$ 3,570,338	\$ 1,656,575	\$ 2,911,859	\$ 8,138,772
Debt instruments	17,553,084	-	-	17,553,084
Senior notes	15,943,593	-	-	15,943,593
Suppliers and other accounts payable	1,071,398	758	4,906	1,077,062
Other accounts payable	9,611	-	-	9,611
	<u>\$38,148,024</u>	<u>\$1,657,333</u>	<u>\$2,916,765</u>	<u>\$42,722,122</u>

As Management considers that the usual information for stakeholders is the gross margin, as of December 31, 2019 and 2018, the respective information is as follows:

	Year ended December 31, 2019			
	Leases	Factoring	Other loans	Total
Financial income	\$ 8,109,203	\$ 656,137	\$ 1,996,468	\$10,761,808
Financial expenses	(5,213,629)	(351,808)	(1,379,904)	(6,945,341)
Allowance for expected credit losses of accounts and notes receivable	(452,194)	81,427	(56,912)	(427,679)
	<u>\$ 2,443,380</u>	<u>\$ 385,756</u>	<u>\$ 559,652</u>	<u>\$ 3,388,788</u>

	Year ended December 31, 2018			
	Leases	Factoring	Other Receivables	Total
Financial income	\$ 6,514,799	\$ 488,289	\$ 1,723,861	\$8,726,949
Financial expenses	(4,837,131)	(361,847)	(313,440)	(5,512,418)
Allowance for expected credit losses of accounts and notes receivable	(225,467)	(89,391)	(12,918)	(327,776)
	<u>\$1,452,201</u>	<u>\$ 37,051</u>	<u>\$1,397,503</u>	<u>\$2,886,755</u>

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Note 18 - Transactions with related parties:

The breakdown of the main balances with related parties as of December 31, 2019 and 2018 and January 1, 2018, is as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
<u>Commercial loans receivable:</u>			
Related parties:			
Administradora Bríos, S.A. de C.V. ⁽¹⁾	\$ 301,511	\$ 359,029	\$ 314,766
Unifin Administración Corporativa, S. A. de C. V. ⁽¹⁾	133,219	36,941	8,437
Unifin Servicios Administrativos, S. A. de C. V. ⁽¹⁾	<u>88,116</u>	<u>9,994</u>	<u>4,800</u>
	522,846	405,964	328,003
Allowance of impairment of accounts and notes receivable	<u>2,020</u>	<u>2,585</u>	<u>2,361</u>
Commercial loans, net:	<u>\$ 520,826</u>	<u>\$ 403,379</u>	<u>\$ 325,642</u>

(1) The Company has granted several commercial loans to its affiliates to finance their ongoing operations. Outstanding balances are recognised under Accounts and notes receivable in the Financial Statements. The term of commercial loans and credit lines are 24 months and 48 months, respectively.

	December 31, <u>2019</u>	December 31, <u>2018</u>	January 1, <u>2018</u>
<u>Accounts payable:</u>			
Related parties:			
Administradora Bríos, S.A. de C.V. ⁽²⁾	\$ -	\$ 359,029	\$ 314,766
Unifin Administración Corporativa, S. A. de C. V. ⁽³⁾	153,192	36,941	8,437
Unifin Servicios Administrativos, S. A. de C. V. ⁽³⁾	<u>149,386</u>	<u>9,994</u>	<u>4,800</u>
Total	<u>\$ 302,578</u>	<u>\$ 405,964</u>	<u>\$ 328,003</u>

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Transactions over the periods ended on December 31, 2019 and 2018, were as follows:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Income		
Related parties:		
Administradora Bríos, S. A. de C. V.	\$ 15	\$ 71
Unifin Administración Corporativa, S. A. de C. V. ⁽¹⁾	3,392	3,944
Unifin Servicios Administrativos, S. A. de C. V. ⁽¹⁾	<u>247</u>	<u>864</u>
Other income	<u>\$ 3,654</u>	<u>\$ 4,879</u>
<u>Expenses</u>		
Related parties:		
Administradora Bríos, S. A. de C. V. ⁽²⁾	\$ 11,779	\$ 11,652
Unifin Administración Corporativa, S. A. de C. V. ⁽³⁾	531,696	450,178
Unifin Servicios Administrativos, S. A. de C. V. ⁽³⁾	<u>515,143</u>	<u>410,078</u>
	1,058,618	871,908
Donations ⁽⁴⁾	<u>15,554</u>	<u>13,942</u>
Total expenses	<u>\$ 1,074,172</u>	<u>\$ 885,850</u>

- (1) The Company has executed unsecured loan contracts and generated interest income.
- (2) The Company has administrative services agreements with Administradora Bríos, S. A. de C. V., which provides advisory services.
- (3) 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 consulting, accounting and finance services, among others.
- (4) The Company has granted several donations for Fundación Unifin, S. C. to a non-for-profit organization.

ii. *Compensation of relevant Members of the Board*

In 2019 and 2018, the total amount paid to the relevant Members of the Company's Board amounted to \$126,760 and \$85,810, respectively, including fixed, variable and other benefits under the applicable law.

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The Board of Directors approves, based on the favorable opinion of the Audit and Corporate Practices Committee, the full remuneration of the Chief Executive Officer and other relevant Members of the Board. Additionally, this Committee issues its opinion on the full remuneration of the other relevant Members of the Board.

The Ordinary General Stockholders' Meeting determines the emoluments payable to the Members of the Board for the services rendered to the Company in that capacity. The Ordinary and Extraordinary Annual General Stockholders' Meeting held on March 21, 2019, approved to pay each of the independent Members of the Board of Directors and the non-member Secretary of the Board, the amount of \$70 for each session of the Board they attend to, as well as the amount of \$70 to the Chairman of the Audit and Corporate Practices Committee and the amount of \$35 to the members of that Committee for each Committee session they attend to.

Note 19 - IFRS transition effects:

The Company's consolidated financial statements as of January 1 and December 31, 2018, prepared in accordance with IFRS, stem from consolidated financial statements that were prepared in accordance with the accounting criteria issued by the National Banking and Securities Commission (Accounting Criteria) applicable to Regulated Multiple Purpose Financial Institutions, making the adjustments and reclassification to reflect the changes in presentation, accounting recognition and valuation, as required by IFRS.

Particularly, the adjustments have been made pursuant to IFRS in force as of December 31, 2019 (the first annual reporting date), which have been consistently applied in preparing the Consolidated Statement of Financial Position as of January 1, 2018 (transition date) and the Consolidated Financial Statements as of December 31, 2018 and for the year then ended (the comparative period).

The effects of the transition to IFRS are the result of changes in accounting principles and, consequently, as required by IFRS 1 - First-time Adoption of International Financial Reporting Standards, are reflected in the accumulated gains/losses in the Consolidated Statement of Financial Position as of January 1, 2018).

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 as of the transition date (January 1, 2018), except for the optional and mandatory exemptions provided for by IFRS 1.

Optional exemptions to IFRS

IFRS 1 allows entities adopting 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.

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Below are the optional exemptions applicable to the Company under IFRS 1:

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 transition date to IFRS.

Mandatory exceptions to IFRS

Below are the mandatory exceptions applicable to the Company under IFRS 1:

1. Estimates: The estimates made by the Company under to IFRS as of January 1, 2018 (transition date to IFRS) are consistent with the estimates made as of the same date according to the prior accounting framework, except for the explanations below in paragraph 4. Impairment of financial assets.
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 as of the transition date 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: as of the transition date to IFRS, the Company used reasonable and verifiable information that was available without disproportionate cost or effort to determine the credit risk as of the date when financial instruments were initially recognised and compare that to the credit risk as of the transition date to IFRS.
5. Other mandatory exceptions established by IFRS 1 that have not been applied because of not being material to the Company are:
 - a. Hedge accounting
 - b. Non-controlling interest
 - c. Embedded derivatives
 - d. Government loans

Reconciliation of CNBV Accounting criteria to IFRS

The following reconciliations show the quantification of the major impacts of the IFRS transition in the Consolidated Statement of Financial Position as of January 1 and December 31, 2018 and the Consolidated Statement of Income from January 1 to December 31, 2018: Furthermore, there were no changes in cash flows for the periods mentioned below:

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1. Consolidated Statements of Financial Position as of January 1, 2018:

Assets	CNBV Accounting criteria as of <u>January 1, 2018</u>	<u>IFRS adjustments</u>	<u>Reclassifications</u>	IFRS as of <u>January 1, 2018</u>
Current assets				
Cash and cash equivalents	\$ 197,165	\$ -	\$ 2,238,172 (1a)	\$ 2,435,337
Investments in securities	2,238,172	-	(2,238,172) (1a)	-
Loan portfolio, net	5,443,055	12,786,199 (3a)(3b)(4)	(2,654,042) (7)	15,575,212
Derivative financial instruments	4,598,117	(6,430) (2a)	(4,508,964) (2d)	82,723
Other accounts receivable - net	5,057,161	(5,057,161) (3a)	-	-
Other current assets	-	(322,382) (3b)	651,547 (7)	329,165
Recoverable Income Tax	-	-	4,605	4,605
Total current assets	<u>17,533,670</u>	<u>7,400,226</u>	<u>(6,506,854)</u>	<u>18,427,042</u>
Non-current assets held for sale				
	510,484	80,273 (9)	-	590,757
Non-current assets				
Loan portfolio, net	-	19,201,240 (3a)(4)	-	19,201,240
Property, furniture and equipment, net	32,728,822	(31,622,147) (3a)(5)	(246,552)	860,123
Investment properties	-	-	168,725	168,725
Intangible assets	-	-	77,827	77,827
Derivative financial instruments	-	(208,477) (2a)	4,508,964 (2d)	4,300,487
Permanent investments	49,541	-	(49,541)	-
Deferred taxes	1,718,511	2,198,283 (10)	-	3,916,794
Deferred charges, prepayments and intangible assets	2,067,310	(1,977,187) (3b)(6a)	(90,123) (7)	-
Other non-current assets	7,090	-	42,451	49,541
Total non-current assets	<u>36,571,274</u>	<u>(12,408,288)</u>	<u>4,411,751</u>	<u>28,574,737</u>
Total assets	<u>\$ 54,615,428</u>	<u>(\$ 4,927,789)</u>	<u>(\$ 2,095,103)</u>	<u>\$ 47,592,536</u>
Liabilities and Stockholders' equity				
Liabilities				
Current liabilities				
Bank loans	\$ 4,258,070	\$ -	\$ 198	\$ 4,258,268
Suppliers	2,544,119	-	(1,842,741) (7)	701,378
Debt instruments	503,832	-	79,501 (6b)	583,333
Senior notes	-	484,069 (6a)	19,763 (6b)	503,832
Taxes payable	252,362	-	(252,362)	-
Other accounts payable	369,607	15,688 (5)	(9,611)	375,684
Total current liabilities	<u>7,927,990</u>	<u>499,757</u>	<u>(2,005,252)</u>	<u>6,422,495</u>
Non-current liabilities				
Bank loans	3,880,702	-	(198)	3,880,504
Debt instruments	34,525,090	(1,001,852) (6a)	(16,553,487) (6b)	16,969,751
Senior notes	-	(1,014,462) (6a)	16,454,223 (6b)	15,439,761
Deferred loans and advance collections	697,277	(697,277) (3b)	-	-
Other accounts payable	-	-	9,611	9,611
Total non-current liabilities	<u>39,103,069</u>	<u>(2,713,591)</u>	<u>(89,851)</u>	<u>36,299,627</u>
Total liabilities	<u>47,031,059</u>	<u>(2,213,834)</u>	<u>(2,095,103)</u>	<u>42,722,122</u>
Stockholders' equity				
Capital stock	2,893,674	-	468	2,894,142
Retained earnings	1,850,456	(2,464,057) (3a)(4)(5) (6a)(9)(10)	2,311	(611,290)
Net income	1,770,682	-	-	1,770,682
Other accumulated comprehensive income	881,250	(249,898) (2a)(2b)	-	631,352
Legal reserve	185,528	-	-	185,528
Non-controlling interest	2,779	-	(2,779)	-
Total Stockholders' equity	<u>7,584,369</u>	<u>(2,713,955)</u>	<u>-</u>	<u>4,870,414</u>
Total Liabilities and Stockholders' Equity	<u>\$ 54,615,428</u>	<u>(\$ 4,927,789)</u>	<u>(\$ 2,095,103)</u>	<u>\$ 47,592,536</u>

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

2. Consolidated Statements of Financial Position as of December 31, 2018:

Assets	CNBV Accounting criteria as of <u>December 31, 2018</u>	IFRS adjustments	Reclassifications	IFRS as of <u>December 31, 2018</u>
Current assets				
Cash and cash equivalents	\$ 376,186	\$	\$ 3,906,088 (1a)(1b)	\$ 4,282,274
Investments in securities	3,530,359		(3,530,359) (1a)	-
Loan portfolio, net	8,423,873	13,798,702 (3a)(3b)(4)	(3,034,750) (7)	19,187,825
Derivative financial instruments	5,103,120	(17,539) (2a)	(4,995,398) (2d)	90,183
Other accounts payable, net	4,297,780	(4,802,683) (3a)	504,903 (7)	-
Other current assets		494,386 (3b)	(192,419) (7)	301,967
Recoverable Income Tax			63,948	63,948
	<u>21,731,318</u>	<u>9,472,866</u>	<u>(7,277,987)</u>	<u>23,926,197</u>
Non-current assets held for sale	692,067	138,904 (9)	-	830,971
Loan portfolio, net	-	25,008,204 (3a)	-	25,008,204
Property, plant and equipment, net	40,680,441	(39,494,625) (3a)(5)	(289,407)	896,409
Investment properties	-	-	168,300	168,300
Intangible assets	-	-	121,107	121,107
Derivative financial instruments	-	(236,508) (2a)	4,997,883 (2d)	4,761,375
Permanent investments	75,441	-	(75,441)	-
Deferred taxes	2,328,539	2,651,579 (10)	-	4,980,118
Deferred charges, prepayments and intangible assets	2,276,334	(2,219,678) (3b)(6a)	(56,656) (7)	-
Other non-current assets	5,518	-	69,923	75,441
Total non-current assets	<u>45,366,273</u>	<u>(14,291,028)</u>	<u>4,935,708</u>	<u>36,010,954</u>
Total assets	<u>\$ 67,789,658</u>	<u>(\$ 4,679,257)</u>	<u>(\$ 2,342,279)</u>	<u>\$ 60,768,123</u>
Liabilities and Stockholders' equity				
Liabilities				
Current liabilities				
Bank loans	\$ 8,391,781	\$ -	\$ 27,554	\$ 8,419,335
Suppliers	2,677,621	-	(2,612,272) (7)	65,349
Debt instruments	289,037	-	1,970,433 (6b)	2,259,470
Senior notes	-	-	664,765 (6b)	664,765
Taxes payable	108,220	-	(108,220)	-
Other accounts payable	501,991	818,042 (5)(2c)	(210,118) (5)	1,109,915
Derivative financial instruments	-	2,039 (2a)	2,484 (2d)	4,523
Total current liabilities	<u>11,968,650</u>	<u>820,081</u>	<u>(265,374)</u>	<u>12,523,357</u>
Non-current liabilities				
Bank loans	4,081,189	(77,059) (6a)	(27,554)	3,976,576
Debt instruments	38,056,606	(310,957) (6a)	(24,586,915) (6b)(1b)	13,158,734
Senior notes	-	(1,053,558) (6a)	22,327,446 (6b)	21,273,888
Deferred loans and advance collections	692,073	(692,073) (3b)	-	-
Other accounts payable	-	-	210,118 (5)	210,118
Total non-current liabilities	<u>42,829,868</u>	<u>(2,133,647)</u>	<u>(2,076,905)</u>	<u>38,619,316</u>
Total liabilities	<u>54,798,518</u>	<u>(1,313,567)</u>	<u>(2,342,279)</u>	<u>51,142,673</u>
Stockholders' equity				
Capital stock	957,774	-	468	958,242
Retained earnings	2,695,105	(2,208,622) (3a)(4)(6a)(9)(10)	2,311	488,794
Net income/(loss)	1,923,919	58,684	(102)	1,982,501
Share premium	1,935,900	-	-	1,935,900
Perpetual notes	4,531,330	-	-	4,531,330
Other accumulated comprehensive income	670,373	(1,215,752) (2a)(2b)(2c)	-	(545,379)
Non-controlling interest	2,677	-	(2,677)	-
Legal reserve	274,062	-	-	274,062
Total Stockholders' Equity	<u>12,991,140</u>	<u>(3,365,690)</u>	<u>-</u>	<u>9,625,450</u>
Total Liabilities and Stockholders' Equity	<u>\$ 67,789,658</u>	<u>(\$ 4,679,257)</u>	<u>(\$ 2,342,279)</u>	<u>\$ 60,768,123</u>

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

3. Consolidated Statement of Comprehensive Income from January 1 to December 31, 2018:

	CNBV Accounting criteria as of December 31, 2018	IFRS adjustments	Reclassifications	IFRS as of December 31, 2018
Operating lease income	\$ 14,761,002	(\$14,761,002)(3a)	\$ -	\$ -
Interest income	2,587,574	-	(2,587,574) (8)	-
Interest income from leases	-	6,612,350 (3a)	(23,449) (8)	6,588,901
Interest income from factoring	-	-	414,187 (8)	414,187
Interest income from car loans	-	-	309,420 (8)	309,420
Interest Other loans	-	-	1,305,402 (8)	1,305,402
Other lease benefits	1,595,730	-	(1,486,691) (8)	109,039
Depreciation of operating lease assets	(8,005,085)	7,946,463 (3a)	58,622 (8)	-
Interest expenses	(5,514,552)	20,845 (2b)(2c) (6a)	(18,711) (8)	(5,512,418)
Other lease expenses	(1,619,179)	-	1,619,179 (8)	-
Financial margin	3,805,490	(181,344)	(409,615)	3,214,531
Allowance for expected credit losses	250,635	77,141 (4)	-	327,776
Financial margin adjusted to credit losses	3,554,855	(258,485)	(409,615)	2,886,755
Commissions and fees paid	(43,100)	-	43,100 (8)	-
Exchange gains	-	-	715,520 (8)	715,520
Exchange losses	-	-	(484,235) (8)	(484,235)
Other operating income, net	25,933	140,877 (9)	224,930 (8)	391,740
Other expenses (products)	-	-	(31,078) (8)	(31,078)
Administration and promotion expenses	(1,091,911)	-	(58,622) (8)	(1,150,533)
	(1,109,078)	140,877	409,615	(558,586)
Operating profit	2,445,777	(117,608)	-	2,328,169
Income from associates	36,209	-	-	36,209
Profit before profits tax	2,481,986	(117,608)	-	2,364,378
Income tax payable	1,168,197	-	-	1,168,197
Deferred Income Tax	(610,028)	(176,292) (10)	-	(786,320)
Income Tax expense	558,169	(176,292)	-	381,877
Consolidated net income	\$ 1,923,817	\$ 58,684	\$ -	\$ 1,982,501

1) Investments in securities

- a) The Company holds investments in securities in banking institutions. For CNBV accounting criteria, the Company classified Investments in securities considering the underlying securities on which the Bank supports the investment. They included debt securities and principal with high liquidity and with maturities of less than five days. As of the date of adoption of IFRS, balances as of January 1 and December 31, 2018 amounting to \$2,238,172 and \$3,530,359, respectively, have been reclassified as cash equivalents based on their nature.
- b) As of December 31, 2018, the Company had rights to received excess assets of trusts for \$375,729 required for payment of principal on its debt instruments issued. At the date of adoption of IFRS, the Company reclassified its debt instruments from liabilities to cash and cash equivalents, for they were still under the Company's control and administration.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

2) Derivative financial instruments.

- a) For CNBV accounting criteria, the fair value measurement of over-the-counter (“OTC”) derivatives was provided by a price vendor authorized by the CNBV. For IFRS purposes, the fair value measurement considers the counterparty credit risk and the Company's own credit risk. Therefore, the net fair value disclosed in assets for derivative financial instruments as of January 1 and December 31, 2018, was adjusted to \$214,907 (including \$208,477 in non-current) and \$256,086 (including \$236,508 in non-current assets and \$2,039 in current liabilities) respectively, and a decrease in Other comprehensive income (Hedging derivative financial instruments) within Stockholders' equity amounting to \$214,907 and \$256,085 as of January 1 and December 31, 2018, respectively.
- b) For CNBV accounting criteria, certain derivative financial instruments positions qualified for hedge accounting in accordance with their economic nature. Under IFRS, some derivative financial instruments were classified as held for trading since they do not meet all hedging documentation requirements determined by IFRS. The effect on Other Comprehensive Income as of January 1, 2018 was a charge of \$34,991 and \$98,829 to interest expenses, in the consolidated Statement of Income for the year ended December 31, 2018.
- c) Over 2018, the Company entered into Foreign exchange option contracts (Call Spread) for \$1,073,740, recognised in accordance with CNBV accounting criteria as part of the derivative financial instrument fair value. Under IFRS, the accounting treatment requires to present it as a liability and to measure it at amortised cost; as of December 31, 2018, the amount pending amortisation recorded in Other accounts payable is \$803,350. The effect on the Statement of Comprehensive Income for the year ended December 31 was a charge of \$270,390 to interest expenses. In addition, the Company carried in other accounts payable outstanding commissions for \$251,939 for derivative contracts; under IFRS, these commissions must be included in the fair value of the derivative financial instrument.
- d) According to the accounting criteria, the position of derivative financial instruments was disclosed net, in the Balance Sheet. Subsequent to the adoption of IFRS, it is required to disclose the position of derivative financial instruments within current or non-current assets and liabilities, as applicable; consequently, the Company has reclassified to non-current assets \$4,508,964 and \$4,997,883 as of January 1 and December 31, 2018, respectively, and \$2,485, to current liabilities as of December 31, 2018.

3) Classification of leases as lessor and Accounts and notes receivable.

- a) Following CNBV accounting criteria, the Company classifies its lease agreements as operating leases. Under the operating lease accounting model, the Company recognised the fixed asset, its corresponding depreciation and impairments tests, as well as uncollected lease rents recognised in Other accounts receivable in the Balance Sheet, and the straight line lease income over the term of the agreement in the Statement of Income.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

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 benefits are transferred to the lessee with the transfer of the asset. As a result, the accounting model required recording an account receivable for the net investment in the finance lease agreement, further measured at amortised cost based on the effective interest rate method (implicit interest rate) and the recognition of the financial asset in the Statement of Income.

In view of the above, leased property, machinery and equipment (fixed assets) for \$31,637,297 and \$39,744,237 as of January 1 and December 31, 2018, respectively, and Other accounts receivable for \$5,057,161 and \$4,802,683 as of January 1 and December 31, 2018, respectively, were derecognised from the Balance Sheet in order to recognise an account receivable for an amount equal to the net lease investment for \$32,304,389 (\$19,201,240, as non-current assets) and \$39,200,907 (\$25,008,204, as non-current assets) as of January 1 and December 31, 2018, respectively. In addition, for the purposes of the Statement of Income for the year ended December 31, 2018, the Company recognised a financial income for \$6,612,350 based on a pattern that reflected a constant periodic rate of return on the net investment in each finance lease agreement (implicit interest rate) and derecognised the depreciation expenses of the derecognized leased assets for \$7,946,463 and lease income for \$14,761,002 recorded under the straight-line method, as these two items are no longer required under the IFRS model. The cumulative effects derived from this change as of January 1, 2018 were \$4,390,069, which were recorded as an adjustment to retained earnings.

- b) As a result of the adoption of IFRS, commissions paid recorded under Other assets for \$322,382 and \$494,386 as of January 1 and December 31, 2018, respectively, financed insurance recorded under Deferred charges for \$295,886 and \$281,206 as of January 1 and December 31, 2018, respectively, and the opening fees for \$697,277 and \$692,073 as of January 1 and December 31, 2018, respectively, recorded in liabilities, were considered within Accounts receivable as part of the net investment described in paragraph a) above.
- c) The Company classified as operating leases a few contracts where the risks and benefits from the leased assets were not substantially transferred, with no significant changes in the accounting recognition model.

4) Allowance for impairment losses of accounts and notes receivable.

For CNBV criteria, impairment was determined for the Company's loan portfolio (Accounts receivable under IFRS) based on an internal model whereby the Company classified its clients considering their total exposure balance as of the determination date and its classification as performing loan portfolio and non-performing loan portfolio.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

Upon IFRS adoption, the Company applied the requirement of IFRS 9, which established that Accounts receivable are assessed periodically recognising impairments based on an expected credit loss model, to identify the risk stage, exposure to default, probability of default and lost given default for each client. As a result, the allowance for expected credit losses of accounts and notes receivable increased by \$316,950 and \$394,001 as of January 1 and December 31, 2018.

The net effect of the adoption of the expected credit loss model on the consolidated Statement of Income for the year ended December 31, 2018 was a charge to income for \$77,141.

5) Recognition of leases as lessee.

Under CNBV criteria, the Company classifies its lease agreements as lessee as operating lease, recognising unpaid lease rents in accounts payable within the Balance Sheet and the accumulated expense for the lease rents in the Statement of Income. Under IFRS 16 - Leases, the Company recognised a right-of-use asset amounting to \$15,150 and \$249,612 as of January 1 and December 31, 2018, respectively, under Property, furniture and equipment, and a liability in Other accounts payable representing the obligation to make lease payments for \$15,688 and \$266,628 (\$210,118 in the non-current liabilities) as of January 1, and December 31, 2018, respectively. An impact of \$537 was recognised in retained earnings as of January 1, 2018, and an impact of \$17,016, in the Company's results for the year ended December 31, 2018.

6) Financial liabilities valued at amortised cost

- a) Under CNBV criteria, bank loans, debt instruments and senior notes were recognised at its contract value, recognising interest in profit or loss as accrued. Issuance expenses incurred were initially recorded in Other Assets as deferred charges, and recognised in income for the year as interest expense on a straight-line basis over the term of the obligations that originated them. According to IFRS, these instruments are classified as financial liabilities initially recognised at fair value, net of transaction costs incurred, and measured subsequently at amortised cost applying the effective interest rate method. The effects of adoption on the consolidated Statement of Financial Position were the derecognition of issuance expenses recorded under Other Assets as deferred charges for \$1,629,254 and \$1,444,086 as of January 1 and December 31, 2018, respectively, and the contractual net value recorded under liabilities was adjusted by \$97,009 and \$2,512 as of January 1 and December 31, 2018, respectively, to reflect measurement at amortised cost. In the consolidated Statement of Income for the year ended December 31, 2018 interest expense was adjusted by \$146,544 to reflect measurement of financial liabilities at amortised cost. The cumulative effect as of January 1, 2018 derived from the change in measurement was \$97,009, which were recorded under retained earnings.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

- b) Senior promissory notes issued in foreign markets (Senior Notes) were formerly disclosed within Debt securities, together with the debt instruments issued by the Company on the Mexican Stock Exchange, as per the Balance Sheet format required by accounting criteria. The Company has disclosed the Senior Notes separately, by reclassifying \$16,473,966 (including \$16,454,223, as non-current liabilities) and \$22,703,174 (including \$22,327,446, as non-current liabilities) as of January 1 and December 31, 2018, because these instruments have features specific to debt instruments issued on the Mexican Stock Exchange and represent one of the most important funding procedures for the Company.

7) Reclassifications of accounts payable

Under CNBV criteria, commitment agreements to grant a leased asset were recognised as a liability given the obligation to acquire the asset to be leased and an account receivable (Other accounts receivable) for the economic benefits arising from the committed lease. Under IFRS, these benefits and obligations are recognised until the lessor makes the asset available to the lessee. In view of the above, the Company reclassified to Other Accounts Receivable the accounts payable (suppliers) for \$1,842,741 and \$2,612,272 as of January 1 and December 31, 2018, respectively.

8) Presentation of the Statement of Income.

Under IFRS, the consolidated Statement of Income is to be presented with a structure containing minimum sections and accounts, using a classification based on the nature of expenses or their function within the Company, whichever provides more relevant and reliable information to the users of the financial statements. The Company has opted for a classification of expenses by function and therefore it has reclassified the accounts and sections originally included in the consolidated Statement of Income for the year ended December 31, 2018 to adopt IFRS model financial statements.

9) Impairment losses of assets held for sale.

Under CNBV accounting criteria, foreclosed assets recognised an allowance for indications of impairment losses based on reserve percentages prescribed by the CNBV. For IFRS purposes, these assets are classified as Non-current assets held for sale and the Company determines an impairment based on the comparison between the fair value less costs to sell and their book value (the lower). In view of the foregoing, the Company adjusted these assets by \$80,273 and \$138,905 as of January 1 and December 31, 2018. Retained earnings amounted to \$80,273 as of January 1, 2018 and the results for the year ended December 31, 2018, to \$58,632.

10) Deferred Income Tax

As a result of the adjustments described in this Note, the carrying amounts that served as a basis for recalculating the cumulative temporary differences deductible from deferred Income Tax were adjusted by \$2,198,283 and \$2,651,579 as of January 1 and December 31, 2018, respectively, and by \$176,292 in the Statement of Income for the year ended December 31, 2018.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements as of December 31, 2019 and 2018 and January 1, 2018, and for the years ended December 31, 2019 and 2018

The adjustments and reclassifications described in the preceding sections represent the major effects on transition to IFRS. There were other adjustments and reclassifications that did not impact significantly on the presentation of the financial statements as a whole as of January 1 and December 31, 2018, or of the Statement of Income for the year ended December 31, 2018.

Note 20 - Subsequent events:

On March 11, 2020, the World Health Organization (WHO) declared the new COVID-19 a pandemic. This situation has precipitated a worsening global economic crisis since the exponential spread of the virus has forced the authorities in all countries to apply increasingly restrictive measures, affecting personal and working life of millions of people, with an evident impact on industries and trade.

On March 30, 2020, the General Health Council published an announcement in the Federal Official Gazette declaring the COVID-19 pandemic a sanitary emergency in Mexico by reason of force majeure.

There is uncertainty regarding the development of this health crisis and how long it will take, and regarding the direct and indirect effects of the coronavirus outbreak on the global economy, the markets and the Company customers. The Company cannot predict the possible direct or indirect impact of coronavirus in the future; however, the Company is taking sufficient and effective support measures for its customers with a view to its business continuity and recovery of its loan portfolio, and to avoid significant negative effects on the placement of new contracts with customers and the placement of new lines of credit to mitigate the impact on its financial position. Although at present the Company considers it unlikely, the coronavirus disease might have materially adverse effects on the results of its operations in the future.

Furthermore, the fall in the oil prices initially caused by the conflict between Russia and Saudi Arabia when the latter agreed to increase production of barrels, in addition to the COVID-19 outbreak, has reduced demand for crude oil as people have suspended travel and the countries were forced to lower their level of economic activity. The Mexican oil mix price fell by 84.80% between December 31, 2019 and April 24, 2020, from US 56.14 to US 8.53 per barrel. As mentioned in Note 9, the Company has acquired an asset related to the oil industry, with a market interested in using this type of assets, which might be affected by the above-mentioned circumstances. At the date of the financial statements, Management is evaluating options to formalize a transaction with a participant in the oil industry in Mexico.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

**Condensed Unaudited Consolidated Interim Financial Statements
as of September 30, 2020, December 31, 2019, and for the nine-
month periods ended September 30, 2020 and 2019**

Unifin Financiera, S. A. B. de C. V. and subsidiaries

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Unifin Financiera, S. A. B. de C. V. and subsidiaries

Condensed Consolidated Interim Statements of Financial Position

		<i>Thousands of Mexican Pesos</i>	
Assets:	<u>Note</u>	September 30, 2020 (Unaudited)	December 31, 2019
Current assets			
Cash and cash equivalents		\$ 3,001,429	\$ 3,831,330
Accounts and notes receivable, net	3	27,299,538	27,797,479
Derivative financial instruments	4	982,865	66,176
Other current assets		207,218	97,134
Recoverable Income Tax		-	634,663
Total current assets		<u>31,491,050</u>	<u>32,426,782</u>
Non-current assets held for sale		1,372,342	1,384,358
Non-current assets			
Accounts and notes receivable, net	3	35,803,545	29,513,381
Property, plant and equipment, net	5	6,066,778	6,435,531
Investment properties		684,238	250,190
Intangible assets		129,035	110,054
Derivative financial instruments	4	5,555,536	4,909,667
Deferred taxes	2	3,418,512	3,657,037
Other non-current assets		344,523	93,308
Total non-current assets		<u>52,002,167</u>	<u>44,969,168</u>
Total assets		<u>\$ 84,865,559</u>	<u>\$ 78,780,308</u>
Liabilities:			
Short-term liabilities			
Bank loans	6	\$ 15,153,091	\$ 8,432,249
Debt instruments	7	4,823,812	4,437,736
Senior notes	7	279,501	1,020,712
Suppliers and other accounts payable		744,940	1,816,870
Tax Income Payable		38,703	-
Derivative financial instruments	4	1,508,875	1,330,321
Total short-term liabilities		<u>22,548,922</u>	<u>17,037,888</u>
Long-term liabilities			
Bank loans	6	4,174,565	6,234,794
Debt instruments	7	6,689,237	10,197,836
Senior notes	7	38,205,125	32,611,250
Derivative financial instruments	4	440,793	1,645,988
Other accounts payable		220,974	153,280
Total long-term liabilities		<u>49,730,694</u>	<u>50,843,148</u>
Total liabilities		<u>72,279,616</u>	<u>67,881,036</u>
Stockholders' equity:			
Capital stock	8	1,083,902	958,242
Premium on issuance of shares	8	3,949,303	1,935,900
Legal reserve		274,062	274,062
Treasury stock	8	(1,082,922)	(1,325,054)
Perpetual notes		4,531,330	4,531,330
Retained earnings		4,142,949	3,670,481
Hedging derivative financial instruments	4	(2,639,375)	(1,524,723)
Asset revaluation surplus	5	2,326,694	2,379,034
Total Stockholders' Equity		<u>12,585,943</u>	<u>10,899,272</u>
Total Liabilities and Stockholders' Equity		<u>\$ 84,865,559</u>	<u>\$ 78,780,308</u>

The above Condensed Consolidated Interim Statements of Financial Position should be read in conjunction with the accompanying notes

Sergio José Camacho Carmona
Chief Executive Officer

Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Condensed Unaudited Consolidated Interim Statements of Income

Thousands of Mexican Pesos, except for earnings per share

	For the nine-month period ended September 30, <u>2020</u>	For the nine-month period ended September 30, <u>2019</u>
Interest income from leasing	\$ 6,435,040	\$ 5,912,596
Interest income from factoring	311,118	407,084
Interest income from car loans	347,225	342,459
Interest on other loans	1,053,644	812,896
Other lease benefits	<u>187,500</u>	<u>386,578</u>
Total income	<u>8,334,527</u>	<u>7,861,613</u>
Interest expense	5,204,850	5,135,646
Depreciation of leased assets	27,129	-
Allowance for expected credit losses of accounts and notes receivable (Note 3)	<u>1,149,745</u>	<u>154,268</u>
Total cost	<u>6,381,724</u>	<u>5,289,914</u>
Gross margin	<u>1,952,803</u>	<u>2,571,699</u>
Exchange gains	(8,189,291)	(387,250)
Exchange losses	7,728,357	368,594
Other expenses (income)	44,647	(87,197)
Interest from Investment and commissions	(215,330)	(196,455)
Administrative and promotion expenses	<u>1,267,808</u>	<u>1,167,781</u>
	<u>636,191</u>	<u>865,473</u>
Profit before income from associated companies	1,316,612	1,706,226
Income from associates	<u>18,207</u>	<u>24,334</u>
Profit before Income Tax	1,334,819	1,730,560
Income tax expenses (Note 2)	<u>276,402</u>	<u>332,716</u>
Consolidated net income	<u>\$ 1,058,417</u>	<u>\$ 1,397,844</u>
Basic and diluted earnings per share	<u>\$ 3.27</u>	<u>\$ 4.26</u>

The above Condensed Consolidated Interim Statement of Income should be read in conjunction with the accompanying notes

Sergio José Camacho Carmona
Chief Executive Officer

Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Condensed Unaudited Consolidated Interim Statements of Other Comprehensive Income

Thousands of Mexican Pesos

	For the nine-month period ended September 30 <u>2020</u>	For the nine-month period ended September 30 <u>2019</u>
Consolidated net income	\$ 1,058,417	\$ 1,397,844
Items that may be reclassified to profit or (loss):		
Changes in the effective portion of the fair value of cash flow hedges (Note 4)	(1,114,652)	(470,248)
Asset revaluation surplus depreciation	(52,341)	-
Deferred income tax associated with the Valuation of certain hedging IFD	<u>(85,273)</u>	<u>(26,610)</u>
Other comprehensive income for the period, net of tax	<u>(1,252,266)</u>	<u>(496,858)</u>
Comprehensive income for the period	<u>\$ (193,849)</u>	<u>\$ 900,986</u>

The above Condensed Consolidated Interim Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes

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Unifin Financiera, S. A. B. de C. V. and subsidiaries

Condensed Unaudited Consolidated Interim Statements of Changes in Stockholders' equity

Thousands of Mexican Pesos

	Stockholders' equity								
	Stock	Premium on Capital of shares	issuance reserve	Treasury Stock	Perpetual notes	Retained earnings	Derivative Financial instruments	Asset revaluation surplus	Hedging Stockholders' equity
Balances as of January 1, 2019	\$ 958,242	\$ 1,935,900	\$ 274,062	\$ -	\$ 4,531,330	\$ 2,471,295	\$ (545,379)	\$ -	\$ 9,625,450
Transactions with stockholders in their capacity as such:									
Dividend declared	-	-	-	-	-	(328,967)	-	-	(328,967)
Dividend declared to - Perpetual Note holders	-	-	-	-	-	(411,447)	-	-	(411,447)
	-	-	-	-	-	(740,414)	-	-	(740,414)
Transactions other than stockholders in their capacity as such:									
Loss on cash flow hedge derivatives	-	-	-	-	-	-	(470,248)	-	(470,248)
Consolidated net income	-	-	-	-	-	1,397,844	-	-	1,397,844
	-	-	-	-	-	1,397,844	(470,248)	-	927,596
Balance as of September 30, 2019	<u>\$ 958,242</u>	<u>\$ 1,935,900</u>	<u>\$ 274,062</u>	<u>\$ -</u>	<u>\$ 4,531,330</u>	<u>\$ 3,128,725</u>	<u>\$ (1,015,627)</u>	<u>\$ -</u>	<u>\$ 9,812,632</u>
Balance as of January 1, 2020	\$ 958,242	\$ 1,935,900	\$ 274,062	\$ (1,325,054)	\$ 4,531,330	\$3,670,481	\$ (1,524,723)	\$ 2,379,034	\$ 10,899,272
Transactions with stockholders in their capacity as such:									
Repurchase of shares (Note 8)	-	-	-	(69,708)	-	-	-	-	(69,708)
Treasury Stock decrease (Note 8)	(311,840)	-	-	311,840	-	-	-	-	-
Contribution of equity, net of transaction cost (Note 8)	437,500	2,013,403	-	-	-	-	-	-	2,450,903
Asset revaluation surplus depreciation	-	-	-	-	-	-	-	(52,340)	(52,340)
Declaration of dividends to Perpetual Note holders	-	-	-	-	-	(585,949)	-	-	(585,949)
	125,660	2,013,403	-	242,132	-	(585,949)	-	(52,340)	1,742,906
Transactions other than stockholders in their capacity as such:									
Loss on cash flow hedge derivatives	-	-	-	-	-	-	(1,114,652)	-	(1,114,652)
Consolidated net income	-	-	-	-	-	1,058,417	-	-	1,058,416
	-	-	-	-	-	1,058,417	(1,114,652)	-	(56,236)
Balances as of September 30, 2020	<u>\$1,083,902</u>	<u>\$ 3,949,303</u>	<u>\$ 274,062</u>	<u>\$ (1,082,922)</u>	<u>\$ 4,531,330</u>	<u>\$ 4,142,949</u>	<u>\$ (2,639,375)</u>	<u>\$ 2,326,694</u>	<u>\$ 12,585,943</u>

The above Condensed Consolidated interim statement of Changes in Stockholders' equity should be read in conjunction with the accompanying notes

Sergio José Camacho Carmona
Chief Executive Officer

Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Condensed Unaudited Consolidated Interim Statements of Cash Flows

	For the nine-month periods ended September 30,	
	<u>2020</u>	<u>2019</u>
Net profit	\$ 1,058,417	\$ 1,397,844
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization (Note 5)	181,033	92,136
Allowance for expected credit losses (Note 3)	1,149,745	154,268
Gain on sale of equipment, net	30,645	84,951
Income tax expense	276,402	332,716
Interest income	(8,147,027)	(7,475,034)
Interest expense	5,346,593	4,908,513
Foreign exchange gain (loss)	460,934	18,656
Changes in fair value of derivative financial instruments for trading purposes	<u>(141,743)</u>	<u>227,133</u>
	<u>\$ 214,999</u>	<u>\$ (258,817)</u>
Operating activities		
Changes in:		
Accounts and notes receivable, net	(6,988,621)	(9,749,534)
Other non-current assets	573,417	(566,560)
Derivative financial instruments	3,443,719	(1,016,551)
Suppliers	(183,809)	1,464,260
Other accounts payable	(759,251)	1,548,751
Interest paid	(5,281,904)	(4,924,863)
Interest collected	8,013,984	7,238,010
Non-current assets held for sale	12,015	(343,933)
Income Tax paid	<u>827</u>	<u>(945,251)</u>
Net cash flows provided by operating activities	<u>\$ (1,169,623)</u>	<u>\$ (7,295,671)</u>
Investment activities		
Payments for acquisition of property, machinery and equipment	(381,658)	(470,204)
Payments for the acquisition of intangible assets	(18,981)	(17,308)
Payments for the acquisition of subsidiary, net of cash acquired	<u>(300,050)</u>	<u>-</u>
Net cash flows from investing activities	<u>\$ (700,689)</u>	<u>\$ (487,512)</u>
Financing activities	(69,720)	-
Payments to repurchase shares (Note 8)	-	-
Bank loans obtained (Note 6)	14,493,735	6,686,521
Repayment of Back loans (Note 6)	(11,542,396)	(9,435,585)
Proceeds from issuance of Debt instruments	-	2,750,000
Repayment of Debt instruments (Note 9)	(3,191,561)	(2,171,885)
Proceeds from issuance of Senior notes	-	12,565,882
Payment to redeem Senior notes	(666,519)	(164,041)
Dividend paid in cash	(585,949)	(742,442)
Lease office payment	(61,175)	(53,942)
Contribution of equity	<u>2,452,903</u>	<u>-</u>
Cash flows from financing activities	<u>\$ 829,318</u>	<u>\$ 9,434,508</u>
Net (decrease) increase in cash and cash equivalents	(825,995)	1,392,508
Cash and cash equivalents at the beginning of the period	3,831,330	4,282,274
Effect of exchange rate changes on cash and cash equivalents for the period	<u>(3,906)</u>	<u>7,555</u>
Cash and cash equivalents at period-end	<u>\$ 3,001,429</u>	<u>\$ 5,682,337</u>

The above Condensed Consolidated interim Statements of Cash Flows should be read in conjunction with the accompanying notes

Sergio José Camacho Carmona
Chief Executive Officer

Sergio Manuel Cancino Rodríguez
Chief Financial Officer

Luis Xavier Castro López
Corporate Controller

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

Thousands of Mexican Pesos [\$] and foreign currency (except for exchange rates, nominal value, number of securities, shares, earnings per share and oil mix price)

Note 1 - Significant changes in the current reporting period

The novel coronavirus (COVID-19) first identified in Wuhan, China in December 2019 has spread to nearly all regions around the world. In Mexico, the government continues to apply the strategy that includes quarantines, school closures, suspension of all non-essential economic activity, cancellation of public events and strict guidelines on hygiene and personal distancing. All of these measures have contributed to an unprecedented slowdown in the Mexican economy. The pandemic may not be fully contained for an extended period of time, with the re-emergence of widespread infections possible.

During the second and third quarters of 2020, the Company launched a COVID-19 support plan targeted to eligible clients consisting on a new credit. This support plan was offered to clients who were current on their payments and belonged to an industry or type of business affected by the pandemic and reviewed on a case by case basis. The first phase of our COVID-19 Support Plan was offered to 1,205, the amount of the first phase totaled \$1,292 million (US\$57.8 million) for the clients who accepted such plan. The second phase of the COVID-19 Support Plan was offered to 548 clients (including 528 clients that participated in the first phase) consisting in a deferral of maturity term of their agreements of up to 3 months. The deferred payment for the second phase totaled \$602 million (US\$26.9 million) for the clients who accepted such plan. The Support Plans met 99% of compliance over the payment due as of September 30, 2020 totaled \$243 million.

Furthermore, the fall in oil prices initially caused by the conflict between Russia and Saudi Arabia when the latter agreed to increase production of barrels, in addition to the COVID-19 outbreak, has reduced demand for crude oil as people have suspended travel and the countries were forced to lower their level of economic activity. The Mexican oil mix price fell by 33.87% from December 31, 2019 to September 30, 2020, from US 56.14 to US 37.12 per barrel. As mentioned in Note 5, the Company acquired an asset related to the oil industry, the Company has entered into a lease agreement where the Company has the option to renew it or choice a new lessee.

Interest and exchange benchmark rates experienced important fluctuations in 2020 due to such economic slowdown. As of the end of 2019 and September 30, 2020, the 28-day Tasa de Interés Interbancaria de Equilibrio ("TIIE" by its initial in Spanish) was 7.30% and 4.55%, respectively and Mexican peso was \$18.87 MXN/USD to \$22.35, respectively.

The financial position and performance of the Company was particularly affected by the following events and transactions during the nine-month period ended September 30, 2020:

- The account receivables experienced a combined growth of \$5,792,223 or 10.11% in the whole portfolio, included a decrease of \$1,179,602 or 36.2% in factoring receivables as a result of a prudent origination policy on new factoring contracts implemented by the Management in March 2020; as described above the Company launched a Support Plan to qualified clients through the celebration of new loan agreements which totaled \$1,894 million recorded as new credit loans; the Company stepped-up the allowance for expected credit losses of account receivables by \$953,754 as a result of a credit risk increase base on the Company's expected credit losses model (see Note 3), these developments were driven predominately by the reduction of economic activity associated with the novel strain of COVID-19.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

The COVID-19 support plan to leasing clients are considered on an individual customer basis together with the original contracts of lease to evaluate if exists a modification of the expected cash flows of the original contract, because the nature of the plan and benefits to the clients, example to deferral of maturity term of their lease agreements of up to 3 months. When a modification of the expected cash flows of the original contract exist, the accounting effects triggered for the plan, is calculated as the difference in current value of the original and modified cash flows, both discounted at the effective interest rate of the original operation. Based on the number of leasing clients that took the plan, the effects have not a material impact to the Company.

- The Company entered into new bank loan agreements totaling \$6,109,364 (\$273 million dollars) to fund Company's operations (see Note 6).
- An increase of net position on Derivative financial instruments of \$2,589,200 as a result of market moves on interest and exchange benchmark rates as of September 30, 2020 and the decrease of \$488,184 in bank loan market value and increase of \$724,183 and \$2,353,201 market value in Debt instruments and Senior notes, respectively (see Note 4).
- The Recoverable Income Tax balance of \$634,663 was used to pay the monthly advance income tax payments corresponding to the 2020 fiscal year.
- Suppliers and other accounts payable decreased \$965,533 due to a lower portfolio origination caused by slowdown in local economy compared to December 31, 2019. And the employee benefits liabilities of the acquired Companies.
- An amortization of Debt Instruments in the form of stock structures by \$3,191,561 under the terms and conditions of the Trustee Programs (see note 7).
- The change in Senior Notes was mainly driven by the notes redemption of \$904,315 (see note 7) and increase derived from valuation due to Peso depreciation of \$3.48 MXN per \$1USD in the nine-month period; the Peso depreciation also generated an important fluctuation in the exchange gain and loss within Condensed Unaudited Consolidated Interim Statements of Income.
- A decrease of \$311,840 (7,500,000 of shares) in Company's capital stock derived from its repurchase program (see note 8).
- An increase of \$2,520,000 (140,000,000 new shares) resulted in \$2,013,403 (Net of registration expenses of \$69,097) of Premium of capital of shares and \$437,500 of Capital stock (see Note 8).

Note 2 - Basis of preparation:

i. Statement of compliance

The accompanying Condensed Unaudited Consolidated Interim Financial Statements of the Company are prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). Certain financial information, which is normally included in Annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards ('IFRS') but not required for interim reporting purposes, has been condensed or omitted. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2019 and any public announcements made by the Company during the interim reporting period. For the comparative

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

numbers, the accounting policies applied are the same as those applied by the Company in its Consolidated Audited Financial Statements for the year ended December 31, 2019 except the Business combination and rebalancing of hedged derivatives as explained in section 'Standards effective in the current period a new accounting policies.

ii. Authorization of Financial Statements

The issuance of these Condensed Unaudited Consolidated Financial Statements and their notes as of September 30, 2020, December 31, 2019 and for the periods ended September 30, 2020 and 2019, were authorized on January 20, 2021 by Sergio José Camacho Carmona, Chief Executive Officer, Sergio Manuel Cancino Rodríguez, Chief Finance Officer and Luis Xavier Castro López, Corporate Controller.

iii. Use of judgments and estimates

In preparing these Condensed Unaudited Consolidated Interim Financial Statements, Management has made judgments 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 judgments are reviewed on an ongoing basis, according to past experience and other factors, including the probability of occurrence of future events that are considered reasonable in the circumstances.

- Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the Condensed Unaudited Consolidated Interim Financial Statements is consistent with those applied by the Company in its Consolidated Financial Statements for the year ended December 31, 2019 as follow:

- Lease classification

Based on the technical assessments performed on the characteristics of lease agreements established by the accounting lease standard, agreements were classified as financial or operational lease, to identify who maintains the risks and benefits associated to the leased asset. It was concluded that, substantially, all risks and benefits are transferred to the lessee. See Note 3.

- Assumptions and estimates uncertainties

Information about assumptions and estimates uncertainties as of September 30, 2020 that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial year is consistent with those applied by the Company in its Consolidated Financial Statements for the year ended December 31, 2019 as follows:

- Impairment estimates required by IFRS 9, Financial Instruments.

- Revaluation surplus.

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

Income tax

Income tax expense is recognised based on management'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 2019 is 21%, compared to 21% and 24% for the nine months ended September 30, 2020 and 2019, respectively. The tax rate was lower in 2019 due to the recognition of previously unrecognised carried forward tax losses.

a. Standards effective in the current period a new accounting policies

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting, and
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Company also elected to adopt the Interest Rate Benchmark Reform amendment: The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present. No changes were required to any of the amounts recognised in the current or prior period as a result of these amendments.

The Company has applied the following accounting policies for the first time for the reporting periods commencing January 1, 2020

Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Company
- Fair value of any asset or liability resulting from a contingent consideration arrangement, and

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- Consideration transferred,
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Rebalancing hedging derivative financial instruments see Note 4.

Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those profits through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. until the date on which control over the subsidiary ceases.

Intercompany transactions, balances and unrealised gains on transactions between the consolidated companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset.

Non-controlling interest in subsidiaries' profit or loss and equity is not representative and, therefore, it is not disclosed separately.

The Condensed Unaudited Consolidated Interim Financial Statements include balances of the Company and its subsidiaries as of September 30, 2020 and December 31, 2019 in which the Company has control as follows:

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

<u>Entity</u>	<u>Activity</u>	<u>Interest %</u>	
		September 30, <u>2020</u>	December 31, <u>2019</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.	Buy car sales	99.99	99.99
Inversiones Inmobiliarias Industriales, S. A. P. I. de C. V.	Leasing	94.08	94.08
Unifin Servicios Administrativos, S. A. de C. V. (1)	Employee services	99.99	-
Unifin Administración Corporativa, S. A. de C. V. (1)	Employee services	99.99	-
Soporte Impulsa, S. A. P. I. de C. V. SOFOM ENR. (1)	Services	49.00	-
Fideicomisos de emisión de Certificados Bursátiles (Entidades estructuradas)	Financial structures	100.00	100.00

(1) See Business combination in 2020 description

Business combination in 2020

In August 2020 the Company acquired 99.9% of the issued share capital of Unifin Servicios Administrativos, S. A. de C. V. ("USA") and Unifin Administración Corporativa, S. A. de C. V. ("UAC"); and 49% of the issued share capital of Soporte Impulsa, S. A. P. I. de C. V. SOFOM ("Soporte"). The Company assessed the acquisition base on IFRS 3 – Business combinations which provide elements for the identification of a business combination and the definition of a business. The main factors evaluated were, (i) consideration paid, (ii) if liabilities were incurred, (iii) if equity holdings were issued and (iv) if the company becomes a subsidiary.

The purpose of the acquisition was to consolidate the Company as a strong and independent group, equipped with the necessary resources for the continuity and increase of the operation in market. Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

Purchase consideration:	USA	UAC	Soporte	Total
Cash paid	\$ 150,003	\$ 150,003	\$ 50	\$300,506

The estimated goodwill recorded in the Condensed Unaudited Consolidated Interim financial statement attributable to the high profitability of the acquired entities was \$266,592 and will not be deductible for tax purposes. The fair value of the acquired entities is in review process.

There were no acquisitions in the year ending December 31, 2019.

Note 3 - Accounts and notes receivable:

As of September 30, 2020, and December 31, 2019, accounts and notes receivable are made up as follows:

	September 30 <u>2020</u>	December 31 <u>2019</u>
<u>Short-term accounts and notes receivable</u>		
Leases	\$ 19,076,309	\$ 16,478,851
Financial factoring	2,076,146	3,255,748

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

Car consumer loans	33,017	36,383
Car commercial loans	1,251,661	1,114,669
Other loans	<u>5,633,860</u>	<u>7,229,593</u>
Subtotal	28,070,993	28,115,244
Allowance for expected credit losses	<u>771,455</u>	<u>317,765</u>
Short-term subtotal	<u>27,299,538</u>	<u>27,797,479</u>
<u>Long-term accounts and notes receivable</u>		
Leases	29,869,644	26,503,369
Car consumer loans	25,405	35,785
Car commercial loans	1,410,980	1,708,210
Other loans	<u>5,980,055</u>	<u>2,248,492</u>
Subtotal	37,286,084	30,495,856
Allowance for expected credit losses	<u>1,482,539</u>	<u>982,475</u>
Long-term subtotal	<u>35,803,545</u>	<u>29,513,381</u>
Total Accounts and notes receivable, net	<u>\$ 63,103,083</u>	<u>\$ 57,310,860</u>

The following is a breakdown of the allowance for doubtful accounts and notes receivable balances by stages:

Leases:

Stage	September 30, 2020			December 31, 2019		
	Balance	Allowance for doubtful accounts and notes receivable	% Allowance for doubtful accounts and notes receivable	Balance	Allowance for doubtful accounts and notes receivable	% Allowance for doubtful accounts and notes receivable
1	\$ 38,875,578	\$ 594,310	1.53%	\$ 36,495,271	\$ 151,013	0.41%
2	7,301,796	317,981	4.35%	4,541,116	321,751	7.09%
3	<u>2,768,579</u>	<u>758,775</u>	27.41%	<u>1,945,833</u>	<u>620,540</u>	31.89%
	<u>\$ 48,945,953</u>	<u>\$ 1,671,066</u>		<u>\$ 42,982,220</u>	<u>\$ 1,093,304</u>	

The slowdown in local economy caused by the COVID-19 pandemic brought client payment delays in various sectors of the economy, our stage 1 and 2 allowance increased as a result of this increase in the credit risk exposure.

Financial factoring

Stage	September 30, 2020			December 31, 2019		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
Non-defaulting	\$ 1,862,344	\$ 46,276	2.48%	\$ 3,160,247	\$ 65,433	2.07%
Defaulting	<u>213,802</u>	<u>213,802</u>	100%	<u>95,501</u>	<u>35,181</u>	36.84%
	<u>\$ 2,076,146</u>	<u>\$ 260,078</u>		<u>\$ 3,255,748</u>	<u>\$ 100,614</u>	

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On March 21, 2020, due to the macroeconomic environment affecting our clients and prospects and according to current Risk Management policies, the Company implemented a preventive internal strategy to limit the origination of factoring contracts. This strategy mainly pursues the containment of the Company's exposure to our factoring business line. Despite the aforementioned, existing clients which kept payments up-to-date were able to renew their factoring lines with the Company.

Car commercial loans

Stage	September 30, 2020			December 31, 2019		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	\$ 2,493,071	\$ 13,490	0.54%	\$ 2,727,746	\$ 2,375	0.09%
2	30,546	4,580	14.99%	41,346	10,786	26.09%
3	139,024	139,024	100%	53,787	53,781	99.99%
	<u>\$ 2,662,641</u>	<u>\$ 157,094</u>		<u>\$ 2,822,879</u>	<u>\$ 66,942</u>	

Car consumer loans

Stage	September 30, 2020			December 31, 2019		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	\$ 36,315	\$ 124	0.34%	\$ 63,712	\$ 367	0.58%
2	4,038	465	11.52%	585	49	8.38%
3	18,069	18,069	100%	7,871	6,126	77.83%
	<u>\$ 58,422</u>	<u>\$ 18,658</u>		<u>\$ 72,168</u>	<u>\$ 6,542</u>	

Other loans

Stage	September 30, 2020			December 31, 2019		
	Balance	Allowance for expected credit losses	% Allowance for expected credit losses	Balance	Allowance for expected credit losses	% Allowance for expected credit losses
1	<u>\$ 11,613,915</u>	<u>\$ 147,098</u>	1.27%	<u>\$ 9,478,085</u>	<u>\$ 32,838</u>	0.35%

Allowance for expected credit losses of accounts and notes receivable

As of September 30, 2020 and December 31, 2019, the movements of the allowance recognised in the Condensed Unaudited Consolidated Interim Statement of Financial Position for impairment losses of accounts and notes receivable are shown below:

Leases

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2019	\$ 213,270	\$ 245,107	\$ 313,206	\$ 771,583
Remeasurement of financial assets remaining in the same stage	\$ (61,634)	\$ 9,198	\$ 364,266	\$ 311,830
From stage 1 to stage 2	(127,604)	127,604	-	-

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	From stage 1 to stage 3	(43,161)	-	43,161	-
	From stage 2 to stage 1	5,755	(5,755)	-	-
	From stage 2 to stage 3	-	(76,969)	76,969	-
	From stage 3 to stage 1	333	-	(333)	-
	From stage 3 to stage 2	-	52,551	(52,551)	-
	Financial assets granted over the period	82,252	63,481	51,971	197,704
	Remeasurement of financial assets remaining in the same stage	146,792	5,936	(91,975)	60,753
	Financial assets written off over the period	(64,990)	(99,402)	(84,174)	(248,566)
As of December 31, 2019		\$ 151,013	\$ 321,751	\$ 620,540	\$ 1,093,304
	Remeasurement of financial assets remaining in the same stage	\$ 328,445	\$ (58,637)	\$ (52,313)	\$ 217,495
	From stage 1 to stage 2	(232,740)	232,740	-	-
	From stage 1 to stage 3	(74,356)	-	74,356	-
	From stage 2 to stage 1	32,460	(32,460)	-	-
	From stage 2 to stage 3	-	(467,889)	467,889	-
	From stage 3 to stage 1	13,872	-	(13,872)	-
	From stage 3 to stage 2	-	9,351	(9,351)	-
	Financial assets granted over the period	162,084	44,587	6,629	213,300
	Remeasurement of financial assets remaining in the same stage	234,956	338,821	(328,709)	245,068
	Financial assets written off over the period	(21,424)	(70,283)	(6,394)	(98,101)
As of September 30, 2020		\$ 594,310	\$ 317,981	\$ 758,775	\$ 1,671,066

Factoring

	January 1, 2019	Movement	December 31, 2019	Movement	September 30 2020
Non-defaulting	\$ 24,837	\$ 40,596	\$ 65,433	\$ (19,157)	\$ 46,276
Defaulting	92,720	(57,539)	35,181	178,621	213,802
	<u>\$ 117,557</u>	<u>\$ (16,943)</u>	<u>\$ 100,614</u>	<u>\$ 159,464</u>	<u>\$ 260,078</u>

Car commercial loans

	Allowance for expected credit losses				
	Stage 1	Stage 2	Stage 3	Total	
As of January 1, 2019	\$ 9,623	\$ 3,484	\$ 5,960	\$ 19,067	
	Remeasurement of financial assets remaining in the same stage	\$ (5,712)	\$ 181	\$ 14,866	\$ 9,335
	From stage 1 to stage 2	(9,300)	9,300	-	-
	From stage 1 to stage 3	(30,820)	-	30,820	-
	From stage 2 to stage 1	7	(7)	-	-
	From stage 2 to stage 3	-	(2,113)	2,113	-
	From stage 3 to stage 1	-	-	-	-
	From stage 3 to stage 2	-	-	-	-
	Financial assets granted over the period	989	455	1,752	3,196
	Remeasurement of financial assets remaining which changed stage over the period	38,119	1,580	(660)	39,039
	Financial assets written off over the period	(531)	(2,094)	(1,070)	(3,695)
As of December 31, 2019	\$ 2,375	\$ 10,786	\$ 53,781	\$ 66,942	
	Allowance for expected credit losses				
	Stage 1	Stage 2	Stage 3	Total	
	Remeasurement of financial assets remaining in the same stage	\$ 8,155	\$ (298)	\$ 32,301	\$ 40,158
	From stage 1 to stage 2	(3,809)	3,809	-	-
	From stage 1 to stage 3	(41,532)	-	41,532	-
	From stage 2 to stage 1	63	(63)	-	-
	From stage 2 to stage 3	-	(10,638)	10,638	-
	From stage 3 to stage 1	-	-	-	-
	From stage 3 to stage 2	-	-	-	-
	Financial assets granted over the period	3,259	661	1,096	5,016
	Remeasurement of financial assets remaining which changed stage over the period	45,018	605	-	45,623
	Financial assets written off over the period	(39)	(282)	(323)	(645)
As of September 30, 2020	\$ 13,490	\$ 4,580	\$ 139,025	\$ 157,094	

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Car consumer loans

	Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2019	<u>\$ 435</u>	<u>\$ 46</u>	<u>\$ 1,754</u>	<u>\$ 2,235</u>
Remeasurement of financial assets remaining in the same stage	\$ (216)	\$ (12)	\$ 3,978	\$ 3,750
From stage 1 to stage 2	(46)	46	-	-
From stage 1 to stage 3	(739)	-	739	-
From stage 2 to stage 1	-	-	-	-
From stage 2 to stage 3	-	(17)	17	-
From stage 3 to stage 1	-	-	-	-
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	224	1	70	295
Remeasurement of financial assets which changed stage over the period	766	3	(1)	768
Financial assets written off over the period	<u>(57)</u>	<u>(18)</u>	<u>(431)</u>	<u>(506)</u>
As of December 31, 2019	<u>\$ 367</u>	<u>\$ 49</u>	<u>\$ 6,126</u>	<u>\$ 6,542</u>
Remeasurement of financial assets remaining in the same stage	\$ 14	\$ -	\$ 5,689	\$ 5,703
From stage 1 to stage 2	(465)	465	-	-
From stage 1 to stage 3	(6,970)	-	6,970	-
From stage 2 to stage 1	-	-	-	-
From stage 2 to stage 3	-	(215)	215	-
From stage 3 to stage 1	-	-	-	-
From stage 3 to stage 2	-	-	-	-
Financial assets granted over the period	12	-	-	12
Remeasurement of financial assets which changed stage over the period	7,173	173	(1)	7,345
Financial assets written off over the period	<u>(7)</u>	<u>(7)</u>	<u>(930)</u>	<u>(944)</u>
As of September 30, 2020	<u>\$ 124</u>	<u>\$ 465</u>	<u>\$ 18,069</u>	<u>\$ 18,658</u>

Unsecured loan

	January 1, 2019	Movement	December 31, 2019	Movement	September 30 2020
Stage 1	<u>\$ 42,082</u>	<u>\$ (9,244)</u>	<u>\$ 32,838</u>	<u>\$ 114,260</u>	<u>\$ 147,098</u>

Variations in the allowance for expected credit losses of accounts and notes receivable are analyzed as follows:

Balance as of January 1, 2019:	\$ 952,524
(+) Increases in allowance	427,679
(-) Uses	<u>(79,963)</u>
Balance as of December 31, 2019:	<u>\$ 1,300,240</u>
(+) Increases in allowance	\$ 1,149,747
(-) Uses	<u>(195,993)</u>
Balance as of September 30, 2020:	<u>\$ 2,253,994</u>

Leasing accounts and notes receivable

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The breakdown of the leasing portfolio as of September 30, 2020 and December 31, 2019, is as follows:

	<u>Minimum payments</u>	<u>Residual value</u>	<u>Financial income to be accrued</u>	<u>Accounts receivable for lease</u>
September 30, 2020	\$ 52,343,961	\$ 9,070,233	\$ (12,468,241)	\$ 48,945,953
December 31, 2019	\$ 46,406,953	\$ 11,352,830	\$ (14,777,563)	\$ 42,982,220

As of September 30, 2020, and December 31, 2019, accounts and notes receivable from the leases granted support loans received from banking institutions and debt securities.

The Company has entered into leasing agreements with an average term of four years.

Lease agreements

The minimum charges for the next five years, established in the lease agreements are as follows:

	<u>Value of minimum future payments</u>	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
2020	\$ 13,072,315	\$ 24,567,880
2021	19,160,647	14,735,111
2022	14,602,202	11,634,624
2023	9,803,683	5,429,867
2024 onwards	<u>4,775,347</u>	<u>1,392,301</u>
	<u>\$ 61,414,194</u>	<u>\$ 57,759,783</u>

Fair value of accounts and notes receivable

For the measurement of fair value of accounts and notes receivable, market rates for products similar to those of other lessors are used in the specific case of the lease product. For other products, some bank rates are used in addition to those of lessors. Fair value measurement of this item is Level 2, since it uses comparative market values.

The Company's valuation team periodically revises the significant unobservable inputs and the valuation adjustments. For the purposes of fair value measurement, the information provided by third parties, such as pricing providers, and market indicators are used to support the conclusion that those valuations meet the IFRS requirements, including the fair value hierarchy level at which financial instruments should be classified.

The methodology for measuring fair value of accounts and notes receivable is the discount of future cash flows considering the above-mentioned rates applicable to similar products.

The inputs used in fair value measurement include:

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- Applicable interest rates
- Surcharges
- Interest payment periods

Accounts and notes receivable valuation to fair value compared with the valuation at amortised cost is as follows:

<u>September 30, 2020</u>	<u>Amortised cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Leases	\$ 48,945,953	\$ 47,008,137	\$ (1,937,816)
Financial factoring	2,076,146	2,149,812	73,666
Car consumer loans	58,422	54,526	(3,896)
Car commercial loans	2,662,641	2,645,145	(17,496)
Other loans	<u>11,613,915</u>	<u>11,335,701</u>	<u>(278,214)</u>
Total	<u>\$ 65,357,077</u>	<u>\$ 63,193,321</u>	<u>\$ (2,163,756)</u>
<u>December 31, 2019</u>	<u>Amortised cost</u>	<u>Fair Value</u>	<u>Above (Below)</u>
Lease	\$ 42,982,220	\$ 41,794,350	\$ (1,187,870)
Financial factoring	3,255,748	3,330,153	74,405
Car consumer loans	72,168	71,857	(311)
Car commercial loans	2,822,879	2,851,010	28,131
Other loans	<u>9,478,085</u>	<u>9,507,715</u>	<u>29,630</u>
Total	<u>\$ 58,611,100</u>	<u>\$ 57,555,085</u>	<u>\$ (1,056,015)</u>

Note 4 - Risk management

This note explains the Company's exposure to financial risks and how these risks could affect The Company's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	<ul style="list-style-type: none"> • Future commercial transactions • Recognised financial assets and liabilities denominated in US dollars (US) 	<ul style="list-style-type: none"> • Sensitivity analysis • Liquidity monitoring 	<ul style="list-style-type: none"> • Cross-Currency Swaps (CCS) and Foreign exchange option contracts (Call Spread)
Market risk - interest rate	<ul style="list-style-type: none"> • Long-term debt issued at variable rates 	<ul style="list-style-type: none"> • Sensitivity analysis • Liquidity monitoring 	<ul style="list-style-type: none"> • Interest rate Swaps agreements (IRS) • Interest rate options (CAP)
Credit risk	<ul style="list-style-type: none"> • Accounts and notes receivable, net 	<ul style="list-style-type: none"> • Analysis of due dates • Determination of credit estimates 	<ul style="list-style-type: none"> • Diversification of credit limits and accounts and notes receivable

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Liquidity risk	<ul style="list-style-type: none"> Borrowings and other liabilities 	<ul style="list-style-type: none"> Rolling cash flow forecasts 	<ul style="list-style-type: none"> Availability of committed credit lines and borrowing facilities
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The Comprehensive Risk Management Division is responsible for establishing and supervising the Company's risk management structure and therefore it disclaims liability on the different areas of UNIFIN, such as treasury, portfolio administration, comptrollership and internal control through the policies adopted by the Board of Directors. This Division has created the Risk Management Committee, which is responsible for the development and monitoring of the Company's risk management policies. This Committee regularly reports on its activities to the Board of Directors.

The Company identifies, assesses and covers the financial risks in close cooperation with its management units. The Company's risk management policies are established to identify and analyze the risks faced by the Company, set limits and adequate risk controls, and monitor the risks and compliance with those limits. The risk management policies and systems are reviewed regularly so that they reflect the changes in the market conditions and in the Company's business activities. Through its management rules and procedures, the Company seeks to develop a disciplined and constructive control environment in which all employees may understand their roles and responsibilities.

The Company's Audit Committee supervises how the Management controls compliance with the risk management policies and procedures and checks whether the risk management framework is appropriate for the risks faced by UNIFIN. This Committee is assisted by internal audit in its supervisory role. Internal audit performs regular reviews of the risk management controls and procedures the results of which are reported to the Audit Committee.

The Board of Directors issued general policies related to financial risks management and policies on specific risks, such as exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments, and investment of excess liquidity.

The Company applies its hedging policy to mitigate the risks associated with the exchange rate and the interest rate accrued on debt instruments and senior notes issued, as well as the bank loans acquired.

a) Derivative financial instruments

As of September 30, 2020 and December 31, 2019, the Company has derivative financial instruments as follows:

	<u>September 30,</u> 2020	<u>December 31,</u> 2019
<u>Current assets</u>		
Cross Currency Swaps (CCS) - cash flow hedge	\$ 57,543	\$ -
Foreign exchange option contracts (Call Spread) - cash flow hedge	709,431	-
Interest rate options - cash flow hedge	-	1,157
Cross Currency Swaps (CCS) – economic hedging	2,818	-
Interest rate Swaps – cash flow hedge	213,073	-
Interest rate Swaps - economic hedging	<u>-</u>	<u>65,019</u>
Total current assets	<u>982,865</u>	<u>66,176</u>
<u>Non-current assets</u>		
Cross Currency Swaps -cash flow hedge	490,966	1,825,098

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Foreign exchange option contracts (Call Spread) - cash flow hedge	4,845,696	2,879,107
Interest rate options - cash flow hedge	-	1,053
Interest rate Swaps – cash flow hedge	218,874	-
Interest rate Swaps - economic hedging	<u>-</u>	<u>204,409</u>
 Total non-current assets	 <u>5,555,536</u>	 <u>4,909,667</u>
 Total assets	 <u>\$ 6,538,401</u>	 <u>\$ 4,975,843</u>
 Short-term liabilities		
Cross Currency Swaps - cash flow hedge	\$ 958,296	\$ 1,207,479
Foreign exchange option contract (Call Spread) - cash flow hedge	120,285	5,304
Cross Currency Swaps - cash flow hedge	-	73,708
Interest rate Swaps – cash flow hedge	430,294	-
Interest rate Swaps - economic hedging	<u>-</u>	<u>43,830</u>
 Total short-term liabilities	 <u>1,508,875</u>	 <u>1,330,321</u>
<u>Long-term liabilities</u>		
Cross Currency Swaps - cash flow hedge	-	1,403,439
Cross Currency Swaps - economic hedging	-	63,787
Interest rate Swaps – cash flow hedge	440,793	-
Interest rate Swaps - economic hedging	<u>-</u>	<u>178,762</u>
 Total non-current liabilities	 <u>440,793</u>	 <u>1,645,988</u>
 Total liabilities	 <u>\$ 1,949,668</u>	 <u>\$ 2,976,309</u>
 Net position	 <u>\$ 4,588,733</u>	 <u>\$ 1,999,533</u>

Fair value of derivative financial instruments

The fair values of derivative financial instruments per hierarchical level and some characteristics of their measurement are shown below:

	09/30/2020 <u>Level 2</u>	12/31/2019 <u>Level 2</u>
Financial assets:		
Derivative financial instruments	\$ 6,538,401	\$ 4,975,843
Financial liabilities:		
Derivative financial instruments	\$ 1,949,668	\$ 2,976,309

Aspects used in fair value measurement:

- The following fair value measurement methodology is used:

- Swaps
 1. Fair value is measured by applying the standard market methodology through the discount of cash flows, considering the rates applicable to each exchange period.
 2. Fixed rates are used directly.

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3. In the case of variable rates, the forward rate for each period is obtained.

- Options

1. Fair value is determined according to the standard methodology through the Black Scholes model.

- The inputs used in fair value measurement include:

- Risk-free nominal curves
- Interbank Equilibrium Interest Rate Curve
- Basis Swaps Curve
- LIBOR curves
- Volatilities found.

The transactions entered into in the fiscal year 2020 and still in effect at the end of September 30, 2020:

Type of derivative	Notional amount is US dollars	Beginning	Due date	Underlying instrument
Foreign exchange option contracts (Call Spread)	5mdd	Mar 2020	Dec 2020	Exchange rate
Foreign exchange option contracts (Call Spread)	5mdd	Mar 2020	Jun 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	5mdd	Mar 2020	Dec 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	5mdd	Mar 2020	Jun 2022	Exchange rate
Foreign exchange option contracts (Call Spread)	3.75mdd	Mar 2020	Apr 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	3.75mdd	Mar 2020	Oct 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	3.75mdd	Mar 2020	Apr 2022	Exchange rate
Foreign exchange option contracts (Call Spread)	3.75mdd	Mar 2020	Oct 2022	Exchange rate
Foreign exchange option contracts (Call Spread)	4.686mdd	Mar 2020	Feb 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	4.686mdd	Mar 2020	Aug 2021	Exchange rate
Foreign exchange option contracts (Call Spread)	4.686mdd	Mar 2020	Feb 2022	Exchange rate
Foreign exchange option contracts (Call Spread)	4.686mdd	Mar 2020	Aug 2022	Exchange rate
Foreign exchange option contracts (Call Spread)	4.686mdd	Mar 2020	Feb 2023	Exchange rate
Foreign exchange option contracts (Call Spread)	4.686mdd	Mar 2020	Aug 2023	Exchange rate
Foreign exchange option contracts (Call Spread)	4.884mdd	Mar 2020	Feb 2024	Exchange rate

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As of September 30, 2020, the fair value gain in hedge derivatives through Other Comprehensive income totaled \$3,529,957 (including \$738 million as fair value in rebalancing of financial derivatives) and the changes in fair value in economic trading derivatives totaled \$141,743 through profit and losses.

Considering the economic conditions and in order to hold a more effective portfolio in the second and third quarter of 2020 the Company throughout of its Risk Management Division and with approval of this Risk Management Committee conducted partial and full unwinds and other renegotiations with its counterparties of certain hedging derivatives financial instruments with accrued fair value valuation of \$4,724,294 recorded in Hedging Derivative financial instruments within the stockholders' equity that were transferred to Condensed Unaudited Consolidated Statement of Income.

The Management performed the assessment of hedge effectiveness over the above transactions, the changes in the terms of the hedged item and the critical terms of the hedging instrument did not have material impacts in the hedge effectiveness as the new terms were performed under the hedging policy of the Company.

In the second and third quarter the company redeemed Senior Notes for \$904,315, as of result the Company obtained \$237,796 as a gain recorded in the Interest expense of the Condensed Unaudited Consolidated Interim Income Statement for the nine-month period ended September 30, 2020.

The transactions entered into in the fiscal year 2019 and still in effect at the end of that year are as follows:

Type of derivative	Notional amount is US dollars	Beginning	Due date	Underlying instrument
Cross currency swaps (CCS)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 75 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Foreign exchange option contracts (Call Spread)	US 150 m	Jul 2019	Jan 2028	Exchange rate
Cross currency swaps (CCS)	US 60.63 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 100 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 60 m	Jul 2019	Jun 2022	Exchange rate
Cross currency swaps (CCS)	US 75 m	Aug 2019	Aug 2022	Exchange rate
Cross currency swaps (CCS)	US 50 m	Aug 2019	Aug 2022	Exchange rate
Interest rate Swaps (IRS)	\$2,500 m	Mar 2019	Mar 2025	Interest rate

Liabilities covered by the derivative financial instruments accrue interests on a quarterly and half-yearly basis. The foreign exchange effects of payments made at the payment date are recognised in the Statement of Income under Foreign exchange gain (loss).

As of September 30, 2020 and December 31, 2019, the Company has not granted cash nor financial assets as security interests for liabilities resulting from derivatives.

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Hedge accounting

Derivatives are only used for economic hedging purposes and not for speculation investments. However, when they fail to meet the hedge accounting criteria, they are classified as trading securities for accounting purposes and are recorded at fair value through profit or loss, giving rise to an economic hedging.

Rebalancing hedging derivative financial instruments

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship is rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. It is accounted for as a continuation of the hedging relationship. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing (see "Hedge effectiveness" section below).

Coverage relationships description

The Company is exposed to foreign exchange risk, mainly relating in the issuance of senior notes and bank loans in foreign currency (US dollar).

The purpose of hedging foreign exchange risk is to minimize the exchange rate volatility 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 cross-currency swaps, foreign exchange option contracts, interest rate swaps and interest rate options to hedge its exposure to rate and foreign currency risk.

The valuation of derivative financial instrument recorded into the stockholders' equity, segmented by type of instrument, during the periods ended on September 30, 2020 and 2019, are detailed below:

	Currency and rate swaps	Foreign exchange options (Call spread)	Interest rate options (CAP)	Total
Initial balance as of January 1, 2019	\$ 3,013,652	\$ 1,523,165	\$ 77,889	\$ 4,614,706
Change in the fair value of the hedging instrument recognized in OCI	(852,143)	-	(89,690)	(941,833)
Reclassified from OCI to profit and loss	(2,947,329)	1,350,639	14,009	(1,582,681)
Deferred income tax	<u>(37,511)</u>			<u>(37,511)</u>
	\$ (823, 331)	\$ 2,873,804	\$ 2,208	\$ 2,052,681
Final balance as of December 31, 2019				
Change in the fair value of the hedging instrument recognized in OCI	1,086,151	(2,140,219)	(60,584)	(1,114,652)
Reclassified from OCI to profit and loss	(1,374,927)	4,701,258	49,530	3,375,861
Deferred income tax	<u>(85,273)</u>			<u>(85,273)</u>
	\$ (1,197,380)	\$ 5,434,843	\$ (8,846)	\$ 4,228,617

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Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that there is an economic relationship between the hedged item and the hedging instrument.

The hedging relationship must be assessed from inception and during all subsequent phases, as the minimum evaluation period, through the sum of the discounted flows, considering the current and future market conditions affecting the valuation. The objective is to mitigate the foreign exchange risk and interest exposure, as the Company is exposed to assets funding, to provide feasibility and certainty to the leasing, factoring and other accounts and notes receivable relating to loan performed by the Company, ensuring effective control of the financial hedge account receivable.

The Company initially assesses the effectiveness of the derivative financial instruments acquired by using the qualitative approach, the simplest effectiveness assessment method that does not require calculations to assess the hedge effectiveness prospectively, as it considers the hedge relationship will be highly effective if at least the following terms match exactly those of the primary position:

1. Notional
2. Due date
3. Payment date(s)
4. Interest rate "reset" dates
5. Underlying instrument(s), such as prices, indexes, interest rates, exchange rates, etc.

The coverage ratio is obtained from comparing the flows from the derivative financial instruments and the flows from the hedged item. This designation must not show a significant imbalance between the proportion of the hedged instrument and the hedging instrument. In this regard, the Company has adopted a range of tolerance considering some aspects, as follows:

- iv. The Mexican financial market shows highly volatile variables, including those that have a direct impact on the valuation of the derivative financial instruments held by the Company; those variables are the exchange rates and the local and international market interest rates.
- v. Considering that the Company's main business activity does not consist in the purchase and sale of derivative financial instruments, as it occurs in the case of investment funds, hedge funds or money desks, the Company is not entitled to the preferential benefits regarding conditions for recalibrating positions, therefore in view of the high volatility of the above-mentioned indicators, it is advisable to set a range based on the historical data documented by the Company.

As of September 30, 2020 and September 30, 2019, the results confirm that the hedge is highly effective.

Interest expense, in the Statement of Income, includes \$(327,991) and \$227,133 for the nine-month periods as of September 30, 2020 and 2019, respectively, for transactions with interest rate derivative financial instruments that did not qualify as hedges.

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Market risk

i. Exchange rate

The Company's exposure to the foreign exchange risk at period-end is as follows:

Risk Exposure/Hedging instrument	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Market risk - Exchange rate		
Interest rate swaps and		
Principal in other currency (CCS)	\$ (1,264,736)	\$ (923,315)
Foreign exchange option contracts (Call Spread)	<u>6,292,609</u>	<u>2,873,803</u>
Total	<u>\$ 5,027,873</u>	<u>\$ 1,950,488</u>
Risk Exposure/Hedged item	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Market risk - Exchange rate		
Foreign currency bank loans	\$ 8,423,130	\$ 6,609,999
International debt in foreign currency	<u>38,484,626</u>	<u>33,631,961</u>
Total	<u>\$ 46,907,756</u>	<u>\$ 40,241,960</u>

Sensitivity of results to exchange rates fluctuations arises mainly from financial instruments denominated in US dollars designated as cash flow hedges:

September 30, 2020	<u>Increase</u>	<u>Increase</u>	<u>Decrease</u>	<u>Decrease</u>
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Interest rate swaps and				
Principal in other currency (CCS)	<u>\$ 1,227,893</u>	<u>\$ 613,946</u>	<u>\$ (590,333)</u>	<u>\$ (1,136,938)</u>
Total	<u>\$ 1,227,893</u>	<u>\$ 613,946</u>	<u>\$ (590,333)</u>	<u>\$ (1,136,938)</u>
December 31, 2019	<u>Increase</u>	<u>Increase</u>	<u>Decrease</u>	<u>Decrease</u>
Market risk - Exchange rate	+8%	+4%	-4%	-8%
Interest rate swaps and				
Principal in other currency (CCS)	\$ 2,627,021	1,313,511	\$ (1,313,511)	\$ (2,627,021)
Foreign exchange option contracts (Call Spread)	<u>573,290</u>	<u>292,088</u>	<u>(298,532)</u>	<u>(598,559)</u>
Total	<u>\$ 3,200,311</u>	<u>\$ 1,605,599</u>	<u>\$ (1,612,043)</u>	<u>\$ (3,225,580)</u>

Interest rate benchmark reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition existing contracts and agreements that reference LIBOR, adjustments for term differences and credit differences might need to be applied and enable the two benchmark rates to be economically equivalent on transition.

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Regarding the undergoing period of change for the Key Interbank Offered Rates (IBORs), the company is approaching all its financial counterparties, to discuss the adoption of an alternative overnight risk-free rate. This adoption will be in full compliance of the IBOR Protocol, or bilateral amendments in its legacy transactions, to apply terms of the IBOR Protocol, without the need to adhere to it. The company will be in a constant discussion to find the most certain alternative, to determine a reference rate as a fallback to the current hedges or other products.

All of the new derivatives transactions to be incorporated in 2021, are expected to be adhered under the amended version of the 2006 ISDA (International Standard Derivate Association), when it became effective, and is expected to include all the possible fallbacks.

Even though there is no cut-off date to adhere to the terms of the IBOR Protocol and therefore changing the current contracts, relevant changes are planned to be discussed and executed in the short term and before a pre-cessation or permanent cessation of any of the relevant LIBORS.

As of September 30, 2020, the Company held bank loans with credit lines of US \$623 million referenced with LIBOR rate. The Company has three credit lines for US\$68.01 million with variable rate that referenced to the LIBOR rate and maturity after December 31, 2021, however, the Company has a hedge for two of these credit lines and the exposed to this change is already US\$0.01 million.

As of September 30, 2020, the Company held 25 CCS and 57 call spreads out of 89 contracts which are valued using LIBOR curves, and those contracts are hedging US\$2,074 million in notional, which is the current exposure to this reform.

Also, the fair value disclosure of the Senior Notes is measured using LIBOR reference. The rest of the Company's liabilities are measured under different references such as Mexican TIIE.

The Company's systems calculate fair market value using LIBOR curves; however they are ready to use new reference whenever it's needed. The Company will conduct an analysis later in 2021 in order to anticipate impacts on fair market value in our IFD contracts due to the new reference rate.

Relief applied

The Company has applied the following reliefs that were introduced by the amendments made to IFRS 9 Financial Instruments in September 2019:

- When considering the 'highly probable' requirement, the group has assumed that the LIBOR interest rate on which the group's hedged debt is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Company has assumed that the LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.

Assumptions made

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Company has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to an alternative overnight risk-free rate during 2022 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument.

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- No other changes to the terms of the floating-rate debt are anticipated.
- The Company has incorporated the uncertainty over when the floating-rate debt will move to an overnight risk-free rate, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalised by adding an additional spread to the discount rate used in the calculation.

ii. Interest rate

The Company's main interest rate risk arises from debt with variable rates. Over the periods ended on September 30 2020 and December 31, 2019, variable interest rate loans were denominated mainly in Mexican pesos and US dollars.

The exposure of debt to changes in interest rates and the contractual maturities at the end of each reporting period is shown below:

	September 30, <u>2020</u>	% of total <u>loans</u>	December 31, <u>2019</u>	% of total <u>loans</u>
Variable rates loans				
< 1 year	\$ 15,153,091	49.13%	\$ 8,406,160	28.68%
1-3 years	3,913,636	12.69%	6,260,883	21.38%
3-5 years	<u>260,929</u>	<u>0.85%</u>	<u>-</u>	<u>-%</u>
	<u>\$ 19,327,656</u>	<u>62.67%</u>	<u>\$ 14,667,043</u>	<u>50.06%</u>
Variable rate debt instruments				
< 1 year	\$ 4,823,812	15.64%	\$ 4,437,736	15.14%
1-3 years	4,616,731	14.97%	5,237,918	17.88%
3-5 years	<u>2,072,506</u>	<u>6.72%</u>	<u>4,959,918</u>	<u>16.92%</u>
Total	<u>11,513,049</u>	<u>37.33%</u>	<u>14,635,572</u>	<u>49.94%</u>
Total	<u>\$ 30,840,705</u>	<u>100.00%</u>	<u>\$ 29,302,615</u>	<u>100.00%</u>

Sensitivity of results to interest rate fluctuations derives mainly from variable rate financial instruments known as cash flow hedges.

	Increase <u>50pb</u>	Increase <u>25pb</u>	Decrease <u>-25pb</u>	Decrease <u>-50pb</u>
September 30, 2020				
Market risk - interest rate				
Interest Rate Swaps (IRS)	\$ 83,171	\$ 41,737	\$ (42,043)	\$ (84,393)
Foreign exchange option contracts (Call Spread)	(243,153)	(120,852)	119,047	235,920
Interest rate Swaps	<u>(202,633)</u>	<u>(102,619)</u>	<u>105,283</u>	<u>213,289</u>
Total	<u>\$ (362,615)</u>	<u>\$ (181,734)</u>	<u>\$ 182,287</u>	<u>\$ 364,816</u>
December 31, 2019				
Market risk - interest rate				
Interest Rate Swaps (IRS)	\$ 27,291	\$ 14,125	\$ (12,543)	\$ (26,050)
Interest rate options	6,790	4,172	(402)	(656)
Foreign exchange option contracts (Call Spread)	(118,686)	(61,705)	58,289	121,496

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Interest rate Swaps	<u>(45,152)</u>	<u>(21,412)</u>	<u>30,290</u>	<u>58,390</u>
Total	<u>\$ (129,757)</u>	<u>\$ (64,820)</u>	<u>\$ 75,634</u>	<u>\$ 153,180</u>

Profit or loss is sensitive to higher or lower financial income from cash and cash equivalents as a result of changes in interest rates.

Credit risk

Credit risk is managed at Company level. Accounts and notes receivable are subject to the expected credit loss model described in section "Allowance for expected credit losses of accounts and notes receivable", in Notes 3. Regarding banks and institutions with which derivative financial instruments transactions are performed (Counterparties), only those with "A" risk ratings are accepted.

Such ratings are frequently monitored and disclosed every time a new derivative instrument is agreed upon in the so-called hedge files of each transaction. In case a Counterparty is downgraded under the level accepted by the Company, no new derivative transactions can be made with such Counterparty.

As of September 30, 2020, ratings available for each Counterparty are indicated below:

Counterparty	Rating	Agency	Scale
Citibanamex	AAA	Moody's	Local
Barclays	AAA	S&P	Local
Bank of America (Bofa)	AAA	S&P	Local
Goldman Sachs	AAA	Fitch	Local
Morgan Stanley	AAA	Fitch	Local
Santander	AAA	Moody's	Local
Scotiabank	AAA	S&P	Local

As mentioned in Note3, on March 21, 2020, due to the macroeconomic environment affecting our clients and prospects the Company implemented a preventive internal strategy to limit the origination of factoring contracts following the diversification of credit limits of our Credit Risk Management Policy. This strategy reduce the Company's exposure in our factoring business line.

Liquidity risk

Liquidity risk management involves maintaining sufficient cash and negotiable instruments and the availability of financing through an adequate amount of credit lines to meet obligations at maturity and settle trading positions.

The tables shown below analyse the financial liabilities according to their contractual maturities:

Item	September 30, 2020				Contractual cash flows
	1 year	2-3 years	4-5 years	More than 5 years	
Bank loans	\$ 15,332,779	\$ 3,952,317	\$ 263,213	\$ -	\$ 19,548,309
Debt instruments	4,888,646	4,659,544	2,083,333	-	11,631,523
Senior notes	414,968	4,471,960	18,794,999	16,087,094	39,769,021
Suppliers and other accounts payable	778,752	-	-	-	778,752
Lease liabilities	39,685	186,181	-	-	225,866
Derivative financial instruments	<u>8,502,812</u>	<u>23,684,479</u>	<u>15,268,257</u>	<u>9,805,869</u>	<u>57,261,417</u>

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Total	<u>\$ 29,957,642</u>	<u>\$ 36,954,481</u>	<u>\$ 36,409,802</u>	<u>\$ 25,892,963</u>	<u>\$ 129,214,888</u>
As of December 31, 2019					
Item	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>More than 5 years</u>	<u>Contractual cash flows</u>
Bank loans	\$ 8,250,311	\$ 6,259,213	\$ -	\$ -	\$ 14,509,524
Debt instruments	4,454,782	7,370,930	2,500,000	520,833	14,846,545
Senior notes	1,074,796	3,774,540	7,549,080	22,647,240	35,045,656
Suppliers	330,094	-	-	-	330,094
Lease liabilities	55,691	155,547	8,315	-	219,553
Derivative financial instruments	<u>5,499,663</u>	<u>13,120,366</u>	<u>14,192,292</u>	<u>26,389,479</u>	<u>59,201,800</u>
Total	<u>\$ 19,665,337</u>	<u>\$ 30,680,596</u>	<u>\$ 24,249,687</u>	<u>\$ 49,557,552</u>	<u>\$ 124,153,172</u>

Capital management

The following are the Company's objectives relating to capital risk management:

- safeguard its ability to continue operating as a going concern,
- distribute returns to stockholders and benefits to other stakeholders, and
- maintain an optimal capital structure to reduce costs.

In order to maintain or adjust the capital structure, the Company may vary the amount of dividends to be paid to the stockholders, make a capital stock reduction, issue new shares of stock or sell assets and reduce its debt.

The Company monitors its capital structure based on the following financial ratios:

1. Financial leverage: Financial liabilities (excluding asset securitizations)/total capital
2. Capitalization (net portfolio) Total capital/net portfolio
3. Capitalization (total assets): Total capital/total assets

The Company's strategy as of September 30, 2020 and December 31, 2019 was to keep the financial leverage ratio below a seven fold (7x), the capitalization to net portfolio ratio above 13.5%, the capitalization to total assets ratio above 9% as well as an 'A' credit rating at local scale. The credit rating has remained unchanged over such periods. Below are the financial ratios as of September 30, 2020 and December 31, 2019:

	September 30, <u>2020</u>	December 31, <u>2019</u>
Financial liabilities (excluding Debt instruments)	\$ 57,812,282	\$ 48,299,005
Total stockholder's equity	12,585,943	10,899,272
Financial leverage ratio	4.59x	4.43x
	September 30,	December 31,

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	<u>2020</u>	<u>2019</u>
Total stockholder's equity	\$ 12,585,943	\$ 10,899,272
Accounts and notes receivable, net	63,103,083	57,310,860
Capitalization ratio (to Accounts and notes receivable, net)	19.9%	19.0%
	<u>September 30,</u>	<u>December 31,</u>
	<u>2020</u>	<u>2019</u>
Total stockholder's equity	\$ 12,585,943	\$ 10,899,272
Total assets	84,865,559	78,780,308
Capitalization ratio (to total assets)	14.8%	13.8%

Note 5 - Property, plant and equipment:

As of September 30 2020 and December 31, 2019; property, plant and equipment are broken down as follows:

	Property	Transportation equipment	Computer equipment	Furniture and equipment	Drilling rig	Right-of use Assets and other assets	Leasehold improvements	Total
Cost or fair value	\$ 416,606	\$ 101,985	\$ 49,459	\$ 47,019	\$ -	\$ 325,536	\$ 189,746	\$ 1,130,351
Accumulated depreciation	(20,719)	(52,191)	(32,020)	(32,970)	-	(60,114)	(35,927)	(233,941)
As of January 1, 2019	\$ 395,887	\$ 49,794	\$ 17,439	\$ 14,049	\$ -	\$ 265,422	\$ 153,819	\$ 896,410
Period ended December 31, 2019								
Net opening carrying amount	\$ 395,887	\$ 49,794	\$ 17,439	\$ 14,049	\$ -	\$ 265,422	\$ 153,819	\$ 896,410
Additions	-	24,765	10,153	37,982	1,687,580	442,835	79,922	2,283,237
Revaluation surplus	-	-	-	-	3,398,613	-	-	3,398,613
Retirements	-	(4,132)	(278)	-	-	-	(3,253)	(7,663)
Depreciation charges	(300)	(17,769)	(8,913)	(6,712)	-	(38,475)	(10,342)	(82,511)
Carrying amounts, net	\$ (300)	\$ 2,864	\$ 962	\$ 31,270	\$ 5,086,193	\$ 404,360	\$ 66,327	\$ 5,591,676
Leased assets								
Additions	-	-	-	-	-	-	-	-
Depreciation charges	-	-	-	-	-	(52,555)	-	(52,555)
Carrying amounts, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (52,555)	\$ -	\$ (52,555)
Cost or fair value	\$ 416,606	\$ 122,618	\$ 59,334	\$ 85,001	\$ 5,086,193	\$ 768,371	\$ 266,415	\$ 6,804,538
Accumulated depreciation	(21,019)	(69,960)	(40,933)	(39,682)	-	(151,144)	(46,269)	(369,007)
Carrying amount, net	\$ 395,587	\$ 52,658	\$ 18,401	\$ 45,319	\$ 5,086,193	\$ 617,227	\$ 220,146	\$ 6,435,531
As of December 31, 2019	\$ 395,587	\$ 52,658	\$ 18,401	\$ 45,319	\$ 5,086,193	\$ 617,227	\$ 220,146	\$ 6,435,531
Period ended September 30, 2020								
Net opening carrying amount	\$ 395,587	\$ 52,658	\$ 18,401	\$ 45,319	\$ 5,086,193	\$ 617,227	\$ 220,146	\$ 6,435,531
Additions	108	23,250	2,558	721	-	-	16,422	43,059
Revaluation surplus	-	-	-	-	-	-	-	-
Retirements	(9,569)	(15,834)	(350)	(60)	-	(201,464) (1)	-	(227,277)
Depreciation charges	(3,818)	(25,492)	(11,117)	(10,080)	(81,401)	(1,839)	(13,088)	(146,837)
Carrying amounts, net	\$ (13,280)	\$ (18,076)	\$ (8,910)	\$ (9,419)	\$ (81,401)	\$ (203,303)	\$ 3,334	\$ (331,055)
Leased assets								
Additions	-	-	-	-	-	-	-	-
Depreciation charges	-	-	-	-	-	(37,698)	-	(37,698)
Carrying amounts, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (37,698)	\$ -	\$ (37,698)
Cost or fair value	\$ 407,145	\$ 130,034	\$ 61,542	\$ 85,662	\$ 5,086,193	\$ 566,907	\$ 282,837	\$ 6,620,320
Accumulated depreciation	(24,837)	(95,452)	(52,050)	(49,762)	(81,401)	(190,681)	(59,357)	(553,542)
Carrying amount, net	\$ 382,307	\$ 34,582	\$ 9,491	\$ 35,900	\$ 5,004,792	\$ 376,226	\$ 223,480	\$ 6,066,778
As of September 30, 2020	\$ 382,307	\$ 34,582	\$ 9,491	\$ 35,900	\$ 5,004,792	\$ 376,226	\$ 223,480	\$ 6,066,778

(1) The retirements are related to right-to-use and other assets.

Depreciation recorded in the Statement of Income as of September 30, 2020 and 2019 amounted to \$181,033 and \$92,136, respectively.

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Drilling rig

On October 18, 2019, the Company entered into a purchase agreement for the acquisition of a semi-submersible drilling rig for deep and shallow waters to be leased to the participants of the oil industry in Mexico. Management has incurred in different transportation costs, taxes, fees, commissions and the purchase of the necessary equipment to put the asset in working condition for \$529,217, all of which are included in its carrying amount.

The drilling rig's value is frequently assessed by third-party appraisers. As of December 31, 2019, the fair value amounted to \$5,086,193. The revaluation surplus recognised in Other comprehensive income was \$3,398,613 (\$2,379,034, net of deferred Income Tax).

The Company entered into a lease agreement (Bareboat Agreement) which term mirrors the term of the charterers' contract with Pemex Exploración y Producción, commencing to charge monthly rents payments since July 2020, the rents are denominated in US dollars, and it is subject to an optional extension consented by the Company. The lease agreement could be amended by time to time prior consent of the parties.

Fair value of drilling rig

(i) Fair value hierarchy

The Company classified its non-financial asset into one of the three levels indicated by the accounting standard. The drilling rig measured at fair value has a Level 2 hierarchy, as valuation techniques used are mainly based on international markets data.

No level reclassifications were made for fair value measurements during the year ended December 31, 2019 and for the nine-month period ended September 30, 2020.

(ii) Valuation techniques used to measure fair value

Below are the approaches applied in the valuation prepared by a third-party appraiser:

- i) *Cost approach:* According to this approach, the value of an asset is comparable with the amount required to replace or reproduce a new asset that is equally desirable and with a similar utility to that appraised. Impairment losses due to physical deterioration (age and preservation condition), economic, functional and technological obsolescence should be considered for each type of appraised asset based on its characteristics.

The cost approach provides an indication of value using the economic principle that a buyer will not pay more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. This approach provides an indication of value by calculating the current replacement or reproduction cost of a vessel, considering the physical deterioration and other relevant forms of obsolescence.

For the calculation of the Net Replacement Cost, a search of the new cost of reproduction of drilling rigs with similar features in the international market was conducted. This search provided for three rigs with similar capacities and features to the one bought.

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- ii) *Market* approach: This approach establishes that a well-informed buyer will not pay for an asset more than the purchase price of another similar asset. Its utility must be supported and the approval factors must be clearly specified. Below are the main variables to be used in the approval of comparable assets that most influence in the price of an equipment: Length overall, power, main features, deadweight, age and type.

This approach is applicable as long as some of the following scenarios occur:

- There are frequent and/or recent observable transactions of similar assets.
- The substantially similar assets are publicly traded.
- Information on market transactions is available, but the comparable assets have significant differences to the subject asset, potentially requiring subjective adjustments.

Another appropriate technique consists in using the COST-TO-CAPACITY equation, as long as comparable assets are similar to the appraised asset in several aspects, such as those indicated in the paragraph above and the result of this formula is more appropriate to assess the value of the appraised asset.

$$\frac{\text{Cost A}}{\text{Cost B}} = \left[\frac{\text{Capacity A}}{\text{Capacity B}} \right]^r$$

r= exponent of correlation

- iii) Measurement of fair value

For the drilling rig valuation, Level 2 input was used as no significant adjustments were applied to the prices obtained from international markets. The main input used is analysed as follows.

- New cost of reproduction of drilling rigs with similar capacities and features in the international market
- Offer sales prices of similar assets
- Useful lives of similar assets

- iv) The carrying amount that would have been recognised if the drilling rig had been recorded at cost

If the drilling rig had been recorded at its historical cost, the amount would have been \$1,687,580.

- v) Company's valuation process

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The Assets Management department carries out periodical analysis necessary to report the fair value of the drilling rig in the consolidated financial statements. This department reports directly to the Finance and Management Board of the Company and must verify that the conditions set forth in this accounting policy for the annual revaluation are still in force at each reporting date.

The drilling rig annual valuation as of December 31, 2019 was prepared by a third-party appraiser from VIP Estates, S. de R. L. de C. V. ("VIP Estates"). Based on the Management's and the third-party appraiser's discussions, it has been established that unobservable inputs, such as preservation conditions, physical and economic obsolescence and desirability index estimated by VIP Estates, as well as local economic factors on which valuations are based are comparable with the prices in the respective industry and location.

The relation between unobservable inputs and the fair value measurement is that the higher the preservation conditions and desirability index and the lower the physical obsolescence index, the higher the fair value.

Revaluation surplus

The conditions of unobservable inputs are determined according to the Company's best estimate based on the assumptions established by the experts hired for such purpose about unobservable inputs and internal and external elements. The Company periodically analyses the valuation of drilling rig to verify whether there are indicators of the need to revalue those assets. As of September 30, 2020, the Management performed an assessment base on the cash flows of drilling rig may produce, and the analysis shows there were no indicators of impairment.

Property, plant and equipment as lessee

The Company conducts lease transactions as lessee relating to the lease of administrative offices for the ordinary course of business. From January 1, 2019 through September 30, 2020, the Company did not enter into any lease agreement as lessee with a future effective date.

The movements of the Company's lease liabilities as lessee are shown below:

	December 31, 2019	Increase	Decrease	Interest	Payment	Exchange rate effect	September 30, 2020
Lease liabilities	<u>\$ 205,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,157</u>	(55,019)	45,008	<u>\$ 201,520</u>
	December 31, 2018	Increase	Decrease	Interest	Payment	Exchange rate effect	December 31, 2019
Lease liabilities	<u>\$ 266,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,210</u>	<u>(\$ 61,370)</u>	<u>(\$ 8,095)</u>	<u>\$ 205,374</u>

Note 6 - Bank loans:

As of September, 30 2020 and December 31, 2019 Bank loans is made up as follows:

Entities	Credit line	Currency	Principal	Sep 30, 2020.			Interest rate	Maturity	Guarantee
				Accrued interest payable	Commissions and expenses	Total			
Short-term:									
Nacional financiera	\$ 2,407,844	\$	\$2,400,000	\$ 7,742	\$ -	\$ 2,407,742	Variable	Oct-20	Accounts receivable for factoring
Nacional financiera (7)	92,156	US	92,011	145	-	92,156	Variable	Oct-20	Accounts receivable for factoring
Banamex (6)	2,500,000	\$	2,000,000	10,092	-	2,010,092	Variable	Oct-20	Accounts receivable for lease
Scotiabank 2	1,000,000	\$	1,000,000	434	(20,000)	980,434	Variable	Dec-20	Unsecured

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Scotiabank W.H.	750,000	\$	500,000	554	(10,000)	490,554	Variable	Dec-20	Accounts receivable for lease
Banamex	448,976	US	447,196	1,780	-	448,976	Variable	Oct-20	Accounts receivable for lease
Bancomext	852,186	\$	367,372	2,239	-	369,611	Variable	Sep-21	Accounts receivable for lease
Bancomext	147,814	US	76,489	83	-	76,572	Variable	Sep-21	Accounts receivable for lease
Santander	1,000,000	\$	1,000,000	3,436	(20,000)	983,436	Variable	Oct-20	Accounts receivable for lease
Bladex	4,933,131	US	2,432,891	20,768	(49,059)	2,420,892	Variable	Sep-21	Unsecured
Barclays	1,520,466	US	1,520,466	5,060	(28,529)	1,495,117	Variable	Aug-21	Valuation surplus in debt instruments
Banamex (1)	500,000	\$	500,000	966	(10,000)	490,966	Variable	Dec-20	Accounts receivable for lease
Scotiabank	527,708	\$	371,555	1,698	-	373,253	Variable	Sep-21	Unsecured
Deutsche (2)(5)	558,995	US	558,995	3,459	(11,180)	551,274	Variable	Dec-20	Unsecured
Blue Orchard (3)	737,873	US	209,556	2,832	(14,757)	198,896	Variable	Sep-21	Unsecured
Barclays (4)	1,565,186	US	1,565,184	10,119	(15,628)	1,543,999	Variable	Jul-21	Unsecured
Responsability	782,593	US	216,309	3,348	(535)	219,121	Variable	Oct-20	Unsecured
Total	\$20,324,928		\$15,258,024	\$ 74,755	\$(179,688)	\$15,153,091			
Long-term:									
Bladex		US	\$2,500,240		\$(33,674)	\$2,466,565	Variable	Dec-21	Unsecured
Scotiabank		\$	154,455		-	154,455	Variable	Dec-21	Accounts receivable for lease
Bancomext		\$	396,256		-	396,256	Variable	Dec-25	Accounts receivable for lease
Bancomext		US	71,242		-	71,242	Variable	Dec-25	Accounts receivable for lease
Blue Orchard (3)		US	527,052		-	527,052	Variable	Feb-24	Unsecured
Responsability		US	566,286		(7,291)	558,995	Variable	Oct-22	Unsecured
Total			\$4,215,530		(40,965)	\$4,174,565			

During the nine-month ended September 30, 2020, the Company executed and disbursed their credit lines with the following counterparties.

- On December 20, 2019, the Company signed a secured loan agreement with Citibanamex (by \$500,000 in addition to the already existing line of credit) with a six-month maturity and interest payable on a monthly basis over the term of the loan. The line was disbursed on January 23, 2020.
- On February 27, 2020 the Company signed an unsecured loan agreement with Deutsche Bank for \$1,156,625 (US \$50 million dollars) with interest payable in six-month periods over the term of the loan. The line was disbursed on March 3, 2020 and paid on July 3, 2020.
- On January 31, 2020, the Company subscribed a note with Blue Orchard for \$763,372 (US \$33 million dollars) with interest payable in six-month periods over the term of the notes.
- On January 14, 2020, the Company signed a loan agreement with Barclays for \$1,565,186 (US 70 million dollars) with interest payable in three-month periods over the term of the loan. This contract has been renewed every three months the last signed renewal was on July 20, 2020.
- On September 3, 2020, the Company signed an unsecured loan agreement with Deutsche Bank for \$558,995 (US \$25 million dollars) with interest payable in three-month periods over the term of the loan. The line was disbursed on September 3, 2020
- On July 21, 2020 the Company signed with Citibanamex a new line of credit for \$500,000 (in addition to the already existing line of credit) with a two-month maturity and interest payable on a monthly basis over the term of the loan. The line was disbursed on July 21, 2020. This contract has been renewed every two-months the last signed renewal was on September 21, 2020.
- For these credit lines, the Company has the option to disbursed in Mexican pesos or US dollars.

Entities	December 31, 2019								
	Credit line	Currency	Principal	Accrued interest payable	Commissions and expenses	Total	Interest rate	Maturity	Guarantee
Short-term:									
Nacional Financiera	\$ 2,500,000	\$	\$ 2,500,000	\$ 11,749	\$ -	\$ 2,511,749	Variable	Apr 2018	Accounts receivable for factoring
Banamex	2,000,000	\$	2,000,000	13,905	-	2,013,905	Variable	Mar-20	Unsecured
Scotiabank 2	750,000	\$	305,086	2,561	-	307,647	Variable	Jan '22	Accounts receivable for lease
Scotiabank W.H. (1)	1,000,000	\$	1,000,000	1,118	-	1,001,118	Variable	Dec-20	Unsecured
Banamex	377,454	US	377,454	1,951	-	379,405	Variable	Jan '20	Unsecured

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Bancomext	1,000,000	\$	451,265	4,752	-	456,017	Variable	Jul-23	Accounts receivable for lease
Santander	1,000,000	\$	1,000,000	3,120	-	1,003,120	Variable	Mar-20	Accounts receivable for lease
Bladex (2)	4,163,789	US	520,474	148,544	(19,167)	649,851	Variable	Jun-22	Unsecured
Barclays	1,283,344	US	-	19,835	(6,116)	13,719	variable	Aug-21	Valuation surplus in debt instruments
Responsability	690,739	US	94,363	1,631	(276)	95,718	Variable	Oct-20	Unsecured
Total	\$ 14,765,326		\$ 8,248,642	\$ 209,166	\$ (25,559)	\$ 8,432,249			
Long-term:									
Barclays		US	\$ 1,283,344		(\$ 3,655)	\$ 1,279,689	Variable	Aug-21	Valuation surplus in debt instruments
Bladex (2)		US	3,643,316		(17,880)	3,625,436	Variable	Jun-22	Unsecured
Scotiabank		\$	266,948		(4,553)	262,395	Variable	Jan-22	Accounts receivable for lease
Bancomext		\$	501,093		-	501,093	Variable	Jul-23	Accounts receivable for lease
Responsability (3)		US	592,269		(26,088)	566,181	Variable	Oct-22	Unsecured
Total			\$ 6,286,970		\$ (52,176)	\$ 6,234,794			

During the year ended December 31, 2019, the Company executed addenda to the agreements with Nacional Financiera, Banamex and Scotiabank for the renewal of the loan agreements, updating main conditions, such as guarantees, financial ratios and credit line amounts.

- (1) On December 26, 2019, the Company signed an unsecured loan agreement with Scotiabank Inverlat (in addition to the already existing line of credit) with a 12-month maturity and interest payable on a monthly basis over the term of the loan.
- (2) On September 28, 2019, the Company signed a syndicated unsecured loan agreement with Bladex and Nomura acting as structured leader agents and underwriters for US \$220,625 with interest payable in six-month periods over the term of the loan.
- (3) In September and October 2019, the Company subscribed several notes with ResponsAbility Management Company and ResponsAbility SICAV (collectively referred to as "Responsability") for US \$15,500 and US \$19,500, respectively, with interest payable in six-month periods over the term of the notes.

For the nine-month periods ended September 30, 2020 and 2019, interest charged to expense from bank loans amounted to \$1,295,762 and \$1,477,645, respectively.

The unused amounts of the credit lines received by the Company are as follows:

	September 30, <u>2020</u>	December 31, <u>2019</u>
Banco del Bajío	\$ 175,000	\$ 175,000
Bancomext	88,642	47,641
Scotiabank	-	177,967
Nafin	<u>7,989</u>	<u>-</u>
Total	\$ 271,631	\$ 400,608

For the nine month period ended September 2020 and 2019 the Company obtained \$16,218,113 and \$6,686,521 respectively, from the its credit lines available and new contracted loans and repay \$11,542,396 and \$9,435,584, respectively in order to meet the calendar of payments.

Fair value of bank loans:

The following is considered to measure the fair value of bank loans:

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- The fair value hierarchy level for transactions is Level 2.
- The standard valuation technique is used to measure the fair value through future cash flows discount.
- The inputs used in fair value measurement include:
 - Applicable interest rates
 - Surcharges
 - Interest payment periods
 - Risk-free nominal curves

As of September 30, 2020, and December 31, 2019, the Company made no fair value hierarchy level reclassifications.

The analysis of discounted cash flows was used as a valuation technique to measure the fair value of financial instruments.

Financial liabilities at fair value compared to valuation at amortised cost:

	<u>As of September 30 2020</u>		<u>As of December 31, 2019</u>	
	Amortised cost	Fair value	Amortised cost	Fair value
Bank loans	<u>\$ 19,327,656</u>	<u>\$ 18,822,232</u>	<u>\$ 14,667,043</u>	<u>\$ 13,280,726</u>

Reconciliation of liabilities for financing activities

Liabilities for financing activities	Balance as of 12/31/2019	Cash flows (inflow)	Cash flows (outflows)	Accrued interest	Interest paid	Foreign Exchange Rate	Balance as of 09/30/2020
Bank loans	\$ 14,667,043	\$ 14,493,735	\$ (11,542,396)	\$ 1,350,600	\$ (1,365,704)	\$ 1,724,378	\$ 19,327,656

Liabilities for financing activities	Balance as of 12/31/2018	Cash flows (inflow)	Cash flows (outflows)	Accrued interest	Interest paid	Foreign Exchange Rate	Balance as of 12/31/2019
Bank loans	\$ 12,395,911	\$ 14,602,409	\$ (12,226,423)	\$ 1,238,554	\$ (1,323,864)	\$ (19,544)	\$ 14,667,043

Contractual obligations:

Some of the loan agreements contain different covenants requiring compliance with certain financial ratios. As of September 30, 2020 and December 31, 2019, the main covenants under those loan agreements require compliance with the following ratios:

- Capitalization Ratio (total stockholders' equity / total assets): $\geq 9.99\%$
- Capitalization Ratio (total stockholders' equity / accounts and notes receivable): $\geq 13.5\%$

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- Consolidated Leverage Ratio (total liabilities, excluding debt instruments / total stockholders' equity): $\leq 7.5x$
- Consolidated Leverage Ratio (financial liabilities, excluding debt instruments / total stockholders' equity): $\leq 7x$
- Past due accounts and notes receivable (past due accounts and notes receivable / total accounts and notes receivable): $\leq 7.0\%$
- Debt Coverage Ratio of past due lease accounts and notes receivable (allowance for lease accounts and notes receivable / total past due lease accounts and notes receivable): $\geq 0.4x$
- Coverage Ratio of past due factoring accounts and notes receivable (allowance for factoring accounts and notes receivable / total past due factoring accounts and notes receivable): $\geq 1x$
- Coverage Ratio of past due car loan accounts and notes receivable (allowance for car loan accounts and notes receivable and other loans / total past due car loan accounts and notes receivable): $\geq 1x$
- Debt Coverage Ratio (cash and cash equivalents plus accounts and notes receivable, net / total financial liabilities, excluding debt instruments): $\geq 1x$

As of September 30, 2020 and December 31, 2019, the Company was in compliance with all contractual covenants.

Note 7 - Debt securities and senior notes:

	<u>September 30,</u> 2020	<u>December 31,</u> 2019
<u>Short-term:</u>		
Senior notes (accrued interest)	\$ 279,501	\$ 1,020,712
Debt instruments:		
Stock structure (accrued interest)	14,487	33,928
Private stock structure (accrued interest)	4,789	7,278
Stock structure	<u>4,804,536</u>	<u>4,396,530</u>
Total debt instruments	<u>4,823,812</u>	<u>4,437,736</u>
Total short-term	<u>\$ 5,103,313</u>	<u>\$ 5,458,448</u>
	<u>September 30,</u>	<u>December 31,</u>
	2020	2019
Long-term:		
Senior notes	\$ 38,205,125	\$ 32,611,250
Debt instruments:		
Stock structure	1,760,397	5,304,106
Private stock structure	<u>4,928,840</u>	<u>4,893,730</u>
Total debt instruments	<u>6,689,237</u>	<u>10,197,836</u>
Total long-term	<u>\$ 44,894,362</u>	<u>\$ 42,809,086</u>
Total debt instruments and senior notes	<u>\$ 49,997,675</u>	<u>\$ 48,267,534</u>

The Company's exposure to various risks associated with financial instruments is discussed in Note 6.

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i. Senior notes:

In the nine-month period ended September 30, 2020, the Company redeemed \$904,315 (\$39.9 million of US dollars) of Senior notes as follows:

Senior note	Original amount (US dollar)	Balance as of Redemption (US dollar)	September 30, 2020 (US dollars)
2023	400,000	1,979	398,021
2025	450,000	7,450	442,550
2026	300,000	8,533	291,467
2028	<u>450,000</u>	<u>22,002</u>	<u>427,998</u>
	<u>\$ 1,600,000</u>	<u>\$ 39,964</u>	<u>\$ 1,560,036</u>

Senior notes commitments

Senior 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, as well as minimum requirements for carrying out portfolio securitizations, and limits the Company's ability to enter into transactions with related parties.

As of September 30, 2020, and December 31, 2019, the Company had fulfilled the commitments described above.

ii. Debt instruments

a. Stock structure

In the nine-month period ended September 30, 2020, the Company amortized debt instruments as follows:

<u>Ticker symbol</u>	<u>Issuing trust</u>	<u>Amortization</u>
UFINCB15	F/2539	\$ 295,698
UNFINCB16	F/179866	958,324
UNFINCB16-2	F/179866	423,542
UFINCB16	F/2720	423,542
UNFINCB17	F/180295	545,228
UNFINCB17-2	F/180295	<u>545,228</u>
		<u>\$3,191,561</u>

Amortizations were performed in accordance with Trustee programs and terms of the issuance.

Current issues of trust programs as of September 30, 2020 and December 31, 2019, are described below:

Ticker symbol	Issuing trust <u>trust</u>	Number of securities	Maturity	As of September 30, 2020		Rating	Trustee
				Interest rate (%)	Amount at amortised cost		

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UFINCB16	F/2720	5,488,358	feb-2021	TIIE+1.80	231,176	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	6,085,174	sep-2021	TIIE+2.20	483,099	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	6,085,174	sep-2021	9.47	482,213	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	12,182,389	mar-2022	TIIE+2.10	939,499	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	12,182,389	mar-2022	9.62	949,273	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	sep-2022	TIIE+2.10	2,493,159	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	sep-2022	9.38	<u>986,514</u>	mxAAAS&P/HRAAA	Banamex
Total					6,564,933		
Accrued interest (short-term)					<u>14,487</u>		
Total current issues and interest					<u>\$ 6,579,420</u>		

Ticker symbol	Issuing trust	Number of securities	As of December 31, 2019		Amount at amortised cost	Rating	Trustee
			Maturity	Interest rate (%)			
UFINCB15	F/2539	20,000,000	Sep-2020	TIIE+1.60	\$ 295,698	mxAAAS&P/HRAAA	Invex
UFINCB16	F/2720	25,000,000	Feb-2021	TIIE+1.80	1,174,696	mxAAAS&P/HRAAA	Invex
UNFINCB16	F/179866	12,500,000	Sep-2021	TIIE+2.20	903,504	mxAAAS&P/HRAAA	Banamex
UNFINCB16-2	F/179866	12,500,000	Sep-2021	9.47	896,515	mxAAAS&P/HRAAA	Banamex
UNFINCB17	F/180295	15,000,000	Mar-2022	TIIE+2.10	1,472,801	mxAAAS&P/HRAAA	Banamex
UNFINCB17-2	F/180295	15,000,000	Mar-2022	9.62	1,487,568	mxAAAS&P/HRAAA	Banamex
UNFINCB17-3	F/180406	25,000,000	Sep-2022	TIIE+2.10	2,492,365	mxAAAS&P/HRAAA	Banamex
UNFINCB17-4	F/180406	10,000,000	Sep-2022	9.38	<u>977,490</u>	mxAAAS&P/HRAAA	Banamex
Total					9,700,637		
Accrued interest (short-term)					<u>33,927</u>		
Total current issues and interest					<u>\$ 9,734,564</u>		

For the periods ended September 30, 2020 and 2019, the interest charged to profit or loss for debt instruments amounted to \$695,065, and \$951,518, respectively.

As of September 30, 2020 and December 31, 2019, the settlement of those issues has been fulfilled under the conditions established in the corresponding issuance program.

b. Private stock structure

As of September 30, 2020, and December 31, 2019, private stock structure is made up as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	Currency	Maturity	Rate	Type
Invex	\$ 2,449,047	\$ 2,426,841	MXN	11/21/20	TIIE + 2.00	Collection
Santander	<u>2,479,793</u>	<u>2,466,889</u>	MXN	11/04/25	TIIE + 2.20	Collection
Subtotal	4,928,840	4,893,730				
Accrued interest	<u>4,789</u>	<u>7,278</u>				
	<u>\$ 4,933,629</u>	<u>\$ 4,901,008</u>				

As of September 30, 2020 and December 31, 2019, collection rights assignments amount to \$3,759,890 and \$3,347,481, respectively.

Debt instrument commitments

Debt instruments contain covenants restricting the Company's and its subsidiaries' ability to 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.

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As of September 30 2020 and December 31, 2019, the Company is in compliance with all financial contractual obligations to do and not to do.

Fair value of debt instruments and senior notes:

The following is considered to measure the fair value of debt instruments and senior notes:

- The fair value hierarchy level is Level 2.
- Information publicly available by financial data service providers, such as Bloomberg and/or Valmer (BMV), is used in measuring fair value. If no information is found from those sources, the future discounted cash flow standard methodology is used.
- The inputs used in fair value measurement include:
 - Applicable interest rates
 - Surcharges
 - Interest payment periods
 - Risk-free nominal curves

As of September 30 2020 and December 31, 2019, the Company made no transfers between the levels of the fair value hierarchy.

The valuation techniques used for fair value measurement of financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Discounted cash flow analysis.

Financial liabilities at fair value compared to valuation at amortised cost:

	<u>As of September 30, 2020</u>		<u>As of December 31, 2019</u>	
	Amortised cost	Fair value	Amortised cost	Fair value
Debt instruments	\$ 11,513,048	\$ 11,227,754	\$ 14,635,572	\$ 14,686,669
Senior notes	38,484,626	\$ 52,287,315	33,631,961	37,590,348

Reconciliation of liabilities for financing activities

Liabilities for financing activities	Balance as of 12/31/2019	Cash		Cash		Foreign		Balance as of 09/30/2020
		Cash flows (inflow)	Cash flows (outflows)	Interest accrued	Interest paid	Exchange Rate		
Debt instruments	\$ 14,635,572	\$ -	\$ (3,191,561)	\$ 780,202	\$ (711,164)	\$ -	\$ -	\$ 11,513,048

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Liabilities for financing activities	Balance as of 12/31/2018	Cash flows (inflow)	Cash flows (outflows)	Interest accrued	Interest paid	Foreign Exchange Rate	Balance as of 12/31/2019
Senior notes	33,631,962	-	(666,519)	2,089,042	(2,033,706)	5,463,847	38,484,626
Debt instruments	\$ 15,418,204	\$ 2,750,000	\$ (3,527,127)	\$ 1,615,005	\$ (1,620,510)	-	\$ 14,635,572
Senior notes	21,938,653	12,357,914	-	2,074,024	(2,738,629)	-	33,631,962

Note 8 - Stockholders' equity:

i. Stockholders' equity

As of September 30 2020 and December 31, 2019 Stockholders' equity is made up as follows:

	<u>Number of shares of stock</u>		<u>Amount</u>	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Fixed capital Series "A"	320,000	320,000	\$ 1,000	\$ 1,000
Variable capital Series "A"*	<u>484,980,000</u>	<u>352,480,000</u>	<u>1,082,902</u>	<u>957,242</u>
Total	<u>485,300,000</u>	<u>352,800,000</u>	<u>\$ 1,083,902</u>	<u>\$ 958,242</u>

* Include share issuance, placement and registration expenses for \$144,258.

At the Annual General Shareholder Meeting held on June 5, 2020, the Stockholders resolved to increase the variable portion of the capital stock in the amount up to \$2,520,000 through the issuance of 140,000,000 new shares to be offered to the shareholders of the Company at a subscription price of \$18.00 pesos per share and with a nominal value of \$3.125 pesos per share, the Company published the pre-emptive rights notice in the electronic system of the Ministry of Economy and The Mexican Stock Exchange. The capital increase was constituted as contribution of \$437,500 in the Capital stock and \$2,013,403 (Net of registration expenses of \$69,097) as Premium on Capital of shares.

At the Stockholders' Meetings held on April 25, 2018 and March 21, 2019, the redemption of Series "A" shares of variable capital stock for 2,500,000 and 5,000,000, respectively, was approved. On January 22 and 24, 2020, the Company received authorization from the CNBV to update registration with the National Securities Register of the shares representative of its variable capital stock. Consequently, its ordinary, registered Series "A" shares representative of capital stock, without a par value, were taken from 352,800,000 to 345,300,000 decreasing variable portion of its Capital stock in \$311,840.

Ordinary General Meeting held on March 21, 2020, the Stockholders authorized a fund for the repurchase of Company's own shares. The fund operates as established by the Securities Act and up to the limits approved by the Board of Directors. As of December 31, 2019, 32,347,132 shares were repurchased for an amount of \$1,325,054, which are disclosed under Treasury Stock, in the Stockholders' Equity. As of September 30, 2020 the Company redeemed \$311,840 (7,500,000 shares) and repurchased an additional lot of shares totaling \$69,708 under such authorized fund as mention above.

ii. Basic and diluted earnings per share

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

Net income attributable to:	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Profit attributable to interest Subject to calculation	\$ 1,058,417	\$ 1,397,843
Basic and diluted earnings per share (Mexican pesos)	\$ 3.27	\$ 4.26
Weighted average of shares used as denominator	442,702,808	322,660,943

Note 9 - Segment reporting:

Reportable segments determined by the General Management comprise three operating segments, as described below:

Leases: The Company's main business activity is the granting of leases for motor vehicles (including cars, trucks, helicopters, aircraft and ships); machinery, equipment and other assets of different industries in the middle-sized enterprises sector.

Factoring: Through its factoring business, the Company provides liquidity and financial solutions to its customers, acquiring or discounting accounts receivable from its customers or customer suppliers, as the case may be.

Other receivables: Include loans granted for the acquisition of brand new or used vehicles for individuals and legal entities, and other receivables for financing working capital and the purchase of other capital goods.

The Company's main business activity is the granting of leases for motor vehicles, machinery and equipment, among others; its complementary activities include factoring, car loans and unsecured loan transactions.

On this basis, the Company includes leases, factoring and other loans as representative operating segments in its Condensed Unaudited Consolidated Interim financial statements, to provide an analysis of its assets, liabilities and results.

The main assets and liabilities per Company segment follow below:

	<u>September 30, 2020</u>			
<u>Assets</u>	<u>Leases</u>	<u>Factoring</u>	<u>Other receivables</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,928,759	\$ 9,437	\$ 63,233	\$ 3,001,429
Accounts and notes receivable, net	47,093,578	1,865,155	14,144,350	63,103,083
Derivative financial instruments	6,538,401	-	-	6,538,401
Non-current assets held for sale	995,460	-	376,882	1,372,342
Property, plant and equipment, net	5,804,598	34,047	228,133	6,066,778
Investment properties	510,644	20,224	153,370	684,238
Intangible assets	96,298	3,814	28,923	129,035
Deferred taxes	2,697,395	58,770	662,347	3,418,512
Other assets	<u>411,762</u>	<u>16,308</u>	<u>123,671</u>	<u>551,741</u>
	<u>\$ 67,076,895</u>	<u>\$ 2,007,755</u>	<u>\$ 15,780,909</u>	<u>\$ 84,865,559</u>
<u>Liabilities</u>				
Bank loans	\$ 2,916,533	\$ 2,076,146	\$ 14,334,977	\$ 19,327,656
Debt instruments	11,513,049	-	-	11,513,049

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

Senior notes	38,413,716	8,261	62,649	38,484,626
Suppliers and other accounts payable	788,510	24,891	191,216	1,004,617
Derivative financial instruments	<u>1,949,668</u>	<u>-</u>	<u>-</u>	<u>1,949,668</u>
	<u>\$ 55,581,476</u>	<u>\$ 2,109,298</u>	<u>\$ 14,588,842</u>	<u>\$ 72,279,616</u>

December 31, 2019

<u>Assets</u>	<u>Leases</u>	<u>Factoring</u>	<u>Other receivables</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,191,716	\$ 442,154	\$ 197,460	\$ 3,831,330
Accounts and notes receivable, net	41,888,916	3,155,134	12,266,810	57,310,860
Derivative financial instruments	4,975,843	-	-	4,975,843
Non-current assets held for sale	1,007,476	-	376,882	1,384,358
Property, plant and equipment	6,435,531	-	-	6,435,531
Investment properties	-	-	250,190	250,190
Intangible assets	80,798	6,113	23,143	110,054
Deferred taxes	3,046,521	422,039	188,477	3,657,037
Other assets	<u>605,088</u>	<u>45,833</u>	<u>174,184</u>	<u>825,105</u>
	<u>\$ 61,231,889</u>	<u>\$ 4,071,273</u>	<u>\$ 13,477,146</u>	<u>\$ 78,780,308</u>
<u>Liabilities</u>				
Bank loans	\$ -	\$ 3,495,910	\$ 11,171,133	\$ 14,667,043
Debt instruments	14,635,572	-	-	14,635,572
Senior notes	31,568,810	-	2,063,152	33,631,962
Suppliers and other accounts payable	1,816,870	-	-	1,816,870
Derivative financial instruments	2,976,309	-	-	2,976,309
Other accounts payable	<u>127,690</u>	<u>17,690</u>	<u>7,900</u>	<u>153,280</u>
	<u>\$ 51,125,251</u>	<u>\$ 3,513,600</u>	<u>\$ 13,242,185</u>	<u>\$ 67,881,036</u>

As Management considers that the usual information for stakeholders is the gross margin, as of September 30 2020 and 2019, the respective information is as follows:

Period ended September 30, 2020

	<u>Leases</u>	<u>Factoring</u>	<u>Other receivables</u>	<u>Total</u>
Financial income	\$ 6,435,040	\$ 311,118	\$ 1,588,369	\$ 8,334,527
Financial expenses	<u>4,149,716</u>	<u>162,960</u>	<u>892,174</u>	<u>5,204,850</u>
Accounts and notes receivable impairment allowance	<u>\$ 944,883</u>	<u>\$ 107,625</u>	<u>\$ 97,237</u>	<u>\$ 1,149,745</u>

Period ended September 30, 2019

	<u>Leases</u>	<u>Factoring</u>	<u>Other receivables</u>	<u>Total</u>
Financial income	\$ 5,912,596	\$ 407,084	\$ 1,541,933	\$ 7,861,613
Financial expenses	<u>3,895,982</u>	<u>159,974</u>	<u>1,079,690</u>	<u>5,135,646</u>
Accounts and notes receivable impairment allowance	<u>\$ 127,360</u>	<u>\$ 17,435</u>	<u>\$ 9,473</u>	<u>\$ 154,268</u>

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

Note 10 - Transactions with related parties:

The breakdown of the main balances with related parties as of September 30 and December 31, 2019, is as follows:

	<u>September 30,</u> 2020	<u>December 31,</u> 2019
<u>Commercial loans receivable:</u>		
Related parties:		
Administradora Bríos, S. A. de C. V. ⁽¹⁾	\$ 567,093	\$ 301,511
Unifin Administración Corporativa, S. A. de C. V. ⁽¹⁾	-	133,219
Unifin Servicios Administrativos, S. A. de C. V. ⁽¹⁾	-	<u>88,116</u>
	567,093	522,846
Allowance of impairment of accounts and notes receivable	<u>2,254</u>	<u>2,020</u>
Commercial loans, net:	<u>\$ 564,839</u>	<u>\$ 520,826</u>

⁽¹⁾ The Company has granted several commercial loans to its affiliates to finance their ongoing operations. Outstanding balances are recognized under Accounts and notes receivable in the Condensed Unaudited Consolidated Interim Financial Statements. The term of commercial loans and credit lines are 24 months and 48 months, respectively.

	<u>September 30,</u> 2020	<u>December 31,</u> 2019
<u>Accounts payable:</u>		
Related parties:		
Unifin Administración Corporativa, S. A. de C. V. ⁽³⁾	\$ -	\$ 153,192
Unifin Servicios Administrativos, S. A. de C. V. ⁽³⁾	-	<u>149,386</u>
Total	<u>\$ -</u>	<u>\$ 302,578</u>

Transactions over the nine-month periods ended on 2020 and 2019, were as follows:

	<u>For the nine-month period ended</u> <u>September 30, 2020</u>	<u>For the nine-month period ended</u> <u>September 30, 2019</u>
Income ⁽⁵⁾		
Related parties:		
Administradora Bríos, S. A. de C. V.	\$ 44,329	\$ 44,487
Unifin Administración Corporativa, S. A. de C. V. ^{(1) (3)}	1,302	3,944
Unifin Servicios Administrativos, S. A. de C. V. ^{(1) (3)}	<u>621</u>	<u>864</u>
	<u>\$ 46,252</u>	<u>\$ 49,295</u>
Expenses		
Related parties:		
Administradora Bríos, S. A. de C. V. ⁽²⁾	\$ 4,741	\$ 7,586
Unifin Administración Corporativa, S. A. de C. V. ⁽³⁾	332,310	420,926

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

Unifin Servicios Administrativos, S. A. de C. V. (3)	<u>321,375</u>	<u>386,353</u>
	658,426	814,865
Donations (4)	<u>14,161</u>	<u>10,666</u>
Total expenses	<u>\$ 672,587</u>	<u>\$ 825,531</u>

- (1) The Company has executed unsecured loan contracts and generated interest income.
- (2) The Company has administrative services agreements with Administradora Bríos, S. A. de C. V., which provides advisory services.
- (3) 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 consulting, accounting and finance services, among others. At the acquisition date the account payables between the Company and UNIFIN Administración Corporativa S.A. de C.V. and UNIFIN Servicios Administrativos S.A. were \$39,065 \$37,808 respectively, transactions in 2020 belong to the period of January 1st, 2020 to August 26, 2020. The transactions and Accounts payables as of September 30, 2020 were eliminated in the consolidation process due to the acquisition of these entities (see note 2).
- (4) The Company has granted several donations for Fundación Unifin, S. C. to a non-for-profit organization.
- (5) The Company has interest income with Unifin Administración Corporativa, S. A. de C. V., Unifin Servicios Administrativos, S. A. de C. V. and Administradora Bríos, S. A. de C. V., with an interest rate of 12%.

Compensation of relevant Members of the Board

In 2020, the total amount paid as of September 30, 2020 and as of December 31, 2019 to the relevant Members of the Company's Board amounted to \$98,000 and \$126,000 respectively, including fixed, variable and other benefits under the applicable law.

Note 11 - Subsequent events:

As mentioned in note 1, there is uncertainty about the effects of COVID-19, because it continues to affect daily operations in the world.

A prolonged health crisis could continue to reduce economic activity in Mexico, resulting in a further decline in employment and business and consumer confidence. These factors could further negatively impact economic activity and our customers; cause a continued decline in our revenues and the use of our products and services; and further increase our credit and other costs. These factors could also cause a continued increase in our balance sheet and risk-weighted assets, resulting in a decline in capital ratios or liquidity measures. The post-COVID-19 environment may undergo unexpected developments or changes in financial markets, the fiscal, tax and regulatory environments and client behavior. These developments and changes could have an adverse impact on our results of operations and financial condition. Ongoing business and regulatory uncertainties and changes may make our longer-term business, balance sheet and budget planning more difficult or costly. To the extent that we are not able

Unifin Financiera, S. A. B. de C. V. and subsidiaries

Notes to the Condensed Unaudited Consolidated Interim Financial Statements as of September 30, 2020, December 31, 2019 and for the nine-month periods ended September 30, 2020 and 2019

to adapt to the new business environment, we could experience loss of business and our results of operations and financial condition could materially suffer.

Even with the measures taken and supports granted to clients, the portfolio has seen growth in clients' arrears, which has generated growth of approximately 1% of the overdue portfolio, which has led the company to generate an increase of more than 73% on its accumulated reserves in the last nine months, negatively impacting the company's net income.

However, it is important to mention that even though COVID.19 is impacting yet in the human healthy, economy activity and the ordinary life the world continue adapting and develop new ways to recuperate their stability. A probe of this is the recovery of exchange rate of Mexican peso respect of USD, on March 31, 2020, the exchange rate was \$24.28 pesos per US dollar, on September 30, 2020, it was \$22.35 and to the nearest date of this report (January 18, 2020) it was \$19.7875.

However, it is hoped that when health restrictions will decline and the country's economy will revive, customers will return to the timely fulfillment of their obligations.

New funding

ResponsAbility Management Company

On December 17, 2020, we subscribed certain promissory notes in favor of ResponsAbility Management Company in the amount of US\$15 million. The amounts outstanding under these promissory notes are due on June 17, 2021. This loan contains covenants customary for a facility of this type, including certain financial ratios.

Banobras

On December 23, 2020, the internal credit committee of Banco Nacional de Obras y Servicios Públicos, S.N.C approved a credit line of up to \$4,000, with a maximum maturity of 360 months. We expect to enter into this credit agreement and begin disbursing the loan during the second quarter of 2021. The proceeds of this loan will be used for portfolio growth.

BTG Pactual

On December 29, 2020, we entered into a credit agreement with Banco BTG Pactual S.A. Cayman Branch, for an aggregate principal amount of up to US \$20 million and maturing on December 30, 2021. This loan is unconditionally guaranteed by Unifin Credit, S.A. de C.V., SOFOM, E.N.R. and Unifin Autos, S.A. de C.V. 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. We intend to use a portion of the net proceeds from the notes to repay the outstanding balance under this facility.

Banco Azteca

On January 5, 2021, we entered into a credit agreement with Banco Azteca, S.A., Institución de Banca Múltiple, for an aggregate principal amount of up to \$3,000 million and maturing on January 5, 2025. We have disbursed \$460 million (US\$20.6 million) of the total available loan amount. This loan is collateralized with certain receivables from our lease portfolio. The proceeds of this loan were used for general corporate purposes.

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Unifin Financiera, S.A.B. de C.V.
(incorporated under the laws of Mexico)

US\$400,000,000

9.875% Senior Notes due 2029

Unconditionally Guaranteed by

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

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Joint Bookrunners

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Santander

Scotiabank
